COMMUNITY LIVING

Pressing issues for associations in '11

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Cold winds blew in another year, and with it came new challenges and hard decisions for community associations. What's in store for 2011? With some help from several industry frontliners, we put together our annual list of hot topics:

Delinquent assessments. Job loss, mortgage foreclosures and low interest rates on investment income are among the reasons many owners have fallen behind on paying their dues. As a result, the associations run short on funds. If delinquencies go higher than 15 percent, associations can't get FHA certification, and unit sales are impaired.

"Associations need to budget for bad debt," said Cathy Ryan, chief operating officer for Property Specialists Inc. in Rolling Meadows. "It's a hard pill to swallow when you have to increase your assessments to cover those who were unable to pay, simply to keep operations going."

Associations must be diligent about enforcing their collection policies, said consultant Angela Falzone, of Association Advocates Inc. in Chicago and Park Ridge.

"They can't allow anyone to go beyond the rule requirements before turning them over to legal," she said. "Smaller associations, especially, find it hard to press a neighbor who is having financial difficulty, but they can't lose sight of their obligations to the property."

Leasing restrictions. Not long ago, associations wanted as few renters as possible. Some associations went so far as to ban them entirely. Today, with slow sales and high numbers of foreclosures and delinquencies, many boards are taking another look.

"Boards should consider hardship clauses," said project manager Shirley Feldmann, of Association Advocates Inc. "If an owner cannot sell or rent, they may end up going into foreclosure, and the association could potentially lose assessment income that then would have to be made up by the remaining owners."

"This is an area where boards can afford to be lenient," said Falzone.

Deferred maintenance and capital improvements. Pressured by high delinquency rates and owner resistance to assessment increases, many boards in recent years have spent money on only the most critical of repairs. Meanwhile, smaller problems have worsened, and the cost to address them has gone up.

"The longer you wait, the more it will cost," said Salvatore Sciacca, president of Chicago Property Services in Chicago. "Some of these costs are exponential. They don't stay the same if you wait year after year. They go up at a faster rate."

If the association qualifies, now is a good time to take out a loan, because interest rates are so low, said Feldmann.

Owner unrest. The same anti-government sentiment that pervaded the November interim elections is carrying over into association operations. More and more, owners are questioning board motives and motions. And they're not always nice about it.

"There is much greater distrust on how boards are spending unit owner money," said certified public accountant Christina Nyborg, of Nyborg & Co. in Batavia. "I'm being hired to oversee more elections and to review more budgets

As more condo owners fall victim to foreclosure, associations may be spurred to change their regulations on rentals.
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and give my blessings. I've been to meetings where huge crowds grill the board about every line item in the budget, and the board hasn't done anything wrong."

"My take is that everyone is stressed out and tense about what's happening with the economy, and that causes them to be uncivil," said Ryan.

Nyborg's advice: Boards should be extremely transparent in their dealings and allow owners the opportunity to comment and ask questions.

Non-condo master board elections. The Common Interest Community Association Act, which was passed into law last summer, was created to give non-condo associations some of the protections and procedures long granted to condos. It also changes the way master boards are created, which may or may not be a good thing.

Association attorney Charles VanderVennet, of Arlington Heights, explained: In the past, a master association board in a non-condo community typically was composed of the president from each subassociation. No election was necessary, and each subassociation was represented at the table. The new law not only requires an election, but also specifies that board members be elected at large. The process adds extra work and opens the door to one or two buildings controlling the master association.

"Unless something changes, we have to tell our clients to abide by the new law," said VanderVennet.