



HOA PULSE NEWS

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Reserve Study Service Levels

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New Items Added to the Bookstore

HOA Pulse has just added three new free items to the bookstore. These are available for free download. Our goal is to have the most information available on the web. Consistent with that goal, whenever we discover public domain information that applies to the industry, we will add it to the site.

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Pulse Stats Has Been Updated

The July 12, 2011 issue of “Metrics for the Depressed” is now available on the Pulse Stats section of HOA Pulse. This information is provided by Clifford J. Treese of Association Information Services, Inc. and provides informative industry statistics. This issue addresses the growth of Boomers over 65 and their geographic distribution. This site feature will generally be updated weekly, and the archive contains links to prior issues.

New Cases Added:

Beehan v. Lido Isle Condominium Association

Belt v. Point Venture Property Owners’ Association

Berkos v. Shipwreck Bay Condominium Association

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Reserve Study Service Levels

By: Gary Porter, PRA, RS

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It is just beginning to be that reserve study time of year. Why? It takes a little while to select a reserve professional and get the reserve study scheduled. And, you need to have the reserve study completed before you can complete your budget for next year.

Although state statutes generally permit anyone to perform the reserve study, associations should consider engaging a qualified, independent reserve professional. There are two professional designations available; the PRA (Professional Reserve Analyst) conferred by APRA, the Association of Professional Reserve Analysts, and the RS (Reserve Specialist) designation conferred by CAI (Community Associations Institute). Both of these designations require the reserve professional to have completed at least 50 reserve studies and have at least one year of reserve study experience.

That experience generally benefits the association in several ways; the reserve professional has more experience than others in the reserve study process, is less likely to overlook any significant components, is generally better able to evaluate condition and obtain objective pricing for components. The result for the association can be a more complete and more accurate reserve study.

The Community Associations Institute has developed national reserve study standards that are applicable to all individuals holding the RS credential. Those standards provide for three different levels of service; **Level 1** - Full Reserve Study, **Level 2** - Update of Reserve Study with On-Site review, and **Level 3** - Update of Reserve Study without an On-Site Review.

Level 1 - Full Reserve Study

The reserve professional performs an on-site visual observation, obtaining or verifying measurements and counts of common area components. This also includes an evaluation of condition and generally a photo inventory of most components. This data is then compiled into the reserve study report. The five tasks integral to this service level are:

- Component Inventory
- Condition Assessment (based upon on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan



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Level 2 - Update of Reserve Study with On-Site Review

The level 2 site inspection is less comprehensive than a level 1 site inspection in that the reserve professional does not obtain or verify measurements and counts unless it appears that there have been changes since the prior study or mistakes in the prior study. The reserve professional does evaluate condition and update the photo inventory where necessary. The data is then compiled into the reserve study report. The five tasks integral to this service level are:

- Component Inventory
- Condition Assessment (based upon on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan



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Level 3 - Update of Reserve Study without an On-Site Review

An annual update to the reserve study is simply good planning. This allows you to "refresh" the funding plan and account for minor variations from the original funding plan. Since no site observation is performed, it is necessary to inquire about expenditures made, changes in pricing of replacement costs, and variations in funding from the original plan. This is a valuable planning tool at a very reasonable cost when compared to the cost of a full study. However, it must be supplemented by periodic on-site visual observations. The three tasks integral to this service level are:

- Life and Valuation Estimates
- Fund Status
- Funding Plan

The different levels of service are based upon the fact that there are two separate parts of a reserve study; the physical analysis and the financial analysis. The physical analysis is described above. The financial analysis consists of the report generated.

The contents of the reserve study report should generally include:

- A descriptive summary of the association, including type and physical description of the association, number of units, and a snapshot of the financial condition of the reserve fund
- The projected reserve beginning balance, recommended reserve contributions, projected reserve expenses, and the projected ending reserve fund balance for a projection period of 20 – 30 years
- A listing of the component inventory with quantity or identifying descriptions, useful and remaining useful life, and current or future replacement cost
- A description of the methods and economic factors considered calculating the fund status and the funding plan
- Sources of component repair or replacement cost estimates
- A description of the level of service by which the reserve study was prepared
- Identification of the fiscal year and projection period for which the reserve study was prepared

Reserve Study Service Levels—Cont.

Now that you know the basics, get your reserve study prepared or updated in time for your budget cycle.

By: Gary Porter, PRA, RS
Facilities Advisors, Inc.

www.reservestudyusa.com

gary@reservestudyusa.com



New Items Added to the Bookstore

HOA Pulse has just added three new free items to the bookstore. These are available for free download. Our goal is to have the most information available on the web. Consistent with that goal, whenever we discover public domain information that applies to the industry, we will add it to the site. The items below relate to budgeting and income taxes. Readers are cautioned that some material may be dated, and will consider needing to update items such as current cost information themselves.

Operating Cost Manual-FREE-46 pages

This Manual (2007 version) is published by the California Department of Real Estate (DRE) as a guide for California homeowners associations on budgeting and reserves. It effectively establishes the minimum budgeting and reserve requirements for developers to gain approval from DRE to sell their projects.

FTB HOA Guidelines -FREE-10 pages

This Manual is published by the California Franchise Tax Board (FTB) as a guide for California homeowners associations on various state tax issues.

Operating Cost Manual-FREE-118 Pages

1999 version. Guide used by IRS Agents on how to conduct a tax audit of a homeowners association.

Article Title	Article Summary	State
Emotions run high at Westwood hearing	The Stillwater City Council held a public hearing Monday night that brought Westwood residents, tenants and landlords together in a meeting that featured strong emotions and strong rhetoric.	Oklahoma
Developer loses landmark lawsuit over shoddy roads	By most accounts, calling Art Williams a hands-on developer would be a pretty fair description. For decades, Williams was in the business of subdivision building, first in Florida and then in Western North Carolina.	North Carolina
Neighbors pull plug on injured vet's home	An Evans neighborhood association has blocked a group that was prepared to build a home free of charge for a local veteran who was injured in Afghanistan.	Georgia
Diablo Grande homeowners association in turmoil	Major upheaval is under way in the developing community of Diablo Grande, where a group of residents has sued homeowners association board members and developer World International and accused members of elections fraud, among other allegations.	California
Boat slip plan nears approval	Controversial plans to extend a pier and add eight new boat slips in a highly congested area of the Little Assawoman Bay appear to be heading for approval by the state's Board of Public Works despite continued concerns raised by a neighboring homeowner's association about increased danger on the waterway.	Maryland
Foreclosure fallout: Homeowner association dues lag	With more than 18 acres of common space to maintain, the Oak Knoll Meadows Homeowners Association finds its budget stretched as it tackles deferred maintenance projects and rising water bills.	Oregon
Speed on private Alamo Road a safety concern - or is it?	One couple's concern for safety on a private stretch of road in Alamo seems to have fallen on deaf ears.	California
Rage over Vista West tree removal	Sen. Charlie Scott raged Wednesday at Marathon Oil Co.'s plans to cut trees along an easement in the Vista West IV subdivision.	Wyoming
Unit owner responsible for repairs if negligence found	In this Q & A, plumbing repairs, hurricane damage and insurance are addressed.	Florida
Recycling collection sore point with condo owners	Salt Meadow condominium residents are being forced to find a vendor to collect their recyclables because the town will no longer provide the service when it takes over recycling collection on July 1.	New Hampshire
Making Condominiums last another 50 years: Part II	While new home construction has been flat for years now, common-interest communities, often referred to as homeowner associations, have grown faster than any other form of American homeownership. CICs can be condominiums or single family detached homes.	California
Make policy for notes, tapes	Q: I was hired to take and produce the minutes for a condominium association. How long do I have to keep my written notes and tape cassettes once the minutes are approved and filed by the board of directors? I would like to pitch everything older than one year. Is there a rule to follow?	Florida
Sen. Fasano wants to close loophole on homeowners associations foreclosures	Despite repeated efforts, real estate agent Colleen Tuttle had no luck swinging a short sale on behalf of a client who offered the bank \$800,000 in cash for an Apollo Beach home with a stunning view of Tampa Bay.	Florida

Article Title	Article Summary	State
Residents on alert after burglaries, car thefts	Police say residents of South Pointe are waking up to find someone was in their house during the night and that their keys and car have been stolen. They say during the month of June there have been two home burglaries, and four car thefts in the different sections of the South Pointe neighborhood.	South Carolina
Todd Bodine loses battle with HOA	Todd Bodine is accustomed to the sound of winning. But earlier this month, if you were to pass by a well-kept home in the Harris Village neighborhood of Mooresville, you would have heard the sound of Todd Bodine losing.	Kentucky
Federal vs. State Law?	Veterans at the flag-raising ceremony pointed out a 2002 change in Ohio Revised Code that prohibits deed restriction or homeowner association rules from prohibiting the placement of any flagpole used in the display of the U.S. flag.	Ohio
Borrego: Flipsville seeks a savior	For decades, financial carpetbaggers have pulled the wool over the eyes of the citizens of Borrego Springs, the unincorporated desert town of 2600 full-time residents in northeast San Diego County. Now Borregans hope that a financier closer to home, Encinitas’s Russell Geyser of Geyser Holdings, will clean up the scummy residue, including delinquent taxes, back homeowner association fees, and defaulted water bonds at the town’s gated housing development, Montesorro Golf & Social Club.	California
Side Streets: Is HOA president a tyrant or a reformer and victim of hate?	Forouzandeh, 30, insists he is just a guy trying to restore order after years of chaos at Sierra Pointe. He says he inherited an inept board and management team at the 282-unit condo complex.	Colorado
Do your homework before buying in an HOA	Have you ever taken a new job, only to be handed a policy and procedure manual to memorize? Some employers require employees to sign a statement that they have read and fully understand and abide by all of the policies. Buying into a homeowners association (HOA) has similar implications – whether or not you read the rules in advance they still apply to you and can be legally enforced. Thus, I consider it wise for any prospective home buyer to review the community rules and restrictions before making an offer on a new home.	Arizona
Residents in Delray's Rainberry Woods fight to keep area clean	Residents of Rainberry Woods are fed up with dirty yards, blighted properties and teen parties in foreclosed homes.	Arizona
HOA sends disabled man eviction notice	A Homeowners Association has told a disabled man in Florence that he has 10 days to move out of his house because he violated the community's age requirement.	Arizona
Neighbors win injunction against group home	Swifts Beach residents have won a preliminary injunction against a planned group home for people suffering psychological problems, an attorney for the plaintiffs said Wednesday.	California
Lakewood residents launch assistance group	Summerfield Bluffs residents Chuck and Lysanne Eroshevich wouldn’t consider themselves people of means by any stretch of the imagination. Since they moved to Florida about a decade ago, the couple has, quite simply, been living on a “shoestring” budget. And yet, when they have had to replace their sod or make other adjustments to comply with their homeowners association’s restrictions, they’ve done so.	Florida