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# Self-managed associations need professional standards

By Pamela Dittmer McKuen

Special to the Tribune

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Although most community associations hire managers to run their daily affairs, between 10 percent to 15 percent are self-managed, according to the Community Associations Institute in Alexandria, Va.

Property consultant Angela Falzone of Association Advocates Inc. in Chicago says with self-management, owners of a multifamily community oversee the finances, administration and physical components of their property without hiring a professional management company. Usually, board members and other volunteers perform the bulk of the work.

"Basically, the buck stops with you," she said.

Some associations self-manage because they have no choice. They are too small to attract a management company or can't afford its fees. Others have had negative experiences with management companies and decide to do the work themselves.

There are advantages and disadvantages with self-management, Falzone said. You'll save money on management fees but you spend a lot of money if you make mistakes. You have closer contact with other owners, but often so close that they feel comfortable calling you at midnight if they have a problem. And maybe you can get tasks completed faster without the middle person. Maybe not.

Self-managed associations, even large ones, can operate very well, but they must hold themselves to professional standards, she said.

"Just because there are only three or four units doesn't mean you get to have wine and cheese parties for your meetings," she said. "Following proper procedures and protocols can prevent your decisions from being challenged and possible litigation down the road."

Her recommendation is that self-managed associations hire professionals for legal, financial, engineering and project management work.

"I've talked to a lot of clients who say we have a wonderful board member" who can perform a particular function, she said. "That board member will burn out eventually, and is anybody trained to take that person's place? Or that person will want to get off the board or take a different job and won't have time for this anymore."

Professionals give another layer of oversight and act as a buffer between the board and unit owner. For example, accountants can deal with owners who don't pay their assessments, so that board members don't have to nag a neighbor.

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Attorney Charles VanderVennet of Fosco, VanderVennet & Fullett, in Mt. Prospect, reminds association boards to keep in mind two legal principles: the business judgment rule and fiduciary duty.

Boards protect themselves by making informed decisions based on objectivity and reasonableness and in good faith, just as though they were running a business, he said.

"The business judgment rule comes into play where an owner says I'm injured because of that decision you guys made. I have damages and you owe me," he said. "If the board acted within proper business judgment procedures, the courts are going to insulate you from that liability. The courts may not agree with your decision. It may actually be a wrong decision or a bad decision, but you'll be protected."

Hiring professionals for special projects or to provide or confirm information helps a board keep its objectivity, he said.

"Because you are owners and the decisions the board makes impact you as owners, you can't be completely objective, but you can try to be as objective as possible," he said.

Fiduciary duty requires board members to act in the best interest of the association.

"If you look out for the association's best interests, it translates that you will be served well also," he said.

Avoiding conflicts of interest doesn't mean a board member's child cannot be hired by the association as a lifeguard, for example. The board member can recommend and point out the child's qualifications but should abstain from making the motion for hiring and from voting on the issue.

"It may be in the best interest of the association for your son or daughter to serve as a lifeguard, but you have to watch out for your methods and motivation to get to that point," he said.

Self-management can lead to burnout, especially when the work is shared by a few. Falzone recommends creating an operations manual that includes forms, contracts, calendars, procedures and census information. The manual can travel from board to board so that new volunteers can jump right in.

"If you're doing your job right, you can be replaced," she said.

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