

Community Next: 2020 and Beyond

Executive Summary

Over the course of 2015, CAI gathered dozens of thought leaders to envision the nature of community association living, governance, and management in the next 10 to 15 years. Grouped into four panels, these experts—from within and outside the community association industry—contemplated the future of community associations through the lens of public policy, association governance, the community management profession, and external influences. Interestingly, although each panel produced distinct results, common threads ran through all findings. At some level, each panel recognized that education, changing demographics, outdated documents, qualified volunteers, technology, reserves, public perception, and stakeholder partnerships would be the key issues in all aspects of community association living in the next 15 years.

The Need for Education and Training

To emphasize the importance of effective association board members and managers, continued education will be needed on the topics of governance, management, dispute resolution, operations, leadership, communications and consensus building, and special training to work with the media. Informed homeowners will remain a key to preserving the nature of their community and protecting property values by delivering quality services and providing a safe, well-maintained living environment. Although a relatively new occupation, in barely five decades, community management has become a vital and sophisticated profession. Experts forecast in 10-15 years a bachelor's degree will become a prerequisite to community management certification. Manager education will increasingly focus on specialization, and community management will become an intentional career, i.e., people will seek it rather than coming to it by chance. Association leaders will need to be familiar with environmental and energy issues as homeowners become progressively concerned with water resource management energy efficiencies. The media, government decision makers, and the general public need to be educated about the contributions community associations make to a broad range of services. And, developers need to be educated about the value of retaining attorneys who specialize in Common-Interest Community law (CIC).

Changing Demographics

Over the next decade, common-interest communities increasingly will serve multiple generations and ethnicities. Because aging residents prefer living in their own homes as long as possible, naturally occurring retirement communities will likely proliferate, creating challenges for community associations because resources are limited and not well defined in the law. Associations may have to depend more on outside services or integrate with medical and social

service providers to meet the needs of older residents. Many governing documents contain restrictions that preclude providing additional services to certain members; nevertheless, aging residents will expect their associations to make it possible for them to remain in their homes. Millennials will also have a big impact on community association living. Because they value connections and social causes, they will tend to buy in communities with social agendas they have helped create, influenced, or are deeply committed to. Millennials are likely to find governing documents outdated and they will likely amend them to allow for fewer meetings, decision making by email or text and homeowner engagement via social media. Language and cultural differences in the general population will require changes in association management and governance to prevent disenfranchising a growing number of homeowners. Associations will become less homogenous as ethnic groups gravitate to communities where their culture is substantially represented. Hispanic, Asian and other ethnic association managers will be in demand, and bilingualism will be a valued job requirement.

Outdated Documents

Many association governing documents will need updating in the next decade. The influence of millennial leaders will likely promote documents that establish values and principles—i.e., a culture—first. They will be enlightened documents established before development begins; they will be customizable, flexible—written so that only some provisions are fixed (to protect the developer’s interest) and most are flexible (so owners can customize them after transition). Few governing documents or statutes provide sufficient authority to make changes when associations are overtaken by time or outlive their original purposes. Aging communities will force a change. Obstacles to redevelopment will be removed so developers have the incentive and flexibility to convert obsolete or non-functioning communities into other types of housing and to place underutilized amenities in private hands. Associations will have the authority to terminate and sell, to reform themselves or to dissolve and convert the community. Also, governing documents will need to be changed to align association rules with the exigencies of climate change and of a population aging in place.

The Need for Qualified Volunteer Leaders

Operating a homeowners association assumes many of the very same duties and responsibilities as overseeing any other business. The challenge to identify, recruit and sustain volunteer association leaders will increase in the next 10-15 years. In the absence of qualified volunteers, communities will likely explore creative alternatives to seating competent board members. For example: Some associations might pay a modest stipend to board members, similar to what city council members are paid. Some associations may turn to professional board members; like portfolio managers, they would work for several associations simultaneously. Others may amend their governing documents to set minimum requirements for board service. Or, state statutes or local ordinances may require formal board education. Some associations may outsource governance duties to professionals who will interface between homeowners and the manager. For example, architects may be involved in the design review process. Communities may also turn to a corporate model in which the association president is the CEO who works closely and directly with a professional manager.

Technology

Continuing advances in technology will present challenges and opportunities for community associations. With technology, 10 to 15 years is an epoch—perhaps several epochs. Needless to say, in 15 years, statutes requiring, for instance, members’ physical presence at meetings in

order to vote, will be rendered ludicrous by technology that facilitates virtual meetings. Associations will be limited unless public policy demands changes to outdated laws and governing documents. Furthermore, in 10 to 15 years, virtual offices and home-based employees will increase significantly, and an ever-younger cadre of residents will demand that technology be integrated into their communities. The same is true for all aspects of association governance and operations where technology could be applied: communications, decision making, voting and amendment procedures, sharing information, financial transactions—the list goes on and on. Technology can also be expected to change the community management profession as the number of tech-savvy professionals grows. Technology will allow management companies to have flexible work hours with fewer staff in cubicles. Technology will also make associations and management companies prime targets for hackers as criminals realize that many associations have substantial reserves and relatively unsophisticated network security technology.

Reserves

All stakeholders, including legislators, will need to recognize the imperative for associations to conduct reserve studies and to fund reserves based on those studies. Lack of resources will remain the primary hindrance to association success until reserve funding becomes mandatory.

Public Perception

Efforts to change the perception of associations and association management will be critical in coming years. Municipalities need to recognize the responsibilities associations carry for infrastructure maintenance and repair. As associations come to be seen in a more positive light, managers will become more respected and salaries more competitive. Increased homeowner expectations will give rise to additional management sub specialties within the profession—e.g., athletic facilities, restaurants, retail areas, etc. Large-scale associations, especially, will likely contract with managers or management companies having qualified experience in amenity management.

Stakeholder Partnerships

The next 15 years should see community association stakeholders working with academic institutions, think tanks and other research-focused groups to study community association operation and governance. Community associations will need to build effective relationships with government decision makers who function best when provided objective information by competent advocates. Partnerships with municipalities should be explored recognizing vital responsibilities associations carry for infrastructure maintenance and repair.

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The growth in the number of associations has been phenomenal. From 10,000 in 1970, the number of associations has grown to 338,000 in 2015. These associations comprise housing for more than 68 million Americans. By 2030, approximately one-third of all homeowners will reside in a community association. These numbers create an imperative for volunteer board members, managers, and business partners to remain focused on making communities preferred places to call home. We are confident CAI and its chapters are uniquely situated as multi-disciplinary industry leaders to meet the challenges and opportunities ahead.