



Best Choice REALTY

CONDOMINIUMS

Frequently Asked Questions

Common Elements of a Condominium

When you live in a house, it is your job to mow the grass, tend the garden, sweep the driveway, trim the shrubs, clean the gutters, etc. In a condominium "outside" jobs like these are performed by people hired by the Association. Another difference is that, if it is your yard and driveway, you do not expect your neighbors to use them without your permission. In a condominium, the yards and gardens and driveways belong to all the owners, and they all have the right to make reasonable use of them, subject to rules adopted by the Association. This is not true of some limited common elements, such as your deck or parking space that belong to your individual home, but generally speaking, all owners have the right to use the common elements. Obviously, there would be chaos if everyone did what he or she pleased with the common elements, so the Association, acting through the Board of Directors, has the power to adopt rules and regulations as the need arises to control use of the common elements.

What you own in a condominium: Owning a home in a condominium is in many ways like owning a house. You own all the space in your home and the plumbing and electrical fixtures and other equipment and appliances that are in the home.

The Association

Everyone who owns a home in the condominium automatically becomes a member of the owners' association for the condominium. The Association will be incorporated as a nonprofit corporation and organized with an initial three-member Board appointed by the developer before the sale of the first unit is closed. As a member, you will have the right to attend the meetings of the Association, to vote for members of the Board of Directors, and to be a member of the Board yourself if enough people vote for you. Each owner has one vote for each home owned within the condominium. You will also have the right to attend meetings of the Board even if you are not a member of the Board (but you would not necessarily have the right to speak at Board meetings). As discussed below, certain actions of the Board of Directors are also subject to vote of the owners annually, such as ratification of the operating budget.

The Board of Directors

The Board has many responsibilities, including adopting and enforcing rules and regulations by which everyone living in the condominium is expected to live. For example, the Board can make rules about keeping pets, preventing people from parking where they do not belong, and governing the use of common elements. The Board is obligated to be sure there is adequate insurance coverage as required by lenders, see to it that the condominium is kept clean, and to arrange for repairs and maintenance to keep the condominium in good condition.

To pay the cost of doing these things, the Board adopts a budget each year and collects from each owner his or her share of the expenses, usually monthly. In your condominium, the allocation of common expenses is based on the relative declared values of the individual homes within the condominium as established by the Declarant.

You might not agree with everything the Board does. Perhaps you disagree with some of the rules and regulations, or you think the rules are fine, but the Board is not tough enough about enforcing them. You may think the budget is too high or too low. There is something you can do about it. You can go to the Board and request an explanation. If you want to, you can ask your neighbors to join with you in voting for other Board members at the next election, or, with enough signatures, have a special meeting called to remove one or more of the Board members.

Professional Management Firm

Running any but the smallest condominium is too big a job for most nonprofessional, volunteer Boards of Directors. Typically, a professional management firm is hired to assist the Board. Although the duties of a professional management firm vary depending upon what the Board asks it to do, most management firms are responsible for keeping the records, collecting the monthly assess-

ments, hiring the necessary service providers such as gardening, painting and repairs, and doing the dozens of little things that must be done to keep the condominium in good shape. It will be important that the Association's books and records be maintained competently since the Association will be required to generate annual financial statements prepared in accordance with generally accepted accounting practices and provide lengthy, detailed resale certificates when individual homes within the condominium are resold. The Association is not bound to continue with the developer's selection. The management firm's contract may be terminated by either party for cause on thirty days' notice or without cause on not more than ninety days' notice, and a different firm can be retained. However, the Association may not stop using professional management and assume self-management of the condominium without consent of a majority of the certain lenders if professional management has been required by them; that is a requirement of the mortgage lenders which are incorporated into the Declaration.

The Budget

One of the hardest jobs the Board of Directors has is to establish an operating budget for the Association. The management firm usually helps with this. The budget must provide for the payment of all the normal operating expenses. Assessments provide the means for owners to share the expenses of maintaining the common elements. Assessments are paid monthly, usually. In addition, the budget must assign a certain amount of income to reserves to build up money to pay for the big expenses that might not be necessary for a few years, such as resurfacing the parking areas, putting on new roofs, and exterior painting. The first budget is prepared by the developer well in advance of completion of construction. The developer will do its best to come up with a budget that is fair and reasonable; however, changes are occasionally required by the time the condominium is completed and operations begin. If the owners disagree with that budget, they will have an opportunity to change it after control of the Association has been turned over to the owners.

Budget Ratification

After termination of the period of developer control, each new budget proposed by your Board of Directors is required to be submitted to the owners for approval. The new budget will stand approved unless owners holding a majority of the votes in the Association vote to reject it.

Noise from Neighbors

Another thing to remember is that in a condominium dwelling you will have neighbors in adjoining homes on one or both sides of you and perhaps above and below you as well. This is not like living in a house where your neighbors are several feet or yards from your dwelling. Rest assured the home you are buying, and all buildings are being built according to all applicable building codes and will have passed all applicable governmental inspections. Nevertheless, you should realize that you are purchasing a home in a multi-family dwelling and that there are bound to be some noises from your neighbors since you will be sharing common walls, floors and ceilings with them. Accordingly, the developer can make no warranty about soundproofing between walls or floors in the condominium. If you proceed with closing your purchase, you accept your home with the knowledge that you will likely hear noises from other homes surrounding yours to some extent. After closing, you will not be able to make any future claims against the developer about such noises. Therefore, it is a good idea to think about whether multi-family living and the noises that go with it will be acceptable to you before you buy your condominium home.

Insurance on Possessions

If you have lived in a house you own, you probably carried insurance on the house and on your personal household furnishings. In a condominium, the Association is responsible for carrying insurance on the buildings. Typically, this even includes all standard developer-provided improvements in the condominium. You must buy your own insurance for your furniture, appliances, and personal belongings. If you make significant improvements to your home, you should consult your personal insurance agent to determine whether you need to carry additional insurance on those improvements.

Personal Liability Insurance

If you want to have insurance against liability for claims that may be made against you, it is your responsibility to buy your own insurance. The liability insurance carried by the Association probably does not insure you personally.

Title Insurance

The developer of the condominium will provide you with a title insurance policy when your purchase is closed.

*The information provided herein is general in nature regarding condominiums and is provided to consumers as an informational resource. Consumers should be aware that individual condominiums and condominium complexes may function differently and as such consumers are advised to seek information regarding the subject property from the Association or management company directly.

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