



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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Better Letters

Writing effective letters requires skill. In homeowner associations, they deal with a variety of topics. Sometimes they are informational, sometimes happy and sometimes not so happy. Whether you are sending good or bad news, it requires planning. The type of letter you write dictates the format:

Thank You Letters Thank you letters are particularly important in HOAs since volunteers receive no pay. The least you can do is recognize their efforts. Doing so totally removes the “thankless” part of the job and encourages more volunteers to serve. Write them promptly. A thank you note loses its impact and sincerity long after the fact. Begin with a simple statement describing what you liked and why you liked it.

Rule Violation Letters Enforcing rules on neighbors is one of the touchiest things HOAs deal with. The board should never automatically accept responsibility on every rule enforcement matter. Most rule breaking should be first dealt with directly between affected neighbors. Make sure they try to resolve the issue first before getting the board or manager involved. Some rule violations break the law (like loud parties). Let the cops handle those.

If the issue truly is the HOA’s responsibility, soften the blow by opening the letter with a statement like “Rules are needed to keep the peace and maintain high value of a cherished and valuable asset, your home. The few rules we have are not meant to be intrusive. They are meant to be *inclusive*. If all comply, better neighbor relations will result. That’s a good thing, right?” This approach is intended to promote community and buy-in. Then you get to the heart of the issue. Quote the appropriate section of the governing documents or rules, request compliance by a certain date and offer the option of appeal.

Collection Letters Money is the life blood of a homeowner association. Since there is

no government bailout for HOAs, if one member doesn’t pay, the rest have to pony up or services must be cut. This is particularly painful when it comes to special assessments since the amounts tend to be large.

Opening with a philosophical statement similar to the Rule Violation letter is appropriate. But remember that the failure to pay may be more than an *unwillingness* to pay; it may be an *inability* to pay (job loss, death, disability, etc.). It’s important to get to the root of the problem quickly, so *ask*. There may be a payment plan option if warranted, but be careful not to allow the HOA’s bill to sink to the bottom of their pile too quickly. Food and shelter are top priorities. Never allow credit cards, car payments and other less critical expenses to preempt the HOA’s needs. Remember, if they don’t pay, you and the other members will have to pick up the slack.

Back to the meat of a collection letter: Always provide a current balance along with penalty, interest and other charges accruing. Attach a copy of your Collection Policy which discusses what will happen if the bill is not paid. (You have a Collection Policy right? If not, *enact one as soon as possible*. There are few things more critical in an HOA than cash flow. Include the deadline for payment before the collection moves to the next phase (more penalties, attorney fees, etc.) A collection letter must demand action.

Follow-Up Letters. These are in response to a communication you received. Use this basic structure:

1. Express thanks for their concern, idea, suggestion etc.
2. Recap the situation prompting the communication
3. Assure the recipient of your dedication to the issue
4. Invite future communication and input

Complaint Letters These should never be written in anger. Cool down by waiting a

day or two if that's what it takes to regain your composure. This is particularly true of email. It's way too easy to fire off something you regret within seconds after it's received. Complaint letters should point to a solution of a problem rather than venting against some injustice. A constructive tone will vastly increase the chances of getting what you want. Follow these steps:

- Describe the problem.
- State what is wrong.
- Say what you've done about it so far.
- Indicate what you want done.
- Request a response or resolution by a specific date.

Response to Complaint Letters A response to a complaint letter varies depending on if you agree or disagree with the complaint.

To agree:

1. Admit that the complaint is justified and apologize.
2. State precisely what you are going to do to correct the problem.
3. End on a positive note.

To disagree:

1. Thank the writer for writing.
2. State the complaint to verify you understand what it is.
3. Explain the board's view of it.
4. State your decision clearly, without apology.
5. Offer alternatives to help the homeowner.

Every HOA letter is an opportunity to promote professionalism, reconciliation and harmony. Use better letter techniques to pave the road. 🌟

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Ask the HOA Expert

Q Instead of a special assessment, some owners are requesting that the HOA borrow money for our upcoming painting and roofing projects. What are the pros and cons?

A Loans to HOAs are very expensive in terms of fees and interest rate since they are considered commercial loans. They typically have shorter terms, like 5-10 years, and often carry annually adjustable interest rates. On top of this, it's up to the HOA to collect numerous loan payments from each member.

As a general practice, HOAs should stay away from borrowing money and let each member provide their own source of funding. For most, home equity loans are easily obtained and have low or no fees and the lowest interest rates available. Other members may have savings. Let each decide how to provide the funds and steer the HOA clear of the banking business.

Finally, it sounds like you don't have a reserve plan or, if you do, it isn't being adequately funded. A properly executed and funded reserve plan is designed to provide funds for things like painting and roofing. If you don't have a reserve study, order one as soon as possible. If you have one, update it and begin a funding plan that will sock enough money away to avoid the scenario you describe in the future.

Q At our annual meeting a motion was approved to distribute meeting minutes and other communications via e-mail. Most of our members do email and the rest don't. Is this a problem?

A Distributing HOA information by email makes perfect sense labor and budget-wise. But since HOA websites are very cheap, it would be even better to post HOA information on your own HOA website and merely put a link in the email to the website when new information is available. Those that are email challenged will still need to be provided the information by mail. At least you've saved most of the cost.

Q Our HOA treasurer has the most time-intensive position and in the past has been paid \$100/month to perform those duties. At our annual meeting, a motion was made to stop paying the treasurer. The motion passed.

Four months went by and the treasurer proposed the board reinstate the compensation based on the job duties and time required to get it done. Can the board reinstate this payment and overturn a decision made by the homeowners at an annual meeting?

A Generally speaking, the governing documents prohibit board members from taking compensation for their board duties. If this is true for your HOA, no, the treasurer should not be paid nor should the board disregard a matter the members have clearly expressed their wishes on. There are professional bookkeepers that can provide this service although it will cost money.

Q If the HOA board decides not to enforce a specific rule, can it still enforce other rules?


A The board should enforce all rules consistently. If there is a rule that has outlived its usefulness, it should be repealed. But not enforcing one rule does not negate all rules. However, if the board fails to enforce a particular rule for an extended period of time, the board may compromise its authority to enforce it all. Another common HOA issue is that different boards enforce rules more or less consistently. If a particular board feels strongly that renewing enforcement of a particular rule that has long gone unenforced is a good thing, the matter should be discussed in the annual homeowner meeting or, at minimum, in a newsletter that clearly informs all members of the issue and the board's intention to enforce it. Catching members by surprise is bad policy.

Q Should the members of an our committees be board members to be protected from liability? Could an owner sue a committee?

A HOA committee members are usually protected by Directors and Officers liability insurance as long as they are following the committee charter (job description) approved by the board. Most committees are advisory only. This means that they make recommendations to the board and the board makes the

final decision. Some committees, like the Architectural Review Committee, however, can be empowered by the board to make architectural and design decisions and, thus, be a target of litigation.

Covering all HOA volunteers for liability purposes is very important. But not all Directors and Officers insurance policies are created equal. It is important to confirm with the insurance carrier exactly what the coverage includes. Ask and get written response to these questions:

- Does the policy cover claims against Directors, Officers and Committee Members? If not, what types of insurance coverage can be provided that adds that extra protection?
- Do the HOA's governing documents provide indemnity (HOA agrees to protect and defend) for Directors, Officers and Committee Members?
- Does the policy maintain coverage for a period beyond a volunteer's term of service?
- Does the policy extend coverage beyond the policy period if circumstances that might give rise to a claim are disclosed during the policy period?
- Is there a deductible per occurrence?
- Can the Board of Directors choose its own legal representative when defending a claim?
- Does the policy cover legal costs incurred through investigations that do not result in litigation?
- Is the limit of liability for a single loss, or for total losses during the policy period, set at an appropriate level considering the HOA's revenue?
- Does the policy have any exclusions? 

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HOA Websites

Providing accurate information is extremely important for homeowner associations. Prospective buyers, real estate agents and title companies need to know who to contact to provide

listing and closing information. HOA members need to know who to contact for meeting schedules, general information, rules enforcement, maintenance requests and money matters. Providing these resources via the web provides for 24/7 self-help and reduces time requirements for both the volunteer boards and paid management. And providing this information conveys all important transparency, openness and responsiveness.

There is simply no communication method more cost effective and downright effective than an HOA website. Customizable HOA websites are available for pennies a day that can be updated by an HOA volunteer or manager. If your HOA does not have one, investigate the options and make it so!

Your HOA website should include:

- ◆ HOA volunteers with their respective titles and duties.
- ◆ Contact options for each board member like phone, address, email, etc as long as each member approves releasing this information. If not, have an HOA phone number with voicemail and a general email address like info@nottacarecondos.com which can be monitored by a board member or manager.
- ◆ Calendar of Events that includes board, annual and committee meetings, renovation events and socials
- ◆ Photos of board members and committee members
- ◆ Rules & Regulations
- ◆ Recorded governing documents and amendments
- ◆ Architectural and design guidelines
- ◆ Newsletters
- ◆ Meeting Minutes
- ◆ Approved Budget
- ◆ Reserve Study

Make sure to update website information when there is a change. Providing a website for your homeowner association will cut costs and simplify management tasks. As the great philosopher Elmer Fudd said, "websites are weawy weawy wonderful".

Dealing with Difficult People

Dealing with difficult people in any setting can be a real challenge. But in volunteer-based homeowner associations, where there is none of the leverage managers have with employees, there is an entirely new level of difficulty. And, believe it or not, a new level of opportunity. The key is common interest.

Where we live means a lot more to us than any other physical environment. Our territoriality buttons are more easily pushed. Our investment is greater. We can easily get defensive of our personal space and quickly lose sight of community issues. It's worth recognizing that, to one degree or another, we all have this in common. What unites us seems to divide us and vice versa. In a homeowner association we are challenged to balance our individual and collective needs.

Most of us believe it's a good thing to work toward achieving that balance, but some people seem oblivious to it. And some people seem downright determined to undermine it. It's easy to imagine that the folks who obstruct or dismantle our meetings have malicious intent, or at least thoughtless disregard. Why are some people so difficult? Because they learned how -- and because they didn't learn how not to. The seriously difficult person is significantly dis-inhibited. He or she didn't learn the typical social inhibitors that make for balanced exchanges. Most of us know how to "make nice," even when we don't much want to. Some people simply don't know how.

We can name some of the more difficult behaviors and we can speculate about what motivates them. In general, fear is the prime motivator. Extremely difficult people are extremely dis-inhibited in their response to fear.

Terrorist Behavior literally holds a group hostage. In extreme cases, this includes streams of abusive language, threats or emotional outbursts (yelling, crying, banging). There is frequently a relentless nature to all of this, so it's

clear to the group that nothing else stands a chance of going on.

Aggressive Behavior is domineering, offensive, in-your-face and is easily triggered. In fact, the threat of aggression hangs over the group and creates an underlying tension. This behavior is more controlled than the first category in that it is less all-over-the-map and probably more directed at individuals than at the entire group.

Passive-Aggressive Behavior avoids full-blown confrontation but strikes out covertly. Hidden agendas and character assassination attempt to sabotage normal, above-board group process and interaction.

Unyielding Behavior is unable or unwilling to set a past issue aside. The issue or emotion keeps coming up, even when the subject is different and the cast of characters has changed. Everything is referenced to an unresolved past. While this behavior is less invasive and threatening than those above, its continued presence is an energy drain and source of frustration.

Persecuted Behavior is the victim response -- blaming, whining and complaining. Although most of us enjoy complaining and grousing about things from time to time, persecuted behavior stems from a non-stop, perennial point of view. And since the victim perspective predominates, it's easy for your group to join the list of persecutors.

Polarity Response is a behavior unfamiliar in name but not in most everyone's experience. Whatever the issue or opinion, the polarity responder takes the opposite view. Disagreement is automatic. This can include and goes past the devil's advocate role some people take on in groups. Most polarity responders seem unaware of their behavior and its impact on others.

What can you do? While you were reading the descriptions above you were probably thinking of specific examples from your own experience, and that may have left you wondering

what you can do to stay focused and flexible in the face of such behavior. That's not surprising. A change of focus is in order. Here are five things you can do

Notice your response. Is the behavior one that really "pushes your buttons"? Your first step is to consider what's going on with you in this unpleasant situation. Be responsible for your own reactions -- after all, that's one of the things you wish that difficult person would do.

Change what you're doing. Since you can't really change someone else, change what you can. The results can be surprising and rewarding. First of all, it shifts you from being at the mercy of the situation. As soon as you begin to consider exercising new options, you step out of the problem frame and onto a larger canvas. This re-framing is an important shift in perspective.

Ask the person "What do you want?" You may think you know but you may learn a few things you didn't know by asking. Of course, it's hard to ask the question after things have spiraled out of control. Hopefully you can find a good time to ask, because it's the ideal starting point for building rapport and trust.

Focus on outcomes. Your group needs to ask itself the "What do you want?" question. Spend whatever time it takes to generate a set of goals and objectives as well as how to meet them. Now comes the *really important part* of this formula: Once you have specified your outcomes, decide what behaviors will support getting them like: Patience. Assuming Positive Intent. Willingness to Listen. Generate your list of behaviors during meetings in a conspicuous place. This will be a great reminder for even the positive contributors in the group. And when the negative behaviors erupt, you can point to the list, not at the person. Stay focused on what you want. If the difficult person is unwilling to change behavior, you will also need to specify how the group will respond.

Consider alternatives. What will you do if the difficult behavior persists? One option could be to take a five minute break. (This is sort of like pushing the group re-set button). During the break, clarify for the difficult person what the goals for the meeting are and which behaviors support those goals. Then state what the next step will be if the difficulties arise again. Be prepared to quickly adjourn your meeting if the behaviors continue. For the extreme behaviors, it may be the only useful choice. Consistently applied, it will send the message that certain behaviors aren't acceptable.

Common interests are the basis for improving cooperation. The more clearly you identify how your interests overlap and become shared, the stronger you'll be in your response to the whole range of difficult behaviors.

By Ken Roffman

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Reserve Study 101

A reserve study analyzes major repair and replacement needs like roofing and painting and provides a funding plan for accumulating money to perform this work when its needed. It is a fundamental planning tool that all homeowner associations (HOA) need.

There are several parts to the reserve study: First, all major HOA maintained

components are identified. Next, the cost to renovate each item is then determined by contractor bid or construction cost estimate. Then, the remaining useful life in years of each item is established. These items are plugged into a mathematical formula:

$$\text{COST} \div \text{REMAINING USEFUL LIFE} = \text{MONEY NEEDED YEARLY FOR RESERVE FUND}$$

For example, if roof replacement costs \$100,000 and the remaining useful life is 25 years, then \$4,000 should be reserved yearly to pay for the work when it's needed. Doing this procedure for each component will show the total money needed yearly to fully fund reserves. Each year, the reserve fund needs to be adjusted by area inflation and the interest earned on the invested reserve funds.

How should these reserve funds be accounted for? Reserve funds should be kept in a separate account from the normal operating funds. It's conceivable that reserves will grow to thousands or millions of dollars. Prudent investing of these funds will reduce the amount of money contributed from owners. Since the reserve study shows when money will be needed, long term investments can be purchased that will return more than savings or money market accounts. Insured investments like government securities or Certificates of Deposit are recommended, however, there are other options so consult with a knowledgeable financial advisor.

When should a reserve study be performed? All homeowner associations, regardless of size, should have a reserve study done. Once done, yearly updates are needed to keep it accurate. If the HOA has inadequate reserve funds to begin with, the reserve study will provide a funding plan for "catch up". To replenish the fund, several options are available:

1. Special Assessment (lump sum contribution from each owner)
2. A phase-in period of several years where HOA fees increase each year

3. Combination of #1 and #2

Whatever course of action taken, the goal should be to reach "100% Funding" which means the HOA will have the funds it needs to meet future repair and replacement events.

What sorts of financial problems can homeowner associations encounter with inadequate reserve funds set aside? Without adequate reserves, HOAs must rely on special assessments. Special assessments are unfair because owners that have bought and sold in the past fail to pay their fair share and current owners end up "holding the bag". Special assessments are a hardship on some owners and may be uncollectible if an owner's equity and assets are small. Also, since special assessments are unpopular, the tendency is for the board to postpone doing renovations. This deferral accelerates the deterioration process, detracts from curb appeal and erodes resale values.

A reserve funding plan with regular and adequate contributions from all owners is fair and insures that renovation is done when it's needed. Rarely, if ever, will special assessments be necessary.

Can poorly managed reserve funds affect the sale of units? Absolutely. Buyers and lenders look closely at how reserve funds are handled by the HOA. Lack of reserves is a red flag for an inevitable special assessment and a sign of poor board planning. If given the choice between buying into an HOA with healthy reserves or one with little or none, which would be the wiser investment?

Which types of repairs must be paid for by HOA funds vs. individual property owners? In common wall HOAs like condominiums, the owners are usually responsible for windows, entry doors and unit interior repairs while the HOA is usually responsible for items like roofing, landscaping, siding, painting, paving, sidewalks, pools, clubhouses, signage and fencing. But the governing documents are the authority on who does what.

What kind of qualifications should a reserve study provider have? The reserve study provider should have good budgeting skills, general construction knowledge, construction cost estimating experience and a clear understanding of HOA operations.

How much does a professional reserve study cost? Reserve study professionals typically base their charges on the number of components included in the reserve study, the number of units/homes, the age of the HOA and availability of historical information. Travel expenses are a cost factor for distant properties. The charge is usually several thousand dollars and up depending on the complexity and location.

Are their professional qualifications for reserve study providers? Yes! Using an objective, knowledgeable and experienced professionals who carry the **Professional Reserve Analyst (PRA)™** credential is highly recommended.👍

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The world's best information resource for condominium and homeowner associations. Includes Ask the HOA Expert™. Unlock the vault of knowledge for pennies a day.
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Meeting Protocol

Homeowner associations are notorious for their casual approach to meetings. They tend to run long and accomplish little. Roberts Rules of Order is the most common method for running meetings that keeps them on track. An abbreviated version of Roberts Rules should be a standard way of directing the action. Here is a collection of the most common phrases:

Opening the Meeting: "The meeting will come to order."

Approval of Minutes: "Are there any corrections to the minutes? If there are

no (further) corrections, the minutes are approved as read (or "as corrected")."

Proceeding Through the Agenda: "The next item of business is _____"

Recognizing Members: "The chair recognizes _____"

Stating the Question (following motion and second): "It is moved and seconded that _____"

When Debate Appears to Have Ended: "Are you ready for the Question?"

Taking a Vote

- **Voice Vote:** "Those in favor of the motion to _____, say aye (or yes). Those opposed, say no."
- **Standing Vote (used when vote is close):** "Those in favor of the motion to _____ will stand." (Count those standing.) "Be seated. Those opposed will stand." (Count those standing.) "Be seated."
- **Vote by Show of Hands (used when vote is close):** "Those in favor of the motion to _____, raise the right hand." (Count hands.) "Lower hands. Those opposed will raise the right hand." (Count hands.) "Lower hands."

Announcing Result of Vote

- **Voice Vote:** "The ayes have it and the motion is carried." Or, "The nos have it and the motion is lost."
- **Standing or Show of Hands Vote:** "There are 32 affirmative and 30 negative. The affirmative has it and the motion is adopted." Or, "There are 29 affirmative and 33 negative. The negative has it and the motion is lost."

Discipline

- **Motion Out of Order:** "The motion is out of order because _____"
- **Member Out of Order:** "The member is out of order and will please be seated."

Proper and consistent phrasing will bring order and clarity to your meetings. They allow the Chair to stay

in control with recognizable "signals" which guide business to a successful conclusion. This is a case of how you say it really does make a difference.

By Jim Slaughter ☸

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The Yellow Light

The light turned yellow and the driver stopped short of the crosswalk even though he could have beaten the red light by accelerating through the intersection.

The tailgating woman was furious and honked her horn, screaming in frustration, as she missed her chance to get through the intersection, dropped her cell phone and spilled her coffee.

As she was still in mid-rant, she heard a tap on her window and looked up into the face of a very serious police officer. The officer ordered her to exit her car with her hands up. He took her to the police station where she was searched, fingerprinted, photographed and placed in a holding cell.

After a couple of hours, a policeman approached the cell and opened the door. She was escorted back to the booking desk where the arresting officer was waiting with her personal effects.

He said, "I'm very sorry for this mistake. You see, I pulled up behind your car while you were blowing your horn, flipping off the guy in front of you and cussing a blue streak at him. I noticed the "What Would Jesus Do" bumper sticker, the "Follow Me to Sunday-School" bumper sticker and the chrome-plated Christian fish emblem on the trunk. So naturally, I assumed you had stolen the car."

"Let your light shine before others, so that they may see your good works and give glory to your Father In heaven."

The Bible ☸

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Two Buck Donkey

A man bought a donkey from an old farmer for \$100. The farmer agreed to deliver the donkey the next day. But the next day, the farmer called and said, "I have some bad news. The donkey died."

The man replied, "Well, just give me my money back."

The farmer said, "Can't do that. I went and spent it already."

The man replied, "Okay, just bring me the donkey."

The farmer asked, "Whatcha gonna do with him?"

"I'm going to raffle him off."

The farmer blanched, "You can't raffle off a *dead* donkey!"

"Sure I can. I just won't tell anybody he's dead."

A month later the farmer ran into the man and asked, "What happened with that dead donkey?"

"I raffled him off and sold 500 tickets at two bucks a piece."

The farmer asked, "Didn't anyone complain?"

"Just the guy who won. So I gave him his two bucks back." ☸