

Condo Insights

#71 – Board Transparency

Transparency refers to the degree to which a condo board openly shares information and decisions with homeowners. It's about creating an environment of open communication, accountability, and trust within the community. This includes providing access to financial records, meeting minutes, and other relevant information, as well as holding open meetings and being responsive to homeowner inquiries.

When homeowners have access to information and understand the board's decisions, they are more likely to trust the board and feel a sense of ownership in the community. Board transparency reduces conflict and helps prevent misunderstandings and rumors, fostering a more harmonious environment. Board transparency improves participation as informed homeowners are more likely to participate in community activities, attend meetings, and offer constructive feedback. When homeowners feel confident in their association's management, they are more likely to maintain their property and pay their fees, contributing to overall property value. Transparency is a cornerstone of good governance, ensuring that the board is acting in the best interests of the community.

Examples of transparent practices include: allowing homeowners to attend and observe board meetings; providing access to detailed minutes of board meetings, clearly outlining decisions and actions taken; sharing financial reports, budgets, and other relevant financial information with homeowners; keeping homeowners informed about important issues, upcoming events, and decisions through various channels (such as newsletters, email updates, community website) and addressing homeowner questions and concerns promptly and transparently.

New Jersey's Condominium Act mandates that all board meetings, except for conference or working sessions where no binding votes are taken, must be open to unit owners. The Act requires that any binding decisions made by the board must be made during these open meetings, ensuring transparency and allowing unit owners to observe the decision-making process.

All meetings at which a board takes a binding vote are to be open to all owners and advance written notice of such meetings must be given. Meeting notices are important to let members know when and where a meeting will be held as well as the topics that will be discussed.

Clearly defined written documentation of all policies, procedures, actions, budget, and any major activities should be distributed to owners as part of meeting minutes. The intent of the Board is clear and open to owners through detailed meeting minutes and proactive communication. Some associations produce newsletters, but for most associations, detailed meeting minutes are adequate.

One area where Boards often struggle with transparency is in knowing what should and should not be openly shared. Boards may discuss specific matters in closed session, specifically those which involve unwarranted invasion of individual privacy, pending litigation, contract negotiations, those falling within the attorney-client privilege, and those involving the employment, promotion, discipline or dismissal of an officer or employee of the association. It is important to note that, except as to certain litigation matters which require a case by case determination, although the discussion of these matters identified is confidential, the board's decision is to be made and recorded in an open meeting.

Implementing transparent practices can require time and resources from board members, who are often volunteers. As stated previously, boards may need to balance transparency with the need to protect sensitive information, such as legal matters or personal information about unit owners. Some boards may be resistant to implementing more transparent practices, particularly if they are accustomed to operating with less oversight.

A condo board can provide too much information and oversharing can have negative consequences. A lack of open communication can result in residents' distrust of the board but if too much information is divulged, it could violate the privacy of individual residents or jeopardize important financial negotiations or legal proceedings.

Sharing sensitive personal information can violate the privacy of individual residents. This can lead to legal action and potential lawsuits against the board and the association. Oversharing or gossip can erode trust in the board and among neighbors, leading to resentment and conflict. Providing an overly open forum for discussion can devolve into negative complaining and a hostile environment.

Disclosing sensitive information about financial or legal matters can jeopardize, undermine and negatively impact ongoing negotiations or legal proceedings. Sharing details about ongoing investigations before conclusions are reached can be damaging and inaccurate. Providing excessive details without proper context can lead to misunderstandings and confusion among residents and too much information can be overwhelming and difficult for members to process effectively. Sharing member contact information can expose them to unwanted marketing or harassment. If proper data security measures are not in place, oversharing increases the risk of data breaches and exposure of private information.

Some associations require board members to sign a "code of conduct" that reminds them which matters should be kept confidential. Correspondence with the association attorney in which legal advice is being provided should not be shared with non-board member owners.

While transparency is vital, a balance must be struck. Condo boards should focus on providing necessary and relevant information while safeguarding confidentiality and avoiding potential conflicts and legal issues. Consulting legal counsel is always advisable when handling sensitive member information.

Transparency is a crucial element of effective condo board governance, promoting trust, community engagement, and responsible management. While challenges exist, the benefits of transparency far outweigh the potential drawbacks, contributing to a healthier and more vibrant community. Transparency doesn't mean that every detail or conversation that happens in board meetings needs to be publicized. However, it does mean that the board should be authentic in how they represent themselves and their actions on behalf of the association.

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