

COMMUNITY NEXT 2020 AND BEYOND

Envisioning the future of community association
living, governance and management



SEPTEMBER 2016

© COMMUNITY ASSOCIATIONS INSTITUTE


community
ASSOCIATIONS INSTITUTE

[Distributed by Avalon Management * www.AvalonWeb.com](http://www.AvalonWeb.com)

Introduction



FOR MORE THAN 40 YEARS, CAI has educated, advocated, published and informed people living and working in common-interest communities. Thanks to those ongoing efforts, we have a strong and valuable understanding of community associations today.

But what do we know about the challenges and opportunities that await common-interest communities in the years to come, and what can we do now to minimize uncertainty and elevate our collective ability to manage the future? With these questions in mind, CAI embarked on *Community Next: 2020 and Beyond*, an initiative launched in 2015 to define the future of the community association model.

Comprising four panels, fifty community association volunteers, community managers, management company executives, association attorneys and other business partners, subject matter experts in state and federal law, and others tackled topics like:

- How community associations will evolve
- How best practices in governance and management are likely to change over time
- What the inevitable changes will mean for the association management profession
- How decisions by legislatures, regulators and the courts will affect the way associations function
- How external trends and opinion leaders will influence the future of associations

At some level, each panel recognized that education, changing demographics, outdated documents, qualified volunteers, technology, reserves, public perception and stakeholder partnerships would be the key issues in all aspects of community association living in the next 15 years. The result of this lengthy initiative are four *Community Next: 2020 and Beyond* reports, including Association Governance Model, Community Management, External Influences and Public Policy Paradigms that represent the best thinking of several dozen CAI leaders and nonmember community association stakeholders.

COMMUNITY NEXT: 2020 AND BEYOND

COMMON THREADS

education and training

technology

changing demographics

outdated documents

reserves

qualified volunteer leaders

public perception

stakeholder partnerships

Importance of volunteer LEADERS*



2.3 MILLION
BOARD AND COMMITTEE MEMBERS

78 MILLION
HOURS OF SERVICE

\$1.6 BILLION
ESTIMATED VALUE OF SERVICE

*AS OF 2014

Contemplating the future of community associations



association
GOVERNANCE

community
MANAGEMENT



external
INFLUENCES



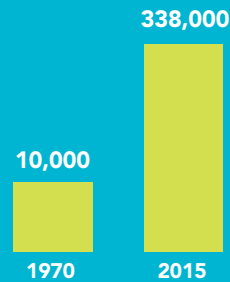
public
POLICY

\$5.28 TRILLION
value of homes
in community
associations

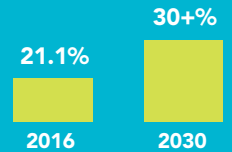
\$85 BILLION
assessments
collected from
homeowners

The Phenomenal
GROWTH
and **VALUE** of
community
associations

of community
associations



of people
living in
community
associations



Glimpse at the future landscape



PRESENT



10-15 YEARS

Proliferation of Naturally Occurring Retirement Communities (NORCs)
Bachelor's degree a prerequisite to community management certification

Tremendous leaps in technology facilitating virtual meetings, virtual offices, home-based employment

Millenials now 33-49 and in need of housing



20-30 YEARS

Critical shift—community association model becomes the majority form of housing



45 YEARS

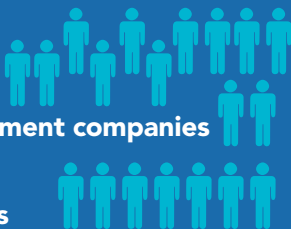
Hispanics and Asians comprise 39% of the population

community management
by the **NUMB3R5**

55,000
community managers

100,000+
people work in management companies

8,000
management companies



community
ASSOCIATIONS INSTITUTE



Association Governance Model

Key Conclusions

- One Size Does Not Fit All
- All Volunteers Are Not Created Equal
- Developer Relationships are Key
- The Importance of Reserve Studies and Funding
- Future Resident Demographics Will Change Everything
- Technology is a Priority
- Law Makers Unwittingly Perpetuate Problems



As common-interest communities (CICs) continue to become an even larger percentage of the U.S. housing market, legislators and the courts will have no choice but to reform current statutes to facilitate both growth in the industry and to reflect the governance realities facing associations. However, the panel felt strongly that these changes could be brought about earlier through a concentrated effort by the community association industry—homeowners, managers, business partners, and CAI and its concert affiliates, such as AARP, the National Association of Home Builders (NAHB) and the National Association of Realtors (NAR).

» CREATE WAYS TO ADDRESS DISTINCT NEEDS OF ASSOCIATION SIZE

The community association governance model of today does not fit all associations. By extension, it will not fit the associations of the future without changes in state statutes, in municipal requirements and in association governing documents.

Association size is a distinction seldom considered by legislators, developers and even community association professionals. It's no surprise, therefore, that municipalities require developers to create associations for even the smallest projects. These associations are then saddled with governing documents and become subject to irrelevant codes that create obstacles to their operations. In small associations, two of the biggest problems are the burdens placed on board members and the issue of underfunded reserves.

Although many associations lack financial and volunteer resources, these challenges are magnified in small associations. Associations, lawmakers, developers and managers of the future will need to find ways to ease the burdens of the association model for very small associations. Ideally, small associations would be exempt from irrelevant or inappropriate state statutes. And developers of these small associations would be relieved of the requirement to establish an association unless a minimum number of homes are built. Restrictive covenants and deed restrictions would be among the alternatives that provide homeowners in these

projects with some measure of protection in matters such as architectural control.

These more flexible requirements seem to be working well, and this success should be communicated to other state legislatures. Ideally, municipalities would support the development of new, small communities, and small developments could be free to establish voluntary associations if they wish.

Statutory exemptions, however, neither eliminate the need for governing documents, nor do they adequately address the full issue or change the small association's model. That model might offer different, unique or "scaled" documents, reserve requirements or number of board members. Success might be found in relaxed governance models for future small associations.

On the other end of the spectrum, large-scale associations of the future have already given rise to a new type of service provider—the professional amenity manager. Amenity management is becoming a significant aspect of many community managers' job descriptions. However, it does require a different skill set and knowledge than traditional community management. Large-scale associations of the future will likely contract with managers or management companies that have qualified experience in amenity management or sell their amenities to third parties who would pay a percentage of earnings to the association.

» INNOVATE TO MEET CHANGING VOLUNTEER ROLES

All associations need well-qualified volunteers to serve on their boards. Savvy future developers as well as existing associations should be encouraged to set minimum requirements for board service, such as education level, professional experience, prior leadership positions and attendance at accredited board education programs.

At some point, board expertise and qualifications will have to be controlled more carefully. As some already do, governing documents of the future may contain provisions for the automatic removal of inadequate board members. In the absence of qualified volunteers, communities in the future will likely explore creative alternatives to seating competent board members, such as turning to professional board members or a corporate model.



Some associations in the future might pay a modest stipend to board members, similar to what city council members receive. Although such stipends would create an incentive for residents to volunteer, they would not ensure competence, which only will be achieved by requiring board members to attend accredited board education programs. Eventually, state or local government statutes and ordinances also may require formal board education. While mandatory requirements may reduce the number of people who volunteer, they will also eliminate at least some unsuitable candidates.

Board members—both now and in the future—also need solutions for policing residents’ behavior. Even when public laws are broken (nuisance, malfeasance), municipalities frequently claim, “It’s a private matter; take it up with your board.” Many people who are new to association living, and especially those who have different cultural paradigms, have difficulty comprehending the idea of neighbor “police” enforcing rules they don’t know about or don’t understand.

Board member performance in this area will be enhanced by training in mediation, dispute resolution and talking to people informally to work out problems. Professional mediators, establishing more formal “law enforcement” style divisions for the association and outsourcing rules enforcement to professionals are additional solutions boards might employ.

Other associations might update their governing documents to include a standing community relations committee, turn to local government entities or to private sector resources more frequently for fee-based alternative dispute resolution before embarking on rules enforcement proceedings, and they may make use of government liaison programs or ombudsmen to field questions from homeowners.

Finally, board roles will be impacted by the presence of millennials at the board table in the next 10 to 15 years. As a group, millennials are civic minded and want to have an influence in shaping their organization and its future, but they distrust institutions. Under the current association model, millennials’ influence is limited, therefore the environment must be less governmental and more flexible and social to gain their participation in the future.

» STRENGTHEN ALLIANCES WITH DEVELOPERS

Today’s community association governance model is a product of state and local statutes, ordinances, planning board requirements and the influence of developers who are required by those statutes and government entities to create associations in the first place. The success of these associations rests squarely on the quality of the documents that these developers file. Unfortunately, however, many developers and their attorneys don’t focus on the future operational and governance needs of the association after the developer departs. In fact, developers are unlikely to be aware of problems that arise later from cookie-cutter or anti-

quoted documents that don’t address the unique needs of a particular association.

Raising the consciousness level of developers will require effort and time. Unless and until filing and approving governing documents becomes as detailed and specific as site plan approval, making sure governing documents are relevant and appropriate will be an ongoing education project.

Developers need to understand that drafting appropriate documents in the beginning is far better than amending inappropriate documents later. Most important, developers need to appreciate the unique opportunity they have, not just to improve an association’s governing documents, but to improve the quality of life in their developments for years to come.

Connecting with developers and their attorneys early in the process is vital but challenging in accomplishing these imperatives. Working with other key groups such as NAHB and the American Bar Association (ABA) is an obvious first step, with further discussions and outreach needed.

In the interim, however, CAI—through the College of Community Association Lawyers (CCAL) and with financial support from CAI’s President’s Club—might consider developing an updated model governing documents that includes flexible provisions. These new model documents should be made available to developers’ attorneys along with an explanation of why flexible provisions should replace those that are contained within their current “standard” documents.

At the very least, developers and their communities would benefit from a checklist of appropriate ways to draft these enlightened governing documents. Moreover, CCAL, in conjunction with the ABA, might develop variable checklists that cover the many possible exigencies in various types of communities. Another model that might be considered would be “flexible” documents. For example, documents could be written so that only some provisions are fixed and as many sections as possible are flexible. This would provide protections for developers through transition, while leaving remaining sections customizable by the owners after transition.

An additional challenge that compounds the problem discussed above is the misperception among developers and others that real estate attorneys are the appropriate professionals to draft and file documents establishing CICs. While many real estate attorneys excel at CIC law, they are the exception, not the rule. Too many understand too little of a community associations’ unique nature.

Developers must be educated about the value of retaining attorneys who specialize in CIC law. Likewise, real estate attorneys need to understand the value of collaborating with CIC

attorneys or of gaining a deeper understanding of CIC law themselves. It's an excellent step toward this end when CCAL fellows work with the ABA to achieve recognition for CIC law. Furthermore, we need to require that only attorneys qualified in CIC law be allowed to draft documents for new communities, and developers and prospective attorneys should be required to sign an affidavit attesting to the attorney's knowledge of CICs and CIC law.

» RECOGNIZE THE NEED FOR RESERVE STUDIES

Despite their obvious value, inadequately funded reserves remain the biggest challenge for nearly all community associations. Recent economic conditions have severely diminished many associations' reserves, and few have been able to catch up. These same economic conditions slowed the housing market in many parts of the country and increased the time from groundbreaking to turnover from three to 10 years in some instances.

Developers who now face an extended sales period have little incentive to fund reserves. Instead, some developers fund reserves just before turnover, while others follow best practices and fund reserves according to the reserve study recommendations. Still

Despite their obvious value, inadequately funded reserves remain the biggest challenge for nearly all community associations.

others believe the newly established homeowner board is responsible for funding the reserves, and the new community effectively starts out with an inadequate reserve fund. Subsequent assessment increases are necessary to catch up reserve funding, which then creates a financial burden for new owners.

Although many state statutes now require associations to conduct some type of reserve study, a number of these same statutes also include loopholes and exemptions that allow associations to forego funding reserves. State reserve laws and governing document requirements notwithstanding, many associations are not adequately funding their reserves. For very small associations with no amenities and no structural maintenance requirement, there may be no need for reserve funding, and any such state requirement should be relaxed or eliminated for those associations.

The Uniform Common Interest Ownership Act (UCIOA) exempts homeowners associations with fewer than 25 units from the reserves requirement. Uninformed homeowners perceive reserves as increased financial burdens rather than financial protections. These homeowners remain unaware of the financial burden that a future special assessment may cause them and their neighbors. Conversely, informed homebuyers know exactly what a small reserve fund means—potential special assessments or escalating assessment increases—and they will go elsewhere to find a home. But these buyers are likely to remain a minority. Older residents living on fixed incomes are particularly hard hit

by precipitous assessment increases or by the special assessments that are required to make up the reserve fund shortfall.

If developers, legislators and other key players truly understood the costs to run an association, they might take a different approach to funding reserves before transitioning an association to homeowners' control. It's a woefully common scenario to see an individual or family stretch their financial envelope when buying a new home, only to lose that home when they get hit with hefty annual assessment increases or special assessments. This is one reason why the Federal Housing Administration (FHA) has placed special requirements on reserve funding in its loan approval process. It's unfortunate that this requirement currently applies only to condominium mortgages.

Homebuyers' understanding also is integral to the financial health of community associations. The process of buying a home does not foster homeowner understanding of the nature and obligations of living in a community association. Most association financial woes could be reduced significantly if homebuyers had access to unambiguous, understandable documents and more disclosure before they purchase.

A rating system for association finances—including reserves—is being developed and soon will be included on the multiple listing service (MLS). While this is a good start, a one- or two-page disclosure checklist, possibly created as a joint project of CAI, NAHB and NAR, would be valuable as well.

Market incentives may be more effective than regulation, which tends to have loopholes or lead to lawsuits. The panel recommends that CAI pursue joint ventures with NAR, NAHB and other organizations not only to create meaningful financial rating systems but to educate their members about using the system to everyone's advantage. It would be beneficial to provide financial and operational information to assist the potential buyer in selecting a home in a community that most closely fits his or her economic, social and cultural needs.

» ADAPT TO CHANGING DEMOGRAPHICS

An aging population will bring several key developments to community associations. Naturally occurring retirement communities (NORCs) will proliferate in the next 10 to 15 years. Many associations will find themselves evolving into assisted living facilities, even though they're not prepared for the additional burdens that will be placed on them by aging residents. Many governing documents contain restrictions on use or other provisions that preclude providing additional services to certain members such as the elderly. Nevertheless, aging residents will expect—perhaps



demand—that associations make it possible for them to remain in their homes.

Consequently, future associations may have to depend more on outside services to meet the needs of older residents. These needs will include not only the activities of daily living (ADLs)—which are basic self-care functions like eating, bathing, dressing, toileting, transferring (walking) and continence—but also will often require support to provide for the instrumental activities of daily living (IADLs), like managing finances, preparing meals and providing transportation.

Aging in place is by far the preference of older residents, and access to support for both ADL and IADL is key to allowing them to do so. Managers and community association professionals will need to prepare their association clients for the accelerated changes in NORCs. Some older residents may require round-the-clock (live-in) caregivers—both contracted healthcare providers and also family members, a requirement that may create a conflict with association occupancy requirements. Group homes, for example, might run afoul of single-family home requirements. Scheduled (drop-in) caregivers will create increased traffic and a need for additional visitor parking. The same holds true for deliveries and medical services that will increase the need for short-term parking or concierge services from the association.

Millennials will have a profound influence on the housing market in general and community associations in particular. In roughly 15 years this demographic will be 33 to 49 years old and in need of housing. Millennials grew up during the recession, lived through the instability of the housing market collapse, and many saw their parents lose their homes to foreclosure. Consequently, they may be less committed to the future and putting down roots and more likely to rent. Their impact is likely to motivate lenders to create new tailored products—rent-to-own mortgages and portable mortgages—that follow buyers as they move about.

Millennials also tend to make decisions informally, using lots of email and texting—methods that boomers will regard as slapdash. Boomers will adhere to the board meeting concept that millennials will find tedious and unnecessary. Many governing documents have bare minimum requirements for meetings and transparency that millennials will want to enforce. However, millennials are likely to find these requirements outdated and impractical in a few years; they are likely—eventually—to amend documents and association procedures manuals to provide for fewer meetings, decision-making by email or text, and homeowner engagement via social media.

Ethnic changes also will drive developments. According to the Pew Research Center, by 2060, Hispanics and Asians will make up 39 percent of the U.S. population—almost double the percentage in 2015. Language and cultural differences in the

general population will require equivalent changes in association management and governance to prevent disenfranchising these homeowners. Hispanic, Asian and other ethnic association managers will be in demand, and bilingualism will be a valued job requirement. In all likelihood, it will be easier (and more practical for peaceful association living) to provide multilingual governing documents, rules, newsletters and websites to residents than to expect them to learn English.

» ADDRESS TECHNOLOGY NEEDS

As younger residents populate communities, associations will find it imperative to accommodate electronic communication and conduct business online. In addition, associations need to pay close attention to cybersecurity. Many associations have substantial reserves and a wealth of personal data and are vulnerable to cyberattacks. Upgrading technology and hiring specialists to conduct security audits will be essential.

» INCREASE LAWMAKERS UNDERSTANDING AND AWARENESS

Most legislators do not thoroughly understand common-interest communities or who their patchwork legislation is actually protecting. Legislators too often shoot from the hip, passing laws that ricochet and cause collateral damage. And they will continue to do so in the future unless the CIC interests undertake vigorous lobbying and education programs and awareness campaigns to enhance their understanding. It's likely that increased legislative attention to CICs in the future will exceed volunteers' capacity to advocate on associations' behalf. As community associations become a larger issue for legislators, boards and their associations increasingly will need a voice—their own professional lobbyists—to advocate for them in the state legislatures and local jurisdictions.

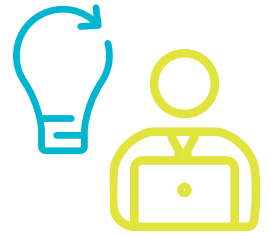
While CAI plays a large role in advocating for associations, it is possible that management companies and homeowners may arrive at a point in the future where they require lobbyists representing their specific interests. Eventually, CAI's leaders will need to take a hard look at the conundrum of advocating on behalf of community associations and board members when there may be CAI members on opposite sides of a legislative or legal issue.

FINAL THOUGHTS

The success of an organization is fundamentally impacted by its ability to govern effectively. Stakeholder understanding of the current landscape and future developments can create innovative approaches to remedy key issues. Building effective relationships with key groups will further advance the cause to have flexible, responsive, financially healthy and well-run associations.



Community Management



Key Elements

- Public Awareness
- Education
- Professional Criteria
- Urgency

Although community management is a relatively new occupation, in barely five decades it has become a vital and sophisticated profession that has evolved into an international career path that embraces tradition, business acumen, credentialing and a grasp of increasingly complex state, federal and international laws.

Most managers and management company owners who came to the profession when it was being formed in the early 1970s—and for many years after—did so from a wide range of other occupations. Professionals in real estate, law, construction, accounting, finance, insurance, hospitality, facilities management and even military service have become the leaders whose combined talents

and abilities helped build a rich foundation for this new vocation.

According to the Foundation for Community Association Research, there are nearly 325,000 community associations and more than 55,000 community managers; more than 100,000 people work in as many as 8,000 management companies. These figures do not include the growing number of management companies, managers and support staff in other

parts of the world. The momentum of developing communities will continue. And as common-interest community living becomes more widespread—and the number of retiring industry leaders also grows—the need for qualified, well-trained managers also will increase.

The Community Management Panel's discussions revealed four key elements that will be required to maintain the profession in the near future and preserve its continued advancement

over the long term. These elements are, of course, interrelated at their core.

» RECOGNIZE COMMUNITY MANAGERS AS SKILLED PROFESSIONALS

A recurring theme in our conversations has been the critical need to educate the general public, as well as our customers, about the essential role that managers play in developing and maintaining well-run community associations. This can't be overstated. Once managers are recognized outside of our industry as skilled professionals—much like lawyers, accountants, teachers and other professionals—a number of features will change. Management positions will become more respected, and thus, salaries more competitive. Customers—i.e., association boards—as well as individual residents and service providers, will have a better understanding of a manager's role, which will generate better cooperation. And as customers become more knowledgeable and sophisticated and cultivate their own expectations, managers will be more conscientious about their own training, competencies and behavior. Simply put, consumers' knowledge of what the profession entails will set the bar higher, and managers will rise to the challenge.

» GROW AND EVOLVE MANAGER EDUCATION

Education and training for managers now is very specific and presented in graduated levels to accommodate everyone from the novice to the most erudite, expert professional. Currently, however, formal training and testing for competency is offered only through CAI's Professional Management Development Program (PMDP), the Community Association Managers International Certification Board and some state-sponsored courses. Going forward, however, at a minimum, industry professionals will need to have earned a bachelor's degree. Managers will need more refined specializations—like finance and technology—in the future. Additionally, the industry will expect and encourage colleges and universities to play a more active and conspicuous role in preparing future managers. Persuading these institutions to develop and offer specific courses and—potentially—professional certificates and/or undergraduate or graduate degrees in community management is vital.





» ADVANCE PROFESSION TO HIGHER LEVELS

As the public becomes aware of the profession and more educational opportunities are available, the community management profession will become more of an “intentional” one, i.e., people will seek it as a specific career path rather than coming to it by chance. This progression also will support better compensation and advanced education, as well as specialization.

» UNDERSTAND AND ADDRESS THE NEED FOR WORKFORCE DEVELOPMENT

Well-trained managers are needed now to fill openings in the growing number of new communities in the U.S. and abroad, as well as numerous vacancies that soon will be created by the many managers who created the profession but who are now anticipating retirement. It’s particularly imperative to recruit and educate novice managers today so they can prepare to fill leadership roles in the not-too-distant future.

FINAL THOUGHTS

What should we expect in the future? Homeowners, baby boomers in particular, will be less likely to participate in their communities, and will expect more involvement from their communities’ managers. This higher expectation will generate more responsibility for managers. While most managers currently are generalists, subspecialties will develop within the profession to address specific aspects of management.

An advanced designation—something beyond the Professional Community Association Manager (PCAM) credential—may be needed to recognize managers who meet the ever-increasing criteria for “more refined skills and education.” Technology and culture also will change the profession, as our panelists know well.

The growing senior demographic also will impact the community management profession, requiring a wider range of services within communities.

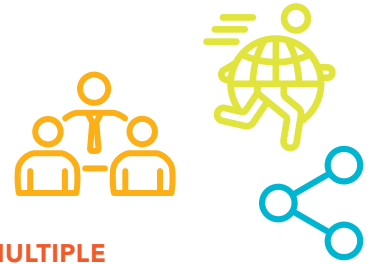
What will remain unchanged? Some aspects of community management will remain the same. Ethics, technology, office spaces and small companies vs. large corporations will always be issues affecting our jobs, just as wisdom, patience, tolerance and dedication will be essential requirements.

There always will be opportunities for small, boutique-sized firms to thrive alongside large, multi-office corporate management companies.

Community managers have interactive, albeit ambiguous, jobs. They must rely on their experience, knowledge and judgment to make relatively complex decisions that affect clients, homeowners, tenants, other employees, suppliers, business partners and multiple service providers. These qualities will remain the fundamental aspects of a manager’s job, just as on-the-job learning and mentoring will continue to be essential elements of training professional managers.

A recurring theme in our conversations has been the critical need to educate the general public, as well as our customers, about the essential role that managers play in developing and maintaining well-run community associations.

External Influences



Key Issues

- Demographics and Attitudes
- Economic and Environmental Factors
- Perception and Reputation
- Influential Stakeholders and Organizations
- Local and Municipal Trends

Today, an estimated 67 million Americans—about 20.7 percent of the population—live in 333,600 homeowners associations, condominiums and cooperatives. In the coming decades, these figures are expected to grow, giving associations and their leaders increasing influence and attention.

At the same time, community association volunteer board members, professional managers and community business partners will face a number of challenges and factors—largely beyond their control and expertise—that will affect common-interest communities. The External Influences Panel discussed some of these influences and what can be done to mitigate the negative and accentuate the positive.

The panel predicts that changes in demographics and attitudes, economic factors, perception and reputation, influential stakeholders and organizations, local trends and more will combine to affect how associations are operated and governed in the next 15 years. These elements largely are interrelated. For associations to continue to thrive as the preferred places to call home, CAI and association leaders may need to adapt and prepare their communities for the evolution of community association living.



» PREPARE FOR MULTIPLE GENERATIONS AND INCREASING DIVERSITY

From millennials and Generations Y and X to baby boomers and the matures, common-interest communities increasingly will serve multiple generations. Associations will need to revise their communications strategies, operations, assessment collections, reserves for deferred maintenance, governance and meeting schedules to accommodate the broadened audience.

In general, residents will be more interested in walkability, amenities and activities beyond golf and tennis, and telecommuting. They're placing a higher value on open space too. There's likely to be more interest in association-provided maintenance services, such as landscaping, snow removal and other projects traditionally administered by homeowners. Separately, each generation will present different challenges to board members, managers and association business partners. Baby boomers, for example, will be coming to grips with the savings lost during the Great Recession. With the decline in pensions, and 401k and retirement plans hit hard during the recent recession, there will be a greater wealth disparity within retirees.

Active boomers will seek more diverse amenities and events that go beyond the typical golf, gates and tennis ethos of today's retirement communities. Some associations will find themselves evolving into pseudo-assisted living facilities, even though they're not prepared for the additional burdens of aging residents. Some older residents may require round-the-clock, live-in caregivers—contracted healthcare providers and family members. This may create conflicts with occupancy requirements, parking restrictions and the like.

Group homes, for example, typically run afoul of governing documents in community associations. Association CC&Rs may contain restrictions that preclude providing additional services to certain members such as the elderly, but aging residents will expect their communities to make it possible for them to remain in their homes. Future associations may need to depend more on outside services to meet the needs of older residents while looking at physical modifications to the property to accommodate diminished physical capacity.



Meanwhile, millennials and those in the iGeneration, who are saddled with student loan debt, facing a difficult job market and possibly unable to qualify for a mortgage, won't be as eager to buy a home as previous generations. They will be renting for longer periods of time and will be more likely to move back home and live with their parents after college. In addition, they're also expected to delay marriage and children and have more interest in living in cities. For that reason, the development of condominiums is expected to boom.

As for ethnic and cultural diversity, associations will become less homogenous. Associations also may be counted on to provide multilingual governing documents, rules, newsletters and websites. Alternatively, translators may need to be on hand for association meetings. To bridge the language gap, it also may be beneficial for communities to embed photos and illustrations in governing documents and publications.

» STAY ON TOP OF ECONOMIC AND ENVIRONMENTAL ISSUES

Delinquencies and foreclosures caused by economic and environmental factors during the Great Recession have battered

water use and abuse among residents and to lead the way through water-wise common area landscaping and amenities.

These environmental issues, and possibly a new set in 15 years, could clash with association rules and regulations; they also could impact where and how development occurs. The availability of water is likely to have a significant influence over where development occurs.

» ACCENTUATE THE POSITIVE ASPECTS OF ASSOCIATIONS

CAI chapters and association leaders still will be facing the negative perception of common-interest communities from the media in the next 15 years, and all stakeholders must do more to accentuate the positive aspects. The challenge is exacerbated by the budgetary crunch among traditional news outlets, which are expected to turn more frequently to wire services and away from original reporting. That will make sharing positive association stories a greater challenge than it is today.

Association board members and managers need to be better trained and educated on working with news outlets; they need to learn how to frame things positively and proactively share their

While association stakeholders will need to prepare for these coming challenges, seek education and advocate for communities, the primary mission of associations will remain unchanged.

association operating and reserve funds. Today, most community associations have recovered financially, and that trend is expected to continue. However, association leaders will need to continue to pay close attention to their accounts and pursue delinquent owners when necessary.

In some states, association liens can take precedence over mortgages, but courts may intervene and strip away those priority liens. Meanwhile, the business world increasingly is moving toward virtual offices and home-based employees, and—in the age when small businesses can sprout up overnight with an idea and a website—more residents will be working from home.

In addition to economic factors, association leaders will need to receive even more education than they do today on environmental and energy issues. Homeowners are expected to be more interested in water conservation, xeriscaping, artificial turf, solar panels, electric cars and charging stations. Board members and managers in the South, Southwest and West, in particular, will need to get up to speed on things like xeriscaping and recycled water and may need to keep a constant eye on residents' water consumption. Municipal water providers and local and state governments may count on association leaders to help them monitor

stories. Efforts to change the perception of associations will be critical in coming years. The negative reputation, especially in media coverage, influences legislators and regulators, who then work to create laws and standards to “fix” a problem that may not exist.

In general, homebuyers don't understand what an association does or why it exists in the first place. Efforts must be taken to explain the roles and responsibilities of associations. First-time community association homeowners sometimes confuse who's in charge of development, transition and architectural review, or why associations have rules and regulations. However, as more people live in associations and have positive experiences, the overall perception of associations will improve.

» CONNECT AND COLLABORATE WITH STAKEHOLDERS AND ORGANIZATIONS

Association leaders also will need to work closely with influential stakeholders and organizations, such as developers, real estate agents and mortgage lenders. The NAHB, NAR and ABA exert an incredible amount of influence over development, sales and mortgage lending for homes in community associations. AARP,



with its large, active membership and powerful voice, also impacts the success of associations. Engaging with these organizations is crucial to ensure common-interest communities continue to be considered preferred places to call home.

Another key group to connect and collaborate with is developers and their attorneys, who are working to improve governing documents before they're filed. Initial

board members and managers need

to pay close attention to their association's documents—and the typical checklist—during the transition process. And managers engaged by the developer during the development process should be encouraged to use their knowledge of post-development association operational needs to steer the developer and its attorneys toward drafting and filing appropriate governing documents.

The business of developing community associations has become increasingly litigious. Tremendous benefits would be gained from providing enticing educational opportunities to developers to reinforce to both developers and associations that their interests are not mutually exclusive. Savvy developers already understand that the possibility of litigation is lessened when the development team pays attention to detail, supervises contractors and sub-contractors properly, fully discloses to prospective purchasers details of the project and makes a reasonable contribution to reserves during the period of developer control. The goal in this regard should be to help educate all developers regarding these issues and thus greatly improve the quality of new communities coming online.

Real estate agents must understand the nuances of community associations. By partnering with NAR and offering education to Realtors, who could then pass their knowledge on to homebuyers, there likely would be fewer owners who don't understand the responsibilities and expectations of living in associations.

» UNDERSTAND KEY TRENDS

A number of patterns in development and generational desires will combine to impact associations too, but the extent of these influences largely depends on geographical location. For example, the Northeast Corridor and parts of Florida are running out of large tracts of land for development, which is leading to growth in townhome, condominium and small single-family home communities—and a gentrification of existing structures and property. That also may mean fewer amenities, lower assessments, a compact governance structure and a focus on contracting with service providers instead of hiring staff. As previously stated, managers and board members will need to be better versed in high-rise operations and governance with a special focus on maintenance, necessitating more outreach to urban high-rise managers.

The recent growth of rental properties and conversions of condominiums into apartments is another key trend. Once these renters gain enough equity and begin looking for ownership opportunities, there may be a rash of conversions from rentals into homeowners associations and condominiums—a cycle that seems to repeat every 10 to 15 years. Meanwhile, as baby boomers opt out of assisted living, they may turn to mother-in-law suites within their children's homes. Similarly, millennials may be opting to move in to suites attached to their parents' homes. Associations may need to assess whether they'd accept these new living situations and review and update their governing documents accordingly. Managers and board members will need to be knowledgeable in generational dynamics, communication styles and more. Senior housing communities also may want to consider strategic partnerships with healthcare facilities and hospitals, which will benefit their aging residents.

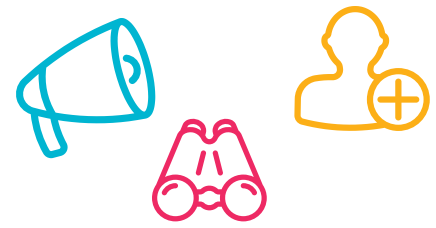
FINAL THOUGHTS

While association stakeholders will need to prepare for these coming challenges, seek education and advocate for communities, the primary mission of associations will remain unchanged. Volunteer board members, managers and business partners—even CAI and its chapters—will be focused on maintaining and improving property values and making communities preferred places to call home. That means collecting assessments, enforcing rules and restrictions, providing quality leadership and more—no matter what external forces influence associations.





Public Policy Paradigms



Key Challenges and Opportunities

- Perception of Community Associations
- Volunteer and Community Leadership
- Financial and Structural Stability of Associations
- Residents Aging in Place
- Aging Communities
- Adapting with Technology
- Relationships with Decision-Makers

The Community Next: Public Policy Paradigms Panel included CAI members and nonmembers. Stakeholder groups were represented by an academic, an insurance professional, a state legislative lobbyist, attorneys, community association volunteer leaders, community association managers and state legislators, each of whom have spent significant time interacting in the legislative process. The discussion led the group to identify the prevalence of challenges and opportunities that community associations have and may continue to encounter, issues that may be addressed in the next 15 years, and the impact of relationships with legislators, regulators, other decision-makers and stakeholders.

By 2030, at least one-third of all owner-occupied homes are expected to be located in a community governed and administered by an association. A critical shift is expected to occur between 2040 and 2050 whereby the community association model will become the majority form of housing in America. As this model continues to grow and communities continue to age, the challenges and opportunities identified in this report must be addressed.

» FOCUS ON PROVIDING A BROAD RANGE OF BENEFICIAL AND VALUABLE SERVICES

Community associations are community management organizations providing three core services—community, business and governance. In 2014, the estimated value of homes in associations was \$4.95 trillion. As perceptions of community associations evolve over the next 15 years, focus must be on the broad range of services performed by associations and the beneficial value they provide. When legislative bodies focus solely on the governance functions of associations, the core community and business functions that are an essential part of the complex association model are ignored, leading to legislative enactments that underserve the community and business functions. Public policy must preserve the comprehensive and balanced treatment of community associations embodied in the uniform acts, while avoiding random solutions to rare circumstances that would impair self-governance and increase operational costs.

» TELL THE TRUE STORY OF COMMUNITY ASSOCIATIONS

Volunteer leaders and professionals should sharpen the image of community associations with the media, government decision-makers and the general public as polling by the Foundation for Community Association Research clearly shows. Partnerships with municipalities should be explored that recognize the vital responsibilities associations carry for infrastructure maintenance and repair. Public policy must reflect the model of community associations as a provider of a broad range of services and cultivate the respect, deference and autonomy for associations that is given to other business and social organizations.



» EVOLVE AND ADAPT THE ROLE OF COMMUNITY LEADER

The community association model relies on volunteer leaders. In 2014, an estimated 2.3 million board and committee members participated in their associations, performing 78 million hours of service at an estimated value of \$1.6 billion. To continue fostering strong, responsive and harmonious communities:

- Membership on boards and committees must be more flexible and enable use of professional (compensated) directors
- Leaders must be trained in governance and management
- Stakeholders must proactively convey the benefits of associations to decision-makers



■ Disputes within the community must be resolved amicably through dispute resolution procedures

» DESIGN WAYS TO REPAIR AND REPLACE RESERVE STUDIES

Associations maintain community infrastructure and building components and systems. But infrastructure and buildings are aging: as of 2014, 54 percent was at least 35 years old. Careful planning for future repair and replacement through reserve studies and reserve funding is the best physical and fiscal approach to fostering financial stability of associations.

» DEVELOP RESOURCES TO MEET DEMANDS OF AGING IN PLACE

There is no doubt that aging residents prefer living in their homes as long as possible. Currently, approximately 25 million Americans age 55 or older reside in community associations. Over the next 15 years, associations must develop the resources to meet increased demand for services for our older residents while being sensitive to the fact that many residents are on limited or fixed incomes. Public policy must consider flexible funding alternatives such as allowing tax credits for property tax and mortgage interest deductions that are of little use to many older residents. Further, the government must redirect funds expended on the nursing side to motivate older residents to stay in their homes by providing payments to associations for the services they provide.

» BE READY TO USE NEW TECHNOLOGY

Rapidly evolving technology and changing external conditions present challenges and opportunities for community associations, but many associations lack the tools that are essential to successful adaptation. Public policy should foster flexibility in procedures for communications, meetings and voting, decision-making such as amendment approval procedures, dealing with environmental and energy factors, and expanding on-line information. Public policy must recognize that each association is unique and promote flexibility to allow the development of the most appropriate models at a pace that makes sense for each community.

» BUILD EFFECTIVE RELATIONSHIPS

Community associations should build effective relationships with decision-makers—public officials at all levels of government and regulatory agencies. This begins with training association leaders, homeowners and professionals. Stakeholders should engage in proactive communications to inform decision-makers of the positive aspects and benefits of community associations. Associations should seek partnerships with research-focused institutions, such as colleges and universities, to develop objective and independent data and analyses. Association attorneys should advocate educational programs for judges and other attorneys to foster deeper understanding of the community association housing model.

Rapidly evolving technology and changing external conditions present challenges and opportunities for community associations, but many associations lack the tools essential to successful adaptation.

» CREATE FLEXIBLE TOOLS FOR AGING COMMUNITIES

As communities age, particularly in changing metropolitan areas, their original use may no longer be the best use of land and environmental resources today. Public policy should provide an effective and sustainable legal structure that features reasonable procedures for termination and sale to parties seeking to redevelop the land, for dissolution of insolvent associations and for conversion of the form of ownership and organization. Fannie Mae, Freddie Mac and FHA project standards need to be modified to accommodate these objectives.

FINAL THOUGHTS

CAI is uniquely situated as a multidisciplinary industry leader to promote effective steps to meet the challenges and opportunities ahead. From the viewpoint of homeowners, associations must be perceived as helping them achieve an enhanced quality of life as well as a return on their investment by increasing the property value of each neighborhood. From the viewpoint of the larger community and of society itself, associations must be recognized for lessening the financial burdens of municipalities and for stewardship of natural resources and energy.

Acknowledgments



Initiatives like *Community Next: 2020 and Beyond* would not exist without the dedication and comprehensive knowledge of our industry professionals, volunteers and partners. We extend our sincere thanks to the panelists whose time, energy, knowledge and expertise made these reports possible.

CHIEF EXECUTIVE OFFICER Thomas M. Skiba, CAE, Community Associations Institute
2014 CAI PRESIDENT Julie McGhee Howard, ESQ., Weissman, Nowack, Curry & Wilco, Atlanta, GA

THE ASSOCIATION GOVERNANCE MODEL PANEL

CHAIR Michael Nagle, ESQ., NagleZaller, Scottsdale, AZ
VICE CHAIR Laura Sanchez, ESQ., HindmanSanchez, Arvada, CO
Pamela D. Bailey, CMCA, AMS, PCAM, Chaparral Management Company Inc., Houston, TX
John Connors, Canyon Creek Homeowners Assn., Austin, TX
Oliver Jaquay, Fairview, OR
Gary Kujawski, Colorado Dept. of Regulatory Agencies, Denver, CO
Robert Lang, Candlewood Villas #5 Condominium Assn., Cathedral City, CA
Margey Meyer, CMCA, PCAM, CADRExperts LLC, Houston, TX
Peter B. Miller, RS, Miller-Dodson Associates, Annapolis, MD
Chris O'Neill, CiraConnect, Carrollton, TX
Frank Riggio, Country Pointe At Coram, Medford, NY

EX-OFFICIO MEMBERS

William Overton, PCAM, Rancho Santa Fe Association, Rancho Santa Fe, CA
Stephen Bupp, CMCA, AMS, PCAM, Condominium Venture Inc., Brooklyn, NY
STAFF LIAISON David Jennings, CAE, Community Associations Institute
STAFF WRITER Debra Lewin, Community Associations Institute

COMMUNITY MANAGEMENT PANEL

CHAIR Kara Cermak, CMCA, AMS, PCAM, Rowell Inc., Elgin, IL
VICE CHAIR Fred Shapiro, PCAM, SBB Management Company, Dallas, TX
Joey Carona, AMS, PCAM, Associa, Dallas, TX
Jeevan D'Mello, AMS, LSM, PCAM, Emaar Community Management LLC, Dubai, UAE
Robert Felix, CMCA, LSM, PCAM, RS, Associa, Carlsbad, CA
Rosemary Goss, PH.D., Virginia Tech, Blacksburg, VA
Jo-Ann Greenstein, AMS, PCAM, RealManage, Anthem, AZ
John Hearn, The Ritz-Carlton, Coral Springs, FL
Michael Mendillo, FirstService Residential, Eatontown, NJ
Joel Starks, CMCA, Sharper Management LLC, Rochester, MN
Edward Thomas, CMCA, AMS, PCAM, Property Management People Inc., Frederick, MD
Patricia Wasson, CMCA, PCAM, CCMC, Celebration, FL
STAFF LIAISON Crystal Wallace, IOM, CAE, Community Associations Institute
STAFF WRITER Julie Warren, Community Associations Institute

BOARD OF TRUSTEES

PRESIDENT Kelly G. Richardson, ESQ.
PRESIDENT-ELECT Gregory G. Smith, CMCA, AMS, PCAM
IMMEDIATE PAST PRESIDENT David I. Caplan, CMCA, AMS, PCAM
Brendan P. Bunn, ESQ., Ursula K. Burgess, ESQ., Cat Carmichael, CMCA, PCAM;
John Joseph "Joey" Carona, Jr., AMS, PCAM; Tracy M. Clay, CMCA, AMS, PCAM;
John Connors; James H. Dodson IV, CMCA, AMS, LSM, PCAM; Vanessa Dreyer, LSM, PCAM;
Bruce R. Gran, CMCA, AMS, PCAM; John Hammersmith, CMCA, AMS, PCAM; Judy Silva;
Joseph C. Wise, CMCA, AMS, PCAM

ASSOCIATION OF PROFESSIONAL COMMUNITY MANAGERS (APCM) BOARD

CHAIR Vanessa Dreyer, LSM, PCAM
CHAIR-ELECT Tracy M. Clay, CMCA, AMS, PCAM
Katie Bikshaeva, CMCA, AMS, PCAM; John Joseph "Joey" Carona, Jr., AMS, PCAM;
Marge Imfeld, PCAM; Jeffrey N. Kutzer, PCAM; Patti Jo Lewis, CMCA, AMS, PCAM;
Melissa Merritt-Darden, CMCA, AMS, PCAM; Gregory "Randy" Schmaltz, CMCA, AMS, PCAM;
Jessica Towles, CMCA, AMS, PCAM; Cylinda Walker, AMS, PCAM;
Mark Walker, CMCA, AMS, PCAM; Joseph C. Wise, CMCA, AMS, PCAM

BUSINESS PARTNERS COUNCIL

CHAIR Ursula K. Burgess, ESQ.
CHAIR-ELECT Cat Carmichael, CMCA, PCAM
Gayle L. Cagianut; Cyndi Koester, CMCA, AMS, PCAM; Stewart Masterson, CMCA;
Joel W. Meskin, ESQ., CIRMS; Peter B. Miller, RS; Robert Nordlund, RS;
Howard J. Perl, ESQ., AMS, PCAM; Joseph Russo; Ellen A. Shapiro, ESQ.; Vishnu Sharma,
Joseph P. Waldron, AMS, PCAM, CIRMS

COMMUNITY ASSOCIATION VOLUNTEERS COMMITTEE

CHAIR John Connors
CHAIR-ELECT Judy Silva
Jean Bestafka; Judith Hanson; Janet L. Newcomb; Robert A. Rothwell;
Floyd "Duff" Smiley

EXTERNAL INFLUENCES PANEL

CHAIR Steven Brumfield, CMCA, AMS, PCAM, Toll Brothers Inc., Horsham, PA
VICE CHAIR Ellen Hirsch de Haan, ESQ., Wetherington Hamilton PA, Tampa, FL
Debbie Bassert, National Assn. of Home Builders, Washington, DC
Lynn Boergerhoff, Woodstock Homeowners Assn., Lakeville, MN
Robert W. Browning, PCAM, RS, Browning Reserve Group, Sacramento, CA
Gavin Cobb, CPA, Heritage Property Management Services Inc., Atlanta, GA
David Crump, ESQ., National Assn. of Home Builders, Washington, DC
Barbara McCabe, Dept. of Public Administration University of Texas—San Antonio, San Antonio, TX
Pamela McKuen, *Chicago Tribune*, Glen Ellyn, IL
Marjorie McLaughlin, National Association of Realtors, Chicago, IL
P. Michael Nagle, ESQ., Nagle & Zaller PC, Scottsdale, AZ
Gene Sullivan, New Concepts Management Group, Saint Louis Park, MN
Wendy W. Taylor, CMCA, AMS, LSM, PCAM, South Riding Proprietary Inc., South Riding, VA
STAFF LIAISON Frank Rathbun, Community Associations Institute
STAFF WRITER Daniel Brannigan, Community Associations Institute

PUBLIC POLICY PARADIGM PANEL

CHAIR Lucia Anna "Pia" Trigiani, ESQ., MercerTrigiani, Alexandria, VA
VICE CHAIR J. David Ramsey, ESQ., Becker & Poliakoff PA, Morristown, NJ
Marilyn Brainard, Wingfield Springs Community Assn., Sparks, NV
Robert M. Diamond, ESQ., Reed Smith LLP, Falls Church, VA
Travis Moore, Moore Relations Inc., Largo, FL
Rep. Elaine Nekritz, Illinois General Assembly, Buffalo Grove, IL
Robert Nelson, University of Maryland School of Public Policy, College Park, MD
Marvin J. Nodiff, ESQ., Nodiff & Billy, Saint Louis, MO
Ronald L. Perl, ESQ., Hill Wallack LLP, Princeton, NJ
Judith Phares, CMCA, PCAM, CMA Management, Plano, TX
Rep. Randy Truitt, Indiana House of Representatives, Lafayette, IN
Clifford J. Treese, CIRMS, Association Data Inc. (ADI) Pleasanton, CA
Debra Vickrey, AMS, PCAM, Colorado Property Management Group, Aurora, CO
STAFF LIAISON Dawn M. Bauman, CAE, Community Associations Institute
STAFF WRITER Matthew Green, Community Associations Institute





6402 Arlington Blvd., Suite 500 | Falls Church, VA 22042 | www.caionline.org



[caisocial](https://www.facebook.com/caisocial)



[Community Associations Institute](https://www.linkedin.com/company/community-associations-institute)



[@caisocial](https://twitter.com/caisocial) and [@caiadvocacy](https://twitter.com/caiadvocacy)

[Distributed by Avalon Management * www.AvalonWeb.com](http://www.AvalonWeb.com)