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The Homebuyer and the Community Association (What You Should Know Before You Buy)

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Community associations exist because they offer choices, lifestyles, amenities, and efficiencies that people value. An estimated 50 million Americans choose to live in condominium and homeowner associations, cooperatives, and other planned communities.

Americans choose to live in association for various reasons. For many, such as first-time homebuyers, fixed-income retirees, and low- and moderate-income families, a condominium or planned community is often the most affordable and only way to own a home. Others are drawn to the architectural uniformity of the neighborhood or the landscaping. Still others are attracted by recreational amenities and social opportunities.

Many community associations offer services and amenities most Americans cannot afford on their own—swimming pools, tennis courts, playgrounds, lakes and ponds, professional security, even golf courses. These communities also provide some degree of protection against neighborhood degradation and deterioration—cars on cinder blocks, dilapidated homes, yards that are not maintained, or even the infamous flock of plastic pink flamingos.

But with all of their inherent advantages, community associations occasionally face complicated issues, none more common than the challenge of balancing the rights of the individual homeowner with those of the community as a whole. Issues often arise because of unrealistic expectations, misinformation, and misunderstanding.

You can help ensure a more positive and fulfilling community experience by learning all you can about a community before you buy a home.

What Is a Community Association?

A community association may have any number of names, including homeowners association, property owners association, condominium association, cooperative, council of homeowners, and common interest development. While there can be substantial differences among these types, any association's fundamental responsibility is to preserve the community and protect the value of the property owned by members.

In typical homeowner and condominium associations, homeowners have title to individual units, but the association owns the common facilities. While condominium owners own title to an individual interest in the common facility as tenants in common with the other members, the member of a typical homeowner association actually owns the lot on which his or her home sits. In a cooperative, the homeowner owns stock in the cooperative corporation and has a right to occupy a unit by virtue of being a shareholder.

In all cases, the association is typically administered by a board of directors—volunteer homeowners elected by their fellow residents to set policy and oversee the daily operations of the community. Larger communities typically hire full-time, on-site managers. Others contract with management firms for selected services, financial management, and maintenance. Smaller associations with more limited budgets often rely on resident volunteers and committees for all management and oversight. One volunteer might handle bookkeeping, another might oversee landscaping, and still another may manage the pool.

Whether a community is self-managed or able to hire professional management services, homeowner involvement is essential. We reap from our communities what we are willing to put into them, in terms of both quality of life and our financial investment.

What You Need to Know

When you have your eyes on a particular home, the first thing you should do is ask the real estate agent if it's part of a community association. If so, obtain copies of the governing documents, including the Covenants, Conditions, & Restrictions ("CC&Rs"), from the association manager or a volunteer community leader. Read this information carefully. If you don't understand something, ask your agent or attorney for guidance.

It is essential that prospective buyers remember that homeowners—explicitly or implicitly—agree to comply with CC&Rs when they move into an association-governed community. These rules and regulations apply to assessments, procedures, architectural guidelines (such as additions, decks and paint colors), maintenance, satellite dishes, clotheslines, fences, animals, patios, landscaping, and more.

You can also talk to people who live in the community. Find out how they feel, not only about the neighborhood, but also about how the community is governed and managed. Take a walk. Are the common grounds well maintained? Are the homes well kept? Is there ample parking? Are the amenities—swimming pools, tennis courts and playgrounds, for example—well maintained? Ask to talk to a volunteer community leader—the president of the association, a member of the elected board- or the professional who manages the community.

At a minimum, you should be able to answer the following questions before you buy a home in a community association:

- * How much are the assessments and when are payments due?
- * What do the assessments cover?
- * What is not covered and, thus, what are your individual responsibilities as a homeowner?
- * What is the annual budget?
- * Does the community have a viable reserve fund?
- * Are there restrictions on renting property?
- * Do the architectural guidelines suit your preferences?
- * Is the community age-restricted? If so, what is the policy on underage residents?
- * Are there simmering issues between homeowners and the board?
- * What are the rules with respect to pets, flags, outside antennas, satellite dishes, clotheslines, fences, patios, parking, and home businesses?

Assessments: You Get What You Pay For

Before buying a home in an association governed community, you should examine the association budget carefully because it sets the level of assessments and services. Collected monthly, quarterly, or annually, assessments are rarely voluntary. Assessments are mandatory homeowner dues that must be paid or the association can take legal action, such as placing a lien against your property, an action that can lead to foreclosure. More importantly, as a member of the community, it is your obligation to pay your fair share of the costs associated with running and maintaining the community.

Determine what the assessment covers and what it does not cover. Assessments typically cover expenses for items such as maintenance of common areas, trash collection, snow removal, private streets, recreational facilities, and other amenities. In some communities, assessments cover exterior maintenance to units. For those who live in homeowner or condominium associations, assessments rarely cover monthly mortgage payments, real estate taxes, or interior maintenance. However, principal, interest, and real estate taxes are often covered in the monthly fee for cooperatives.

Determine if the budget includes a reserve fund for major expenditures. Virtually all communities will require large expenditures at some time, roofs replaced or private roads and parking areas resurfaced, for example. If a reserve fund is not part of the budget, the association will likely have to impose a special assessment when major projects become necessary, which can be an expensive and unanticipated financial burden on both the association and individual homeowners.

Special Issues and Circumstances

- Newly developed communities: Determine not only when, but also how the developer plans to transition control of the community to homeowners.
- Resale: Consult a community association manager or association officer to determine if there are unresolved issues pertaining to the property you are looking at, delinquent assessments and unapproved architectural changes, for example.
- Buying to rent: Examine the CC&Rs with respect to regulations affecting rentals. And remember, it will be your responsibility to educate your renters and ensure they abide by the association's rules and regulations.
- Condominium conversions: You need to be especially diligent to make sure you know exactly what you're buying. Appearances can be misleading. Old buildings are old buildings. A snappy, refurbished lobby does not necessarily mean the heating system, elevators, and roof aren't due for expensive overhauls.

Be Realistic—Utopia Doesn't Exist!

You've identified your ideal home. You've done your homework. You're ready to buy. But, there's one more item on your checklist: Resolve to manage your own expectations. Like any endeavor involving people, community association living is not utopia. With all their inherent advantages—and there are many—community associations can face difficult issues, many of them connected to the need to balance the rights and responsibilities of individual homeowners with those of the community as a whole. Community associations are not unlike any human enterprise. Judgments are subjective and subject to change. Decisions are not always met with unanimous approval. Mistakes are made. Human beings—residents and community leaders—may occasionally lose sight of what's right, fair, and reasonable.

As you ponder your own expectations, remember some personalities are not suited for community association living. Some people bristle when faced with rules and regulations that must be enforced to maintain established community standards. Ask yourself if you're likely to have severe buyer's remorse the first time you run up against a rule you don't like. If you're not sure, think it over. Talk to people who live in the community.

Finally, don't overlook the most important questions: Is it the right kind of community for you and your family? Does it fit your lifestyle and sense of community? Does it provide the amenities you want—a community pool, recreational opportunities, attractive common grounds, ample parking and proximity to schools? Is it a good investment?