Self-Management Series

Self-Managed Association Boards:
The Top Six Challenges That Face a Board Today

By Joel Starks, Sharper Management

This series focuses on you the board member and the challenges you face each day when running your homeowners association. We are exploring six challenges and ways to work through them. If you see something that seems common or you identify further challenges, share them with me: joel@sharpermanagement.com.

Today we focus on the second of the six challenges:

1. Enforcing rules: it is difficult to confront friends and neighbors.
2. **Knowledge of pertinent statutes: trying to understand the "legalese."**
3. Developing meaningful specs for services/vendors, etc.: not my area of expertise and requires time.
4. Frequent phone calls from members with matters that need attention: Time.
5. Keeping track of paperwork: Time.
6. Foreclosures: How can we protect the investment? What if they vacate?

Knowledge Is Power

Self -managed associations have various struggles, many of which are universal. They come in the form of disagreements about paint colors, lawn care and parking violations.

Each association has different strategies on how to handle these struggles. But what about the legal aspects of associations? Are boards liable for knowing that there is a greater power at work?

The Minnesota Common Interest Ownership Act (MCIOA) governs common interest communities with provisions and statutes that help protect an owner's investment and clarifies things like resale disclosures, replacement reserves adequacy, delinquency issues, insurance and foreclosure issues.

It is important for board members to be educated about MCIOA to protect themselves and their communities. "Knowledge is power," says Nancy T. Polomis with Hellmuth & Johnson. "Simply being aware of the statutes that apply to one's association is a great first step to managing an association. Knowing whether or not one's association is subject to MCIOA is also important. Further, even if one's association is not governed by MCIOA as a whole, it's important to realize that some provisions of MCIOA apply to all associations (i.e., Resale disclosure requirements)—and that some of those provisions changed effective August 1."

Non-profit Rules Apply

Because most homeowner associations are incorporated, they are subject to state statutes that govern non-profit corporations. Disclosure obligations affect non-profit organizations even if they are not subject to MCIOA.

It is also important to understand non-profit provisions and liabilities and how a homeowners association may be affected by its status as a non-profit. "The statutes don't always trump governing documents in the event of a conflict," says Polomis. There is a lot of mandatory provisions and are not varied by the governing documents.

The best thing you can do? Work to understand the legalese. Contact professionals who can help you protect yourselves and be effective—for the sake of your entire association.

Next issue will discuss the struggles that self-managed boards face in the vendor process. It will provide tips on choosing the right vendor the first time, which can save an association time and money.

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