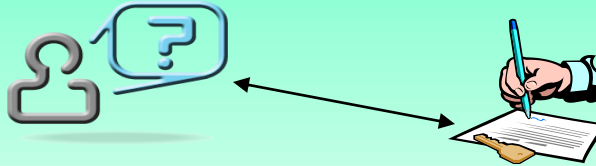


A How-To guide for containing/reducing HOA Operating Costs and HOA Dues without negatively impacting the quality of life and home values within the



# HOA Home Owner's Cost Reduction Ideas and Best Practices

(the goal is to increase the efficiency & effectiveness in financially managing the community's resources without impacting the quality of life/property values in the community)

The most effective means for home owners to ensure cost effective and efficient financial management of an HOA is home owner involvement: review budgets and contracts, ask about contract bidding practices, evaluate policies concerning snow removal and landscaping, ensure maintenance schedules are developed and implemented, and review the contract with the property management company (ask about all fees for services, quality control oversight, extra charges to oversee capitol improvement projects, question home sale transfer fees, etc.) and up for renewal demand bidding.



## Guiding Principle of HOAs HOA Boards Must Manage the Community Not the Property Management Company

Most HOAs are managed by property management companies (PMC). Most HOA Boards are not exercising their fiduciary responsibilities of managing the PMC and its' contract limitations and responsibilities. Boards too often blinding allow PMCs to independently advertise contract offers, evaluate bids, and award contracts opening up questionable and costly business practices. Boards are too often directed/influenced to take on litigation that may have very low cost/benefit results and slim chances of winning with the only winner HOA lawyers with relationships to the PMC. An HOA Board that blindly relinquishes responsibilities and financial decisions to PMCs will increase HOA operational costs.

Consider changing your HOA governing documents to limit independent action by an HOA Board to enter into litigation or make special assessments without home owner approval.



A good place to start is an audit of the HOAs contract with the PMC and overall contract award and execution practices.

HOA Boards should notify home owners of alternative means to reduce their home sale closing costs. Specifically, the HOA home sale transfer fee can be avoided by home owners obtaining the documentation needed for the buyer and title themselves via their web site and a requesting a copy of their final billing from the management company: this can save hundreds of dollars.

Contact us: email [coloradohoaforum@gmail.com](mailto:coloradohoaforum@gmail.com)

### A good first step in home owner savings

HOA Home Owners can save \$350 or more when selling their home by avoiding costly and abusive HOA Home Sale Transfer Fees

Visit the Colorado HOA Forum's web site [coloradohoaforum.com](http://coloradohoaforum.com) for a wealth of information on this property manager (PM) fee. The fee represents duplicate billings to home owners, is not justified by work completed, it is pay on demand with no questions asked or even a written receipt for work completed, is retained by the PM not HOA, is not a required charge to the home seller by either the HOA or by law, and if you don't pay it you will not be able to sell your home and/or a lien will be placed on your home that can lead to foreclosure. This abusive practice is easy to end and save home owners money simply by instructing the property management company (PMC) the fee is not allowed and the only mention of this fee in their contract will state that the fee can only be charged upon the sale of a home for unique charges only incurred by the management company due to the home sale and only for work completed that is necessary to meet demands for the sale of the home and no optional services unless authorized by the Board at time of sale. Note these fees average \$350 but often range from \$400—1,000.

**Note: Transfer Fees are not charged by all PMCs with no detriment to the HOA or PMC!**

**NOTE:** Request in writing to your HOA that want a copy of the documentation listed in our Documentation Guide provided to you either via a CD, computer file, or hardcopy: your costs should be nominal: \$35 or less vs \$350 to over \$1000 if provided via the management company. Provide the same information to the Title Company and save \$150-200 or more. Tell your Realtor *this has been done, work with them to provide this to the buyer and Title Company and then make sure the Transfer Fee is not included on the closing documents or you will have been charged twice and be sure the Title Company doesn't charge you on the closing documents, normally listed as an Administrative Fee or you will again be charged for that which you provided. Your Realtor must intervene on your behalf, ask them to do so, they represent you and you are paying them to represent you.*

### HOA Property Management Companies (PMC) Supervising the Supervised: very costly

If the PMC is assessing charges on capital improvement, landscaping, snow removal or other contracted services to oversee/supervise the work this is double billing. The company performing the work for the HOA already has their own supervision and quality control and should be spelled out in their contract and needs no additional supervision by the PMC

## Cost Saving Opportunities

### **Gated Communities:**

- Remove Gate and save on paving, snow removal costs
- Install security cameras on gates to identify vandals

### **Community Center:**

- Who and how many are using amenities: cost justification for all amenities, usage fees as applicable
- Can service be provided at less cost elsewhere, hire a contractor to run, pay dues of home owners to use a club/ community pool and vs keeping HOA pool
- Operating hours and staff
- Amenities provided: swimming pool, spa, appliances, internet, cable tv: review and compete all service contracts and seek out alternative providers
- Bar-b-que areas: used, needed, or eye sore
- Use of printers and faxes and supplies: monitor use/limit use



Partner with nearby HOAs in bidding for trash pickup/recycling to take advantage of economies of scale

- Take control of your newsletter and sell advertising
- Eliminate mailing charges that could otherwise be completed by email
- Mailing home owner monthly billing statements vs email or only on demand
- Policy to replace security keys, remotes when home owner loses
- Snow removal contract and policies: re-bid, when are roads plowed (inches on ground, not during snowfall, begin one hour after snowfall ends), when sidewalks are shoveled
- Review Utilities usage policy: watering practices, xeriscape

## **HOA Home Owner's Cost Reduction Ideas (and best practices) DRAFT**

### Change governing documents

Place limits on the amount of special assessment a Board can independently complete without home owner vote



Require all litigation entered into by the HOA other than everyday requirements such as debt collection be approved by home owners

Place limits on the amount of any special assessment that can be made without home owner approval.

Pet restrictions: consider measures to ban vicious dog breeds or by size to reduce HOA community and individual home owners insurance

Home owner's insurance: don't over insure your residence, if the HOA has an master/umbrella policy that covers damages such as your roof and siding you may be eligible for H06 insurance coverage



Maintenance responsibilities: ensure the HOA is not paying for home owner repairs and maintenance not identified in the governing documents

Review the contract with property management company (PMC): end non-essential services; end services that other staff or volunteers can complete; ensure PMC is not charging to supervise capital projects, snow removal, or landscaping jobs

Review the continuation of HOA community amenities: survey usage, cost to maintain, services provided elsewhere.

Charge for special parking needs such as RV parking  
Rent out clubhouse

#### **Property Management Companies (PMC):**

- Ensure bidding on contracts is open and not limited to PMC preferred list
- Limit the cost of hiring consultants to study and supervise capital improvement projects
- HOA lawyers should not be connected to PMC in any professional/business relationship

Change the management company as applicable to get more value and quality for contract services  
When capitol improvement projects are solicited for bid

Get prior approval from the HOA Board for all home improvement and landscaping projects PRIOR to completing the work

#### *Cost Avoidance/Enhance Income*

*If you are a small HOA with non-complex community needs consider self managing to reduce property management costs*

*Recognize volunteer work that saves all home owners on expenses owners on expenses*

*Curtail clubhouse/pool hours*

*Rent the clubhouse for added income*

*Develop maintenance schedules for community resources to avoid major repairs*

*ADA compliance to accommodate home owner needs and avoid legal problems*

*Transfer maintenance responsibilities to home owners and penalties for negligence*

*Apply for community/State/Federal grants on capital projects*

*Home owners should periodically inspect financial records for suspected misappropriation of funds*

*Safeguard capital projects with proper insurance, consider an owner controlled insurance policy ("OCIP") coverage*

*Fidelity insurance for crime: fraud, embezzlement*

*Be aggressive in collecting delinquent accounts*

*Contracts with management companies should preclude home sales transfer fees, contract oversight fees, require public competitive bidding*

*Condominium Questionnaire: save home buyers money by using a commercial service vs the property management company: \$25 vs \$75-100-175+*

*HOA Home Sale Transfer Fees: save home sellers money by using a commercial service vs the property management company: \$50 vs \$175-350 (average) up to \$1,000 OR encourage home owners to access the web site to download required documents at no cost and request a final billing from management company.*

*Install security camera, they can deter crime and identify those involved in crime or unreported accidents for cost recover*

# DRAFT