

SOUTH COAST HOMEOWNERS ASSOCIATION

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UPCOMING SOUTH COAST MEETINGS

Insurance – The Good, The Bad and the Ugly – South Coast member **Tim Cline**, President of the Timothy Cline Insurance Agency in Santa Monica will detail the current issues pertaining to availability and costs of insurance, especially earthquake, the factors creating the situation we currently face, how associations can mitigate the costs and whether any relief is in sight.

Date – Monday, May 21

Time – 7 – 9 PM

Location – Goleta Union School District Board Room – 401 N. Fairview, Goleta

We have also selected the date for our summer legal forum meeting with Beth Grimm. It will be held on Tuesday, July 24. The meeting topics and location are still to be determined.

Our colleagues at the Channel Islands Chapter of Community Associations Institute have a number of meetings scheduled this spring in Santa Maria and Ventura County. A calendar of events is located at www.cai-channelislands.org.

**[SAMPLE] RECORDS INSPECTION RULES/POLICY FOR HOAs
Operative on July 1, 2006.**

By: Beth A. Grimm, Attorney at Law

Editor's Note: As noted in prior issues of the newsletter, the rights of members to inspect records were expanded by the California Legislature in legislation that was passed in 2005 and 2006. Ms. Grimm has offered this records inspection policy template as a starting point in developing your association's policy. Contact information for Ms. Grimm appears at the back of this newsletter.

THIS SAMPLE POLICY DOES NOT CONSTITUTE LEGAL ADVICE. Please note that this policy may require some adjustments if your governing documents have more requirements than the Civil Code has, or is in conflict with the Civil Code - consult with your association legal counsel for advice as this sample policy does not constitute legal advice. A review of your governing documents would be required. All areas shown in brackets and bold print need to be finalized per your needs. This policy is NOT SUBJECT to passage of rules as stated in Civil Code Section 1357.100 etc. so there is not a circulation requirement to the members. However, this or a modified/abbreviated policy should be adopted and circulated, in my opinion, so that owners are informed. If HOAs do not inform owners and there is a challenge to the HOA practices, in either case, that could lead to being penalized if called into court.

RESOLUTION

[_____ **HOA**]
RECORDS INSPECTIONS RULES/POLICY

WHEREAS, the Board is proposing new rules relating to inspection of HOA records and is considering adoption of a policy herein, for the Association; and

WHEREAS, the governing documents for the Association address the subject matter at **[Document Name, Article __, Section_____]**; and

WHEREAS, California law provides guiding regulations in this areas in Civil Code Sections 1363(f) and 1365.2, and Corporations Code Section 8330, and

[OPTIONAL] WHEREAS, the Board has sought legal advice with regard to the extent and limitations of Board authority in imposing and enforcing said this policy;

NOW, THEREFORE, Pursuant to California law, we hereby adopt the following Records Inspection Policy:

I. REQUEST MUST BE IN WRITING: All requests to review, inspect and/or copy records of the Association must be made in writing **[on the attached form/in the format shown on page 2 of this Resolution]**. The Owner requesting the list shall state the purpose for which the list is requested which purpose shall be reasonably related to the requester's interest as an Owner. If the Board reasonably believes that the information in the list will be used for another purpose, it may deny the Owner access to the list. If the request is denied, in any

subsequent action brought by the Owner to enforce the right to receive records, the association shall have the burden to prove that the Owner would have allowed use of the information for purposes unrelated to his or her interest as an Owner.

II. WHAT MAY BE INSPECTED/COPIED/PROVIDED: The following records shall either be made available for inspection or copied pursuant to an Owner request (on the terms, requirements and timelines stated below):

“Association Records” which include:

➤ **Financial and Accounting Records**

- ❑ Any financial document required to be provided to an Owner in Section 1365 (which relate to Association financial disclosures to Owners).
- ❑ Any financial document or statement required to be provided in Section 1368 (which relate to documents provided by seller at time of sale).
- ❑ Interim unaudited financial statements, periodic or as compiled, containing any of the following: balance sheet, income and expense statement, budget comparison, general ledger (a report that shows all transactions that occurred in an association account over a specified period of time), all of which are prepared in accordance with generally accepted accounting principles. The records described in this subparagraph shall be prepared in accordance with an accrual or modified accrual basis of accounting.
- ❑ Executed contracts not otherwise privileged under law.
- ❑ Written board approval of vendor or contractor proposals or invoices.
- ❑ State and federal tax returns.
- ❑ Reserve account balances and records of payments made from reserve accounts.
- ❑ Agendas and minutes of meetings of the Owners, the board and any committees appointed by the board of directors; excluding, however, agendas, minutes, and other information from executive sessions of the board of directors as described in Section 1363.05.
- ❑ Check registers.

➤ **Membership lists**, including only the name, property address, and mailing address of Owners. An Owner of the association may opt out of the sharing of his or her name, property address, and mailing address by notifying the association in writing that he or she prefers to be contacted via the alternative process in subdivision (c) of Section 8330 of the Corporations Code. To do so, an Owner must send his or her written request to “opt out” to the Association. What this means is that if any Owner requests a copy of the Association Membership list to send out any communication, that Owner will **not** receive the names and addresses of those Owners who have “opted out”. However, the “alternative” is that Owner may request that the Association send out the communication to all Owners or those who opted out, at the expense of the Owner requesting the service. This opt-out shall remain in effect until changed by the Owner.

➤ **"Enhanced Association Records"** which include invoices, receipts and canceled checks for payments made by the association, purchase orders approved by the association, credit card statements for credit cards issued in the name of the association, statements for services rendered, and reimbursement requests submitted to the association, provided that the person submitting the reimbursement request shall be solely responsible for removing all personal identification information from the request.

The timeline for records available for inspection and for providing said records is:

DOCUMENT	TIME TO PROVIDE
Association records/enhanced records for the current fiscal year	within 10 bus. days of written request
Association records/enhanced records for prior two fiscal years	within 30 bus. days of written request
Minutes of Board/Association Meetings - all years available	per timeline above
Minutes of meetings of committees with decision-making authority for meetings commencing on or after January 1, 2007	within 15 calendar days following approval

III. WHO MAY INSPECT/VIEW/COPY: The inspection and/or copying may be done by an Owner of the association, or the Owner's designated representative, subject to payment of certain costs by the Owner, as specified below. The Owner shall make this designation in writing.

IV. WHERE/HOW DOES ONE INSPECT? The records shall be made available for inspection and copying [these are the options: in the association's business office *within* the common interest development - note that if the association does not have a business office within the development, the association must make the specified association records available for inspection and copying at a place that the requesting Owner and the association agree upon. If the association and the requesting Owner cannot agree upon a place for inspection and copying pursuant to paragraph (2), or if the requesting Owner submits a written request directly to the association for copies of specifically identified records, the association may satisfy the requirement to make the association records available for inspection and copying by mailing copies of the specifically identified records to the Owner by first-class mail within the timeframes set forth above. So here, you need to complete this pursuant to what you have available/prefer, in the way of providing the records. Discuss this with your attorney.]

V. ELECTRONIC DELIVERY: A requesting Owner may make a request for specifically identified records by electronic transmission or machine-readable storage media. To the extent the Association can produce the requested records by electronic means and they can be transmitted in a redacted format that does not allow the records to be altered, the Board may satisfy the request via electronic records.

VI. WHAT ARE THE COSTS/WHO PAYS? The requesting Owner will be billed for the direct and actual cost of copying and mailing requested documents if copies are required. If the association (or manager) is going to make the copies, the Board/management shall inform the Owner of the amount of the copying and mailing costs, and the Owner must agree to pay those costs, **[the question being]** before the copying and mailing of the requested documents will occur.

The Board/management may as an alternative, **[check with your own legal counsel on this]** require that Owner provide a copy service to copy any documents desired, in which case the Association and Owner have to agree upon a location for the copying to take place.

For electronic records production, the cost of duplication shall be the direct cost of producing the copy of a record in that electronic format.

VII. REDACTION/COSTS - The association may withhold or redact information from the association records for any of the following reasons:

- ❑ The release of the information is reasonably likely to lead to identity theft. For the purposes of this section, "identity theft" means the unauthorized use of another person's personal identifying information to obtain credit, goods, services, money, or property.
- ❑ Examples of information that may be withheld or redacted pursuant to this paragraph include bank account numbers of Owners or vendors, social security or tax identification numbers, and check, stock, and credit card numbers.
- ❑ The release of the information is reasonably likely to lead to fraud in connection with the association.
- ❑ The information is privileged under law. Examples include documents subject to attorney-client privilege or relating to litigation in which the association is or may become involved, and confidential settlement agreements.
- ❑ The release of the information is reasonably likely to compromise the privacy of an individual Owner of the association.
- ❑ Personnel records other than the payroll records required to be provided as clarified below.
- ❑ Interior architectural plans, including security features, for individual homes.
- ❑ Agendas, minutes, and other information from executive sessions of the board of directors as described in Section 1363.05.
- ❑ The information contains any of the following:
 - Records of a-la-carte goods or services provided to individual Owners of the association for which the association received monetary consideration other than assessments.
 - Records of disciplinary actions, collection activities, or payment plans of Owners other than the Owner requesting the records.
 - Any person's personal identification information, including, without limitation, social security number, tax identification number, driver's license number, credit card account numbers, bank account number, and bank routing number.

Executed contracts that not are otherwise privileged will not be withheld. Privileged contracts do not include contracts for maintenance, management, or legal services. However, to the extent said contracts contain sensitive information that could lead to identity theft, that information shall be redacted.

Except as provided by the attorney-client privilege, the association may not withhold or redact information concerning the compensation paid to employees, vendors, or contractors. Compensation information for individual employees shall be set forth by job classification or title, not by the employee's name, social security number, or other personal information.

In addition to the direct and actual costs of copying and mailing, the association shall bill the requesting Owner up to ten dollars (\$10) per hour, not to exceed a total of two hundred dollars (\$200) total per written request, for the actual time involved in redacting the enhanced association records as provided above. The association shall inform the Owner of the estimated costs, and the Owner must agree to pay those costs, before retrieving the requested documents.

VIII. NO LIABILITY FOR FAILURE TO REDACT: No association, officer, director, employee, agent or volunteer of an association shall be liable for damages to an Owner of the association as the result of identity theft or other breach of privacy because of the failure to withhold or redact that Owner's information under this subdivision unless the failure to withhold or redact the information was intentional, willful, or negligent.

If requested by the requesting Owner, the association shall provide a written explanation specifying the legal basis for withholding or redacting the requested records.

IX. LIMITATIONS ON USE/COURT ACTION TO STOP USE: The association records, and any information from them, may not be sold, used for a commercial purpose, or used for any other purpose not reasonably related to an Owner's interest as an Owner. The association may bring an action against any person who violates this section for injunctive relief and for actual damages to the association caused by the violation.

- There is not a limit herein to the right of an association to seek damages for misuse of information obtained pursuant to this policy or to limit the right to injunctive relief to stop the misuse of this information.
- The association may recover reasonable costs and expenses, including reasonable attorney's fees, in a successful action to enforce its rights under this section.
- An Owner may bring an action to enforce the Owner's right to inspect and copy the association records. The Owner may seek reasonable costs and expenses, including reasonable attorney's fees, and a civil penalty of up to five hundred dollars (\$500) for the denial of each separate written request.

Any cause of action under this section may be brought in small claims court if the amount of the demand does not exceed the jurisdiction of that court. The association may recover any costs if the court finds the action to be frivolous, unreasonable, or without foundation.

[IF USING THE RESOLUTION FORMAT - ADD]

I, the secretary of _____ **HOMEOWNERS ASSOCIATION**, hereby declare that the above Resolution was duly adopted on _____, 2007.

SECRETARY

A sample form follows that you can use to provide to your members to request records.

RECORDS REQUEST FORM FOR _____ HOA

My purpose for asking to see/copy the following records is _____

_____.

____ I would like to **OR**

____ I would like to appoint as my agent, _____, on my behalf

_____ Review/Inspect

_____ Copy

_____ Receive copies of

Association documents from

_____ Current Fiscal Year OR

_____ Prior Fiscal Year

_____ Prior 3 fiscal Years

These are the documents that are requested:

In order satisfy my request, (check all that apply)

I [_____ am _____ am not willing] to come to the management office to review these records. [If you checked that you are not willing, then can you suggest a place that you would agree to review the records?_____.

(If there is no agreement the Board has the right as an alternative to provide copies in lieu of the review.)

I [_____ want _____ do not want] copies and understand that it is up to me to arrange for a copy service if I want copies, or if the manager or board member is willing to make copies, I agree to pay for them upon delivery, understanding that the Board/management or copy service will provide me the cost figures before reproduction.

I understand that if any of the information requested requires redaction, in the opinion of the Association, to protect privacy and protect from identity theft, the redaction shall be done at my expense (limit of \$10 per hour up to a maximum of \$200) and I understand also that I will be responsible to pay the reasonable cost of copying the records requested.

Owner signature

: _____
Address of property in HOA

ASSOCIATION ASSESSMENTS AT RISK? Mortgage Defaults and Foreclosures Increase in California

By: Michael J. Gartzke, CPA

A January 24, 2007 article from the Los Angeles Times caught my eye. Titled “More Californians at Risk of Losing Homes”; it disclosed that mortgage default notices increased 145% in the fourth quarter of 2006. This was the largest number of default notices since 1998. Further, “analysts said the increase was not worrisome – yet.” Several weeks later, the stock market took a hit when it was disclosed that “subprime” lenders, those lenders that make loans to people with less than perfect credit, were seeing major increases in late payments which was having a substantial negative impact on their financial bottom line. Many of these loans have variable interest rate features, negative loan amortization and low teaser interest rates to qualify marginal borrowers. For variable interest-rate loans taken out in 2004, monthly payments may have increased by as much as 50%. There were 6,078 foreclosures in California during the fourth quarter of 2006, up from 874 in the fourth quarter of 2005. This wasn’t worrisome?

Barron’s Magazine’s March 19, 2007 Issue states: “According to Goldman Sachs’ chief domestic economist, Jan Hatzius, ARMs that aren’t subprime are going down the tube even faster than riskier loans. Prime ARM delinquencies are comparable to their worst level of the 2001 recession, he points out. In contrast, fixed-rate subprime delinquencies are well below their recession levels. The jump in adjustable-rate mortgage delinquencies is of particular concern in that more of these loans will reset in 2007, some \$400 billion worth, write Robert E. Blake and Matthew Moore of Banc of America Securities.” Few of these borrowers are likely to be able to refinance, given the tightening of credit standards, resulting in more defaults, they add. (The primary criterion to qualify for an ARM previously had been a pulse.)”

In the March 17, 2007 *Santa Barbara News-Press*, the California Economic Forecast showed that 300 notices of default were issued in Santa Barbara County for the fourth quarter of 2006 and that there were 68 foreclosures in that quarter. Contrast that to all of 2004, there were only 18 foreclosures in the County and less than 35 for all of 2005.

In my database of 60 area associations covering nearly 4,400 dwelling units that was the subject of an article in the last newsletter, as of March 2007, delinquent assessments are up nearly 59% from September 2005. This statistic bears out the anecdotal stories of associations having more difficulty in collecting all their assessments.

Now more than ever, associations need to be proactive in collecting assessments. If you have an owner that is foreclosed upon by his lender and you have not secured unpaid assessments through a lien, you will lose these assessments as the debt will be extinguished through foreclosure. While a lien can be extinguished through foreclosure, the association may be able to foreclose first and collect assessments and rents before the lender forecloses. With the number of foreclosures escalating as fast as it is right now, lenders will be overwhelmed with delinquent loans and may not foreclose as quickly as they might otherwise. Consult with your attorney on assessments unpaid over three months to determine the proper course of action. Review California Civil Code 1367 to understand restrictions on liens and foreclosures. Uncollectible assessments will have to be made up by the other members of the association, causing assessments to increase.

Associations are required by the California Civil Code to send out assessment collection policies annually and when legal processes commence to collect unpaid assessments. What follows is a collection policy in plain English which emphasizes the scope of these collection costs and that it is the responsibility of the owner to pay these in addition to the unpaid assessments. You are welcome to adapt this for your own use. This form has been generously provided by **McKenna Keys of Good Management Company in Santa Barbara**. Please Note: THIS SAMPLE NOTICE DOES NOT CONSTITUTE LEGAL ADVICE.

COURTESY NOTICE

The ever-evolving legal arena of managing Common Interest Developments has imposed stringent conditions upon homeowner associations attempting to collect payment from delinquent homeowners. As a result, compliance is much more difficult and much more costly. AND, ***these costs are the responsibility of the delinquent homeowner.***

WHAT WILL I BE CHARGED IF MY DUES BECOME DELINQUENT?

1. A late fee of 10% of the regular monthly dues will be charged if payment is received after the 15th of each month.
2. Interest at the rate of 12% per annum will be charged once the delinquent amount is 30 days past due.
3. The management company will mail out a courtesy statement of delinquent account reminding the homeowner of the balance due. There is no charge for this initial notification.
4. If the statement of delinquency goes unheeded, the Board may authorize the management company to send a reminder letter to the delinquent homeowner. The fee for this letter is billed at the management company's prevailing hourly rate (currently \$xx per hour). ***These fees are charged to the delinquent homeowner.***

Or, the Board could instruct the management company to turn the account over to legal counsel for processing.

5. If a reminder letter is sent and goes unheeded, the Board may then authorize the management company to proceed to legal processing for the development of a pre-lien letter. The management company fee is currently \$xxx for the preparation of the accounting packet that must be provided to legal counsel for the preparation of the pre lien letter. The attorney fee and costs for preparation and mailing of the pre lien letter is in the \$500 range. ***These fees are charged to the delinquent homeowner.***
6. If the pre-lien letter goes unheeded, the Board may then authorize a lien being placed on the unit in question. Again, the management company currently charges \$xxx for the accounting packet provided to legal counsel for placement of the lien. Again, attorney fees and costs for placing a lien are in the \$500 range. ***These fees are charged to the delinquent homeowner.***

7. If the delinquent account is brought current at this time, a release of lien must be prepared and filed. The cost of this transaction is in the \$400 range. ***These fees are charged to the delinquent homeowner.***
8. If the lien goes unheeded, the Board may authorize foreclosure proceedings. Additional management fees will be billed at their then current hourly rate. Legal, fees and costs, trustee fees and costs, court costs, etc., will be extensive. ***These fees will be charged to the delinquent homeowner.***
9. A Forbearance Agreement must be prepared by legal counsel if the homeowner wishes to establish a payment plan after foreclosure proceedings have begun. The fee for this process is in the \$600 range. ***These fees will be charged to the delinquent homeowner.***
10. If the foreclosure is not satisfied, you could lose your home.

The information in this notice is being provided with the hope that it will be helpful to you as you make your budgeting decisions. As you can see, failure to pay monthly assessments can be financially devastating.

Please know that the Board is willing to meet with you at any time during this process to work out a payment plan. If you are facing financial difficulties, please communicate with the management company and/or your Board of Directors **BEFORE** things spiral out of control. The desire is to be helpful in times of special need. But the Board has no opportunity to be supportive if all its efforts at communication go unheeded.

You may communicate any special needs you might have by sending a written request to the Board of Directors in care of your management company.

HOA FINANCIAL COMPARISONS “SMALL ASSOCIATION DATA”

By: Michael J. Gartzke, CPA

A follow-up question to the financial data presented in the January-February newsletter was how smaller associations compared to those in the financial review database. As noted in the article, the financial analysis was presented for those associations for which I review financial statements. California law requires associations with more than \$75,000 in annual revenues to have a CPA review its financial statements and present the statements under generally accepted accounting principles. As a result, I collect a fair amount of historical data for these associations which is currently being updated as 2006 reviews are completed.

But what about those associations which have less than \$75,000 in total revenues? For these associations, only tax returns are required. I have approximately 50 area associations that only have a tax return prepared. Many more of these associations are self-managed, fewer have professional reserve studies prepared and compliance with the ever-expanding Civil Code requirements may be lower. I don't collect as much financial data that is readily accessible. For example, small associations may file their tax returns on the cash basis

which means I don't know what the delinquent assessment balances are. Total expenses appear on the tax return rather than broken down by category. Here are the financial comparisons I was able to make for the small associations compared to the large associations. All data presented are median amounts where half the amounts are higher and half are lower. Any surprises?

SMALL ASSOCIATION FINANCIAL COMPARISONS

<u>Median Amounts</u>	<u>Small</u>	<u>Large</u>	<u>Difference</u>
Number of Units	8	45.5	-82.4%
Cash per Unit in Bank	\$2,225	\$3,093	-28.1%
Monthly Assessment	\$ 255	\$ 330	-22.7%
Age of Association (Years)	22	27	-18.5%

I was surprised that I did the taxes for so many smaller associations. Indeed, 25 associations have eight units or less. With “urban infill” incentives, many new projects, especially in the City of Santa Barbara are eight units or less. In the large association sample, cash per unit of \$2,225 would rank 48th out of 60 while the \$255 per month assessment would rank 42nd.

A study by my colleague, David Levy, CPA of San Francisco has analyzed the amount of underfunding of reserves based upon the collection of hundreds of reserve studies. He has determined that the amount of underfunded reserves is proportional to the size of the association. The smaller the association, the more underfunded it is. For example, associations with less than 25 units were \$10,300 per unit underfunded in reserves while associations with 50-150 were on average \$4,500 per unit underfunded.

2007 CALIFORNIA LEGISLATIVE PREVIEW

It's still early in the legislative season but a number of bills have been introduced that directly affect associations. In some cases, the bill is only a number and a subject while the language of the bill is still to be determined. Hearings will start soon. Updates are available on the California Legislature website – www.leginfo.ca.gov.

AB 567 (Saldana) – Creation of an Ombudsperson/Agency to deal with HOA disputes. This may be similar to legislation that was vetoed by the Governor last year.

AB 691 (Silva) – Extend provisions of HOA manager certification and education requirements.

SB 127 (Kuehl) – Require that associations provide disclosures within 3 days of the execution of an offer to purchase a unit. Up from 10 days of written notification from seller.

SB 528 (Aanestad) – This bill would prohibit the association's board of directors from considering any subject matter at a meeting unless the subject matter was placed on the

agenda when the meeting was announced.

SB 670 (Correa) – Would void any requirement for a seller/buyer to pay a transfer fee at the completion of the sale/purchase to the association.

SB 948 (Wyland) – This bill would require every member of the association's board of directors to complete at least one 3-hour course during every term in office relating to decisional and statutory law regarding common interest developments.

AB 952 (Mullin) – This bill would prohibit the board of directors from imposing a special assessment, including an emergency assessment, or an increase in the regular assessment of more than 2% above the current year's assessment on units that are required by law to be provided to low and moderate income purchasers without a vote of the members of those units.

Needless to say, I weighed in on AB 952. In my opinion, providing more restrictions on assessments will only delay or eliminate required major maintenance on these buildings and common grounds which will turn these projects into slums. When the bill analyses are published later in the year, I am going to be really curious as to who sponsored this legislation and what their motivation is. I understand a newspaper article may have triggered this legislation. I offered the author the last South Coast newsletter articles on expense increases. I have yet to receive a response.

EARTHQUAKE INSURANCE PREMIUMS – MEETING WITH STATE ASSEMBLYMAN – PEDRO NAVA

By: Michael J. Gartzke, CPA

Since last summer, I have received many calls from concerned, panicked and outraged board members over the skyrocketing cost of insurance premiums, especially earthquake and flood policies. The complaints were universal. Policies were being canceled. Replacement insurance costs were exorbitant. Full replacement coverage was unavailable. How are we going to pay for it? What will happen to us if we don't renew the policy and get sued by association members? What can you do to help us?

Last fall, I contacted Tim Cline, a South Coast member and HOA insurance specialist in Santa Monica. His article ran in our November 2006 issue about the factors contributing to these increasing costs. We will explore these issues in detail at our May meeting. See Page 1 for meeting date/time and location.

I contacted Assemblyman Pedro Nava's office to schedule a meeting with him on this issue and to explore the possibility of a legislative or regulatory solution. Over the years, I have had limited contacts with our legislators such as Jack O'Connell and Hannah-Beth Jackson on legislation that would have negative impacts on HOA operations. This was my first contact with Mr. Nava.

Homeowners with a single-family residence can apply for earthquake insurance through the California Earthquake Authority, a state agency handling billions of dollars in premiums and reserves, that was created after the Northridge Earthquake of 1994. As a single-family home

owner, I saw my coverage limits increase by 20% and my earthquake premium decrease by 20% in my March 2007 renewal. There are some concerns about the financial viability of the earthquake authority and how well it could respond in a major disaster. That is beyond the scope of this article and my expertise.

To prepare for the early-December meeting with Mr. Nava, I sent a broadcast email to all South Coast members who receive this newsletter via email, one week before the meeting. I received over 25 responses ranging from brief to 2-page stories. Some of the comments included:

- “Our earthquake insurance rate more than tripled...we’re covered to about one-third of replacement cost”
- “We were notified of the cancellation of our present carrier in mid-November and our policy renewal date is December 3.”
- “This amounted to a \$132/month per unit increase in our monthly association assessment.”
- “We got less than half the coverage for almost twice the price.”
- “Our earthquake insurance increased from \$15,000 to \$37,000 despite an increase in the deductible from 5% to 15% and a ‘cap’ of about 50% of the value of our insured property.”
- “Boards have literally been freaking out with the high insurance costs. Some have made it up by reducing their reserve account contributions which we highly try to discourage.” – An HOA Manager
- “We are currently revising CC&Rs to shift responsibility for insurance from the Association to the owners. By doing so, those that can afford earthquake insurance will purchase it.” – An HOA Attorney
- “Insurance premium financing is now offered by our bank. We recognized the need for alternative financing since many of the insurance companies are charging 12-15%.”
- “The board wants competitive bids, but I was only able to find one other carrier that would provide a new bid.”

I made copies of all the emails and took them along with a summary to the meeting. Accompanying me to the meeting was Craig Markson, a unit owner and charter South Coast HOA member with first-hand knowledge of the impact of these premiums in his own association. Mr. Nava was not aware of the problem and was impressed with the amount of responses that you sent me. At the time, I suggested that the California Earthquake Authority expand its coverage to include all residential property, not just single-family homes. As an alternative, I asked that legislative protection be provided to boards of directors that elected to discontinue the coverage because of price, lack of coverage or simply poor value.

Nonetheless, one of his first questions was who would be against him if he were to pursue

this in Sacramento. He did note that this issue was negatively impacting affordable housing costs. He forwarded all the material that we provided to his Sacramento office which included a draft of my January newsletter article on HOA costs. The bottom line – The California Earthquake Authority has no interest in providing insurance to HOAs and the Assemblyman's staff had no interest in seeking a legislative or regulatory solution. Keep sending your letters to his office, 101 W. Anapamu St #A, Santa Barbara, CA 93101. Phone 805) 564-1649. Fax 805) 564-1651.

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Ventura, CA 93003
805-642-6160

Brenda D. Wilson CCAM
P. O. Box 6882
Santa Barbara, CA 93160
805-692-4901

RESERVE STUDIES

Stone Mountain Corporation
Chris Andrews
P. O. Box 1369
Goleta, CA 93116
805-681-1575
www.stonemountaincorp.com

The Helsing Group
Roy Helsing
2000 Crow Canyon Place, Suite 380
San Ramon, CA 94583
800-443-5746

Reserve Studies, Inc.
Les Weinberg
P. O. Box 3037
Chatsworth, CA 91313-3037
800-485-8056
www.reservestudiesinc.com

INSURANCE

State Farm Insurance
Buzz Faull
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

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

CONSTRUCTION MANAGEMENT

Stonemark Construction Management
Bart Mendel
290 Maple Court, Suite 120
Ventura, CA 93003
800-844-9240

GENERAL CONTRACTOR/REPAIR

Raymond Arias Construction
Raymond Arias
1 N. Calle Cesar Chavez #230-B
Santa Barbara, CA 93103
805-965-4158

POOL SERVICE

Avalon Pool & Spa Service
Brandon Fennell
P. O. Box 8026
Goleta, CA 93118
805-637-4745

LANDSCAPE SUPPLY

All Around Landscape Supply
Michael Hamman
4760 Carpinteria Avenue
Carpinteria, CA 93013
805-576-1693

PAINTING CONTRACTOR

Michael Dempsey Painting
2786 Yearling Place
Oxnard, CA 93036
805-684-1970

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