The Community Association fact book FOR 2017

Comprehensive Association Data and Information

FOUNDATION FOR
COMMUNITY ASSOCIATION
research

2017
Community Association
Fact Book

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The **Foundation for Community Association Research** (FCAR) is a nonprofit 501(c)(3) organization devoted to common interest community research, development, and scholarship. Incorporated in 1975, the Foundation supports and conducts research in the community association industry.

FCAR provides authoritative research and analysis on community association trends, issues and operations. Our mission is to inspire successful and sustainable communities. We sponsor needs-driven research that informs and enlightens all community association stakeholders—community association residents, homeowner volunteer leaders, community managers and other professional service providers, legislators, regulators and the media. Our work is made possible by your tax-deductible contributions. Your support is essential to our research.

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—From *A Declaration of Principles*, jointly adopted by a Committee of the American Bar Association and a Committee of Publishers

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1. Acknowledgement

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American Community Survey (ACS)
Census – Statistical Brief 1994
CAI: Common Ground magazine
CAI Government & Public Affairs (G&PA)
CAI Press
California Bureau of Real Estate
California Law Revision Commission
Colorado Department of Regulatory Agencies
Connecticut Judicial Branch Law Libraries
Department of Agriculture – Rural Development
Department of Veterans Affairs (VA)
Federal Emergency Management Agency (FEMA)
Federal Home Loan Mortgage Corporation (Freddie Mac)
Federal Housing Administration (FHA)
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National Association of Realtors (NAR)
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Urban Land Institute
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2.3 Notes on Community Association Data: The *Fact Book* is based on information from seven data sources grouped in two categories:

- Public Data: (1) Census data, (2) American Housing Survey (AHS), (3) State data, (4) Related housing industries data such as that from the National Association of Realtors (NAR), National Association of Homebuilders (NAHB), and
- FCAR and CAI Data: (5) FCAR data accumulated over time, (6) CAI data, also accumulated over time, and (7) Data provided by CAI members.

The public data is largely from the Census and the American Community Survey (ACS). Some public association data is available from individual states. This state data, also, may have a lag time from collection to publication. Usually, both the few states with association data and the ACS data lack specificity in critically identifying the three basic types of associations: condominiums, cooperatives and planned communities. Similarly, the public data may count certain association units, but not the entities (the associations) themselves. From a timing viewpoint, FCAR, CAI data and CAI member data are more readily available. Because of the timing issue, the *Fact Book* data generally may be one year ahead of public data.

3. Getting Started with the FCAR *Fact Book 2017*

3.1 CAI and the Growth of Community Associations

It's been said that the growth of community associations (condominiums, planned communities and cooperatives) offers the greatest single extension of homeownership opportunities since the housing reforms of the New Deal and the provision of GI Bill benefits just after World War II. The Community Associations Institute estimates that nationwide in 1970 there were 10,000 associations. In 2017, the estimate is now 344,500 associations housing around 70 million Americans. **See the *Statistical Review 2017***. From its inception, CAI has grown to nearly 40,000 members just as associations have grown as a housing choice – there now are more association professionals providing services to support communities by encouraging:

- Harmony,
- Transparency and
- Sustainability

The **Community Associations Institute** (CAI) is a national nonprofit 501(c)(6) organization founded in 1973 to foster competent, responsive community associations through research, training and education for association leaders and professionals.

The **Foundation for Community Association Research** (FCAR) is a national, nonprofit 501(c)(3) organization devoted to common interest community research, development, and scholarship. Incorporated in 1975, the Foundation supports and conducts research in the community association industry.

3.2 Community Association *Fact Book 2017* – Four Goals

The *Fact Book 2017* is published by FCAR and it documents, in general, the history, current status, recent trends and future issues involving community associations. The *Fact Book 2017* also provides community association information on a state-by-state basis in both:

- *Part Four: State Summaries 2017* and in
- *Part Five: Economic Contributions & Value-Added Benefits*.

The information and data in the *Fact Book 2017* help in these four areas:

(1) **Facilitating Evidence-Based Decisions**: Facilitating the creation, analysis and publication of credible data such that evidence-based decisions on various association issues, regulations and laws can be made.

(2) **Demonstrating Contributions to the Economy and Society**: Demonstrating the role of community associations as part of (i) the evolving transformation of land development practices, (ii) the expansion of housing opportunities, (iii) the creation of additional neighborhood benefits and (iv) the stabilization of housing as a personal investment.

(3) **Providing an Understanding of Core Services:** Providing an understanding of the three core services delivered by associations to residents (owners and renters):

- Governance Services,
- Community Services and
- Business Services

–These three core services are complimentary to a broad range of both local and national housing goals and as well as related public policy considerations.

(4) **Validating Associations as a Housing Market**: Validating that the growth and continued growth of all three types of community associations (condominiums, cooperatives and planned communities), in and of themselves, are an important housing market that needs to be understood and analyzed in a comprehensive manner.

Community Association Contributions to the Economy: In the aggregate, community association housing had a market value of just over $5.880 trillion dollars at Q4 2017 [Estimate based on the **Federal Reserve Z.1 Financial Accounts**]. According to the **National Association of Home Builders** (NAHB), the housing industry's contribution in terms of new construction to the to the economy **averages 15%-18% annually**. This represents the combined impact of **Private Residential Fixed Investment** and **Housing Services**. Residential Fixed Investment component contribute from 3%-5% while the Housing Services component contributes 12%-13%. These percentages vary with fluctuations in the nation's economic cycles. Community association housing is an important and growing component of both Residential Fixed Investment and Housing Services. Using NAHB historical estimates, community associations contribute a 4.0% to 4.3% to GDP. Associations not only are a place to live, but they are a place to work and to create jobs. See:

- **Appendix Five: Contributions of Community Associations to the Economy**
- **Fact Book 2017, Part Five: 51 State Summaries – Association Economic Contributions & Value-Added Benefits.**

3.3 ***Statistical Review 2017*****:** The *Statistical Review 2017* is part of the *Fact Book 2017*, but it is provided as a separate document available by a hyperlink. Like its predecessor, the **Statistical Review 2017**, *Review 2017* provides certain national and local facts concerning community associations.

3.4 ***State Summaries 2017:*** While the *Fact Book 2017* and the ***Statistical Review 2017*** deal with community associations from a broad national perspective, there are 51 ***State Summaries 2017*** (including the District of Columbia) that bring the national data to the state level. The format of the *State Summaries 2017* generally follows the *Fact Book 2017*, but without the emphasis on association history, definitions and comparative matters.

4. Community Association National Trends and Issues

In *Democracy in America*, (**Vol. 1** and **Vol. 2**) Alexis de Tocqueville reflected on the constant activity that characterized America in the 1830s as it strived for continuous improvement at all levels of society and government. Little has changed since that time. He would be right at home at a community association board meeting, at a CAI Chapter program or at a national CAI Conference or Law Seminar. The best way to keep up with association trends and issues (and the need for continuous improvement) at either or both the national or local level is through the links that follow.

4.1 At the National Level

CAI Issues and Advocacy

- From federal affairs to state issues, amicus briefs and more – this is constantly updated. Topics include regulatory issues with FHA and FEMA, new mortgage rules and CAI's Public Policies.

CAI Common Ground Magazine Key Issues

- From aging in place to fostering participation, manager licensing, legal and operational issues and more, a subscription to **Common Ground** is part of CAI membership, but separate subscriptions are available.

Chronological History of the Federal Involvement in Community Associations

- From the early Twentieth Century through today, you can track major federal and state initiatives, housing data sources, selected papers and articles – all that have impacted community associations.

Community Next: 2020 and Beyond

- *Community Next* is the result of a lengthy initiative conducted by several dozen CAI leaders and nonmember community association stakeholders about future association issues, trends and similar matters.

  1. **Association Governance Model**
  2. **Community Management**
  3. **External Influences**
  4. **Public Policy Paradigms**

4.2 At the Local Level

CAI Local Chapters

- CAI's nearly 40,000 members belong to one of CAI's 64 Chapters. The link will help you find and contact any of CAI's 64 U.S. Chapters and CAI's Canadian, Middle Eastern, and South African Chapters and learn about CAI's **partnership with the Dubai Real Estate Institute.**

CAI Grass Roots Advocacy Center

- CAI's Government & Public Affairs provides political information and intelligence for the association industry.

4.3 At all Levels for All Interests

CAI Press: CAI Press, the publishing division of CAI, is dedicated to publishing the very best resources for community associations. It offers more than 100 books on association governance, management and operations. Browse by category, view the most popular products and discover what's new. Check back frequently to see Featured Products and to take advantage of money-saving promotions.

CAI Education:

- ***Webinars*** offer specialized, professional training to managers, board members and homeowners without leaving your home or office. Conducted via internet and audio teleconference, the programs are hosted by industry experts to keep you up-to-date on the latest legislative activity, management trends, industry best practices and subjects of special interest to community managers and homeowners. More than 300 **on-demand webinars** are now available, and new live webinars are added every month.
- ***Board Leadership Development Workshop*** provides a comprehensive look at the roles and responsibilities of community association leaders and conveys information to help create and maintain the kind of community people want to call home. The workshop is available in two formats: live classroom instruction through chapters, and online.
- ***Professional Management Development Program*** ("PMDP") provides community association managers the most comprehensive, expert education courses to increase their skills, knowledge and job opportunities. Both the webinars and the PMDP program provide education credit toward new and renewing professional designations and credentials.

- ***Business Partner Essentials*** is a two-part, online course to help CAI-member product and service providers better understand CAI, community associations and the industry at large. Individuals who pass the course and maintain CAI membership earn the **CAI Educated Business Partner** distinction, gaining special recognition among thousands of companies and professionals who support common-interest communities—accountants, attorneys, bankers, insurance professionals, landscapers, painters, reserve specialists, software providers and many others.

If you are interested in finding out more about community associations, the *Community Association Fact Book 2017* is the place to start. If you live in an association or work in the association industry, this *Fact Book 2017* will help keep you and your association current on the latest facts, trends and issues.

5. Getting Started with Community Associations

5.1 Community Association Basics: Community associations (condominiums, planned communities and cooperatives) are housing management organizations that deliver three core services to their residents (owners and tenants):

►Governance Services: Services designed to secure cooperation and compliance by residents based on fair and efficient adherence to association governing documents and local, state and federal laws and regulations;

►Community Services: Services designed to produce a harmonious living environment as well as a cooperative framework for working within the local governmental system.; and,

►Business Services: Services designed to maintain and replace the common assets of the association based on sustainable and prudent environmental practices that not only protect the value of the homes, but that are consistent with a broad range of local and national housing goals.

In delivering these three core services, a successful community association provides its residents with:

- Organized and productive business operations that help control costs,
- Transparent governance principles and practices that promote participation,
- Clear and timely communications that facilitate engagement,
- Fair and effective rules notification and enforcement procedures that foster cooperation
- Creative programs that are designed to enhance a sense of community and enhance residents' enjoyment of their homes, and
- Efficient use of land and resources that is based on sustainability and stewardship.

5.2 Community Association Contributions to the Economy: In the aggregate, community association housing had a market value of just over $5.880 trillion dollars at Q4 2017 [Estimate based on the **Federal Reserve Z.1 Financial Accounts**]. According to the **National Association of Homebuilders** (NAHB), the housing industry's contribution in terms of new construction to the to the economy **averages 15%-18% annually**. This represents the combined impact of **Private Residential Fixed Investment** and **Housing Services**. Residential Fixed Investment component contribute from 3%-5% while the Housing Services component contributes 12%-13%. These percentages vary with fluctuations in the nation's economic cycles. Community association housing is an important and growing component of both Residential Fixed Investment and Housing Services. Using NAHB historical estimates, community associations contribute a 4.0% to 4.3% to GDP.

Associations not only are a place to live, but they are a place to work, to create jobs and to contribute to the economy. See:

- **Appendix Five: Contributions of Community Associations to the Economy**
- **Fact Book 2017, Part Five: 51 State Summaries – Association Economic Contributions & Value Added Benefits.**
- **Statistical Briefs** from 2012-2017.

By fairly and effectively delivering the three core services, community associations protect and enhance the:

- Value of the individual homes (and the lenders' interests in those homes),
- Value derived from accepting shared responsibilities and performing mutual obligations that impact the larger community, and the
- Value inherent in governance, collective participation, and collaborative decision-making at a very essential level – the level of the home.

5.3 Community Association General Terms

- Community Association (CA): Used by the Community Associations Institute (CAI) and the **61B Division of Florida Condominiums, Timeshares and Mobile Homes**

- Common Interest Community (CIC): Used by the **Uniform Law Commission**, promulgator of the uniform real property acts: Uniform Condominium Act (UCA), Uniform Planned Community Act (UPCA), Uniform Common Interest Ownership Act (UCIOA) and the Uniform Manufactured Housing Act (UMHA).

- Common Interest Realty Association (CIRA): Used only by the **American Institute of Certified Public Accountants** (AICPA) and the **Financial Accounting Standards Board** (FASB).

- Common Interest Development (CID): Used by the **California Bureau of Real Estate**. The Davis-Stirling Act has been substantially recodified in **California Civil Code Division 4 Part 5** on January 1, 2014. Also, on that date a new statute was created for **Commercial and Industrial Common Interest Developments, Division 4 Part 5.3**.

5.4 Three Basic Types: Condominium, Planned Community & Cooperative

The *Fact Book 2017* provides three ways to understand the three basic types of community associations. A fundamental point of all three ways is the reminder that you cannot tell which of the three basic types of community associations that you are looking at by their architectural style. For instance, a detached single family home could be in a regular subdivision without an association or it could be in a condominium association, in a cooperative association or in a planned community. The governing documents are critical to determining the type of association.

First Way: Different parts of the country have more of one of the three types than the other two. For instance, New York state (and, in particular, New York City) has many more cooperatives than other states. Many states in the southeast and southwest have many more planned communities than other regions.

All three types of associations are characterized by being predominately designed for residential use although some may a nominal percentage devoted to non-residential use, typically commercial.

- Planned Communities: Around 54% to 60% of all community associations
- Condominiums: Around 38% to 42% of all community associations
- Cooperatives: Around 2% to 4% of all community associations

In a planned community, each member (owner) owns a dwelling unit/home and the lot on which the dwelling is located. A nonprofit corporation or entity (the community association) holds title to the common areas which are subject to recorded Covenants, Conditions & Restrictions (CC&Rs). The planned community is governed and managed by a board of directors elected by the owners. The homeowner's deed requires membership in the corporation. There may or may not be a specific state enabling statute. Planned communities are referred to by a number of different names that reflect diverse architectural styles and regional nomenclature variations, such as Homeowner Association (HOA), Property Owner Association (POA), Townhome Association and Planned Unit Development (PUD). The recorded CC&Rs are determinative and not the architectural style. The planned community is governed by a board of directors elected by the owners.

In a condominium, each individual member holds title to a specific unit and an undivided interest as a ''tenant-in-common" in the common elements. A community association is not a condominium unless the undivided interests in the common elements is vested in the unit owners. Unlike in a planned community or in a cooperative, the entity (the condominium association itself) does not own the common elements. These common elements generally include the structural components, the exterior of the building or buildings, the grounds, the amenities, and all portions of the property other than the units (as defined). The condominium is governed by a board of directors elected by the owners. The condominium is subject to a recorded Declaration of Condominium (Declaration). There is always a state enabling condominium statute.

In a cooperative, a corporation holds title to the entire project, both units and common elements. . "Owners," in reality, are stockholders in the corporation. A proprietary lease or membership document gives each member of a cooperative exclusive use of a unit for a specified period of time. The cooperative is governed by a board of directors elected by the owners. There may or may not be a state enabling statute.

Most associations are nonprofit corporations under state corporation laws, but they are not nonprofit (tax exempt) under federal income tax laws. Condominium and cooperatives can never be tax-exempt under federal taxation rules.

All three types of associations have three essential characteristics:

- **Automatic Membership:** All owners automatically become members of the association when taking ownership of the unit and that membership ceases only when the unit is sold and title is transferred.

- **Mutually Binding Obligations:** Governing documents bind all owners to the community association and require mutual obligations by owners, the board of directors and the association itself.

- **Mandatory Assessments:** All owners pay mandatory lien-based assessments to fund the operation of the association and maintain the common elements. Cooperatives are different in their enforcement of collections.

<u>Second Way</u>: This diagram of a *Hypothetical Community Association* is the second way to understand the three basic types of community associations. It may be useful to review the chart below both before and after reviewing the commentary on each type of association provided in the Third Way, ***Appendix One***.

Common Area/Common Elements

Lot/Unit 1	Lot/Unit 2	Lot/Unit 3	Lot/Unit 4	Lot/Unit 5
Lot/Unit 6	Lot/Unit 7	Lot/Unit 8	Lot Unit 9	Lot/Unit 10

Common Area/Common Elements

	Units/Lots 1-10	**Common Area/Common Elements Lot**		
	Unit Owner Title	**Assn Title**	**Unit Owner Title**	**Assn Title**
Condominium	X	…..	X*	…..
Cooperative	…..	X	…..	X
Planned Community	X	…..	…..	X

X* --- The condominium association does not own the real property. The unit owners in a condominium have an undivided interest in the common elements as tenants in common. This is a critical definition for a condominium: A community association is not a condominium unless the undivided interests in the common elements is vested in the unit owners. Unlike in a planned community or in a housing cooperative, the condominium association does not own the common elements (or common area), hence the early condominium property acts sometimes referred to the board of directors as the "board of managers" – who "managed" the common elements. For general definitions of each of the three basic types of community associations see the **<u>Uniform Common Interest Ownership Act (2014 as amended)</u>**.

Using a similar diagrammatic approach to understanding community associations as subdivisions, see **<u>A Guide to Understanding Residential Subdivisions in California</u>** (page 13/104) and **<u>Healthy Condominium Toolkit</u>** (page 8/32).

<u>Third Way</u>: See **Appendix One: Basic Types of Associations by Selected Characteristics**

This ***Appendix One*** describes all three of the basic types of associations by similar characteristics.

5.5 Varieties on the Community Association Theme: The entities below appear with some regularity in discussions of community associations, but a number of them do not all fall within the more generally accepted definition of a primarily residential community association.

●**<u>Cohousing</u>:** Cohousing association living can be organized in one of the three basics types of community association, but it is usually more definitively based on personal commitments, some degree of communal living and/or communal participation as well as the recorded governing documents.

●**Communities for 55 and Older**: Quoting from the HUD Factsheet - “The Housing for Older Persons Act (HOPA), signed into law by President Clinton on December 28, 1995, amended the housing for older persons exemption against familial status discrimination. The HOPA modified the statutory definition of housing for older persons as housing intended and operated for occupancy by at least one person 55 years of age or older per unit. It eliminated the requirement that housing for older persons have significant services and facilities specifically designed for its elderly residents. It required that facilities or communities claiming the exemption establish age verification procedures. It established a good faith reliance defense or exemption against monetary damages for persons who illegally act in good faith to exclude children based on a legitimate belief that the housing facility or community was entitled to the exemption.” To qualify as a 55+ community, at least 80% of the homes/units must be occupied by at least one person who is 55 years of age or older. While HOPA has been in place for some time, it has been subject to continuous discussion. 55+ Communities can be organized as rentals as well as community associations. Many states and local governments have similar statutes and regulations dealing with 55+ housing as well as other issues related to aging.

Also, all residential community associations are subject to the various state and **Federal Fair Housing Laws and Executive Orders**. Generally, residential community associations are not subject to the **Americans with Disabilities Act** unless they have amenities and commercial space open for public use.

●**Commercial Community Associations:** Non-residential or purely commercial community associations are not considered a part of the residential association framework discussed in the *Fact Book 2017* and, in general, are not part of the major public policy discussions and laws involving associations with the exception of commercial condominiums.

Nevertheless, for comparative data purposes, according to EIA's **Commercial Buildings Energy Consumption Survey (CBECS)**: “Increases in the size of commercial buildings have outpaced increases in the number of those buildings over the past decade”,. EIA's CBECS is the only nationally representative data collection for building characteristics and energy use in commercial buildings. Information about the commercial building stock in 2012 is now being released, and energy-use information is expected later this year. CBECS estimates that there were 5.6 million commercial buildings in the United States in 2012, totaling 87 billion square feet of floor space. This level represents a 14% increase in the number of buildings and a 21% increase in floor space since 2003, the last year for which CBECS results are available. Newer buildings tend to be larger than older buildings. The average size of buildings constructed before 1960 (26% of the commercial building stock) is 12,000 square feet; buildings constructed between 1960 and 1999 (55%) average 16,300 square feet; and buildings constructed in the 2000s (18%) average 19,000 square feet.

●**Gated Communities:** In most situations, a gated community means one that somehow restricts or controls access by individuals (owners, renters, guests or invitees) and vehicles. By some definition, **gated communities have a very long world history**. In the 1920’s and 1930s, in U.S. planning**, Clarence Perry advocated the use of “super blocks” for land planning** especially in urban areas to restrict and control access. In their most secured sense and based on clear definitions, a gated community has three characteristics: (i) restricted access usually by being fully enclosed by a fence, wall or separator of some sort, (ii) controlled entrance by a fully staffed or monitored front gate on a 24x7 basis and (iii) full time 24x7 personnel that monitor the common area. Without such a careful definition, a large percentage of U.S. housing (rental or ownership) in the U.S. is “gated” or “simply secured” by some measure. For instance, most high rises have a front desk. Also, many jurisdictions require the association’s developer to **limit vehicular access to major streets** thereby controlling access to the association for safety reasons. Other communities including those in traditional subdivisions use the **concept of “defensible space” popularized by Oscar Newman**. Using the three-part definition above, there are perhaps 3,000 to 5,000 gated communities in the U.S. These types of gated communities are expensive to maintain and they contain high valued homes. On the other hand, as mentioned, secured access in some form is a common feature of a large part of U.S. housing.

●**Lake Communities:** In the EPA's most recent **Assessment of Lakes, Ponds and Reservoirs**, there were 41,666,049 acres of water in these entities. Of that amount, 17,904,199 acres were "assessed" for quality issues and of that amount 7.1 million acres had recreational use with a "good" attainment status rating. Generally, the body of water needs to be 10 acres or more to be assessed. This would put the number of "lake communities" with possible residential housing at between 710,000 and 1.8 million. A conservative sub-set of these "lake communities," probably 200,000 to 250,000, contains some combination of part-time and full-time housing depending on public infrastructure and the ability to obtain property insurance. These communities may have bylaws and operating Rules & Restrictions. Typically, they may not qualify as community associations by legislative standards, but they might be considered border-line association communities.

●**Limited-Purpose Association (LPA):** This type of association is used and described by statute only in Nevada, see **NAC 116.095**

●**Live/Work Association:** There is no set definition for this type of community association except that a person lives where the person works. Therefore, the association combines both residential and commercial uses. FHA in **Mortgagee Letter 2012-18** requires that the non-residential part must be less than 25% of the floor area and the non-residential part must be subordinate to the unit's residential use and character in order to qualify for FHA home mortgage lending. See also **Fannie Mae on live-work associations**.

●**Master Planned Community (MPC)/Large-Scale Association (LSA):** This is a planned community of some size that may be composed of either sub-associations or separate cost-centers. The sub-associations may be any of the three basic types of associations. Cost centers are used to allocate revenue and expense liabilities more equitably. Since a MPC/LSA is basically a planned community, there usually is no enabling statute for the MPC although if a condominium is a sub-association, the condominium would have to be enabled by statute. MPCs, typically, exceed 1,000 lots or units and can range up to 50,000 lots or units. See the **Fact Book 2017, Part Five, Large-Scale Community Associations**.

●**Manufactured Housing Communities/Parks (MHC)**: This refers to the type of construction which is regulated, as of 1976, by the **HUD Office of Manufactured Housing** and state agencies. See this list of **State Manufactured Housing Agencies**. The **Manufactured Housing Institute** maintains a **Summary of Manufactured Housing Issues**.

MHC housing can be found in **either rental or homeowner communities**. In the past, they were (and still are to some extent) referred to incorrectly as "mobile home parks". MHC associations can be found in a cooperative or condominium association. According to **the American Housing Survey 2013 National Summary Tables** there are 8,600,000 manufactured housing units. Of that total, 154,000 manufactured homes are in a community association – cooperative (103,000 units) and condominium (51,000 units) association. See also **AHS 2013 Housing Factsheets**. For more targeted data see the **AHS 2015 Data Release**.

There are 18 states with manufactured housing laws that deal with some aspect of the conversion of a rental manufactured housing community/park to a cooperative or condominium. Those 18 states and links to those laws are found in the given individual *State Summary* at #5.4 "Community Association and Related Statutes."

●**Mixed Use Association:** This type of community association can be found in any of the three basic types and combines residential and commercial uses. The percentage of commercial use varies, but typically is no more than 35% of the total building square footage (to be more readily acceptable for residential mortgage lending). On the other hand, some large and complex associations may obtain over 50% of their total revenue from commercial or retail uses. The commercial uses may or may not be in an association. There may be no enabling statute unless a condominium is involved.

●**Private Road Maintenance Agreements:** Individual homes or groups of homes may be bound by recorded covenants and/or state statutes to maintain streets and roads that might otherwise be maintained by local government. These can be thought of as borderline associations. Nevertheless, the **Fannie Mae Seller Guide** [B4-1.3-04, April 15, 2014] requires that if the street is community or privately owned that there must be an adequate, legally enforceable covenant or agreement for maintenance.

●**Business Park Association (BPA):** Common practice does not include Business Parks within the three basic types of community associations. There is usually no enabling statute unless a condominium is involved. The BPA is created by conventional real estate transactions. See also Business Improvement District below. See **NAIOP**

●**Business Improvement District (BID):** Outwardly, BIDs resemble commercial community associations. They are created by legislation, but they may or may not be supported by recorded covenants. BIDs may be created by public/private partnerships and their operations may be funded by additional tax assessments. Common practice does not include a BID in the definition of a community association. See **The Business Improvement District Model**

●**Reciprocal Easement Agreement (REA):** A REA has a recorded declaration that provides for cost sharing, maintenance and similar duties among entities in a common development. Sometimes, the REA gives one of the entities in the development the responsibility of the management of certain common areas used by all the entities. REAs are sometimes used in residential, commercial and mixed use associations. The REA itself is just an agreement and not an association.

●**Special Tax District (STD):** Special tax districts (also called Special Purpose Districts) are not community associations. STDs have been popular in California, Florida, Texas, Colorado and other states by developers of associations to fund infrastructure and public improvements. If the STD is part of the development of a community association, then much or all of the association's common area and amenities may be placed in the STD whose construction is then paid for by bond financing. The bonds, in turn, are repaid by separate assessments levied against the members of the association. In this instance, the STD is an overlay of the community association so that homeowners pay two assessments, one to the association and one to the STD (to repay the bond financing and to pay for operations of the STD).

The latter assessment paid to the STD usually is tax deductible. If the development process falters or the association falters, however, the bond holders may step in to cure a default. Other similar terms are Community Facility District (CFD) and Special Purpose District (SPD). See **An Overview of Special Purpose Taxing Districts**. There are over 37,000 such Districts of all types in the U.S, but not all are connected in some manner with a community association. See **Census 2012 of All State Governments**

Also, see **Chronological History of Federal Involvement in Community Associations**

●**Timeshare Association (TS):** Common practice does not include timeshare associations (of any kind) within the three basic types of community associations even though the TS may be organized as a condominium. **Timeshare terminology** defines the concept in various ways. There is some type of TS legislation in every state. See **American Resort Development Association (ARDA)**

5.6 Varieties of Community Association Uses

The *Fact Book 2017* is mainly focused on residential community associations although some commercial use may be present. Nevertheless, residential associations can be developed around special themes and uses. Similarly, there are associations, apart from residential ones, that serve a variety of ownership interests and use and, as mentioned, there are associations comprised solely of manufactured homes and of those whose members are aged 55+.

- Star Gazing Planned Community
- Winery Planned Community
- Equestrian Planned Community
- Docks & Dockominium (Condominium)
- Rackominium (for boats)
- Site and Land Condominium

- Airport and Airport Garage Condominium
- Garage Condominium
- Cruise Ship Condominium
- Silent Cooperative (for the Deaf)
- Three Dimensional Airspace Subdivisions
- Wheat Growers Condominium Storage
- Retail Condominium
- Industrial Condominium
- Office Condominium
- Medical Office Condominium
- Condotel (hotels with a condominium component)
- Nudist Resort Condominium
- Cemetery POA
- RV Park Condominium
- Camp Grounds

5.7 Condominium Unit Owners & Non-Condominium Owners Age 55+

Like the rest of the U.S. population, owners in community associations are getting older. Some association owners are aging-place while others are living in age-restricted communities described in #5.5 above.

The 2016 data has been revised from earlier data to include facts specific to both condominium unit owners that are 55+ and to non-condominium owners who are 55+.

Here is the Table of Contents for the new **Part Six**:

Table of Contents

Next is a list of 6 of the 13 Tables in Part Six:

Table 1. Condominium Status of Persons Age 55 and Over and Their Households: United States 2011 - 2015
Table 2. Persons Age 55 and Over by Sex and Condominium Status: United States 2011 – 2015
Table 3. Ten-Year Age Group of Persons Age 55 and Over by Sex and Condominium Status: United States i
Table 4. Race of Persons Age 55 and Over by Sex and Condominium Status: United States 2011 - 2015
Table 5. Hispanic Origin of Persons Age 55 and Over by Sex and Condominium Status: United States 2011 - 2015
Table 6. Decade Structure Built of Households of Persons Age 55 and Over by Condominium Status: United States 2011 - 2015

Here are the first 2 of the 13 Tables with the U.S. as an example:

Community Associations Fact Book 2016: UNITED STATES
Comparison of U.S. Condominium and Non-Condominium Residents Age 55 and Over

Table 1.
Condominium Status of Persons Age 55 and Over and Their Households: United States 2011 - 2015

		Persons		Households	
		Count	Percent	Count	Percent
Condominium Status	Condominium	3,912,810	5.1%	2,627,160	5.6%
	Not Condominium	73,237,419	94.9%	43,934,104	94.4%
	Total	77,150,229	100.0%	46,561,264	100.0%

5.1% of persons age 55+ lived in a condominium.

5.6% of households of persons 55+ were in a condominium.

Table 2.
Persons Age 55 and Over by Sex and Condominium Status: United States 2011 - 2015

			Sex		
			Male	Female	Total
Condominium Status	Condominium	Count	1,580,994	2,331,816	3,912,810
		Percent	40.4%	59.6%	100.0%
	Not Condominium	Count	33,772,752	39,464,667	73,237,419
		Percent	46.1%	53.9%	100.0%
Total		Count	35,353,746	41,796,483	77,150,229
		Percent	45.8%	54.2%	100.0%

59.6% of condominium residents age 55+ were female compared to 53.9% of non-condominium residents age 55+ who were female.

Data above and chart below from American Community Survey (ACS) 2011 - 2013, and Integrated Public Use Microdata Series (IPUMS-USA). Created courtesy of Lynn Boergerhoff, MPH, Community Association Atlas.

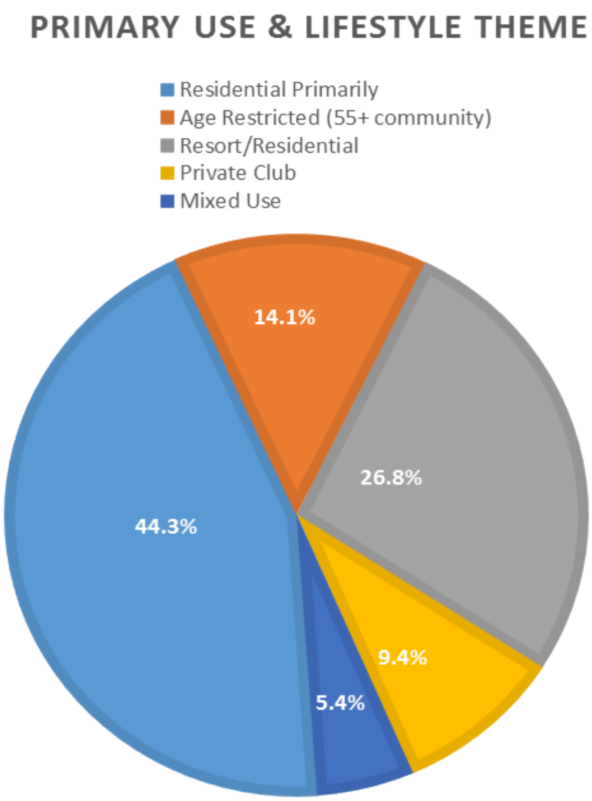
There are similar **Tables for each of the 50 States and the District of Columbia**.

See also the **Age of Housing by State** and **Housing Vacancies and Homeownership (CPS/HVS)**.

5.8 Large-Scale Community Associations

In 2015-16, CAI conducted a Survey of certain types of Large-Scale Community Associations (LSAs). The Survey categorized these associations by five Primary Uses and Lifestyle Themes: Age Restricted, Mixed Use, Private Club, Residential, and Resort/Residential. Those categories are defined below. The largest percentages of respondents were in the Residential (44.3%) or Resort/Residential (26.8%) categories.

- **Residential**: A community which may have a mix of housing types along with association common area including clubhouse, recreational, and maintenance facilities.
- **Age Restricted**: A "55 years old and older" (also called 55+) community subject to the Housing for Older Persons Act (HOPA).
- **Resort/Residential**: In addition to residential properties, this community includes golf courses, marinas, ski areas, hotel, timeshares, and/or other amenities.
- **Private Club**: Similar to Resort/Residential but access is limited to members only.
- **Mixed Use:** A residential community with a significant public retail and commercial aspect.



The tables below show the median number of Acres, Lots, Lots with Units, and Units per Acre now and at build out across the five primary use categories.

Now	Residential	Age Restricted	Resort/ Residential	Private Club	Mixed Use
n=	66	21	40	14	8
Acres Total	2,097	397	1,778	944	1,593
Lots	2,600	1,371	2,300	1,235	1,200
Lots with Units	2,488	1,382	1,900	1,244	3,033
Units per Acre	2	4	1.97	1.1	3

Build Out	Residential	Age Restricted	Resort/ Residential	Private Club	Mixed Use
n=	66	21	40	14	8
Acres Total	2,100	397	1,756	1,000	1,896.5
Lots	2,901	1,382	2,364	1,425	2,970
Lots with Units	3,000	1,507	2,163	1,500	3,716.5
Units per Acre	2	4	1.95	1.3	3

The 156-page Large-Scale Survey contains data and tables organize around four themes:

1. Housing and Demographics
2. Governance Facts & Services
3. Community Facts & Services
4. Business Facts & Services

A very large percentage of LSAs reported that they do have a relationship with local government and public officials. Out of those that reported having a relationship, most qualified the relationship as either Favorable or Very Favorable.

Relationship with Local Gov and Public Officials?					
	Residential	Age Restricted	Resort/ Residential	Private Club	Mixed Use
n=	50	15	28	13	4
Yes	98.0%	93.3%	89.3%	100.0%	100.0%
No	2.0%	6.7%	10.7%	0.0%	0.0%

	Residential	Age Restricted	Resort/ Residential	Private Club	Mixed Use
n=	49	14	25	13	4
Unfavorable	2.0%	0.0%	0.0%	0.0%	0.0%
Neutral	14.3%	21.4%	8.0%	30.8%	0.0%
Favorable	57.1%	35.7%	56.0%	38.5%	50.0%
Very Favorable	26.5%	42.9%	36.0%	30.8%	50.0%

The LSA Survey data also is presented by the demographic regions used by the Census, FEMA, National Association of Homebuilder and National Association of Realtor® categories.

6. Residential Land Use and Development – A Brief History

6.1 Land and More Land: The real issue in Colonial and early 19th Century America was what to do with all of America's land. Of the nearly 2.3 billion acres of U.S. land area, 80% of it was in the public domain. Colonial governors had several methods by which land was distributed, but, even after independence was achieved, the new federal and state governments owned most of the land. For the next one hundred plus years after Independence, real estate meant putting land ownership in private hands. Initial land sales during that period, while seemingly inexpensive, were still too costly for most citizens. Ground leases, borrowed from England, built some early American fortunes, but this practice literally could not span a continent.

Land distribution resulted in politically-generated federal legislation including "Homestead Acts" which gave a person title of up to 160 acres of freehold land outside of the original thirteen colonies. The **Homestead Act of 1862** formally ended in 1976 except in Alaska. The last homestead acreage was given out in Alaska in 1986. See the **2012 National Resources Inventory** for the most updated information on non-federal land use. Of a total U.S. surface area of 1.94 billion acres, only 6% is classified as "developed." See also ***Appendix Six***

6.2 New Frontier – Land Subdivision and Public Regulation: America, urban and otherwise, continued to grow at a rapid pace after the Civil War driven by a vast supply of land, increased immigration, and the evolution of innovative construction techniques (such as balloon frame housing) as well as other improvements in construction materials and techniques. While the frontier was slipping away, vacant building lots in urban areas were sold on a mass scale usually to individual and small builders soften for cheap credit and nominal down payments. Most of this new housing was not in a subdivision and it usually lacked, to some degree, water, sewers and paved sidewalks and streets.

In fact, merchant builders, as known today, acting under enforced building codes and land use regulations, did not really become a factor in housing construction until after World War II. A less sophisticated sub-divider in the late nineteenth and early twentieth century sold one lot and little else. These subdividers were often called "curb-stoners," "fly by nights," "land butchers." They set up shop at the curb, sold the lot and then left. Nearly all houses were built under contract by owners often with financing by several methods including Building & Loan Associations and with the help of family and friends. Land use controls were nominal at best.

Urban transportation, first by horse drawn vehicles, then by electric street car, then by railroad and later by automobile, moved cities outward, usually leaving sections of the urban core over time in dilapidated or slum conditions. Certain suburban builders both before the Civil War, but more increasingly afterward, focused on affluent markets and began construction of what would now be termed master planned communities (MPCs), for example: **Llewellyn Park**, NJ, **Riverside**, IL, **Tuxedo Park**, NY, **Roland Park**, MD, and just at the beginning of the 20th century, **Palos Verdes Estates**, CA. See **Historic Residential Suburbs** and **Suburban Development Practices**. These "community builders" were operating in an environment with little or no zoning and nominal building codes. Early master planned communities/LSAs (using today's terminology) were part of the *first phase in the transformation of land development practices* by private real estate interests in conjunction with what later became public regulations such as zoning. This initial transformation in land use, together with another phase just before and after WWII, eventually led to the rise of community associations.

Transformation of Urban Land Development, 1850s-1920s	
Main Private Planning & Development Tools	**Main Public Planning & Development Tools**
Administration and coordination of capital investment	Zoning
Creation and use of deed restrictions	Subdivision regulations

Marc A. Weiss, *The Rise of the Community Builders*, Columbia University Press, 1987 and see also Weiss articles:
The Rise of the Community Builders: The American Real Estate Industry and Urban Land Planning
Marketing and Financing Home Ownership: Mortgage Lending and Public Policy in the United States, 1918-1989
Richard T. Ely and the Contribution of Economic Research to National Housing Policy, 1920-1940

By the time the Supreme Court decision in **Euclid v. Ambler Realty** (1926) formally recognized public land use controls through zoning, early community builders already had developed private land use controls. In these early MPCs, the homes for the affluent were subject to controls created by restrictions that were part of the deed. The development of detailed (and separate) governing documents came much later. This fee simple system of complete property rights in private ownership, as practiced in the late 19th and early 20th century, did not fully overcome land and housing speculation whether by investors or individuals. "Land-jobbing" and "town-jobbing", while diminishing over time, still was part of the frenetic activity observed by Alexis de Tocqueville (and referenced earlier).

6.3 **New Deal Housing Reforms, GI Bill After WWII** and **Mortgage Finance:** In many respects, the New Deal housing and mortgage reforms, together with the GI Bill housing benefits, completed another or *second phase in the transformation of land development practices*. Unlike the initial phase that was centered mainly on the affluent homeowner/homebuyer, this new phase moved to the middle class with some emphasis on affordable housing. In 1938, two thirds of builds constructed only one home per year while only 11% of all home construction was by builder who constructed 100 homes or more per year. After WWII, many changes took place. The creation of large merchant builders meant more homes could be constructed. An improved highway system meant that homeowners did not have to be tied to the central city by employment or otherwise. The creation of **Levittown**, Long Island and **Park Forest**, IL, after WWII, represented both the successful use of war-time mass production techniques to build affordable subdivisions all at once, as well as the creation of housing for the average consumer who could buy a home in a complete community paid for by an FHA insured mortgage whose monthly payments often were less than the cost to rent.

Overall, the period from the end of WWII through the 1970s saw a dramatic increase in personal income and housing growth. Things started out, however, a bit more hesitantly. No sooner had WWII ended when the battle over housing started. There was a shortfall of nearly 3 million housing units. President Truman first extended wartime housing controls to stimulate production and then experimented with rent controls to limit hardships, but neither really worked. What would work was a matter of intense debate. While private market housing developers (merchant builders) were adapting wartime production techniques to the mass production of subdivision homes, housing policy advocates, planners and academics envisioned a future that would rectify historical ills: slum and blighted areas and poor sanitation, inadequate construction regulation – which led to all of those urban ills that the arc of reform stretching from the Progressive period to the New Deal had failed to eliminate – this was the hoped for future.

Between 1870 and 1940 **mortgage banking in the U.S.** underwent significant changes. By the use of the conditional commitment for mortgage insurance and by supporting long term amortized mortgages, FHA set the stage for two **Government Sponsored Enterprises** – Fannie Mae (in the 1960s) and Freddie Mac (in the 1970s) to play a crucial role in the expansion of homeownership. These entities and others are discussed in #8.3 of the *Fact Book 2017*. FHA, in the early 1960s, and then Fannie Mae, in the early 1970s – provided support for the necessary state legislation and the mortgage underwriting guidelines for the development of condominiums.

This began the *current phase in the transformation of land development practices* with its increased emphasis on promoting homeownership for the middle class and for under-served markets together with an emphasis on sustainability and sound environmental practices. This phase, also, saw the creation of new types of very large master planned communities sometimes on a city-building scale such as **Reston**, VA, **Columbia**, MD, **Highlands Ranch**, CO and **The Woodlands**, TX.

While the *Fact Book 2017* treats the development of community associations as part of the historical transformation of land use practices, the impact of association development (large and small associations) has influenced other aspects of society. For instance, see Robert H. Nelson, ***Private Neighborhoods and the Transformation of Local Government***. In an **article with a similar name**, Nelson sees the creation of residential community associations as the primary cause of the current decentralization of local government. Further, he sees this as a fundamental development in the history of both local government and property rights.

7. Rise of Community Associations

7.1 Foundations for Growth of Community Associations: The use and acceptance of deed restrictions and the creation of zoning, subdivision laws and regulations, coupled with affordable housing financing arising from New Deal Housing Reforms and the GI Bill – these all laid the groundwork for the rise and growth of community associations after WWII. Community associations are an ongoing part of *the transformation of land development practices*. Once again, the effects of the New Deal Housing Reforms and the GI Bill can be seen from another perspective by following the **Chronological History of Federal Involvement in Community Associations**.

7.2 Brief History of Condominiums, Cooperatives and Planned Communities

In the United States, community associations were developed over the past 170 years. As with many other concepts borrowed, in part, from Europe, associations evolved into something uniquely American arising in part from:

- This country's independence as the "first new nation" and the nation's continuous striving for improvement, and in part from,
- Community associations being part of the *transformation of land development practices*, and in part from,
- Community association growth and development that linked volunteer participation with professional support to produce well run housing management organizations responsible for an important part of this country's housing and GDP.

In order of historical appearance, the three (3) basic types:

►**Planned Communities:** Planned communities were sporadically developed beginning in the 1820s and mores so after the Civil War, usually geared toward the high income homeowner. They received more systematic treatment in the affluent large scale master planned communities mentioned earlier and with **J.C. Nichols** and the creation of the Country Club district in Kansas City, MO. Planned communities came into their own a decade after the **Urban Land Institute** published *The Homes Association Handbook*, Technical Bulletin No. 50, in 1964, authored by Byron Hanke. See also Hanke, **Planned Unit Development and Land Use Intensity** (1965). Planned communities have tended to serve market-rate and above homebuyers. Planned communities rank first in terms of the number of community associations. See the **Statistical Briefs** from 2012-2017**.** ***See p. 57*** of the *Fact Book 2017* for selected characteristics of planned communities.

►**Cooperatives:** Cooperatives were first centered in New York City beginning in the 1880s and 1890s. Initially, they involved luxury apartments, but later they catered to immigrant affinity groups and organized labor as a means of providing affordable and decent housing for garment workers and others. Cooperatives have tended to serve two market extremes: Either low-moderate income homebuyers and families or luxury cooperatives such as those that were developed in New York City and that spread to other major urban centers such as Chicago and Washington, D.C. In 1950, the National Housing Act added **FHA Cooperative Section 213** which increased the popularity of cooperative housing for the decade before FHA mortgage insurance for condominiums (cited next) cut short this initial growth. Cooperatives rank third in the number of community associations. For an interesting account of housing cooperatives just after WWII, see **Cooperative Housing in the United States, 1949 and 1950**. For the most recent data on cooperative housing associations, see the Urban Homesteading Assistance Board **National Co-op Research**. ***See p. 55*** of the *Fact Book 2017* for selected characteristics of cooperatives.

►**Condominiums:** A few condominiums were created by common law efforts both before and after WWII. The U.S. condominium concept was borrowed from Puerto Rico, but the historical origins are from Europe. Condominiums never had a "**Roman Origin**." Condominiums received a significant boost in 1961 with the passage of National Housing Act Sections **234(c)** and **234(d)** that extended mortgage insurance, respectively, for unit owner mortgages and for project development mortgages. This FHA mortgage insurance, however, was not available unless the state had a condominium act. By the end of the 1960s, every state had such an act – a "First Generation Condominium Act." Condominiums have tended to serve the first-time homebuyer market, empty-nesters and others seeking direct relief from traditional detached homeowner maintenance issues. Some condominiums are used for very upscale, high-end primary and second homes. ***See p. 54*** of the *Fact Book 2017* for selected characteristics of condominiums.

7.3 Reasons for Growth of Community Associations: Housing is more than just shelter in U.S. society – homeownership is often thought to be essential to achieve the "American Dream." Residential real estate development always has been subject to cyclical economic, social and political forces. Most recently, these forces have required home builders and developers to cooperate and negotiate more than ever with public bodies and, in some cases, the public itself in order to obtain building permits, design approvals, environmental releases and financing for their projects. These forces, together with demographic changes and smart growth activities, have influenced the growth of community associations.

The development and operation of community associations provides these benefits:

(1) Effective Delivery of Services by Collective Management: Americans have accepted, for the most part, the collective management structure of community association living. The private covenants and rules and regulations characteristic of associations, of course, are not novel in residential living whether arising from rental leases or from municipal building and zoning controls. In some types of community associations, Americans have sought these private controls in return for recreational amenities, clubhouses and social activities. In all types of community associations, however, Americans have accepted these private covenants and rules because collective management and architectural controls benefit all residents.

►*Community association housing is the only form of ownership housing whose financial management is predicated of standardized accounting for tracking revenue and expenses and the accumulation of reserves.*

(2) Flexibility in Development and Land Planning: With respect to the development of the associations, local jurisdictions often require builders and developers to create community associations if they want to construct new housing. Because of local fiscal problems created by rising school populations and voter-imposed limits on real estate tax increases, these jurisdictions require associations to assume many responsibilities that traditionally belonged to local and state government, such as infrastructure development, road and sidewalk maintenance, snow removal and storm water management. For instance, the Public Works Department of some jurisdictions only focuses on street signs and similar matters. One reason for this narrow focus is that the county effectively delegates (or privatizes) some of its previous obligations by requiring that developers of residential properties create community associations to fulfill such tasks.

►*This type of privatization of public goals using a community association is consistent with smart growth practices that stress collaboration, sustainability and efficient land-use design.*

(3) Expansion of Affordable Homeownership: There has been an effort to increase the percentage of homeowners in America, especially in underserved market groups such as minorities, women, and immigrants and in underserved locations such as in urban centers and inner ring suburban areas. Almost from their inception in the 1960s, condominiums have tended to serve the affordable end of market rate housing, especially for first-time buyers. This was especially true of early condominium conversions. Many states and city governments have requirements that mandate a developer provide a certain percentage of housing units just for low and moderate-income families with the balance of the units for market rate families.

►*Community associations provide a viable housing management approach to inclusionary housing because of their delivery of the three core services to all residents regardless of economic status.*

(4) Minimize the "Free Rider" Problem: Community associations are better able to minimize the effects of certain external public costs while paying twice for that effort. For instance, all types of housing are subject to certain actions of local government such as code compliance, zoning enforcement and inspections. The cost to fund these actions by local government is paid by property taxes. Association homeowners not only pay those property taxes to local government to fund those actions, but they also pay assessments to their association to privately fund their own architectural controls, property inspections and methods to secure compliance. These association actions enable local government is able to minimize certain staffing and compliance efforts while still getting paid – twice.

►*When viewed from a public goods perspective, associations either avoid or minimize*

- ***Tragedy of the commons*** *(where no one is responsible) through mandatory membership, collective management and direct homeowner governance; and they avoid or minimize the*
- ***Free Rider*** *problem (where not all beneficiaries pay their share,) through mandatory covenants, lien-based assessments and agreements that require reciprocal actions by both the association (acting through the board of directors) and the homeowners.*

***
The rise and growth of community associations is the current phase in the *transformation of land United States development practices*. In the early history of associations, the three core services tended to be applied as follows:

- Business meant austerity
- Governance meant strict compliance
- Community meant conformity

As associations have matured and absorbed the changes brought about by the larger aspects of the transformation *in land development practices*, by environmental challenges and by the lessons learned from development and operations, current association thinking and practices have set a new analogue.

- Community means harmony
- Governance means transparency
- Business means sustainability

8. Community Associations Housing in the Federalist System

8.1 State Laws Coupled with Federal Involvement: Condominiums always are created by state statute. Planned communities and cooperatives, however, can be created by conventional real estate methods. As mentioned, there is an important and evolving federal involvement that now combines with state and even municipal association laws and regulations. To help understand this local/federal combination and its impact on associations:

- Review **Appendix One: Basic Types of Associations by Selected Characteristics**
- Review **Chronological History of Federal Involvement in Community Associations**
- Examine any ***State Summaries 2017 in the Fact Book 2017***

8.2 Role of the Uniform Law Commission: By the end of the 1960s, every state had a condominium act that enabled the creation of the association in a manner that would facilitate obtaining FHA mortgage insurance, private mortgage lending and title insurance. This early legislation is often referred to as "First Generation Condominium Acts." Little attention was paid to planned communities. Housing cooperatives, with a narrower geographic focus, had a long history, beginning in the 1890s, in the New York market. Problems with conversions to condominium, a lack of balance between consumer protection and developer flexibility, and other issues, however, led to the need to take a closer look at state community association legislation by the **Uniform Law Commission**. The result was a series of model and uniform laws dealing with the three types of associations that have been adopted in varying forms in a number of states.

Uniform Common Interest Ownership Act (UCIOA)

- UCIOA 1982: adopted in Alaska, Colorado, Minnesota, Nevada, West Virginia.
- UCIOA 1994: adopted in Connecticut, Vermont.
- UCIOA 2008: adopted in Connecticut, Delaware, and Vermont.

UCIOA permits the creation of all three of the basic types of community association in a single statute. Generally, when any of the “uniform” statutes are adopted by a state, by the state makes changes to that statute to reflect state concerns and practices.

Uniform Condominium Act (UCA): The Uniform Condominium Act has been adopted in: Alabama, Arizona, Kentucky, Louisiana, Maine, Minnesota, Missouri, Nebraska, New Hampshire, New Mexico, North Carolina, Pennsylvania, Rhode Island, Texas, Virginia and Washington. UCIOA permits the creation of all three basic types of community associations in that statute. Generally, when the uniform acts are adopted, they are modified to state interests and needs. Collectively, these uniform laws are sometimes referred to as the “Uniform Real Property Acts.”

Model Real Estate Cooperative Act (MREA): This has been withdrawn.

Planned Community Act (PCA): UPCA has been adopted only in Pennsylvania, 1997. The Law Commission does not show Oregon as having it, but Oregon may have a close version. The Planned Community Act started out as a Uniform Act, but it was changed to a Model Act in 2003.

Uniform Manufactured Housing Act (UMHA): UMHA was created by the Law Commission in 2012. Most states have statutes that deal with manufactured housing (formerly called mobile homes). UMHA deals with the proper classification of such housing as real property versus personal property. Approximately 18 states deal directly with the conversion of mobile homes to cooperative or to condominium. Those 18 states and links to those laws are found in the given individual *State Summaries 2017* at #5.4.

8.3 Role of the “Agencies”: The are two Government Sponsored Enterprises (GSEs) – Federal National Mortgage Associations (doing business as **Fannie Mae**) and the Federal Home Loan Mortgage Corporation (doing business as **Freddie Mac**) that are very important to homeownership housing. Both are currently under the conservatorship of the **Federal Housing Finance Agency**. Both have played and continue to play an active role in the development and operation of community associations by helping to modify some of the weaknesses in First Generation Condominium Acts.

There are four federal agencies below, however, that also play a role in the development and operation of associations:

- **Federal Housing Administration (FHA),**
- **Department of Veterans Affairs (VA)**,
- **Federal Emergency Management Agency (FEMA)** and its **National Flood Insurance Program (NFIP)** and, to a lesser extent, the
- **Government National Mortgage Association (Ginnie Mae)**

FEMA, through the NFIP, provides flood insurance for condominium associations in its **Residential Condominium Building Association Policy (RCBAP)**. FEMA also has a **Standard Flood Policy for Condominium Unit Owners**. FEMA does not have special insurance programs for planned communities and cooperatives. FEMA, NFIP and RCBAP data is available in the *State Summaries 2017.*

Collectively, all these entities have sometimes been called the “Agencies.” The GSEs, FHA and VA influence associations through underwriting standards and guidelines, sometimes called **Project Standards**.

- The GSEs (Fannie Mae and Freddie Mac) purchase mortgage loans made by mortgage lender for home/units in associations. The GSEs, however, will only purchase these association loans if the community association meets Project Standards.
- FHA **insures mortgages** for homes in associations.
- VA **guarantees mortgages** for homes in associations.
- Ginnie Mae buys mortgages only from FHA, VA, HUD’s Public and Indian Housing Program and from the **Dept. of Agriculture's Rural Development Program;** therefore, Ginnie Mae has a minimal direct involvement with associations. Ginnie Mae securities are the only Mortgage Backed Securities (MBS) to carry the full faith and credit guaranty of the United States government.

These Agencies (apart from FEMA) will only provide their services if the association meets certain guidelines, i.e., meets Project Standards. In addition to meeting underwriting guidelines, each of the “Agencies” has a list of **Ineligible Project Types**. Freddie Mac’s approval process is 100% lender delegated, i.e. the lender makes the decision if the association meets Freddie Mac Project Standards. Fannie Mae, FHA and VA take the opposite approach, i.e., the lender needs to ask the given Agency for a waiver of the given Project Standard.

While flood insurance is required if the association is in a Special Flood Hazard Area, FEMA can provide flood insurance even if the association is not located in such an Area. In fact, people outside of mapped high risk areas file **over 20% of all claims** with the National Flood Insurance Program and receive one-third of Federal Disaster Assistance for flooding.

The Project Standards and related information are detailed and regularly updated:

- **Fannie Mae Selling Guide**
- **Freddie Mac Snapshot Selling/Servicing Guide**
- **FHA Condominium Project Approval and Related Information**
- **NFIP Condominium Coverage and FEMA Flood Insurance Manual**
- **Ginnie Mae Mortgage Backed Securities (MBS) Guide**

See also **FHA Production Reports**, **FHA Single Family Loan Performance**, **FHA Single Family Origination Trends Report** and **HUD/FHA Handbooks**.

Each *State Summary 2017*, also, contains links for the various Agencies to determine if a given community association is approved by the Agency in that state. Alternatively, a prospective borrower can ask their mortgage lender if the association is approved.

8.4 Community Association Housing as Part of U.S. Housing & Population

The links below also are found in the 51 *State Summaries 2017* (including the District of Columbia). This data is more appropriately viewed in those *Summaries* where the specific state data can be seen in the context of certain association data.

- **General Housing Characteristics for All U.S. States**
- **Population – Age, Household Type, Disability and Place of Birth**
- **New Housing – With and Without a Mortgage by Age Group**
- **U.S. Condominium Unit Owners 55+**
- **NAHB Eye on Housing Table 1**

Based on recently released 5 Year **American Community Survey** (ACS) data, see also NAHB next:

- **Property Tax Rates In and Within Counties (April 2016)** and
- **Effective County Tax Rates & Average Home Values (April 2016 Excel)**.

For more summary information, see the **Statistical Briefs** from 2012-2017.

8.5 Comparing Community Associations to Other Entities: There are nearly 38.6 million entities in the U.S. – charitable, governmental, business and community associations. Associations represent just under 1% of the total. Community associations are one component of other primary entities in the U.S.

Community associations are one component of other primary entities in the U.S.

Entity	Number	Percent of Total Entities
Tax Exempts & Other Nonprofits	1,571,056	4.12%
Governmental Units	89,055	0.23%
Businesses	36,122,625	94.74%
Community Associations	344,500	0.90%
Total Entities	38,575,854	100.00%

For more details, see Appendix **Community Association Data Compared to Other Entities**

8.6 Association Taxation and Financial Reporting: To some extent, the financial management and taxation of community associations falls between for-profit businesses and tax-exempt charitable organizations. ***Appendix Two*** makes clear where associations fit in terms of aspects of those two recognizable entities.

All condominiums and nearly all planned communities have federal income tax filing obligations under one of two sections of the Internal Revenue Code (IRC). One federal tax filing option is under **IRC Section 528** and **Form 1120-H** is used. The other filing option is under **IRC Section 277** and file **Form 1120** is used.

Some planned communities qualify as tax-exempt under **IRC Section 501(c)(4)** (and perhaps some other IRS category) and these associations file IRC **Form 990**. Condominiums and cooperatives can never qualify under IRC Section 501(c)(4) because of **IRS Revenue Ruling 69-280**. A planned community, however, might qualify if it met the requirements of **IRS Revenue Ruling 72-102** and of **IRS Revenue Ruling 74-99**. See also **Homeowners' Association Tax Library**.

Housing cooperatives are taxed under **IRC Sub-chapter T** and file **Form 1120-C**. In order to qualify for the pass-through mortgage interest and real estate taxes to their shareholder members, housing cooperatives also must adhere to **IRC Section 216** requirements.

The **Financial Accounting Standards Board (FASB)** provides accounting guidance for "common interest realty associations" (CIRAs). On July 1, 2009, the FASB Accounting Standards Codification (ASC) became "the single official source of authoritative, nongovernmental U.S. generally accepted accounting principles (GAAP)." **CIRAs are described in Standard #972**. Also see **Financial Guide to Homeowners' Associations and Other Realty Associations**.

FASB requires the association's accounting statements to be presented in accordance with **Generally Accepted Accounting Principles (GAAP)**. For community associations, accrual accounting and fund reporting are the preferred methods. Fund reporting usually involves separately reporting the financial activities in an *Operating Fund* and a *Reserve Fund*. FASB refers to reserves as "major repairs and replacements." The establishment of **reserve standards** and reserves themselves should be determined and calculated by a **Reserve Specialist** or someone with similar qualifications.

The existence of reserves has become an important issue in mortgage financing especially with the GSEs, FHA and VA. The underwriting guidelines (i.e., “Seller Guides” and “Processing Guides”) all have special sections for reserves. See the various *State Summaries 2017* for state reserve requirements in the enabling statutes, and #12.4 below.

See also **Summary of Financial Reporting and Auditing Guidance for HUD Multifamily Program Participants and Independent Auditors**.

Many states also have community association income tax requirements.

8.7 Association Financial Management: The association’s requirements for adhering to budget processes, distribution of financial information and collection of delinquent assessments are found in the enabling statute and/or in the recorded governing documents. There is an emphasis placed on four financial and risk management areas: (i) Reserves as mentioned above, (ii) Lien Priority and Foreclosure, (iii) Budget Formation and (iv) Risk Management and Insurance. Risk Management and Insurance is discussed in Section #12 below.

Community association lien priority in certain states places the association’s lien for assessments is in a priority position with respect the mortgage lender’s lien. This priority is recognition that the association has to look after the lender’s asset (the mortgaged home) when the owner is not making mortgage payments and probably not paying assessments. Lien priority is a state-by-state issue and can be found in the *State Summaries 2017* Also, see Section #12.3 below.

All housing can be subject to foreclosure and the forced sale of the property for many reasons:

1. Failure to pay a debt secured by real property such as a mortgage delinquency. These foreclosure processes are state-specific. See **Foreclosure Laws and Procedures by State**.

2. Failure to pay federal income can lead to **IRS Real and Personal Property Sales**.

3. **Vacant and abandoned property** can prompt local government intervention and eventual acquisition of such property. See the **Census Methodology for State and County Total Housing Unit Estimates**.

4. The **sale of property tax liens** can result in the same foreclosure as mentioned above. Each year some **$7 -$10 billion in property taxes go delinquent**. Tax collectors in 29 states and D.C. use tax lien sales to force owners to pay delinquent taxes. These forced sales often are for a fraction of the market value of the home.

5. Failure to pay assessments to the community association.

There are several research articles discussing community association lien priority:

- Andrea Boyack, **Community Collateral Damage: A Question of Priorities**
- William Breetz, **The Six Month Limited Lien Priority**
- Daniel Goldmintz, **Lien Priorities**
- Stewart Sterk, **Maintaining Condominiums and Homeowner Associations**
- Joint Editorial Board, **Strengthening HECM Mortgages**

Certain states and local jurisdictions have a more detailed approach to association budgets and related financial matters, by way of example see:

- California **Operating Cost Manual**
- Florida **Budgets & Reserve Schedules**
- Fairfax County VA **Community Association Manual**
- Virginia **Condominium Regulations**
- Maryland **Montgomery County Commission on Common Interest Communities**
- Hawaii **Condominium Registration and Education**

9. CAI Professional Designations, Manager Licensing & Legislative Issues

9.1 Professional Designations

Community Associations Institute (CAI) and **Community Association Managers International Certification Board** (CAMICB) are pleased to provide this **database of credentialed professionals**. This database allows you to locate community managers and professionals who have earned the following credentials:

Management Credentials	Other
Certified Manager of Community Associations (CMCA)	Reserve Specialist (RS)
Association Management Specialist (AMS)	Community Insurance and Risk Management Specialist (CIRMS)
Professional Community Association Manager (PCAM)	College of Community Association Lawyers (CCAL)
Large-Scale Manager (LSM)	Educated Business Partner – Distinction
Accredited Association Management Company (AAMC)	

- **Learn more** about what these CAI professional designations mean to you and your community.

9.2 Association Manager Licensing

- ***Fact Book 2017*** **Manager Licensing** [Only states with licensing are listed]

9.3 Association Legislation Initiatives and Tracking

- ***Fact Book 2017*** **Legislative Action Committee**
- ***Fact Book 2017*** **Legislative Tracking Report**

10. Community Services as an Association Core Function

Introduction: The ***Statistical Review 2017*** reports on the active involvement of nearly 2.4 million homeowner leaders and other homeowner volunteers all of whom donated over 80 million hours of time in the governance and management of their association boards of directors and committees. These leaders provided nearly $2 billion **dollars of time** to their associations. In addition to privatizing certain infrastructure and development functions mentioned in #7.3, the community services functions save local government between $2 to $4 billion a year by minimizing the need for building and health code enforcement and other public safety services.

Associations perform many of these governmental type functions as part of common area inspections and obtaining cooperation and compliance from residents. **New Jersey Bureau of Housing Inspections**, for instance, makes clear that it understands that community associations have the same inspection functions as do hotel owners and rental apartment building owners. New Jersey, also, recognizes that community association assessments often cover the same services paid for in property taxes. See the *New Jersey State Summary* at Section #5.4 for the "Municipal Services Act for Community Associations." Also, see this CAI Amicus Brief on **Reimbursement Under the New Jersey Municipal Services Act**. Community Services run the range of activities below and include a variety of related activities that are discussed in this CAI publication:

Managing & Governing: How Community Associations Function

10.1 *An Introduction to Community Association Living*

Introduction: The purpose of *An Introduction to Community Association Living* is to introduce community volunteer leaders and members to community associations, provide a greater understanding of exactly how a community association works from both an organizational and people standpoint, and to endow members with the information necessary for fully enjoying and benefiting from community association living.

10.2 From Good to Great – Principles for Community Association Success

Every community has its own history, personality, attributes and challenges, but all associations share common characteristics and core principles. Good associations preserve the character of their communities, protect property values and meet the established expectations of homeowners. Great associations also cultivate a true sense of community, promote active homeowner involvement and create a culture of informed consensus. The ideas and guidance conveyed in this brochure speak to these core values and can, with commitment, inspire effective, enlightened leadership and responsible, engaged citizenship.

10.3 Community Matters – What You Should Know Before You Buy

Whether you are considering buying a home in a community that is newly developed (either new construction or a conversion) or a resale in an existing community, or you are renting with the possibility of buying—you need to consider certain key points about community association governance and operations. This publication will help. Also, this information runs parallel to the **Consumer Finance Protection Bureau** (CFPB) campaign on **Know Before You Owe**. Further, the *State Summaries 2017* provide information links for those states that require disclosure upon sale. The states with some version of the Uniform Real Property Act require disclosure upon sale. If interstate land sales are involved, then the CFPB by means of the requirement for **Interstate Land Sales Registration** provides consumer protection. Many states have detailed disclosure and other requirements on first-sales and re-sales especially in condominiums. See **Virginia Condominium Regulations** or **Connecticut Condominium FAQs** or **Colorado The HOA Information and Resource Center**. The various *State Summaries 2017* contain more information.

10.4 Community Harmony & Spirit [FCAR Best Practices]

How do managers and boards increase resident involvement within community associations? By treating all residents as stakeholders and developing and conducting community harmony and spirit-enhancing programs and including residents in the initial stages of program development. Building community spirit is more than informing residents about board action and improvements. It's asking their opinions and developing programming that will spur further community involvement.

10.5 Community Security [FCAR Best Practices]

The goal of this Best Practices Report is to give you an assessment and review of many community security systems and features—including useful tips and tools—to help meet residents' crime prevention needs.

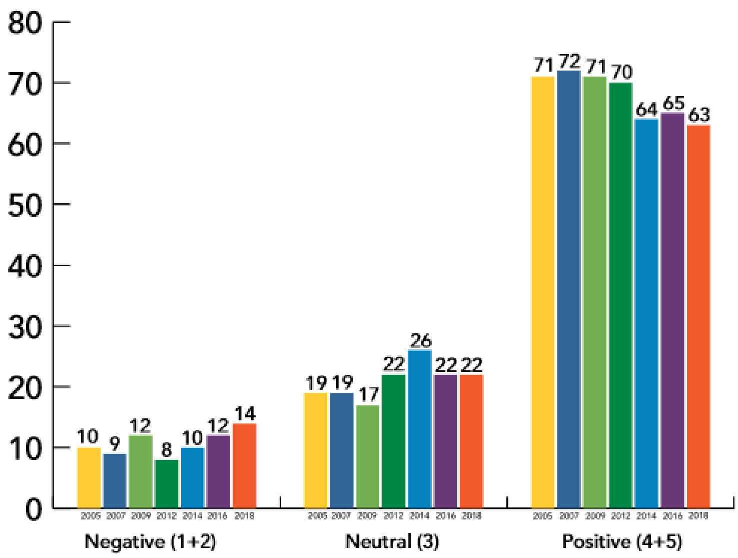
10.6 Judging Community Association Success

For the seventh time in 13 years, Americans living in homeowners associations and condominiums have told pollsters they are overwhelmingly satisfied in their communities. The March 2018 Survey **affirms the findings** of almost identical national surveys conducted in 2005, 2007, 2009, 2012, 2014 and 2016. The 2018 survey was conducted by Zogby Analytics for the Foundation for Community Association Research. The findings from the six surveys are strikingly consistent and rarely vary by a standard margin error for national, demographically representative surveys. By large majorities, owners:

- Rate their overall community experience as positive or, at worst, neutral.
- Say their association board members serve the best interests of their communities.
- Indicate their community managers provide valuable support to residents and their associations.
- Support community association rules because they protect and enhance property values.

The findings objectively refute the unfounded and unsubstantiated myth that the community association model of governance is failing to serve the best interests of Americans who choose to live in common-interest communities.

On a scale of one to five, with one being very bad and five being very good, how would you rate your overall experience living in a community association?



85% of residents rate their overall community association experience as positive (63%) or neutral (22%)

11. Governance Services as an Association Core Function

Introduction: Each of the ***State Summaries 2017*** provides information on the state statutes that have an impact on how community associations are governed. The ***Statistical Review 2017***, also, estimates that 30% to 40% of associations are self-managed. In these self-managed communities, the boards of directors avail themselves of advice from key professionals such as attorneys, accountants, insurance agents and Reserve Specialists; but the management itself is provided by the board. See the list of *CAI Professionals by Designation* in #9.1 above.

Good governance involves more than meeting legal requirements. Increasingly, association disputes, including construction defect matters, are often first approached by internal dispute resolution before moving on to more formal actions.

Nevertheless, association law is very important. The role of the Uniform Law Commission (see #8.2) in bringing changes at the state statute level has been discussed. In terms of property law, the **American Law Institute** (ALI) in its **Restatement of the Law Third, Property (Servitudes)** in Vol. 2, Chapter 6, "Common Interest Communities" brought about a comprehensive discussion of the basic elements of association law. Professor Susan French, the Reporter on the ALI project, has an explanatory article titled **Making Common Interest Communities Work: The Next Step**.

CAI continues to work toward using the law to help communities work, see:

- **Amicus Briefs Filed on Behalf of Community Associations**
- **College of Community Association Lawyers**
- **Community Association Law Reporter**
- **Community Association Law Seminar**

See **Managing & Governing: How Community Associations Function** for a general discussion of governance as a core service.

11.1 Governance [FCAR Best Practices]

It is CAI's purpose to foster vibrant, responsive, competent community associations that promote harmony, a sense of community and responsible leadership. Common characteristics of such community associations include good communication, trust in the management and board of directors, continuing education of board members and homeowners, and uniform, flexible and reasonable enforcement of governing documents. Inclusiveness—the involvement of as many residents of the community as possible—is a critical element in fostering a sense of community.

11.2 Strategic Planning [FCAR Best Practices]

Strategic planning is more than ensuring your association will remain financially sound and be able to maintain its reserves—it's projecting where your association expects to be in five, ten, or fifteen years—and how your association will get there. It is a systematic planning process involving a number of steps that identify the current status of the association, including its mission, vision for the future, operating values, needs (strengths, weaknesses, opportunities, and threats), goals, prioritized actions and strategies, action plans, and monitoring plans. Strategic planning is the cornerstone of every common-interest community. Without strategic planning, the community will never know where it is going—much less know if it ever got there.

11.3 Transition [FCAR Best Practices]

The purpose of this report is to provide builders and associations with guidelines they can use to develop and turn over control of a community association project in such a way that transition becomes much easier and less confrontational. The ultimate goal of transition is for the unit owners to take over and move forward with the builder retaining a good reputation, with no litigation, and with positive word-of-mouth sales.

11.4 Ethics [FCAR Best Practices]

The concept has come to mean various things to various people, but, generally, it's knowing what is right or wrong in the workplace and doing what's right—usually in regard to products and services and to relationships with stakeholders. In times of fundamental change, values that were once followed inherently are now strongly questioned or no longer followed. Consequently, there is no clear moral compass to guide leaders through complex workplace dilemmas. Attention to ethics in the workplace sensitizes leaders and staff to how they should act. Perhaps most important, in times of crises and confusion, attention to business ethics helps ensure that when leaders and managers are struggling, they can retain a strong moral compass.

11.5 *Fact Book 2017* Community Association & Related Statutes

Association statutes are found in the **State Summaries 2017**.

While the state condominium or similar enabling act and the association's declaration and related governing documents are critically important to governing the association, there are many other local, state and federal laws that impact community associations. Certain states have provided specific administrative support directed at assisting with association issues.

Community Association Ombudsman Programs by State

[Not all states have an Ombudsman]

See **Census 2012 of All State Governments**
Also, see **Chronological History of Federal Involvement in Community Associations**.

11.6 *Fact Book 2017* Community Association Volunteer Immunity

For more detailed information on volunteer immunity for association leaders and volunteers, see this comprehensive publication entitled ***Voluntary Immunity in Community Associations*****.**
Volunteer directors and officers who serve on their boards face the potential for personal liability in serving the association. Although all states provide some form of immunity from liability for volunteers, the number of suits being filed each year against both community associations and their boards is increasing. The protections offered by states vary widely, and prudent board members need to consider them when formulating policy and participating in a community association. *Volunteer Immunity* offers a summary of volunteer immunity according to the federal Volunteer Protection Act and each state's volunteer immunity statutes and explains how the statutes apply to community associations and their volunteer officers and directors. It includes a chart of volunteer immunity by state.

11.7 *Fact Book 2017* Standard of Care for Community Association Directors & Officers

Community association directors and officers need to understand the duties they owe to their association and fellow owners, the nature of those duties, and the liability performing those duties may bring. How much a volunteer leader knows about his or her state's standard of care can be the difference between liability and immunity. *Standards of Care* provides a survey of each state's standard of care for community association directors and officers, a brief description of the standards by which they must perform their duties and recommendations for complying with their state's standard of care. Also includes a discussion of notable trends in state legislation, how the standard of care may evolve and a chart of the standard of care by state. For more detailed information on standards of care for association directors and officers, see this comprehensive publication entitled ***Standards of Care in Community Associations***

11.8 *Fact Book 2017* – Community Association Deed Based Transfer Bans

11.9 *Fact Book 2017* – Community Association Clothesline Ban

11.10 *Fact Book 2017* – Community Association Ombudsman Programs

11.11 *Fact Book 2017* – Community Association Solar Rights and Easements

11.12 College of Community Association Lawyers (CCAL) State Law Pages

[See selected states]

12. Business Services as an Association Core Function

Introduction: Community associations are "big business" in small increments. As mentioned in #5.2, the associations themselves have an aggregate value of around $5.880 trillion dollars and, in terms of residential fixed investment and Housing Services, contribute at least 4% to GDP. The **Statistical Review 2017** also points that the 7,000 – 8,000 community association management companies employ nearly 100,000 people to assist the 60% to 70% of associations that require professional management to deliver the core services previously discussed. Section #9.1 of the *Fact Book 2017* lists the various CAI management (and other) credentialing programs.

Physical asset management incorporating diligent maintenance and carefully structured budgets and reserve funds are two of the three most important association business services. The third important business service involves risk management and insurance. Most planned communities have nominal direct property exposures to loss because insurance for the homes is the responsibility of the owner. In 10% to 20% of planned communities, however, insurance is maintained on a blanket basis as though the planned community was a condominium or cooperative. For those planned communities as well as for condominiums and cooperatives, risk management and insurance expenses can be almost 25% to 30% of the budget especially if catastrophic perils such as flood, wind and earthquake are being insured.

Only a few states such as Florida and Illinois have comprehensive association insurance requirements. For most states, the governing documents contain more detailed insurance obligations. In turn, those requirements are driven by Fannie Mae and Freddie Mac insurance requirements in their Seller Guides. This is a reminder that association insurance is necessary for both physical asset management and to enable the association homeowner to obtain mortgage financing and refinancing.

Insurance for the association is classified as commercial insurance while insurance obtained by a homeowner is classified as personal insurance. Generally, property insurance is obtained on the full insurable replacement cost of the property as well as for mechanical breakdown of common equipment. Liability insurance often includes Directors & Officers (D&O) Liability Insurance. Usually, fidelity insurance is purchased to protect operating and reserve funds. In a condominium, if the building or home is in a **Special Flood Hazard Area**, then flood insurance will be required in order to obtain a mortgage or refinancing. See the various *State Summaries 2017* for the amount of flood insurance in place.

Association residents (owners and tenants) typically obtain personal insurance for their homes:

- **HO-6** for a homeowner in a condominium, cooperative or in a planned community that insures like a condominium or cooperative.
- **HO-3** for a homeowner in a typical planned community.
- **HO-4** for a tenant renting a home in a community association.

Nationally, around one-third of all homeowners own their homes debt free which means that there is no mortgage lender pushing the owner to have insurance. Probably less than 50% of condominium owners have an HO-6 policy. See the various ***State Summaries 2017*** for the percentage of homes without mortgages. See also **Dwelling Fire, Homeowners Owner Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report: Data for 2014**

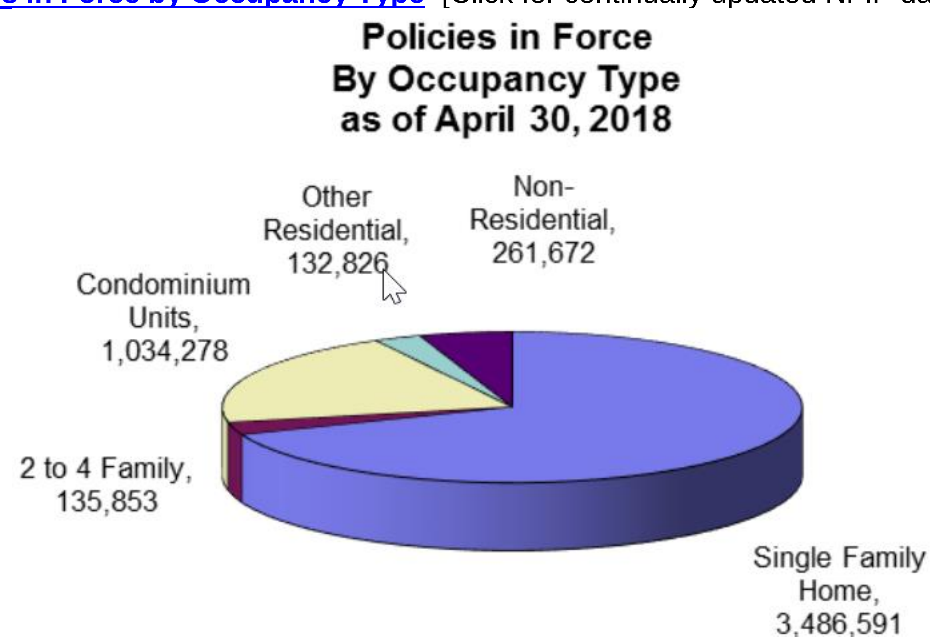
12.1 Condominium Insurance Requirements

See 50 State Condominium Insurance Survey

12.2 Flood Insurance – Condominiums: *Fact Book 2017*

Note: Flood insurance offered by FEMA through the National Flood Insurance Program (NFIP) was subject to substantial changes in the **Flood Insurance Reform - The Law**. Not all of the changes have been enacted. See also the **Homeowner Flood Insurance Affordability Act of 2014**. For help regarding FEMA flood insurance see the newly created **Flood Insurance Advocate**. See the list of *Fact Book 2017* Contributors for more source information.

- **NFIP Policies in Force by Occupancy Type** [Click for continually updated NFIP data]



OCCUPANCY TYPE	POLICIES IN FORCE
Single Family Home	3,486,591
2 to 4 Family	135,853
Condominium Units	1,034,278
Other Residential	132,826
Non-Residential	261,672
	0
All Policies	5,051,672

For additional information see the **FEMA Policy & Claims Statistics for Flood Insurance** and for more detailed flood statistics from FEMA see **NFIP BureauNet**.

See **Condominium RCBAP Claims** and see **Condominium RCBAP Premiums** for all states.

12.3 CAI Information on Lien Priority for Community Association Assessments

12.4 *Fact Book 2017* Reserve Fund Requirements

12.5 Community Association Insurance

Commercial insurance is one of the most important components of a community association's risk management program. To help managers and boards fully understand insurance issues, this guide explores three key areas:

- Insurance terminology, in terms of coverages, policies, and practices
- Association exposures to loss and insurance coverages
- Risk management and the association insurance industry

12.6 Community Association Risk Management

Risk management is the process of making and carrying out decisions that minimize the adverse effects of accidental losses. It involves five steps:

1. Identifying exposures to loss
2. Examining alternative techniques
3. Selecting the best techniques
4. Implementing the chosen techniques
5. Monitoring and improving the risk management program

This guide examines each phase of the risk management process. It also helps board members and managers identify risks and implement a plan that will safeguard association assets.

12.7 Preventing Fraud and Embezzlement

Community association boards should consider implementing ten practices and procedures to safeguard association funds.

12.8 Energy Efficiency [FCAR Best Practices]

CAI and the Department of Energy (DOE) are dedicated to educating the community association industry—and the significant portion of the U.S. population it represents—on the many ways to increase the energy efficiency of their homes and thereby reduce both energy consumption and costs.

12.9 Financial Operations [FCAR Best Practices]

The board of directors, particularly the treasurer, is ultimately responsible for the association's funds and may not abdicate their fiduciary responsibility. Given the reality that community association boards are made up of diverse individuals with varied degrees of financial knowledge, this report contains basic guidelines that should be followed to ensure sound financial operations.

12.10 Green Communities [FCAR Best Practices]

This report explores "greenness" in communities, in their varied forms. It considers the concept of sustainability through better designs, new technologies and social innovations. Sustainable communities are developed to meet the "needs of the present without compromising the ability of future generations to meet their own needs." They are regenerative, meaning they have "processes that restore, renew or revitalize their own sources of energy and materials, creating sustainable systems that integrate the needs of society with the integrity of nature."

12.11 Reserve Studies Management [FCAR Best Practices]

There are two components of a reserve study—a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates. A financial analysis assesses only the association's reserve balance or fund status (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate (funding plan).

13. Community Associations in Other Countries

13.1 Introduction

The U.S. is the only county with three basic types of community associations – condominiums, planned communities and cooperatives. While terminology varies in other parts of the world, many countries have cooperative housing and over 30 countries have some version of condominium housing. This latter fact is not too surprising since the **condominium concept** was first developed in Europe and not under Roman law. Australia and South Africa have something similar to U.S. planned communities.

Typically, housing legislation needs to be researched country-by-country which sometimes means that English translations are not readily available. Certain international organizations such as the following maintain data on a variety of topics including housing:

- **World Bank**
- **Organization for Economic Development & Cooperation (OECD)**
- **United Nations Housing Statistics Division**
- **UN-Habitat**
- **Eurostat**
- **European Network for Housing Research**
- **CECODHAS Housing Europe**

In most cases, however, these organizations do not present community association data in any recognizable form that might be used as a possible comparison to similar U.S. associations. The community association data and information presented next will focus on housing cooperatives and then on condominiums in selected geographic areas. Selected Summary Statistics (primarily for 2017) for the countries cited:

Country	Size (sq.km.)[a]	Population	All Housing Units	Home Ownership Rate[h]	Gross Domestic Product
Australia[b]	7,741,220	23,232,413	10,052,600	65.5%	$1.235 trillion
Belgium[f]	30,528	11,491,346	4,646,000	71.3%	$526.4 billion
Canada[b]	9,984,670	35,362,905	14,072,079	67.8%	$1.764 trillion
China[b]	9,596,960	1,379,302,771	460,000,000	90.0%	$23.12 trillion
Dubai[c]	4,110	3,086,921	477,715	NA	$378 billion
England[d]	130,400	55,268,100	23,372,000	63.4%	$2.88 trillion
Germany[f]	357,022	80,594,017	41,446,300	51.7%	$4.15 trillion
Hungary[f]	93,028	9,850,845	4,400,000	85.3%	$283.6 billion
Italy[f]	301,340	62,137,802	25,783,000	72.3%	$2.307 trillion
Japan[b]	377,915	126,451,398	60,630,000	61.9%	$5.405 trillion
Russia[b]	17,098,242	142,257,519	30,557,000	87.3%	$4 trillion
South Africa[e]	1,219,090	54,841,552	16,662,000	NA	$757.3 billion
Spain[f]	505,370	48,958,159	25,208,000	77.8%	$1.769 trillion
United States[g]	9,826,675	326,625,791	136,570,000	64.2%	$19.36 trillion

(a) Conversion Factors: 1 km = 0.62 miles and 1sq. km = 0.386 sq. miles and 1sq.km = 247.105 acres
Country Size and Population: All cites from **CIA World Factbook** as of July, 2017. GDP is presented as **Purchasing Power Parity** as of 2017.
(b) *Housing Units:* Australia, 2011 **Australian Bureau of Statistics**; Canada, as cited and see **Statistics Canada 2011**; China as cited in #13.10 below; **Japan Housing Market**; Russia **2015 privatized housing stock**; and see **Eurostat**
(c) Dubai Housing, sq.km. from Wiki, Dubai population, includes 1,100,000 non-permanent residents, 2015. Dubai is part of the **United Arab Emirates**. See also **Current Population Statistics** for 2016. **GDP from Government Statistics** and housing from **Dubai Statistics Center**
(d) England and Wales Housing together with Scotland and Northern Ireland constitute the **United Kingdom**. Data from various sources: England **dwelling stock in 2014** and Wales **dwelling stock** and **population**.
(e) South Africa Housing, **General Household Survey 2016** based on household estimates.
(f) See **Housing Europe 2017** for housing in Belgium, Germany, Hungary, Italy and Spain.
(g) **U.S. Housing Inventory Estimate Q4 2017** and see ***Appendix Six*** for U.S. Land Use Cover and Alaska data.
(h) Home ownership rates by country are taken from several sources. Most are for 2014 - 2017.

13.2 Housing Cooperatives

Despite the early use of condominiums in Europe, housing cooperatives have remained a popular choice for ownership housing. Just recently, during the **2012 U.N. Year of the Cooperatives**, there were several publications detailing the use of cooperatives around the world including in the U.S.

Profiles of a Movement: Co-operative Housing Around the World presents a brief history and selected data for cooperative housing in 22 countries.

Cooperative Housing: A Key Model for Sustainable Housing in Europe comments on the fact cooperative housing "represents an important part of the housing market in many countries in Europe. For instance, housing cooperatives manage over 3.5 million dwellings in Poland (about 27% of the total housing stock in the country in 2009), about 17% of the total housing stock in the Czech Republic and Sweden, 15% in Norway." CECODHAS Europe, sited above, presents studies of cooperative housing in several countries. For example see: **Italy** **Spain** **Germany** **Hungary** **Belgium**

13.3 Eastern Europe and Russia: Condominiums

In addition to the language/translation problems mentioned in the Introduction, the OECD, in Chapter 5 of its **Guidelines for Micro-Statistics on Household Wealth**, points to another set of problems arising from housing definitions. For example, see this Note in Chapter 5:

> "Owner-occupied residences are usually houses or flats/apartments/condominiums. Sometimes owner-occupied apartments/condominiums are owned as part of a co-operative, without occupants having separate title to the individual dwelling in which they live. However, tenants and lodgers do not fulfil the condition for owning their own residence."

The **Urban Institute** has excellent studies on the privatization of housing in Eastern Europe and Russia which generally meant conversion to condominium. **Condominium Housing and Mortgage Lending in Emerging Markets** indicates that across "Central and Eastern Europe (CEE) and the former Soviet Union, large-scale privatization of state-provided and owned apartment buildings in the early 1990s resulted in mass owner-occupied housing markets. The new owners acquired ownership in the form known throughout the world as condominium—individual ownership of a unit and an interest in the common property (the entrance, stairways, roof, etc.). In addition to the hundreds of thousands of formerly state-owned apartments that have been privatized, construction of new apartments in more recent years has added to the stock of condominiums in these countries. There are now 9 countries from the former Soviet bloc that are members of the European Union; in most of them owner occupancy rates reach 90 percent or above, and at least 75 percent of the urban populations live in owner-occupied apartments (Schweinichen 2006)."

There have been other studies on the privatizing housing in Russia, see **A Model of Housing Privatization Decision: The Case of Russia** "This study addresses the issue of housing privatization in Russia in the course of the 1990s. Privatization was started to create a housing market in order to efficiently allocate resources in the use and production of housing, and to phase out the state budget financing of housing. The dwellings were offered to their residents free of payment. The objective of this study is to offer a better understanding of the structural components of privatization by formally modeling housing privatization decision from the household point of view. The model is based on a trade-off between certain value of renting and uncertain value of owning. Using the results of the theoretical model, an empirical model of the privatization decision from the point of view of the household is formulated." As of 2013, even after the massive privatization of housing **municipalities in Russia owned 11%** of all housing and more in some regions.

13.4 England and Wales: Commonhold and Cooperatives

Commonhold law became the first major change in English real estate law since 1925. It was introduced in the England and Wales in 2002 and became law in 2004. Commonhold is a mix of Australian strata title law and U.S. condominium law. It was created as an alternative to leasehold real estate law, a predominate form in England and Wales. For a variety of reasons, commonhold has not been successful.

It is best understood in Professor Katharine Rosenberry's paper, **Commonhold Law: Problems and Potential Solutions**. Professor Rosenberry is a past president of CAI and was instrumental in the initial development of California's Davis-Stirling Act.

England was the home to the first modern cooperative founded by the **Rochdale Society of Equitable Pioneers** in 1844. The **Confederation of Co-operative Housing** is a primary umbrella organization for a variety of current housing cooperatives.

According to the **Office for National Statistics**, in 2011, there "were 23.4 million households in England and Wales. The majority, 15 million (64 per cent) were owner occupied, bought either outright or through a mortgage. The remaining 8.3 million (36 per cent) were rented, either privately from a landlord or letting agency, or from a social landlord such as local authorities, housing associations, housing co-operatives or charitable trusts.

Of the 15 million owner occupied households, 7.2 million homes were owned outright while the remaining 7.8 million were being bought with a mortgage. Of the 8.3 million households renting, there were similar numbers renting privately to those renting from social landlords at 4.2 million and 4.1 million respectively. Among those households in socially rented homes, 2.2 million were renting from local authorities, and 1.9 million from other social landlords"

For a longer view of housing see **A Century of Home Ownership and Renting in England and Wales**.

13.5 Australia: Strata Title, Community Title and Cooperatives

The best way to understand strata title and community title in the 7 states and 1 territory in Australia is through the information provided by the primary trade/profession organization **Strata Community Australia**.

Strata title "title allows individual ownership of part of a property (called a 'lot' and generally an apartment or townhouse), combined with shared ownership in the remainder (called 'Common Property' e.g. foyers, driveways, gardens) through a legal entity called the owners corporation — or body corporate, strata company or community association, depending on your state or territory of residence and the type of scheme.
The concept only came into being 50 years ago and there are now more than 270,000 such schemes encompassing more than two million individual lots across Australia. In Sydney strata now accounts for more than half of all residential sales and leases because of its popularity with investors. An increasing number of commercial and retail properties are also strata titled. In Western Australia there are even strata-titled vineyards."

Community title "is structured as property which has been divided into individual lots. This may include strata schemes and/or Torrens Title lots, with common areas and shared services. In some States, additional sub-classes of communities may also be included, for example in NSW, neighbourhood associations and precinct associations can also exist within a community association. Developers are increasingly opting to use community title as a means of establishing market differentiation and consumer appeal. Part of this means creating designer lifestyles that include tennis courts, swimming pools, country clubs and parks."

With the exception of the use of Torrens Title which is seldom used in the U.S., Community Title is very much like a planned community while Strata Title is very much like a condominium.

In 2012, according to research by Strata Community Australia, there were 277,001 strata and community title associations with 1,944,125 lots. See **Appendix Four: Australia National Strata Data 2018**

As part the U.N. 2012 Year of the Cooperative, the Australian Bureau of Statistics presented **Cooperatives in Australia - An Overview**. One section of the Overview dealt with a special report on housing cooperatives in the State of Victoria:

"In the early 1980s, co-operative housing in Victoria started to become mainstream, with a proposal for a Rental Housing Co-operative program submitted to the State Housing Commission for consideration. By 2011, Victoria had 117 housing co-operatives, with approximately 2,400 rental homes across the state. These co-operatives primarily manage long-term rental housing portfolios. There are generally two types of housing co-operatives, Common Equity Rental Cooperatives (CERCs) and Rental Housing Cooperatives (RHCs). Both are made up of tenant members who contribute to the management of their rental properties."

13.6 Canada: Condominiums and Cooperatives

In 2017, CAI established a **Canadian Chapter** which is a good place to start for condominium information. In Canada, condominiums are the dominant form of community association ownership. *Statistics Canada 2011* produced **Condominium Dwellings in Canada** with numerous tables. See also **Dwellings in Canada 2016**. The term "condominium" ("strata" in British Columbia) describes a type of tenure that combines elements of both private and shared ownership. In the **2013 Canadian Housing Observer - Condominiums** there is additional data and summary facts:

- Condominiums are not limited to any single type of structure: condominiums in 2011 comprised high-rise apartments (31%), low-rise apartments (36%), row houses (23%), single-detached houses (4%), and other dwelling types (6%).
- From 1981 to 2011, the number of owner-occupied condominiums [units] in Canada increased from about 171,000 to 1,154,000, more than nine times faster than other owner-occupied homes. There were 461,000 rented condominiums in 2011, bringing the total number of occupied condominium units in Canada to 1,615,000.
- Condominiums nearly quadrupled their share of the homeownership market to 12.6% of owner-occupied dwellings in 2011 from 3.3% in 1981.

FIGURE 2-4

Occupied dwellings by tenure, Canada, 1981-2011

	All occupied dwellings	Owner-occupied condominiums	Other owner-occupied dwellings	Rented dwellings
	Number			
1981	8,281,535	171,090	4,970,845	3,139,595
1986	8,991,670	234,520	5,346,355	3,368,485
1991	10,018,265	367,765	5,905,265	3,718,525
1996	10,820,050	514,720	6,363,060	3,905,145
2001	11,562,975	670,530	6,939,860	3,907,170
2006	12,437,470	915,725	7,594,055	3,878,500
2011	13,319,250	1,153,585	8,032,260	4,078,225

For recent revisions to the **Ontario Condominium Act** and **Commentary on Changes**. See recent changes to **Ontario Condominium Manager Licensing**.

The Co-operative Housing Federation of Canada is the primary organization for housing cooperatives.

- 2,318 housing cooperatives
- 97,000 housing units
- 250,000 living coop housing units
- 20% of the units are occupied by immigrants
- 62% of units are occupied by families with children

See also **Cooperatives and Mutuals of Canada**

13.7 South Africa: Sectional Title Schemes and Home Owners Associations

According to one **commentator**, there are two types of community association arrangements in South Africa. The Sectional Title Scheme is very much like a U.S. condominium whereas the other arrangement – Home Owners' Association – is very much like a U.S. planned community. Both are described next.

For Sectional Title Schemes see **Sectional Titles Act No. 95 of 1986** and for Home Owners' Associations see **Companies Act No. 71 of 2008**

Sectional Title Scheme: Under Sectional Titles Act No. 95 of 1986, in a sectional title scheme the Act confers on an owner the right to the ownership of the interior of the section measured from the median line of the floor, external walls and ceiling and an undivided share in the common property. This could also include a patio, balcony or other projection which is permitted by the Act to be sectionalized. The owner's share in the common property is determined by the participation quota of the unit.

The owner is issued with a title deed in his/her name which is registered in the Deeds Office. An owner therefore owns the section and an undivided share in the common property. The common property therefore consists of the land and those parts of buildings not held by an owner. Part or parts of the common property may be held by an owner as an exclusive use area or areas such as a parking bay, garden, patio or other permitted use which the owner would hold by way of a notarial deed or in terms of the Rules.

Home Owners' Association (HOA): Under Companies Act No. 71 of 2008, in a HOA, the owner has full ownership of the plot of land and the buildings thereon. No part of his plot or building is common property. The owner likewise is issued with title deeds in his or her name and registered in the Deeds Office. The owner would have a right in common with other owners as set out in the rules to the use and enjoyment of any land owned by the HOA on which exists the infrastructure services such as streets, walkways, parking, lighting, golf course, and other recreational amenities. The owner is solely responsible for the maintenance, upkeep, repairs, insurance, rates and other outgoings in connections with his or her land and buildings thereon.

The **Association of Residential Communities** (ARC) is a Chapter of CAI. According to data collected by ARC:

- There are 3 000 Home Owners' Associations in South Africa.
- There are 56 000 Sectional Title Schemes in South Africa.
- 5 million people reside in organized communities.
- There are 1.9 million homes in organized communities.
- Organized communities take up 8.7 percent of developed land.
- Community managers manage assets in excess of R800 billion.
- Annual levies collected are in excess of R11 billion.
- Value of property in organized communities is 27 percent of total residential property in South Africa.

13.8 Dubai: Jointly Owned Property

The basic law dealing with joint property is **Law No. (27) of 2007 Concerning Ownership of Jointly Owned Properties in the Emirate of Dubai**. Jointly owned properties are modeled on Australia strata and community titles and they are similar to condominiums and HOAs respectively. Because Dubai operates under a Civil Law system, the details of Law 27 are set forth in Regulations, Guidelines and Directions Real estate transactions, in general, are handled by the **Dubai Real Estate Regulatory Agency (RERA)**. See also the Regulatory Agency for **Jointly Owned Property (JOP)**. The Official Government Portal provides **housing information**.

In 2005, Dubai had **205,518 housing units of all types.** By 2014, according to the **Dubai Statistics Center**, the country contains nearly 460,000 housing units of all types which includes **120,000 units that are freehold**. By Q1 2015, it is estimated that Dubai had **379,000 units** that would be categorized as flats.

The government, however, has **not really started the process to register** jointly owned properties (i.e., associations). It has only registered the land titles at this stage.

The "Owners' Associations" operate in a de facto way although they are professionally managed and the Courts recognize them under the Civil Code. There is a distinction in Dubai between the terms "apartment" (or flat) and villa. Single family homes are simply called villas. In practice, of the over **74,401 private villas in 2013** many are not exactly single family because 2 to 3 generations usually occupy a villa and some are even located within family compounds with multiple out-villas.

Links to various details on the laws follows:

Dubai Real Estate Regulations

About Owners Associations

Law 27 of 2007

Direction for General Regulation

Direction for Association Constitution

Direction for Jointly Owned Property Regulation

Housing Unit by Type 2013 – Emirate of Dubai

Type of Housing Unit	Units 2013
Apartment	380,446
Villa	77,758
Villa Supplement	33
Arabic House	8,359
Part of the Arabic House	189
Room/Rooms	6,954
Collective Residents	3,119
Other	857
Total	477,715

Dubai is the home to **Burj Khalifa**, the world's tallest building (828 m or 2,716.5 ft.). The 900 residential units are on floors 19-108. One of the world's prime examples of a mixed-used building, housing residential, commercial, hospitality and retail units within it, the Burj Khalifa is often used as a case study of how super tall structures operate in a cohesive manner complying with both local and international best practices and safety standards. There are many ways to view this building, but the **life safety and crisis planning aspects** are surely among the most interesting.

In 2012, CAI signed an agreement with the government-sponsored Dubai Real Estate Institute (DREI) to customize the internationally respected community association manager education course "M-100 - Essentials of Community Association Management" as the basic educational program for community managers in the region. CAI member instructors have taught several CAI professional development courses in Dubai during the past few years. However, now there are Dubai-resident trainers accredited by CAI who continue to teach the professional training programs.

*The 2014 revisions to the Dubai information for the *Fact Book 2017* were provided by:

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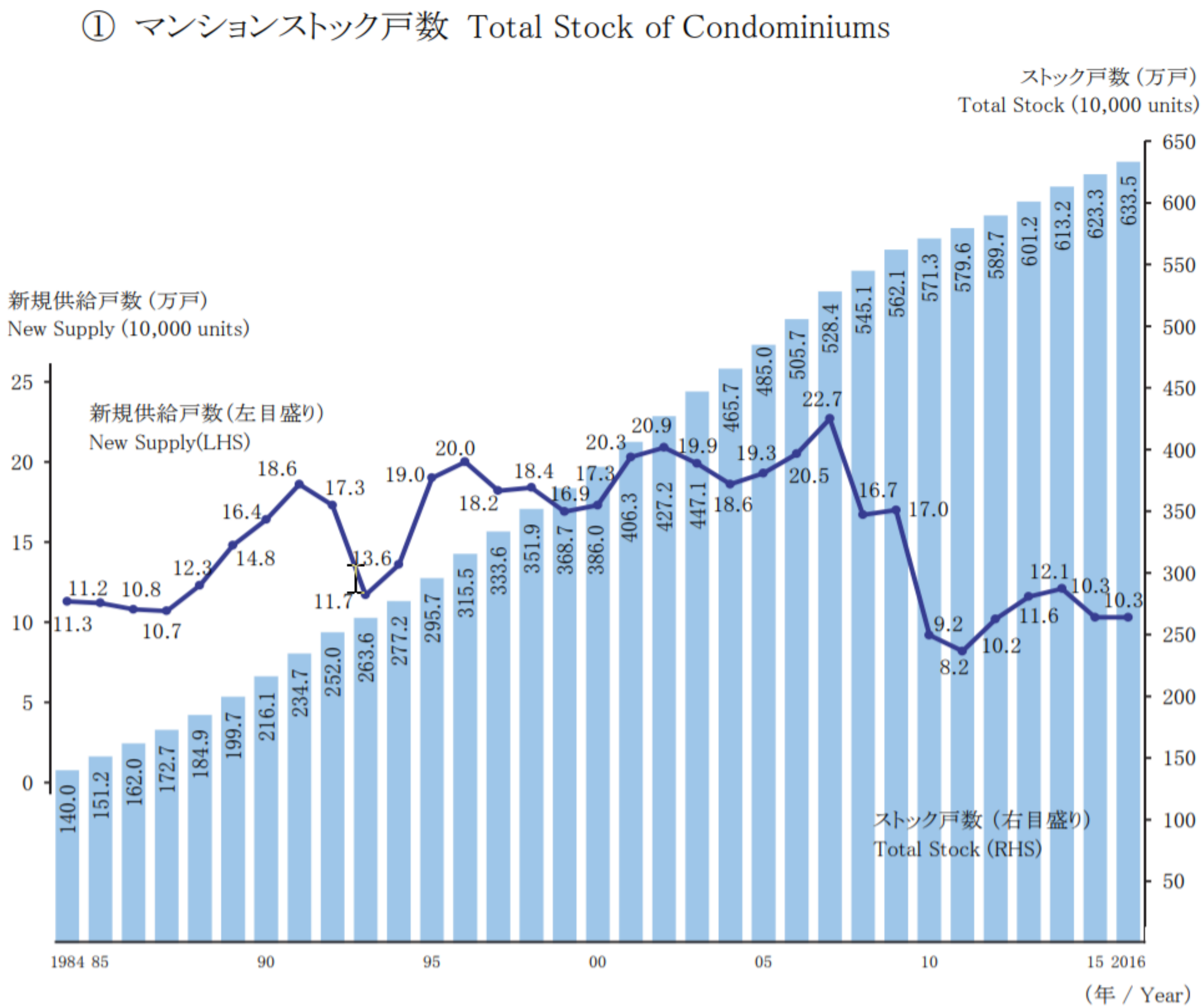
Senior Director | Emaar Community Management LLC
T + 971 4 3673 333 | Direct T + 971 4 3673 520 | F + 971 4 3673 750
ECM HQ | Level 1, Yansoon 9, Old Town, Downtown Dubai
P.O.Box 9440, Dubai, United Arab Emirates | ecm.ae

13.9 Japan: Condominiums

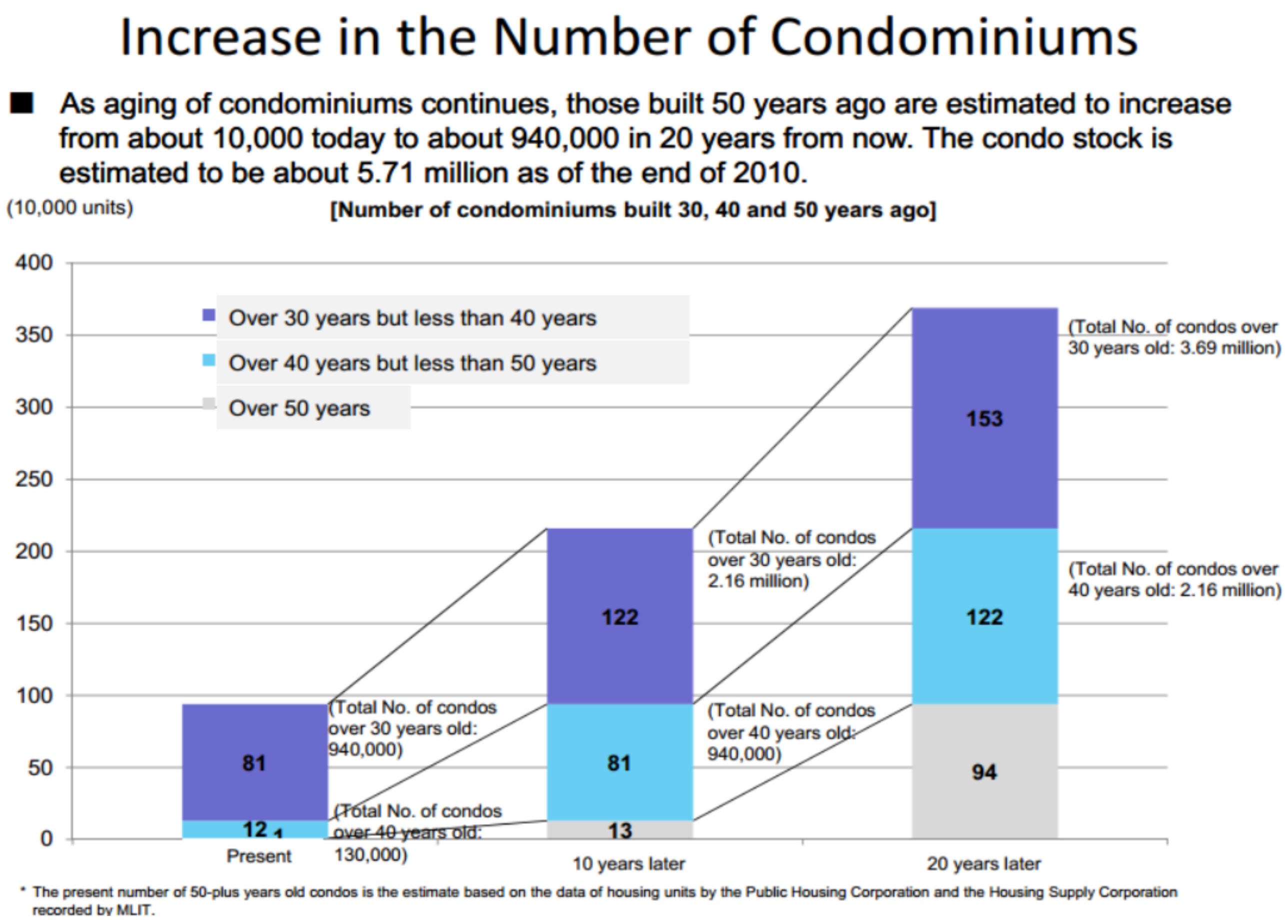
In 2011, there were 5,790,000 condominium units in Japan that housed about 14 million people (one in eight people). The **Act on Building Unit Ownership** (for condominiums) was established with reference to legislation in Germany (WEG) in 1962. At that time, condominiums were becoming common with about 10,000 condominium units. Major revisions were made in 1983 and in 2002.

According to a Ministry of Land, Infrastructure, Transport and Tourism (MLIT) **2008 Report**, there is a significant need to renovate or reconstruct older units. In particular, the Report indicated that “as many as 730,000 condominium apartments were 30 years old or older as of the end of 2008, and the number will rapidly increase to 2 million by the end of 2020. To utilize existing apartment buildings as high-quality housing stock, the Ministry supports condominium association boards and other parties concerned that work hard for the maintenance and rehabilitation of existing apartments. The ministry also offers support to apartment building rehabilitation projects to meet residents’ needs, including the incorporation of more barrier-free features and seismic upgrades.”

The growth pattern of Japanese condominiums is detailed **Real Estate in Japan 2013 Report** for 1980 -2011. See this **Housing Stock Report for 1984 – 2016**, for the graph below showing 6,335,000 condominium units.



Concern over the aging condominium housing stock has continued to be a major issue, see this MLIT 2010 Report **Japanese Reconstruction Issues in Condominiums** and the **Real Estate in Japan Report 2013.**



See also **Laws Related to Real Estate Transactions in Japan** (including condominiums and condominium management). As of 2014, there were **2,214 condominium management service entities** (page 255/375). As of 2015, there were **6,230,000 condominium units.**

13.10 China: Condominiums

In his March 8, 2007 **Report** entitled, "Explanation on the Draft Property Law of The People's Republic of China," Wang Zhaoguo, Vice-Chair of the Standing Committee of the National People's Congress, set forth the key elements of the Basic Property Law that went into effect in China on October 1st of that year. This new law, an ambitious effort based on many years of formulation and over 10,000 comments, aimed, in part, to help create a "harmonious society." He further explained that the protection of "private ownership…[and the] condominium right" will also assist in "promoting social harmony."

The **Property Law of the People's Republic of China**, as adopted, is approximately 39 pages long with the condominium section found in Part Two, Chapter VI, Articles 70-83. The Property Law itself and the role of condominium associations in China has been the subject of **comparative analysis**, **direct analysis** and from the perspective of the **urban commons**. Recently the evolving pattern of property rights has been examined in urban China by **reviewing condominium governance**.

Given China's huge population, rapid growth in many **sectors** as well as its **sheer immensity**, Chinese condominiums and construction have been the subject of **fringe unit owner behavior**, **poor construction** and **ghost cities**. In 2013 and then again in 2014, China has made substantial plans to increase its urban population with some **estimates** suggesting that nearly 250,000,000 will relocate to cities from rural areas by 2030. According to the **National Bureau of Statistics China**, in 2016:

> In 2016, 6.06 million housing units were started to be rebuilt in rundown urban areas nationwide. The number of housing units rebuilt in rundown areas and public rental housing built was 6.58 million. In rural areas of China, among the poverty-stricken households that had their economic status registered at the local governments, 1.58[25] million of them had witnessed their dilapidate houses rebuilt and renovated in 2016.

China has an estimated 460 million housing units. In an **OECD 2013 China Working Paper**, the gross floor area of all types of housing was 39 billion sq. meters. By 2012, 85% of Chinese housing was owner occupied. Between 2009 -2011 residential fixed capital formation averaged 14% of GDP; only one other OECD country (Chile) has had such a high level of sustained investment in housing. See also **China Statistical Yearbook 2017** for the number of households.

See also **Discussion on China's Housing Market** and **The Great Housing Boom of China**. Unfortunately, at this time, it is not possible to determine what percent of the housing stock is in a condominium form. Based on this 2013 data below, and including Vacant Units, China has 261,000,000 housing units in cities/urban areas. The cities are sometimes referred to being in a "**Tiered System**" of classifications. See also **Tiered City System Explained**.

	Urban	City	Township
Total			
Total housing units (mn)	261	154	107
Occupied housing units (mn)	215	130	85
Vacant housing units (mn)	46	24	22
Vacancy rate	18%	16%	21%

As you will note in the Table at #13.1 above, the population and housing data for China is huge even though the geographic area of China is roughly the same as the U.S. According to the **China Statistical Yearbook 2017** at *Table 2-3 Floating Population* – an estimated 245,000,000 to 292,000,000 people simply "**float**." This is like saying that 75% to 85% of entire U.S. population is annually on the move.

14. Community Associations – Additional Resources

14.1 Organizations Related by Content and Purpose

AARP
601 E Street, NW
Washington DC 20049
Toll-Free Nationwide: 1-888-OUR-AARP (1-888-687-2277)
http://www.aarp.org/

American Institute of Architects
The American Institute of Architects
1735 New York Ave., NW
Washington, DC 20006-5292
Phone: 800-AIA-3837
http://www.aia.org/

American Institute of Certified Public Accountants
New York, New York
1211 Avenue of the Americas
New York, NY 10036-8775
P: +1.212.596.6200
F: +1.212.596.6213
http://www.aicpa.org/Pages/default.aspx

American Planning Association
American Planning Association
205 N. Michigan Ave., Suite 1200
Chicago, IL 60601
Phone: 312-431-9100
Fax: 312-786-6700
http://www.planning.org/

Appraisal Institute
200 W. Madison
Suite 1500
Chicago, IL 60606
7:00 a.m. - 6:00 p.m. CT
888-7JOINAI (756-4624)
http://www.appraisalinstitute.org/

Cohousing Association of the United States
Po Box 13254
Mill Creek, WA 98082
USA
Phone: (812) 618-2646
http://cohousing.org/

Communal Studies Association
P.O. Box 122, Amana, Iowa 52203
319.622.6446
info@communalstudies.org
http://www.communalstudies.org/

Council of New York Condominiums & Cooperatives (CNYC)
250 West 57th Street, Suite 730
New York, NY 10107-0730
Tel: (212) 496-7400
Fax: (212) 580-7801
E-mail: info@cnyc.coop
http://www.cnyc.com/

Federation of New York Housing Cooperatives and Condominiums (FNYHC)
61-20 Grand Central Parkway, Suite C1100,
Forest Hills, NY 11375,
info@fnyhc.co-op**,**
(718) 760-7540
Fax (718) 699-5618
http://www.fnyhc.org/

Institute for Real Estate Management (IREM)
430 N. Michigan Ave.
Chicago, IL 60611
Phone: 800-837-0706
Fax: 800-338-4736
E-mail: custserv@irem.org
https://www.irem.org/

Manufactured Housing Institute
2111 Wilson Blvd., Suite 100
Arlington, VA 22201
Tel: (703) 558-0400
Fax: (703) 558-0401
info@mfghome.org
http://www.manufacturedhousing.org/default.asp

National Association of Homebuilders® (NAHB)
1201 15th Street NW
Washington, D.C. 20005
Toll free: 1-800-368-5242
Washington, D.C.: 202-266-8200
Fax: 202-266-8400
https://www.nahb.org/

National Association of Housing Cooperatives (NAHC)
1441 I Street NW Suite 700
Washington D.C. 2005-6542
Tel: (202) 737-0797
Fax: (202) 216-9646
Email: info@nahc.coop
http://www.coophousing.org/

National Association of Realtors® (NAR)
Headquarters:
430 North Michigan Avenue, Chicago, IL 60611
DC Office:
500 New Jersey Avenue, NW, Washington, DC 20001-2020 |
1-800-874-6500
http://www.realtor.org/

National Recreation and Park Association
22377 Belmont Ridge Road
Ashburn, VA 20148-4501
703.858.0784 (local)
800.626.NRPA (6772)
customerservice@nrpa.org
https://www.nrpa.org/

National Society of Accountants for Cooperatives
136 South Keowee Street
Dayton, Ohio 45402
tel: 937-222-6707
fax: 937-222-5794
info@nsacoop.org
http://www.nsacoop.org/

North American Lake Management Society (NALMS)
PO Box 5443
Madison, WI 53705
P (608) 233-2836
F (608) 233-3186
info@nalms.org
http://www.nalms.org/

Urban Land Institute (ULI)
1025 Thomas Jefferson Street, NW, Suite 500 West
Washington DC 20007
202.624.7000
http://uli.org/

14.2 Other Housing and Related Organizations

American Seniors Housing Association
https://www.seniorshousing.org/

Brookings
http://www.brookings.edu/

Habitat for Humanity
http://www.habitat.org/

Local Initiatives Support Corporation (LISC)
http://www.lisc.org/

National Apartment Association (NAA)
https://www.naahq.org/

National Housing Conference (NHC)
http://www.nhc.org/

National Multi-Housing Council (NMHC)
http://www.nmhc.org/

National Housing Preservation Database
http://www.preservationdatabase.org/

National Low Income Housing Coalition
http://nlihc.org/

NeighborWorks
http://www.neighborworks.org/

Urban Institute
http://www.urban.org/

U.S. Department of Agriculture – Rural and Development
http://www.rd.usda.gov/

U.S. Housing Market Conditions
http://www.huduser.org/portal/ushmc/home.html

14.3 Selected Financial Services, Risk Management and Insurance

American Bankers Association
http://www.aba.com/default.htm

Consumer Finance Protection Bureau
http://www.consumerfinance.gov/

Federal Housing Finance Agency
http://www.fhfa.gov/

Independent Community Bankers of America
http://www.icba.org/

Mortgage Bankers Association of America
https://www.mba.org/

CPCU Society and **American Institutes of CPCU**
http://www.cpcusociety.org/
http://www.aicpcu.org/

Certified Insurance Counselor
http://www.scic.com/

Independent Insurance Agents & Brokers of America
http://www.independentagent.com/default.aspx

Insurance Institute for Business & Home Safety
https://www.disastersafety.org/

International Risk Management Institute
http://www.irmi.com/

University of Colorado Natural Hazards Center
https://hazards.colorado.edu/

14.4 Selected Research Centers

Lusk Center for Real Estate
University of Southern California
331 Ralph and Goldy Lewis Hall
Los Angeles, CA 90089-0626
phone: 213.740.5000

Fisher Center for Real Estate and Urban Economics
F602 Haas School of Business
University of California
Berkeley, CA 94720-1900
phone: 510.643.6105

Center for Real Estate and Urban Economic Studies
University of Connecticut School of Business
2100 Hillside Road, Unit 4041
Storrs, CT 06269-1041
phone: 860.486.3227

Yale Program for Nonprofits
Program on Nonprofit Organizations
Yale School of Management
135 Prospect Street
New Haven, CT 06511

Shimberg Center for Housing Studies
M.E. Rinker, Sr. School of Building Construction
College of Design, Construction & Planning
University of Florida
203 Rinker Hall
P.O. Box 115703
Gainesville, Florida 32611-5703
Phone: 352-273-1192
Fax: 352-392-4364
Email: fhdc-comments@shimberg.ufl.edu

University of Georgia Risk Management & Insurance Program
Terry College of Business
Brooks Hall
310 Herty Drive
Athens, GA 30602-6269
Tel: 706-542-8100
Fax: 706-542-3835

Joint Center for Housing Studies
Harvard University
1033 Massachusetts Ave., 5th Floor
Cambridge, MA 02138
phone: 617.495.7908

State of the Nation's Housing (Harvard University - Joint Center for Housing Studies) -***Appendix tables*** *include useful historic data on homeownership.*

Lincoln Institute of Land Policy
113 Brattle Street
Cambridge, MA 02138-3400
phone: 800.526.3873

Furman Center for Real Estate and Urban Policy
New York University School of Law
40 Washington Square South
Ste. 314-H
New York, NY 10012-1099
phone: 212.998.6713

University of North Carolina Center for Community Capital
The University of North Carolina at Chapel Hill
1700 Martin Luther King Jr. Blvd, Suite 129
CB# 3452
Chapel Hill NC 27599-3452
Phone: 919.843.2140
Toll Free: 877.783.2359
Email: communitycapital@unc.edu
Web: www.ccc.unc.edu

Wharton Risk Management & Decision Processes Center
500 Jon M. Huntsman Hall
3730 Walnut Street
Philadelphia, PA 19104
(215) 898-5688
Fax: (215) 573-2130

Real Estate Center
Mays Business School
Texas A&M University
2115 TAMU
College Station, TX 77843
phone: 979.845.2031

James A. Graaskamp Center for Real Estate
University of Wisconsin
975 University Avenue
Madison, WI 53706-1323
phone: 608.262.3531

University of Wisconsin Center for Cooperatives
427 Lorch Street
Madison, Wisconsin 53706-1503
Phone: (608) 262-3981
Fax: (608) 262-3251
info@uwcc.wisc.edu

Appendix One: Basic Types of Associations By Selected Characteristics

Notes: There are links to many of the topics below in the body of the *Fact Book 2017*.

1. Condominium: Key features and terms as follows:

(1) Statutory Basis

Creating a condominium requires a state enabling statute. The condominium is the entity or the association. The unit is the home. Some states have adopted the Uniform Common Interest Ownership Act (UCIOA) which allows for the creation of all three types of community associations (condominium, cooperative and planned community) in a single statute.

(2) Common Elements

This is everything that is not the unit. You cannot have a condominium without common elements. Each unit owner has an undivided interest in the association's common elements as a tenant in common. Unlike a housing cooperative, with a single title-holding entity, condominium common elements cannot be mortgaged because they have no separate existence. Nevertheless, a condominium association can borrow money usually by pledging the assessment (fee) revenue as collateral. The exact scope of the interface between the units and the common elements, however, varies by enabling statute requirements and the plan of development as detailed by the governing document drafter. See **(9)** following for a brief discussion of condominium insurance.

(3) Unit Owner's Legal Interest, Mortgages & Equity

The owner is referred to as a unit owner or a homeowner. Unit ownership is a real property interest and hence long term amortized mortgages are available. The association may have a right of first refusal coupled with the obligation to purchase the unit if it objects to the owner's buyer as long as this objection does not interfere with a mortgagee's interest, and other state and federal regulations. Condominium associations in manufactured housing are subject to specialized underwriting. The vast majority of condominium units are not subject to equity restriction on resale unless special development funding has been secured.

(4) Key Allocations

The unit owner's allocation for expenses, liability and voting are usually tied to a unit's percentage ownership in the common elements although other measures are used. In most states, the amount of an owner's liability for uninsured losses is limited to the owner's percentage interest in the common elements – a single measure. In terms of flood insurance issues a notable exception to percentage ownership allocation is the manner in which the National Flood Insurance Program (NFIP) views the calculation of flood insurance limits.

(5) Governing Documents & Governance

The governing documents are the *Declaration of Condominium* and the *Bylaws* which are recorded in the land records. Other terms and documents such as *Trust* (only in Massachusetts), *Condominium Plan* (California) and *Master Deed* are sometimes used. The condominium comes into existence when the declaration is recorded in the land records. The association usually is incorporated under some type of nonprofit or non-business state statute. The *Plat*, depicting the units and the common elements typically is a Metes & Bounds survey.

A *Public Offering Statement* (POS) may be required as well as an *Engineering Report* for either new construction or a conversion. Most states require that an election among the owners to turn over control from the developer be held when either (or both) a percentage of units is sold or after a specified period of time.

(6) Owner's Federal Tax Deductibility

Federal tax deductibility is provided for the unit owner's payment of their own mortgage interest and real estate taxes. If there is an overlay of a Special Tax District (STD), then the STD assessments paid by the owner usually are tax deductible.

(7) Condominium Tax Status
Federal taxes for the association generally are paid under either Section IRC 528 using form 1120-H or under Section IRC 277 using form 1120. Condominiums are not eligible for classification under IRC 501(c). For the most comprehensive discussion of the taxation of all types of community associations, see the **Homeowners' Association Tax Library**. State taxation also will apply. Generally, real estate taxes attach only to the unit unless the common elements produce significant revenue, say, from clubhouse rentals, a golf course and so forth.

(8) Condominium Finances
95-98% of condominium revenue comes from assessments with the balance from interest on reserve funds and related income. Condominiums can and do borrow from lenders primarily by pledging their assessments as an account receivable. Except for Florida, Texas and California, few states require that association financial reports be subjected to an independent review or audit. The Financial Accounting Standards Board (FASB) consolidated certain financial reporting requirements in 2009 in Section 972 of its Standards. Generally Accepted Accounting Principles (GAAP) require accrual accounting and recommend fund reporting – at a minimum, an Operating Fund and a Reserve Fund. With the exception of a few states, most associations are not subjected to detailed reserve funding requirements. Recently, Fannie Mae and FHA have stipulated certain reserve requirements. New Jersey is the only state that provides broad relief from what is termed "double taxation" – the payment for a municipal-type service both in association assessments and property taxes. Several municipalities provide relief for scavenger/garbage collection if paid for by the assessment and by property taxes.

(9) Condominium Insurance
Insuring the condominium is required by statute in every state. The specifics of the required insurance, however, vary considerably. Regardless of the state statutory requirement, the governing condominium declaration for every condominium typically requires levels of insurance, at a minimum, specified by Fannie Mae, Freddie Mac, FHA and/or VA. In terms of property protection, the critical issues typically involve the degree to which both common elements and units are insured. This is discussed in the publications, **Community Association Insurance** and **Community Association Risk Management**. A unit owner would purchase an HO-6. Until recently, an HO-6 was not required at closing for a mortgage.

(10) FHA Programs
FHA programs involving condominiums and unit owners include Section 8, Section 203(b) and Section 203(k). Section 234(c), and Section 234(d) have been withdrawn and effectively are now part of Section 203(b). State housing authorities often have their own programs. The FHA Condominium Processing Guide released on 06-30-2011 requires more detailed specifications if an association can be approved by FHA such that a buyer can obtain FHA mortgage insurance. See also **FHA Production Reports**, **FHA Single Family Loan Performance,** **FHA Single Family Origination Trends Report** and **HUD/FHA Handbooks**

(11) Primary Trade/Professional Organization
This is the Community Associations Institute (CAI).

(12) Note: Site Condominium is composed of detached single family homes submitted to a state's condominium enabling statute. Site condominiums typically are created to accommodate zoning and similar land use regulations.

2. Cooperative: Key features and terms as follows:

(1) Statutory Basis
Creating a cooperative does not require a state enabling statute and, in fact, there usually is no such statute. Cooperatives are created by conventional real estate transactions although New York state (the location of probably 85% of all housing cooperatives), certain other states, and states with the Uniform Common Interest Ownership Act (UCIOA) provide an enabling framework for cooperatives. A single title-holding entity typically owns the common elements and the unit.

(2) Common Elements
This is everything that is not in the unit. The exact scope of the interface between the units and the common elements varies primarily by the plan of development as detailed by the governing document drafter unless FHA mortgage insurance, a regulatory agreement and a recognition agreement is involved. Because there is a single title-holding entity, the cooperative itself usually pays for the blanket mortgage on the building and for blanket real estate taxes for the building.

(3) Unit Owner's Legal Interest, Mortgages & Equity
The unit owner is sometimes called a shareholder, cooperator or member. The owner usually has a personal property interest in their unit although UCIOA permits enabling a real property cooperative. As a personal property interest, long term amortized mortgages are not available. The individual cooperators may have their own separate mortgages, sometimes called *Share Loans* which are obtained by pledging shares as security. If there is a blanket building mortgage and individual cooperator mortgages, then there also is usually a *Recognition Agreement* to ensure that both lenders' and the cooperative's rights and interests are detailed. Typically, a shareholder has stock while a member has a membership certificate. The cooperative association usually has a right of first refusal on admitting a new member without an obligation to purchase the unit if the right is exercised (unlike in a condominium). Cooperatives in manufactured housing are subject to specialized underwriting. Of the nearly 1,200,000 housing cooperative units, around 36% are limited or fixed equity in their resale structure which means that the owner's ability to capture equity at resale is restricted. In New York, cooperative unit sales also are subject to so-called "**flip taxes**" whereby the association takes some percentage of the resale proceeds. See also **Shared Equity Housing Cooperatives**.

See also **Fannie Mae Share Loan Requirements**

(4) Key Allocations
The cooperator's allocation for expenses and voting are usually tied to the number of shares owned or some stated membership interest. Allocation of liability may be governed by state law or the governing documents.

(5) Governing Documents & Governance
These are usually called the *Proprietary Lease* (or *Occupancy Agreement*) with *Bylaws* although, if FHA mortgage insurance (or a state housing authority) is involved, there will be a *Regulatory Agreement* and an *Information Bulletin.* The cooperative always is incorporated. New York has extensive disclosure and regulatory requirements for both cooperatives and condominiums. Turnover from developer control may be subject to FHA or state/local requirements (if any).

(6) Owner's Tax Deductibility
Federal tax deductibility is provided for the shareholder's payment of their own (share loan) mortgage interest and real estate taxes (if any) plus the allocable amount of the blanket mortgage interest and blanket real estate taxes. Until 2008, a cooperator's tax deductibility hinged on the cooperative meeting an 80/20 test – if more than 20% of the cooperative's revenue came from commercial sources, then the cooperator lost deductibility for their portion of the blanket mortgage interest and real estate taxes. The tax rules have now changed such that this possibility is significantly reduced.

(7) Cooperative's Tax Status
Housing cooperatives are taxed under IRC Section 216 subject to Sub-chapter T rules and they file a form 1120-C. State taxation also will apply. Cooperatives are not eligible for treatment under IRC 501(c). See the *Homeowner's Association Tax Library* cited earlier and the National Association of Accountants for Cooperatives.

(8) Cooperative Finances
Most revenue is from assessments and interest on reserves. If the cooperative has a FHA insured mortgage, then there are specific financial reporting and reserve funding requirements. If the cooperative is in New York (and not FHA insured), then other standards apply. New York cooperatives also are funded by flip-taxes. New York cooperatives long have required a "flip tax" when a unit is sold, i.e., a percentage of the sale price has to be paid by the seller at closing although some cooperatives require the "tax" from the buyer.

(9) Cooperative Insurance:

Cooperatives are insured much like condominiums. A major exception is the area of business income insurance where cooperatives, like rental buildings, need Loss of Rents coverage. A cooperator would purchase an HO-6 if required by the association.

(10) FHA Programs

FHA programs involving housing cooperatives and cooperators include **Section 8**, **Section 202**, **Section 203(n)**, **Section 213**, **Section 221(d)(3) and 221(d)(4)** as well as **Section 221(d)(3) BMIR, Section 236 and other Subsidized Multi-family programs**. State housing authorities may have their own programs. See also **FHA Production Reports**, **FHA Single Family Loan Performance**, **FHA Single Family Origination Trends Report** and **HUD/FHA Handbooks**.

(11) Primary Trade/Professional Organization

The primary national organization for housing cooperatives is the National Association of Housing Cooperatives. New York has two large cooperative housing organizations, the Council of New York Cooperatives and Condominiums and the Federation of New York Cooperatives and Condominiums. Also, the National Cooperative Bank is influential in many ways besides lending to cooperatives.

3. Planned Community: Key features and terms as follows:

Note: A planned community is everything that is not a condominium or cooperative. Alternative names include homeowner association (HOA), property owner association (POA), planned unit development (PUD), and townhouse association. As with all types of community association, however, a visual inspection can be misleading and one must look at the governing documents.

Key terms and features:

(1) Statutory Basis

In most states, creating a planned community does not require a state enabling statute. To the extent that there is legal guidance or legal constraints on planned community development and operations, it comes from Fannie Mae and Freddie Mac requirements. Some planned communities undertake exterior maintenance of the homes and some 10% to 20% of planned communities are insured like a condominium or cooperative.

(2) Common Area

This is everything that is not the home and the lot on which the home is located. the community association owns the common area, and the homeowner's deed requires mandatory membership in the planned community as detailed in the governing documents that are recorded in the land records. The scope of responsibility between the common area and the homes is usually quite direct in that there is no real property/building interface, as in a condominium or cooperative, between what is common and what is owned by the association. Two homes with a common wall typically are bound by a party wall agreement. Leaving that aside, however, some planned communities have assumed certain exterior maintenance responsibilities while others assumed common area insurance obligations (like a condominium or cooperative).

(3) Unit Owner's Legal Interest, Mortgages & Equity

It is a real property interest and, hence, similar to a condominium. Generally, there is no right of first refusal when an owner sells their home. Planned communities in manufactured housing are subject to specialized underwriting. Owner's equity at resale is subject to market forces unless special funding is involved. In some master planned communities with high-valued homes, there are equity recapture formulas similar to New York flip taxes payable to either the association or a related entity.

(4) Key Allocations

The homeowner's allocation for expenses, liability and voting can be divided in different ways especially under UCIOA. Usually, annual assessments are calculated by dividing the annual budgeted revenue by the number of homes in the community. Voting is typically allocated by one vote per home.

(5) Governing Documents & Governance

Governing documents are typically the Declaration of Covenants, Conditions & Restrictions (CC&Rs) and the Bylaws with the association incorporated under some type of non-business state statute. The planned community comes into existence when the declaration is recorded. The Plat depicts the common area. A Public Offering Statement may be required. Turnover is patterned after condominiums, but it usually is not subject to statute. In most states, the main pressure for governance criteria comes indirectly from either Fannie Mae or Freddie Mac requirements.

(6) Owner's Federal Tax Deductibility

Deductibility is provided for the unit (home) owner's payment of their own mortgage interest and real estate taxes. If there is an overlay of a special tax district (STD), then assessments paid to the district usually are tax deductible.

(7) Planned Community's Tax Status

Federal taxes for the association generally are paid under either Section IRC 528 using form 1120-H or under Section IRC 277 using form 1120. Under certain circumstances, planned communities are eligible for classification under IRC 501(c) typically as 501(c)(4) or 501(c)(7). For the most comprehensive discussion of the taxation of all types of community associations, see the *Homeowner's Association Tax Library*. State taxation also will apply. Generally, real estate taxes attach only to the unit unless the common areas produce significant revenue, say, from clubhouse rentals, golf courses and so forth.

(8) Planned Community Finances

Like condominiums, assessments account for most of the revenue. Since most planned communities have little common property (with amenities), reserve funds vary substantially and therefore so does interest income. While FASB 972 has financial reporting requirements for planned communities, there is little if any kind of state regulation.

(9) FHA Programs

Basically, there are no FHA programs involving the planned community per se although homeowners may benefit from FHA Section 8, Section 203(b), and Section 203(k). State housing authorities often have their own programs for home mortgages which can be used in planned communities. See also **FHA Production Reports**, **FHA Single Family Loan Performance**, **FHA Single Family Origination Trends Report** and **HUD/FHA Single Family Handbook**

(10) Primary Trade/Professional Organization

This is the **Community Associations Institute** (CAI).

Appendix Two: Comparing Community Associations to Other Entities - 2017

		Category Total	% of Category	% of All Entities	Data Year
1. Private Non-Profit Organizations					
1.1 501(c)(3) Public Charities		1,097,689	69.87%		**2016**
1.2 501(c)(3) Private Foundations		105,030	6.69%		**2016**
1.3 501(c) Other		368,337	23.45%		**2016**
Total		**1,571,056**	100.00%		
As a Percentage of All Entities				**4.12%**	
2. Governmental Units					**2012**
2.1 U.S.		1			
2.2 States		50			
2.3 Local					
1. County	3,031		3.40%		
2. Municipal	19,522		21.92%		
3. Township & Town	16,364		18.38%		
4. School District	12,884		14.47%		
5. Special District	37,203		41.78%		
Total for Local	89,004	89,004			
Total		**89,055**	100.00%		
As a Percentage of All Entities				**0.23%**	
3. Businesses					
3.1 Corporations		6,918,120	19.15%		**2016**
3.2 Partnerships		3,978,260	11.01%		**2016**
3.3 Nonfarm Proprietorships		25,226,245	69.84%		**2015**
Total		**36,122,625**	100.00%		
As a Percentage of All Entities				**94.74%**	
4. Community Associations		**344,500**			**2017**
As a Percentage of All Entities				**0.90%**	
Total Entities		**38,127,236**		**100.00%**	

Sources:

1. National Center for Charitable Statistics
http://nccs.urban.org/statistics/quickfacts.cfm
2. IRS 2010 various tax return reports
3. Treese, Association Data, Inc., private files
4. FCAR, 2017 Statistical Brief,
https://foundation.caionline.org/publications/factbook/statistical-review/
5. 2012 Census of Government
https://www2.census.gov/govs/cog/2012/formatted_prelim_counts_23jul2012_2.pdf
6. IRS Statisitics of Income
https://www.irs.gov/uac/soi-tax-stats-soi-bulletin-historical-tables-and-appendix
7. Number of Congregations estimated at 350,000.
http://hirr.hartsem.edu/research/fastfacts/fast_facts.html
8. IRS Nonfarm Proprietorship Data
https://www.irs.gov/statistics/soi-tax-stats-nonfarm-sole-proprietorship-statistics

Appendix Three: Comparing Association Financial Management to For-Profit & Tax-Exempt Entities

Characteristic	Type of Entity		
	For-profit Business	***Nonprofit/Tax Exempt***	***Community Association*** [(1)]
Organizational Purpose	Profit or private inurement of owners and/or shareholders	Mission that is related to exempt types of activities	Three core services: • Business (maintenance, reserves, budgets, expense reduction) • Governance (board meetings, elections) • Community (newsletters, recycling)
Legal Structure	Corporation, partnership, nonfarm proprietorship	Usually a corporation organized under nonprofit state corporation acts, also a trust	Usually a corporation organized under nonprofit state corporation acts
Governance	Owner(s) and/or Board & shareholders	Board of Directors (as stewards)	Board of Directors, standards of care vary by state, sometimes as fiduciaries; tort immunity for boards varies by state
Management	Owners or corporate staff	Board of directors or staff	Board of Directors, self-management, may have staff or contract management
Tax Status (3)	Taxable	Tax exempt under a section of IRC 501(c) Condominiums and cooperatives can never be tax exempt under IRC 501(c) while certain Planned Communities can be exempt under 501(c)(4)	Condominiums & Planned Communities are Tax protected under IRC 528. Alternatively, they are taxed as a membership organization under IRC 277 [(2)] Cooperatives are tax protected under IRC 216 and usually file under Sub-Chapter T
Typical Tax Form	1120	990	1120-H or 1120 for condominiums and planned communities; 1120-C (co-ops)
Revenue Source-Primary	Sale of products or services	Donors, grants, memberships	95-98% from assessments levied on owner members for most associations

Appendix Three: Comparing Association Financial Management to For-Profit & Tax-Exempt Entities

Characteristic	Type of Entity[1]		
	For-profit Business	***Nonprofit/Tax Exempt***	***Community Association***
Distribution of Assets at Dissolution	Creditors, shareholders, owners	Another nonprofit and/or tax-exempt entity	Mortgagees and Owners; other lien holders; in some instances, a public entity may be involved
Classification of revenue (or assets)	Operating or those reserved for capital items	Restricted, temporarily restricted, unrestricted	Operating fund and replacement fund
Audited Financial Statements	1. Balance sheet 2. Statement of income and expense 3. Statement of changes in owners' equity 4. Statement of cash flows 5. Notes to financial statements	1. Statement of financial position 2. Statement of activities 3. Statement of functional expenses* 4. Statement of cash flows 5. Notes to financial statements *for voluntary health and welfare organizations	1. Balance sheet 2. Statement of revenues and expenses 3. Statement of changes in fund balances 4. Statement of cash flows 5. Notes to financial statements 6. Required supplemental information for reserves - unaudited See [4] below

Notes:

(1) Community Associations: condominium, cooperative and planned community. This definition excludes timeshares, commercial associations and special tax districts.

(2) Under IRC 277, all the association's income is potentially taxable unlike under IRC 528 which provides "tax protection." A primary distinction between IRC 277 and IRC 528 is the tax rate with IRC 528 is a flat rate of 30% while IRC 277 has a graduated corporate rate beginning at 15%. The IRC 277 form, however, is more complicated.

(3) The personal tax issues for homeowners living in a community association are best reviewed by obtaining IRS Publication #530, "Tax Information for Homeowners For Use in Preparing Returns."

(4) Financial Accounting Standards Board (FASB) codified accounting standards for common interest realty associations (CIRAs) in 2009 in FASB ASC #972.

Appendix Four: Australia National Strata Data 2018

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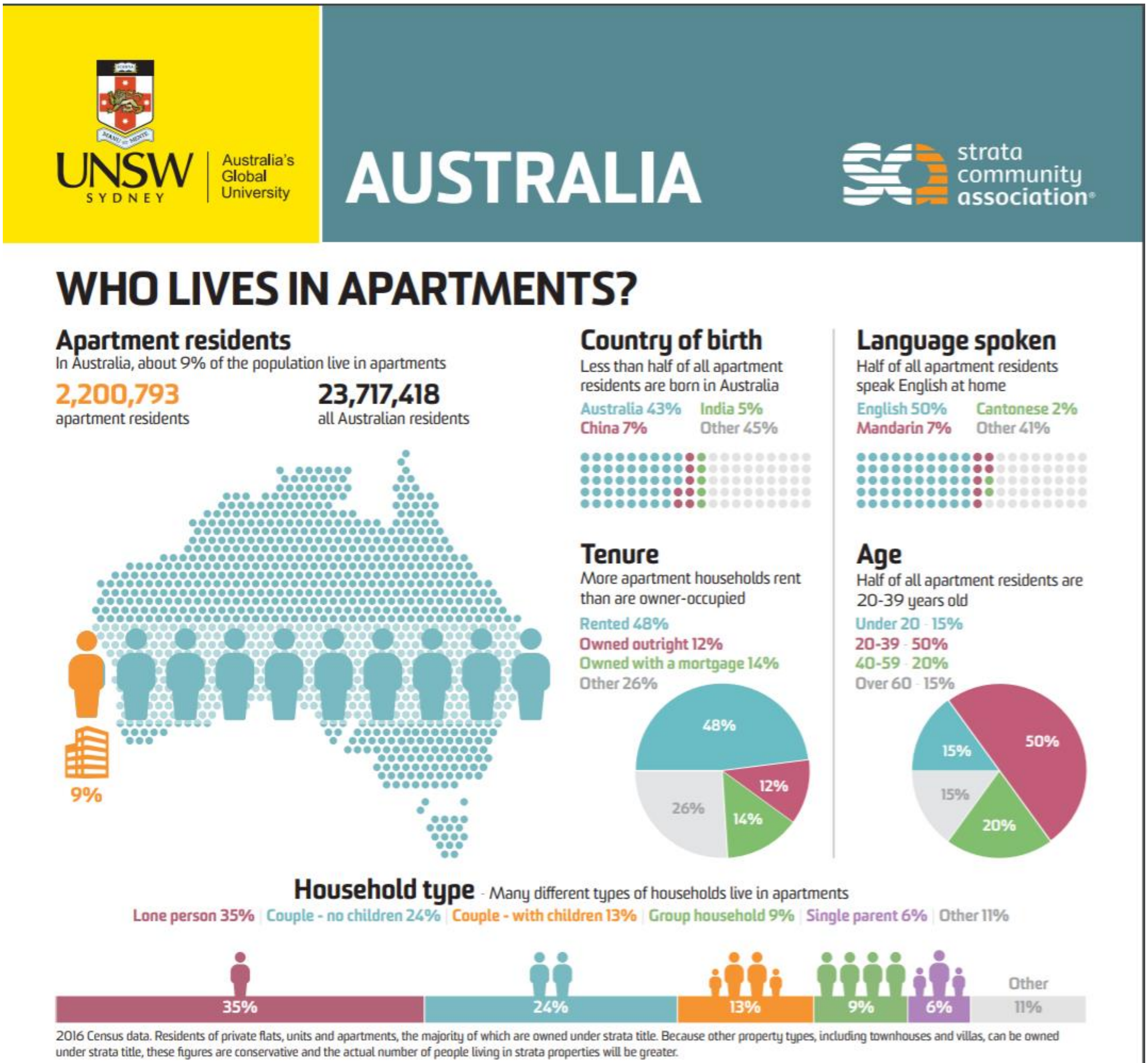
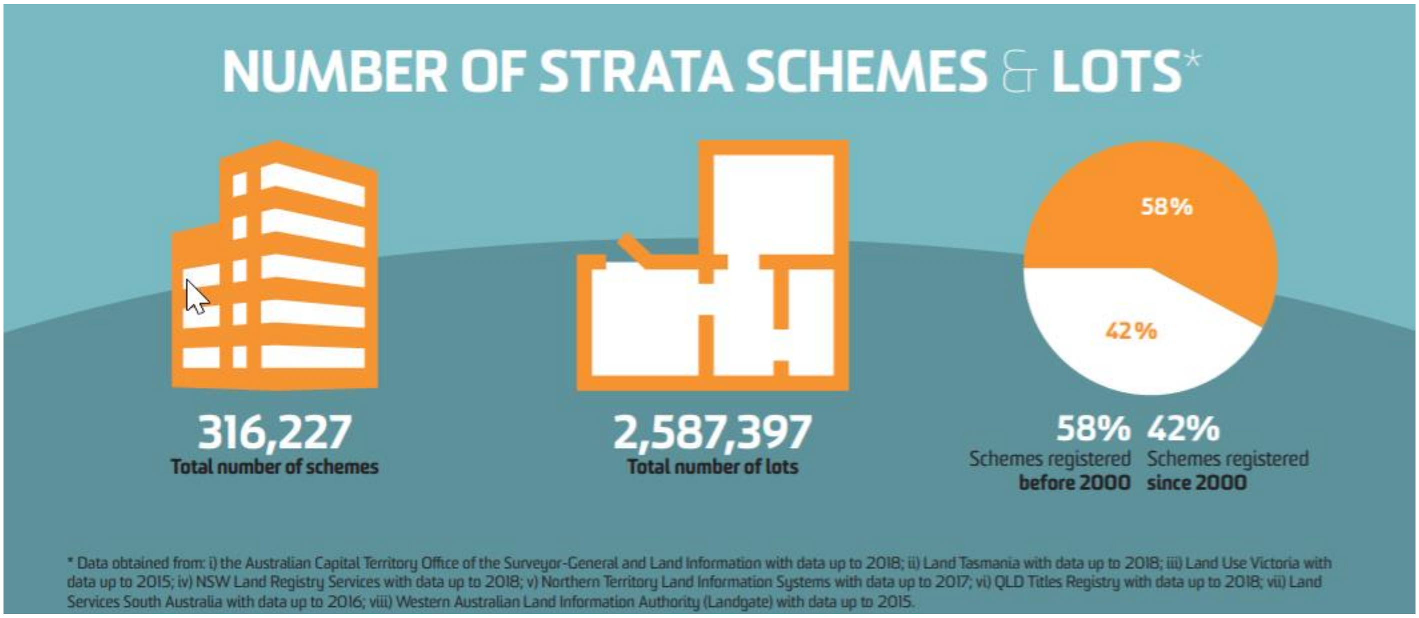
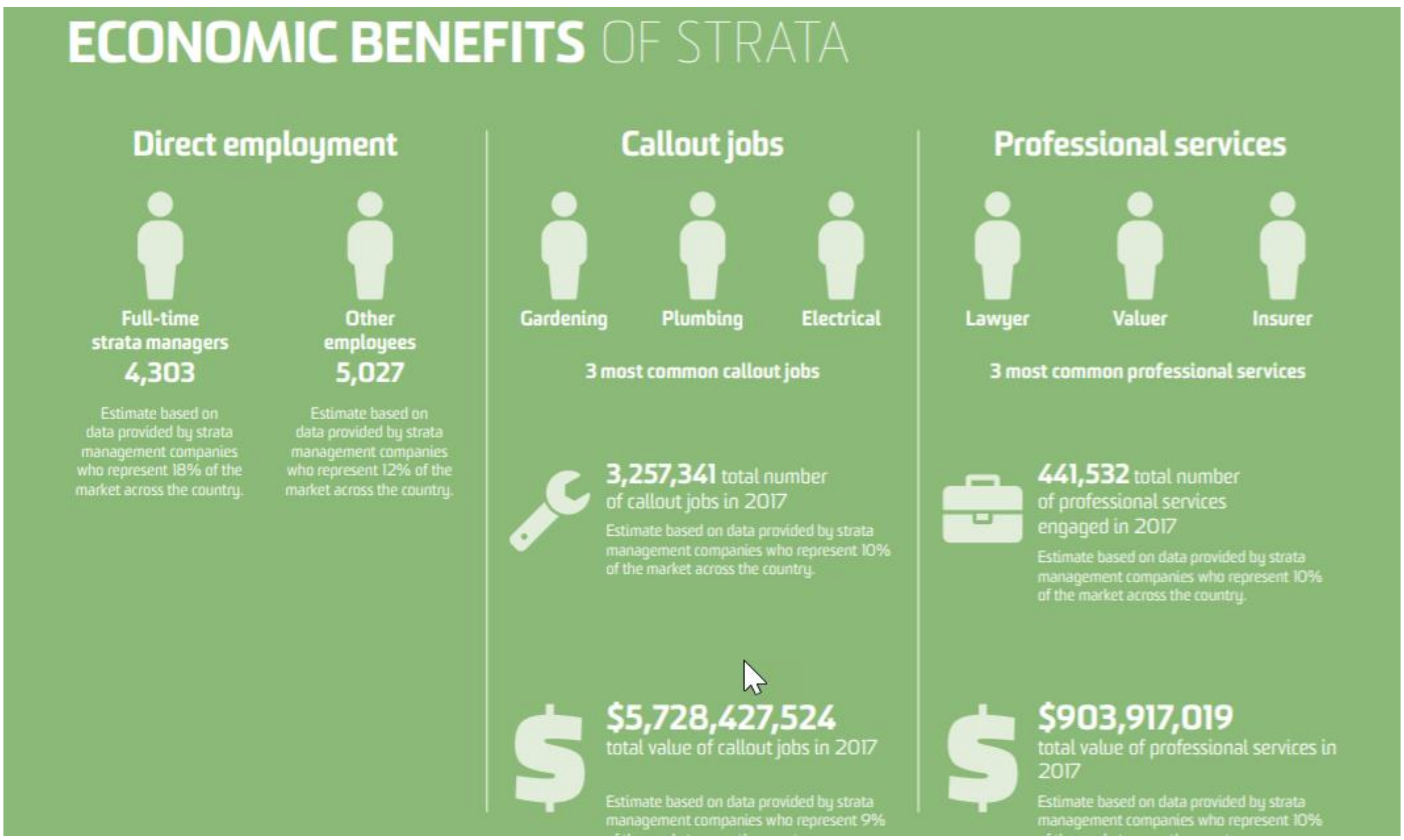
General Editor's Notes: See the Explanatory Report and Notes beginning on p.23 of the Report below**.**




NUMBER OF STRATA SCHEMES & LOTS*
58%
42%
316,227
Total number of schemes
2,587,397
Total number of lots
58% 42%
Schemes registered before 2000
Schemes registered since 2000
* Data obtained from: i) the Australian Capital Territory Office of the Surveyor-General and Land Information with data up to 2018; ii) Land Tasmania with data up to 2018; iii) Land Use Victoria with data up to 2015; iv) NSW Land Registry Services with data up to 2018; v) Northern Territory Land Information Systems with data up to 2017; vi) QLD Titles Registry with data up to 2018; vii) Land Services South Australia with data up to 2016; viii) Western Australian Land Information Authority (Landgate) with data up to 2015.


ECONOMIC BENEFITS OF STRATA
Direct employment
Full-time strata managers
4,303
Estimate based on data provided by strata management companies who represent 18% of the market across the country.
Other employees
5,027
Estimate based on data provided by strata management companies who represent 12% of the market across the country.
Callout jobs
Gardening
Plumbing
Electrical
3 most common callout jobs
3,257,341 total number of callout jobs in 2017
Estimate based on data provided by strata management companies who represent 10% of the market across the country.
$5,728,427,524
total value of callout jobs in 2017
Estimate based on data provided by strata management companies who represent 9%
Professional services
Lawyer
Valuer
Insurer
3 most common professional services
441,532 total number of professional services engaged in 2017
Estimate based on data provided by strata management companies who represent 10% of the market across the country.
$903,917,019
total value of professional services in 2017
Estimate based on data provided by strata management companies who represent 10%

PROPERTY VALUE

$995,254,733,912

Total insured value of schemes

Estimate based on data provided by strata insurers who insure 54% of all strata and community lots in the country.

ACKNOWLEDGEMENTS

This project was undertaken by City Futures Research Centre and funded by Strata Community Association. The authors would like to acknowledge: Dr Nicole Johnston at Deakin University and Assoc. Professor Sacha Reid at Griffith University for their collaboration in collecting land titles data; the Australian Capital Territory Office of the Surveyor-General and Land Information, Land Tasmania, Land Use Victoria, New South Wales Registry Services, Northern Territory Land Information Systems, Queensland Titles Registry, South Australia Land Services and Western Australian Land Information Authority (Landgate) for providing the land titles data; and the strata management and insurance companies that provided data on their businesses.

For more details on this and other strata-related research projects, visit the City Futures project page at cityfutures.be.unsw.edu.au/research/projects/national-strata-data-analysis or contact Assoc. Professor Hazel Easthope, UNSW Sydney, hazel.easthope@unsw.edu.au

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Appendix Five: Contributions of Community Associations to the Economy

Community Association Contributions to the Economy: In the aggregate, community association housing had a market value of just over $5.880 trillion dollars at 2017 Q4 [Estimate based on the **Federal Reserve Z.1 Financial Accounts**]. According to the **National Association of Homebuilders** (NAHB), the housing industry's contribution in terms of new construction to the economy **averages 15%-18% annually**. This represents the combined impact of **Private Residential Fixed Investment** and **Housing Services**. The Residential Fixed Investment component contributes from 3%-5% while the Housing Services component contributes 12%-13%. These percentages vary with fluctuations in the nation's economic cycles. Community association housing is an important and growing component of both Residential Fixed Investment and Housing Services. Using NAHB historical estimates, community associations contribute 4.0% to 4.3% to GDP. Associations not only are a place to live, they are a place to work and to create jobs.

Community Association Economic Contributions 2017		
All Associations & Their Homeowners – Categories 2017	**Year One**	**Three Year Cumulative**
Volunteer Leadership & Governance: Meeting legal & fiduciary requirements, achieving cooperation & compliance with association goals	$1,988,000,000	$5,964,000,000
Homeowner Property Tax Payments: Providing further economic support for local government services	$86,130,000,000	$258,390,000,000
Homeowner Improvements within their Home/Unit: Upgrades and additions including changes to systems enhancing conservation and facilitating accessibility	$78,090,000,000	$234,270,000,000
Association Housing Services: Operations, Physical Asset Management, Major Repairs & Replacements, Capital Improvements, Conservation & Sustainability, Contingencies	$97,753,000,000	$293,258,000,000
Total	$263,961,000,000	$791,882,000,000

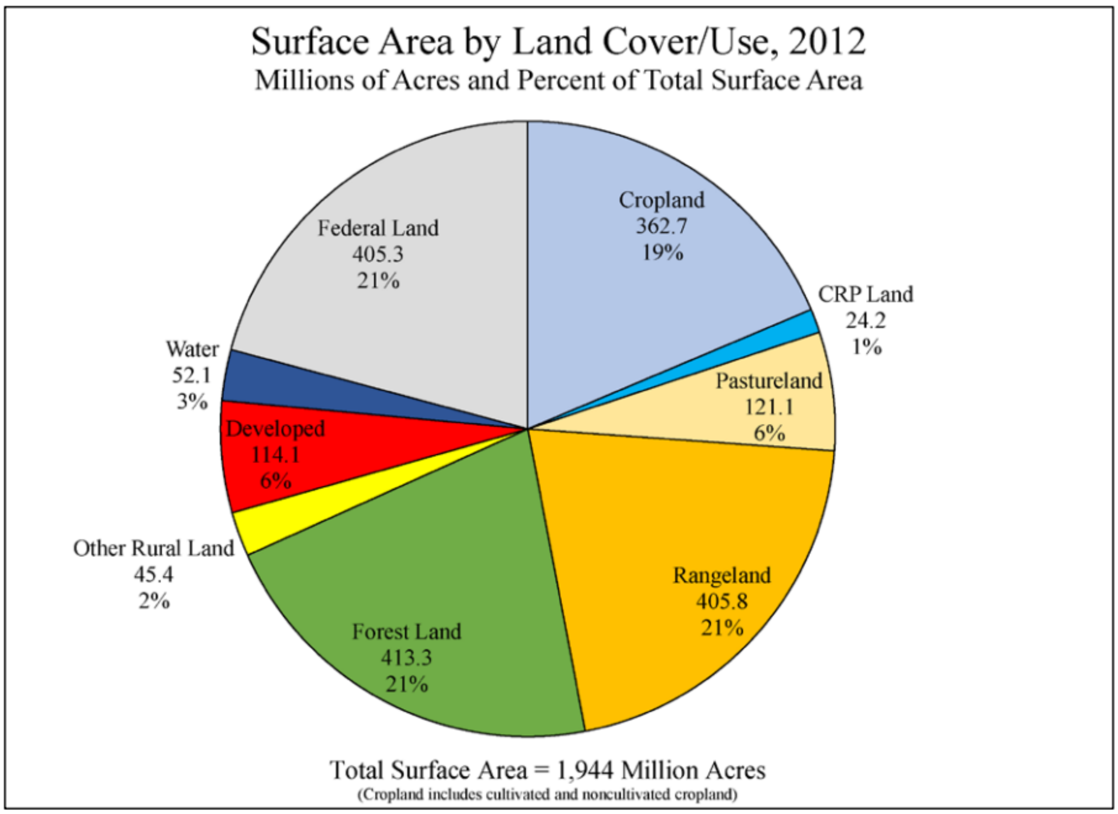
Appendix Six: U.S. Land Use Cover and Alaska Data

USDA 2012 National Resources Inventory Summary Report on August 2015 (210 pages)

"This report presents summary results from the 2012 National Resources Inventory (NRI). The 2012 NRI is the latest in a series of natural resource inventories conducted by the U.S. Department of Agriculture's Natural Resources Conservation Service (NRCS). It provides updated information on the status, condition, and trends of land, soil, water, and related resources on the Nation's non-Federal lands. Non-Federal lands include privately owned lands, tribal and trust lands, and lands controlled by State and local governments. The 2012 NRI provides nationally consistent data for the 30-year period 1982–2012. This current NRI database should be used to compare 2012 conditions with those for earlier years. Comparisons using NRI data published prior to 2012 can produce incorrect inferences.

The contiguous 48 states, Hawaii, Puerto Rico, and the U.S. Virgin Islands cover over 1.94 billion acres of land and water; about 71 percent of this area is non-Federal rural land – nearly 1.4 billion acres. Non-Federal rural lands are predominantly forest land (413 million acres), rangeland (406 million acres), and cropland (363 million acres)."

General Editor's Notes: The data above in the *Resources Inventory* does not include Alaska. See Alaska data below. The United States "Size" (of country column) in the Table in Section 13.1 of the *Fact Book 2017*, however, does include Alaska for the size of the U.S. (9,826,635 sq.km).



General Editor's Notes: This data below pertains to Alaska.

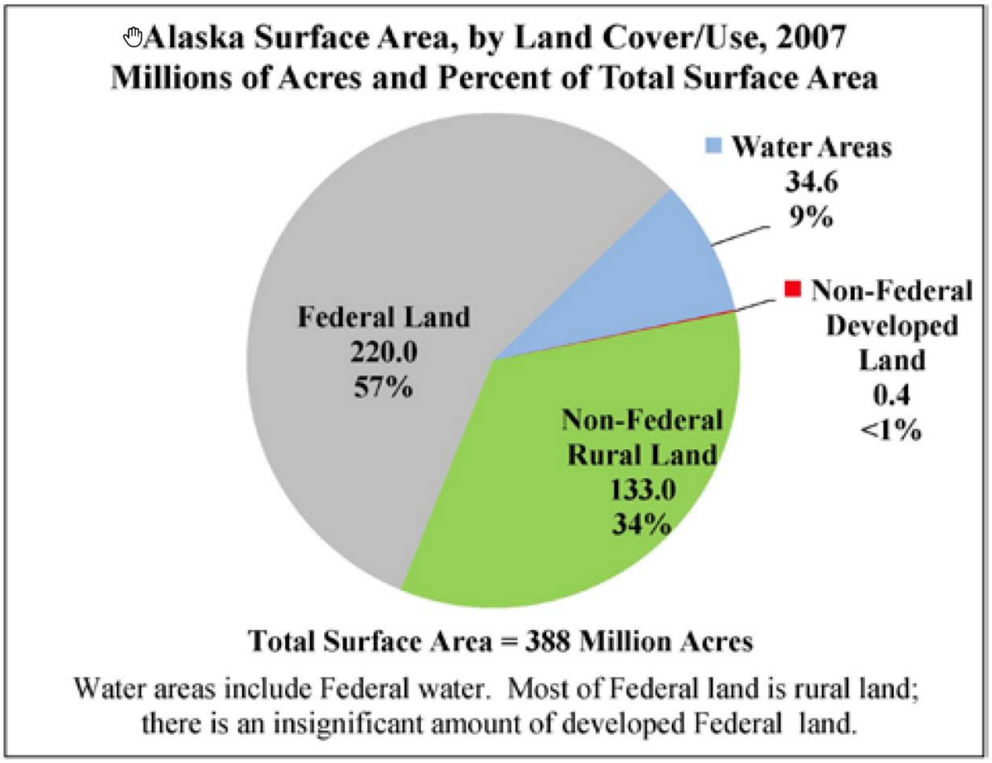
See **Alaska Summary Report – 2007 National Resources Inventory** (33 pages)

"Overview of Survey Findings

(a) Alaska covers 388 million acres, or 16.7 percent of the 2.33 billion acres of surface area of the 50 States. The following charts illustrate relative proportions of areas represented in the report tables.

(b) The majority of Alaska 's rural land is Federal (220 million acres, or 62 percent of all rural land).

(c) Rangeland makes up 57 percent of Alaska's rural land and 52 percent of Alaska's surface area."



See also **Federal Land Ownership: Overview and Data** (CRS, 28 pages, March 2017)

About Community Associations Institute (CAI)
Since 1973, Community Associations Institute (CAI) has been the leading provider of resources and information for homeowners, volunteer board leaders, professional managers, and business professionals in nearly 350,000 community associations, condominiums, and co-ops in the United States and millions of communities worldwide. With nearly 40,000 members, CAI works in partnership with 64 affiliated chapters within the U.S, Canada, United Arab Emirates, and South Africa, as well as with housing leaders in several other countries including Australia, Spain, Saudi Arabia, and the United Kingdom.

A global nonprofit 501(c)(6) organization, CAI is the foremost authority in community association management, governance, education, and advocacy. Our mission is to inspire professionalism, effective leadership, and responsible citizenship—ideals reflected in community associations that are preferred places to call home. Visit us at www.caionline.org and follow us on Twitter and Facebook @CAISocial.

About the Foundation for Community Association Research
The Foundation provides authoritative research and analysis on community association trends, issues and operations. Our mission is to inspire successful and sustainable communities. We sponsor needs-driven research that informs and enlightens all community association stakeholders—community association residents, homeowner volunteer leaders, community managers and other professionals and service providers, legislators, regulators and the media. Our work is made possible by your tax-deductible contributions.

Your support is essential to our research. Visit foundation.caionline.org or email foundation@caionline.org.

For suggestions, additions, or updates to the Community Association Fact Book, please email foundation@caionline.org.

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ABOUT CAI

Since 1973, Community Associations Institute (CAI) has been the leading provider of resources and information for homeowners, volunteer board leaders, professional managers, and business professionals in nearly 350,000 community associations, condominiums, and co-ops in the United States and millions of communities worldwide. With nearly 40,000 members, CAI works in partnership with 64 affiliated chapters within the U.S, Canada, United Arab Emirates, and South Africa, as well as with housing leaders in several other countries including Australia, Spain, Saudi Arabia, and the United Kingdom.

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ABOUT THE FOUNDATION FOR COMMUNITY ASSOCIATION RESEARCH

Our mission—with your support—is to provide research-based information for homeowners, association board members, community managers, developers and other stakeholders. Since the Foundation's inception in 1975, we've built a solid reputation for producing accurate, insightful and timely information, and we continue to build on that legacy. Visit foundation.caionline.org.

The statistical information in this report was developed by Clifford J. Treese, president of Association Data, Inc., in Mountain House, Calif. A member of CAI almost since its inception, Treese is a past president of CAI and the Foundation for Community Association Research. We are grateful for his continuing support of both organizations.

Additional statistical information published by the Foundation for Community Association Research is available at foundation.caionline.org.

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