

Community Association Turnover

Adapted from a handout from Steve Williams, Southwest Property Management – items in italics were added by Frank Kearney based on Steve Williams' oral remarks)

1. What is "Turnover"?
 - A. Transition of control of the Association from the Developer to the Members. (*home owners at VillageWalk*)
2. When does "Turnover" occur?
 - A. The Articles of Incorporation for Village Walk, Section 8.4 states:
"Transfer Date. The first election of Directors shall not be held until 120 days after the Developer has closed all of the sales of the Units contemplated under the General Plan of Development, or until the Developer elects to terminate control of the Association, whichever occurs earlier."
3. How is "Turnover" completed?
 - A. In order for turnover to occur, there must first be a member elected Board to receive the Association records from the Developer and begin to operate the community. The Bylaws for Village Walk, Article III states the procedure for the First election of member directors.
 - B. The newly elected directors meet immediately after the election meeting to elect officers;
 - C. Control of funds; new bank resolutions, signature cards, authorized check signers;
 - D. Transfer of Association records from the Developer to the Association Board of Directors
4. What happens after "Turnover"?
 - A. The new Board will meet as needed to:
 - 1) Establish procedures;
 - 2) Schedule meetings;
 - 3) Appoint committees to investigate and study specific topics, items or issues (Architectural Review Committee and Covenants Committee must be established);
 - 4) Review financial reports;
 - 5) Authorize expenditures of funds;
 - 6) Review current contracts (*often done by the Transition Committee*);
 - 7) Generate Developer Punch List (*list of deficiencies that the Developer is asked to fix*);
 - 8) 48 hour notice of Board meetings is required by Florida Statutes.
 - B. Meet with the Developer to resolve warranty issues
 - C. Audit of Financial Records by an independent CPA (paid for by the Developer)

5. How Do We Prepare for "Turnover"

A. Transition Committee is *typically* appointed by the Developer approximately 1 year prior to turnover (*however the community could hold an informal vote to recommend members of the Transition Committee*);

- 1) Town Manager works with the Transition Committee to educate and inform committee members;
- 2) Transition Committee seeks candidates for nomination to the Board of Directors.
- 3) community

B. Reserve Fund Study

- 1) *Until handover, the Board is controlled by the Developer and the Transition Committee has no funds to hire consultants or engineers.*
- 2) *minimal reserve fund study would cost \$10,000*

6. Other Items

A. Disputes Between the Developer and the Transition Committee

- 1) *There is no required mechanism to resolve disputes, such as binding arbitration*
- 2) *The Developer has certain legislated warranties and some warranties are implied*

B. Election of Directors

- 1) *IslandWalk has all candidates meetings*
- 2) *New Directors should have an orientation session*

C. Maintenance vs. Capital (and Reserve Funds)

*Almost everything breaks at some point; if something major breaks and the problem is **not** due to normal wear and tear, the cost is typically paid from the Replacement Fund (capital reserve fund).*

D. Neighborhood Associations

- 1) *The Neighborhood representatives vote on all issues except owners vote on the election of directors , amendments to the association documents or disputed budgets.*
- 2) *Neighborhood associations can vote to assess all owners on that street to cover certain costs (for example, power washing all of the roofs)*