

Factors HOA's Should Consider in Evaluating Need for Professional Management

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When is it beneficial for a homeowners association to employ professional management? Without regard to issues about a particular manager, or management company, every homeowners association could benefit from professional management services, but often association boards decide to forego the expense thinking that a professional manager is not necessary for their association. In deciding whether or not to employ professional management, association boards of directors should consider the following factors:

Size of the common interest development and the extent of common areas and facilities.

Smaller developments that have fewer amenities do not typically have the same need for professional management as larger developments with more amenities. Larger more complex developments will probably have needs that include permanent staff to manage and operate the various amenities.

Scope of association maintenance and repair responsibilities.

An association that has extensive maintenance and repair obligations for common area facilities can benefit from a manager that has experience in evaluating the need for repairs or maintenance, scoping the work, and hiring and overseeing reliable contractors.

Uniformity of improvements within the development.

If multiple builders have constructed units within the development, there is likely to be inconsistent construction quality and differing needs for repair and maintenance issues. Projects that were developed by a single developer have units that are all of a similar design and construction quality, and typically fewer problems to deal with. The greater the need for repair and

maintenance, the more beneficial it is to have experience management personnel.

Evidence of construction defects and resulting shortfalls in reserves.

Developments with construction defect issues and likely shortfalls in reserve contributions will benefit from professional management that is experienced in dealing with construction problems and reserve funding issues. When an association needs to levy a substantial special assessment to address immediate problems or to fund construction defect litigation expenses, the assistance of professional management personnel with experience in these areas.

Relative ownership income levels and absentee owners.

Low-cost or lower-middle-income common interest developments often need professional management more than developments that are populated with higher income owners. Property owners in lower income developments tend to work more and have less available qualified people to serve on their boards and a higher percentage of absentee owners that rent units out. This exacerbates such management problems because absentee owners tend not to participate in community association matters and are often reluctant to support needed increases in association revenues to support the development's aging capital components.

Pattern of owner apathy toward the community association.

Homeowners associations frequently experience problems with ownership apathy and non-involvement in the operations of the association. Apathetic owners leave the association's management to a small group of more involved owners who may or may not have the requisite experience and/or be motivated to act for the common good. When there are only a few people vested with the responsibility of managing the association without oversight, there is a much greater likelihood of problems and a need for professional management.

Need to manage the association in a business-like fashion.

Directors have the responsibility of running their homeowners associations in a prudent businesslike manner. Frequently the individuals that comprise the association's board of directors are people that are retired or not employed and thus have more time to devote to the association's business. These people may have less experience in the operation of a business and a

greater need for professional assistance to assist them in making appropriate decisions for all of the homeowners.

Governing documents provisions re professional management.

Some homeowners associations may have provisions contained in their governing documents that mandate that the association will be continuously managed by professional management.

Lender requirements.

Mortgage lenders tend to view continuous management by a professional manager as a positive factor in deciding whether or not to lend money for mortgages that are secured by properties within the development.

Additional cost considerations .

Clearly the use of professional management results in an additional cost to the homeowners that there may be motivation to avoid. That may be short sighted thinking as that additional monthly cost may result in significant savings in other expense areas such as maintenance and repairs or legal expenses that could have been avoided.

The operations of a community homeowners association entail expertise at many different levels. The management of a homeowners association by a handful of people that change every year or two make it very difficult for effective prolonged operations. It is very difficult for self managed HOAs to stay on top of all of the legal requirements imposed on homeowners associations and frequently self managed HOAs have problems that stem from the association's failure to operate properly over a lengthy period of time. The problem gets compounded because it becomes more and more difficult to get on the right track with the passage of time. This ultimately results in a lack of a willingness to participate on the association's board of directors. On balance, the investment in professional management is a prudent investment. The trick is to find competent management is affordable and a proper fit for your association taking all of the above factors into consideration.