

# What Homeowner Associations Do: Benefits & Burdens

Presentation to the North Carolina House Select Committee  
on Homeowners Associations

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# Background

- Have been working with grassroots community groups for almost 20 years
- Doctoral dissertation on the subject of community association effectiveness
- Collected primary data on neighborhood and homeowner associations in Indianapolis, Dayton, and Charlotte
- Also a practitioner: Treasurer of my HOA

# Brief Overview

- History of HOAs
- Purpose of the HOA
- Data from Charlotte HOAs
- Perceived Benefits of HOAs
- Perceived Drawbacks of HOAs
- Policy Challenges

# History of HOAs

- HOAs have a 250+ year history
- From England (to limit park usage)
- COAs date back to the 6<sup>th</sup> Century BCE Roman Republic
- COAs arrived in the US in the 1960s
- First HOA in the US dates to 1844
- Accelerates in the 1900s with rise of developer communities
- Explodes with PUDs, the Interstate System, and low land costs
  - Appx. 1,000 by the end of the 1950s
  - Appx. 250,000 today (in addition to 89,000+ units of govt)

# Primary Purposes of the HOA

- Protect the community
- Maintain common property
- Provide limited service delivery
- Improve property values

# Protect



# And Defend Against



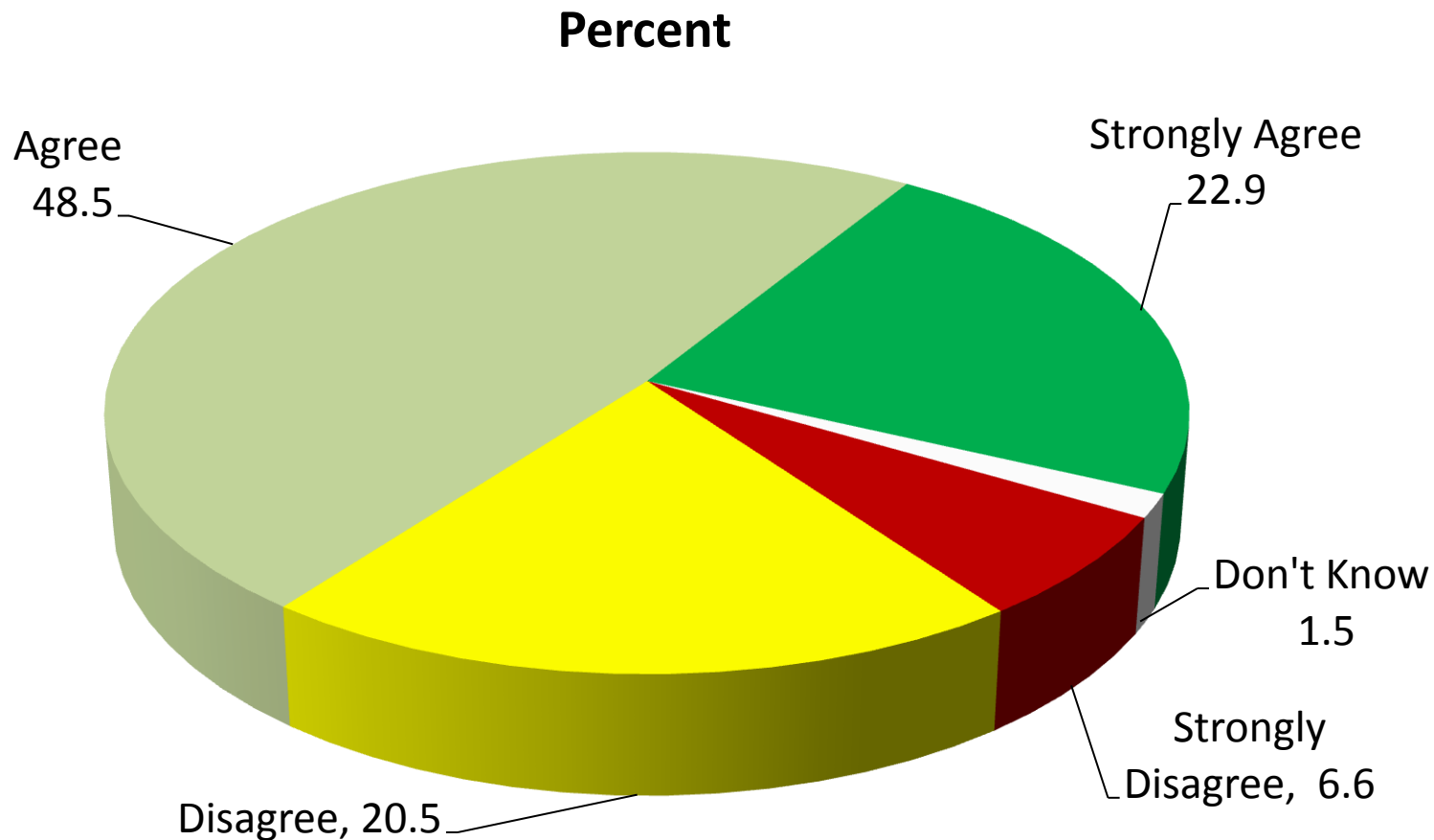
# Charlotte HOA Priorities

1. Common Property  
Maintenance/Beautification
2. Crime Watch/Safety
3. Neighborhood Social Life/Recreation
4. Housing/Yard Conditions
5. Neighborhood Traffic

# Charlotte HOAs

- Appx. 60% have formal contracts for services to the community they serve
- Appx. 60% have contact with their city councilor concerning public issues inside and proximate to the community
- Almost 90% would like to be able to assume greater responsibility for planning in their area
- Appx. 60% would like to be allowed to assume greater responsibility for public services in their areas.

Neighborhood organizations should be allowed to assume greater responsibility for public services like zoning or code enforcement in their areas.



# **PERCEIVED BENEFITS OF HOMEOWNERS ASSOCIATIONS**

HOAs provide maintenance services and are an instrument for paying the upkeep of common areas, such as swimming pools, play grounds, club houses, etc. that are not the purview of local government.



Many HOAs provide an array of services such as snow removal or lawn maintenance for each residence, in order to achieve a clean, well-kept look throughout the community at all times.



HOAs often serve as a forum for mediating disputes between residents. If there is an issue with your neighbor, the HOA can help resolve it quickly and easily, hopefully with little animosity.



HOAs help to protect or raise property values by helping keep the neighborhood looking good through covenants (i.e., no cars left in driveways for extended periods of time, no signs in front yards, keeping garage doors closed, etc.).



Hosts annual parties, such as block parties and family nights, which helps build camaraderie, civic fabric, or social capital in the neighborhood.



# **PERCEIVED DRAWBACKS OF HOMEOWNERS ASSOCIATIONS**

Feeling as if “Big Brother” is always watching you to see if your property is in compliance with covenants.



- RULES
1. YOU CAN....
  2. YOU CAN'T...
  3. YOU CAN....
  4. YOU CAN'T

Homeowners looking to rent or sell their residences may need to have the new potential occupant screened and approved by the HOA board.



The HOA dues owed by owners are another added cost factoring in to how much home one can afford. Dues typically go up over the years.

## Monthly HOA Dues

**Beginning January 2009, monthly dues will increase to \$136.50 per month.**

Because of problems with our former bank, the HOA has transferred all accounts to Citywide Banks as of January 2009. Due to this change, coupon books were delayed to residents, but should be received by now. If not, please call CPMS. Residents who have their monthly payments deducted directly from their checking account WILL NOT receive a coupon book and the change to the new bank will be updated without completing new forms. If you pay by check or money order, please send your payments to: **Pheasant Creek HOA c/o Citywide Banks, P.O. Box 173861, Denver, CO 80217-3861**. Make sure your Pheasant Creek address is on your check.

**Do not mail any payments to Colorado Property Management Services - this will only delay the posting of payments. Payments sent to CPMS will be assessed a \$15 processing fee.**

### **Other payment options:**

**One-time Electronic Funds Transfer payments** - Pay your HOA bill on-line at [www.e-cpmsinc.com](http://www.e-cpmsinc.com) from your checking or savings account - it's free!! Click "*Pay HOA Dues Here*" on the CPMS website.

**Auto-draft/Direct-Payments (ACH)** - Please print and complete the ACH form under Helpful Information on the CPMS website. A voided check must be attached and returned to CPMS.

HOAs can place a lien on your property and even force a foreclosure for those delinquent in paying their HOA dues within a set time frame.



HOA boards are sometimes poorly run, as most are volunteers with other personal and community obligations.



# **POLICY CHALLENGES**

# Challenge #1

- Opt out? Homeowners do NOT have to move into a home that is governed by an HOA. That is a voluntary, free-market choice, and it is the responsibility of the homeowner to know and understand the covenants governing his/her property.
- However, state and local governments have made it difficult to build new developments NOT governed by an HOA due to the tax advantage to government.
- Furthermore, developers like HOAs as a tool to govern the whole of their development while being built as a means of protecting the overall investment (before leaving once complete).
- Perhaps stronger public requirements concerning the review of the HOA covenants by buyers.

# Challenge #2

- Many HOAs have undertaken the delivery of traditionally public services, and citizens are strongly in favor of more such devolution of authority to governance units closer to the neighborhood level. State and local government could facilitate this.
- However, many HOA officers do not have extensive training, elections are notoriously low attendance affairs with almost no oversight, and oversight of the HOA's operations is no more stringent than for a nonprofit organization.

# Challenge #3

- HOAs should not be able to levy large assessments on homeowners.
- However, many HOAs are aging, run by volunteers, and had their operating budgets set by developers who set fees low in order to move units. This has a long term impact for capital expenses needed by the association as its common properties age.

# Challenge #3a

- HOAs should not have to meet supermajority requirements to levy assessments to meet emergency needs of the community.
- However, the supermajority requirements help to insure such levies are pursued only under extraordinary circumstances.
- The challenge is how stringent to make the requirements and how extraordinary circumstances need to be.

# Challenge #4

- Data suggest that home values in areas with HOA coverage perform better than those without.
- Other evidence suggests that the proliferation of HOAs spurs urban sprawl, and thus lends to increased costs of public services while undermining city planning efforts.
- If cities abandon their service role to communities with HOAs, then the goal of affordable housing may be sacrificed as moderate income families may find the HOA fees (on top of mortgage costs) too prohibitive.

# Challenge #5

- HOAs are primarily a suburban phenomenon and older neighborhoods cannot establish HOAs to help achieve the positives associated with them, hurting relatively lower income and minority neighborhoods.
- Enabling legislation could be structured to facilitate easier creation of neighborhood associations with formal authorities and revenues, thereby circumventing the unanimity rule that prevents established communities from starting HOAs.

# Challenge #6

- HOAs should not have the power to foreclose on the private property of owners (due to such situations as covenant violations, delinquent dues, etc.).
- However, HOAs are nothing more than a collective association of the owners. One owner “free riding” on the timely dues of others is unfair to their fellow owners; and HOAs need some mechanism to enforce the rules to which the community has agreed.

Thank you for your attention.