

High Condominium Association Fees: What Can Be Done?

Unit owners of townhouses or traditional condominiums who believe they are paying excessive association fees may be experiencing mismanagement in their condominium associations. There are options to combat mismanagement.

What are the signs of possible mismanagement?

The unit owner should determine whether the association fees have increased substantially. Condo association fees are collected to maintain, repair, and replace the “common elements,” which are defined by the By-Laws and Master Deed for each development. Common elements often include exterior walls, roofs, roads, shared garages, pipes that run between the units, shared security features, and recreational facilities.

Association fees may be naturally higher in certain developments because the development offers extensive amenities. If the amenities include a pool, recreation areas, and staffed security features, for example, the association fees are likely to be higher to cover the costs of running and maintaining the amenities.

However, if the unit owner has noticed a significant increase in the association fees or has received expensive special assessments recently, there may be a problem. Special assessments are one-time charges over and above the monthly association fees and are often assessed for unforeseeable repairs that are not covered by insurance. If the special assessments are substantial, the unit owner may be able to pay them over time, but the assessments are a lien against the property.

If the association is issuing special assessments for repairs that *are* foreseeable, such as roof replacements or upkeep on the exterior of the buildings, the association may be mismanaged. Ideally, an association estimates the cost of roof replacements 20 years in advance and collects a fraction of that cost each month to hold funds in reserve for the future project. If properly managed, sufficient funds should be held in reserve for all routine maintenance projects, such as roof replacements, road repaving, sidewalk replacements, etc., without having to demand additional funds from the unit owners through special assessments.

Who makes the decisions about the condo association fees?

The condominium association Board, which is comprised of elected unit owners from the development, is the governing body for the condo association. However, the Board members may not have experience in management and financial matters. Therefore, it is common practice for condo associations to hire management companies, engineers, and legal and financial professionals to provide guidance. If the hired advisors are providing poor or insufficient advice, or the Board is ignoring the advice given, then the Board may be making poor decisions.

What can individual unit owners do?

Get involved. Attend the annual association meetings. Run for a position on the Board. Ask to review the accounting records of the condo association. In New Jersey, the Condominium Act requires an association to provide unit owners with access to the accounting records of the association at reasonable times.¹

If the association fails to comply with certain requests for information made by a unit owner, the unit owner may lodge a complaint with the New Jersey Commissioner of Community Affairs.² In severe cases of mismanagement, a unit owner may be able to file a legal action to stop an expensive project from being performed, force the association to take certain action, or recover damages suffered as a result of mismanagement by the association.

Excessive condo fees may impact the resale value of the units as well as the immediate financial condition of the unit owners. Unit owners should stay apprised of decisions made by the condo association Board and, when necessary, consider appropriate legal action to combat mismanagement.

¹ *N.J.S.A.* 46:8B-14.

² *N.J.S.A.* 46:8B-14 and -16.