

**TESTIMONY IN OPPOSITION TO GENERAL ASSEMBLY BILL  
No. 393 - AN ACT CONCERNING CONDOMINIUM ASSOCIATION LEASING  
RESTRICTIONS**

**MARCH 13, 2014**

Good morning Senator Crisco, Representative Megna, Senator Hartley, Representative Wright, Senator Kelly, Representative Sampson and members of the Insurance and Real Estate Committee. Thank you for the opportunity to provide testimony on behalf of Imagineers, LLC ("Imagineers").

I am Karl Kuegler, Jr. of Imagineers, LLC where I serve as the Director of Property Management for our common interest community management division. From our offices located in Hartford and Seymour, we serve about 188 Connecticut common interest communities comprising about 17,500 homes. Imagineers is registered with the Department of Consumer Protection as a Community Association Manager holding registration number 0001 and has been serving Connecticut common interest communities for 33 years. I have over 24 years of experience in common interest community management and hold a Certified Manager of Community Associations designation from the National Board of Certification for Community Association Managers. Imagineers is a member of the Connecticut Chapter of Community Associations Institute. I serve on the organization's Legislative Action Committee as its vice chair and chair the organization's annual state educational conference.

Imagineers has concerns regarding several portions of this bill and is therefore in opposition to it. The following is a summary of some of our concerns:

Section 2 (a) (12) (A) (ii) provides for a sunset on 1/1/2015 of existing restrictions on leasing created by rule prior to 1/1/2015. The change would require that any such restrictions be included in the association's declaration. This requirement creates too great of a burden on associations and can adversely impact the stability and financial health of the association.

- The process of revising the declaration of an association is much more complicated, expensive and timely. To properly draft, approve and file revisions to a declaration, most communities will require the assistance of an attorney proficient in common interest law. For such a change, the approval required will typically be as high as 80 percent of all owners. With the apathy that exists, communities are already challenged when even trying to collect 66 percent approvals on other document revisions. The process of drafting, presenting and collecting the necessary votes to change a declaration can take from 6 to 18 months.
- FHA and many lenders will not issue a mortgage on a home in an association with greater than 50 percent of its units rented. The ability of an individual unit owner to sell or refinance their home is critical. The process of obtaining FHA approval is now initiated by the association. An

association can pay as much as \$4,000 in fees every two years to go through the lengthy process of applying for FHA approval. The FHA approval will be revoked if an association allows its investor percentage to climb above 50%. Should this happen, the association has not only placed its members in a compromising position, but has also lost the benefit of the investment of the up to \$4,000 that it paid to obtain the approval.

- The percentage of rented units in a community has a direct impact on the association's ability to obtain insurance. Due to catastrophic events both in Connecticut and other parts of the United States over the last three years, associations are already facing a shrinking number of insurance carriers that are even willing to offer coverage to their association. Associations with higher percentages of investor owners are faced with higher insurance costs compared to like communities with a higher percentage of owner occupied units. Many insurance carriers will refuse to insure communities with too many investor owned units or if they do, will only offer more costly commercial insurance.
- The amount of sales tax paid on services incurred by condominium associations is directly impacted by the percentage of units that are investor owned. There are several services provided by an association that are subject to sales tax only on the portion of the expense that can be attributed to the percentage of rented or investor owned units. (Conn. Gen. Stat 12-407(a)(37)(I)) Examples include but are not limited to services for heating, carpentry, electrical, plumbing, painting, paving, property management, and refuse removal.
- The added expenses referenced in the above paragraphs are in the end shared by all community members whether or not their unit is an income producing property or their residence.

Associations need to retain the ability to control their costs and to create conditions that enable associations to obtain insurance, allow their unit owners to sell their units and allow unit owners the opportunity to refinance their mortgage. Some concerns may exist regarding this authority remaining with the Board. Any rule revisions must be noticed to all owners. Owners need to have an opportunity to provide comments to the Board before the board can put in place any rule revision. Should the board not act in a way that best represents its members; the Common Interest Ownership Act affords members of an association the ability to remove members of the board if they disagree with their actions and decisions. A method to remove members of the board is to call a meeting for that purpose by the collection of only 20% of the owners' signatures. At that meeting, subject to the association's quorum requirement, a majority vote of those present may remove the member or members of the board as per the call of the petition. The Board is required to call for and schedule the meeting within a prescribed time period; otherwise, the meeting can be directly noticed by the requesting association members.

For the reasons stated above, we are in opposition to General Assembly Bill No. 393 - An Act Concerning Condominium Association Leasing Restrictions.