

What to ask before buying into a gated community

Major lifestyle changes in recent years have seen a huge increase in the number of people opting to live in cluster developments, estates and other gated communities.

Many have chose, for example, to change their residence to avoid difficult and expensive single-home issues such as security and maintenance of large gardens.

But buyers still need to be better prepared for the new commitments and responsibilities that come with living in a community governed by a homeowners' association (HOA)

And those buying "off-plan" need to be especially careful about obtaining all the necessary information before contemplating such a move. For a start, they should be asking the developer or sales agent the following questions:

1. Who – the developer or the HOA – will be responsible for security on the building site once the first new owners have moved in?
2. Who will be responsible for repairing any damage to services such as internal roadways during the construction phase?
3. Will all the owners in the development automatically become members of the HOA, and will it be a Section 21 company?

These issues account for about 90 percent of all problems which arise in new gated communities, with that of a HOA membership having the most potential to create ongoing difficulties. Unless every sale agreement provides for automatic membership of the HOA, it will be almost impossible for owners ever to obtain consensus on major spending, for example. And unless the HOA is set up as a Section 21 company it could prove very difficult to establish and maintain proper financial controls.

Meanwhile, those buying into an existing cluster or estate development should also ask for:

1. The constitution or governing document of the HOA, which governs the activities of the HOA;
2. The minutes of HOA meetings for at least the past year to ensure that there are no "hidden issues" or pending litigation which could lead the association into unexpected expense.
3. The current HOA budget and the year-to-date financial report on expenditure.
4. The levy collection record which will show how well the community is being managed.

They should also ensure that the insurance on the common property is comprehensive and up to date, and check what funds the HOA has in reserve for long-term maintenance.

This last item is important because failure to plan for predictable long-range expenses often mirrors a lack of ongoing maintenance which can lead to falling property values or spiraling expenses.