

The challenges of self-management

Experts share advice on running an association

By Pamela Dittmer McKuen, Special to the Tribune
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Self-management can be a satisfying and cost-effective endeavor for a community association.

It also can be frustrating, time-consuming and expensive.

Whether or not to hire a management company is a decision for each association to make. Some associations have contingents of eager, competent residents who are willing to take on the responsibilities of running a community and maintaining its buildings. Some associations are too small to consider hiring a full-time professional. The cost, even when prorated over the number of units, is much too high. These associations must self-manage or accept a limited scope of services.

"You don't have to have a manager, but self-managed boards will be held to the same standards, criteria and laws as professional management," said consultant Shirley Feldmann,

president of Association Advocates Inc. in Chicago. "You don't get to cut corners."

Consider the following advice for achieving successful self-management from those who have done it:

Get good advice. Consult with the appropriate professional, perhaps an accountant, engineer or project manager, whenever technical decisions need to be made, said association attorney Scott Rosenlund of Fosco Fullett Rosenlund in [Arlington Heights](#).

"It's hard to be an expert at everything," said David Wood, who serves on the board of a self-managed 18-unit town home association in the West Loop.

Pros not only share their expertise, but they share the responsibility, said Rosenlund, who lives in a 15-unit, self-managed association.

"If you hire a certified public accountant and he makes a mistake, the board has a layer of insulation," he said.

Keep it formal. Some self-managed associations tend to be lax about how they conduct business. The owners occasionally get together, perhaps over wine and cheese, and talk about what they want to do. That's not proper corporate behavior, said Rosenlund. "You have to follow a corporate governance structure," he said. "A three-unit building has to follow the same requirements as a 300-unit high-rise."

Among the requirements: Board members must be elected at properly noticed meetings; board members vote on issues; records must be kept and an annual budget must be prepared.

"Proper procedures and protocols may prevent decisions from being challenged and may lessen the risk of possible litigation," said Feldmann.

Get training. Keep up on new laws and best practices through trade groups, industry publications and Web sites. Wood's association hired Feldmann for a three-hour crash course in how to run an association.

"We had no idea how much we didn't know," he said.

Order a reserve study. Conducted by an architect or engineer, a reserve study identifies the building's major components, and estimates their remaining life span and how much they will cost to replace. It also specifies the amount to be put away every year so the money is available when needed.

"We fought against this one because reserve studies are not free, but now we have a template to follow," said Wood.

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Collect assessments. An owner who doesn't pay assessments puts an unfair burden on those who do, especially in small associations where each assessment makes up a big chunk of the monthly income. Everyone else has to ante up or accept reduced services. Fingers point and tempers flare.

Avoid hard feelings by establishing and following a firm collections policy, said Rosenlund. He recommends sending an account to the association's attorney when it is 60 days late. From then on, the attorney communicates with the owner.

Don't do manual labor. It's one thing for residents to vacuum the hallway and interview roofers, but the board should hire professionals to do the maintenance, said Rosenlund.

If you hire a resident or someone's buddy to do some electrical work and he does a poor job, neighbors will be mad at neighbors. If the buddy isn't licensed, bonded and insured, and he falls or accidentally starts a fire, you could be in for a lawsuit or insurance claim.

Do it for love. Unless the governing documents say you can get paid for board service, you can't, said Rosenlund.

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