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A *New Wave* of Directors



Become better acquainted with the five new members of the Orange County REALTORS® Board of Directors. Discover what they view as is the greatest challenges REALTORS® face today—and how they propose to help you navigate those sometimes-stormy seas. on pages 26-29

5 Things Consumers Need to Know About Homeowners' Associations

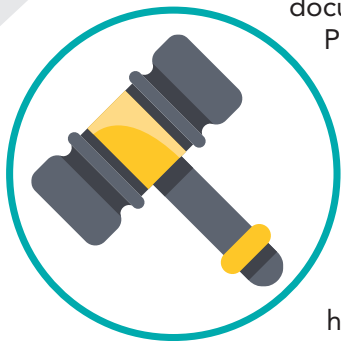
Before purchasing a home in an HOA, consumers need to know that these associations are self-governed, have assets and liabilities, play by rules, and offer measurable advantages that many homeowners appreciate.

1. They are self-governed.

California Civil Code Sections 4000–6150, which is also known as the Davis-Stirling Common Interest Development Act (the Act), is the primary law governing homeowners' associations (HOAs) in California. It recognizes association governing documents, such as Conditions, Covenants, & Restrictions (CC&R's), Condominium Plans, Subdivision Maps, Articles of Incorporation, Bylaws, and established Rules and Regulations, as controlling the operations of HOAs.

The Act authorizes the board of directors, elected by association members, to make decisions regarding a myriad of issues. Members may adjust their documents as desired, provided they follow the procedures for doing so that are outlined in the Act and in their own governing documents. Want to change the operation hours of the pool, clubhouse, or laundry rooms? Want to add, remove, or alter an amenity? Want to have a giant block party on the Fourth of July? Members control how the community operates. Policies, procedures, finance—they're all controlled by the association members and the directors those members elect.

Bottom line: All it takes are volunteers to seek the elected offices, serve on the committees, and communicate with their neighbors regarding what they feel is best for the community.



2. Follow the money.

HOAs operate as corporations. They have assets and liabilities, income and expenses, that must be accounted for. Having ownership in an HOA means one has a proportionate responsibility to fund the community's operations, maintenance, and capital expenditures. Consumers should familiarize themselves with association financial operations and reporting practices to ensure that they are fiscally sound.

Ask yourself: Is the operating budget capable of meeting the needs of the community? Do they have a robust reserve fund? How much have the assessments increased in the past ten years? How much are they expected to increase in the next ten years? Are any special assessments scheduled or anticipated? Associations are required to produce and maintain a variety of budgets, reserve studies, and financial disclosures that must be distributed to the membership annually.

Bottom line: It is important to review the financial information to understand what impact it may have on your personal finances.



What Every REALTOR® Needs to Know Before Selling in an HOA

UPCOMING SESSIONS:

- **September 10 in Laguna Hills:**
9:00 A.M. – 11:30 A.M.
- **December 3 in Fountain Valley:**
9:00 A.M. – 11:30 A.M.

www.ocar.org/hoa

3. Rules are rules. The financial benefits of community association living have long been established: shared costs reduce personal expenditures. The tradeoff is the rules and restrictions placed on each unit. The language in the Act is clear; and the courts have, with few exceptions, continued to view the governing documents and decisions of the boards of directors as proper authorities. The reason you can't paint your house purple with green and yellow polka dots is that members have agreed on conditions designed to maintain the aesthetic integrity of the community.



As noted above, if the members want to amend association operations or policies, there are procedures for doing so. But defying governing documents can be costly. Prevailing party clauses are in effect in most instances; therefore, if at the end of the legal process—which can be quite long and cash consuming—you are not the prevailing party, you must pay the prevailing party's legal fees.

Bottom line: Be sure to review the rules and restrictions carefully when considering the intended use of the property.

4. There is an entire industry to serve you.

The Common Interest Development (CID) industry is now decades old. There are 46,000 associations in California, housing more than 9 million people. There are thousands of experts with years of experience ready to serve the needs of your community. HOAs have specific operational requirements that must be diligently met. Understanding the needs of three hundred owners, versus one owner, is significant. Because of the notices that must be provided, the financial planning and authorization process that must take place, the potential displacement of residents, insurance and security issues, and building and grounds maintenance, working with HOAs requires special knowledge and experience.



Community Associations Institute (CAI) was founded in 1973 to serve those who live in CIDs.

Currently, CAI has 40,000 members in sixty-four chapters worldwide. CAI has the world's largest library of material available to people living in community associations. Orange County is the state's largest of the eight chapters in California, and all have lists of hundreds of service providers with years of experience working with boards of directors and community association members to provide the resources needed to ensure a desirable living environment.



By Scott Clements
CEO, RESERVE STUDIES INC.

Scott Clements is chief executive officer of Reserve Studies Inc. He serves on the Education Committee for Community Associations Institute Orange County Regional Chapter. A popular author and speaker about common interest developments, Scott was recognized as 2010 Educator of the Year.

5. Most people like HOA living.

The percentage of California's population living in homeowners' associations continues to rise. According to a 2018 Zogby Analytics study for the Foundation for Community Association Research, 85 percent of residents rate their overall community association experience as positive, 81 percent indicate that they are on friendly terms with their homeowners' association, and 81 percent say that their personal interaction with their community manager was a positive experience.

Statistically, homes located within a community association appreciate or retain their value at a higher rate than those located outside an association. Crime rates are lower in HOA communities than in neighboring non-HOA communities. CAI economists predict the percentage of the population living in homeowners' associations will pass 50 percent before 2050. This growth in population and percentage is attributable to the desirable economics, amenities, lifestyle, and social benefits that community associations can provide.



To learn more about community association living, visit the Community Associations Institute Orange County Regional Chapter website at www.caioc.org.