

WHAT IS A COMMUNITY ASSOCIATION?

DEFINITION of a Community Association

Whether it's a homeowners association (sometimes called an HOA), a condominium association, or another term, a community association exists to preserve the nature of the community and protect the value of the property owned by members. All community associations have three basic defining characteristics:

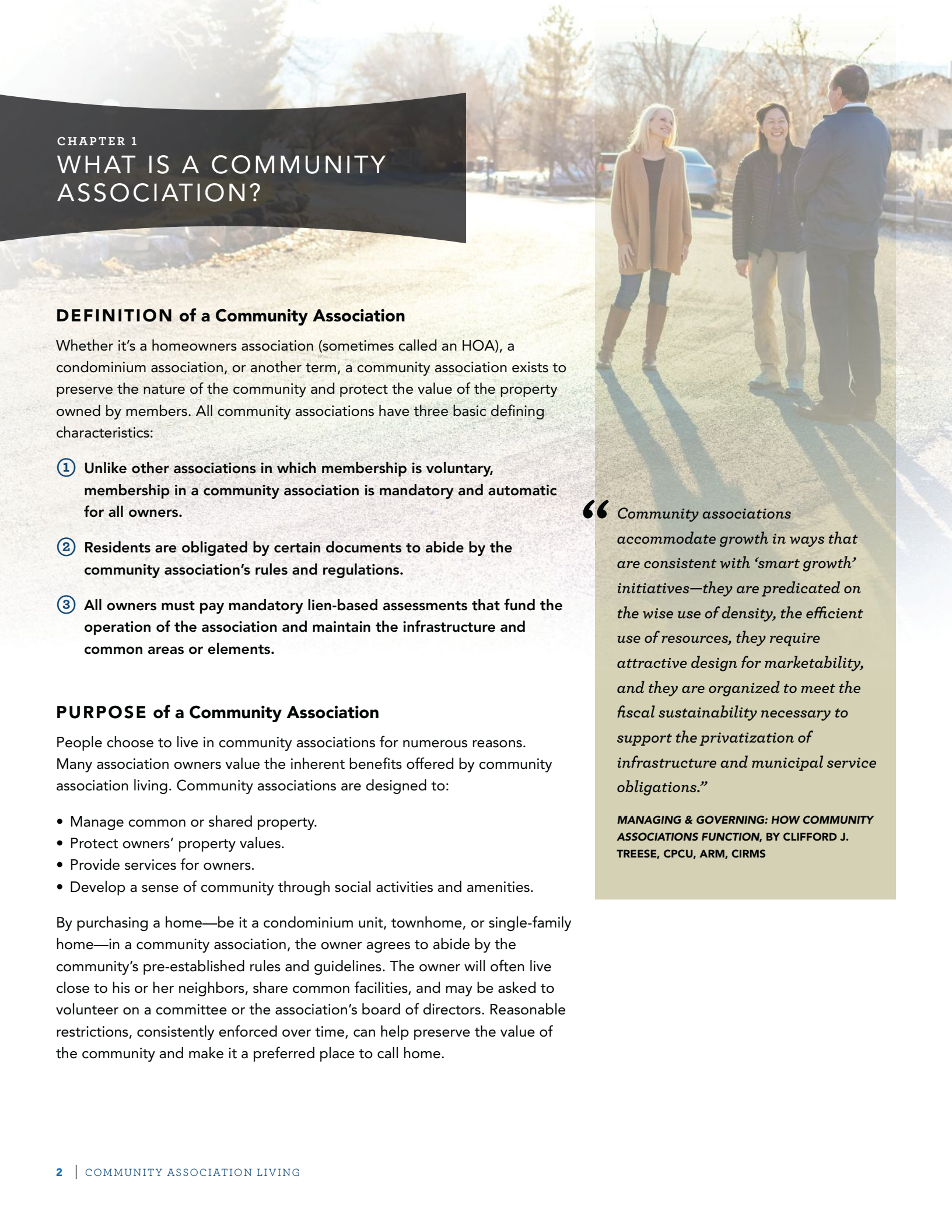
- ① Unlike other associations in which membership is voluntary, membership in a community association is mandatory and automatic for all owners.
- ② Residents are obligated by certain documents to abide by the community association's rules and regulations.
- ③ All owners must pay mandatory lien-based assessments that fund the operation of the association and maintain the infrastructure and common areas or elements.

PURPOSE of a Community Association

People choose to live in community associations for numerous reasons. Many association owners value the inherent benefits offered by community association living. Community associations are designed to:

- Manage common or shared property.
- Protect owners' property values.
- Provide services for owners.
- Develop a sense of community through social activities and amenities.

By purchasing a home—be it a condominium unit, townhome, or single-family home—in a community association, the owner agrees to abide by the community's pre-established rules and guidelines. The owner will often live close to his or her neighbors, share common facilities, and may be asked to volunteer on a committee or the association's board of directors. Reasonable restrictions, consistently enforced over time, can help preserve the value of the community and make it a preferred place to call home.



“Community associations accommodate growth in ways that are consistent with ‘smart growth’ initiatives—they are predicated on the wise use of density, the efficient use of resources, they require attractive design for marketability, and they are organized to meet the fiscal sustainability necessary to support the privatization of infrastructure and municipal service obligations.”

MANAGING & GOVERNING: HOW COMMUNITY ASSOCIATIONS FUNCTION, BY CLIFFORD J. TREESE, CPCU, ARM, CIRMS

FUNDAMENTALS of a Community Association

Each common interest community has its own history, personality, attributes, and challenges, but all associations share common characteristics and core principles. CAI developed the following list of community association fundamentals to foster a better understanding of how associations function and the roles of residents and association leaders.

The principles at the heart of the community association model are intended to inspire effective, enlightened leadership and responsible, engaged citizenship.

- ① Associations ensure that the collective rights and interests of homeowners are respected and preserved.
- ② Associations are the most local form of representative democracy, with leaders elected by members to govern in the best interests of all residents.
- ③ Associations provide services and amenities to residents, protect property values, and meet the established expectations of homeowners.
- ④ Associations succeed when they cultivate a true sense of community, active homeowner involvement, and a culture of building consensus.
- ⑤ Association homeowners have the right to elect their community leaders and to use the democratic process to influence the policies that will protect their investments.
- ⑥ Association homeowners choose where to live and accept a contractual and ethical responsibility to abide by established policies and meet their financial obligations to the association.
- ⑦ Association leaders protect the community's financial health by using effective management practices and sound business principles.
- ⑧ Association leaders have a legal and ethical obligation to enforce the association's governing documents and abide by all applicable laws.
- ⑨ Association leaders seek an effective balance between the preferences of individual residents and the collective rights of homeowners.
- ⑩ Association leaders and residents should be reasonable, flexible, and open to the possibility—and benefits—of compromise, especially when faced with divergent views.

 **Download CAI's Community Association Fundamentals at www.caionline.org/CommunityAssociationFundamentals.**

“Community associations protect and enhance value: the value of the individual homes (and the lenders' interests in those homes), the value derived from accepting shared responsibilities and performing mutual obligations, and the value inherent in collective participation and decision-making at a very essential level—the level of the home.”

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COMMON TERMINOLOGY

Depending on the specific organization, state, or country, various terms are typically used to describe community associations:

Community association: This term is used by Community Associations Institute and by the Division of Florida Condominiums, Timeshares, and Mobile Homes.

Common interest community (CIC): This term is used by the Uniform Law Commission, promulgator of the uniform real property acts: Uniform Condominium Act (UCA), Uniform Planned Community Act (UPCA), Uniform Common Interest Ownership Act (UCIOA), and the Uniform Manufactured Housing Act (UMHA).

Common interest realty association (CIRA): This term is used only by the American Institute of Certified Public Accountants (AICPA) and the Financial Accounting Standards Board (FASB).

Common interest development (CID): This term is used by the California Bureau of Real Estate.