HOA HOMEFRONT

HOA BOARD POWER NOT LIKE CORPORATION

BY KELLY G. RICHARDSON

Many talented, successful people find themselves continually frustrated with volunteer service on their HOA board, and often are surprised to find themselves in conflict regarding their HOA service. This can be rooted in the failure to understand that HOAs run very differently than businesses, and some of the practices that bring career success are not what the HOA needs. Governing the HOA is very different from running a business.

One such difference is the "chain of command." In one's career, whether in business, government service or elsewhere, the hierarchy is vertical — someone supervises you and you supervise others, and you are expected to personally exercise authority quickly and efficiently. In the normal business setting, officers are expected to act, and the decision maker is typically a single person. However, in the HOA, the decision maker is not one person, it is a group: the HOA's board of directors. The HOA president has only one vote and needs to obtain the agreement of other directors before a decision is made. The association acts by vote of its board — corporate action is BOARD action.

Another major difference is the president's role. The business corporate president is empowered and expected to make important decisions about all major operational issues. On the other hand, the typical HOA president controls very little. The HOA president normally sets the agenda and chairs the meeting but is only one of the decision makers. So, HOA presidents are coalition builders working to lead the board to a consensus. Some presidents misunderstand their lack of power by misinterpreting HOA bylaws, which often recite the president is to use the powers normally accorded to a chief executive officer — but that must be interpreted in the context of the HOA, not a business.

The HOA president normally serves at the pleasure of the board. Unlike corporate presidents, they have no contract, and the HOA officer can be replaced without reason at any time by a board majority.

There is no doubt that HOA governance is less efficient than the management of a business. However, in the business the officer is paid and in return is also held accountable for the officer's decisions and actions. In the HOA, the officer is not compensated, and if following proper board process (as opposed to individual actions) is not held personally accountable (i.e. liable) for board decisions.

Business executives often are applauded for being action-oriented and quick to make decisions. However, the association president who "takes things into their own hands" may find that such decisions are much quicker and more efficient. However, that president may be exposed to avoidable liability, because the nonprofit corporation acts through its board of directors, not one officer.

Sometimes the board needs an individual director to act, and so grants specific authority to act. That always should be documented in the minutes. When circumstances do not permit a board decision before the officer acts, that officer should seek board ratification of that decision as soon as possible, to document the decision was authorized.

Another important difference is that the business executive controls — while the HOA officer serves. The HOA president is the lead servant, not the boss.

Understand how volunteer service is different, and it just might become smoother.

Richardson Esq., CCAL, is a Fellow of the College of Community Association Lawyers and a Partner of Richardson | Ober | DeNichilo LLP, a California law firm known for community association advice. Submit questions to Kelly@rodllp.com. Past columns at www.HOAHomefront.com