

HOA Information Office and Resource Center: Year in Review

The HOA Information Office ("Office") has been in existence for about a year and we have been working on compiling data and writing our annual report. Throughout the year we have been compiling both statistical data on HOAs; including the number of the HOAs and an estimate of the number of persons in HOAs as well as information on the types of issues people living in HOAs are having. We have spoken with more than 2,000 people who have had questions pertaining to their HOA, HOA registration, or who have lodged complaints against HOAs and/or management companies. The Office has helped many homeowners to work through their issues with their HOAs and has also provided information on living in common-interest communities.

The Office has taken some time to compile some statistics that shed light on the state of HOAs in Colorado. As of December 1, 2011 we have registered 8,019 HOAs which comprise 837,622 units. While we can't speculate, we still believe that there are many HOAs who have not registered with the Division of Real Estate. Considering that the average household size in America is 2.59 persons per home, we imagine that over two million people in Colorado live in HOAs; a significant percentage of the overall population of Colorado.

One of the major tasks of the HOA Information Office is to collect data on HOA issues and to report that data to the Director of the Division of Real Estate. As of December 9, 2011 the Division of Real Estate had received 477 complaints. The HOAs status as a registered entity was not considered in logging a complaint.

Furthermore, while at times we did log information regarding the name of the HOA and whether there was a management company, many complainants did not provide such information and from our office's perspective the name of the HOA and management company were not germane to our research. The complaint types were varied but the largest subset of complaints related to transparency of the HOA, particularly in regards to the HOA releasing financial records.

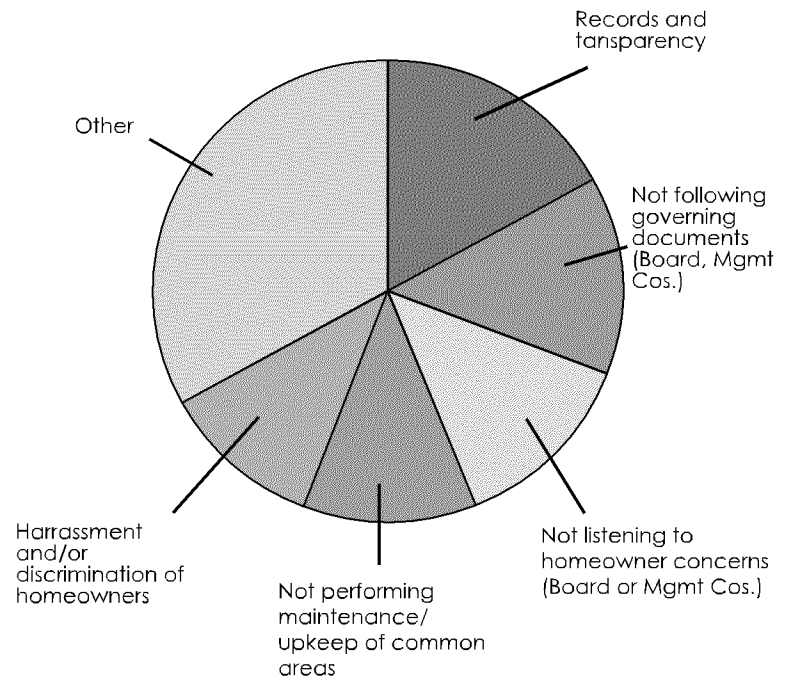
The following are some of the major types of complaints the HOA Information Office received (it is important to note that many complaints involved several complaint types):

- Records and transparency issues (17% of

complaints)

- Boards and/or management companies failing to follow governing documents (14% of complaints)
- Boards and/or management companies not addressing or listening to homeowner concerns (13% of complaints)
- Boards and/or management companies not performing maintenance/upkeep of common areas (12% of complaints)
- Harassment and/or discrimination of homeowners (11% of complaints)

Types of complaints by percentage



The majority of the complaints came from the Front Range, but Colorado Springs and Aurora had the most complaints. We also noticed a trend that most of the complaints came from low income mid-rise condominium associations and was surprised to see that large single-family home communities did not have many complaints. The following is a breakdown of the percentage of complaints per region (note that not all complainants provided information to determine the area and the data considered was that available):



- Colorado Springs/El Paso County (21% of complaints)
- Aurora and Parker/Adams County and East Arapahoe Counties (20% of complaints)
- City and County of Denver (12% of complaints)
- South Suburbs/Arapahoe and Douglas County/ (11% of complaints)
- West Suburbs and Foothills/Jefferson County (8% of complaints)
- Boulder and Longmont/Boulder County (6% of complaints)
- North Suburbs/Adams, North Jefferson and Broomfield Counties (6% of complaints)
- Western Slope/Grand Junction and Durango (6% of complaints)
- Resort Communities/Summit, Eagle, Pitkin, Garfield, Routt, Grand, San Miguel Counties (5% of complaints)
- Fort Collins, Loveland, Greeley/Larimer and Weld Counties (3% of complaints)
- Southern Colorado/Pueblo, Trinidad, San Luis Valley (2% of complaints)

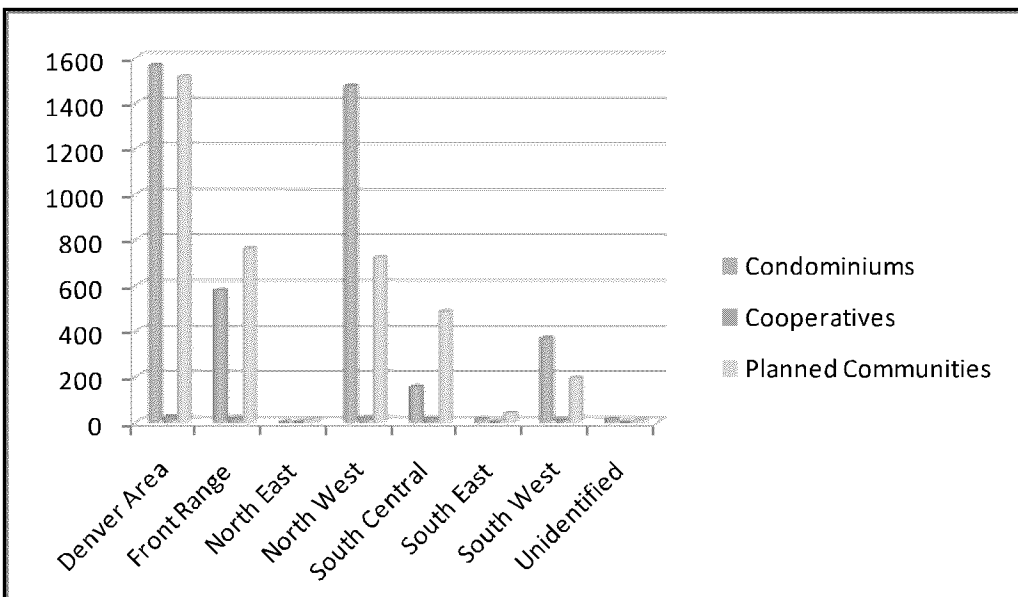
Legislatively, 2011 was a quite year for HOAs. The only significant legal changes related to the addition of a new conflict of interest provision into the Colorado Common Interest Ownership Act ("CCIOA") through House Bill 11-1124 (codified at § 38-33.3-209.5(1)(b)(II), C.R.S.). This new law prohibits HOA board members from simultaneously sitting on a Special District board and requiring HOA board members to disclose conflicts of interest for a matter before the board that would financially benefit the member or any of his immediate family and that after making such a disclosure may participate in the discussion on that issue but must abstain from voting

on the issue.

The other piece of legislation in 2011 that affected HOAs was Senate Bill 11-234 (codified at §38-35-127, C.R.S.), the Residential Transfer Fee Bill which prohibited and invalidated transfer fee covenants that didn't "touch and concern" the land but provided for an exclusion for management companies that allowed them to charge a one-time fee for services rendered in connection with the conveyance for which the fee is earned.

The legislative initiatives in 2012 are unclear, but as the Community Associations Institute ("CAI") has recently submitted a sunrise application to the Office of Policy, Research and Regulatory Reform ("OPRRR") for the licensure and regulation of Community Association Managers, there very well could be major changes to the HOA industry in the near future. A sunrise application is one of the first steps in the process of individual licensing for an industry. At the beginning of 2012 the OPRRR will be making a recommendation whether Community Association Managers should be licensed and regulated by the Department of Regulatory Agencies ("DORA"). If there is a recommendation from the OPRRR that regulation is necessary for consumer protection, a bill will be drafted and presented in the 2012 legislative session.

Stay tuned for upcoming changes in the HOA landscape and with the HOA Information Office, it should be an exciting year. In the upcoming year, HOAs previously registered will be required to renew their registration with the Division. Information pertaining to our office; resource material; as well as contact information for homeowners can be found at our website at www.dora.state.co.us/real-estate/index.htm.



Total Number of HOAs By Region

