

Managing Expectations

Defining the Manager's Role

BY KEITH LORIA



MIKE TANCOORY

While the board is the one who makes important financial decisions for their communities, it's the property manager who handles day-to-day administrative tasks and keeps the association's buildings running smoothly. If there's an issue in a condo building or homeowners association, the property manager is usually the first person to hear about it—but the job of community management is about much more than just acting as a sounding board for complaints.

"A property manager needs to be the jack-of-all-trades in the building," says Keith J. Hales, president of Hales Property Management, Inc., which manages

37 small to mid-size properties in the Chicagoland area. "He or she is the one that has to handle everyday building issues—talking to contractors, making the building more efficient, dealing with the different personalities—it's a pretty big shoe to fill in that there are so many different things that you have to know."

Problems can run the gamut from a resident not being able to get their mail because their key broke off in the lock to assisting an attorney in assembling documents to sue a negligent contractor. The role of and expectations placed on a typical property manager are varied and sometimes complex, and having clear definitions of both can make

things easier for manager and board alike.

Establishing Relationships

Board training is very important to ensure that association boards understand their role in contrast to that of the property manager and efficient protocols are implemented and understood by all parties.

"Our recommendation and training includes total communication at all levels," says Angela Falzone, property consultant of Chicago-based Association Advocates, Inc., which offers residential property consulting and project management services. "The management contract generally states there will be one liaison with the board/manager, however, a good manager will present all facts on all aspects of the business of the association to every board member."

According to Andrea M. Sorgani, president of the CAI-Illinois Chapter and owner and president of ALMA Property Management Services, Inc., based in Schaumburg, one of the manager's primary functions is to provide the board all the tools needed for the directors to make a decision—and then to implement that decision.

"The manager and the board are a team. The manager needs to build a relationship with the board that fosters trust," she says. "The manager should have all of the information needed to assist the board to make decisions that are sound, timely and fiscally prudent."

A board that has been together for many years may not want to hear that they're doing something wrong, so deep reserves of diplomacy and tact can serve a manager well in the course of carrying out their duties.

Hales says that boards for smaller properties often don't understand much about their role and that it's the manager's job to guide them.

"People don't go into this knowing how to manage a building or how to run meetings," says Hales, "so it's the job of a property manager to give them some proper guidelines," and help them understand the rules of the game. "A good manager will be proactive—a fast responder who checks in frequently and works together with the board."

Some managers don't want to question or correct the board—a shortsighted solution for keeping the peace that

often makes for dysfunction later when bad habits are put in place and never corrected.

Checks and Balances

There are many approaches to fostering more cooperation between boards and property managers, but reasonable expectations and a clear understanding of each party's role will prevent frustrations on both sides. Many boards that have professional management have the incorrect assumption that they do not have to pay attention if they have a management company in place.

"This could not be farther from the truth," says Shirley Feldmann, founder and project manager of Association Advocates. "All board members, regardless of their position on the board, should be reviewing the monthly financial statements, reviewing proposals, and participating in the decisions of the property. The manager should research and present recommendations to the board; the board makes the decision, and then the manager implements that decision."

Sorgani stresses the importance of separating association funds and counter signing checks along with reliable, timely and correct financial statements and receivables reports.

"Timely reports to the board in advance of their meetings so that there is time for the board member to contact the manager with any questions before the meeting is important," she says. "This also allows the board to be prepared for the meeting by having the information well in advance."

"Nothing happens by accident," agrees Falzone. "All aspects of 'adequate administrative transparency and good ethics' must be strategically planned out and followed. Failure to do so is an accident waiting to happen."

She advises using a simple spreadsheet or chart, showing clearly the responsibility/role of the manager, board and owners as an excellent tool to eliminate confusion, establish proper protocols, and set the tone for future professional relationships.

Policy Procedure

The manager should be involved in all areas of discussions regarding implementation or enforcement of association policies with the board, as the manager is usually the liaison between the

board and owners.

“The manager should know when their knowledge/experience is exceeded and then know to which professional an issue should be given,” Sorgani says. “Many times the manager is the only one that knows that a policy will fail and their opinion was never sought before the policy was implemented and then the manager is blamed for its failure. The manager does not need to be involved in all aspects of formulating a policy but their input is invaluable in focusing the board toward a successful outcome.”

“Gaining the manager’s input on policies and guidance on selection of vendors is an excellent tool in making the right decisions, provided the manager is experienced and knowledgeable,” Falzone adds. “Good managers and management companies have quality vendors and generally good working relationships and can probably make better deals than if the board were to solicit bids or services on their own.”

Comings and Goings

When it comes to filling the positions on an HOA building’s staff, the manager’s role regarding employees of the association would normally include determining the job description, obtaining applicants, conducting interviews and checking the applicant’s references.

“However, the ultimate decision of hiring any employee is the role of the board,” says Falzone. “The alternative to this process is if the employee will be working directly for the management company as in the case of on-site office staffing. But even in this scenario, the board should be allowed a say-so in the final decision.”

Background checks, licensing verification, and criminal records checks would usually be handled by the manager, or possibly a subcommittee of the board for purpose of the hire.

“Terminating a staff member is also up to the board, although managers may be the person who actually handles the termination of the employee,” Sorgani says. “Although the manager has supervisory responsibilities and will have influence over the termination of an employee; the board typically makes the decision.”

Check the Contract

Managers, specifically on-site managers, very often get caught up in multiple requests and perform more work for their boards than is required.

“So often members contact the manager for answers to questions or with issues that are not ‘technically’ within the contract or responsibility of the manager. However, we are a service business and assisting the owners as best we can when asked to help is part of our role,” Sorgani says. “This can be time consuming in addition to all of the phone calls, response to correspondence, writing and follow up of rule violations, follow up with delinquent payments (foreclosures, possessions, evictions), emergency fire/flood situations, financial reports to produce, checks to process,

payments to receive and process, etc.”

The written contract is a general guide along with educating the board members as to their individual responsibilities as a part of the board.

“When in doubt, the contract should be reviewed by both parties. If the board is requesting services that are not included, renegotiations can be considered, and/or outsourcing

the added requirements is not necessarily the job of the manager,” Falzone says. “The contract should stipulate very carefully what is expected of the manager and management company, what is extra and what is not included.”

Sorgani believes that a manager should be familiar with outside resources that can assist the board with solving problems or handle situations that may arise. The manager can then identify the resource to the board as the next step, which is beyond the responsibilities/limitations of the manager.

“If a structural engineer is needed during a building rehab or project, the manager should recommend this person since the scope of the work is beyond the manager’s expertise,” Sorgani says. “Knowledge is power, along with the ability to tap resources in the form of trusted and reliable contacts in all areas of building, maintenance and municipal code enforcement.”

A good manager will have a thorough understanding and knowledge of the

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—Andrea Sorgani

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ALL THE RIGHT STUFF

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board of managers

- Understand that his or her job is to deal with day-to-day issues so the board members can focus on policy and direction

- Understand that they must be accessible, and keep open lines of communication with both board members and residents

- Respond to board members' and residents' questions in a timely, courteous, and knowledgeable manner

- Know how to delegate tasks to avoid becoming overextended

- Think ahead and be proactive to avoid costly and inconvenient surprises

- Cooperate with the association board to maximize value of meetings

- Cooperate with service providers and cultivate productive, positive relationships with professionals serving the building community

- Know when a question or problem goes beyond the reach of his or her expertise, and know who to call upon for help in such a situation

- Take an interest in refining his or her professional skill set by participating in continuing education and development opportunities.

Help Me Help You

To continually improve performance, being continually open to new ideas

and new information is essential; getting feedback is important, too. This is certainly true for property managers, but the board and the management company should play a big role in both offering new information and giving credit where credit is due.

"Our company has written contracts for new accounts that are tied to results, as measured by a survey of the board and/or homeowners," say Albecker. "It is important that the HOA board give positive feedback to the great manager. The feedback should be both private and public. If a manager does a great job, there can be a financial incentive tied to that measured performance. When a manager goes above and beyond for an association to deliver a result that benefits the association, the HOA board should certainly express its appreciation. But the job of rewarding great management does not just fall on the HOA board. The management company should provide consistent encouragement, praise, and incentives to help keep great managers motivated."

Classes, seminars, conferences, workshops—even mobile smartphone apps—all help get a manager the information he or she needs in an ever-changing, dynamic job. Those who hold a manager in their employ should see to it that they have access to education and improvement. Good vibes help, and constructive criticism, too.

And for those Chicagoland-area firms

feeling the pinch of the recession, there is hope for great property management to win the day. ■

Mary K. Fons is a freelance writer and a Chicago resident.

LINCOLN PARK

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Church, St. Josaphat's (one of the many so-called 'Polish Cathedrals' in Chicago), and St. Michael's Church in the Old Town Triangle area of Lincoln Park. Visible from throughout the neighborhood, these monumental edifices tower over the neighborhood, lending the area much of its charm. The neighborhood also houses Children's Memorial Hospital and the currently closed Lincoln Park Hospital, which is slated for redevelopment to condominiums, medical offices, retail and commercial to be renamed Webster Square.

Affluence Epitomized

While the average single family house is priced around \$1 million dollars, many homes in Lincoln Park sell for more than \$10 million, making it one of the wealthiest and most expensive communities in the city. In 2007, Forbes magazine named the area between Armitage Avenue, Willow Street, Burling Street, and Orchard Street as the most expensive block in Chicago.

The median list price for homes in the Lincoln Park/DePaul neighborhood is \$381,000 and most condos were selling as recently as December 2010 for an average of around \$401,000, according to real estate site, Redfin.com. According to Trulia.com, the average listing price in the area was \$792,984 but that includes all types of property and is not limited to multifamily co-ops and condos. For example, Sotheby's has listed a one-bedroom, 700-square-foot condominium apartment on North LaSalle Drive for \$229,999. While some home prices have dipped due to the economy, there are still bargains to be had in the Lincoln Park neighborhood for savvy buyers.

The neighborhood is very welcoming and contains large number of upscale national retailers, boutiques, book-

stores, restaurants and coffee shops. An Apple Store opened in October 2010, as well as a Lacoste store on North Michigan Avenue. There are also many bars and clubs in the area, especially along Lincoln Avenue between Wrightwood and Webster.

In addition to the zoo and the park, other attractions are the Lincoln Park Conservatory, the Chicago History Museum, the Peggy Notebaert Nature Museum and the North Avenue Beach. From May through October, the Lincoln Park Farmers Market and Chicago's Green City Market offer the freshest seasonal produce around. The Lincoln Park neighborhood is accessible via mass transit, including the CTA's Red, Brown and Purple lines at the Fullerton station, the Purple and Brown lines at the Armitage and Diversey stations, as well as CTA bus service.

Lincoln Park residents are served by Chicago Public Schools, which includes a number of neighborhood and city-wide options for students. Nationally, Lincoln Park High School is ranked as the 90th best high school in the country by the U.S. News and World Report.

You can't go wrong for considering living in Lincoln Park based on its fine reputation as a premier cultural, retail, dining and social entertainment destina-

MANAGING...

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management contract, the association's CCRs, the Illinois Condominium Property Act (ICPA) and the Illinois Not for Profit Act.

The number of board and owners meetings to be attended by the manager is dictated in the contract. The ICPA and the Illinois Common Interest Community Association Act (CICAA), requires a minimum of four meetings per year, and at the very least, the manager should be obligated to attend at least these four.

"Many boards have an unrealistic expectation that managers should attend all working sessions and committee meetings," Feldmann says. "Unless dictated in the contract, the boards should

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Of course, it is helpful for the manager to attend all open board meetings to ensure that all questions can be answered and the manager can take action on items the board makes decisions on.

“We try to get to as many meetings as possible,” Hales says. “A lot of times, when boards have meetings on their own, a lot of questions go unanswered and it’s tough to convey what’s happening.”

Resident Communication

Newsletters, association websites and other forms of processed information should be distributed regularly to keep all owners of an association community informed and reminded of the process in place.

“We have run some workshops and set some guidelines to let everyone know their responsibilities and understand that we are working to protect their investment,” Hales says.

Remember, the role of the manager is to ensure that the declaration, by-laws and rules and regulations of the property are adhered to and the decisions of the board are implemented.

“Managers are human and have a life, too. They cannot prevent every problem from entering the building and/or an owner’s life and when it does, it’s often not the manager’s fault,” Falzone says. “They are doing their job and are not someone’s personal caretaker. A thank you once in a while for a job well done will go a long way in building a good relationship.”

Keith Loria is a freelance writer and a frequent contributor to The Chicagoland Cooperator.

Q&A

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tain and produce records of the co-op that should chronicle and demonstrate that the board is meeting this fiduciary duty. When the board fails to meet these responsibilities even after being confronted with the problem, the board becomes an adversary.

“At this point, trying to organize opposition at co-op gatherings is not going to work and may reveal more information to the board than you would like. The best way to get something started is to communicate directly with the other shareholders your concerns over the board’s conduct and the importance of protecting all of the shareholders’ interests. You may have heard others speaking up at prior board meetings about these same issues and those shareholders should be contacted and enlisted to help bring in more interested shareholders. The co-op’s governing documents should provide for the ability to obtain contact information for the other shareholders. If enough sharehold-

ers get interested, you may be able to resolve the problem through the political process of voting the board out of office.

“If legal action is required, it only takes one shareholder to bring suit against the board, but being able to pool resources to finance a legal action always makes this type of challenge easier. Depending upon the causes of action included in the legal suit, challenging shareholders that prevail may be awarded their costs involved in bringing the suit, including their reasonable attorneys fees. Hiring an attorney familiar with community association law and the legal issues related to co-ops is also extremely important both in terms of proper advice and reaching a positive result.”

Secret Correspondence

Q Is there an expectation of privacy for correspondences sent to the HOA? Is material sent to the board closed to public scrutiny?

—Confidentiality in a Condo

A “Usually not. I am not aware of any sort of confidential privilege that is automatically asserted with condominium owners. The answer would be different, of course, if there is a confidentiality agreement in place,” states Robert D. Lattas, an attorney and counselor at law with the Chicago-based law office of Robert D. Lattas. ■

Disclaimer: The answers provided in this Q&A column are of a general nature and cannot substitute for professional advice regarding your specific circumstances. Always seek the advice of competent legal counsel or other qualified professionals with any questions you may have regarding technical or legal issues.

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PULSE

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retain FHA approval to complete the re-certification process. In August, FHA announced a streamlined process for condominiums currently on the FHA-approved list to re-certify to program requirements. The Community Associations Institute (CAI) summarized the streamlined procedures. Under FHA’s condominium project approval guidelines, FHA approval for all condominiums certified prior to October 1, 2008, was set to expire on December 7, 2010. It is estimated that approximately 40% of all new loans will be insured by FHA, as such, FHA is becoming an increasingly important player in the condominium financing arena. Consequently, all condominium associations should strongly consider obtaining full project approval.

New expiration dates, with the soonest being **December 31, 2010**, have been updated on FHA Connection databases

(<https://entp.hud.gov/clas/index.cfm>) and Condominium look-up page (<https://entp.hud.gov/idapp/html/condlook.cfm>).

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The Licensed Mortgage Professional designation was developed for Mortgage Loan Originators who work for non-depository lenders, mortgage bankers and brokers. Just like the RMP, the Licensed Mortgage Professional (LMP) designation means that the individual is a certified member of the Consumer Mortgage Bureau and has met all of the organizations qualifications and agrees to adhere by their strict Code of Ethics. In addition, all LMP’s are approved in the NMLS (National Mortgage Licensing System); possess a NMLS number (unique identifier generated by the NMLS); completed initial pre-licensing training; completed National and State examinations; participate in continuing education; fingerprinted; background check; profile accessible in www.consumermortgagebureau.org. ■

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