

Association of Condominium,
Townhouse, and
Homeowners Associations



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Choosing a Community Association Manager

By: Martin Stone, CMCA, AMS, PCAM
of HSR Property Services LLC

If you stop to consider that your Manager serves not only as the liaison between the Board and owners, but between the Board and *all other* vendors, it's hard to disagree that your manager is the single-most important vendor your association will retain. So choosing a Manager should be given the appropriate amount of gravity.

Any Board member who has been involved with switching Management companies has seen firsthand the many different mechanics of your association's function that are affected by it. Your Association's maintenance and repairs, assessment collections, bill payments, accounting reports, owner requests...it's all reliant on the Manager.

So how do you pick the best manager? More accurately, how do you find the manager that is the best *fit* for your association?

Step One: Consider very carefully all the reasons you are ending the relationship with your current manager:

- *Did they not return phone calls timely?*
- *Do you sometimes not get answers at all?*
- *Are work orders not getting processed in a timely manner?*
- *Are your monthly financial reports late and/or not concise?*
- *Are the vendors utilized by your manager not providing good service for competitive rates?*
- *Does your Management representative provide poor (or no) guidance to the Board?*
- *Do they often fail to carry out the Board's direction?*
- *Are your collections not being expedited?*
- *Do you have angry owners at your Board meetings?*
- *Has your manager collected proxies to try to control who serves on the Board? (Yes, this actually happens, scary but true!)*

Or, if you are self managed and hiring a manager for the first time or in a long time, consider why:

- *Are the owners getting to be too much to deal with?*

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TIP OF THE MONTH

Annual Review of Internal Policies

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Each year, an association board should review its internal policies to confirm that it is following certain “best practices” and proper procedures. Here are some highlights:

“Significant” contracts should be reviewed by Association counsel. A “Significant” contract is one that is 1) a large monetary amount(s) or 2) long term. A contract that is not reviewed by Association counsel generally only protects the contractor.

The Association should be 1) incorporated as a not for profit corporation, 2) file an annual report with the Illinois Secretary of State, 3) have Association counsel listed as registered agent, and 4) confirm that the Association is in good standing with the Secretary of State. Satisfaction of these requirements affords the association additional protections under the law.

Certain records must be maintained by the Association, including 1) executed contracts, 2) governing documents, 3) ballots and proxies, 4) minutes, 5) certain financial records, 6) current policies of insurance, and 7) current list of Owners’ names, addresses and percentages of ownership. The Association’s governing documents, Illinois and Chicago law have requirements regarding record retention. Counsel can assist in establishing a document retention policy for the Association.

If the Association’s Declaration and By-laws were recorded prior to 2000, they should be reviewed by the Association counsel to determine whether they should be updated to current law or revised altogether. Each year, significant changes to the law occur and should be reflected in the Association’s governing documents.

The board should prepare a timeline of contract expiration and termination dates. Having counsel prepare a simple chart with this information can avoid the expiration of contracts without replacement or an unintentional automatic renewal.

Although the economy appears to be improving, a strong assessment collection policy with consistent enforcement is the key to maximizing the collection of delinquent and unpaid debt. Also, the Board should review past judgments obtained that may not previously have been collected.

Illinois law permits the Board of Directors of condominium associations to authorize the collective appeal of real estate taxes of the Owners of the Association. Most lawyers charge contingent fees for the appeal of these real estate taxes. The Association only pays legal fees if the lawyer is successful in the tax appeal. The Board should review this process with its counsel on an annual basis.

Congratulations to additional Learn and Lead graduates!

Steve Bierlich of Tahoe Village (Wheeling)

Bob Tremblay of Hilldale Condominium Association (Hoffman Estates)

LEARN AND LEAD is ACTHA's certification course for owners. It is offered online and in classroom settings. For more info, visit: www.actha.org/Certification

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- *Are delinquencies out of control?*
- *Are you now facing situations you've not encountered before?*
- *Are you the only Board member who takes an active role in managing the Association?*

Step Two: Turn these into questions you will ask during your interview and pay close attention to their answers... are they confident or noncommittal? Bottom line, you want to walk away from feeling that the Manager you are considering has handled everything your Association will be throwing at them, *and more*.

TIP: If you have already replaced your management company within the last five years, it might help to ask if these concerns are the same concerns you had last time. If so, the problem may not be the manager.

Step Three: When listening to each of the Manager's answers, ask *yourself* ... is the person you're interviewing a Manager...or a *Salesman*? Anyone can *tell* you that they will do a good job, but it is the specifics of how they deal with situations and problem solve that you should be taking in, not their smile, suit, or assurances.

I may have put the cart before the horse here. Before you even get interviewing a new manager, you want to make sure you're only interviewing the most qualified, otherwise you're wasting time. And remember, *you're* the unpaid volunteer, so your time is the most valuable. So, how to choose who is worthy of your time?

TIP: What are your owners usually complaining about at Board meetings?

First and foremost, make sure they are a licensed manager, not just the company's representative who comes to your interview, but the actual manager who will be assigned to your association. By being licensed, your manager is held to a higher set of standards, both for performance and conduct as well as disciplinary actions by the state for violations under the law. Keep in mind, however, any managers who had been managing property for 5+ years at the time the licensing Act went into effect were eligible to be grandfathered and qualified for licensure. So simply having a license isn't enough. After all...are all licensed drivers *good* drivers?

You will also want to know what designations a manager has. Do they have their CMCA, AMS, PCAM? For those who may not know...the tier of designations breaks down as follows:

CMCA (Certified Manager of Community Associations): To obtain requires a minimum one year of hands-on management experience, plus taking and passing the M-100 course offered by CAI (Community Association Institute). It

covers the basic areas of management: (Maintenance, Insurance, Legal, Financial, Contracts, Liability, etc.) This should be an absolute minimum requirement of the person who would be assigned to manage your association. No exceptions.

TIP: Make sure the person you are interviewing (or is accompanied by) is the actual person who will be managing your property. If the company you are interviewing doesn't yet know who they would assign to your property, it could be, because they haven't hired that person yet!

AMS (Association Management Specialist): To obtain, requires holding a CMCA as well as having no less than 3 years hands-on management experience.

PCAM (Professional Community Association Manager): This is the big one, or the 'masters degree' of management. It requires your CMCA and AMS. You also have to have taken and passed **all** 200-Level courses, contributed numerous hours to community association programs, and successfully participated in an actual case study where you evaluate a real community association with real problems, implementing your full array of skills in order to write and submit a thesis paper addressing their real problems.

So, make sure, before you accept a proposal from a company, that the supervising manager has a PCAM, **and** that the manager who will be assigned to your account has their CMCA.

And when you interview the candidates, make sure you cover all of the specific needs of *your* association, the biggest problems and headaches you know the manager will have to deal with and rise above. Make sure the person you are interviewing is the same person who's going to answer the phone when the Board calls to provide direction or request assistance as opposed to an assistant serving as a buffer for the Manager. Most companies have departmentalized services (work orders, accounting, etc.) for owners to call in routine requests, but the Board should always have access to the overseeing Manager.

And finally, and most importantly, when interviewing your could-be-manager, gauge their responses to your questions; do their answers sound scripted, or do they sound like the experience of someone who has dealt with the same issues many times before? You don't want someone who's been told what to do, you want someone who has been in the same trenches as you have.

Remember... there are many management firms out there, all competing for your business. So, be picky!

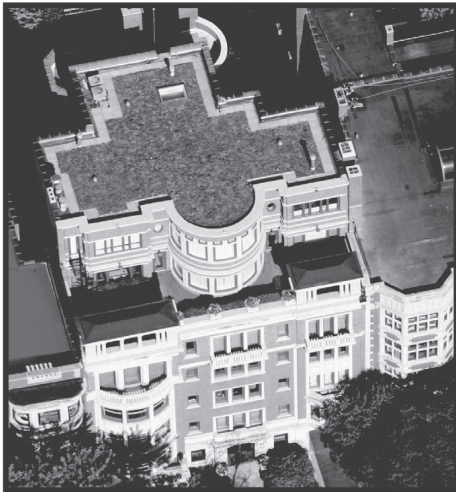
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Question of the Month

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Q. What flag(s) can a unit owner fly?

A. This question often arises as we approach various holidays. Many condominium documents restrict flag displays. However, the Illinois General Assembly responded in favor of the display of the American flag several years ago, joining many other states that enacted a special piece of legislation to ensure that residents of a condominium or townhome can display the American flag.

Indeed, Section 18.6 of the Illinois Condominium Property Act prohibits condominium associations from adopting or enforcing rules or declaration provisions that prevent an owner or resident from installing a flag pole or displaying the American flag and/or a U. S. Military services flag (i.e. a flag of any branch of the U. S. armed forces or the Illinois National Guard) on a unit's limited common element areas or on the exterior the building adjacent to the unit.

The Association can still reasonably regulate that flag placement of the flagpole placement, but it cannot be outlawed. Moreover, depictions of the flag, plastic flags and landscaped flag renditions are not protected. Of course, Federal law will also applies.

LEGISLATIVE CORNER

Reader are urged to visit ACTHA's website - www.actha.org—where legislation is posted and updated on a weekly basis. There are several bills, most notably, S. B. 2664 which we are working to defeat. Additional information on how you can assist is detailed on that page.