

Common Ground Magazine

Preserve, Protect, Enhance

by Christopher Durso

10-and-a-half simple things any community can do to boost property values.

When Bert Langer moved into the Palmwood Association in 1980, he paid \$80,000 for a three-bedroom unit. The 100-home condominium complex in Tustin, California, was only 15 years old, but already it was scraping bottom—the board had effectively dissolved, the management company had quit, fences were rotting away, roofs were leaking, the pool had been closed by the health department, and the landscaping was overgrown. Yet, just this past April, a two-bedroom unit at Palmwood sold for \$435,000. Yes, inflation and cost-of-living increases have worked their magic over the past quarter century; and yes, the real-estate market in Orange County is hyperaccelerated. But to the tune of 544 percent in 25 years? Langer's explanation is simple: A year or so after he arrived in Palmwood, he helped reconstitute the board, and they cracked down. Chuckling, Langer says: "I spent a couple hundred thousand of their hard-earned reserve dollars re-roofing garages and replacing fences." In other words, what Palmwood did wasn't brain surgery. They targeted obvious problems and fixed them. When it comes to increasing property values, that's a lesson any community can apply. Here are 10 (and a half) places to start.

1. VISIBILITY

For heaven's sake, straighten up.

A property's value is a dollar amount, but in a sense it's a measure of something less tangible—desirability. How much do people want to live in your community? Yet when it comes to new or potential owners, often they're influenced by something as tangible as old-fashioned curb appeal, or what they see when they first look around. So the first key to strong property values is also the most obvious: Keep your focal points tidy.

"People don't look for what's right when they look at a community," says Kathryn Danella, CMCA, LSM, PCAM, general manager of the Boca Pointe Community Association, in Boca Raton, Florida. "They're looking for what's out of place." With that in mind, figure out where the eye is drawn—to the townhouses' front doors, to the condominiums' second-floor balconies, to the spray of perennials around the flagpole—and make sure it's perfect. "Have the grounds, even in the grungy post-winter months, look good," says Barbara D. Wick, CPCU, ARM, AIS, CIRMS, a *Common Ground* contributing editor and the president of Community Association Risk Management and Insurance Consultants, in Northfield, Illinois. How good? Wick says: "No paper or bottles or cans blowing about, no broken fences or dangling downspouts, no obvious repairs needing to be made, no crooked signs or [signs] missing bolts or streaked with rust.... A clean, well-maintained appearance is much more appealing to a buyer because it reflects caring and good maintenance."

But it's not just buyers you should be wooing. At Boca Pointe, a 4,000-unit, large-scale community, Danella tries to figure out where her residents spend the most time—such as intersections with traffic lights, where people will have to stop, and often look around when they do. "We're always making sure those areas are really dressed up," Danella says. "That's an area where, instead of changing those flowers twice a year, we're going to change them out more often. It keeps it fresh."

2. LANDSCAPING

Would it kill you to plant some tulips?

In some ways landscaping is your most prominent high-visibility area. But it gets its own category here because (a) it's just that important, and (b) done properly, it should make itself nearly invisible, with only certain select accent marks popping out. The thing you have to remember is, when it comes to property values, landscaping is less about intricately choreographed flower gardens or rolling expanses of unblemished lawn, and more about the little details. Are the sidewalks edged? Is the flowerbed next to the mailboxes neat? Are the medians trimmed?

"It doesn't take a lot," says Charlotte Scuderi, who, in addition to serving on the board of the Sprague House Condominium Association, in Medford, Massachusetts, for the last 18 years, has been a real-estate agent for 31 years. "If you do something in the beginning with mulch and bulbs that come up every year, it can be something that's just kept up." Adds Danella: "It's not just about the big renovation process. I always think of rejuvenation. You can hand-select certain shrubs that need to be done, and keep it looking its best."

Even when your landscaping has deteriorated, you can take a simple approach. Palmwood's eight-acre complex includes very little grass and a lot of dense shrubbery, and when the community hit the skids 25 years ago, the greenery went down, too. The revitalized board took a few direct steps. It found a decent landscaping company to tame the wilding mass of foliage. And it installed an automatic irrigation system. Prior to that, a staff member would spend an entire day every week watering the complex by hand, and things were still dying. Says Bert Langer: "It wasn't a very attractive place to buy."

3. ASSESSMENTS

Get what you pay for. Now.

The most direct correlation for a community may be between its property values and its assessment level. It's not that people have to be convinced that a higher assessment rate always equals higher values. Rather, they usually have to be convinced that a *lesser* rate doesn't equal higher values. "There's a mindset among owners that if the fee is too high, it's going to [adversely] affect the value of the units," says Howard A. Goldklang, CPA, a *Common Ground* contributing editor and the president of Goldklang, Cavanaugh & Associates, in Fairfax, Virginia. "I think it's ignorance on the part of the real-estate agents, and maybe just the homeowners and the board members have been made to think that way."

In fact, whatever superficial appeal your community gains from keeping its assessments artificially low is squandered by the damage this does—an underfunded budget, a strictly reactive maintenance program, decay, and, inevitably, big-time special assessments. "If you don't have the money," says Gil Cross, a *Common Ground* contributing editor and a community manager with New Concepts Management Group Inc., in St. Louis Park, Minnesota, "all you do is begin to attract similar buyers in the marketplace that are interested in perpetuating the same thing—I love low assessments. I want to live here.' It's difficult to overcome that spiral." Adds Scuderi: "The building needs a cost-of-living raise. If you keep fees stable, things get stale."

When you have an assessment rate that's realistic, the other financial objectives that Goldklang recommends fall into place: an excess operating fund with 10 percent of annual expenses, and a fully funded reserve tied to a fresh reserve study every three to five years. It also helps, Goldklang says, if you stay on top of delinquencies—keep them under 5 percent of annual assessments—and maintain good records. "I really believe that in the long run," Goldklang says, "associations that do that are going to have better marketing tools than associations that maybe see a run-up on the value of their units but aren't watching the store, and need to have a special

assessment of a million dollars for exterior facades or deteriorating heating and air-conditioning equipment."

4. PLANNING

Tomorrow is another day. So is the day after that.

Can you plan specifically for soaring property values? "Each home will be worth X dollars in X years"? Of course not. But you can—and should—plan for every little thing that trickles down into property values. "A replacement reserve study is the cornerstone," Cross says, "but there should be short-term and long-term goals that identify projects other than capital improvements as well." They could include improving the newsletter, overhauling your committees, establishing a work-order system, or reducing resident complaints. One community of townhouse-style condominiums that Cross manages spends anywhere from \$7,000 to \$12,000 a year on irrigation, and has decided to take the long-term view by exploring the possibility of drilling a well and getting off city water. "Those sorts of things offer a greater economic return than money in the bank," Cross says. "So why not talk about using reserve money now?"

The most important thing is to avoid making it up as you go—and to institutionalize as many association procedures and philosophies as you can. After Langer served a stint on Palmwood's board, for example, he stepped down, confident and happy that he'd helped bring the community back from the brink. But succeeding boards weren't as vigilant, and Palmwood started to slide again. Langer soon found himself back on the board, wrestling with the same sense of neglect. "It booms and busts like that," he says. Planning can supply some connective tissue—a framework of strategies and endpoints joining one board to the next, and providing the stability that helps a community thrive.

"[Board members] need to see the big picture," Cross says. "Parking issues, pet issues, and human-behavior issues will always be part of it—they will always be part of the background—but they need to see the big picture and stop spending all their time wrestling over somebody's car or somebody's dog."

5. INCOME

There's more to revenue than assessments.

The bottom line is the bottom line, and you should always be interested in increasing yours. It's a simple equation: More income equals more services, which equals happier residents, which equals higher property values. We've already talked about the importance of raising your assessment rate, but it's equally important not to assess residents into the ground.

A common source of extra income, according to Scuderi, comes from telecommunications companies that want to put in antennas—"and pay a lot of money to do it." Communities lease or sell space for the antennas, Scuderi says, which are "not as unattractive as they used to be."

Likewise, Danella's advice is simple: "Maximize the dollar." For example, Boca Pointe is intersected by a north-south state road and an east-west county road. Until recently, the county road was lined with fast-growing trees that were threatening power lines. Boca Pointe came up with a plan to remove 47 of these canopy trees and replace them with a hundred native trees, and applied for a county grant for beautification. "And the county agreed to pay 50 percent," Danella says. Later, when Florida was getting ready to upgrade the state road, Danella lobbied Boca Pointe's local, state, and federal legislators, and ended up getting the state to build a turn lane into the community, landscape the median with royal palms, and redo its irrigation systems, which were within the right of way. "We were able to get hundreds of thousands of dollars' worth

of concessions, and I made sure the residents knew it," Danella says. "When we get the county commissioner or anybody to do something for us, we thank them over and over, publicly. And there's that good feeling. And maybe you can't measure it or quantify it, but I really do believe it relates to property values."

6. COMMUNICATION

Start spreading the news.

Assuming that your board sees the big picture and your association is doing well, do your residents know that? How about prospective buyers? Of course, people don't usually seek out good news; you have to deliver it to them. How? "By having a newsletter you can use to tell positive stories," Danella says, "[about] not just individual residents but what the community is involved in." Adds Wick: "A friendly and inviting newsletter would increase my chances of wanting to buy in a particular association."

Similarly, Goldklang has been trying to sell the associations he advises on the value of producing an annual report, which would include a financial audit, state-of-the-community letters from the president and the board, summaries of what's been accomplished in the previous year, and forecasts of what's to come. The idea is to realize you're competing with other communities for tomorrow's buyers. "If you don't try to develop ways to stand out, you might be lost in the marketplace," Goldklang says. "This is a way to improve market value in your property by developing a nice annual report you can send to real-estate agents in the area. Then they would have something positive to refer to."

7. COMMUNITY

Can you feel the love?

We measure property values in dollars and cents, but that doesn't mean you should forget that value itself is an abstraction, a subjective measure of worth derived from a host of factors. In an association, the most intangible of those is community spirit—the love that people have for the place where they live. "What some associations don't recognize," Cross says, "is [that] their ability to promote cooperation and harmony within the community may also have a bearing on property values from the standpoint of 'Who in the hell wants to live there? It sounds like it's not a very happy place.'"

A very happy place, on the other hand, has a sense of pride, which you can further encourage by appealing to the fact that, according to Danella, "residents like to have bragging rights." For example, after getting battered by last summer's hurricanes, Boca Pointe went out of its way to clean up the mess very quickly. "And people loved it," Danella says. "We got done before other communities. It was amazing we were able to do that."

Residents also want to know that you fight for them via what Wick calls "demonstrated advocacy to protect the rights of a property and to assure that it receives needed services." How? "With good relations with local officials," Wick says, "with meetings with them, with write-ups in newsletters, [and] perhaps [by appointing] a civic chair." Danella seconds that. "Work with politicians," she says, "making sure they know your community. Again, that's another bragging right, when your community feels like they've got political clout." Finally, Goldklang suggests organizing social and outreach programs—holiday parties and Fourth of July picnics, of course, but also something like a 10K run to raise money for cancer. These are all ways, he says, of making your community "stand out as something that you want to be a part of."

8. BOARD

Elect no candidates before their time.

It's right and proper to discuss cosmetics and community spirit, but understand that's just the beginning. In the end, the success of your association—its worth, its assets, its desirability—rises and falls on the board. "You can't get where you need to go without competent leadership," Cross says. "And management is not a substitute for competent leadership."

What is? According to Cross, "actively and aggressively seek[ing] out the most qualified candidates for the board." That means not settling for whoever steps forward at the annual meeting, and instead looking for people with not only good intentions but also "a modicum of business acumen." It helps if they understand the power they wield. "I get the feeling that boards don't focus on property values from the standpoint of what they can do," Goldklang says. "They may sit around and say, 'Did you know that a unit sold for \$100,000 more than it did two years ago?' But they don't sit back and say, 'Did that happen because of things that we've done?' Or, 'What can we do to make that continue?'"

Whoever ends up leading your community also needs to be comfortable with the authority of the board. Langer, for example, recently had a "long review" with Palmwood's manager. "I was not satisfied with his proposed reserve allocations, because he hadn't accurately forecast the projected costs of lumber and petroleum-based products," Langer says. "I know it's hard for the board to mess around in the nitty-gritty like that, but sometimes you have to."

9. CC&RS

When in doubt, throw them out.

Most likely, your governing documents date back to the earliest days of your association. But that doesn't mean you're stuck with every single provision. Indeed, poorly conceived—or poorly enforced—rules and policies can do lasting damage to property values by fostering resentment, encouraging apathy, and subverting efficient governance and operations.

When Langer first got on the board at Palmwood, he says, "the CC&Rs were monsters. There were some real gems in there." For example, every single check, no matter how big or small, had to be signed by the treasurer. Residents were responsible for any damage caused by leaks from pipes in the walls and attics—common elements they were prohibited from accessing. And anyone at all could serve on the board. Says Langer: "I mean, you could drag a guy in off the street and he could serve on the board." Palmwood only just amended its CC&Rs to fix the problems.

Likewise, you also have to consider whether every policy makes sense for your community. Scuderi, for example, wonders about bans on pets. "Most of the [condominium] buildings in our area don't allow pets," she says. She understands prohibitions on dogs, which can be big and messy, but not cats. "I don't understand why that has become such a sticking point in some buildings," Scuderi says. "I've seen a lot of sales lost because of that. And I think looking at that policy and maybe changing it might bring some buildings more sales."

10. IDENTITY

You're good enough, you're smart enough, and, darn it, people like you.

Look around. Try to see your community with fresh eyes, like you've never been there before. What does it have that no one else has? What makes it special? What gives it extra value? This is something Scuderi does every day in her job as a real-estate agent. "There's something about

every building that's unique," she says. "Focus on it. If a building is an old schoolhouse, trying to get it on the historical register would be a plus. If the building has a convenience store in it, focus on how accessible that is during bad weather. If you're by a bus or train station, there are pluses right there. If you have parks or walking trails, if you're by the water—make that the focus of the community."

Danella is a big believer in creating your own individuality, in going out of your way to provide residents with services, activities, and opportunities that make the community special. Boca Pointe has arranged to have flu shots administered on site, and also brought in wholesale discount stores to sign up residents for discounted memberships. They also host various cultural events. "You have to try a lot of these different things, and then you'll kind of make everybody happy," Danella says. "But even if people don't participate, they like knowing those things are available."

10½. RENTALS

Who's that knocking at your door?

This is a controversial enough area that it doesn't get full-fledged tip status; it's more like a hint, or an implication, or an innuendo. The deal is this: Renters have a bad name. Conventional wisdom holds that because they don't own, they lack any real investment in their homes and neglect them to the extent that they drive down property values across the board. Agree or disagree, but the fact remains that banks are more inclined to grant mortgages in communities with lower rental rates.

Barbara Wick's solution: "Low rental percentages and no rental signs in windows." Adds Scuderi: "Keeping the owner-occupancy rate high is important. If a building is 70, 80 percent owner occupied, it's always viewed as a better building to live in."

Is that true? A lot of people think so. And, as with property values themselves, sometimes the perception is just as important as the reality. Sometimes, it's even more important. And sometimes it's not how you look or how you feel—it's both.

Christopher Durso is the editor of *Common Ground*.

AND NOW, A FEW WORDS ABOUT MANAGERS

Preserving, protecting, and enhancing a community is not the exclusive province of the board. It's ingrained in the duties and ethical codes of professional community managers as well. But, when it comes to actually boosting property values, what is the role of the manager? To serve as an expert resource, or a technical adviser? To provide leadership? To steer the ship? Or merely to follow orders?

Gil Cross, Manager:

"You can't think of management as a panacea.... Part of what you hire an association manager for is to help you identify opportunities and take advantage of them. In the backseat are all the homeowners, and you have to keep them informed, because if it requires a vote of the membership, I don't care how much planning you've done, if you don't have the membership on board, that creates a significant problem."

Kathryn Danella, Manager:

"We try to set the bar high. When we've educated our [29 separate] village associations, they tend to hold their management companies to a higher level. They look to us as a master association, and we go straight to the [villages'] management companies. We try to bring all the managers together periodically, because the master association is going to have greater resources."

Howard A. Goldklang, Accountant:

"Management is too decentralized.... The managers in many cases really take their marching orders from the community, as opposed to saying, 'Look, I'm a specialist, I'm a professional, I've got all this experience and education, and this is what I think we should do.' There are a lot of strong managers out there, and management companies that stay on top of their communities, but a lot of them don't. A lot of them feel if they take too strong a position, the association will just leave them."

Bert Langer, Board President:

"If [board members are] not involved, or flit and fight among themselves, first of all the manager is going to lose interest. I think you have to be able to motivate the manager. You've got to show him that you care, that his efforts are going to be appreciated, and that he's given credit for increased property values."

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