The Perfect Match

The right management company can be key to a board's success and a thriving community. Here's how to make a big decision with ease.

By Jennifer Miller

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COMMUNITY ASSOCIATIONS develop and nurture many partnerships over the years, but seasoned professionals and volunteers say the relationship between an association and its management company is arguably the most significant.

"One of the best things boards can do to protect property values is to hire a good management company. It's also one of the largest decisions a board can make," says Kate Bushey, an attorney with Kaman & Cusimano in Cleveland.

Community associations engage a professional management company to oversee daily operations and responsibilities such as contracts with business partners, enforce governing documents, communicate with homeowners, maintain the physical property, and keep up with local and state laws. Above all, community association boards turn to management companies to ensure they meet their legal obligations.

"Volunteer boards have a fiduciary responsibility to make the right decisions for their community, but they may not have the expertise to successfully do that," says Mike Packard, PCAM, senior vice president of acquisitions for Associa in Carlsbad, Calif., and a CAI past president. "Hiring a management company also provides continuity. Boards may change from year to year, but the right management company will remain consistent."

Packard, along with Greg Smith, CMCA, AMS, PCMA, director of learning and development for Associa in Lodi, Calif., wrote *Selecting Management: How to Find the Right Community Association Management Company.* The book was published earlier this year by CAI Press. (See sidebar on p. 22)

While the decision to hire — or change — management companies is a major undertaking, board members should not feel daunted by the process. "We want to provide a resource that fits the needs of boards looking for a new management company, identifying the best practices and technology they should be considering," says Smith, a past CAI president, of the new publication. "It's really important to us that we help boards understand what they should be asking for to set themselves and their management company up for success."

ACHIEVING THE RIGHT FIT

Jeff Westendorf, CMCA, AMS, president of West Property Management in West Des Moines, Iowa, believes a board's decision to hire a management company could be the most important decision it makes for the long-term viability of the association. "No other contract relationship comprises a fiduciary agent role," he says. "The manager should have the vision to solve the problems of today and also those in 10 or 20 years."

While it's not an especially common practice, Westendorf recommends boards hire a consultant to help them understand the questions to ask when preparing proposals to hire a management company. He says this can be especially helpful since volunteer leaders "may not know what they don't know."

Veteran volunteer leaders agree they don't always possess the technical skills needed for efficient operations. "It's a lot of behind-the-scenes work to make sure you're managing payroll and paying correct taxes, staying aware of legal policies, and finding quality vendors," says Joyce Sachs, who has served on the board of the 1219 W. Wynnewood Condominium Association just west of Philadelphia for the past decade.

Along with technical skills, transparency and communication are essential to building an enduring partnership between boards and their management company. This starts at the earliest stages of any potential relationship, observers say.

"The best thing that a board can do is to be transparent with a potential manager about how they operate and what their expectations are," says Scott Burka, CMCA, AMS, PCAM, president of EJF Real Estate Services, a management company in Washington, D.C.

While that basic tenet may sound obvious, a board must do some soul searching to accurately assess core needs and expected level of service.

"Boards may feel some pressure to hurry through this assessment phase of the process, but they should take a step back and take the time to figure out what the community wants and needs," says Smith. "The board needs to be clear about what it wants from a service perspective and what it can afford."

According to Bushey, a fellow in CAI's College of Community Association Lawyers, the board must first answer a few important questions about why they're seeking new (or first-time) management.

"What's the board's biggest challenge? Is it apathy? Difficulty finding vendors or insurance? Is it too many rule violations or delinquencies? Are the physical requirements of the community difficult to handle?" she asks. Depending on which of those pain points come to the surface, the board can begin to evaluate how a management company can address those core problems and what type of company is best suited to do so.

Once the board has a sense of its needs, it can solicit input from homeowners. "Survey your (residents) and listen to what the community as a whole wants," says Sachs, a member of the CAI Board of Trustees and president-elect of CAI's Keystone Chapter. She also suggests having an open board meeting to allow homeowners to share their expectations.

Part of this process includes educating homeowners about the inevitable trade-offs between service and cost to manage expectations. Extensive on-site management is becoming less common as technology and the growth of portfolio management reduce the need for on-site management, say many professionals. Communities that require extensive in-person time from their manager should expect to pay notably more for that level of service.

“When the board is making decisions, cost seems to be the first thing that they anchor to,” says CAI Rocky Mountain Chapter President Mike Wolf, who has hired two management companies over the past eight years at La Fontana Condominium Association in Denver. “The difficulty is when you say your budget is X, but then you need to balance how present you need the manager to be and whether your community is willing to pay more for more service.”

BUILDING TRUST

Communication and mutual trust between association boards and management companies will always be critical factors in the long-term success of any relationship. Boards should ask potential companies to identify the specific manager they would be working with and meet with them as part of the selection process.

“The key to a successful partnership is open communication and attempting to resolve conflict with open dialogue, the same way you would in any relationship,” says Smith. He strongly advises genuine attempts to resolve issues before severing any relationship.

Once a new management company has been chosen, it’s essential to set expectations, clearly define roles for both parties, and stick to them. “You’ve hired the management company for their expertise, so let them execute their role,” Bushey advises.

This guidance is apt as management professionals admit one of the most common reasons for ending a relationship is when a board doesn’t trust the company’s recommendations or micromanages the management team. From the association side, the decision to change management companies usually comes down to a lack of responsiveness, frequent manager turnover, or a decrease in service level.

Boards also need to ascertain whether problems are related to the management company or to the specific manager. It’s important to bring concerns to management company leadership, who will often have a process to address personnel concerns. “Companies can almost always work to fix staffing or other issues, but they can’t change what they don’t know about,” says Kelly Zibell, AMS, PCAM, senior vice president of community management with Communitas in Morgan Hill, Calif., and a member of the CAI Board of Trustees.

SLOW AND STEADY

Finding and nurturing a positive relationship between the board and management company takes time and shouldn’t be rushed. Sachs, chair of CAI’s Homeowner Leaders Council, suggests giving a new management company almost a full year to settle in and gauge how they’re doing while recognizing boards should not let too much time pass before addressing issues.

Packard, coauthor of *Selecting Management*, also advocates for a measured approach. “Changing management is like moving: It’s very challenging,” he says. “Sometimes, a board might want to make a change for change’s sake, but the grass isn’t always greener.”

And remember, money isn’t everything. “Changing companies for cheaper fees is not going to be a solution unless the community also is willing to cut services,” says Zibell. “You simply won’t be able to cut management costs in this environment.”

Although hiring a management company can be complicated, the right attitude and a clear, organized plan can make the task less stressful and productive. “At the end of the day, there’s no ‘perfect’ manager or management company. You just have to get as close as you can for your community,” says Wolf, a past chair of CAI’s Homeowner Leaders Council. “Ultimately, the management company is helping you run the business of your association. You need to be happy with that partnership.”

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Understanding Your Options

All community associations require some level of management. Some associations are successfully self-managed by volunteers; some do well with part-time professional management; others need full-time or on-site management. Many, however, opt for the full range of services and personnel available from professional community association management companies.

For the community that decides to work with a management company, the board needs to apply a well-developed selection process. Management companies can provide a number of services. Therefore, the association should specify exactly what it needs to ensure that companies bid on the same set of requirements.

Selecting Management: How to Find the Right Community Association Management Company, CAI’s recently published guide, will help a community association board understand how to identify their needs and select the management company that best meets them.

>>*Selecting Management* is available in print and digital formats.
Visit www.caionline.org/shop.

Pinpointing Prospects

Community association volunteer board members have numerous resources at their disposal to find potential management company prospects, including legal counsel, trusted business partners, other local community associations, CAI, and fellow residents.

To learn about your management company options, boards can utilize several old school methods such as:

▌Drive around your area and look at other properties that seem exceptional.

▌Ask who they use for management.

▌Ask other professional partners such as the association lawyer or accountant what companies they're familiar with or who their other clients are happy with.

▌Talk to other community board members in the area to get their feedback and suggestions.

▌Utilize CAI's resources to find potential companies.

▌Management companies that have earned CAI's Accredited Association Management Company (AAMC®) designation are listed in the Directory of Credentialed Professionals: www.caionline.org/credpro.

Other management companies as well as many other types of business partners are listed in CAI's Professional Services Directory: directory.caionline.org. **—J.M.**

Dedicated Partners

CAI offers community association management companies the option to earn the Accredited Association Management Company (AAMC®) designation. The accreditation demonstrates a company's commitment to providing the unique and diverse services community associations need. A company with the accreditation ensures that its staff has the skills, experience, and integrity to help communities succeed. Its managers have advanced training and demonstrated commitment to the industry — just the type of professionals that community association boards seek to hire.

Management companies interested in achieving the accreditation must:

▌Have a minimum of three years of experience providing community association management services, based on client verification.

▌Have a Professional Community Association Manager (PCAM®) designee as the company's senior manager.

▌Prove that 50% of managers, and those who supervise managers, who have been at the company for at least two years, hold a CAI or Community Association Managers International Certification Board professional manager credential (CMCA™).

▌Maintain fidelity (crime or employee dishonesty), general liability, and workers' compensation insurance in addition to meeting federal, state, and local laws.

▌Comply with the CAI Professional Manager Code of Ethics.

» Learn more at www.caionline.org/AAMC.
