



COMMUNITY BUILDER

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Signs of a Healthy Association

How do you know if your condominium or homeowners' association is 'healthy'? This is an important question and is answered by evaluating a few critical items within the community and under the Board's purview.



Perhaps the first step to being able to answer the question is to understand the association's purpose. Condominium and homeowners' associations are communities with shared spaces, including physical property, common areas, and other amenities. Each community has governing documents that set forth the association's responsibilities and those of each member. Ultimately, the goal is to maintain and enhance property values in the community.

Once we understand the purpose, we can begin to evaluate the community's overall health. The essential items to examine are the following:

- Financial health, including operating funds, reserves funds, and delinquencies
- Overall community compliance with the rules and regulations
- Community common areas and amenities
- Open and transparent communication

Financial Health

A few items stand out as the most important when looking at the overall financial health of the community. First, review the operating budget - can the community pay its obligations for normal community operations? Typical expenses include payment of contracts such as landscaping, insurance, pond maintenance, snow removal, and any amenities that require routine upkeep. It is recommended that the association maintain one to two months of operating cash on hand. Keep in mind that having higher association dues is not necessarily bad if your budget reflects that you are taking care of the community's obligations to operate. This appropriate budget is

an indicator of a healthy association that can manage itself well and maintains its responsibilities.

Another key indicator of a healthy association is minimal owners delinquent in their monetary obligations to the association. A strong and consistent assessment management policy will help keep arrears low. The policy ensures a consistent strategy is in place for notifying homeowners of new delinquency and pursuing the collection of outstanding dues as legally permitted by the documents and state statutes.

The third financial sign of a healthy association is the management of reserve funds. With the recent Surfside tragedy still at the forefront of most minds, reserve funds and budgets are scrutinized more than ever. As some states have already experienced, legislation may be changing. These changes may affect the funding required by associations as part of their annual budget or in accordance with reserve studies. Having a fully funded plan to replace the community's assets is critical to having a healthy association. The funding of or lack of reserves can even affect loan offerings for prospective buyers. A community with a plan based on expert opinions for reserve funds will be more successful in maintaining the property and protect against potential future special assessments.

Adherence to the Rules and Regulations

Imagine you take a drive through your community. Are owners generally in compliance with the rules and regulations? Does the appearance of the amenities and common areas appear to be taken care of well? When the Board is diligent in enforcement and owners comply with the governing documents, this leads to beautiful communities that represent a desirable place to call home. Further, this benefit extends to all owners and promotes positive property values.

Well Maintained Amenities and Common Areas

Are the community's assets being maintained and operated effectively? If a community pool, common areas, or other assets are the association's responsibility, are they in properly cared for and in compliance with state and local requirements? If you can answer yes to this question, chances are you see the signs of a healthy community. Not only are these areas an obligation of the association to maintain and upkeep, but potential buyers and current homeowners also have their eyes on these assets.

Open and Transparent Board of Directors

One of the most important signs of a healthy association is that communication takes place, particularly when the Board communicates with the homeowners openly and consistently. This communication may come in the way of a regular newsletter or posting of the meeting minutes on the association portal. Or it may come in other ways – like meetings open to the owners including a time-regulated open forum, frequent email communications regarding projects and events, and efforts to involve homeowners in the planning and strategy they undertake as a board. It is recommended that an association have a written communication plan in place.

These are just a few traits of a healthy association. Is your association able to 'check the boxes' when you reflect upon the items covered here? As a board member, it may be beneficial to put yourself in the shoes of a prospective buyer considering purchasing a property in the association. In looking through this lens, would you see enough healthy traits to decide to buy? If the answer is yes, excellent! Keep up the great work. If the answer is no, then there is no time like the present to make an effort towards a healthier association.

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