

Community MOMENTS



Mercedes Albarracin

Portfolio Community Association Manager

RealManage Orlando

February 2019



Message From The President

Welcome to February 2019! The month of January seems to have passed in a blink of an eye, and here we are in the second month of 2019. I hope each of you had a wonderful opportunity to enjoy the past holidays and relax with family and friends.

By now, each one our communities should have established an operating budget for the new year. All the decisions for your community that are made going forward should tie back to the budget and goals you have set. Don't have goals yet? Your management team will be happy to work with the board to develop these plans.

Thank you for the trust that you have put in RealManage to manage your community. We look forward to serving you well in 2019!

Chris Ayoub
President, RealManage

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EMPLOYEE SPOTLIGHT

Mercedes Albarracin

PORTFOLIO COMMUNITY ASSOCIATION MANAGER
REALMANAGE ORLANDO



As the Orlando market continues to expand its client base and area of responsibility, we are constantly on the look-out for new, up-and-coming talent. It's a pleasure to introduce one of our recent hires in the Florida market – **MERCEDES ALBARRACIN**.

Mercedes is one of our Portfolio Community Association Managers who joined RealManage-Orlando in mid-2018. In the last six months, she has shown tremendous ability while balancing a diverse portfolio, learning the internal processes of our company, and moving to new office space within Orlando; all occurring during the notoriously time-intensive budget season.

Mercedes formerly worked in the construction industry, assisting a development team that focused on building new condominiums within the Miami area in Florida. There came a time where any further promotions would have required a hard-hat, so she ventured out into the related field of condominium association management. Simultaneously relocating to the "greener" Orlando area, Mercedes managed an initial portfolio of five condominiums for a few years before interviewing with RealManage. She notes that the construction side of real estate is more "business-to-business" relationships while the association management side is intensely personal and more emotional with your clients.

With a few years of experience under her belt, Mercedes shared a few thoughts about the industry and about working at RealManage. In her words, the higher operational tempo can be a struggle, sometimes working 12-15 hour days to see budget meetings executed and capture the changes required. The stress of the industry can be seen in the clients, also, which can lead

to heated debates in the meetings. Mercedes handles these situations with empathy and approaches contested topics from a position of a fellow homeowner who has been in their shoes. This approach has seen her successful thus far in working with her clients. Things that appeal to her about the industry are the flexibility she has to work between various efforts, whether it is accounting, governance, or vendor management, and the fact that a manager acquires a great deal of knowledge about a variety of topics within a community. Specific to RealManage, Mercedes has adapted well and continues to seek improvement. She appreciates the office environment created by the Orlando team, describing it as fun and warm. This is something that is important to her, being that you spend *"one-third of your time at work with people, so you better enjoy it!"*

With the sometimes unpredictable and chaotic nature of community management, it is a pleasure to have Mercedes as a part of the RealManage Orlando team. She is an essential contributor to the warm office environment to which she refers to and is always smiling at work. In the future, Mercedes is interested in continuing her education to increase her industry credentials and looking to more challenging roles within the company.

Written by *Joe Hansen*
Division President for Florida & DFW

Board Spotlight

Stephanie Needham

BRIDGEWOOD ASSOCIATION SAN ANTONIO, TX



It is our pleasure to spotlight **STEPHANIE NEEDHAM**, president of **Bridgewood Association** in San Antonio, Texas. Stephanie has lived in Bridgewood for 15 years and has served on its board of directors for five years. She joined the board to help make her association even better and is often quoted as saying, "Let's do what's best for Bridgewood."

Stephanie's constant communication and passion to build community makes her stand out as an exceptional association leader. She writes the quarterly newsletters for the association, updates social media and updates both the Bridgewood community and the Bridgewood Youth Soccer's league websites. She never misses an association meeting and has volunteered at every community event since she joined the board.

Stephanie was also the elected Commissioner of the Bridgewood Youth Soccer (BYS) Committee for over 4 years. BYS has two annual seasons for a total of 44 events per year. BYS coordinates weekly practice, registration, setting up teams, painting the fields, and end-of-season party. Bridgewood Youth Soccer has over 70 volunteers and approximately 500 participants.

To bring her leadership dedication full circle, Stephanie provides commendable investment in the growth and development of Bridgewood's onsite RealManage team. She is in constant communication and is always available to provide

support and guidance, even in the evening and on weekends. This has resulted in a strong partnership that empowers the onsite team to accomplish goals, respond promptly to member's needs, and demonstrate true teamwork to the membership.

Stephanie is one of the greatest volunteers and leaders we have had the pleasure to work with. Her steadfast dedication has raised the bar in community association leadership and we are proud to work with her to make Bridgewood a great place to call home.

Written by **Norlando Williams** & **Crystal Gant**
Community Association Manager & Director of Operations



RULE DEVELOPMENT AND ENFORCEMENT FOR COMMUNITY ASSOCIATIONS



Continuing with our series on Rule Development and Enforcement for Community Associations, this month we delve into the topic of Resolutions. There are four basic types of resolutions for a community association; Policy Resolutions, Administrative Resolutions, Special Resolutions, and General Resolutions.

Policy Resolutions

Affect owner's rights and obligations and usually address ambiguities and omissions in the declaration. For example, pool rules, architectural guidelines, and enforcement procedures.

Administrative Resolutions

Address the internal operations of the community association and usually address ambiguities or omissions in the bylaws. For example, a collection policy, an email communication policy, or a unit rental policy.

Special Resolutions

These are resolutions setting board decisions that apply a policy or rule to an individual situation. For example, a decision about an alleged architectural violation.

General Resolutions

These are resolutions which involve routine events. For example, the adoption of the annual budget. There may be special uses of resolutions to clarify ambiguous or vague provisions of the governing documents or to address areas not mentioned. In some cases, the community association may be able to use resolutions in lieu of amending the governing documents. However, if the documents are clear, such as the requirement to impose a \$5.00 late charge, then the only means to change the amount is by the amendment process which involves a vote of the owners.

Additionally, the governing documents may not state when assessments are past due. The board, through an administrative resolution, could adopt a reasonable past due date.

Another example may be the governing documents provide that the association is responsible for the exterior maintenance and painting of the unit door and that the owner is responsible for the interior maintenance and painting of the unit door. However, they do not specify who is responsible for replacing the door itself, or painting its edge.

The board, through a policy resolution could adopt a policy requiring the unit owner to be responsible for the replacement and edge painting of a door.

A resolution is a motion that follows a set format and is formally adopted. There are several benefits to using the resolution process to adopt rules as opposed to using the simpler process making motions in a board meeting.

The resolution process:

- Provides a thorough, deliberate approach to making rules
- Provides for consistency in making and wording rules
- Provides a formal record of all rules made

As a result, the process protects owners from arbitrary board actions, and protects the community from charges that could result in invalid and unenforceable rules. A resolution contains four sections - following the acronym PASS:

P - Purpose

A - Authority

S - Scope to Intent

S - Specifications

1. Purpose

This section states why a rule is being adopted. For example: "WHEREAS, there is a need to adopt specific rules on parking..."

2. Authority

This section cites the primary source(s) of a board's authority to make a rule on the topic. Possible sources include statutes, declaration, articles of incorporation, and bylaws. For example: "WHEREAS the board of directors of _____ Homeowners Association, Inc. is empowered to govern the affairs of the homeowners association pursuant to Article X of the bylaws..."

3. Scope to Intent

This section states:

Who will be affected

For what period of time

The reach or range and extent of the rule

Penalties for noncompliance

For example, "WHEREAS it is the intent that this rule shall be applicable to all owners, tenants, guests, invitees, or any others who have vehicles entering upon the common areas and this resolution shall remain in effect until otherwise rescinded, modified, or amended by a majority of the board of directors."

4. Specifications

This section states clearly and completely what those bound by the rule will be expected to do. For example, "NOW, THEREFORE, BE IT RESOLVED THAT the following rules on parking and hereby adopted by the board of directors:

Revised Article IV, Section D of the parking rules will read: Parking spaces which are not marked "reserved" shall be available on a "first-come-first-served" basis for visitors, guests, second cars, etc. No inoperable vehicle or vehicles with invalid registrations may park in these spaces. Owners of such vehicles are subject to the vehicle being towed at the owner's expense.

HOA Taxes | What Tax Forms Are HOAs Required To File?

In the United States, there are more than 351,000 Homeowners Associations (HOAs). They represent about 40,000,000 households, or 53% of the owner-occupied homes in the country. Said differently, if you own your own home, there's a good chance that you're part of an HOA. Given how widespread HOAs are, it's surprising that most people know very little about how HOAs operate. For example, are HOAs corporations, are they required to file tax returns and, if so, what kind of tax form do they file? Here are 5 of the most common questions and answers about HOA taxes reporting requirements.

1. ARE ANY HOAS TAX-EXEMPT?

For tax reporting purposes, HOAs are treated as corporations by the federal government. This is true even if the HOA was originally created as a nonprofit in its home state. There are, however, exceptions to this rule. An HOA can officially file to be recognized as a nonprofit, tax-exempt organization by the Internal Revenue Service (IRS). Many HOAs do not file IRS form 1024 (under tax code section 501(c)(4)) for this recognition because the process can be expensive, such recognition can be difficult to obtain, and some associations do not qualify under the tax laws. It's also important to note that even those HOAs which achieve tax-exempt recognition are still required to file a tax return.

2. WHAT TAX FORM DO HOAS FILE?

As corporations, HOAs must file Form 1120, the U.S. Corporation Income Tax Return. This form is not popular with HOAs for several reasons. First, filing the form can be onerous, requiring a great deal of information. Providing this level of detail means HOAs must be relatively sophisticated in the way they keep their books. Second, this reporting requirement means that any income which isn't spent, but rather held in reserve funds, becomes taxable for that year. Finally, Form 1120 usually means that the HOA treasurer must make estimated tax payments, further complicating his or her work.

3. DO ALL HOAS FILE FORM 1120?

Some HOAs can avoid filing Form 1120 by utilizing section 528 of the tax code. This gives HOAs the ability to bypass 1120 and instead file the much simpler Form 1120-H. That form is just one page, this compared to the multi-paged 1120, and does not require completing 1120's several schedules. To qualify for Form 1120-H, an HOA must first satisfy certain requirements. For example, a minimum of 60% of the HOA's annual income must be so-called "exempt-function income"—this includes income from sources like annual membership dues, assessments, fees and interest on fees. In addition, at least 90% of expenditures must be for maintenance, management and construction of association property.

4. ARE THERE OTHER BENEFITS OF QUALIFYING FOR 1120-H?

A significant advantage of qualifying for Form 1120-H is that it means paying taxes only on "non-exempt income." Examples of non-exempt income are rental income for any property owned by the HOA, interest and dividends and income from laundry and vending machines. Qualifying HOAs can deduct any income directly related to the generation of this non-exempt income, but must have records that adequately support those deductions. To calculate the amount of their tax, HOAs that use 1120-H can deduct \$100 from their non-exempt income, with the remainder subject to a flat tax of 30%.

5. IS QUALIFICATION FOR FORM 1120-H PERMANENT?

If an HOA qualifies to file Form 1120-H in one calendar year, it must still qualify again in each subsequent year. To qualify, an HOA must file Form 1120-H on time (defined as the 15th day of the 3rd month after the end of the HOA's tax year). HOAs that fail to file 1120-H within 12 months of the due date can lose their eligibility to use Form 1120-H for that year.

CONCLUSION

Understanding the tax reporting requirements of your HOA can be complicated, but it's important work. How much your HOA is required to pay in federal taxes directly impacts the amount of money it has on hand for other purposes. For that reason, HOAs, as part of their due diligence and responsibility to their members, should fully familiarize themselves with IRS tax reporting rules and seek a solution which provides the greatest benefits for their individual circumstances.

We recommend you consult your CPA or other tax professional to discuss your specific circumstances and what is the best course of action for your association.



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