



# The Regenesis Report



National Edition

Innovative Homeowner Association Management Strategies

Priceless

**Regenesis** means making new beginnings using eternal principles in innovative ways.

**Regenesis** believes that the goal of every homeowner association board should be to promote harmony by effective planning, communication and compassion.

**The Regenesis Report** provides resources and management tools for just that purpose. Every month, articles of common interest to homeowner associations nationwide are offered along with innovative strategies for addressing common problems.

Managing an HOA can be a lonely and frustrating task. Take heart. Help is on the way.



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## Scrimp & Save

The Beatles' song **When I'm Sixty Four** uses the phrase "scrimp and save". "Save" is clear enough but what, exactly, is "scrimp"? According to The Free Dictionary, scrimp is "to be sparing or frugal; economize". So scrimp is to use less and save is to put into reserve what you scrimped. One hand washes the other.

An issue that all homeowner associations face is having to renovate common and expensive components like streets, fences, landscaping, paint, pools, roofs, etc. etc. Many of these renovations cost money...a LOT of money. Failure by the HOA to save up the money results in several unpleasant options:

**1. Special Assessment.** Each HOA member must pony up a share of the money required for the task at hand by whatever legal means available (cash in the bank, credit card, home equity loan, Uncle Bob, etc.). The good news is that sharing such costs is considerably cheaper than going it alone as with a single family home.

**2. HOA Borrows Money.** Banks that lend to HOAs typically use the HOA's cashflow to collateralize and repay the loan. To pay the bank back, the HOA must collect each member's share of the loan payment monthly to make the loan payment. This arrangement is fraught with problems. For example, let's assume the HOA has 50 members and borrows \$500,000 at 8% for 10 years. The payment is about \$6000/month. To make all the payments, the HOA must be prepared to collect up to **6000** payments from the members (10 years x 12 months x 50 members).

At any point along the 10 year timeline, one or more of the HOA members could default on their payment obligation due to unemployment, death, divorce, disability, etc. The obligation to collect the delinquency is not on the bank, it's on the HOA. Months or years could pass before the delinquency is collected, if at all. Since this is an HOA loan, any shortfall would need to be made up by the remaining members. And to make matters worse,

even members who prepay their share of the loan up front are still on the hook for the shortfall. Why? Because belonging to an HOA means a shared financial obligation. If all don't pay, the rest are legally obligated to pay for them.

The HOA borrowing money because one or more members "can't afford" a special assessment raises a fundamental question. How many profitable lenders make loans to people they know can't afford to pay them back? Answer: Zero. So why would the HOA want to front for bad credit risks? It is better to deal with this issue in advance. Some members may be living beyond their means. While unfortunate, it is not the HOA's obligation to underwrite these members. HOAs are not designed to be welfare systems. Those members should sell and downsize to housing they can afford.

**3. Deferred Maintenance.** Since neither special assessments or bank loans are pleasant, some boards simply ignore needed renovation due to lack of funds. As a result, property values and livability decline. Some boards conjure up a workaround by passing on the HOA's renovation obligation to individual members. In other words, each member is required to replace their own roof, do their own painting, etc. In common wall HOAs like condominiums, this is a recipe for disaster as individual members are not equipped know how and when this should be done, they often hire unreliable or unskilled contractors or simply ignore the task altogether. Plus, the board has no authority to skate on the HOA's responsibility to take care of these things. To do this, requires a 100% approval vote of the members to amend the governing documents.

To avoid these unpleasant alternatives, the board should commission a reserve study by a credentialed professional like a Professional Reserve Analyst (PRA). See [www.apra-usa.com](http://www.apra-usa.com) for a list of PRAs. A reserve study will lay out a 30 year plan for scheduling renovation work and provide a funding plan to advise the board how much money should be collected annually to pay for those future costs. And make sure to have the reserve study updated every year to keep

the projections accurate. To scrimp and save for this purpose ensures that the property is maintained in its best condition and highest market value. 🌱

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### Ask the HOA Expert

**Q** I am a board member. If I have questions on interpreting our governing documents, should I have the right to talk to the HOA's attorney? Our president said "no".

**A** It's not good policy to allow individual board members to spin the attorney's meter. While your question(s) may be legitimate, your legal budget is likely very small. Discuss your question(s) with the whole board and if a majority agree to get the attorney's opinion, so be it. You also have the option to consult your own attorney for information and pay for it.

**Q** Our annual election is coming up. Letters were sent out to the members by the management company asking for board candidates. Candidates are permitted no more than 100 words to state their platform. I talked to the management company and was told this is common practice.

**A** This restriction is neither normal nor sensible. If a candidate wants to write a full page, let him write it. Most will write little or nothing.

**Q** An amendment was circulated to change a section of the governing documents. The president feels this can remain out with the membership until enough approval votes are received. We need 75% for approval. I think that 60 days is a sufficient amount of time.

**A** Usually, bylaw amendments are discussed and voted upon at either the annual meeting or a special meeting called for that purpose. Mailing bylaw amendments to owners should only be done if many of them live far away. And if that is the case, 30 days is plenty of time to return the ballots. More time will not get greater compliance. When a deadline is set and the needed ballots aren't received, the board should keep making phone calls until the absents return the ballot.

**Q** How many days after a meeting should the minutes be available to board members? Currently, the minutes are sent to board members about five days prior to next meeting. When asked to approve the minutes of the previous meeting, it's hard to remember every thing that went on.

**A** Passage of time will not improve the secretary's memory and critical details will likely be left out. Also, there are likely action items that need to get done before the next meeting and the DRAFT minutes will remind those tasked to do them. Unless there are extenuating circumstances, minutes marked "DRAFT" should be made available to both the board and membership within a week. (The DRAFT, of course, must be formally approved at the next board meeting).

**Q** More and more of our condos are being rented out. Can the board assess an additional "non-owner occupied" fee on top of the standard HOA dues?

**A** The governing documents define the formula of how HOA dues/fees are distributed. This formula can typically only be changed by a vote of the owners which may be up to 100% approval required. This makes sense. If all owners don't approve the change, a simple majority could decide to increase dues/fees on the rest.

The board has no authority to surcharge landlords. The board can, however, charge landlords for real costs incurred due to their tenants. These same charges should be levied to owners that incur them.

**Q** The board has decided to employ a management company to assist us. However, what happens if no one is willing to serve on the board? The current board members do not wish to serve forever but are concerned that there is no one to carry on the legacy.

**A** There's a saying "Don't worry about tomorrow because tomorrow will worry about itself". Volunteers usually shy away because of fear of the unknown. The board job was not designed to be overly difficult or time consuming but it can be if you try to self manage, particularly if there are members who don't pay or won't obey rules. Getting qualified management (specializes in HOAs) is a good move because it will reduce the amount of time the board needs to deal with things. Time involvement is a major obstacle to getting volunteers. Once management is hired, the board should need to meet no more than four times a year. In between, let the manager run the show according to the approved budget and governing documents. That level of organization will encourage volunteers who know they aren't being set up for another full time job. 🌱

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## Parking Wars

With car ownership and land costs on the rise and street width and parking on the decline, where the two meet, battles erupt. Parking committees post dayglo orange violation stickers on vehicles, roving tow trucks with instructions to hook and tow on sight and neighbors duking it out over parking spaces.

In an effort to resolve the problems, the board often enacts a parking policy. In considering such a policy, the board should first review the governing documents for guidelines. One issue to consider is common area parking (not to be confused with city street parking). As a rule, all residents have a right to use undesignated common area parking. Assigning parking spaces to a particular owner would be illegal since it is common area. However, controlling the type of vehicles that are allowed to park in the common area is within the board's authority.

To preserve parking availability, it's important to prohibit parking of stored, wrecked, inoperable and commercial vehicles. Restrictions can also apply to trailers, RVs, large trucks, boats and jet skis. As long as these vehicles can be garaged without displacing resident vehicles to common area parking, they can be permitted.

Restricting certain kind of commercial vehicles can get dicey if they are the primary mode of transportation for a resident, like a utility van or small truck. Exceptions might have to be made especially if your HOA is populated with blue collar workers.

Adequate guest parking is something that should be provided for in various strategic locations. They should be clearly marked so nearby residents don't commandeer them for their own. Of course, frequent guests should be instructed to park in the designated area or in the resident's driveway if available.

Fire Lanes are no car zones. You can aggressively tow without warning since violators obstruct emergency vehicles. Simply make sure the curbs are brightly painted and lettered with NO PARKING - TOW WITHOUT

WARNING. Then, all that's needed is a phone call to the local towing service.

Steer clear of parking permits if at all possible. Tracking permits is labor intensive, expensive and bound to clash with guest and rental cars. Rather than saddling the HOA with a cumbersome administrative system, let affected residents inform the board or manager when there is a parking abuse. Most of the time, there are only a few scofflaws that need to be dealt with. A tow or two generally solves the problem.

Parking is not a battle easily won. It's more like a fighting guerilla warfare with snipers popping up here and there. Stand your ground and be prepared for the long haul.

For a sample Parking Policy see [www.Regensis.net](http://www.Regensis.net) Policy Samples. 🗑️

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## Picture Perfect Reserves

A reserve study identifies a homeowner association's future repairs and replacements like a snapshot in time. Imagine that you could picture the buildings and grounds as they would be in five, ten, even thirty years. A reserve study acts just like that by estimating the useful life of the common elements and the cost to replace them in the future based on current cost adjusted by inflation.

A reserve study uses a component inventory analysis of the HOA's common elements having useful lives of between 2 and 30 years to project scheduling coupled with a funding plan. Those components consist of the obvious, like roofing, painting, paving, fencing and the not-so-obvious like treework, landscape renovation and inspections (elevator, fire sprinklers and alarms, tripping hazards). Even the smallest HOAs have at least 15 items that should be included. Large HOAs can have *hundreds*. For a list,

go to the Reserve Planning section of [www.Regensis.net](http://www.Regensis.net).

Common elements deteriorate over time and as do the underlying assumptions of the reserve study. Reserve studies can be affected by new labor-saving techniques, building designs and materials that reduce projected costs or extend useful lives. As these changes take place, so should your reserve study. Annual review and update of the reserve study confirm that the schedule and costs are still accurate. And it's not always bad news that affects the review. Age, condition and rate of deterioration can be positively impacted by preventive maintenance implemented by the association which increases useful lives. Changes in area inflation and the actual interest earned from invested reserves need to be revised as well. The good news is the annual review is a snap compared to the initial reserve study which requires significant field work to compile data.

Now that you're focused on reserves, it's time to load the film and start shooting. Snapshot by snapshot, the results will develop picture perfect. 📸

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## Go Against the Grain

Years of inaction, unenforced violations, deferred maintenance and too little money to get the job done takes its toll on a homeowner association. A sense of "muddle by" permeates the board and meetings end up being more gossip than work. There you sit, the new kid on the board, knowing that something's gotta give. This place is going down the toilet and you don't want to get flushed with it. What to do?

Change comes hard to an HOA in the doldrums. Members are conditioned to expect little and the board feels helpless to do anything about it. Failure



becomes habit and the vision dims. Camelot is just a dream. Let's just keep our heads down and maybe no one will know the difference.

But they do know. Silent but angry, frustrated and disgusted, members watch as the neighborhood slides toward the abyss. A few harangue and harass the board but most shake their heads knowing it's useless to complain to the deaf.

But hope is looking past what is to what could be. Every new day has a dawn and another chance for change. If your HOA is floundering, here are some strategies for regaining the high ground:

**Meeting of the Minds.** Before change can take place, the board must be of one mind (or at least of majority mind) that change is needed. This is either the starting or the sticking point. If a majority are agreed that things have got to change, good. Skip to the next step. If not, some road blocking directors must first be replaced. This will take a bit longer to encourage new candidates to step forward and to rally support for them from the electorate. But nothing worth doing is ever easy. Keep focused down the road, not the potholes in front of you.

**Define the Issues.** Once the board is of one mind, it's time to identify areas of change. They come in all shapes and sizes and from "can wait" to urgent. First, compile the list. Second, prioritize the list according to urgency and funding requirements. Research the cost and implications of implementation. For example, deciding to bring all architectural violations into compliance this year could be an enormous and volatile task. Since volunteer time and effort is often involved, prioritize and allow enough time to get the job done.

**Devise a Plan of Action.** With your priorities lined out, lay out a Five Year Plan of action. Keep in mind that volunteers will be needed to get some of it done so don't drown them before the swim meet starts. Pace, pace, pace. Overly ambitious and expensive changes will be met with proportionate

resistance. Most of these problems compounded over years. Unraveling them takes time. Start slow to build credibility with success.

**Cast Your Bread on the Waters.** Hold a special meeting to roll out the proposed Five Year Plan to the membership and ask for feedback. Expect challenge and thank them for it because it shows they're paying attention. Promise to take the feedback to heart and find a way to make it part of the plan. That way, the membership is invested in the outcome.

**Recall the King.** Long entrenched leaders rarely have the ability to make radical changes. While maybe well meaning and steadfast, they are the roadblock and not the bridge to change. Since the president serves at the pleasure of the board, the board can make a change for the good of the order. It should be done with diplomacy and sensitivity but done it should be unless you have that rare exception to the rule.

Worthwhile change is going to be met with some resistance and going against the grain will gather splinters. But keep the long view. If change is going to come, it's up to you. In the immortal words of Garth Brooks:

If you're gonna make a difference,  
If you're gonna leave your mark.  
You can't follow like a bunch of sheep  
You gotta listen to your heart.  
Go bustin' in like old John Wayne.  
Sometimes you got to go against the grain.  
Nothin' ventured, nothin' gained.  
Sometimes you got to go against the grain.

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### **Who Wants to Serve?**

Moths give off "pheromones", a peculiar scent that attracts mates from many miles away. Oh, that it were so easy to attract volunteers to the board. Just spritz some Eau de Volunteer in the air and *Nellie bar the door!* Okay,

that won't work on human so what does it really take to attract good volunteers?

Here are a couple of suggestions:

**Develop a communication system.** A frequent complaint of members is not being kept informed. To draw out volunteers, it's critical that they know what's going on. Also, some owners develop a suspicious nature about board motives when kept in the dark and resist being involved. Let'em know what you're up to early and often! Repeated pleas for help will have their effect. A newsletter and flyer distribution box (the kind used by real estate agents) is an inexpensive and convenient way to get the word out.

**Give credit where credit is due.** People love attention. Make sure that directors, committee members and homeowners are given formal recognition for their efforts by way of the meetings, the minutes and newsletters...every opportunity where there is an audience. Point out particular owners that show superior landscaping abilities. (They are obvious candidates for the Landscape Committee.) Award certificates of achievement at the annual homeowners meeting. Remember also that not all tasks have an end and some volunteers doing ongoing tasks tend to get overlooked.

**Provide social opportunities.** People tend to want to help those that they know personally. However, many are shy and don't easily make friends. The association can promote several socials annually to facilitate the process. Consider a spring clean-up party, pool party or just plain potluck. It will help create a real "community".

**Assign real jobs to do.** It's been said, "A committee takes minutes and wastes hours." There is nothing more frustrating than a job with no job description or substance. There is real work to do at each association. Directors and committee members should have clear "marching orders" detailing exactly what the objectives are, the time frame and the money available to help get the task done.

**Get organized.** Have meetings scheduled well in advance. Have a proper agenda, run the meeting in a businesslike way (save the wine until afterwards) and limit your meetings to two hours. Endless rambling meetings are a real turnoff to successful people (the kind you want as volunteers). Your meetings should be decision oriented so things get done.

**Be an encourager.** It is incumbent on the board president to take the lead in promoting volunteers. The successful leader motivates by persuasion and not authority. Remember, "A servant does not lower himself but elevates others".

Since uncommon scents like pheromones don't work, use common sense by making the volunteer position too attractive to resist....like a moth to a flame.🔥

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## Keep It Looking Good

One of the important proactive policies a homeowner association board can enact involves acceptable appearance standards. These are particularly important in condos and other common wall communities where uniform appearance underscores market value.

Many current residents formerly lived in detached housing where they were free to express themselves with flowers, pink flamingos and lawn jockeys. Some folks feel the further need for personalized fences, trellises, decks, light fixtures, security doors, security bars, awnings and other structural modifications. The ways owners are driven to "customize" the common area are limitless. The board can never be prepared for some of the more creative ways. However, it helps

to establish an appearance philosophy with guidelines. Here's a sample:

Appearance Philosophy: The HOA has responsibility to maintain the grounds and building exteriors. To accomplish that objective, guidelines have been established to standardize appearance to sustain home resale values plus maintenance efficiency and cost effectiveness. In the spirit of cooperation, we encourage all residents to follow these guidelines:

- Only Acme Brand Model 123 storm doors with bronze finish are permitted.
- Only Acme Brand Model 567 patio roofs with bronze finish are permitted on upper decks.
- Common area landscape is to be altered, supplemented and maintained only by the landscape contractor.
- Light fixtures and address numbers are standardized by brand, color and type and must remain so.
- Only barbeques and suitable outdoor furniture are permitted on decks.
- To avoid the "prison look", window security bars are not permitted.
- Restrict window signage displayed to "For Sale" or "For Rent".
- For safety reasons, no plant pots should be set on upper deck rails.
- All unit structural modifications must be approved by the board.

Most of the conflicts boards experience are largely avoidable by establishing clear, reasonable policies and communicating them regularly to the owners. Consider enacting appearance standards for your community.🔥

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## Open & Transparent

There is a principle that no HOA board should lose sight of: Members have a right to be kept informed of board actions. To that end, board actions should be formalized at meetings open to the members where issues are cussed and discussed. At those meetings, votes are taken, majority rules and issues are dealt with.

However, some boards don't seem comfortable with the principle of open meetings. Objections range from "No one shows up anyway" to "They interrupt the process" to "It's none of their business!". Regardless of the objection, the fact remains that the board was elected by the members in a democratic process. The board wasn't given a Emperor's Scepter to wield as it sees fit. So, board meetings being open to members is not optional. There are, however, a few meetings which may be closed to members under very special circumstances. These meetings are called "work sessions" and "executive sessions".

Work sessions are intended for information gathering and general discussion *but not decision making*. Formal decisions concerning information gathered at work sessions should only be made at open board meetings and documented in the minutes for all members to see. This is especially true about rules and budget issues. While the outcome may be a foregone conclusion based on work session discussions, the board should never move forward on the basis of work session discussions alone. Work sessions should address a specific topic, not a broad spectrum of issues

and be few in number. They are never a substitute for board meetings.

Executive sessions are meetings reserved for highly sensitive issues that should not be aired in public. These include discussions of litigation, collections on members, employee disciplinary matters and contract negotiations. Like the work session, an executive session should have a very focused agenda and be infrequent. Decisions can be made in executive sessions but should be referenced in the minutes of a formal board meeting.

These two exceptions notwithstanding, remaining meetings of the board should all be wide open. Another good reason to keep them open is so potential board members can be coaxed to sit in on meetings to see what it's all about. Taking the mystery out of the job will encourage more volunteers.

If your board has been operating in the dark, raise the blinds, open the door and let the sun shine in. Keep your meeting open and transparent. It's a healthy move to help keep the directors accountable to the folks that elected them. 🌱

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### Wisdom Lost in Knowledge

If you travel northwest from Athens, on the road to Corinth, you will come to the ruins of the once great city of Delphi. Delphi is the place once thought by the Greeks to be the center of the world. Here, in the 6th century B.C., the Oracle in the Temple of Apollo, was at its busiest, as it was called upon to dispense wisdom and to give answers to some of the pressing questions of the day. But, the Oracle of the classical world was silent before the age old questions like Who am I? Why am I here? What should I be doing? and Where am I going?

From the beginning of time man has been trying to make sense of himself and his world. He has been seeking understanding. But as time marches on, man isn't getting the understanding he seeks, he isn't happier, and he hasn't been able to conquer his own nature.

What's wrong? With all the great minds and thinking that have gone before us, with all the lessons of history left for us to examine, it is difficult to imagine why we aren't further along than we are. Why are we asking the same questions in our search for meaning, the Greeks were asking 2600 years ago. Do we not yet have enough information available to us?

We now live in a world where we are inundated with more information, on a daily basis, than we can possibly process. It is an over-communicated environment. There are so many unwanted messages bombarding us, that often the ones we want get lost in the noise. The average person can now communicate faster, with more people—without thinking—than ever before. Information has become disposable. It doesn't matter whether you are connected to the Internet or not. We get hit with it at every turn. At work. At home as we try to relax. And at all points in between.

So what about it? What are we doing with this information? Is all this information really doing us any good? Are we living happier lives? Are we experiencing fewer problems? Are our decisions better? Are we any wiser? History tells us that we haven't learned much in spite of all we know. The situation changes, but the problems remain the same. Clearly, we need to do something better with all of this information.

T.S. Eliot posed the question: "Where is the wisdom we have lost in knowledge? Where is the knowledge we have lost in information?" In a day and age where the number one shows

are sitcoms and we commonly find best sellers written by those on the fringe of society, we are clearly in need of better thinking. We need wisdom.

*By Michael McKinney 🌱*

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### Dollars & Sense

Dear Dad,

School i\$ really great. I am making lot\$ of friend\$ and \$tudying very hard. With all my \$tuff, I \$imply can't think of anything I need, \$o if you would like, you can ju\$t \$end me a card, a\$ I would love to hear from you.

Love,  
\$on

Dear Son,

I kNOW that astroNomy, ecoNomics, and oceaNOgraphy are eNOugh to keep even an hoNOr student busy. Do NOT forget that the pursuit of kNOWLEDge is a NOble task, and you can never study eNOugh.

Love,  
Dad 🌱