

SOUTH COAST HOMEOWNERS ASSOCIATION

P. O. BOX 1052, GOLETA, CALIFORNIA 93116
(805) 964-7806
gartzke@silcom.com

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Michael J. Gartzke, CPA, Editor

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NEW DEVELOPMENTS = NEW HOA PROBLEMS

By
Barbara S. Massey

Editor's Note: Barbara moved to Goleta from San Diego in 1999 and shortly thereafter became President of the Winchester Commons HOA for a year. She has become active in community planning and land use issues in Goleta. Since the mid-1960s, Barbara chaired a City Planning Commission and has served on numerous committees dealing with air pollution, noise abatement, airport land use, parks, river habitat, etc.

It is important to be aware that homeowners associations in new developments will be facing bigger problems than barking dogs and landscaping issues. Local planning departments are allowing developers to burden HOAs with substandard-width streets, inadequate parking, and numerous other mitigations. Mitigation for various environmental issues will be the responsibility of HOA boards that are unprepared to handle this type of problem.

You can no longer move into a development and assume the streets are wide enough and there is sufficient parking. Planning departments have lowered the standards in the name of affordable housing. We all suffer from the resulting inadequacy. The narrow streets and inadequate parking creates a serious enforcement issue. Cars must be parked in garages or on driveways when the driveways are long enough. Some projects are proposing 5-foot long driveways, which eliminate their use as a parking place. Parking spaces in some cases are nothing more than two strips of concrete.

Counties and cities are beginning to place the responsibility for a number of mitigation issues on HOA's. Traditionally, mitigation of environmental and other constraints has been the developer's problem. As more environmentally sensitive lands are developed, the developer shouldn't be allowed to place the burden on HOA's. Mitigating the environmental damage is

part of the price the developers pay for the use of sensitive land. This cost is included in the cost the developer charges for housing. There is also the long term restoration and management of the mitigations and that cost is being placed directly on HOAs and their members.

The type of mitigation that is required can range from simple (for example maintaining an area with endangered plants) to complex such as a storm water run-off system. Simple mitigation items that are part of your normal landscape maintenance are not usually a problem. There are now a number of new mitigations that have to be maintained over the long term. Mitigations such as bioswales and storm water run-off filters are new and require maintenance and replacement. This brings up a lot of questions. Who has the expertise to do the work and how much will it cost? How much will it cost for replacement filters? What do you do if the company who made the filters goes out of business? Will you be required to replace the entire system if parts aren't available? These are just a few questions for just one mitigation. This is not a simple issue for HOAs. I can see a whole new business could be created to do "mitigation maintenance".

The costs to homeowners associations are a serious concern. These various filter systems are new with no track record on the length of time they will last. The long-term cost of replacement is unknown since many of the mitigation measures and equipment are new. How do you figure replacement costs in your reserve study?

The obligation for the maintenance of mitigations may be written into the CC&R's, or it may be passed on from the developer to the HOA when the common area is turned over to the HOA. There are problems associated with both CC&R and government enforcement of mitigation. Government does not have a good record on enforcement of development regulations on development even in the short term. It is discouraging to think of the long-term outlook. If we want a mitigation maintained, it will be necessary to develop a mechanism to properly fund the mitigation. One method would be for the developer to establish a fund to cover the cost of the mitigation for a period of three to five years. After the initial period the HOA's would be in a better position to deal with the maintenance.

If at anytime mitigations become difficult or costly there will be the tendency to discontinue funding. This could potentially increase water pollution and other environmental damage that affects the entire population, not just the development. The homeowners will fight assessment increases since they are unlikely to understand the issue or feel they are responsible.

This trend of dumping the responsibility on HOAs needs to be stopped. We need to lobby County Supervisors and City Council members to get these policies changed. HOAs should not be the way to solve developer problems.

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DOES GOVERNMENT UNDERSTAND HOMEOWNERS ASSOCIATIONS?

WHO PAYS THE PIPER – “HIDDEN” COSTS TO HOMEOWNER ASSOCIATIONS AND THE COMMUNITY

(The answers are “no” and “you”)

The preceding article is the result of an invitation that Ms. Massey extended to me last spring to participate in a forum titled “Who Pays the Piper...”. The forum was sponsored by the Citizens Planning Association and held at the Goleta Community Center. Unfortunately, for South Coast members, we weren’t able to provide any publicity to encourage your attendance and participation as the timing of the invite and program was less than 2 weeks and April 15 fell during that period. Panelists included a developer, county planner, an environmental representative, an HOA attorney, Ms. Massey and yours truly, representing South Coast HOA. Each had five minutes to speak before we adjourned to breakout sessions. I stressed that volunteer boards and the professionals who serve them are not able to effectively deal with the complexities of statewide laws and new county requirements for HOAs and that simplicity would be a virtue – do not unreasonably burden associations.

The county planner had no idea that an association such as South Coast even existed to assist volunteer boards. The environmental representative felt that associations should willingly incur the costs of mitigations since they were allowed to build in environmentally sensitive habitat. A city councilperson in attendance wanted to know why many associations are built on private streets. Another person wanted to know how assessments could be structured so that affordable units could pay lower assessments than market rate units in some proposed new developments. The one thing I took away from this meeting is that how the planning and development process does not take into account the management and operation of the association after the project is completed. These players are completely oblivious to the concerns that we take for granted every day.

During the past several months, there have been numerous articles on “affordable housing” and the lack of it in Santa Barbara County, especially the South Coast region. One article “Condo Mania” discussed a number of proposed projects in the City of Santa Barbara – a 4-unit, a 5-unit and a 7-unit project, with a price range of \$450,000 to \$1.5 million. Now we have a number of small associations in South Coast HOA. When I speak to these board members, there is real worry that nothing will get done unless they continue to serve on the board. They feel stuck. When your association is less than 10 units, everyone has to contribute. Not everyone can or will do so. Some may be unable and some you don’t want to serve. Management services for small associations are considerably more expensive per unit than large associations, prohibitively so in some cases.

Another housing proposal would limit the amount of parking and vehicle storage in order to build more housing per acre since land costs and development fees have skyrocketed. We have plenty of associations like that built in the last 30 years and the lack of parking doesn’t dissuade residents from bringing in more vehicles. Indeed, the high cost of housing forces more people to live in a single unit and each having his own car. These cars end up on the street (don’t ask what garages are used for!) which results in public relation problems with those neighbors who live near these overcrowded associations.

Another recent article explored the dilemma posed by the perceived need for large tracts of land to provide future housing to meet expected population increases in the next 20-30 years. When developments have been proposed in areas such as the Santa Barbara Mesa or Goleta's Girsh Park, massive fundraising campaigns have been launched to purchase the land and convert it to parks. Should population growth occur in areas where there is already a large population base or should it be directed to areas where there is a lot of open space?

Governmental agencies that approve new housing development must take these practical issues into account and the effects on the operation of the HOA when conditions are placed there. How do you get people to accept not having a car in a suburban setting? These agencies will be spending lots of time on these issues in the coming years. Good Luck!

WHO REALLY PAYS THE PIPER

A brief analysis of property tax assessments

It has always been my belief that units in common interest developments turn over more frequently than those in single family subdivisions without homeowners associations. Since property taxes are set at 1% of the property's purchase price with a maximum adjustment of 2% per year, properties that are not sold will retain much lower assessed valuations. As such, properties such as condominiums will pay a greater percentage of their fair market value in property taxes and perhaps receive fewer services since assessments may go towards private parks and street maintenance.

I compared two areas. One is a 25-unit subdivision on the South Coast, built in the mid-to-late 1960s when a lot of homes were built. These homes are 3-5 bedrooms with an approximate market value of \$750,000. There is no homeowner association. A county park is nearby and it is built on public streets. The second is a 48-unit condominium complex built in the early 70s. Most of the units are 2 bedroom, 1 ½ bath with a market value of \$400,000.

	<u>Subdivision</u>	<u>Condos</u>
Owner occupancy % (per assessor records)	92%	75%
Approximate % of original owners (Pre Prop 13)	60%	13%
Range of assessed valuation (on which 1% tax is computed)	\$83K-\$404K	51K-375K
Average assessed valuation	\$ 197,596	\$ 214,277
Median assessed valuation (½ above and ½ below)	\$ 100,136	\$ 216,328
Approximate Fair Market Value (FMV)	\$ 750,000	\$ 400,000
% of Averaged Assessed Valuation to FMV	26.3%	53.6%

Because of more frequent and recent sales, the condominiums in this example are paying property taxes at twice the rate (based upon their fair market value) as the subdivision. At 1%, the condos pay an average of \$2,143 per year while the home owners pay \$1,976. Note that any new common interest development being built, owners will pay a full 1% of the purchase price in property taxes (with some limited exceptions). So....if you ever hear that condominiums don't pay their fair share of taxes, etc., just show 'em the numbers!

SOUTH COAST MEMBER SURVEY RESULTS RELEASED (At Last!)

In late 2000, we sent out an 8-page, 57-question survey to our membership on a wide variety of association issues. This was our third membership-wide survey following ones taken in 1991 and 1996. 74 associations responded to the survey, approximately 60% of the membership at that time. 54 associations in South Santa Barbara County sent responses while the remaining 20 came from north Santa Barbara County and San Luis Obispo County. Thanks to all that participated. The full 11-page report is included in our 2003 Membership Directory that will be mailed to all members this month. What follows are some selected results contained in that report.

- The median-sized (half larger and half smaller) association that responded was 38 units. This was true both in the north and south county regions. 55% of the associations responding were built before 1980.
- Owner occupancy averaged 76.7%. This was nearly an 8-percentage point increase from 1996. 37% of the associations reported that the number of rental units declined from 1996 while only 11% reported an increase in rental units. This corresponded to increased real estate values during that period where rental units were sold to owner occupants.
- Do owners better understand the association's maintenance obligations? In response to the question "Do most residents clearly understand what they are responsible for and what the association is responsible for?" – 59% yes (compared to 52% in 1996 and only 29% in 1991)
- Of the following six issues – noise, pets, parking, timely assessment payments, rules violations and architectural violations – parking was the biggest problem reported on the 2000 survey, the 1996 survey and the 1991 survey.
- Much has been made at the state level about how associations unfairly restrict pet ownership. 64% of the associations reported no pet restrictions while 26% restrict only the number of pets. Only 4% did not allow a cat or a dog.
- 39% of association board members have served less than 2 years on the board (43% - 1996). Our sample of 350 board members showed that 67% of board members were aged 50 and up.
- The median monthly assessment for condominiums was \$200 in 2000, an increase of 36% since 1991. For planned developments, the median assessment was \$154, a 40% increase since 1991. Due to the diverse obligations of individual associations, the range of assessments can vary widely. Condominiums ranged from \$100-\$750 per month while planned developments ranged from \$20-\$750 per month.
- 29% of the reporting associations had a special assessment in the two years prior to the survey. Of those having a special assessment, half were \$1,000 per unit or more.

- From 1999-2000, 48% of associations did not increase their assessment while 28% increased less than 10% and 21% went up between 10% and 20%. This survey was taken before the utility rate hikes in 2001 and the ongoing increases in insurance premiums.
- With rising real estate values, foreclosures which were reported by 42% of the 1996 respondents, had dropped all the way to 8% in 2000. Only 1 association in South County had reported a foreclosure in the previous two years. See our October newsletter on the new laws with respect to foreclosures and the additional procedures necessary to comply with assessment collections.
- The median amount in condominium reserve accounts increased from \$1,332 per unit in 1996 to \$2,250 in 2000.
- We surveyed the members on the 6 services that South Coast provides. A score of 1 was assigned to “not important”, 2 for “somewhat important” and 3 for “very important”. Here are the results:

Newsletter	- 2.81
Bluebook Distribution	- 2.79
Political Awareness	- 2.51
Other Publications	- 2.39
Meetings	- 2.32
Membership Directory	-2.17

Needless to say, we will continue with the newsletter and look for relevant information to put in it. We will also continue to include the Condominium Bluebook as part of your annual dues. I would encourage those who haven't attended one of our periodic meetings to consider attending one in 2003. There's a dynamic between the audience and the speakers that can't be conveyed in a newsletter article.

The complete survey results will be included in the 2003 Membership Directory and is also available via email at gartzke@silcom.com.

2003 MEMBERSHIP RENEWALS MAILED

Your 2003 membership invoice was mailed in early December. Dues remain at \$50 for the calendar year with a \$15 discount for payments received by December 31. New members who joined late in 2002 are automatically members for 2003 with no additional payment necessary. You may order additional copies of the *2003 Condominium Bluebook* for \$16 per copy. Professional members may place their business listing on the back page of the newsletter for \$60 per year in addition to their dues. Your prompt payment is appreciated since tax season will start for this CPA in early January!

COMING TO TERMS WITH TERM LIMITS

By: Skip Daum
President, Capitol Communications
An Advocacy Firm Since 1974

Editor's Note: Skip has been a lobbyist for Community Associations Institute for many years. As such, he has constant contact with state legislators and staff and attends hearings and provides testimony on bills that have direct impact on your homeowner association. Members of CAI provide funds to implement this education and outreach program. A portion of your South Coast dues has been sent to CAI's California Legislative Action Committee to support these efforts.

Under current law, as passed by the voters a few elections ago, Assembly Members may only stay in office for six years (or three full terms) and Senators may only stay eight years (or 2 full terms). These are lifetime limits so legislators can't leave after just four or six years, retire for two years and then run for the same office to start the time limit anew. They may however run for office in the other house where they did not serve and stay the lifetime maximum number of years.

If you think that's somewhat confusing, think about the lobbyists who now must greet, get to know, nurture relationships and build confidence with fully one third of the entire Legislature who are all new legislators when they get sworn in December 2.

Power bases, once the domain of well connected lobbyists and legislators, need to be reconstructed with these new players. Yet, the institutional knowledge the lobbyists have on issues remains solid, and is not to be underestimated, especially with new elected officials who don't know a thing about our industry and who will ask for our opinions and arguments.

Newly elected public policy decision-makers will have to vote on every conceivable issue... thousands of them that they never in their lives knew about. So, enter the lobbyist with all the answers

But, backing up the advocate should be a "hometown power base" of constituents. Because of term limits legislators have less time to build their own power base in the district they represent, and so the power of incumbency is not as powerful as it once was with officials who were in office for ten or more years. Thus, YOU are important to the communication strategy that your lobbyist deems necessary. Grassroots has never been so important.

Some of us supported candidates because we knew them or because we were advised as to whom we should trust and who was best to work with. Some other voters did not support or even vote for any candidates. So, can they complain later? NO!

As this new year starts, YOU need to strike up a relationship with your senator, mayor, and official staff members over coffee or at a town hall meeting, or in his/her office. Never done this before? I understand. Simply take a friend or two along after practicing what you want to say in two minutes or less. Be your own best lobbyist. Believe me, the Legislators want to hear from you more than they do the lobbyists!!!!

WHY DRIP RATHER THAN OVERHEAD SPRAY IRRIGATION?

By: Sarah Kitson, Director of Operations
Kitson Landscape Management

Editor's Note: In October, we had a South Coast meeting on "Getting the Most for your Landscape Dollar" with Sarah and local arborist, Karen Crisman. This meeting was very well attended and a lot of questions and discussion followed their presentations. Sarah's family has operated Kitson Landscape Management for over 30 years in the Goleta Valley. Sarah is a graduate of Cal Poly – SLO and is an environmental horticulturalist.

- **Drip conserves water** by delivering the water directly to the root zone of the plant. Weed seed germination and growth is also minimized, because less soil around the plants is moistened than when compared with spray. This helps in reducing maintenance labor for weeding.
- **Runoff and erosion are eliminated** due to the slow delivery of water over a longer period of time with drip, allowing the water to penetrate our clay soils rather than causing mud to wash onto the sidewalk each the sprinklers go on.
- **Drip is less expensive to install and repair.** Drip is an above ground system, which doesn't require the labor of digging trenches to install or repair or as much time to investigate the source of the problem. The parts are very inexpensive compared to spray parts and are readily available.
- **Diseases are less prevalent** in certain plant species using a drip system. For example, black spot and powdery mildew are actually promoted on leaves of plants that receive continual water.
- **Drip minimizes evaporation** by not dispersing the water into the air or allowing overspray if not properly adjusted or if any wind is present.
- **Drip is virtually invisible** when covered with a layer of mulch, eliminating the trip hazards of sprinklers (which many times end up supported by re-bar stakes)
- **Drip extends the life of fences and stucco** by not constantly hitting them with water or moisture drift.
- **Low maintenance = cost savings,** drippers do not need to be adjusted like sprinklers on a regular basis.
- **Drip allows for flexibility.** Planting pallets can be more varied; one can place plants with different water requirements in the same zone. All that is required is to change the quantity or flow rate of the emitters in each location.

SOUTH COAST NEWSLETTER SPONSORS

ACCOUNTANTS

Cagianut and Company
Gayle Cagianut, CPA
P. O. Box 1047
Oak View, CA 93022
805-649-4630

Michael J. Gartzke, CPA
5669 Calle Real #A
Goleta, CA 93117
805-964-7806

Denise LeBlanc, CPA
P. O. Box 2040
Santa Maria, CA 93457
805-598-6737

ATTORNEYS

Allen & Kimbell
Steve McGuire
317 E. Carrillo #100
Santa Barbara, CA 93101
805-963-8611

Karen A. Mehl
Attorney at Law
1110 E. Clark Ave #230
Santa Maria, CA 93454
805-934-9624

David Loewenthal
Schimmel, Hillshafer and Loewenthal
827 State Street #25
Santa Barbara, CA 93101
805-564-2068

BANKING SERVICES

First Bank & Trust
Diane Doria, CMCA, AMS, CCAM
2797 Agoura Rd.
Westlake Village, CA 91361
888-539-9616

Goleta National Bank
Andy Clark
5827 Hollister Avenue
Goleta, CA 93117
805-683-4944

ASSOCIATION MANAGEMENT

Sandra G. Foehl, CCAM
P. O. Box 8152
Goleta, CA 93116
805-968-3435

ROOFING CONTRACTOR

Derrick's Roofing – 718 Cacique
Santa Barbara, CA 93101 805-957-2065

ASSOCIATION MANAGEMENT

Santa Barbara Resources, Inc.
Phyllis Ventura
5813 La Goleta Rd.
Goleta, CA 93117
805-964-1409

Spectrum Property Services

Cheri Conti
1259 Callens Rd #A
Ventura, CA 93003
805-642-6160

Town'n Country Property Management

Connie Burns
5669 Calle Real
Goleta, CA 93117
805-967-4741

RESERVE STUDIES

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

Brooks and Associates

John Brooks
1324 State St. PMB J-265
Santa Barbara, CA 93101
805-963-8835

INSURANCE

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

State Farm Insurance

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

Allstate Insurance

Nina Corman, Exclusive Agent
830 E. Ocean Avenue
Lompoc, CA 93436
805-736-8944

LANDSCAPE MANAGEMENT

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

