**Special Assessments**

**Who implements a special assessment?**

 Check your Bylaws, but in most cases the Board has full authority to implement a special assessment.

**How is a special assessment put into place**?

 Technically, a Board (or member if required) motion at a an officially and correctly called meeting is needed.

 The motion should be seconded and voted upon.

 The motion should include the amount of the special assessment, the date it goes into effect, and how the funds will be used.

**Special Assessment vs Loan-which to use?**

 -Gotcha! A loan is not an alternative to a special assessment—it is a financing mechanism for a special assessment.

**Best Practices**

 Review guidelines below

**Support from the EJF team**

 We have a written process.

 Board guidance on do’s and don’ts, communication, and implementation.

 We can provide letter templates.

 We can provide the SA calculations.

**Enforcing special assessments**

 This is an assessment and falls under same collection policies contained in the Bylaws as regular assessments.

**Special assessments and cash flow-what to consider?**

 Timing of the contract payments

-review what payments are called for and look ahead to determine if sufficient cash will be on hand to pay invoices

 Payment options

 -it is ok to offer two or three options but work to keep it simple

 -a one-time payment option with a short-term plan with no interest is very common; for payments over long-terms usually a bank finances these payments so that the association has sufficient cash

 Current cash on hand

 -look at the current cash on hand and how much will be devoted to this current project; any amount not covered by the current cash on hand will need to be raised via a special assessment

How to avoid special assessments?

 -update the reserve study

 -carefully review the reserve study to insure all items are covered and assigned costs seem realistic

 -make the annual reserve contributions and do not use reserve funds for non-reserve items

**EJF Guidelines for Successfully Implementing a Special Assessment (SA)**

In conjunction with our clients, EJF has implemented thousands of special assessments.  Regardless of the size of the special assessment or the community, our experience has led us to the following guidelines for successfully implementing and collecting a special assessment.

EJF strongly recommends Boards follow these parameters for implementing a SA:

1. Start communicating early and often with the community as soon as the Board begins discussing imposing a special assessment.  Too much communication is better than not enough.  Consider holding one or two “Town Hall” meetings to discuss the special assessment.
2. Read and understand the steps outlined in the Bylaws for a special assessment.  Understand if the Board has the authority to impose a special assessment or approval by owners is required.  Review the process for holding meetings and notification of a special assessment.
3. Before voting on the special assessment, hold at least two Board meetings (or Town Halls) with the special assessment as an item on the agenda.
4. State the specific use for the special assessment and the reasons why it is the best solution.
5. When approving the special assessment, properly make a motion, have it seconded, and vote on the motion.  The actions should be recorded in the minutes.
6. Immediately notify all owners in writing about the special assessment, start dates, and payment options.  Notice should be at least thirty days (more if required by the Bylaws) prior to the first payment being due.

Successful special assessments are easy to understand, have few options, and are clearly outlined in writing to all owners.  EJF recommends the following:

1. Payments start and are due on the first day of a month, the same as regular assessments.
2. Conform to Bylaws regarding late fee policy.  The policy is already set up in our system.
3. If short term payment options are to be offered, no more than two options should be offered (keep it simple).  For example, owners may pay all at once or over six months.
4. For long term options (typically involving a bank loan), the Board must decide up front how to treat payoffs.  This is often complicated by loan covenants, restrictions on early payoffs, and the nature of amortizing loans.  The Board and management must devise a plan and communicate it with owners from the beginning.

As outlined in the contract addendum’s Statement of Fees, EJF does charge fees related to an SA.  The typical fees are:

1. $250 for creating, devising, planning, and implementing a special assessment.
2. Fees for each form related to the loan application process.
3. If a loan is in place, $75 when a unit sells (Board can determine if it is an association or owner fee) for the extra calculations and accounting related to the loan.

**EJF Special Assessment Policies**

The following policies describe how special assessments must be set up and implemented and accounted for.  These policies are based EJF’s many years of experience and will help us deliver a consistent product that is easy to understand.

1) All special assessments will be posted on the first of the month.

2) If a special assessment has multiple due dates, the special assessment will be posted as each amount becomes due. (not as one big assessment).

3) As the special assessment amounts are posted to owners’ accounts, the income will be posted to the Special Assessment line on the State of Revenue and Expenses on an accrual basis.  Therefore, the income amount is the total of the special assessments posted to date.  To understand who has paid or not paid, the Board can look at the AR report in the monthly financial report or go online and look up the information through the Board portal.

4) If an owner chooses to pre-pay, EJF will accelerate the special assessment.  The accelerated amount will be reflected in the Special Assessment income line on the Statement of Revenue and Expenses.