

Dealing With Special Assessments

COUNTING HOUSE |

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Unexpected expenses could cost you thousands, or even hundreds of thousands, after buying in a condominium building

That beautiful Miami Beach penthouse with the fabulous ocean views comes with more than a high price tag. It may also come with a special assessment against your unit that can run into the thousands, or even hundreds of thousands, of dollars.

According to the Community Associations Institute, an industry group, special assessments are charges levied by a condominium or other community association to pay for expenses that cannot be covered by the existing budget or cash reserves.

Nowhere is the issue of special assessments more pressing than in Florida, where new legislation was enacted after the June 2021 collapse of Champlain Towers South, a 12-story condominium in Surfside, that left 98 dead. That legislation requires so-called “milestone inspections” of certain condo and cooperative buildings to ensure they are structurally sound, and to verify adequate funding of association reserve accounts. In response, condo and coop boards have been levying special assessments against unit owners to cover necessary repairs so their buildings will pass the inspections and to cover reserves.

Janet Stone bought a two-bedroom condominium in Ormond Beach, Fla., in November 2021 for \$379,000. Less than a year later, in the fall of 2022, the retired special-education teacher was hit with a \$102,000 special assessment, payable in seven payments over two years, in amounts varying from \$3,529.60 to \$23,310.58.

Stone went back to work, and every cent she earned went toward paying her assessment. She made her last payment in January 2025. “I hope that the building is now structurally and fiscally sound,” she said.

Stone had reviewed the governing documents of the condo association, but not the minutes of board of directors meetings, where there was talk of the coming assessment. That is why prospective condo buyers should review all relevant documentation before they buy, including the association budget and reserve schedule, and talk with residents of the building.

Status Letter in C.O.

According to Mark F. Grant, a partner at Greenspoon Marder in Fort Lauderdale, Fla., and a certified specialist in condominium and planned-development law, condomit buyers routinely obtain an estoppel letter from the association before closing. In Florida, that document details any outstanding fees due by the condo-unit seller,



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as well as any actual or pending special assessments, to give buy--ers notice of their potential liabilities. Stone said she received an estoppel letter that referred to the possibility of concrete-restoration work but that there was no dollar amount included.

If you're hit with a special assessment, here are some things you can do.

Contest it. Every state has strict legal requirements that a condo's board of directors must follow to levy a proper special assessment. If they fail to follow either the statutes or any requirements set forth in the condominium's governing documents, that may present the chance for an owner to contest the assessment because it wasn't adopted correctly, according to Grant.

Explore financing options. Borrow the funds to pay the special assessment from friends or family, or consider asking the board for a payment plan. If you have sufficient equity, you could also get a home-equity line of credit. Chantel Bonneau Stewart, a certified financial planner at Northwestern Mutual in San Diego, recommends establishing a Heloc even before you need it. She said that condo owners might also be able to borrow from their 401(k) plan. While distributions from a 401(k) can trigger taxes or penalties, a loan paid back with interest isn't considered a taxable distribution, she said. The plan dictates the term and other provisions, so read the fine print.

Check your insurance policy.

Condo owners typically carry a homeowners insurance policy called an HO6. Check to see if it has loss-assessment coverage— most do. That coverage can protect condo owners from paying out of pocket for a special assessment when the costs exceed the association's master insurance policy limits, said Loretta L. Worters, a vice president at the Insurance Information Institute. But there are limitations: The assessment must be from a loss that would have been covered by your individual policy, such as a fire or hurricane, so it won't help cover the cost of assessments done solely for repairs needed to satisfy inspection requirements.



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