SOUTH COAST HOMEOWNERS ASSOCIATION

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IN THIS ISSUE

UPCOMING SOUTH COAST MEETING

Monday, November 7 – Association Legal Disclosures and Forms Packet Meeting – Associations are required to make numerous disclosures to their members, many at budget time. In addition, forms are needed for proxies, ballots, unit modifications, assessment liens and more. Seven years ago, we had a meeting on this subject where we distributed a 3-ring, customized binder containing dividers for associations to keep their permanent documents such as CC&Rs and bylaws along with corporate minutes and 20+ forms that associations could use to meet their legal disclosure requirements. The program was well received and we are doing it again.

Attorney James H. Smith of Grokenberger and Smith will provide the binder and forms packet for up to 50 associations in attendance at the November 7 meeting, one per association. We may distribute the forms packet alone later in the year to all associations that renew their memberships for 2006.

Place – Holiday Inn, 5650 Calle Real, Goleta
Time – 7 PM

BORROWING FOR MAJOR REPAIRS

Michael J. Kennedy,
Senior Vice President
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Editor's Note: Michael J, Kennedy is Senior Vice President of First Banks, Inc. Mr. Kennedy has been active in the association industry since 1985 and is a frequent speaker and presenter for programs related to association financial issues. First Banks is a long-time member of South Coast HOA. He can be reached at 800-200-0013.

As the association industry matures, more and more communities are faced with the responsibility and need to perform major repairs of common area elements. Often, because of poor planning, inflation or unanticipated problems, associations have not accumulated sufficient reserves to finance needed repairs.

Typically, in the past, when faced with a situation where major repairs were required and funds were not available, associations had no alternative but to pass a special assessment to raise needed cash, defer repairs, or complete the work piecemeal over time. Each of these solutions has its own shortcomings and can create new problems for the board and the association members.

Special assessments, as every board member is painfully aware, are never popular, can create a real hardship for owners, and are often difficult or impossible to pass. Putting off necessary repairs is in clear conflict with the board's fiduciary responsibility to "preserve, protect and enhance" the value of the community assets and can create additional liability for the association if questions of heath and safety are involved. Spreading the work over time often will increase the overall cost of the project, lead to excessive insurance claims for repairs and can become a source of unit owner dissatisfaction.

Fortunately, banks and other financial institutions are becoming increasingly aware of the large and growing association industry and, in some cases, are willing to lend money to associations to finance major repairs. A few financial institutions have even established specialized units to handle association financial needs and offer special loan programs to associations. Although such loans are not always easy to obtain and require special documentations, they do offer a practical, and often attractive, alternative to the choices summarized above.

ASSOCIATIONS AS BORROWERS

Associations have all of the powers and characteristics of any other corporate borrower with two important exceptions. The first is that associations are not dependent on sales, or the vagaries of the economy to produce revenue for operations and debt service. Revenues are guaranteed by the assessment and enforcement powers of the association. The fact that associations can generate revenue simply by raising assessments or by passing a special assessment will obviously be seen as a plus by a lender considering a loan to an association. The second important difference between associations and other businesses is that associations, because they are run by elected volunteers, do not have the continuity of management, which is typical of a business borrower. A lender looking at an association loan request will be aware that the individuals negotiating the loan may not be the same people

running the association during the life of the loan. For this reason, the lender's assessment of the general business practices, as well as the financial management of the association, will be a critical part of the credit decision. Association financial reports, board minutes, resolutions passed relative to the loan transaction, and other association records which are in good order will help convince the lender that the association conducts its affairs in a businesslike manner.

Relations between the association board and unit owners will also be a crucial element in the credit decision. The association should be prepared to discuss the attitude of the unit owners concerning the financial situation of the association and the proposed loan transaction. Association representatives should document previous communications with unit owners and have plans in place to keep the membership informed about the proposed loan. Nothing will damage a loan request more than the appearance that the board is circumventing its responsibility to communicate with the unit owners. Organized resistance by unit owners, which is often the result of poor or failed communications, will invariably result in the loan being declined by the lender.

An informed and united board, which presents a clear and well thought out loan proposal will have a much better chance for a favorable decision. Before submitting a loan application, the association's board must do their homework. The loan proposal should be for a clearly defined purpose. A tentative completion schedule should be included in the proposal. Most importantly, financial projections, demonstrating the association's plans and financial capacity to repay the loan, should be in place.

In considering a loan it is important that the board have realistic expectations. The loan amount must have some prudent relationship to the resale value of the units. The proposed loan repayment period must amortize the loan in a logical period or time relative to the amount borrowed. If repayment is to be funded by a special assessment payable over time, the special assessment payment should have some reasonable relationship to the regular assessment amount and the unit owner's capacity to repay. Above all, the board must understand that a loan is not a magical solution to the association's financial problems. There is no free lunch. Loan costs, including fees and
interest, will be significant and must be factored into the association's budget and repayment plans.

WHERE TO FIND A LENDER

When shopping for a loan, an association will clearly be better off if they can find a lending institution, which offers specialized financial services to associations. A lender who does extensive business with associations will have a better understanding of the powers of association boards, the complex responsibilities of association directors and will be familiar with association governing documents. If there are no financial institutions in your area that specialize in services to associations, the next best prospect will be to find a lender who lives in an association. With luck you may find a banker who serves on an association board.

If you cannot find a lender familiar with the basics of community associations, the board's representative should be prepared to discuss the organizational structure of the association, assessment powers of the board, association governing documents, and the fiduciary duties

of association directors. The individual proposing the credit request for the association will need to be both a salesperson for the association and an educator.

COLLATERAL

A typical lender when approached for a loan by an association will think in terms of tangible collateral for the loan, i.e. a lien on the common areas, liens on the individual units or personal guarantees for the loan by directors and officers of the corporation. None of these alternatives is practical in most situations.

Typically the common areas of an association are already so encumbered that a lien on the common areas has little useful value to a lender as collateral for a loan. In order to lien individual properties lenders must do title searches, pay recording fees and obtain the assent of unit owners. These problems render placing individual liens impractical. As for personal guarantees of directors and officers, even the most dedicated volunteers would not be likely to make such a commitment.

Unless the association has title to a manager's unit, owns commercial leases, owns buildable land or has other such assets to pledge as collateral, the most practical way to secure a loan is by pledging future assessment revenue as collateral. Such a transaction is similar to a for-profit business borrowing against its accounts receivable.

Lenders who understand the collection and enforcement powers of association boards usually will secure loans with future assessment revenue. If the association has sufficient cash flow to service the debt from regular assessments, the lender will probably require a line item in future budgets for loan payments. If a special assessment is required to pay the loan, the lender may request a specific assignment of special assessment payments. As a condition of the loan, most lenders will also require a conditional assignment of the association's enforcement and collection powers. This will place the lender in the position to enforce collection of assessments should the board cease to do so and the association defaults on the loan.

LOAN STRUCTURE

In many loan situations the exact amount of the money needed to complete repairs may not be known when the project begins. This is particularly true with roofing projects, dry rot repairs and similar jobs where the full extent of work to be done sometimes can not be determined until after the projects is underway. Another variable that can effect the amount borrowed is the pre-payment of special assessments by some owners. This will reduce the amount needed by the association from the lender.

The easiest way to manage these variables is to have the loan structured, initially, as a line of credit for the maximum amount, which may be needed. Such loans should include a provision in the loan agreement that the loan will be converted to a term loan, for a fixed period, upon completion of the project. A loan structured in this way will give the association needed flexibility and will minimize loan costs. Funds can be drawn on the line of credit as needed. During the draw-down period interest payments will be due, but only on the amount drawn, not the full amount of the loan. When the project is completed, the final principal

balance will be converted to a term loan and regular payments, including principal and interest, will commence.

For loans involving a line of credit to be converted to a term loan, lenders will require that the draw down period have a definite expiration date, usually one year or less. Most lenders will also usually require that the association negotiate "not to exceed" contracts so that the exposure of the association is limited once work has begun and the maximum amount of the loan can be determined when funding is committed.

For less complicated or short-term projects, the loan can be structured as a regular term loan. These loans are funded in full when approved and will be paid off over a fixed term with an amortization schedule such as is used for a real estate or installment loan.

Most borrowing situations can be accommodated by the loans described above. However, in some circumstances other structures may be useful. This is especially true when the association anticipates an infusion of cash from a source other than assessment revenue, i.e. a legal settlement, cash from sale of assets or maturing investments. In these situations, a loan with structured principal reductions over time, or a balloon payment at the end of the loan may lessen the strain on association finances. A creative lender will be willing to work with the association to design the best loan for its needs.

THE APPLICATION PROCESS

Loan procedures will vary form lender to lender, as will the particulars of what information is requested from the association. Typically, however, the lender will want copies of the association's governing documents (Articles of Incorporation, Declaration of Covenants and the Bylaws) including all amendments. Lenders will also request a copy of the current year budget and current financial statements (Balance Sheet, Income Statement and Delinquency Report). A copy of the association's last audited or reviewed financial statement and a copy of the current reserve study may also be requested. Some lenders may also ask for a copy of the association's written collection policy, as disclosed to the unit owners, and minutes of recent board meetings. Before the loan is funded, lenders will require a Borrowing Resolution and Incumbency Certificate properly certified by the association's Secretary. This document establishes the board's authority to negotiate a loan and certifies the incumbency of its current officers.

Associations are well advised to involve their attorney at the early stages of loan negotiations. Before proceeding with a loan application, some lenders may require a written statement from the association's attorney certifying the association's authority to borrow and pledge assets as collateral. The lender may also request that the association's attorney statement also include verification that the borrowing resolution, certified by the secretary, was passed in accordance with the governing documents and applicable law.

Before closing a loan transaction, most lenders will require another opinion letter from legal counsel stating that counsel has reviewed final loan documents and all details of the transaction on behalf of the association. The attorney will be asked to certify that the loan documents are legal, binding, and enforceable and that all resolutions passed and actions taken by the board and/or the unit owners, relative to the loan transaction, were taken in accordance with the association documents. Even if such an opinion letter is not required by

the lender, a prudent board would be wise to seek the advice of counsel for its own protection. Another reason for involving the association's attorney early in the process is that the association's governing documents may include requirements which will effect how the loan is structured and how resolutions are to be drafted. The association's attorney is the person best able to advise both the association and the lender how to structure the transaction to fit the requirements of the governing documents. If the association has special requirements or restrictions which effect the loan transaction, much time and trouble can be saved if they are defined early in the application process.

LOAN DOCUMENTS

Loan documents, too, will vary from lender to lender. In every case, however, association officers will be asked to sign a note which is the association's promise to pay. Unless the loan is made on an unsecured basis, a security agreement will be required pledging association assets as security for the loan. When assessment revenue or personal (non real estate) assets of the association are used as security for the loan, the association will also be asked to execute a financing statement. This document specifies collateral pledged by the association and is recorded as a public record of the lender's claim.

In addition to the standard loan documents, some lenders may draft a special loan agreement to be executed by the association. The purpose of the loan agreement is to specify in detail the exact terms and conditions of the loan. Typically the loan agreement will include definitions, conditions for disbursements, insurance and compensating balance requirements and similar matters. When assessment revenue is pledged for the loan, the loan agreement may include an assignment of assessments and enforcement clause. Terms of the loan agreement are negotiable and will vary with each loan.

LOAN CONDITIONS

Many association loans will be approved subject to conditions required by the lender. Specific conditions are subject to negotiation between the lender and the association and can include virtually anything mutually agreed upon which is lawful and not in conflict with the association governing documents.

Most banks and savings and loans will require that the association move its deposit relationships to their institution as a condition of the loan. Periodic updates of association financial information is another common condition required by lenders. Depending on the complexity of the renovation project being financed, the lender may impose conditions relative to disbursement of loan proceeds. In highly complex situations, the lender may even require that a construction manager, approved by the lender, be retained by the association or that the bank make periodic inspections of work in progress. Lenders may place restrictions on the association's authority to amend documents during the life of the loan and may require that the association obtain prior approval of the lender before changing management firms. Generally, however, lenders are reluctant to involve themselves too deeply in affairs of the association which are properly the responsibility of the association board or its managing agent. Loan conditions will increase in complexity depending on the complexity of the repairs being financed. Before agreeing to the loan conditions the association should consult with their attorney and managing agent to be sure that ongoing operations of the association are not unduly disrupted.

Obviously, a decision to seek a loan to finance major repairs can have a major impact on the association board and the community as a whole. No one likes to borrow money, however, associations like any other business, often have legitimate needs and responsibilities, which can best be addressed through prudent borrowing. An association board, faced with major repairs and a funding shortage, will be meeting its responsibilities and serving its community well if, in addition to the more traditional alternatives, it also considers the feasibility of financing repairs with a loan.

CHILD DAY CARE IN A COMMON INTEREST DEVELOPMENT

By James H. Smith
Grokenberger & Smith
Attorneys at Law

Editor's Note: Mr. Smith is one of the original founders of South Coast HOA and a frequent presenter of educational programs and materials for our organization. This subject can be a controversial one in some associations and in some neighborhoods (most recently discussed in the local press in Goleta). Mr. Smith can be reached at 965-7746.

Most residential homeowners associations will find in their CC&Rs language which prohibits the use of Units for commercial activity. While all restrictions do not read the same, in substance, you will most likely find in your CC&Rs language which generally reads as follows:

> "No unit shall be used for the conduct of any trade, business, professional or commercial activity of any kind or nature whatsoever."

It can be said, without reservation or equivocation, that such a restriction is completely valid and enforceable except when it is not. One instance where restrictions prohibiting commercial activity are not enforceable is when the restriction is used to prohibit the operation of a Family Day Care Home for Children in a Common Interest Development.

California Health and Safety Code section 1597.40(c), specifically states that any restriction set forth in CC&Rs, which would restrict or prohibit, directly or indirectly, the acquisition, use or occupancy of property for a Family Day Care Home for Children is "void".

In view of the foregoing, and pursuant to Health and Safety Code section 1597.44 and 1597.465, a home in a Common Interest Development may be used for the care, protection and supervision of up to fourteen children. Further, Health and Safety Code section 1597.40(a) specifically allows such day care use even though it may be in direct violation of zoning ordinances, building codes and fire codes. Additionally, day care facilities may be operated by any occupant of a Unit in a Common Interest Development whether that occupant is an owner or tenant.

While an Association cannot prohibit the operation of a Family Day Care Home for Children, there are some steps an Association may take to protect itself from the liability and inconvenience arising out of a day care facility being operated within its complex. Health and Safety Code section 1597.531 requires all Family Day Care Homes for Children maintain liability insurance or a bond covering liability arising out of operation of the day care facility. However, the same section also provides for an affidavit signed by each of the parents of a child in the facility instead of insurance or bond. The affidavit states that the parents acknowledge no liability insurance or a bond is carried. Given the cost of obtaining insurance or a bond, it is doubtful that the operator of a day care facility will obtain either a bond or insurance. However, where insurance or a bond is obtained, the Association may request it be added as an additional insured and the operator of the day care facility must do so when requested. The Association must pay any additional premium or cost resulting from the Association being added as an additional insured.

Notwithstanding the operation of a day care facility, the Association may also require all persons using the Association's facilities to comply with all provisions of the Association's CC&Rs, Rules and Regulations governing use of the complex. This would include the provision found in most CC&Rs which requires that an occupant of the complex will not do anything which unreasonably disturbs other occupants' quiet use and enjoyment of the complex.

In order to operate a Family Day Care Home for Children a license must be obtained from the Department of Social Services, Community Care Licensing Division. The local office is located at 360 South Hope Avenue, Suite C-5, Santa Barbara, California. For further information you can contact them by calling 805-682-7647. You may also obtain more information concerning Family Day Care Homes at *www.ccld.ca.gov*.

While it may come as a surprise to Owners, Directors and Association Managers that Units in a Common Interest Development may be turned into a day care facility, as indicated above, that is specifically allowed by the California Health and Safety Code which supersedes contrary restrictions in an Association's CC&Rs. When Directors become aware of a day care facility being operated in their complex, it is recommended that they take the following action:

1. Immediately make inquiry as to whether the operator is in compliance with all laws regarding licensing and operation of a day care home for children;

2. Demand that the Association be added as an additional insured to the liability policy or bond if one is carried by the operator of the day care facility; and

3. Enforce the Association's CC&Rs, Rules and Regulations governing use of the complex.

RESPONSE TO NEWS-PRESS OPINION PIECE ON SMALL CONDOMINIUM PROJECTS

By: Michael J. Gartzke, CPA

Introduction: On August 28, 2005, the *Santa Barbara News-Press* ran an opinion piece by a long-time local real estate developer on the difficulty in developing small condominium developments in the City of Santa Barbara. Over the years, a constant, recurring theme in this industry is that enormous resources are spent on the front end of the development by government in the planning and design of a project including meetings, hearings and fees and that no resources are committed after the projects are built and turned over to the members. Over the years, I have received many calls from small associations frustrated with their ability to effectively manage their associations. The following response was submitted to the *News-Press* as an alternate viewpoint. To date, it has not run in the paper.

John Blankenship's recent article describing the lack of objective standards in the planning and development process in Santa Barbara makes one wonder why anyone would want to build a small condominium project in Santa Barbara. My 23 years experience in providing accounting and consulting services to many local community (condominium and planned development) associations with 2-770 units might make one wonder why anyone would want to buy or live in a small condominium project.

There are over 600 community associations in Santa Barbara County, 36,000 statewide and over 200,000 nationally. Residential housing with community associations became popular over 30 years ago to allow for more density and to relieve local governments of the need to provide public infrastructure improvements such as streets and parks. All community associations are governed by a board of directors, typically 5 members of the association, elected by all the members at an annual meeting. So, in Santa Barbara County, 3,000 homeowners volunteer to serve on these boards. And the prerequisite for board service?

None.

Usually, the only criterion for service is that the board member be an owner of a property within the development. All members pay a monthly assessment to pay for common utilities, landscape and recreation area maintenance, common area insurance and building maintenance. Assessments vary substantially depending upon the level of services provided.

The Davis-Stirling Act was passed by the California Legislature 20 years ago to regulate the operation and management of these associations and to define the law on topics as diverse as maintenance responsibilities, dispute resolution, financial requirements, assessment collection, pets, construction defect remediation, open board meetings and annual disclosures to members. The law has been amended 60 times since its original enactment. And the support provided by state and local government to boards of directors to properly understand and discharge their responsibilities?

None.

State law requires associations, no matter how small, to hold an annual meeting to elect its board of directors, develop an annual budget to set its assessment at least 30 days before the beginning of its fiscal year and to disclose what its future major maintenance costs will be for each major common area component – over the next 30 years - and disclose how these expected costs will be paid for. Minutes of board and annual meetings must be kept and made available to members. Regulatory filings are required with the Secretary of State and the Franchise Tax Board; the failure to file either can result in the suspension of the association's corporate powers. Annual financial reports are required if the association collects at least $10,000 in annual revenue. A CPA review of its financial statements is required when annual revenues exceed $75,000. Specialized disclosures are required to be provided for the association's alternate dispute resolution procedures, assessment collection policies, insurance coverages, budgets, rule making procedures and more.

So whether you live in Hope Ranch or one of the small associations developed by Mr. Blankenship, your association is subject to a myriad of laws that no one in government can explain to these new board members. The City and County Planning Departments are not aware of these laws. Once the project is finally approved, these local departments are out of the picture. When Goleta's Winchester Commons was developed in the 1990s, County Planning mandated the building of a day care center within the association for use by association residents only. An operator was located and less than 5 children were enrolled. The building sits idle and the association's board is spending a lot of time (and money) trying to figure out what to do with the building which of course will require county approval.

So how about hiring professional management? Can a 5-unit entry-level condominium afford professional management? Most management companies set a minimum monthly fee as some tasks take just as long whether you have 5 units or 50 or more. If the minimum management fee is $300 per month, can each unit pay $60 per month for this service and afford the other common area costs that must be met? In the 5-unit association, is every unit on the board of directors? Do all these people have the time to be President, Secretary, Treasurer. Can they effectively contract for landscape and maintenance services? How can they learn about the law and operate their association correctly?

I recently consulted with a new, 2-unit condominium association that needed to set up "tax-exempt" status with the California Franchise Tax Board. Governing documents such as the Articles of Incorporation, CC&Rs and bylaws must be provided as part of the application. The developer (not Mr. Blankenship) used a legal document service to save money in drafting the articles and bylaws. These documents were not suited for a condominium (not the first time I've seen this, either) so the two members had to engage a real estate attorney to get the documents rewritten so that the association would not have to pay the California minimum tax, currently $800 per year. The members were understandably frustrated with this whole process and the additional costs. After all, its only a 2-unit condominium but it is subject to all the same laws as their larger brethren.

And yes, the board of directors will have to deal with parking issues, noise problems and other hassles when too many people, cars and animals are crammed in too little space. Residents may perceive the board as dictatorial (after all, this is America!) and board members will be frustrated by the continual violation of the rules and then wonder why anyone would volunteer to take on this job. Developers and local planners must go beyond the blueprint and building stage and look to what this association is going to be like in 20, 30

or 50 years from now and implement policies to best serve the future residents of these developments.

Fortunately, in spite of the daunting tasks facing homeowners in community associations, the instinct to seek to better one's own community seems to be strong in Santa Barbara. The level of sophistication (in terms of community association knowledge) of many of the condominium board members in Santa Barbara County is probably significantly higher than that found elsewhere in the state. Santa Barbara County has an active non-profit public interest group (*The South Coast Homeowner's Association – www.southcoasthoa.org*) with a charter of helping board members sift through the mire of requirements and budgeting issues they encounter in their fiduciary duty as directors of their boards. With increasing complexity of legal requirements and difficult budget issues, attendance at the SCHA meetings has increased considerably over the years. There are also numerous property management companies in Santa Barbara County that specialize in community association management. Without the guidance from the foregoing entities, a self-managed association run by a volunteer board of directors is very likely to be overlooking key requirements, such as proper annual disclosures, and proper budgeting.

SUMMARY OF DISCLOSURES TO BE SENT WITH YOUR 2006 BUDGET

Over the past several years, many additional requirements have been added to the Civil Code for associations to disclose to their members. Some of these disclosures are mandated to be sent out to members in the same time frame as distributing the budget. For other disclosures, the budget mailing is a convenient time to provide them to members. Here is a checklist of disclosures to be sent to members with the budget:

_____ **Minutes** - Notification of the right of members to receive copies of board meeting minutes. Disclosure includes when minutes (draft or approved) will be available (within 30 days), how and where a member can obtain minutes and any reimbursement necessary to the association for reproduction costs. CC 1363.05(e)

_____ **Assessment Increase** – Members must be notified within 30-60 days of any increase in the regular assessment. CC 1366(d)

_____ **Special Assessment Notice** – If the board anticipates that a special assessment will be necessary in the future to meet projected expenses, then that finding must be disclosed CC 1365.2.5

_____ **Assessment Collection Policy** – Within 30-90 days before the beginning of the fiscal year, members must be provided with the association's collection policy and procedures used to collect assessments. The policy should disclose the assessment due date, delinquency date (at least 15 days after the due date), late fees, interest and other collection costs and policies relating to the recording and foreclosure of assessment liens. Also included is the Notice of Collection Rights & Duties specified in Civil Code 1365.1. CC 1365(d), CC 1367.1

_____ **Reserve Study Summary** – Disclosure is required for the current estimated replacement cost, estimated useful life (when new) and estimated life remaining of each major component; a current estimate of the amount necessary to repair or replace the major components; the amount of cash actually set aside in reserve accounts for this purpose and

the reserve funding percentage. A statement is also to be included disclosing how the association derived the reserve information. CC1365(a)

_____ **Assessment and Reserve Fund Disclosure Summary** – New Form required after July 1, 2005 – See May 2005 Newsletter for form and discussion on how to complete.

_____ **Settlement Funds** – If the association has received a legal settlement (construction defects, etc.) then disclosure of the amount of the funds and the expenditure of the funds must be disclosed. Usually, an association that has settlement funds will be required to have its financial statements audited or reviewed by a CPA and the disclosure can be made as part of the financial statement distribution process. CC

_____ **Alternate Dispute Resolution** – Members must be advised of their rights and responsibilities under Civil Code Section 1369.520 to encourage the use of mediation or arbitration to enforce the governing documents or to provide for injunctive or declaratory relief without damages or damages up to $5,000. A summary of the code section is to be provided that includes the following language: "Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 1369.520 of the Civil Code may result in the loss of your right to sue the association or another member of the association regarding enforcement of the governing documents or applicable law". Also, the association shall provide a description of its internal dispute resolution procedures as part of this disclosure CC 1363.850

_____ **Architectural Guidelines -** The association shall annually provide its members with notice of any requirements for association approval of physical changes to property. The notice shall describe the types of changes that require association approval and shall include a copy of the procedure used to review and approve or disapprove a proposed change. CC 1378(c).

_____ **Insurance** – Within 30-90 days before the start of the fiscal year, the association must distribute a summary of the association's property, general liability, fidelity, earthquake and flood policies. The summary includes the name of the insurer, the type of insurance, the policy limits (coverage amounts), the amount of the deductible (percentage or dollar amount). If the policy declaration page includes all of this information, then it can be distributed in lieu of the summary. A disclosure, which is spelled out in Civil Code Section 1365 (e) (4), is required to be included with the summary or declaration pages that discloses the availability of the complete policy and that certain member property may not be covered by the association's insurance.

_____ **Monetary Penalty Schedule** – If the association has a fine schedule for violations of the association's governing documents (including rules and regulations) then it must be distributed to members whenever it is changed. It is recommended at a minimum, to distribute it annually with the budget. CC1363(g).

SOUTH COAST HOMEOWNERS ASSOCIATION IS NOW ON THE WEB!

Don't forget that South Coast HOA is on the web at **www.southcoasthoa.org**. Look there for current events and meeting reminders, a sample newsletter and membership application, a list of other resources and links.

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1236-G Coast Village Circle
Santa Barbara, CA 93108
805-969-5838

State Farm Insurance
Ed Attlesey
160 N. Fairview #3
Goleta, CA 93117
805-964-9988

Insurance (Cont)

Allstate Insurance
Nina Corman
830 E. Ocean Ave.
Lompoc, CA 93436
805-736-8944

Timothy Cline Insurance Agency
Tim Cline, CIRMS
725 Arizona Ave #200
Santa Monica, CA 90401
800-966-9566

PAVING CONTRACTOR

Smith Patterson Paving
David/Jim Smith
1880 N. Ventura Ave.
Ventura, CA 93001
805-653-1220

CONSTRUCTION MANAGEMENT

Stonemark Construction Mgmt
Bart Mendel
290 Maple Court, Suite 120
Ventura, CA 9303
800-844-9240

ROOFING CONTRACTOR

Derrick's Roofing
Frank Derrick
650 Ward Drive, Suite F
Santa Barbara, CA 93111
805-681-9954

LANDSCAPE CONTRACTOR

Kitson Landscape Management
Sarah Kitson
5787 Thornwood
Goleta, CA 93117
805-681-7010

ORGANIZATIONS

Community Associations Institute –
Channel Islands Chapter
P. O. Box 3575
Ventura, CA 93006
805-658-1438
www.cai-channelislands.org

Executive Council of Homeowners
ECHO
1602 The Alameda #101
San Jose, CA 95126
408-297-3246
www.echo-ca.org

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