

THE COMMUNITY BUILDER

Association Special Assessments

Special Assessments...Are they really special or are they a huge supplement to underfunded reserves or a poorly developed budget?

Part I of this series can be accessed on the Sentry website (www.sentrymgt.com) on the bottom right hand side of the page under Sentry ENewsletter. Simply find the title and click on read more.

You're now ready to think about the meeting at which either the Board or the members will approve the proposed special assessment. The bids have been taken, the contractors interviewed, the financial position of the association has been reviewed thoroughly for existing funds, the final amount needed has been determined... it is now time to think about HOW you or the members are going to approve this assessment.

We will provide three samples for your review:

For the purpose or purposes of communication and effective processing of special assessments, Sentry Management has established three basic resolutions for the board to adopt, as part of the meeting minutes, the details of which are listed below. Notice (billing) of the special assessment must be in accordance with the governing document, however, it is strongly suggested that the notice of the assessment due to the members be at least thirty (30) days in advance of the due date.

All special assessments should be due on the first (1st) day of the month in order to avoid additional charges associated with the need to create a separate run of late letters, intent-to-lien notices (where applicable), and other collection activities, etc. The following are the proposed motions that should be made depending on the type of assessment, whether it is a one-time one-payment; a one-time with installments permitted or if it will be multiple assessments to preserve the most income should owners fall into collections, bankruptcy or mortgage foreclosure.



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Special Assessment with one-time payment:

A. The entire amount of the assessment is billed in when due and one coupon is mailed to the owner. Interest/late fees are charged in accordance with the Declaration.

RESOLUTION: The Board of Directors of Sunnyland Community Association hereby resolves that a special assessment in the amount of \$1,000.00 is due from all owners of record as of June 1, 2014, for the purpose(s) of _____ (description of project(s).) All assessments unpaid after 30 days shall be subject to the collection policies established by the Declaration.

In this case, the entire amount of the special assessment would be collected in the event of a closing and the entire amount would be written off as bad debt should a bankruptcy or foreclosure occur after the due date.

Special Assessment with Installment Payments:

B. Installment Payments - the entire amount of the assessment is billed in when due (June 1, 2014) but installment coupons are mailed to the owner with an option to pay in full or pay installments outlined by the Board, with interest charged on each unpaid installment.

This would be a one-time special assessment for which the board has allowed the option of a payment schedule for those owners who choose to spread their payments over a period of time. However those owners which do not remit the installment payment on time are charged interest and/or late fees at the rate dictated by the Declaration for the unpaid balance of the installment payments.

RESOLUTION: The Board of Directors of Sunnyland Condominium Association hereby resolves that a special assessment in the amount of \$1,000.00 is due from all owners of record as of June 1, 2014, for the purpose(s) of _____ (description of project(s).) Installment payments of \$333.33, due on the first day of June, July and August, may be made at the option of the property owners, with interest charged on the unpaid



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installment. Once any one payment becomes delinquent, the option to make installment payments is forfeited and the entire amount of the assessment becomes due and payable and is subject to the collection policies set forth in the Declaration.

In this case, the entire amount of the special assessment would be collected in the event of a closing and the entire amount would be written off to bad debt should bankruptcy or foreclosure occur after the due date (June 1).

The next resolution sample, provides for "safe harbor" for a multi-payment special assessment.

It is Multiple Assessments. Each assessment is billed in when due and a coupon is mailed to the owner for each assessment passed. In this sample, it is taking into consideration the fact that the project will take some time and will not require all of the assessment income at once and is therefore spread over several months.

Multiple Special Assessments:

C. RESOLUTION: The Board of Directors of Sunnyland Community Association hereby adopts a special assessment in the amount of \$333.00 due from all owners of record as of June 1, 2014; and a special assessment in the amount of \$333.00 due from all owners of record as of July 1, 2014; and a special assessment in the amount of \$334.00 due from all owners of record as of August 1, 2014 for the purpose(s) of _____ (description of project(s).) Each special assessment is subject to the collection policies set forth in the association's Declaration.

This resolution assesses the \$1000.00 per lot or unit that the Association needs and allows the owner to break the payment down over three months by making each payment a separate special assessment. This method has proven to be the most economical for the Association, as well as the least amount of loss should foreclosure or a bankruptcy, occur. In this case, only the special assessment due would be collected at the time of closing and the additional special assessments, if any, would fall to the new buyer. Likewise, only the special assessment due as of the date of bankruptcy filed or certificate of title issued would be written off to bad debt.



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It is not recommended to pass special assessments for a period longer than the Association's current fiscal year. Some associations borrow funds from banks to perform major renovations and/or capital improvements. If a loan is secured, rather than special assessing for the period of the loan, it is better to increase the budget to include loan repayment. Economics and potential losses drive this recommendation as to this method as the best solution for long-term special assessments.

As you can see, all three sample Resolutions contain the magic words, "owners of record as of June 1, 2014". Why are these magic words, because it specifies who the assessment will be collected from should the property be sold to another owner. Without that statement, determining who the responsible party is could jeopardize the collection of the funds.

Like any project, a special assessment requires information, planning, consensus and good execution for a successful conclusion.