

MANAGING THE WORK

ALL COMMUNITY ASSOCIATIONS REQUIRE SOME LEVEL OF MANAGEMENT. KNOW WHAT YOU NEED, DO YOUR RESEARCH, AND CHOOSE WISELY. IT MAY BE THE MOST IMPORTANT DECISION YOU MAKE.

By Joe Cantlupe

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THE BOARD OF DIRECTORS at The Courtyard at Queen Anne Square, a 75-unit condominium association in Seattle, was itching to become self-managed after changing community association management companies every few years due to discontent with their level of service.

While their most recent management firm's performance had been adequate, a 20% service fee increase without much notice sent the board over the edge, and they made the decision to terminate the relationship. The board members, many of whom have served for several terms, had a good sense of how to meet their responsibilities and confidence in their collective leadership.

"This is a board unified in its purpose," says board president Kelly Marquardt.

The Piney Orchard Community Association in Odenton, Md., faced a different situation: Replacing a management company it had contracted with for several years. The board made sure it had an airtight vetting process when searching for companies that could manage the large-scale community of more than 4,000 homes, including single-family homes, townhouses, and some condominium buildings.

After the initial search and sending out requests for proposal, the board reviewed bids from 17 management companies chosen based on board member recommendations and number of credentialed staff, particularly having one or more community managers holding the Professional Community Association Manager (PCAM) designation.

It was an arduous task that was especially important due to the timing coinciding with budget development for the following year, says Steve Randol, Piney Orchard's board president.

Running the ins-and-outs of a community association and its day-to-day operations, whether it's finances, maintenance and upkeep, or interactions with residents, is no easy task. Ultimately, the biggest question that community association boards must ask is: Are we better off on our own, or do we seek professional management?

Some communities, often smaller, have no problem self-managing and delegating tasks among the board members and committee volunteers. Even longtime residents can be sought out for their experience to deal with any issues. Of course, even self-managed communities typically need to hire at least some professional help such as an attorney, insurance professional, reserve study provider, or accountant.

For other communities, however, the idea of having volunteers handle the association's daily responsibilities doesn't fit the bill. There is too much work, often a limited repository of information between governing boards, and too little interest in dealing with the around-the-clock needs of the community—especially questions or complaints from homeowners.

The next question is whether to hire an independent on-site manager directly or a management company that can offer a range of options—from select services to part-time management or a full-time team.

FINDING A MATCH

Community management companies can assist a board with numerous association responsibilities such as finances, staffing, property maintenance, governance, and resident relations. Because of frequently changing state laws and regulations, standards, and expectations from homeowners, boards may benefit from having the expertise and knowledge offered by professional management.

"The days of managing a community association out of a shoebox in your garage are over," says Kelly Shields, CMCA, AMS, PCAM, vice president and co-founder of Seaside Management in Kitty Hawk, N.C. "It used to be

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that way. But as technology has improved and timely communication has become more important, owners have higher expectations. The industry needed to evolve.”

Since management companies provide numerous services, a board should be specific about what the association needs so it can review comparable bids and determine which tasks can be handled by members, on-site staff, and other service providers.

Whether a board is contracting with a management company for the first time or transitioning to a new one, it's important to ensure continuity of association operations before organizing and investing time in a search for a suitable match.

Like many community associations, Piney Orchard believed it was essential to request proposals when building a plan to hire a new professional management company. Randol says the board appointed an ad-hoc committee to develop the specifications and run it through the association attorney. In the meantime, the board conducted a pre-bid meeting to answer questions about the community and its needs.

The committee reviewed the proposals and recommended the top choices to the board, which narrowed down the companies to interview. After the process was over and the selection made, the remaining 16 companies were notified of the results and thanked for their time.

Piney Orchard decided to keep the same management company, but an undisclosed issue arose. “The process of negotiating the proposal into an actual contract ran us into problems that eventually led to terminating the company,” Randol notes.

The board reached out to the runners-up for refreshed bids “without starting all over again,” Randol says. “As a board president, I also found it useful to create a timeline of events so that the board didn't hold up the process by not addressing things to do between meetings.”

As community associations work to change or keep their current professional management, Randol recommends that they re-compete the contract every few years and allow the existing company to take part in the process. “This can help everyone realize that the board is in charge,” he says.

GO IT ALONE?

Many communities entrust the association's operations to the board of directors and can go on to be self-managed successfully for years. However, some in the industry note that it's increasingly difficult to run a community with more than 100 homes because of the expertise needed in specific areas, such as repairs, resales, risk management, and insurance claims, not to mention responding urgently to crises.

Shields says she has seen self-managed communities struggle to keep up with maintenance, have large renovation projects that seem too overwhelming, find it difficult to collect past-due assessments, and dance around rules enforcement so they don't upset neighbors. “Sometimes, self-managed communities simply have problems getting things done,” she remarks.

The smaller the association, the more likely the board will be successful with self-management, says David E. DeGroot, treasurer of the 30-unit Redondo Heights Condominium Association in Bonney Lake, Wash., near Puget Sound.

“After 40 units, it gets harder to manage because it's not about neighbors managing it, it's more about an ‘us-versus-them’ mentality,” he explains. His community self-managed for decades before hiring a management consultant, prompted by the need to take care of financial issues.

In addition to the density of housing, DeGroot says that board members' understanding of association governance is a significant factor if a community decides to self-manage. Board members “really need education,” he stresses, such as courses and programs provided by CAI.

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“You have to get people out of the boardroom and into the classroom, so they understand what the rules and state laws are, and the legalities of what is involved. They need to have an overview of the budget process and finances,” notes DeGroot, adding that board members aren’t expected to become experts in everything, but they “need to know the basics.”

Over the years, Seaside Management has helped many communities transition from board-run to professionally managed, says Shields. Some of the company’s clients have year-round residents but a majority consider their property as second homes or investment properties. Often, board members in these communities have served for many years and want to step down—but not enough people are volunteering, she adds.

For communities that were formerly self-managed, a host of flaws often emerges when a management company takes over, Shields says. Among the problems are missing or vastly underinsured coverage or failure to file corporate taxes as a result of board turnover or because board members didn’t realize they were responsible for those tasks.

In other cases, community associations needed a reserve study because the account was not adequately funded, Shields adds. Other long-term plans also may not have been addressed, such as road resurfacing, plumbing issues in common areas or amenities, or budgeting for services like snow removal.

UNFORESEEN SITUATIONS

Boards may think they have all potential expenses budgeted for and covered, but sometimes an unanticipated bill will arrive for which the association inevitably has to assume the cost.

For example, Randol of Piney Orchard says that he’s heard of boards in smaller, self-managed associations close to his community be unaware that they are responsible for the maintenance, repair, and eventual replacement of an expensive stormwater management system.

“Some of those (stormwater management systems) can run into hundreds of thousands of dollars,” Randol adds. “The association may think all they have (to maintain) is a monument sign and maybe some snow removal and landscaping. Without a management company to thoroughly read the association’s documents, there is a risk of omission.”

It’s not just unexpected costs that can blindsides self-run associations. Situations can arise that a board may be wholly unprepared or unequipped to handle properly alone.

Marquardt of The Courtyard at Queen Anne Square says the board self-managed for almost two years. Then 2020 happened, and the association faced flooding issues, elevator troubles, lack of expertise to review financial materials, and a problem facing every community: COVID-19.

Because of the pandemic, only a few board members have remained on-site to help address immediate emergencies. “That’s problematic when you are self-managed,” says Marquardt, who has been board president since 2008.

The board decided to go back to being professionally managed. “Now we understand where the managers come from,” Marquardt says. “We think this will be a huge value and offer consistency for us.”

Personally, she adds that the thought of a full-time management firm taking over most of the responsibilities will “grant me the luxury of time and more of my personal hours back.”

“The funny thing is, I didn’t get a lot of phone calls (from residents), but the emails were insane,” she notes. “Some years are easy, and some are difficult.”

WHAT IT’S WORTH

Many board members and managers say one of the biggest concerns as associations weigh their choices of management revolves around increased costs—and a strong fear that assessments would need to be raised.

A management company can help streamline operations and look for savings that can offset the additional cost of management fees, says Shields.

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Seaside Management often will provide a thorough analysis of a community's direct and indirect costs of doing business, such as liability expenses, workers' compensation, and fees related to payroll.

In a review conducted for a condominium complex, the company examined insurance coverage in the first year and found that the board simply let the policies roll over each year without thought, according to Shields. After examination, the policies were renewed with a new insurance provider and the annual premiums went from \$130,000 down to \$70,000.

The \$60,000 in savings more than covered the management fee and was "truly a gift that kept on giving," Shields says. "Some might ask, 'How can we afford to spend this money on professional services? My answer is, 'How can you afford not to?' "

Sometimes, a board may find the management company is reliable but may be concerned about individual community managers, especially when they provide services on-site.

Carol D. Hepburn, board president of the 169-unit Princess Anne Gardens Condominium Association in Virginia Beach, Va., says the community's current management company has provided steady service for the past 12 years. They have had seven different managers in the past six years, which has become a point of frustration.

According to Hepburn, the management firm typically assigns six or more properties to one manager. Often, the employment is short-lived, and the managers are inexperienced, with most of them having been in the profession for less than two years and bogged down by low wages and intense work, she explains.

"When a manager has our property plus others, we have seen things fall through the cracks many times," Hepburn remarks. On one occasion, the association planned to reseal a parking lot, but the diagram was in the manager's files and could not be located. By the time it was found, it became too cold to reseal the lot properly.

Ultimately, however, the association stayed with the company "because the financial management has been on-point and because they are well-established," Hepburn says.

Shields notes: "A management company can't always come in with a magic wand and fix all problems immediately, but they do give the board a valuable asset, a strategic partner, a long-term investment, a way of keeping historic corporate knowledge, and a central source of document retention and stability."

Joe Cantlupe is a freelance writer in the Washington, D.C., area.

Resources

Self-Management: A Guide for the Small Community Association. Edited by Debra H. Lewin and Ellen Hirsch de Haan, Esq. Members: \$18.

On-Site Managers: How to Find the Right Community Association Professional. By Thomas Burgess, PCAM, and Pam Washburn, PCAM. Members: \$15.

Management Companies: How to Find the Right Community Association Professional. By Michael E. Packard, PCAM. Members: \$15. Available soon--only as digital book.

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THE INTERVIEW

INVITE THE BEST community association manager or management company candidates to an interview. This is the opportunity to get a sense of their interpersonal strengths and weaknesses. Ask open-ended questions that will help you assess how the candidates would handle difficult situations. Typical interview questions include:

- Describe a typical working day.
- Discuss ways you assist the board during a meeting.
- If a hostile homeowner stormed into your office yelling about a neighbor's dog, what would you do?
- Discuss our community financial statement provided to you.
- What do you suggest for developing a sense of community among our residents?

Include at least one interviewer whose job is to ask follow-up questions when responses are too vague. In addition, you might include current staff members who will report to the new manager. They may be able to assess whether the candidate has the personality traits required to perform successfully. A group interview will increase the observations during the review process, reduce biases, and add more input to the final decision.

PROFESSIONAL QUALITIES

PROFESSIONAL CREDENTIALS for managers and management companies provide a guide to a candidate's experience, knowledge, and continuing education. Look for these initials after candidate and company names:

- CMCA: Certified Manager of Community Associations (CMCA®)*
 - AMS: Association Management Specialist
 - LSM: Large-Scale Manager
 - PCAM: Professional Community Association Manager
 - AAMC: Accredited Association Management Company
- » Learn more about [CAI credentials](#) and what it takes to achieve each.
- » Learn more about the [CMCA](#).

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