

Best Practices for Association Management

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Review The Basics



This e-memo and those that follow throughout 2012 are meant to reinforce the basic elements of results oriented association management. Professional management companies have learned from years of experience that care of the community is directly correlated to board members' understanding of fiduciary duties, adherence to community legal documents, continued education of owners, board members and managers as well as care of the association's finances.

Your HOA impacts your Property

If the median home price in Southern California is \$300,000, a 1 percent increase in property value equates to \$3,000. Yet, given the strength and duration of the current economic downturn, many Boards are reluctant to raise the monthly assessment rates – despite increased costs for utilities, supplies, insurance and services.

While maintaining assessment rates for long periods of time with no increase may bring happy neighbors, the affiliated decrease in service levels and association's operations directly impacts property values.

Typically, property values are based on the location, size and number of bedrooms and bathrooms of the home. Clearly, the HOA has no impact on the property size and structure type. Also, the value of a location is based on the desires of the individual and the area in which he/she wishes to live. However, if two similar homes are located in similar areas with similar associations, what can make one home more valuable than the other?

Quality of Maintenance:

- Select the best qualified, not necessarily the least expensive contractors.
- Focus on the best repair for the long term, not the quickest or least costly.
- Consistently enforce rules pertaining to individual owner exterior maintenance.
- While entry and community areas naturally receive more focus, don't sacrifice maintenance levels in other areas that are also visible to owners and visitors to the community.
- Plan ahead – will exterior paint colors still look contemporary in five years? What plant or tree material will require replacement due to age or other considerations? Are your service providers cutting costs by less labor intensive maintenance? Are repair and replacement schedules being ignored now in an effort to save money?

Availability of Financing:

- Mortgage lenders consider HOA (delinquency levels?) effectiveness with collection efforts. Maintain a consistent and timely collection policy. Strive to keep delinquent accounts at less than 10 – 15% of the total number of units.
- Increase funding to the reserve accounts – ideally, reserve funding at 70% or more avoids the potential for special assessments and meets most lender requirements.
- Stay out of litigation by following Civil Codes, requirements of legal documents and other advice or direction from experts.
- Review insurance policies regularly – does the HOA maintain the best types of coverage at higher than minimum limits?

Media Spin:

- Educate and respond to the homeowners. Homeowners should be helped to realize that one bad article in the newspaper, one bad call to the local news, one bad video on YouTube, one negative Twitter feed or Face book comment can go viral. These types of comments are easily found through any search engine and significantly decrease the emotional equity within a community or neighborhood.
- Consider implementing a public relations drive within the community. Does your Association have a website that presents a “face” to the public? Are volunteers (including Board Members) recognized for their volunteer time? Is it important to consider social activities and promote them within the community? How may the community be spotlighted in the press or through social media?

It is clear that your HOA can do many things to improve property values. If your home’s value increased over \$3,000 because of Association improvements, wouldn’t that be worth a couple of extra dollars per month in assessment fees?

For more information regarding this or other informational topics, please feel free to contact info@waltersmanagement.com.



Community association management is a unique business relationship between a voluntary representative group of property owners and a professional fee paid service entity whose primary role is to protect, maintain and enhance the collectively owned real property and related assets of a common interest development.

These brief memos are available to all those who are participating or have an interest in the management and maintenance of common interest property. There is no intention by the provider that any the information herein is to be construed as a direct application to any specific property or property management situation. The purpose is to provide thoughtful suggestions for the proper application of management practices across the broad spectrum of communities nationwide. We invite comments from the readers at any time.

For more information, please visit <http://www.waltersmanagement.com>.