

125

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## Governed by Neighbors

### The Nature of Community Associations

Tip O'Neill, longtime Speaker of the U.S. House of Representatives, coined the phrase "All politics is local." He wasn't speaking of community associations, but he could have been. There's nothing more local than electing your neighbors to the governing board of your community association.

More than a million neighbors serve on community association boards. They've been elected by the more than 57 million Americans who live in almost 300,000 associations—from city-sized planned communities and condominium complexes to gated town-house communities and the cul-de-sac of new homes in an established neighborhood.

An association-governed community can be known by any number of names, including homeowners association, property owners association, condominium association, cooperative, council of homeowners and common-interest development. In all cases, there is an abiding desire to preserve the nature of the community, protect property values and ensure a safe and harmonious living environment.

Americans choose common-interest communities for countless reasons. For many – such as first-time homebuyers, fixed-income retirees, low- and moderate-income families – a condominium, cooperative or planned community is often the most affordable way to own a home. Others are drawn to the location or appearance of the homes, special landscaping or the architectural uniformity of the neighborhood in the case of planned communities. Still others are attracted by recreational amenities and social opportunities.

Many people choose to live in condominium associations and cooperatives – and some townhouse communities – as a way to avoid many of the maintenance burdens faced by those who live in single-family homes. They are spared the work of cutting grass, raking leaves, shoveling snow, cleaning gutters, repairing roofs and painting exteriors. Instead they share the cost of having these services provided by contractors.

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*More than 57 million Americans make their homes in close to 300,000 common-interest communities. Almost two million of them have been elected by their neighbors to serve on their community association board.*

## **Amenities, Services and More**

Many community associations offer a range of amenities that can include swimming pools, tennis courts, fitness centers, playgrounds, lakes and ponds, professional security, even golf courses. The typical association also provides services such as trash pickup, street paving and lighting, snow removal and the maintenance of common areas, services that were once the exclusive province of local municipalities.

This transfer, or privatization, of services has become commonplace as the demand for housing has outpaced the ability of many local governments to provide services. Municipalities have shed this responsibility and the related costs by requiring developers and builders to provide these services in new communities. Builders manage these services during the early stages of construction and sales, but eventually the obligation falls to homeowners. Knowing this, builders need to put an association in place while the community is being built.

In addition to providing amenities and services, community associations also extend some degree of protection against neighborhood degradation and deterioration – cars on cinder blocks, dilapidated homes or yards that are not maintained. This requires not only the creation of reasonable community standards, but also the equitable and consistent enforcement of rules.

While rules differ among associations, the goals are the same: To preserve the nature of the community, protect property values and meet the established expectations of residents. These responsibilities fall to the volunteers who are elected by their neighbors to govern associations and to the professionals who are hired to manage them.

## **Governance by Neighbors**

There is often a direct correlation between the level of homeowner involvement and the long-term success of a community. While businesses and professionals provide specialized support to many associations, homeowner volunteers are accountable to the neighbors who elect them.

The typical association is governed by a board of volunteers, homeowners who are elected by their fellow residents to set and enforce policy. Smaller associations with limited budgets also may rely on resident volunteers for management. One volunteer might handle bookkeeping, another might oversee landscaping, and still another may manage architectural review.

Homeowner involvement is essential, whether a community is self-managed or professionally managed. CAI encourages residents to get involved in their communities. There are many opportunities, from leading a specific project to chairing a committee to running for a seat on the board. Committees offer an excellent opportunity for involvement, and perform important functions that range from landscaping to event planning.

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. Residents and community leaders alike may occasionally lose sight of what's right and reasonable. Utopia doesn't exist – in our workplaces, schools, social organizations or neighborhoods.

There is no substitute for homeowner involvement. We get back from our communities what we are willing to put into them. What we get back can include a real sense of community, an important contribution in an increasingly transient nation.

## Management by Professionals

Many communities contract with management firms and other product and service providers for selected services, such as general management, maintenance and legal guidance. Large communities typically hire full-time, on-site managers.

Association management has become increasingly specialized and demanding as community governance has become more complex. Successful community managers must possess knowledge and skills relating to finance, strategic planning, maintenance, personnel management, insurance, laws and regulations, communications and covenants enforcement. More than manage, these professionals must also provide sound advice on the diverse range of issues faced by the typical association board.

But even the best managers can't be experts in everything. Many communities, even those with full-time, on-site managers, turn to professionals with specialized expertise – attorneys, accountants and financial advisors, for example.

CAI is committed to helping associations identify qualified professionals. This is the motivation for professional designations awarded by CAI to community managers, reserve specialists, and insurance and risk management specialists. A designation tells the association that an individual has demonstrated the knowledge and expertise to perform in that professional specialization. CAI also offers a designation for management companies. More information is available at: [www.caionline.org/about/designations.cfm](http://www.caionline.org/about/designations.cfm).

## Rules of the Road

Professionals and community volunteer leaders are guided by community association governing documents. Often known as covenants, conditions and restrictions (CC&Rs), these documents are created to maintain community standards, to protect property values and to encourage a sense of community stewardship. People living in an association-governed community have contractually agreed – explicitly or implicitly – to adhere to these codes.

While CC&Rs are developed and enforced to protect all homeowners, they do not eliminate occasional disagreement and discontent. Issues often arise because of unrealistic expectations, misinformation or misunderstanding. For example:

- A resident may want to build a large, backyard shed contrary to established rules for permanent structures.
- Another may want to deviate from established architectural guidelines by painting shutters bright red instead of the color options set forth in the CC&Rs.
- Still another may neglect to pay community maintenance fees, therefore placing additional financial burdens on their dues-paying neighbors.

With all their inherent advantages, associations face difficult issues, none more common than the challenge of balancing the best interests of the community as a whole and the preferences of individual residents.

To help community leaders better manage these divergent forces, CAI developed *Rights and Responsibilities for Better Communities*, a series of 42 practices and principles designed to facilitate effective leadership and responsible citizenship. These guidelines are now helping countless communities avoid common mistakes, reduce conflict and promote harmony. More information is available at [www.caionline.org/rightsandresponsibilities/index.cfm](http://www.caionline.org/rightsandresponsibilities/index.cfm).

## National Statistics for Common-Interest Communities

Year	Communities	Housing Units	Residents
1970	10,000	701,000	2.1 million
1980	36,000	3.6 million	9.6 million
1990	130,000	11.6 million	29.6 million
2000	222,500	17.8 million	45.2 million
2002	240,000	19.2 million	48.0 million
2004	260,000	20.8 million	51.8 million
2006	286,000	23.1 million	57.0 million

*Association-governed communities include homeowners associations, condominiums, cooperatives and other planned communities. Homeowners associations and other planned communities currently account for 52-55% of the totals above, condominiums for 38-42% and cooperatives for 5-7%.*

- More than 1.7 million people serve on community association governing boards, with almost 400,000 more involved as committee members. Assuming the typical board or committee member spends just one hour a week on association business—and for most it's much more than that—these volunteer leaders dedicate more than 110 million hours of service to their communities every year.
- Close to four out of five housing starts since 2000 have been in association-governed communities, including condominiums converted from existing rental units.
- The value of the homes in all community associations is estimated at \$4 trillion, approximately 20 percent of the value of all U.S. residential real estate.
- Estimated annual operating revenue for U.S. community associations is more than \$41 billion. Community and condominium association boards also maintain investment accounts of more than \$35 billion for the long-term maintenance and replacement of common property, e.g., roads, swimming pools, structures and elevators.

*Community associations have become increasingly popular among municipal officials because they help protect home values, promote affordable housing and help meet increased demand for privatization of services that were traditionally provided by government, e.g., trash pickup, snow removal, landscaping, street lighting and street and sidewalk maintenance—services that are often off-loaded to associations.*