

3 O'clock

### **Frasier - Transcript**

"I believe they have the same rules at the Playboy Mansion, here we are, that's not so hard. You know tomorrow morning I may have to tackle that leaky sink in the powder room".

(Laughter) "Oh, I'm sorry I thought that was a joke".

"Ah, the inaugural knock".

"Oh what's this? Your unauthorized door knocker violates the condo bylaws regarding hallway decoration, remove it immediately"!

"That's one of Mrs. Langer's no-no slips".

"I can't stand that woman. Just because she's president of the condo board she acts like this buildings her kingdom, everything has to be done exactly the way she likes it".

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Have you ever asked yourself why HOA developments exist? Why do we keep building HOAs? Why are states and cities demanding that only Home Owner Associations, be built. Why aren't non- HOAs developments allowed to be built?

Let me introduce you to what I believe to be the answer to these questions which represents the root cause of the HOA crisis. It's a crisis sweeping the nation; roads, bridges, pipelines and levies on the verge of failure. If I had a list that said deficient or crisis, I'd put this on the crisis list. Infrastructure is at a breaking point. Six hundred thousand bridges in need of

repair, one third of America's major roads in dire condition. Thousands of miles of old fuel lines, stretched to their limits. Billions of dollars needed to shore up the nation's levies. We've been ignoring our infrastructure for decades, we've been under investing in what we have. Public infrastructure is slowing down our productivity growth--It's slowing down our economic transformation. It's costing us an enormous number of jobs in the short run with a major strain on our infrastructure.

Just how bad is our infrastructure? How much is in need of repairs? The American Civil Society of Engineers does their infrastructure report card, I think it's every two or three years, something like that. So here are the 2013 results: "Dams in the U.S. got a rate of D, drinking water D, hazardous waste D, levies D minus, solid waste B minus, that's our best grade right there. Waste water D, aviation D, bridges C plus, inland water ways D minus, ports C, rail C plus, roads D, transit D, schools D, energy D plus. So what's America's total GPA for our infrastructure, D plus".

"Today we're launching what we call the "Build America Investment Initiative" and as part of it we're creating a one-stop-shop for cities and states looking to partner with the private sector to fund infrastructure projects, for our economy, to rebuild America's infrastructure. Infrastructure, infrastructure, infrastructure, infrastructure, infrastructure".

"Worldwide there is a seventy-one trillion U.S. dollar infrastructure gap. When talking about infrastructure we refer to a very large set of projects moving from oil and gas to transportation projects, telecom projects, water and sewage, not to mention other kinds of projects like social infrastructure, socializing hospitals, prisons, etc. On the conservative side it is

estimated that it will take about 2.2 trillion dollars to repair the current infrastructure problems. Other estimates are as high as seven trillion dollars. How are we going to pay for all these repairs? How are states going to support the rebuilding of our own deteriorating infrastructure"?

In 1985 Rosen Barry sights a problem with double taxation. "You must understand most home- owners are subject to property taxation whether or not said property is located in a planned community, governed by a Home Owners Association known as a HOA. Such taxes are used by local government to maintain roads, street lighting, parks, etc... In addition to municipal property taxes, individuals who own private property located within in HOA are subject to association assessments that are used by the development to maintain the private roads, street lighting, landscaping, security, and amenities located within the planned community. A non-HOA property owner pays taxes to fund street repairs performed by the city. The HOA property owner pays these same taxes, but without the same benefits since the local government will not maintain their private streets. Thus, the HOA property owner needs to pay double taxes to privately maintain their community".

The proliferation of HOAs has resulted in a cost savings to local governments in two ways. One, by requiring developers to build public improvements such as parks, passing the maintenance of the improvements to the community owners, and two, by the HOA being responsible for the cost of maintaining infrastructures that would normally be maintained by the city. Historically, property taxes, in part, are used to pay for infrastructure repairs, but over the recent years the income into the state and federal coffers is not enough to cover the cost of

the repairs to the infrastructures. So where do we get the money from? Enter double taxation in America, the governments covert infrastructure funding program.

So why don't we take a look and see exactly what this looks like. In the end the home buyer is denied the choice of buying a home outside of a HOA subdivision. The end result forces home buyers to purchase homes in HOA subdivisions, providing double taxation for the failing infrastructure.

I may be a degreed individual, but no one will ever accuse me of being an artist. That having been said, I want to give you a visual idea of what this double taxation issue looks like. Let's divide this in half, and over here I'm going to draw a house, we'll give it a couple of windows, and a door and that kind of thing, and over there I'm going to draw the same house, and again some windows, and we've got a door, and all that kind of stuff. Alright, this house is in a HOA. This house is not in a HOA. Alright, this house that's in a HOA is responsible for paying dues. Let's give those dues a rate of one hundred dollars per month, that is to say at the end of the year , you, the homeowner, is going to pay twelve hundred dollars. What are you paying for? Well you're paying for whatever might be the common area, that little entrance area you have, or that little what you call a park or a patch of grass, or the street in front of you, or the lamp that's on the street, or any number of things that would be considered infrastructure. That is, those things that have to be put in and have to exist for you to get to your house.

Now over here there are the same things. There's a street and there are lamps, but no, nowhere are you paying HOA dues. At the end of the year you pay zero. Now both houses have to pay property taxes. Let's assume for a moment that the taxes on this house are two

thousand five hundred dollars a year. Let me clear up a myth for you, the taxes in an HOA property are no greater and no less than if you're not in an HOA property. The myth, property in HOAs are more valuable, they're more desirable, they're taxed more, is not true. This house over here, same taxes, the tax money here goes to pay all those infrastructure items. Everything that takes place throughout the city including what's in front of your house, along the street, the entrance, everything.

But here, you throw in an extra twelve hundred dollars per house, per year, to take care of all of these items that should have been taken care of by the city. Yes, there is that small common area, but you're primarily paying for that management company. You're primarily paying for those insurance policies that protect the HOA and the Board members. You're primarily paying for all of those things that you paid for with your property taxes, you're paying for again. This format of double taxation is now proliferated throughout the country and it can stop, and to stop it we must change the way HOAs function.

Let me propose some solutions. ONE: Turn the management of all HOAs over to local and city municipalities. TWO: Send collections over to the city and state accounting centers. THREE: Nationalize all CC&Rs. FOUR: Direct new homeowners to take an online class before closing the property they're about to purchase. FIVE: And most importantly, real estate sales are to include a flat one thousand dollar infrastructure improvement fee. The byproduct, massive employment and income tax revenues and HOA homeowners will no longer experience HOA Syndrome.

So, is this the American dream, this place? Nice neighborhood, you know, there are lots of people who want the best for their families. So it's just not your dream. Take a look at a decision made in the state of Nevada, read through it, become familiar with how we're trying to deal with problems related to super priority liens. This is an opportunity for you to look at some articles related to CC&Rs--read through them and understand what's happening. This is a lawsuit as it relates to elder abuse, see how it might apply to a Home Owners Association. Ask, does it work in your favor?