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My comments about  
**House Bill 3057**

## Reserve Studies

### **Fine Point #1: Exempting certain associations from establishing reserve accounts**

Without a prominent disclosure, most home buyers would not realize that the reserve fund requirement does not apply to all homeowners associations. Not many home buyers even know what a reserve fund is. Ideally, a disclosure would say to what percent the reserve fund is funded and what the shortfall is in dollars, similar to the EPA MPG ratings on cars.

### **Fine Point #2: Inflation rate**

New text in ORS 94 and ORS 100:

**"The board of directors of the association shall annually determine the reserve account requirements by conducting a reserve study or reviewing and updating an existing study using the following information:**

...

**(D) The rate of inflation during the previous fiscal year;"**

The new text doesn't say how the inflation rate for the previous year should be used. Should the reserve study assume the inflation rate from the previous year will hold steady for the next 30 years? That would cause the 30-year projection of needed funds to vary drastically from year to year. It's best not to begin adding a few vague rules without specifying the complete how-to book on reserve studies.

#### [Reserve Studies for Condominiums & Homeowner's Associations](#)

##### **Oregon:**

"There is no statutory requirement for the study to be performed by a reserve study professional or anyone possessing any particular expertise or qualifications. There is no licensing or certification process for professional reserve study practitioners, and there is no restriction preventing community managers, management companies, association boards or members from conducting their own studies."

## My Main Concern about Reserve Studies

**Most homeowners association reserve funds are severely underfunded.** These minor ORS tweaks are like lipstick on a pig. The homeowners don't want to pay higher dues to pay for maintenance for future owners. There is no enforcement of the reserve fund law. Homeowner associations won't get reserve studies, or they'll get a reserve study that deliberately underestimates reserve requirements, or they'll ignore the reserve study recommendations. It is unrealistic to expect homeowners associations to do what the Oregon legislature has not: When the legislature has balanced its own budget and no longer has deferred maintenance or debt, then they can legislate their successful management strategy on others.

# Annual Financial Review by an independent certified public accountant

## **Fine Point #1: 180-day review deadline**

Change in ORS 94 and ORS 100:

"the association of a planned community / condominium that has annual assessments exceeding \$75,000 shall cause the financial statement required under subsection (4) of 30 this section to be reviewed within [180] **300** days after the end of the fiscal year"

180 days is too slow. 300 days is very awfully much too slow. By then, whatever the financial review said was a problem is far in the past, so the board of directors can claim that problem has since been corrected and is just water under the bridge. But if the problem wasn't fixed, it may be too late.

## **Fine Point #2: Reserve study deadline?**

Unlike the financial review, there is no deadline for producing the reserve study. The reserve study really ought to be ready before deciding the annual budget.

## **My Main Concern about Independent Financial Reviews**

**The lack of independence of the "independent" financial review.** An accountant will have to please his client, the board of directors, if he wants to get repeat business. A director will tell the accountant how to rewrite in the "independent" financial review to remove embarrassing remarks before the board of directors will approve the review, before releasing the review to those pesky few homeowners who "want to know what's going on".