

RULES OF THE HOUSE

BEST PRACTICES FOR
HOMEOWNERS ASSOCIATION BOARDS

Do you want to know the secret to what catapults a community association board to the heights of success—or what can send it crashing to the depths of disparity?

The answer will surprise you. It is much simpler than most people imagine: *Community Association boards are comprised of a collective group of unique individuals—people who are people. No two boards are ever the same.*

“One of the first things that makes a board successful is having members that come from diverse personal and professional backgrounds,” says Rick Fry, owner of RCP Management in Princeton. “A board that’s able to bring a broad variety of ideas, thoughts and suggestions to the table for consideration is always best. You don’t want a board of five accountants; it’s hard to be creative if everyone thinks alike. If you have a teacher, an engineer, a salesman and an accountant, you will get a much broader array of information brought to the board.”

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Before you commit to volunteering on your community association board, you owe it to yourself to learn a little about the job first. This guide will offer some important information—but we don’t pretend to assume we know everything. In fact, we suggest you connect with other folks that are – or have—served on boards in their communities. Further into this guide, we offer an ace resource that provides the best platform for you to network and to link up with others who share your vision of a successful and improved community association.

But first, let’s define what a community association is, and the role it serves.

[PART ONE]

UNDERSTANDING THE HOA CONCEPT

The rapid spread of homeowners associations (HOAs), along with condominiums, another form of collective housing ownership, has remade the character of urban living. It's one of the fastest growing forms of housing that has led a national push towards large-scale residential development.

But the mere mention of an HOA often brings about mixed feelings. Homeowners associations have been the target of scrutiny across the news—depicting an unfair, vindictive and even “rogue” dictatorship of authority. Some people claim that HOAs were created to drive homeowners insane, impose arbitrary fines and to enforce strict adherence to unrealistic and ridiculous rules. Although there have been some controversial moves on the part of HOAs, truly they are the cornerstone of planned residential communities, ensuring continuity and order to the community. Its purpose is also to preserve the integrity of the common areas as well as protecting property values.

The overarching definition and purpose of an HOA is pretty straightforward (and in no way, vindictive): An HOA is a corporation formed by a real estate developer for the purpose of both selling and managing homes and lots in a residential subdivision. The developer has conferred privileged voting rights in governing the association. It's structured as a private corporation and subject to the state's corporation statutes. Its authority, however, is determined by not just the relevant state laws but also “governing documents.”

ALTHOUGH EVERY COMMUNITY IS DIFFERENT, THE GOVERNING DOCUMENTS TYPICALLY INCLUDE:

Articles of Incorporation are filed with the secretary of state where the development is located and are usually brief, containing only basic information about the association: name, location and its purpose.

Bylaws are important and describe how the association is run. They set the voting rights and procedures and contain rules for things such as how to call a meeting, not to mention how often meetings need to be held. The Bylaws also describe the association's rights and responsibilities, as well as determining assessment amounts and laying out the procedure for creating the annual budget.

Declaration of Covenants, Conditions and Restrictions (CC&Rs) are the King of the governing documents. They are the most comprehensive and the most significant of all the documents. The CC&Rs describe what land is subject

to governance, as well as outlining the common areas of the community that are owned by the association.

Most notably, they contain use restrictions of the common areas and the use restrictions of each owner's property. They speak to the Association's authority and obligations, and they define the rights and responsibilities of the homeowners. Most CC&Rs will also include the procedures for passing amendments. Most state laws require the CC&Rs be recorded in the same county where the development is built. A copy must also be given to a homebuyer prior to purchasing the home.

Rules and Regulations are usually part of the CC&Rs. However, the association will adopt new rules that are deemed necessary to maintain the value of the development and also to do what's best for the common good.

[PART TWO]

LEADERSHIP ROLES AND DUTIES

Initially, the board of directors is composed of developer-appointed members. Once the majority of land-to-home ownership shifts to a specified percentage of homeowners, then a homeowner board is elected at the annual meeting.

Homeowner boards of directors are elected by peers to represent and manage the interests and assets of the community. Often the elected [volunteers] have no formal training or understanding of their roles or responsibilities. Not to mention they are usually inexperienced, sometimes ineffective at communicating, and, yes, sometimes they possess an inability to play fair.

To be effective, an HOA needs a board that understands their primary fiduciary duties to the association. Their duties may be limited to basic maintenance functions or they may be expanded to include complicated and inclusive upkeep of property as well as some services to individual homes (for example, back door trash pickup).

OFFICERS OF THE ASSOCIATION:

President. The president is vested with the authority according to the bylaws. He leads at all meetings, executes contracts, assumes charge of the day-to-day administration and serves at the will of the board of directors. He can be removed from his position with or without cause at any time by a majority of the full board.

Vice President. The vice president is vested with all the powers required to perform the same presidential duties in the absence of the president. These powers are not inherent; he may only act for the president when the president is absent or unable to act.

Secretary. The secretary is the custodian of most of the official records of the association and handles making

those records available to members of the association. He is also responsible for keeping and maintaining a record of all meetings of the board and the membership.

Treasurer. If the secretary is the custodian of the records, the treasurer is the custodian of the funds. More than likely the association is in contract with a management company that actually handles the money on a daily basis. However, the treasurer's duties include overseeing the people who manage the funds, ensuring financial records are maintained accurately, and coordinates the development of the annual budget. He also gives the annual financial report on the financial status of the association.

Fiduciary Relationship and Obligation

The board of directors has a fiduciary relationship with the members of the association. This relationship imposes an obligation of trust and confidence, and it demands board members act in good faith and the best interests of the association. It commands they perform due diligence, exercise due care, and it requires them to only act—and always act—within the scope of their authority.

The responsibilities of the board should be focused on the main purposes of the association:

1. Protecting and preserving the common areas and other tangible assets
2. Managing the finances, which includes budgeting and disclosure requirements, reserve funds and assessment collections
3. Promoting safe use and enjoyment of the common areas
4. Enforcing the association's governing documents

It is vital that all board members are acting ethically and with integrity and personal responsibility while fulfilling their terms in office. To guard against unethical actions and to properly protect the membership, boards should embrace a code of ethics, or at the least, a code of conduct.

A Model Code of Contact

Ethics guides the performance of the board of directors. According to Kenneth Blanchard and Norman Peale's [The Power of Ethical Management](#), when board members are faced with an ethical dilemma, they should ask themselves these three questions:

1. Is it legal? Study HOA's governing documents to decide if the action or decision will be violating the rules by engaging in the action.
2. Is it balanced? Consider the effects of the action on all parties involved to determine if the action is biased for those directly and indirectly involved.
3. Is it right? Use your moral guidelines to judge if an action is ethical. If you feel guilty, ashamed, or are unsure about a move, it's best to refrain from committing it.

HELPFUL HINT

Follow this checklist when adopting your own board member code of ethics.

The code:

- Defines how directors must behave
- Clarifies ethical standards regarding loyalty, honor, fairness, confidentiality and competency
- Establishes moral standards that empower board members to avoid gray areas
- Incorporates business practices, appropriate legal requirements and the expected code of conduct for board members

[PART THREE]

SHOULD YOU SERVE ON YOUR HOA BOARD



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No one likes conflict, and it is no secret that on an HOA board, conflicts arise. Disagreements about cars parked on the street, trash cans left in view from the street or neighboring houses, exterior paint colors and barking dogs can divide neighbors. Heated debates can last for years. For this reason, most people steer clear and will sometimes take extreme measures to avoid serving on their board. And it's almost always referred to as a "thankless job." Think about it, you're volunteering your personal time to sift through budgets, bills, vendors, contractors, bylaws, property management reports... the list goes on.

There are pros and cons of serving on the board, and if you have been less than enthusiastic about serving, consider these points:

- If you don't volunteer on your board or attend meetings, do you have any right to complain?
- Although some people are more—or less—qualified to serve on the board, everyone should have the opportunity.
- If homeowners can't come together, the HOA may go into receivership.
- Buying a home is probably your largest investment, and you owe it to yourself to get involved and work toward maintaining its property value.
- Becoming involved gives you a better understanding of the rules and why they are in place.
- If not you, then who?

TRAITS OF A SUCCESSFUL BOARD MEMBER

What qualities should you possess to be a good homeowners association board member?

- The ability to play fair
- The eagerness to dig in
- A sense of honesty
- The head to delegate
- The facility to be open
- The willingness to share
- The capacity to adapt and change
- The strength to stay consistent
- The insight to ask for help
- A thick skin

[PART FOUR]

BONUS FEATURE: THE CONNECTION

Homeowners Associations can be a huge benefit, but they are complicated animals. Board members must have a clear understanding of their roles and responsibilities; they need to centralize their efforts on building community; they must be first-class communicators; and, above all, they must have thick skin.

Taking steps to be more proactive and to improve communication can be done with all sorts of tricks of the trade, but this bonus feature section offers you the number one platform that can connect you with purpose... it can connect you with other board members, to your community and to a manageable social media.

[GetAssist](#) is easy to use and gives you—above all—something real: the platform you deserve; the control you have always wanted.

The Benefits

In order to keep your membership informed and to attract potential new purchasers, community associations can create a GetAssist community, which can contain easy access to the Association's governing documents, management contact information and an events page. And although GetAssist is a great way for communities to show they understand their homeowners, their lives and their concerns, there are some [recommended best practices](#) boards should follow in order to avoid potential liability issues.

Another great benefit of joining GetAssist is the opportunity to connect with others that have served—or are serving—on association boards. A community of this caliber allows you to share experiences, share resources and align a sense of balance to the greater reason you're serving on your board to begin with—to take your board to the heights of success.

HELPFUL HINT

Join GetAssist today and search "HOA Tutorial" to learn how to build community engagement. It is the ideal platform to enhance communication and owner engagement while maintaining best practices. Board members can create a private group and invite only homeowners of the association to join. They are encouraged to post the Association's governing documents, event calendars, minutes from meetings and engage in community conversation. Take advantage of the different communication avenues: What's New, Bulletin Board and the Discussion panels and fully leverage these social threads to elevate and strengthen connections amongst your membership.

Other ideas to using GetAssist efficiently could be to set up emergency alerts to keep owners safer when it comes to information about storms, vandalism, etc., post neighborhood grand openings and events, and real estate news.

[PART FIVE]

TIPS AND BEST PRACTICES

Adopting best practices are often touted in businesses and can be learned and applied anywhere. Here are some tips to help you handle the governing duties of the association:

A PARLIAMENTARY APPROACH HAS BEEN PROVEN TO BE AN EFFECTIVE METHOD FOR CONDUCTING MEETINGS.*

Order: A board should consider one item of business at a time

Majority Rule: The will of the majority should decide issues

Justice: Everyone is entitled to a fair hearing

Courtesy: The rights of the individual should be respected and protected

Protection of Rights: The rights of the minority should be protected

*FOR A SAMPLE PARLIAMENTARY PROCEDURE, [CLICK HERE.](#)

CALENDAR MEETINGS

- Set up an annual calendar of board meetings at a fixed time and location.
- Involve key players in the meeting preparation.
- Schedule meetings often enough to allow for timely attention for action or decisions.

COMPLIANCE ENFORCEMENT

- All compliance violations must be handled fairly and consistently.
- Provide compliance reports at each meeting.
- Compliance letters must be filed in the homeowner files.
- The board of directors should be aware of the verbiage used in compliance letters.
- When working with upset homeowners, be patient, fair and understanding.

BOARD MEETING AGENDAS

- Specify duration of meeting.
- Create board packets with backup information.
- Where appropriate, include ground rules for resident input.
- Allot agenda items plenty of time.
- Determine if there are too many items on the agenda.
- Finalization of agenda items is determined by the president.
- Determine the purpose of an agenda item.

FOR MORE IN-DEPTH BEST PRACTICES REGARDING ACTION ITEMS, FINANCIAL STATEMENTS, MINUTE TAKING, NEWSLETTERS AND MORE, [CLICK HERE.](#)

Helpful Tips to Running a Smooth HOA

1. Know your governing documents. An educated board can better manage, maintain and resolve community issues.
2. Be transparent. Encourage homeowners to attend meetings.
3. Communicate. Create a plan that clearly identifies the communication tools and platforms for your community.
4. Create a strategy. What do you need to accomplish in the next year? Five years? A strategy will keep you in the right direction.
5. Be vigilant about finances. Question expenditures, review monthly bank statements, perform audits. Keep a close eye on finances. Perform a [reserve study](#) to understand future upkeep and maintenance costs.

All too often HOAs are given a bad rap—some say they were created by Real Estate God to drive homeowners insane. But a HOA provides a great benefit—it preserves the nature of the community and protects property values. We hope this guide alleviates some of the stress and discomfort that surrounds the decision to volunteer or not to volunteer.

HELPFUL HINT

To connect with board members who are sitting in the same seat as you, join [GetAssist](#) today. Join an existing group, or create your own. Network with your neighbors and share best practices and tips that are working in your community—and learn what others are doing in theirs.