

**TESTIMONY RE: SENATE BILL No. 6620 - AN ACT CONCERNING
CONDOMINIUMS AND COMMON INTEREST OWNERSHIP COMMUNITIES**

MARCH 25, 2011

Good morning Senator Coleman, Representative Fox, Senator Kissel, Representative Hetherington and members of the Judiciary Committee. Thank you for the opportunity to provide testimony on behalf of Imagineers, LLC ("Imagineers").

I am Karl Kuegler, Jr. of Imagineers, LLC where I serve as the Director of Property Management for our common interest community management division. From our offices located in Hartford and Seymour, we serve about 140 Connecticut common interest communities comprising about 13,000 homes. Imagineers is registered with the Department of Consumer Protection as a Community Association Manager holding registration number 0001 and has been serving Connecticut common interest communities for 30 years. I have over 20 years experience in the common interest community management of which 18 years have been in the employment of Imagineers. I am licensed with the Department of Consumer Protection as a Community Association Manager. I hold a Bachelors of Business Administration from Western Connecticut State University. Imagineers is a member of the Connecticut Chapter of Community Associations Institute. I serve on the organization's Legislative Action Committee.

We have concerns regarding several portions of this bill. The following is a summary of some of our concerns:

- The creation of the Office of Condominium Ombudsman will create a cost of \$4 per home owner per year. Furthermore, the Association is obligated to pay a fee per claim issued regardless of the validity of the claim. The majority of communities within the State are free of conflict that would cause need for the Office of Condominium Ombudsman to intervene yet the community (funded through fees paid by every unit owner) will be required to fund the office.
- Section 7 makes a major change to the budget approval process for some common interest communities. The revisions to the Common Interest Ownership Act which took effect on July 1, 2010, took the procedures for budget and special assessment approval that were found to be effective in the majority of the communities created after 1984 and applied them to all communities including those created prior to 1984. The majority of the communities created prior to 1984 up to July 1, 2010 had provisions in which the Board of Directors approved the operating budget and any special assessments with only the requirement to "present" it to the owners. The provisions used for the last 25 plus years in communities created after 1984 differed in that although the Board of Directors still approved the budget and special assessments, the owners now had the opportunity to ratify the budget and special assessments greater than 15% of the total annual operating budget. (The July 1, 2010 revisions clarified the 15% to be

defined as the aggregate of special assessments in any one budget period.) The ratification procedure provides that for the budget and/or special assessment equaling more than 15% of the total of the annual budget to be rejected, a majority of "all" owners must vote to reject the budget or assessment. What in essence the change created was a safety measure to keep Boards from putting in place a budget or assessment that greater than a majority of the community would not be in favor of. The changes proposed would make the vote requirement to reject the budget to equal a majority of those voting at the meeting for those communities that do not have a larger number required in their declaration. The drafters of the original language took into consideration that annual budget meetings are typically not well attended especially when the majority of the homeowners are content with proposed budget. By changing the provisions of the law, the budgets will be instead decided in some cases by a vocal minority portion of the community. It has been my experience in the 20 plus years of serving communities (both created before and after 1984) that Boards take very seriously the anticipated response to the budgets they approve especially when the budget calls for an increase in common fee rates. It may be a reasonable conclusion that Boards have potentially been concerned to a fault when taken into consideration the number of communities which are currently underfunded in regards to capital expenditures which have now come due. Communities are further being challenged by changes made to the FHA approval process in which associations are now required to fund a minimum of 10% of their annual operating budget to fund capital reserves and deferred maintenance as well as adequately budgeting for insurance deductibles.

I respectfully ask that you in general consider the following when reviewing concerns raised regarding the operation of common interest communities. Each home owner has the opportunity and responsibility to review in advance of purchasing a home in a common interest community the governing documents and laws impacting the form of ownership they are entering into. All too often owners purchase without fully understanding the aspects of operating the community that are entrusted to the elected board of directors. Furthermore, there are provisions in the governing documents and especially in the revised July 1, 2010 Common Interest Ownership Act, that allow individual owners to have greater access to information, to attend meetings of the board, to be heard by the board, to affect change in the association and to keep the association's operation in check. A commonly used selling point for purchasing a home in a common interest community is the care free living that is the benefit of not having to worry about certain aspects of the care for your home. The ironic fact is that a group of these owners instead agree to volunteer their time as Board members taking on the task and responsibility of ensuring that the maintenance and operation of all the units is properly facilitated. The changes to the Common Interest Ownership Act put into place on July 1, 2010 took steps to create more transparency and to ensure that owners have greater control over the operation of their common interest community. The benefits of the changes have had a positive impact and will only increase with increased education and promotion.