SPECIAL ASSESSMENTS VS ONGOING CONTRIBUTIONS

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Why not just special assess for Reserve expenses when the expenses occur? It fundamentally boils down to fairness and responsible corporate planning. By nature, Reserve expenses occur unevenly through the years: some years will have minimal Reserve expenses, some years will be especially hit hard. Pieces of the corporation (individual homes/units) are continually being bought and sold, and it is unfair for owners to be subject to "good luck" or "bad luck" with respect to what Reserve expenses "come due" during the years they own a unit at an association. That is no way to treat the other co-owners of your multi-million dollar Real Estate partnership! Some owners in this “pay when the expenses happen” scenario pay much more than their fair share, and some owners pay much less than their fair share. Boardmembers in these situations bear the additional risk of knowing when major expenses are likely to "come due", and are under extreme liability scrutiny when it comes time to decide to sell their unit… Somebody always gets holding the bag.

In most cases, special assessments as an ongoing way of conducting business at an association should not even be an option. Governing Documents of most associations specifically require an "adequate" amount of Reserves to be set aside on an ongoing basis to offset anticipated Reserve expenses. Special assessments are designed as the solution for emergencies, not predictable common area expenses.

Just as an association's Governing Documents require assessments to be collected in a particular manner (equivalently for all units, or variable based on # of bedrooms or square footage or some other factor), those same Governing Documents typically require assessments to be appropriately distributed over the membership over the years. In this way, every owner pays their fair share of the deterioration of the common area components for the amount of time they owned a unit at the association, and there is no chance of Boardmembers being accused of "self-dealing" by keeping the assessments low during their tenure for their own personal benefit.

Finally, planning to fund predicted Reserve expenses through Special Assessments goes against National Reserve Study Standards Funding Principles. Certainly, many homeowners can individually manage their money to gain a greater return than the association, which has limited investment options. But the association needs to be run responsibly, and demonstrate (disclose) to its owners that funds will be available when they are needed. There is no guarantee that the Board can pass a special assessment and collect the funds in sufficient time to meet a pressing Reserve expense. The association needs to make progress, on an even and fair basis, spread through the years, towards meeting its projected Reserve obligations.