

For Immediate Release

Association Advocates, Inc.

Helping Homeowners Protect Their Investment



Sept. 6, 2006

Protect Your Largest New Asset—Your Home *Proper Developer Turnover Critical in Current Competitive Market*

With the housing market slowing in the Midwest, it's more important than ever to protect what is most people's largest asset—their home.

"Condominium competition is now fierce in Chicago with more properties on the market and cautious buyers becoming more savvy about what is considered a good investment," said Shirley Feldmann, founder and project manager of Association Advocates, Inc. (AAI), which offers condominium/townhome associations and homeowners customized consultation and project management services to help them protect their investment. "Condo associations need to be run efficiently and correctly or it may impact their property value."

For home buyers of new construction and conversions, the developer turnover period is a critical time. "If the transition isn't done properly, especially during the first year after turning control over to the owners, condo and townhome owners can be paying for it years down the road through special assessments, lawsuits and decreased property values," added Feldmann, who founded AAI after her experiences owning both new construction and gut rehab condos and realizing that there are few places to turn to for personalized consultation.

Mona Ewing of Chicago's Uptown neighborhood found out the hard way. As a board member during the start of the developer turnover process three years ago and now president of her Beacon Terrace Condo Association, she and her fellow unit owners had struggled with a poor management company. "We thought the building manager was guiding us through the process, but we discovered that all management companies do not have your best interest in mind," Ewing said. She is part of a 19-unit condominium building with all first-time buyers. Due to their lack of understanding of how to manage a building as a board, they dealt with inefficiency, budget and maintenance issues.

A year after their turnover meeting, Ewing's association hired AAI for board training. "That alone opened our eyes to the 90 percent of things we were doing wrong," Ewing explained. AAI gave the board an overview of the Illinois Condominium Property Act, an understanding of the association's declaration and by-laws obtained from the developer, revised budget recommendations, and advice on how to conduct meetings properly and efficiently, among other useful information. "It helps to have someone with only *your* best interest in mind to coach you on what you bought into." Ewing's association now self-manages with AAI on retainer for consultation.

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It is the board, not the building manager that is ultimately responsible for abiding by the law and for any financial, construction or legal issues, if steps are not taken within a certain timeframe. “Problems don’t go away,” Feldmann said. “It’s a matter of who’s held responsible for them. If the developer is not held accountable, the owners will end up paying the price.”

“The developer is the first board and has a fiduciary duty to the owners before turnover,” said Angela Falzone, property consultant for AAI. “We’re trying to create educated and informed consumers. Boards don’t know what they don’t know,” added Falzone, who has 30 years of residential property management, development and consulting experience giving her full understanding of the nuances of developer turnovers and the obligations of developers.

Many boards are intimidated by all of the legal language found in the association paperwork. Association Advocates navigates board members through the complexities of starting up the association according to their declaration, rules and regulations, and other documentation, explaining each page in a user-friendly way. “We empower board members to put into place proactive procedures, preventing crisis management and board member burnout,” Falzone said.

“AAI gave us the confidence to act as a board and know what to do,” said Ralph Hoadley, current member-at-large and former president of the Regency-Balmoral Condominium Association board in Chicago’s Edgewater Beach area. Hoadley said he dealt with developer issues for the first 18 months after he moved in almost three years ago, and AAI helped tremendously during that time.

By law, a developer turnover must occur within certain timeframes, including no later than 60 days after 75 percent of the units are closed. Hoadley explained the development company did not act until prompted by the owners of the 25-unit building. Still, the residents struggled with the process. “We have a group of smart people here, but no one had experience running a board.”

AAI helped the association with pre-turnover and post-turnover board training, which included reviewing the association’s governing documents, budget and an income/expense analysis, revealing several financial irregularities. Based on AAI’s recommendations, the association hired an attorney and was able to recover money owed by the developer.

The association now has a management company and an attorney to assist in overall association matters, but Hoadley feels AAI was “the glue that held it all together.”

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To ensure a proper developer turnover, AAI advises new home buyers to:

- Understand developer obligations
- Note legal timeframes
- Determine board responsibilities and start-up protocols
- Review the association's budget and make appropriate changes
- Decide if they want to hire a management company or self-manage
- Determine when and how to hire other professionals including an attorney, engineer and/or accountant.

"Turnover is a process, not an event," Feldmann explained. "It can take a few months or many years."

Owners may have an opportunity to chase developers up to four years after a turnover with construction concerns known as "latent defects." After that period of time, it becomes more difficult to pursue legal recourse.

"The goal is for owners to avoid litigation," Falzone stressed, "so it's best for boards to do the proper due diligence upfront and address a problem as soon as it's discovered." If it is determined the developer implemented the turnover correctly through all phases, owners can then rest assured they are dealing with a reputable company and the association is off to a good start.

AAI also specializes in training developers to meet their turnover obligations. "A smooth turnover is a win-win for all parties involved," Falzone added.

With most first-time condo owners moving within the first three years of ownership, an association wrought with problems will be harder to sell. "A property well-maintained and managed is going to protect your investment and increase in value," Feldmann added.

To learn more, **attend a FREE educational seminar, "Developer Turnovers—The Clock Is Ticking," 7-9 p.m., Tuesday, Sept. 26 at Tavern Club, 333 N. Michigan Ave., Chicago.** Residential realtors, new homeowners and board members are invited to find out about how to start-up an association, prevent board member liability and avoid costly mistakes. AAI is presenting the seminar along with the Law Offices of Kovitz Shifrin Nesbit and the Association of Condominium Townhouses & Homeowners Associations (ACTHA). RSVPs are recommended, as handouts will be provided and space is limited. Please contact Gael Mennecke, ACTHA representative, at (312) 987-1906 to reserve your seat, or sign-up at www.ACTHA.org.

You may also visit www.AssociationAdvocatesInc.com, for additional information on the seminar and to discover more about AAI consultants and their services to homeowners, realtors, property managers and developers.

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