

Community Associations in Pennsylvania

The General Assembly of Pennsylvania *Informational Meeting*

Housing & Community Development Committee
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Pennsylvania Legislative Action Committee (PA LAC)





Who we a

Formed in 1973 to serve as a clearinghouse of ideas and best practices in the community association field, Community Associations Institute (CAI) is an international membership organization dedicated to building better communities.

With over 45,000 members, CAI has 63 chapters worldwide, including Canada, the Middle East, South Africa, and right here in Pennsylvania. In addition, CAI has relationships with housing leaders in a number of other countries, including Australia and the United Kingdom.

CAI provides information, education, and resources to the homeowner volunteers who govern communities, to the professionals who support them, and to legislators and government agencies that represent them. CAI members include association board members and other homeowner leaders, community managers, association management firms, and other professionals who provide products and services to associations.





CAI and its 63 chapters are the primary source of education worldwide for community association volunteers and managers. CAI provides credentialing for managers and association professionals in law, insurance, and reserve funding.

CAI's research foundation is the primary source of research in the association field and publishes reports on best practices in community association management and governance. Research projects include:

- Aging Infrastructure
- Technology & Data Security
- Diverse Communities
- Homeowner Satisfaction Surveys
- Best Practices Reports & the Community Association Fact Book
- Learn more at foundation.caionline.org





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2021-2022 U.S. NATIONAL AND STATE Statistical Review

U.S. COMMUNITY ASSOCIATIONS, HOUSING UNITS, AND RESIDENTS

Year	Communities	Housing Units	Residents
1970	10,000	.7 million	2.1 million
1980	36,000	3.6	9.6
1990	130,000	11.6	29.6
2000	222,500	17.8	45.2
2002	240,000	19.2	48.0
2004	260,000	20.8	51.8
2006	286,000	23.1	57.0
2008	300,800	24.1	59.5
2010	311,600	24.8	62.0
2011	317,200	25.4	62.7
2012	323,600	25.9	63.4
2013	328,500	26.3	65.7
2014	333,600	26.7	66.7
2015	338,000	26.2	68.0
2016	342,000	26.3	69.0
2017	344,500	26.6	70.0
2018	347,000	26.9	73.5
2019	351,000	27.2	73.9
2020	355,000	27.5	74.1
2021	358,000	27.7	74.2

Homeowners associations account for about 58-63% of the totals, condominium communities for 35-40%, and cooperatives for 2-4%.

FCAR ESTIMATES THE NUMBER OF U.S. COMMUNITY ASSOCIATIONS IN 2022 IS BETWEEN 359,000 AND 363,000

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NATIONAL DATA, 2021



29

Percent of U.S. population in community associations.



\$11 trillion

Value of homes in community associations.



\$307.2 billion

Community association economic contributions in 2021 including volunteer time, real estate taxes, home improvements, and housing services.



\$106.4 billion

Assessments collected from homeowners. Assessments fund many essential association obligations, including professional management services, utilities, security, insurance, common area maintenance, landscaping, capital improvement projects, and amenities like pools and club houses.



\$26.6 billion

Assessment dollars contributed to association reserve funds for the repair, replacement, and enhancement of common property, e.g., replacing roofs, resurfacing streets, repairing swimming pools and elevators, meeting new environmental standards, and implementing new energy-saving features.



55,000-60,000

Community association managers (includes on-site managers and those who provide part-time support to a number of communities).



6,000-9,000

Large-scale associations, i.e., those meeting at least two of the following three characteristics: a single, contiguous community with a general manager; a minimum of 1,000 lots and/or homes; and a minimum annual budget of \$2 million.



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30-40

Percentage of community associations that are self-managed, meaning they may use professional assistance for specific projects, activities, and services, but do not employ a professional manager or management company.



67% of homes completed & 78% of homes built for sale

Percent of new housing in a community association.



8,000-9,000

Community association management companies.



100,000-105,000

Individuals employed by management companies and onsite for associations with staff.



2,500,000

Community association elected members of boards of directors and appointed committee members.



98,500,000

Volunteer hours of service performed annually by association board and committee members to provide governance, community, and related services.



\$2.949 billion

Estimated value of time provided by homeowner board and committee members. Volunteer hourly time is calculated for each state with the average at \$29.95 per hour based on data from Independent Sector.

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home



In the United States:

- CAI estimates the number of U.S. community associations in 2022 is between 359,000 and 363,000.
- In excess of 27.7 million housing units.
- More than 74 million residents.

In Pennsylvania:



Rough Estimate: 7,000-8,000 community associations with over 1.3 million homeowners.

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home

CAI's Pennsylvania Legislative Action Committee supports Community Association Data Transparency Legislation:

- CAI estimates that 2.8 million PA residents live in a common interest ownership community (CIOC) and that roughly 80 percent of new housing starts since 2000 are CIOCs. Actual number and location of these communities is, by and large, unknown.
- Amends the Municipalities Planning Code to require County Planning Commissions to include Community Association data in their currently required annual report.
- Counties would be required to collect, maintain, and make available upon request, information identifying condominium associations, cooperative housing developments, and planned communities located within the boundaries of the County.



Overview of Community Associations





CONDOMINIUMS

Unit Property Act (1963-1980): 68 Pa. C.S.A. §700.101 *et seq.*

Uniform Condominium Act (effective October 30, 1980): 68 Pa. C.S.A. § 3101 *et seq.*
“UCA”

PLANNED COMMUNITIES

Uniform Planned Community Act (effective Feb. 2, 1997): 68 Pa. C.S.A. § 5101 *et seq.*
“UPCA”

COOPERATIVES

Uniform Real Estate Cooperative Act (effective Feb. 16, 1993): 68 Pa. C.S.A. *et seq.*
“RECA”



Characteristics of Common Interest Ownership Communities

- ✓ Automatic membership by accepting deed
- ✓ Governing documents create mutual obligations
- ✓ Assessments levied to operate association
- ✓ Owners share a property interest
- ✓ Not an architectural style





Distinctive Ownership Interest

CONDOMINIUM

- Buyer owns 3-dimensional space (“Unit”) + undivided interest in common area.

PLANNED COMMUNITY

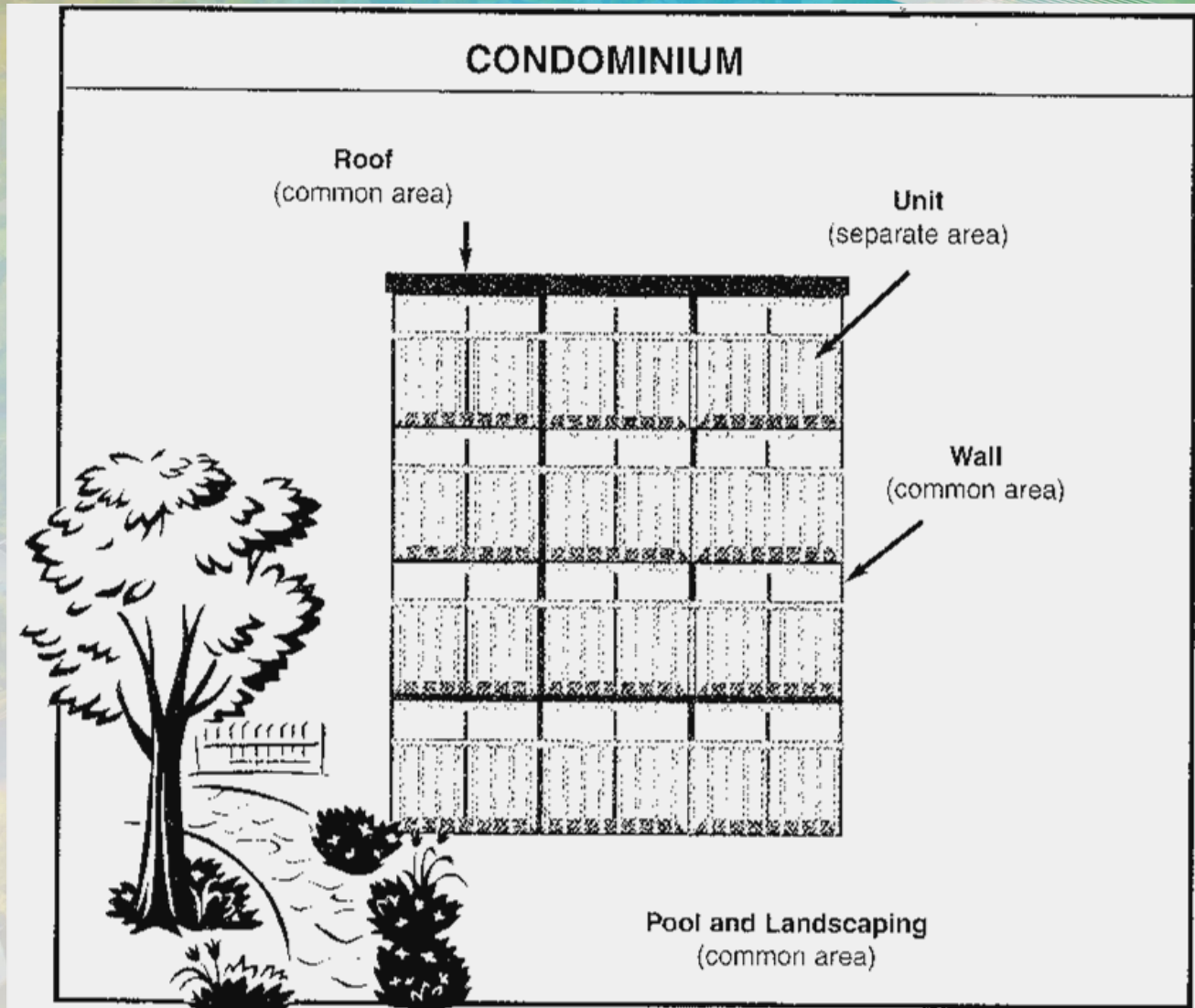
- Buyer owns the Unit; Association owns common area.

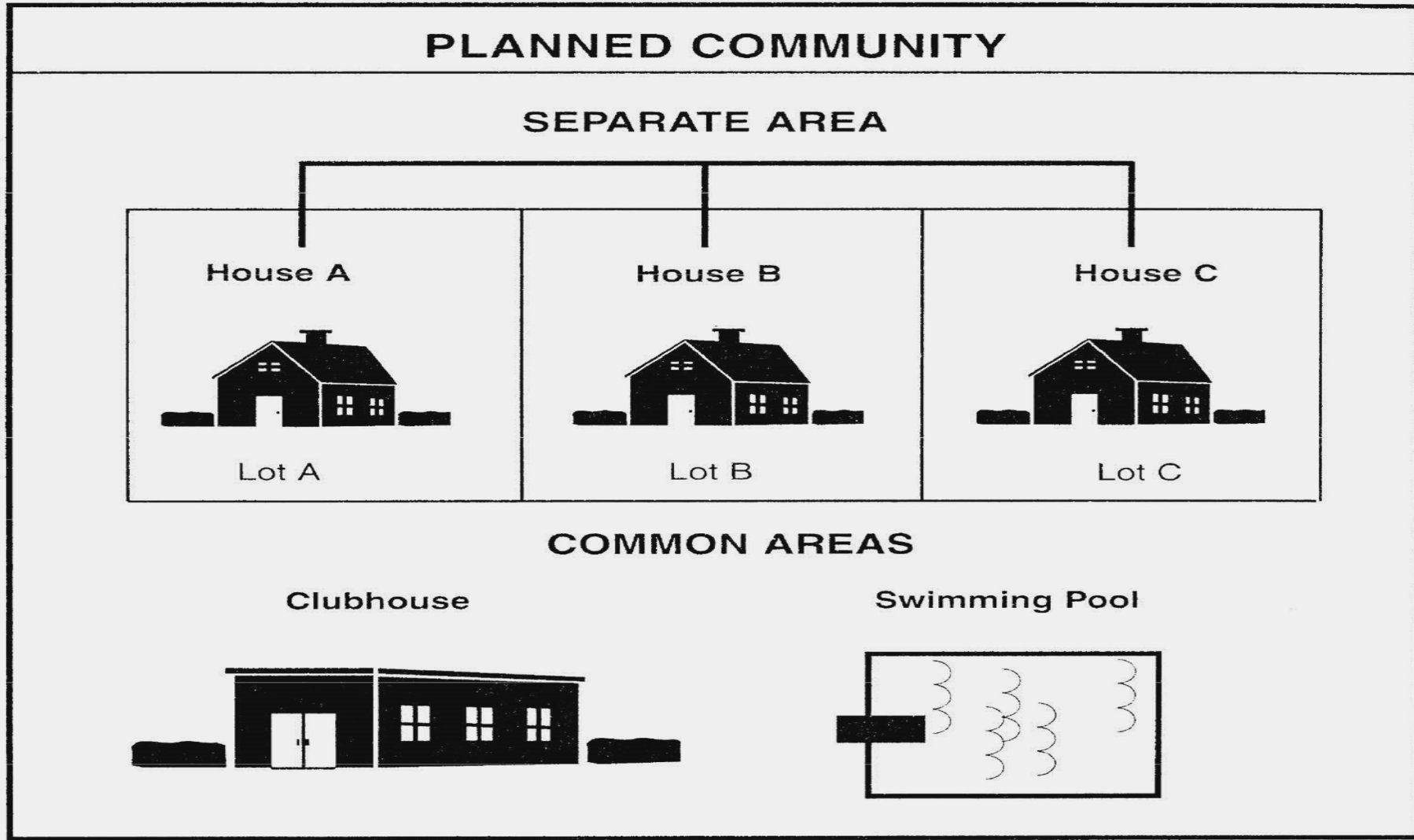
COOPERATIVE

- Buyer owns shares of Cooperative + exclusive right (under proprietary lease) to occupy; Cooperative owns entire project.

MASTER ASSOCIATION

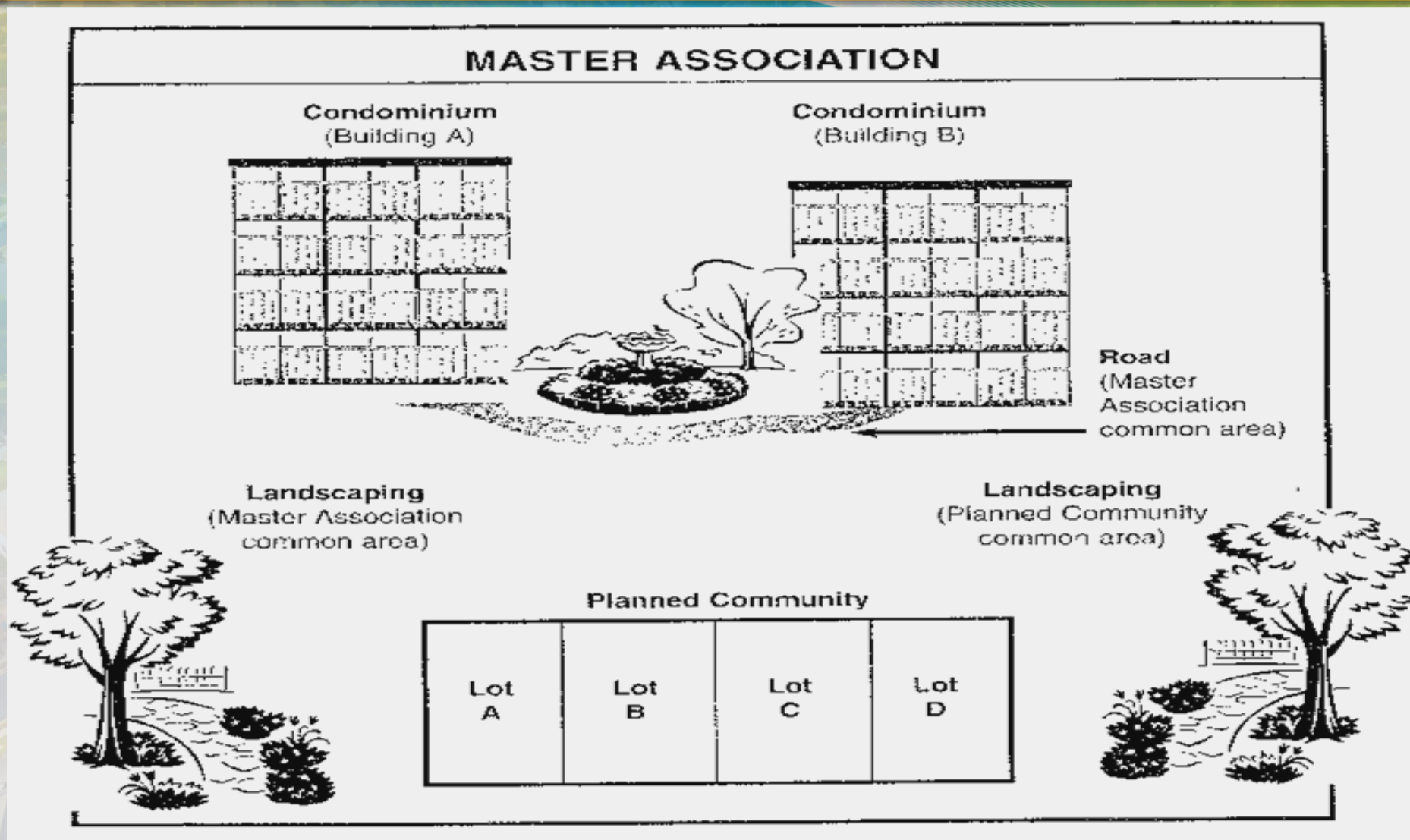
- Buyer owns Unit + interest in common area owned by umbrella Association & in common area within a neighborhood Association.



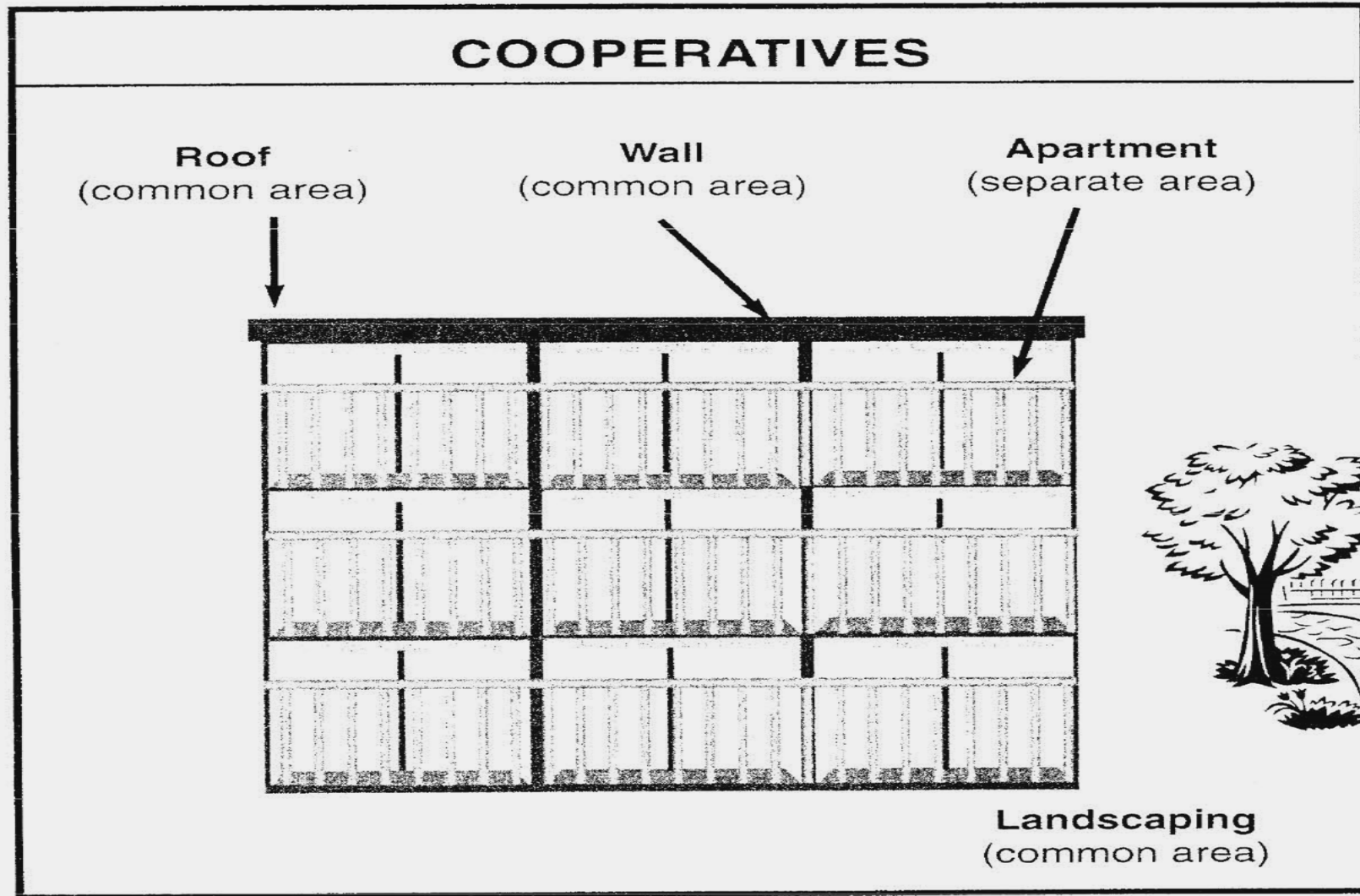




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Formation of the Community Association





BUSINESS ENTITY

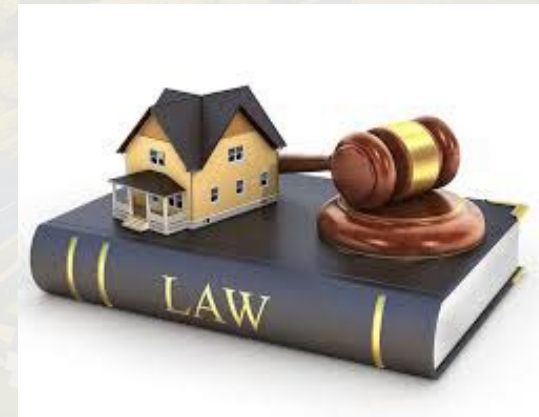
Developer-Declarant forms the Association entity

- Usually Nonprofit Corporation, per 15 Pa. C.S.A. § 5101 et seq.
 - i. May be unincorporated association, business corporation or trust
- Maintains & regulates common property;
 - i. May provide municipal-like services, e.g. snow & trash removal, street maintenance & lighting, storm water management, etc.
 - ii. May maintain buildings and common areas



SOURCES OF AUTHORITY

1. Statutes (Title 68 & Non-Profit Corporation Law)
2. Declaration of Covenants, Conditions & Restrictions
3. Plats and Plans
4. Articles of Incorporation
5. Bylaws
6. Rules & Regulations





HIERARCHY OF DOCUMENTS

1. Declaration
 - Recorded. Amendment requires membership vote (usually 67%)
2. Articles of Incorporation
 - Filed with PA Dept. of State. Amendment usually requires membership vote
3. Bylaws
 - NOT Recorded. Amendment usually requires membership vote (typically 51%)
4. Rules & Regulations
 - NOT Recorded. Adoption or Amendment requires Board vote only





ROLES IN COMMUNITY ASSOCIATIONS





DEVELOPER



- Called “Declarant.”
- Selects Association type
- Drafts governing documents
- Appoints initial Board. Controls Association until turnover to homeowners.



Association Board



- Owner election starting at 25% sold.
- All Board members elected by owners at 75% of units sold.
- Regardless of sales, Declarant control ends 5 years after first conveyance (7 years for flexible regimes).



Conflicting Roles of the Developer

THE FOUR "HATS" OF THE DEVELOPER

DEVELOPER

Declarant

Public Offering Statement
Declaration
By-Laws
UCA/UPCA



Builder

Agreement(s) of Sale
Express Warranties
Implied Warranties
Representations
Subsidies
Subdivision Plan



Board Member(s)

Fiduciary Duty
Reserves
Collection of Assessments
Maintenance
Enforce Architectural Controls
Insurance



Owner

Payment of Assessments
Adhere to Architectural Controls
Use Restrictions





Unit Owner

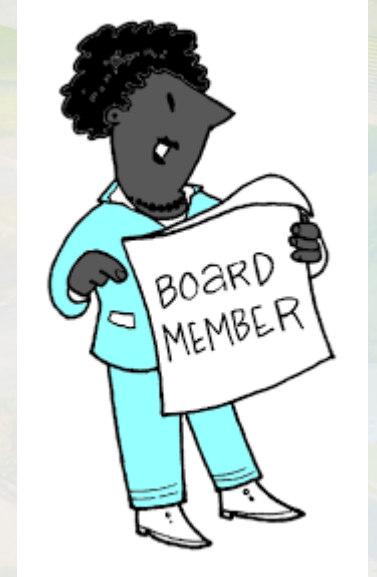
- Membership by accepting deed
- Must comply with governing documents, including use restrictions and payment of assessments
- Eligible for election to Board of Directors and Committees





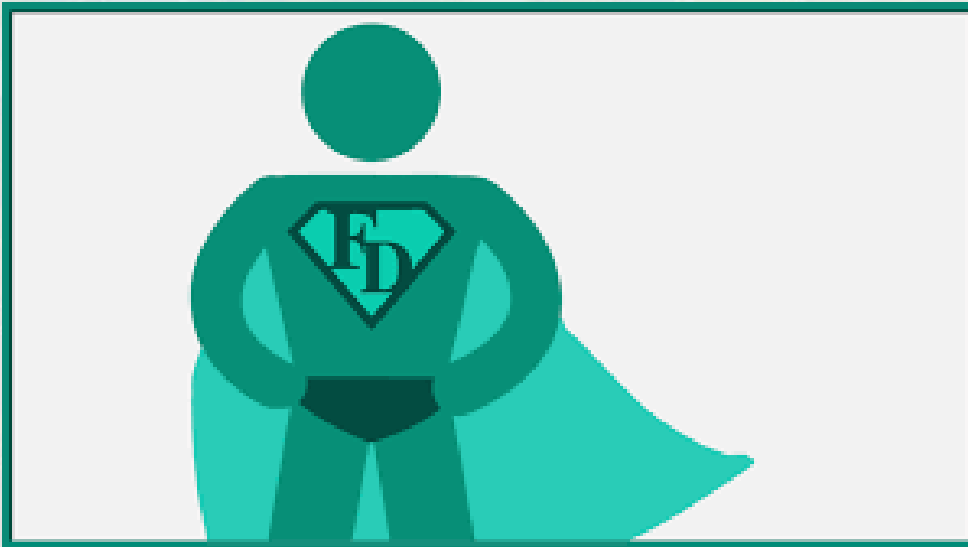
Board Member

- Elected by Unit Owners
- Usually must be a Unit Owner
- Responsible for managing the affairs of the Association
- Owes a fiduciary duty to the Association
- In discharging duties, may engage third-party professionals





Fiduciary Duty



- Uniform Acts
- Nonprofit Corporation Law of 1988, 15 Pa. C.S.A. § 5712
- Declaration and/or Bylaws



Standard of Care



- Executive Board acts on behalf of Association.
- Board members must act in good faith, in best interest of Association and with reasonable care, including reasonable inquiry, skill and diligence as a person of ordinary prudence would use under similar circumstances.
- Business Judgment Rule - No liability if Board's actions are authorized and conform to the foregoing standards.
- Retroactive application of Business Judgment Rule per the 2004 Amendments



CONFLICT RESOLUTION





Dispute Resolution Procedures

1. ADR required in all new association documents.
2. Internal grievance procedures.
3. Due process notice and opportunity to be heard.
4. Arbitration or mediation options.
5. Non-interference with operations and affairs of associations absent contravention of the Business Judgment Rule.





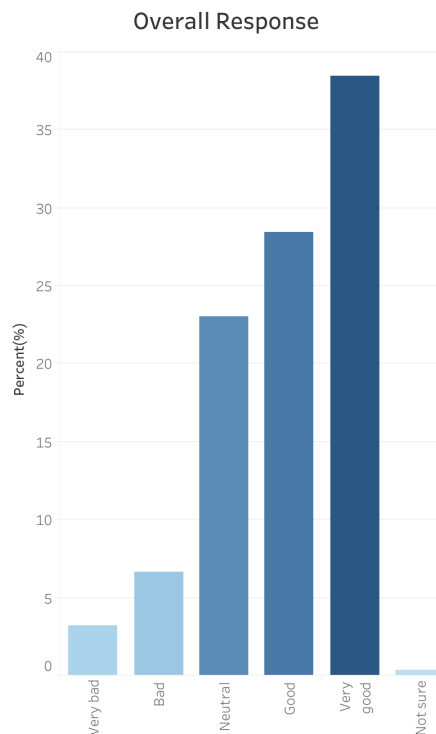
Preferred Places to call Home

Community Association Living: Homeowner Satisfaction Survey

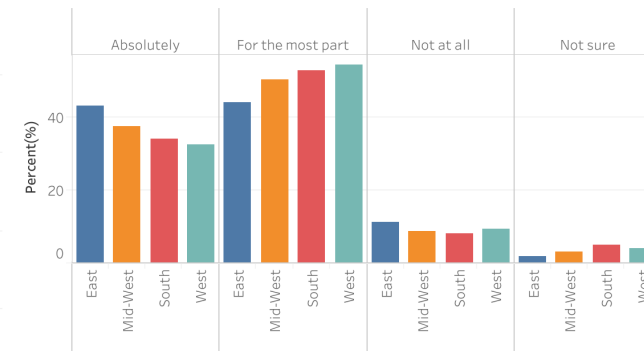
Overall Satisfaction	Neighbors	Community Manager	Board of Directors	Association Living	Community Rules	Assessments
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Overall Satisfaction

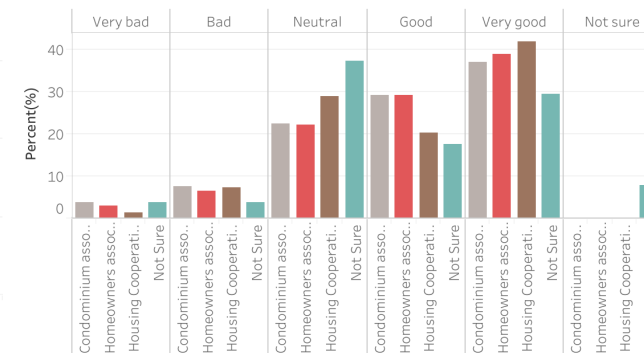
Year
2022



Region



Community

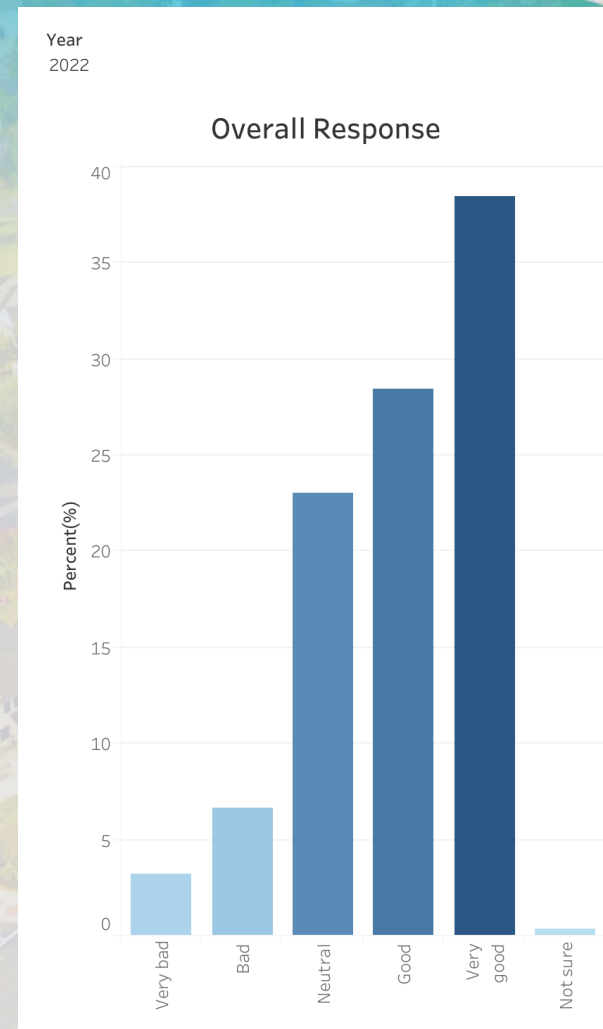


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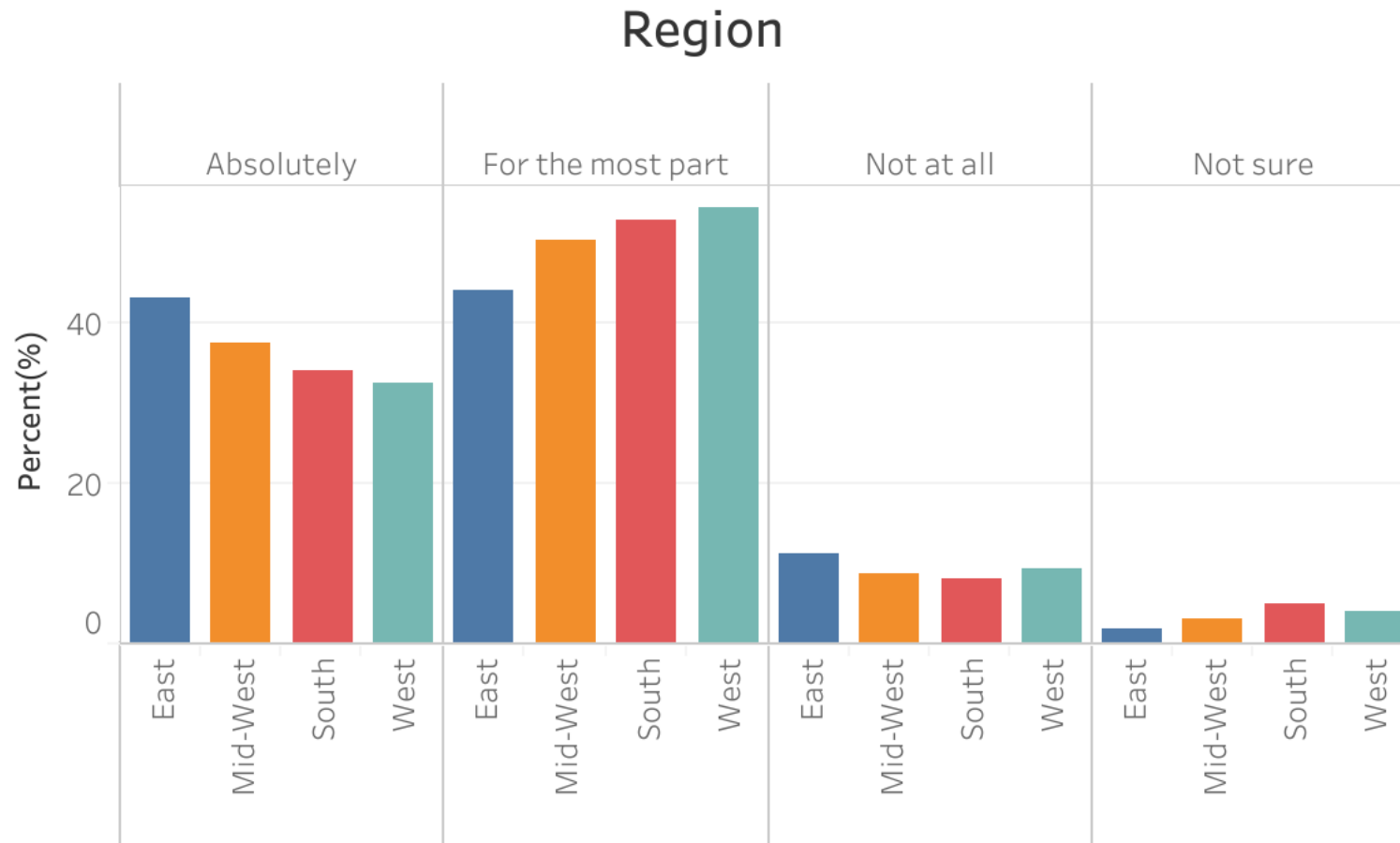


Preferred Places to call Home





Overall Satisfaction







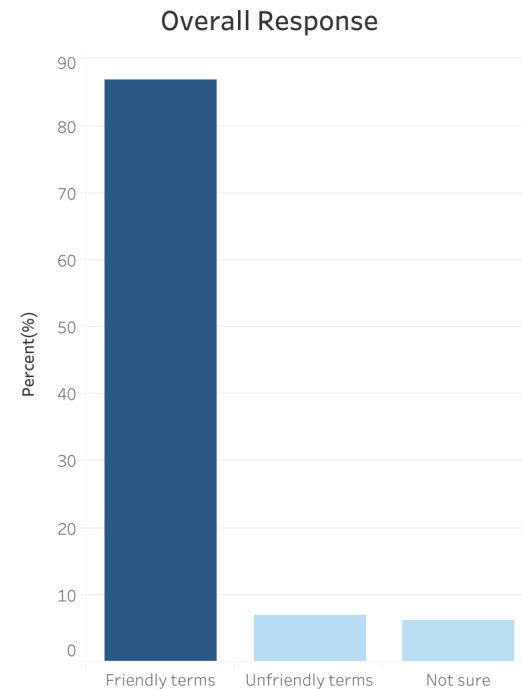
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Board of Directors : Overall, would you say you are on friendly terms with your current community association board, or would you say you are on unfriendly terms with them?

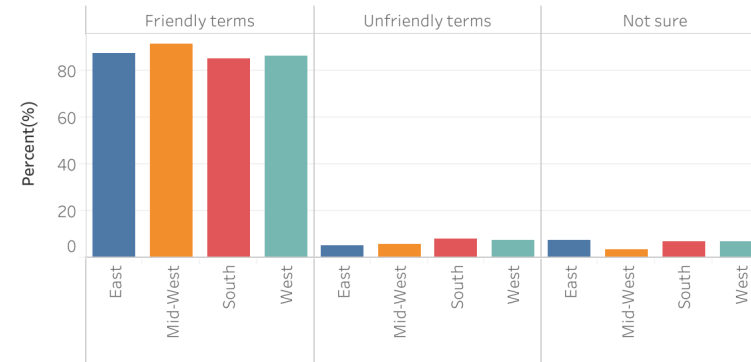
Year 2022

Board of Directors

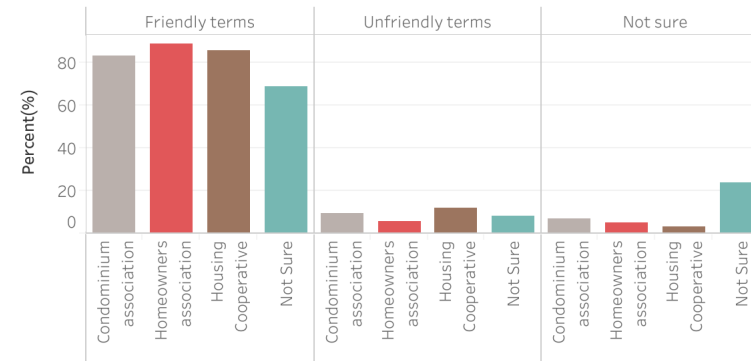
Overall, would you say you are on friendly terms with your current c...



Region



Community



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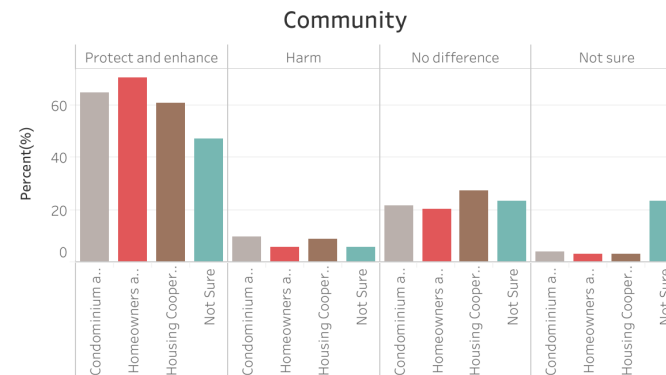
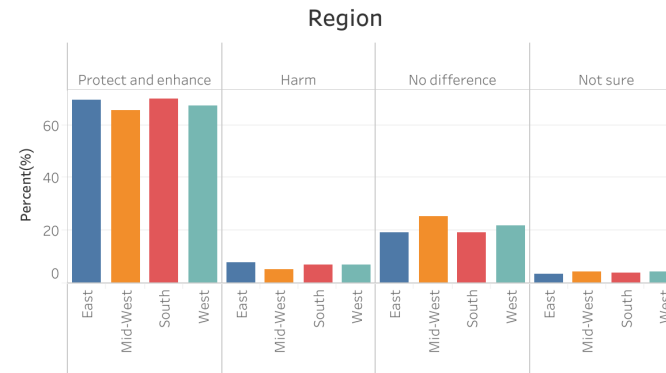
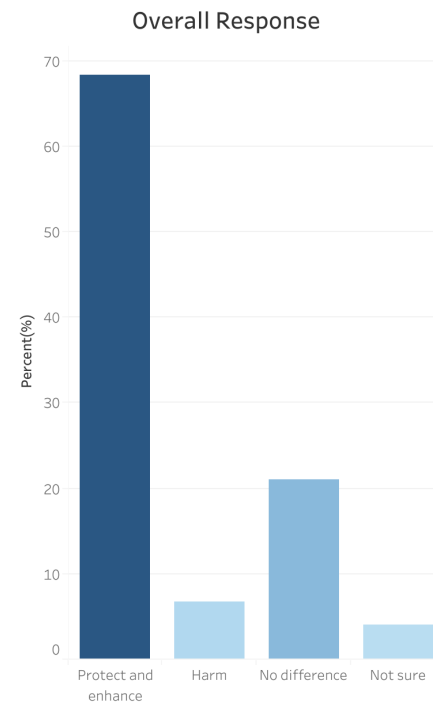


Community Association Living: Homeowner Satisfaction Survey

Community Manager	Board of Directors	Association Living	Community Rules	Assessments	Meetings	Reserve Fund Studies
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Community Rules: *Do the rules in your community protect and enhance property valu..*

Year
2022



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Community Association Living: Homeowner Satisfaction Survey

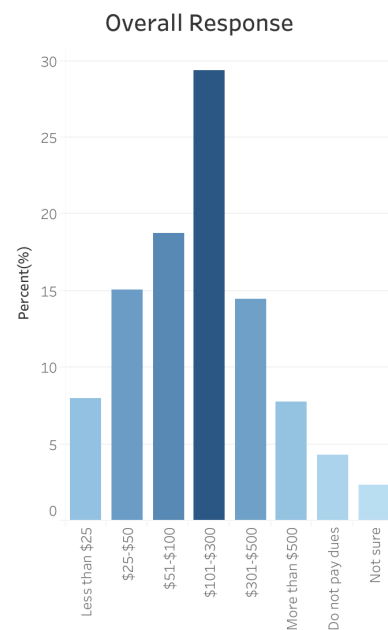
Board of Directors	Association Living	Community Rules	Assessments	Meetings	Reserve Fund Studies	Voting Trends
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Assessments: Which of the following best describes the amount of assessments you currently pay to your community association per month?

Year
2022

Assessments

Which of the following best describes the amount of asse..



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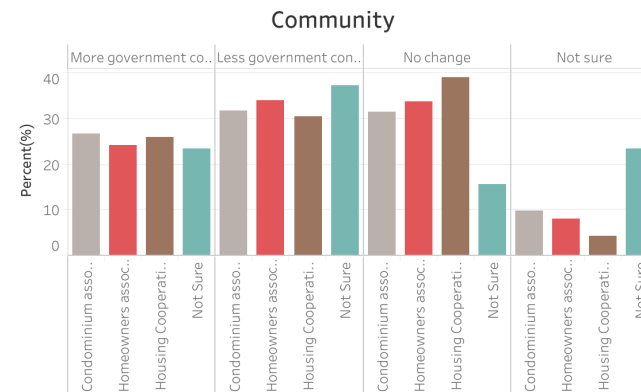
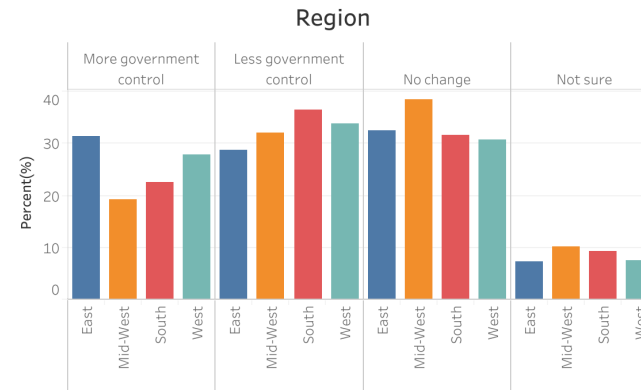
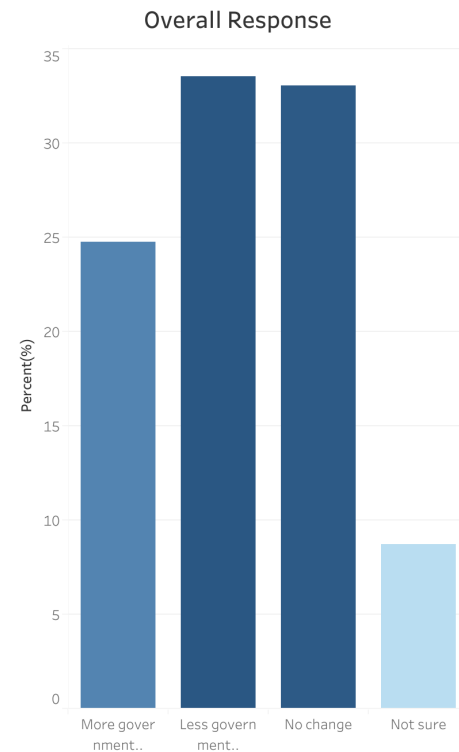


Community Association Living: Homeowner Satisfaction Survey

Assessments	Meetings	Reserve Fund Studies	Voting Trends	Home Buyer	Laws and Regulations	Impact of the Pandemic
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Would you like to see more or less government control of community associations?

Year 2022



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Thank you.



Contact Community Associations Institute for more information or visit
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