

*CitiScape Property Management often takes over the management of a property after it has gone through several changes in management over a short span, always having it described to us that “our management company is unresponsive, is not proactive, and isn’t providing any strategic planning for our association, only reacting, and mostly not very well.” As the housing market continues to decline, and most experts saying it’ll be a while before it rebounds, it is more important than ever to have your property properly managed. In a downturn, it is penny wise and pound foolish to cut corners on one of the only lifelines an HOA has in determining its success in the future – a good management company.*

*Kevin Wiley, President  
CitiScape Property Management Group, LLC*

## Dangers hidden in homeowner groups

JUNE 2, 2008

Victor Saldana and his wife saved up some money and decided to finally buy their own home. They knew they could never afford a single-family home on the Peninsula and instead found a condominium at what seemed like a great price.

Then Saldana went to a homeowners association meeting and heard the news: Their Colina Condominium complex in South San Francisco has major structural problems. To fix the damages, each unit in the complex may have to pay a special assessment fee in the range of \$70,000 to \$90,000 per unit on top of the HOA dues, property taxes and mortgage residents pay each month.

The Saldanas and their neighbors are not alone. As of 2006, there were 906 homeowners associations in San Mateo County that maintain the common spaces of approximately 73,000 units in condominiums or single-family homes built in a neighborhood development. Some 59 percent of these units are more than 20 years old, according to a survey by industry CPA firm Levy, Erlanger and Co., a housing industry watchdog. As the units continue to age, more residents may find themselves facing pricey assessments if their complexes haven’t been managed well — or if the management has fallen into the wrong hands, experts say.

Homeowners associations collect fees from residents to maintain common spaces, such as landscaping, pool upkeep and structural improvements. Residents pay the fees in addition to their mortgages and property taxes but to make matters worse, HOAs have the power to foreclose on residents who do not pay their fees or assessments.

Ideally, HOAs set aside funds in the event of pricey repairs — a new roof, for example — to provide enough money to pay for upkeep, explained Richard Munson, president of the California Association of Homeowners Associations.

But that doesn’t always happen.

Mismanagement of HOAs is “widespread,” he said. In his eyes, the problem stems from the fact that most members of the board of directors — homeowners in the complex who are voted into a position of leadership — are simply laypeople and not professional administrators. The property managers hired by the board of directors are not required to be licensed, so in some cases, “it’s the blind leading the blind,” he said.

Marjorie Murray, founder of the nonprofit Center for California Homeowner Association Law, said she has heard countless stories of homeowners who have been victims of HOA mismanagement. She said the mismanagement can range from negligence to deliberate concealment of financial information. She said she consistently hears of what is deemed “necessary” special assessments by HOAs that are in fact unnecessary.

Fortunately for the Saldanas, no special assessment has been levied so far, but many basic structural problems hang over the heads of the complex’s 144 owners. But Saldana said that a recent management overhaul — one that put his wife on the HOA board — leaves him hopeful that the money will be more closely guarded and such large assessment can be avoided.

“We’re keeping our fingers crossed,” he said.