



Aging Associations: Helpful Strategies for Older HOA and Condominium Buildings

**Community Association Institute
Washington State Chapter**

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Seattle, WA

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Association Management: Keeping All of the Balls in the Air

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Aging Associations

Are they different from New Associations?

Maybe

Self-Managed vs. Professionally Managed

- Role of the Board of Directors and the management company
- Which professionals work with the Association?

What is an Association and what does the Board need to know?

- How was the Association managed in prior years?
- Does the Association have a maintenance plan?
- Does the budget cover all of Association's needs?
- Does the Association have a Risk Management Plan?
- Do the governing documents comply with current laws?

Maintenance Issues

- Routine maintenance
- Replacement of major components
- Reserve Study

Financial Planning

- Operating budget – 12 months
- Replacement budget – > 12 months
- Inflation & increased costs of services/construction
- Delinquencies?

Insurance and Risk Management

- Insurance policies every Association should have
- Risk Management
- Disaster planning

Legal and Governance

- State and Federal Laws may trump governing documents
- Industry trends
- Decision making
- Enforcement of Rules and Regulations

So, are Aging Associations different from New Associations?

Proactive Associations do not find themselves in Stone Age



Building Maintenance for Aging Associations

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Multi-step Process

- Building Envelope Condition Assessment
- Reserve Study
- Maintenance Plan
- Remediation Plan

BECA

- Assessment of the building envelope performance
- Visual or Intrusive
- Recommends corrective action
- Recommends further investigation or Rehabilitation

Reserve Studies

- A roadmap of the building needs
- Insist on Visual Assessment – not a “drive-by”
- Provides benchmark funding goals
- Regular monthly dues or Special Assessments
- Give expected longevity of major building components and estimated costs to replace

Maintenance Plan

- Itemizes building components that with regular maintenance may extend their useful life.
- Association input can provide key schedules for both required and recommended maintenance items.
- Regular Maintenance may result in lower association budgets due to fewer emergency calls.

Rehabilitation Plans

- Deferred Maintenance
- Excessive Climate Conditions
- Volunteer Associations
- BECA to determine extent and priorities
- Design Rehab with budget and scope in mind
- Assemble the best Team to complete the Project

Engineering Firm, Legal Counsel, Bank,
General Contractor



Insurance & Risk Management Issues Faced by Aging Associations

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Aging Associations

The objective is to learn and discuss some of the insurance and risk management issues that an older association might experience

What might some of these issues be?

Examples of Insurance & Risk Management Issues that might face Aging Associations

(1) Do your Insurance Policies comply with the Association Declaration? – Board Responsibility

- Insurable Interest – Bare Walls, Single Entity, All-In? *What are the requirements of mortgage companies and unit-owners?*
- Insurance to Value? – 100% Replacement Cost based on what? *Inflationary increase been the norm? Consider an insurance appraisal?*

Examples of Insurance & Risk Management Issues that might face Aging Associations

- Ordinance or Law coverage limits adequate?
- - *Loss to Undamaged Portion of Building/Demolition of Undamaged Portion/Increased Costs of Construction*
- *Examples of building code changes.*
- Boiler & Machinery coverage?
- Crime limit in compliance and includes management company?

Examples of Insurance & Risk Management Issues that might face Aging Associations

(2) Declaration Risk Management – Attorney Review

- Declaration amendment to clarify what is to be covered.
- Deductible responsibility?
- Unit-owner upgrade reporting provision?
- Unit-owner &/or renter insurance requirements?
- Copy unit-owner insurance policies required?
- Change anything for ease of fairness, claims handling, and administrative burden

Examples of Insurance & Risk Management Issues that might face Aging Associations

(3) Disaster &/or Emergency Plan

- Current plan? Who initiates? Benefits to association/unit-owners?

(4) Maintenance Program –

- Reserve Study? Proactive Plan? Well funded?
- Common & Limited Common Areas.
- High Risk Components within Units.
- *Possible consequences of doing nothing?*

- **Key Considerations**
- Know your building
- Utilize your trusted advisors – Property Manager, Attorney, Insurance Agent etc. - to ensure that you are meeting the needs for your association and are complying with your documents.
- Be proactive with your maintenance & risk management program to prevent claims and reduce costs.

Legal Issues Faced By Aging Associations

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Today's Focus

- Governance Issues
- Maintenance Obligations
- Fine & Enforcement Issues
- Special Assessment/Funding Obstacles

Keys to Presentation

- Understand board's role
- Understand board's authority (CC&Rs)
- Understand board's limitations (laws)

Governance

- Obsolete/Stale CC&Rs
 - Discriminatory/Illegal provisions
 - ADA; FHA; FCRA; FTCA; LTA, Etc.
 - Change in homeowner demographic/desires
 - Failure to keep up with industry trends
 - Rental restrictions
 - Insurance
 - High risk items
 - Home businesses
 - Smoking?

Maintenance Obligations

- Legal duty
 - Business Judgment Rule
- Reasonable steps to maintain property value and resident safety
 - Case-by-case basis
- Common sense

Fine & Enforcement

- Reasonable due process
 - Advance notice
 - Reasonable fine schedule
 - Opportunity to be heard
 - Appeal?
- Uniform application – no selective enforcement
- Strict adherence to CC&Rs

Special Assessment/Funding Obstacles

- Association vote required?
- Balance sheet--red or black?
- Collections policy
- Liens
- LOC or loan
 - Fees and costs passed on to individual owners
- When can the board sign a contract?

Summary

- Governance Issues
- Maintenance Obligations
- Fine & Enforcement Issues
- Special Assessment/Funding Obstacles



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