

MANAGEMENT

Under New Management

When You Have to Switch

BY KEITH LORIA



For the most part, it's human nature to be somewhat fearful of change. People tend to stick with what they have and what they know, rather than explore new possibilities.

That's definitely the case with condos and co-ops in regards to their management companies. Most of the time, a building will enjoy a long partnership with their company and individual manager, never even thinking about making a move. However, things do come up to warrant change.

Why Switch?

"Usually an association board may consider changing management companies if they feel they are not receiving good service or responsiveness from their current firm," says Shirley Feldmann, president and project manager with Association Advocates Inc, a management consulting firm in Chicago. "We have heard complaints from many firms that they often feel they get fired when a new board member takes over because they have a vendetta against a management company for such things as a violation or a fine."

Also, if problem after problem arises and the building is no longer running smoothly, it might be time to consider making a change.

"Whenever I'm asked to submit a proposal for management services to an association, the first question I always ask is 'Why do you want to make a change?'" says Michael E. Rutkowski,

principal of First Properties, LLC. "The number one answer is poor communication, or more specifically: 'Our manager doesn't respond to our emails or voicemails.' Also related to communication is expectations: there are times when the manager thinks he or she is doing his or her job well but the board has different expectations and they end up unhappy."

Changing Managers

Switching managers happens quite often and could be a really good thing to keep things running smoothly. A building may request a change as a first step before changing firms. There are many potential reasons for this, which could range from something as simple as a particular personality that doesn't mesh well with the board, to slow response time on issues, or even a lack of knowledge.

"I always ask why someone is making a change because I don't want to fall into the same trap that the other person did and I want to try and adjust and it helps me decide what manager to send," says Michael Daniels, chief operating officer of Cagan Management Group in Chicago. "The main reason is usually a lack of communication."

"Sometimes the personality of the manager and the board members just aren't a good mix," Rutkowski says. "If this is the case, the board always should reach out to the manager's supervisor or management company own-

er to share their concerns. Your management company wants to work with you to make the board happy and would appreciate the opportunity to assign a new manager."

When a management switch is made, any good manager should be able to get up to speed quickly and without a board's help. Putting basic info down on paper, and performing a walkthrough of the property should be enough.

Switching Firms

According to management experts, a board should look at three options prior to a vote on which firm to choose. They need to keep in mind why they are making the change in the first place in very specific terms and look to ensure those things are addressed upfront with the new potential firm.

A board should also ask for a list of buildings a potential management company has lost in the last 12 months and the reasons why, even perhaps trying to speak to buildings that have recently left that firm.

Rutkowski advises that a board should exercise all other options before making a switch. However, if the decision is to make a change, boards should start by contacting their local trade organizations such as the Community Association Institute and obtain a list of member or accredited management companies.

"Talk to friends and see if any of the management companies in your local trade organization's directory are companies they've worked with," he says. "Once you've narrowed down the list, things to consider are

"What is the size of the company?" "Are they big enough to have backup when the manager is out?" "Do they offer adequate support for their managers?" "What designations do their managers carry?" "How long have they been in business?" "What accounting software do they use?" and "What online services do they offer?"

Typically the board will do their research and select their new management firm prior to providing notice to the original firm. Before making any change, they must review their existing contract.

"Most contracts call for 30-60 days

before the next term where they have to let you know that they won't be renewing," Daniels says. "People are hesitant to get property management companies in so we usually give people a 60-day out clause at any time so if at any time they are unhappy, they can let us go."

When making a change in firms, there is normally a transition period that starts 30-45 days before the new company actually takes over an account with the transition probably lasting another 60 days into the official start of the relationship.

From One to Another

Feldmann says that it's important for the board to be clear on their expectations of services required from a management company.

"Often boards make the mistake and change management over and over without a clear criteria that they seek," she says. "In such a scenario, no firm will make them happy as the criteria is not specific and clear."

She suggests that they create a Request For Proposal so all candidates provide the same information that can be compared on an apples-to-apples basis and the board should be honest about pending projects and the level of service they desire, so the new firm can price their services to match those needs.

"The board should interview the top three candidates of those firms that submitted proposals," Feldmann says. "Reference checks should be made and random site surveys of client properties of these firms should be visited to see if the property looks well-maintained. Pricing should be clarified including any add-on costs that may not be included in the monthly contract and those fees should be estimated to get a clear picture on the total annual cost for comparison."

Most management companies have specific people that handle all transitions from one firm to the next and it is usually a pretty smooth process. The new manager should first request a mechanical tour of the property with the outgoing manager.

Records and contracts need to be turned over, vendors and suppliers need to be notified and the residents in the building must be informed.

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"It is important that the board work with the outgoing manager to ensure timely transfer of documents," Rutkowski says. "Most managers extend a professional courtesy to the new manager and the transfer occurs without a hitch. However, some managers take their dismissal personally and if there seems to be animosity, the association should use their attorney to coordinate the transfer of management."

When the new firm takes over, notice is sent by the new management firm to all existing vendors of the association.

"The board should either close all accounts the old manager had access to and establish new accounts for the new manager, or the board should notify their bank of the change and complete new signature cards," Rutkowski says. "Locks should also be changed."

The Right Reasons

As the saying goes, "If it ain't broke, don't fix it," and that might apply to the situation as well. Sure, you want the best deal and best service possible for your building, but if you are already happy with what you have and are just making a move because of promises another company made, you could find out that they are not everything you thought.

"We always recommend that a board should exhaust all options with existing management before considering a change," Feldmann says. "This would include going up the food chain to discuss complaints with a supervisor or the principal of the company. It is important to set realistic short-term goals and allow the manager the opportunity to resolve the issues brought to their attention. If that doesn't work, the management company may consider providing a different manager for the account. If that also doesn't work, then the board can feel confident that they exhausted all options prior to making a change."

Unit owners don't make the decision to change, but if a majority of residents feel a change is necessary and have good reason for the request, the board should listen and either work to correct the situation or vote to make a change.

"While a homeowner should communicate any difficulties he or she is having with the manager to the board, it is important to remember that often a homeowner is unhappy with management simply because management did their job (i.e. issue a violation or collection notice to the homeowner)," Rutkowski says.

No one likes change. And sometimes the unit owners don't have the whole story or the history behind the relationship.

"Buildings don't like change. The board gets someone up to snuff on how they want things to operate and then they start to live with the issues; they don't want to have to train someone

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again," Daniels says. Unless you really get them upset, most will stick with the bird in hand rather than going to the next guy."

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