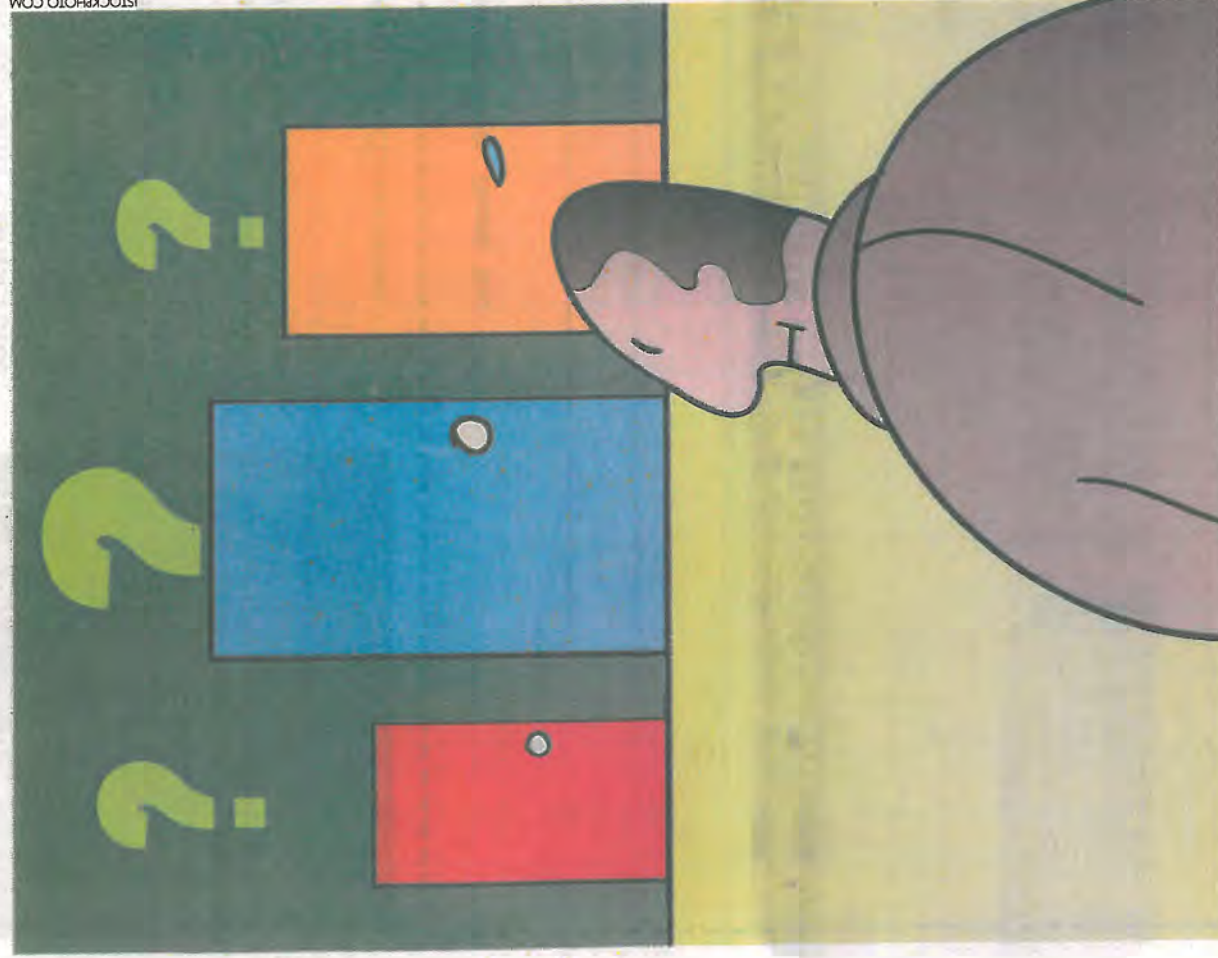


MANAGEMENT

The Ultimate Do It Yourself Project

Self Managing Your Community

BY W.B. KING



Convenience and saving money are just a couple reasons why an association would choose to self-manage a property. Though, outside managing firms and property managers are hired and employed for good reason. The job requires collecting monthly condo fees, hiring and managing staff, responding to residents' issues, among other expected and unexpected tasks. Before a board chooses to self manage, there are many factors to consider.

The Pros and Cons

The primary advantages of self-management are a significant expense savings for the association. "The biggest benefit I've found after working with self-managed associations is cost," says attorney Charles T. VanderVennet, whose practice is in Arlington Heights. "However, the associations that decide to [self-manage] must really be willing to put in

the time and labor that management would do for an association in order to save that money."

Another benefit of self-management is the ability to take control over the direction and operations of the building. Often, management companies have their own set protocols for dealing with delinquencies or hiring contractors that may conflict with the needs and preferences of a particular board. "The advantage is that you are in total control," says Angela Falzone, a property consultant at Association Advocates, Inc., a Chicago-based firm that provides residential property consultation and project facilitation services. "You don't have a person to pass the buck to so you get to know everything that's supposed to be done. However, a self-managed association will have to follow the same laws as professional managers, they can't make it up.

So while you can be in total control and you can make decisions, it's still going to be based on the law and the declaration around your documents."

The direct involvement required of self-managing boards can create very committed, aware and engaged board members presuming it is run properly and efficiently, says James Erwin, a Chicago attorney and the founding partner of Erwin & Associates, LLC. "This can create a better sense of community because board members are communicating well and often with their ownership. If a self-managed community is running well, it means they have developed a system for communicating and responding effectively with their ownership without overwhelming themselves."

A self-managed board may be more involved with its residents, since they are neighbors who are in charge, but having an emotional involvement can be tricky. Falzone says that often it is very difficult for board members to face other owners when they are delinquent or violating the rules. As a consultant, she receives many phone calls from board members who are hesitant to fine or reprimand their neighbors. "That's very, very hard for owners to do on owners. And what we try to explain to them when I teach self-managed seminars is, use the law as the third person. This not a we and you. This is you doing your job. And the job says that I have to keep the property safe, I have to retain the value, and I have to keep it maintained. This isn't me against you, this is me doing my job. To take that personal stuff out of it is very difficult for some self-managed boards, very difficult."

VanderVennet, who has served on a board in the past, said "it was difficult turning to your neighbor, who watched your kids or took care of your home while you were away on vacation, and tell them they are late on association fees, for example. Management is often the buffer that can provide that policy discussion or ultimatum or communication. It serves a very valuable function in those situations, which then has to be taken on by board members when it comes to the business side or operations side of administering the condominium," he says.

That being said, it's not advisable to be cold and unforgiving when serving on a self-managing board. VanderVennet explains that a personal relationship is still

very much necessary in order to foster a sense of community but when it comes to finances and compliance with rules and laws, the board needs to uphold those.

On the flip side, self-managing a building can be very challenging, especially to a board, which does not have extensive experience. "It is a disadvantage in that it is very time consuming. The board member responsibilities are heavier without a professional managing agent," says Falzone. Catching up to speed with the skills and knowledge of a managing agent can take time and money if you have to take classes or obtain certifications, she says.

In terms of expertise, VanderVennet has observed that self-managing boards have sufficient skills in accounting and bookkeeping but fall short in expertise in structural components of the property such as masonry and roofing and knowing what building codes are applicable to the maintenance and repair of those elements. "Those are things that owners just don't know. So when they are budgeting for a project, their ability to budget appropriately may be hampered by this lack of knowledge."

Another challenge for self-managed boards is effective leadership transition, Erwin says. "A self-managed board can run well for a couple of years and then it can fall off a cliff if it is not handed off to another board that has learned and properly understands the operations." Here, sufficient training and education come into play once again.

Industry insiders suggest that as associations determine the viability of self-managing that they seek education through mediums such as the CAI (Community Associations Institute) or the Institute of Real Estate Management (IREM). Falzone advises current and prospective self-managing boards to keep current on information and regulations by attending expos, events and seminars targeted to property managers as a way to update their knowledge bank.

Self-Managing Factors to Consider

Often a confusing topic for an association considering self-management is considering whether or not the size of the community should be the determining issue. In some cases, for very large building or high-rises, hiring a management company or even a part-time manager doesn't cost much more and results in a smaller headache for the board. "A larger association could fit management fees easily

into their budget if they needed to," Falzone says.

But self-management, with the right tools, attitude and board members can be done successfully in almost any sized property. "Size doesn't matter as long as the protocols and the training are in place. If [board members] know how to do it, they can do it whether it's two units or 200 units," says Falzone.

After considering the size of the property or association, the next set of variables to be studied is special circumstances unique to a respective association. If the building has commercial components, Erwin advises boards to really think twice about self-management as commercial tenants bring a whole new host of liability issues, rules and laws that the average board member may not be familiar with.

It is also important to take into account the makeup of the potential board. Professionals who work full-time and have families may not have the time necessary to devote to such intimate operations and as industry experts will stress, self-management is very time-consuming and requires large time devotion, he says.

Erwin says many self-managed associations that do not hire a full time property management company, pick and choose services "a la carte." This can be a good option for boards that have a tight budget but would still like professional assistance with upkeep and finances. "Some provide the accounting component, some provide just the contractor network."

Falzone also advises boards that have an interest in self-management to outsource at least some of the operations to a manager, especially accounting and finance. "I live in a nine-unit townhome complex and there's no way we could afford a manager."

ment company or be able to find one that would take us full-service.

We have outsourced our accounting. That we can do and that's what I highly recommend all self-managed associations to do. Get that off your plate," she says. A guide to self-management can be found on their website: www.associationadvocatesinc.com/html/self_management.html.

VanderVennet adds that associations can also seek guidance with a management consultant that can assist them with budgeting and project management. "Just like they would ask an attorney or accountant or a plumber certain kinds of questions, perhaps they can work with a consultant who they can bounce ideas off of or seek information on a project by project basis."

Self-Managing Applications

Aside from burnout and the possibilities of self-managed entitlement that leads to laziness or oversights, poor recordkeeping is often a problem as each successive board has specific approach to management and bookkeeping. Many self-managed buildings will hire an outside bookkeeper to take care of the records and finances.

This approach to association management is not a new practice and occurs all over the nation—so much so that there are companies that cater to this niche segment of the industry. Buildium, for example, has developed software that is used to manage more than 500,000 residential units in 31 countries worldwide. The Boston-based company has software for both property managers and associations. The latter software program, which can be tested on a 15-day free trial basis, handles properties from a few units to 1,000-plus units.

Whether a board elects to use a vendor for a contained software solution, a self-managed association they will have to deal directly with contractors which

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can be cumbersome. Boards are advised to get multiple bids with vendors as well as extensive research online, through references and by asking other properties what vendors they use. If you do happen to be content with a particular vendor, it is important to maintain a good relationship with them. "I know sometimes not only just self-managed, but sometimes boards think that when you're supposed to get three bids as a vendor. That means that every single time you have electrical work, you go out and get three bids. That is not the way this works. You get three bids for the first project, you find an electrician who gets familiar with your building, knows your wiring, knows your system. You hang with that guy. I mean, that's what a good manager does. A good manager develops relationships," Falzone explains.

Self-managing a condominium or HOA certainly has its challenges but could be a viable option for well-organized and knowledgeable boards looking to save money. It is important to consider the skills and circumstances of your building to determine if self-management is right for you.

W.B. King is a freelance writer and a frequent contributor to *The Chicagoland Cooperator*. Editorial Assistant Maggie Puniewska contributed to this article.