

GI Transition Plan

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Part I The Transition Process (a):

A successful transition from developer control to owner control of a homeowners association (HOA) is not a difficult process. However, it requires open lines of communication and information, common sense, perseverance, smart, energetic people who aren't afraid of a little work.

When an association is established, the builder/developer/declarant commits large amounts of resources and dollars to construction of the project and its infrastructure and amenities. In order to protect this investment, provisions are built into the association's legal documents which allow the developer to exercise control over the direction and processes of the community until a time certain either a firm date several years in the future, or when a certain percentage of units have been sold to homeowners. As you can see, that developer control period can last months or even years.

During this period of declarant control, the developer's representatives serve as the Board of Directors, and, as such, they are bound to act in the best interest of the association.

Also, during that time, there are usually benchmarks that give homeowners some limited participation in the affairs of the association. These benchmarks can include formation of an advisory committee to make recommendations to the Board, and/or phased-in election of homeowners to the Board of Directors.

At some point, however, the developer must turn over control of the association to the owners. In our case the trigger date is May 1, 2012. A responsible developer will have encouraged homeowner involvement and training along the way, so that the owners are well prepared to assume the responsibility of directing association operations.

Transition is usually accomplished at a special meeting held for the purpose of electing homeowners to serve on the Board of Directors. The only thing that ends at that meeting is the developer's control over the Board of Directors of the association not the developer's responsibility to it, and probably not the developer's involvement and interest in it. The developer may still be selling homes and may still retain certain rights by agreements.

The newly elected resident Board will now have responsibility for making decisions on behalf of the Association. They must ensure that (1) the developer provides the

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association with any and all pertinent information; (2) the association reviews that information and questions the developer on any vague or ambiguous issues; and (3) the Board develops a strategic plan to go forward from that point.

One of the steps a new Board may take is an audit of the association's financial situation. It could be important for members of the Board, as well as all the owners, to assure themselves that while the developer was in control, all income and expenses were properly accounted for. That includes, but isn't limited to, the financial obligation of the developer itself, if any, and aggressive pursuit of delinquent accounts. This work will be lessened to the extent that financial information is already available.

The association board could consider hiring a professional to perform a comprehensive inspection of the property and its physical plant. This will serve two purposes: (1) it will determine if there are any warranty defects that may be the responsibility of the developer; and (2) it will serve as the basis for a repair and replacement reserve analysis. Such an analysis could estimate the useful life of a component, such as a building roof, the projected cost to replace it, and how much money needs to be set aside to avoid special assessments are not necessary to maintain the association's assets into the future.

Good legal advice can also be important to the community. The association should retain independent counsel who is well versed in community association law.

(a) adapted with modifications from Neighborhood Link on internet

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Part II Items to be gathered:

The following are examples of the types of documents an association should determine the existence and location of during the transition. This list is by no means exhaustive, but can serve as a checklist. Keep in mind that jurisdictional requirements may vary in terms of time frames for developer responsibility, and specific transition documents. To the extent that the information is in electronic form with individuals or the management company, it should be identified so that an electronic database can be transferred to the HOA computer with appropriate back-up. Many of these documents are in the care of CCM the HOA's management company, which should be readily available.

General/Operational Items (to the extent not readily available)

A. All association books or records held by or controlled by the developer.

Original (or certified copy) of all recorded documents for homeowner association

Recorded copy of Declaration or Master Deed

Articles of Incorporation

Copies of filings

Certificate of Good Standing

Copies of annual reports filed

Bylaws

Non-recorded (homeowners associations)

Complete set of Board meeting minutes

Duly adopted rules and resolutions

Schedule of recordation dates

All other files and records

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B. An accounting of association funds and financial statements, from the date the association is first entitled to receive funds through the date the developer/declarant control period ends.

Any reviews performed during the developer control period

Current operating budget

Copies of all past budgets

Current statement of account balances, including that of developer with the HOA

Current accounts payable information

Invoices both past/paid and outstanding

Current reserve/replacement schedule

Association bank accounts, checking accounts, certificates of deposit, etc.

C. All association insurance policies

D. Complete roster of unit owners and their addresses, as shown on the official records of the association.

To the extent the information is available, a Roster of mortgagees by unit, with addresses.

E. Any and all contracts in which the association is a contracting party. Copies of any bonds or letters of credit posted with any state or local agency, if any.

Warranty/Physical Facilities Items (Including plot plans)

A. Complete set of site plans (including plot plans) and as-built drawings, including detailed measurements and dimensions.

Any approved landscaping plan

Recreational facilities plans

Roads and parking areas

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- B. Written warranties of the contractors, subcontractors, suppliers, and manufacturers, if any, involved in the construction and/or maintenance of the association's facilities.
- C. List of manufacturers of products and specifications used in the maintenance, repair or replacements in or on common areas or common elements.
- D. Schedule of quantities of the following:
 - Square footage of roof
 - Square footage of all paved area on the association property
 - Square footage of lawn surface
 - Square footage of exterior surface of each buildingThe reserve for replacement study may include his information
- E. Confirmation of compliance with the local authorities
 - Completion bonds, either in place or already released
 - Fire code compliance
 - Designation of roadways and site lighting, both public and private

Throughout the transition process described above, professional management can and should serve as advisor to the Board, custodian of the association's books and records, and the entity to which the Board turns to assist in the development of long-term plans and goals to make sure that a community's early due diligence translates into future continued success and financial stability for the owners. If that happens, all parties involved, the developer, transition board members, future board members, owners, and management will gain great satisfaction in a job well-done. Starting with documents already in existence, the focus will be on the documents that we don't have.

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Part III Specific Tasks:

As part of the transition plan, the following tasks are to provide the existing Board and the Resident Board information for implementation at the expiration of the Builder Control Period (May 1, 2012).

Tasks:

1. Review GI By-Laws and make recommendations about needed changes for existing Board

2. Obtain the following Operational items:

Original (or certified copy) of all recorded documents for homeowner association

Recorded copy of Declaration or Master Deed

Articles of Incorporation

Copies of filings

Certificate of Good Standing

Copies of annual reports filed

Complete set of Board meeting minutes

Duly adopted rules and resolutions

Schedule of recordation dates

All other files and records

3. Obtain the following Financial Items:

Any audits performed during the developer control period

Current operating budget

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Copies of all past budgets

Current statement of account balances, including that of developer

Current accounts payable information

Invoices both past/paid and outstanding

Current reserve/replacement schedule

Association bank accounts, checking accounts, certificates of deposit, etc.

4. Obtain the following Warranty/Physical Facilities Items:

Complete set of site plans and as-built drawings, including detailed measurements and dimensions.

Any approved landscaping plan

Recreational facilities plans

Roads and parking areas

Written warranties of the contractors, subcontractors, suppliers, and manufacturers, if any, involved in the construction and/or maintenance of the association's facilities.

List of manufacturers of products and specifications used in the maintenance, Repair or replacements in or on common areas or common elements

Copies of any bonds or letters of credit posted with any state or local agency, if any.

Schedule of quantities of the following for association property:

Square footage of roof

Square footage of all paved area on the association property

Square footage of lawn surface

Square footage of exterior surface of each building

Confirmation of compliance with the local authorities

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Completion bonds, either in place or already released

Fire code compliance

Designation of roadways and site lighting, both public and private

5. Develop paper for Resident Board exploring generally reviewing the following options:

A management company performing existing services. (GI relying on a significant number of volunteers)

A management company hires a part time resident manager. (GI relying on a lesser number of volunteers)

A management company performs all management activities with a full time resident manager.

Consideration will include evaluating:

The process by which an onsite manager interfaces with the community and the BOD

Interviews with the Chairpersons and Vice Chairpersons of both the Snow and Landscaping committees

Determining office support the onsite manager will need

Determining work and space requirements

Determining the cost

An On-site manager will not replace the Design Review Committee.

The CC&R's need to be reviewed for any required changes.

The Design Guidelines require a committee to allow for flexibility and fairness.

6. Develop Strategic Plan for HOA with SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) with Goals and Objectives for Resident Board.

7. Develop Transparency plan for Resident Board

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Part IV Budget:

As discussed above, a budget is required to engage an independent professional (or other vendor the HOA presently engages) and independent attorney to assist in the transition process. An audit for the year 2011 should also be done. In addition all the documents need to be stored in a fireproof cabinet in a designated area and a computer owned by the HOA.

An estimated allowance of \$ 25,000 should be approved at this time and should be included in the 2012 budget and will be subject to refinement as the process unfolds. In any case, all expenses will be subject to the financial request procedures.

Part V Next Steps:

- A. Approval of Transition Plan by Advisory committee by the end of March, 2011.
- B. Submission of Transition Report to Board on April 1, 2011 for approval.
- C. When approved by Board, expand Transition Committee and assign both AC members and residents to specific tasks.
- D. Provide monthly updates to AC and Board on a monthly basis.
- E. Provide updates to the community.

Submitted by:

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