

# OLDER CONDOS

THE FOUR C'S OF AN  
EFFECTIVE HOA BOARD Q&A

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# CONTENTS

01 INTRODUCTION

02 CONTRIBUTORS

03 GENERAL

06 COMMUNICATION

11 RESERVE STUDIES



# INTRODUCTION

The collapse of Champlain Towers South, a 12-story condominium association in Surfside, FL, captured the nation's attention because it was so unexpected and so deadly.

In the midst of so many unanswered questions about what led to this tragedy, Association Reserves' goal is to help associations respond effectively, and rise to meet the specific challenges of maintaining properties as they age.

We can't change what happened down at Champlain Towers South. But we need to examine if there is something to learn from that tragic collapse that can help us all do a better job at our associations.

Julie Adamen, management consultant of Adamen Inc, and Robert Nordlund, PE, RS of Association Reserves came together to address the four C's of effective board behavior and share insights about how you can learn the combined physical and financial condition of your association and keep your eye on the numbers that matter.

The content of this eBook consists of questions asked by the webinar attendees and answers provided by our experts.

Click [here](#) to view the webinar.



# CONTRIBUTORS



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Julie Adamen, principal of Adamen Inc., a national consulting and employment firm specializing in the community management industry formed in 1997. She is a recognized and designated expert in community management and association and management company operations. She is a prolific author, educator, motivational speaker and trainer for community managers and Boards of Directors.

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# GENERAL

**Q:** What do you expect should be post-Surfside changes?

**A:** Increase your communication as necessary. Raise assessments as necessary.

**Q:** How can we get a copy of the letter the Champlain Board sent out?

**A:** [Here](#) is a copy of the 2018 engineering report. Read the board president's April 9, 2021 letter to the homeowners [here](#).

**Q:** Any advice about how to move a board from day-to-day management to big picture concerns? Our HOA has 144 members.

**A:** Place emphasis on the duty of the Board, which is to preserve, protect, maintain and enhance the community not only for NOW, but in the future as well. Champlain Towers South has brought this into stark relief: As Board members, it is our duty to help the community prepare for the future, financially and physically.

**Q:** Can all board members be present for a town hall meeting, and who runs the meeting?

**A:** Yes! It is an open forum, not an official meeting where business is conducted. It is appropriate for the board to run the meeting, keeping it orderly, timely, and effective.

# GENERAL

**Q:** Our Board is split between directors who want to hand as much as possible over to the management company, even to the extent of dismissing the Landscape Committee in favor of the onsite manager making all decisions with the Landscape Contractor. Other directors see their job as putting in as much time as is needed to be deeply involved in directing the property. Suggestions on the right balance?

**A:** Truly, this depends on circumstances, such as the makeup and nature of the committee; questions that come to my mind are: Is the committee competent? Do they micromanage? Has the Board given them a specific charter (highly recommended) and do they follow it? Also, does the landscape company need such oversight? Are the manager (who has ultimate responsibility) and the committee working at cross purposes, or does the system work well? There is a lot to be said for the volunteer involvement, as long as it's within the boundaries of the overall good of the community. Committees are often where we find new Board members!

**Q:** Small HOAs are volunteer labor challenged. What is critical mass/size of an HOA where newsletter makes sense?

**A:** I think communication always makes sense, no matter what size. Don't get hung up on a "newsletter," a short email blast can suffice for many smaller communities as long as they provide timely and relevant information.

# GENERAL

**Q:** Why aren't these "normal" people who become board members, required to be educated about what a board members responsibilities are?

**A:** Effective leadership can start locally. Your board can have “peer expectations” to be well versed in the Governing Documents, take available courses (or webinars like this one), attend programs presented by industry trade organizations, etc. You don’t need an outside force to “require” you to do the right thing.

**Q:** What is a good way to get residents to serve on the board?

**A:** Encourage committee involvement, on measured and successful projects. Communicate openly, inviting homeowner participation running “our” association. Have written policies establishing guidelines, so any volunteer position doesn’t look overwhelming or scary.

Also, always be aware of the image your Board projects. Are meetings long and contentious? Are they disorganized? Does the Board stay on the agenda and respect participants time, or does it wander off into the weeds? Remember, no one wants to volunteer for lengthy, unpleasant experiences.

# COMMUNICATION

**Q:** I understand that the minutes are not sufficient for communicating issues with the membership, but I don't understand your assertion that the minutes should be limited. Why are the minutes not another useful tool to over-communicate to the membership?

**A:** Minutes document the “business” of the association. They are not the place to attempt to document the “why” or put those decisions into perspective (how the board is crafting a great future for the members). Minutes should contain only call to order, note Board members present (quorum), actions approved and adjournment. Any discussion noted should be very, very limited.

**Q:** How detailed should or must minutes be? Are there State guidelines for minutes?

**A:** See answer above. As far as state guidelines, none of which I am aware.

**Q:** We have around 50% owners who live elsewhere. What is best way to get them the message?

**A:** Virtual meetings – one of the positive effects from COVID-19.

**Q:** In this day and age, isn't it important for a HOA to have and maintain a website for communication?

**A:** Yes.



# COMMUNICATION

**Q:** Are motions supposed to be recorded verbatim with vote records in the minutes?

**A:** 'Relatively' verbatim (many people just can't get the words right) and simply approved or unapproved. Naming the persons voting "yes" or "no" is unnecessary and has a tendency to become a political cudgel.

**Q:** If the Board meeting draft minutes are inaccurate, can we ask they revise the minutes before they are approved at the next month's meeting?

**A:** Yes. If it's relatively simple stuff, you may feel comfortable approving them pending the requested changes.

**Q:** Communication and "over-communication" between an HOA Board and the ownership is clearly important as you point out. However, watching the fallout from Champlain Towers South, it's clear that Board Communications are taking a "front and center" evidentiary role in the flood of lawsuits emerging from the tragedy. Do you see this having a chilling effect on Boards communicating with their membership and how do suggest this be countered?

**A:** No. Effective communication is exactly what minimizes the gap between boards and owners, minimizing potential for litigation. Evidence of that communication actually works in the board's favor if their actions are ever challenged.

# COMMUNICATION

**Q:** The minutes of our board meetings are sent just hours before the next meeting. How soon should minutes be sent to the association members after a meeting?

**A:** If you are referring to the membership as a whole, your state may have specific requirements in this regard. If referring to the Board, all Board agenda items, including minutes, should be in the Board's hands at least 3 days in advance of the meeting to allow them to prepare effectively.

**Q:** Is a private Facebook group that has all owners as members an acceptable "Web Page" for the development to communicate on a regular basis?

**A:** If it works for you, I suppose. Personally, I'm more in favor of a real web page that has downloadable documents, etc.

**Q:** I agree that Board communications to owners are important, but most of our owners don't bother to engage. They don't attend Board meetings, request minutes and financials, nor contact Board members directly with questions. Any advice on what this Board can do to engage owners?

**A:** I can't answer this, as I would ask you the question: Are you communicating at all with them now?

# COMMUNICATION

**Q:** What is the role of the Management Company compared to the Board in communications with the owners?

**A:** The Board is the one who drives the general communication strategy, meaning e-blasts, newsletters, etc. The management company is responsible for the day-to-day communication with owners/residents as needed, including violations notices, etc.

**Q:** Almost no homeowners come to Board meetings or even know we have a website with the minutes posted despite years of communications personally by Board members door to door! We have a potential special assessment coming up due to the new "Balcony Law" in CA. How can we communicate better? (very few homeowners have email or even read it).

**A:** Well, you are going to have to disclose this issue to the homeowners via snail mail, it appears. Trust me, a possible special assessment will bring them out.

**Q:** Can you address our problem with communication, caused by our majority of owners who are absentee landlords?

**A:** I would highly suggest that ALL residents receive your newsletters or e-blasts. Takes a bit to gather their info if you don't have it, but at least it brings them in to the community process (in addition to the owners).

# COMMUNICATION

**Q:** Can you provide companies who can help with the newsletters?  
Are we required by law to send the letters?

**A:** For newsletters and websites, do an Internet search or perhaps start with these companies:

- Piler.com (management and communication software)
- townsq.io (management and websites)
- hoa-express.com (websites)
- associationvoice.com (management, communication, and website services)
- athomenet.com (website hosting)
- HOA-Sites.com (websites & content)
- Frontsteps.com (websites)

**Q:** How do you “sell” increasing the monthly assessments while there is a 12-month special assessment being collected?

**A:** Make it clear that the special assessment was caused by years (decades?) of inadequate Reserve contributions. It is time to “pay the piper”. Ongoing deterioration is part of the cost of home ownership. Higher Reserve contributions (resulting in higher monthly assessments) just represents the “true cost of ownership” at the association, and will avoid future unpleasant and unfair special assessments.

# RESERVE STUDIES

**Q:** Some board members are dragging their feet on repairs because they don't want to raise monthly assessments. How do we handle this problem?

**A:** The expenses will only get larger the longer they are delayed. To minimize expenses, perform projects in a timely manner. Raise monthly assessments to a level that offsets the cost of ongoing deterioration, representing the true cost of home ownership (and minimizing the chance of special assessments that will be required to "catch-up").

**Q:** Besides special assessments and HOA monthly fees, what are some other good ways to fund reserves?

**A:** Some also collect an irregular stream of additional funds by charging a "welcome fee" to new owners... perhaps something like two months assessments.

**Q:** We're interested in Board communications to inform homeowners when a reserve component such as pool repair, waterproofing or balcony inspection is at zero life but the action to repair is delayed? How must we inform and how should we inform?

**A:** Typically, the Board is not required to inform the owners of a reserve expenditure; however, this can be a great way to keep the community informed, and can show them their money is going to the repair/replacement of common area they see or use daily.

# RESERVE STUDIES

**Q:** I live in an 18 unit HOA. The majority favor Special Assessments, not Reserve Funding. Can those who favor Reserve Funding establish their own personal Reserve Fund account and fund it based on our yearly Reserve Study?

**A:** Absolutely! Create your own personal “reserve” account to pay for inevitable, upcoming special assessments.

**Q:** There are some big ticket items that have useful lives beyond 30 years and most studies exclude their funding. Why would they not be included so that funding is spread over their lifetime and in essence shared by all?

**A:** As you suggest, long life items should be included as soon as they are reasonably expected, even if beyond 30 years.

**Q:** Loans are a challenge, and, at 30% funded and ZERO remaining life on streets and roofs, our Reserve Study professional recommended a special assessment, not a loan. Why?

**A:** Loans are a very expensive way to fund Reserve projects. Instead of getting interest from the bank (Reserves on-deposit), with a loan you pay interest to the bank. It is typical your Reserve Study professional will recommend a special assessment instead of a loan because it is less expensive.

# RESERVE STUDIES

**Q:** Is a board wish list appropriate? Capital budget wish list instead of reserve fund study schedule?

**A:** Every association should have a well-established Reserve Component List, based on the National Reserve Study Standards four-part test. A “wish list” of capital improvements is well-advised, showing the board’s forward thinking. But capital improvements should not be accomplished with Reserve funds. Reserve funds are dedicated to scheduled Reserve projects, not new additions to the property.

**Q:** Our board has been stingy with due increases. Last year we had an inspection and now face \$1.5 million or more of work for which there is no money. How do you go about selling a special assessment?

**A:** Explain that expenses are expenses. Perhaps show a chart of your homeowner assessments compared to inflation, showing how they have not kept pace. Show from your recent Reserve Study how your Reserves are currently underfunded (we are x% Funded, which means we don’t have enough cash for this project). You may wish to have the service provider come as a guest for a board meeting or “town hall” to explain the necessity for the expenditure. Then in addition to the special assessment, tell everyone they should plan for higher Reserve contributions so everyone can pay their fair share along the way, not repeating this history of underfunding and then needing to special assess.



# RESERVE STUDIES

**Q:** Our high rise has had a separate line item on the budget for Reserves since 2004. There has been a number of additional 5% assessments and a loan to pay off for five years. Two years ago we had a 17% increase in our monthly assessments. Projects listed on the Reserve study remain undone. Now they are using the Florida tragedy as a scare tactic for huge assessments....e.g. \$70,000 up.

**A:** Sounds like you need an updated Reserve Study by an independent, credentialed expert (someone with a RS or PRA) to provide some wise counsel to the board. Good for them to want to collect Reserve funds, but it should be purposeful, not reactionary. Perhaps recommend a no-obligation proposal from Association Reserves [here](#).

**Q:** What happens if the prior Boards have been willfully against adding normal property upgrades to the Reserves? They handle roofs, gates, etc. but \*will NOT\*, deliberately, add line items for some specific projects that others know should be listed in Reserves. The other members don't want the % number to go down when these new items are included. It's deliberate and seems like a liability/disaster waiting to happen! What can be done?

**A:** Encourage them to have a Reserve Study prepared by an independent, credentialed expert (someone with a RS or PRA). The component list will include everything that passes the [four part test](#). The proper result is a building and budget that is sustainable, not a high Percent Funded.



# RESERVE STUDIES

**Q:** Our reserve plan shows we will be 70% funded in 30 years but currently we are only at 50%. Are we adequately reserved?

**A:** Most likely yes. See the definition for Reserve adequacy [here](#).

**Q:** Our building is a condo complex that's 41 years old. The windows are original. Is it typical for individual owners to pay for replacing their own windows?

**A:** It is not surprising that 41-yr old windows need to be replaced. But be careful, it doesn't matter what is "typical". It matters what your Governing Documents say about who is responsible to replace those assets. If common area, it is a Reserve project. If private property, it is the responsibility of the homeowners. If there is doubt, please seek a legal opinion.

**Q:** There is always the argument that "I am on a fixed income" and cannot afford any increase. How do we overcome this reality and enlighten these groups?

**A:** Boards serve the needs of the association (corporation). There is no choice. The board needs to budget for the sustainability of the corporation. Homeowners can choose where they live. If they can't afford to live in the association, they can move. It may be an unfortunate truth that some owners have been living beyond their means. Run the association honestly, and sustainably, allowing owners to choose their own living arrangements.

# RESERVE STUDIES

**Q:** What is a recommended “strong reserve” Percent Funded level?

**A:** Reserve Fund strength, where special assessments (and deferred maintenance) is rare is generally defined as being at-or-above 70% Funded. See what your special assessment risk is, plotted against Percent Funded, [here](#).

**Q:** We are contemplating a special assessment where approximately 20% of the owners will not have immediately available funds. Should we proactively offer financing resources/guidance?

**A:** This is a good example how years of making inadequate Reserve contributions creates additional problems. It is always better that owners pay their small, fair share, every month, over the time they own a home in the association. Bottom line – if the funds are needed by the association, special assess now. Waiting usually just makes projects more expensive. Perhaps spread the special assessment out over a number of months, possibly providing a slight discount to those who can pay all up front.

**Q:** Any suggestions on neutralizing the effects of inflation on the buying power of a replacement reserve?

**A:** In your Reserve Funding Plan, plan for inflation increases to your costs, and design your Funding Plan to have nominal annual (inflation-offsetting) increases to your Reserve contributions.

# RESERVE STUDIES

**Q:** Loans result in a loss of money out of the association. How do we sell a loan in a 55+ community?

**A:** Loans are expensive. But compare to the alternative. They are less expensive than a loss in property values. Cash is needed to perform essential projects! So if you didn't collect the cash along the way (adequate Reserve contributions) and a special assessment is deemed unworkable, then pursue a loan, even though it is an expensive strategy.

**Q:** Is this correct: "Deferred Maintenance" within Reserves = sum of components with Remaining Useful Life below ZERO? Is it proper to carry a component with a negative UL? Also - how should non-Reserves DM be reflected within the Operations budget?

**A:** Partly true. There is no such thing as Remaining Useful Life below zero. Deferred maintenance is any project that is not performed in a timely basis. That could be a Reserve project that is not performed when the Remaining Useful Life has been exhausted (past when it is due to be performed), or operational budget projects like cleaning the pool, roof gutters, or lobby carpet.

**Q:** Can Reserves be used to pay Hurricane Deductible? I.e., 3 or 5%?

**A:** No, as insurance deductibles fail test #3 of the National Reserve Study Standards four-part test (those expenses are not predictable). See more [here](#).

# RESERVE STUDIES

**Q:** How does an association get a reserve study?

**A:** Just as you would get any professional service for your association (attorney, tax advice, etc.). Solicit proposals (from your local CAI membership directory, from providers serving other associations managed by your management company, etc.), and evaluate those providers and their proposals. For Reserve Studies, you can get a no cost, no obligation proposal from Association Reserves simply by providing us with a little information on yourself and your association [here](#).

**Q:** If you are a brand new association, newly constructed, should you do a reserve study right away once the HOA is established, even though it may be two or 3 years before it is required (depending on the State)?

**A:** Yes. Get the association off to the right start, so all owners are paying their fair share of ongoing deterioration.

**Q:** Are bank loans becoming more common as funding source for large repairs, rather than reserves?

**A:** Bank loans are an expensive back-up option for associations without adequate Reserves to perform their Reserve projects in a timely manner. There are a few specialty banks that offer this product. They are good money-makers for the banks that offer this product.

# RESERVE STUDIES

**Q:** Due to pandemic inflation, our roof replacement bid is double the long-time estimate in reserve study. Our Board announced a special assessment to get our Percent Funded back up to mid-30's from mid-teens over the next five years. That leaves our HOA vulnerable to another special assessment in the "recovery" period. Would you counsel quick or slow recovery?

**A:** First, I'm troubled by you saying your "long-time estimate" of a roofing cost. Updating your Reserve Study regularly (annually), which includes updating all cost estimates, is best practice, helping to prevent cost projection "drift". Second, check with your Reserve Study provider to look at the path forward. That will help you balance the speed at which you strengthen your Reserve Fund against the risks of it being weak for a few years.

**Q:** Robert, can you please site the name of the study where the value of the "well maintained" communities' homes were 12% higher? Can I get a copy?

**A:** Please see [here](#) (short article) and [here](#) (webinar on the topic here, starting at 29:45).

**Q:** Can you provide a list of companies that do both: Structural Inspection AND Reserve studies?

**A:** Kipcon (Kipcon.com), some local Criterium Engineering franchises (Criterium-Engineers.com), the Falcon Group (TheFalconGroup.us), etc.

# RESERVE STUDIES

**Q:** I have a BOD that thinks they can do their own reserve study. How do I convince them to hire a professional?

**A:** I've seen a few boards capably perform a "No-Site-Visit" update to their Reserve Study. But that is rare – capable boards with simple associations. But boards suffer from three critical handicaps. They are not as knowledgeable or experienced as a professional, they have no independence (they are affected by their results), and homeowners may find their results are not as credible, meaning homeowners are less likely to be influenced by the results of an in-house Reserve Study.

**Q:** Please speak to the timing of who pays and who benefits. For example, pay now (dues) for an improvement 15 years away for the benefit of future owners? Or pay an assessment when the owners at that time immediately benefit from the improvement they pay for? Or plan for a combination (somewhat higher dues now, somewhat smaller special assessment in the future)?

**A:** You're making it too complicated. Reserves are not "for the future". Reserve contributions offset the ongoing cost of deterioration. When you take care of the present this way, along the way, the future takes care of itself. It's only fair. Done this way, everyone pays their small, fair share over time. See more [here](#). Due to cash needs, in an underfunded association, some "current" homeowners often need to pay more than their fair share to make up for former owners that didn't pay their fair share.

# RESERVE STUDIES

**Q:** We continually get surprised by unexpected failures. For instance, we find that some ground settling has occurred and we now need to make major upgrades to our drainage systems. Should associations be planning for engineering studies at certain intervals to try to find these before they become a problem? I've never seen this line item in reserve studies.

**A:** Yes. Incorporating estimates for periodic infrastructure inspection costs, so the effects of unexpected deterioration can be identified and addressed before they get (too) big and expensive is increasingly common in Reserve Component lists.

**Q:** Why do (most) reserve specialists only look at components with a known useful life? This basically rules out understanding and funding for the most important building components such as structural, main plumbing, and main electrical. Do you see this changing due to recent events?

**A:** Reserve Study professionals are guided by National Reserve Study Standards, which provide a four-part test any possible Reserve project must pass. See more [here](#). As Reserves are a budget recommendation, information on components must be reasonably estimable and probable, not unsubstantiated “guesses”. Some true “unknowns” will remain unknown.



# RESERVE STUDIES

**Q:** We are 140 units, built in 1975, with regular plumbing problems. But we have regularly updated reserve studies, follow their guidelines for funding reserves, and fund repairs from these. But this is apparently different from "100% funding". Can you explain the difference, and do you recommend 100% funding?

**A:** What you seem to be talking about is "compliance". When you speak of "Percent Funded", that is a term defined in National Reserve Study Standards, which is the ratio of Reserve cash (at the beginning of the year) to the value of Reserve deterioration at that same time. So Percent Funded reveals the size of your Reserve cash to the Reserve deterioration of the association. See more [here](#).

**Q:** We are an older (92 year old) high-rise. We are getting ready to retrofit/replace/improve the original electric system. We are in the design phase. Rough order of magnitude is \$5 million. Is this consider a capital improvement, which needs members approval, or can the board approve the assessment?

**A:** This is a Reserve project. A Capital Improvement is "an addition to the Common Elements that previously did not exist". Clearly, you've had electricity for 92 years. Upgrading this existing, but deteriorated asset, is a Reserve project.



# RESERVE STUDIES

**Q:** What is the recourse for owners (other than voting board out or having a recall) when they believe the board is not allocating sufficient resources for the reserve and the infrastructure is reaching end of projected life? We of course don't want a dues increase...

**A:** Encourage the board to commission an independent Reserve Study. Run for the board in the next election. Brace yourself financially for a (perhaps significant) special assessment. Sell before the special assessment (or series of special assessments) hits. It is likely the board has not been collecting sufficient funds to maintain the building, and someone will be required to pay.

**Q:** I agree that we don't know what circumstances (or combination of circumstances) caused Champlain Towers South to collapse. We know they were under-Reserved. Do we know if they had a Preventive Maintenance Program or Plan in place?

**A:** I do not know the answer to that question. We do know there was significant deferred maintenance at the association. So if there was a Preventive Maintenance Plan, they did not seem to be following that plan.