

***CALIFORNIA ASSOCIATION
OF
HOMEOWNERS ASSOCIATIONS
INCORPORATED***

**HIRING PROFESSIONAL PROPERTY
MANAGEMENT, WHAT YOU SHOULD KNOW**

HOW TO SELECT A PROFESSIONAL MANAGEMENT COMPANY.

WHAT YOU SHOULD KNOW ABOUT THE COMMUNITY ASSOCIATION AND PROPERTY MANAGEMENT INDUSTRY. WHAT YOU SHOULD KNOW ABOUT THE MANAGEMENT COMPANY BEFORE YOU SIGN A CONTRACT. WHAT QUESTIONS YOU SHOULD ASK.

This information has been prepared for homeowners' associations that have hired a property management company, are contemplating hiring a property management company or are considering changing management companies.

There are many community associations that have engaged the services of a professional property management company or real estate agency to administer the affairs of their homeowner's association. There are also many associations that have elected to manage their affairs themselves and have done so very successfully. A sincere, qualified and competent property management company and specifically, a qualified property manager can however, save your association money – lots of money. And, at the same time, relieve the Board of Directors of many time-consuming tasks. Conversely an incompetent, unqualified or inexperienced company or manager can cost you money. In deciding whether or not to hire a property manager there are many things you should know about community associations, the property management industry and the management company before you sign a contract?

What are the advantages and disadvantages of engaging the services of professional property management?

I. THE COMMUNITY ASSOCIATION AND MANAGEMENT INDUSTRY

The management of Common Interest Developments (CIDs), commonly known as community associations, homeowner's associations, condominiums or townhomes is unique. It is intricately complicated and compounded with expectations for the property manager to provide a multitude of professional services to the association's Board of Directors, the homeowner's association as a legal entity and also satisfy the needs of individual homeowners. Indeed it can be said, "property managers are expected to be all things to all persons."

Managing condominium associations requires particular skills from qualified professionals. It takes years of education, training and experience to be adequately trained and qualified to manage a homeowner's association. Association management requires a working knowledge of real estate, building construction and maintenance, as well as a knowledge of landscape, plants, trees and irrigation. When the roof leaks, for example, the property manager is expected to know how it should be fixed and know who should fix it. Association management also requires knowledge of local city ordinances, state laws and codes. The property manager is often required, and indeed expected, to prepare financial statements using double entry accounting and employing generally accepted accounting principles. The condominium manager is required to: give advice concerning financial matters, prepare the annual budget pro forma, interpret the reserve analysis study and offer capital improvement recommendations. The condominium manager is expected to protect, preserve and when possible, improve the value of the investment for the unit owner. And because the value of each condominium unit is directly related to the collective condition of all the units comprising the condominium complex, condominium managers are expected to have a broad knowledge of landscape maintenance and horticulture. The condominium manager is expected to understand how the irrigation system functions and how to make repairs or improvements. The appeal of the complex is profoundly affected by the appearance of the landscape and the landscape is affected by the care that it receives. Therefore, the property manager must also have a broad knowledge of plants, shrubs, trees, lawns, weeds and bugs, fertilizers, herbicides, fungicides and how they all relate during different seasons and in varied locations.

The condominium manager is required to have skills in public relations and parliamentary procedure. And since condominiums are corporations, the condominium manager must have a working knowledge of certain California Corporation laws, Business and Professions laws, California Civil Codes, the Association's Covenants, Conditions and Restrictions, Bylaws and Rules and Regulations. The property manager is often called upon to preside over the monthly Board of Directors meeting or the Annual Association Meeting, and because the code requires associations to adopt appropriate parliamentary procedure, a solid knowledge of parliamentary procedure is essential.

Thousands of condominium units are sold each year. To sell a unit requires a California Real Estate License. However, the State of California requires no license of any kind to manage them. When a condominium unit is sold, the seller and the buyer are represented by licensed real estate agents, professionals in their field. They are supported by brokers, escrow officers, loan offices and others trained and licensed to perform the many specialized functions of selling, buying and transferring title to real property.

No such requirements are imposed upon the condominium manager. Day after day condominium managers are commissioned to manage condominium property collectively worth millions of dollars. No training, or schooling or experience is a prerequisite. Real estate agents are not required to possess such a wide range and variety of knowledge. But they are required to have a license, even to rent an apartment.

To fill this void, many professional management companies in California have united and organized the California Association of Community Managers (CACM). This organization, though still developing, has compiled a significant amount of information and is instructing managers to be professional community association administrators. The California Association of Homeowners

Associations supports the California Association of Community Managers, but recommends their program be expanded to include additional essential subjects and that their members be licensed with the California Department of Real Estate. Certified California Association of Community Manager members can earn the CCAM designation.

Another organization designed to train property managers is the Institute of Real Estate Management (IREM). This is a national organization designed to educate and instruct Real Estate Agents in all aspects of property management. This program has greater requirements but they are spread over broader subjects. Managers receiving certification from the Institute of Real Estate Management receive a CPM designation. One must be a licensed Real Estate Agent in addition to satisfying other requirements to receive this designation.

II PROPERTY MANAGERS, WHAT SHOULD YOU EXPECT FROM THEM.

It has been said in jest, “I’m a Property Manager . . . and a parliamentarian . . . and an interior designer . . . and the plumbing repair expert . . . and the annual meeting caterer . . . and a CC& R lexicologist . . . and a pest control wizard . . . and a dispute mediator . . . and a dog-dropping letter writer . . . and a noise abatement facilitator . . . and a roof leak psychic . . . and a child psychologist . . . and a landscape-gets-plenty-of-water-but-can’t-cost-too-much monitor . . . and a handwriting expert . . . and a neighbor-to-neighbor problem solver . . . and a master policy insurance whiz . . . and a pool chemical guru . . . and a repair bill evaluator . . . a 59thday-of-a-60 day escrow hand holder . . . and the first person who gets beat-up if something goes wrong.”

The humor in this statement is shrouded in truth. Property managers are expected to perform tasks that far exceed the scope of their contract and the purpose of their engagement. Many managers, to their credit, in attempting to satisfy the needs of a client, will perform the functions and extra duties requested of them.

However, property managers are expected to maintain continuous communications with the Board of Directors and with the homeowners as needed. They should return phone calls within acceptable time limits. They should treat all homeowners with the same courtesy and respect as they render to members of the Board of Directors.

Property managers are expected to provide specific information to the Board upon request or as appropriate. They are expected to complete specific requests or tasks within a reasonable time. They are expected to visit the property on a regular and as needed basis. They are expected to know the overall status, problems and conditions of the complex at all times. They are expected to assist in solving the problems that may exist or become known in the complex. They are expected to make improvements as required and with the approval of the Board of Directors. They are expected to assist other service providers in the discharge of their duties such as escrow officers, landscape contractors or plumbers to mention a few.

Property managers can be important and remarkably valuable to the association. They contribute significantly to the success of the association and to the value and enjoyment of the property. In their capacity as property managers they are often responsible for managing property worth millions of dollars. Therefore, a great deal is expected from them. And because much is expected or even

agreed to, they are presumed to be well trained and well qualified to measure up to and assume their tasks. When the combination of all these items work together, united for a mutual benefit, the value of the association's property is increased.

III THE HOMEOWNERS ASSOCIATION, WHAT IS ITS RESPONSIBILITY?

Property managers deserve the same courtesy and respect from the homeowners and Board of Directors that you would extend to any other professional service provider. Property managers have been appointed to serve the interests of the homeowners association and provide professional assistance. Homeowner associations are generally administered by volunteer Board of Directors. The Board often changes members from year to year. Therefore, the property manager plays an important part in maintaining continuity from one board to the next and from year to year. The property manager in many instances is the one that keeps the Board informed and updated on new laws, requirements and responsibilities.

It is important that each Board discuss the roll they expect the property manager to play during their administration. The personality of the Boards of Directors will differ and change from year to year as the personalities of each board member will differ. It can be confusing and difficult for the property manager to satisfy the needs of board members when uncertain of the purposes or services he or she is to perform. Board members are encouraged to discuss their needs and expectations frequently with the property manager and give them an opportunity to perform. Board members may realize that it is impossible to satisfy the needs of "all the people all the time."

One only needs to attend a Board Meeting or an Annual Association Meeting to recognize that most homeowners are not personally involved with the day-to-day affairs of the homeowner's association. Homeowners, however, are encouraged to become involved with their association. They are encouraged to know how the money is collected and spent and how the association is being managed. The affairs of the association cannot be known by infrequent visits to meetings. Associations where many members take an interest in their property, know the laws and codes affecting associations and are informed on a regular basis will find their property is managed more effectively and their property of greater value than those that do not.

IV HOW TO SELECT A PROPERTY MANAGEMENT COMPANY

Just as there are a variety of different descriptions of properties there are as many different kinds of property management. There is commercial property management for shopping centers and office buildings. Residential managers manage apartments, single family homes and individual condominium units, while association managers opt for community associations or condominiums. Some Real Estate Agencies choose to manage all kinds of properties as they come along. The majority, however, will specialize in either commercial or residential. The management of community associations while in a class of its own is most frequently managed by agents in the residential market. Notwithstanding, many management companies specialize solely in the management of condominiums, the overwhelming majority manage apartments and single family homes as well as condominium associations.

Questions to ask when selecting or evaluating a property manager.

1. What type of properties does the property management company specialize in?
2. What formal training has the property manager received relative to condominium management?
3. What experience does the property manager have managing condominiums?
4. What technical support does the management company provide the property manager?
5. Will the person assigned to manage the property be present during the interview?
6. How knowledgeable is the property manager about certain major association topics such as:
 - A Defining condominium concepts and community living
 - B Finance and Accounting: Can the property manager explain a Balance Sheet and Income Statement? Can the property manager prepare a budget and cash flow analysis? Can the property manager explain the content of a Reserve Study?
 - C Can the property manager prepare minutes of a Monthly Board Meeting or Annual Association Meeting if requested?
 - D Is the property manager familiar with the legal documents that regulate the condominium complex and industry?
 - E Does the property manager have a basic knowledge of horticulture and landscape maintenance?
- 7 What experience or training has the property manager had drafting letters and communicating with others?

V SUMMARY

The management of condominiums is unique, it is complicated and a vast amount of knowledge and experience is required to perform the essential management functions successfully and in a professional manner. The management of associations is also very enjoyable and satisfying to professional managers that are qualified to do the work and can measure up to their responsibilities.

But before you intrust the duties, responsibilities, value and enjoyment of your association with a property management company be certain they are qualified to satisfy your needs and expectations. Take the time to check their references and qualifications.

In the final analysis, a good, qualified, knowledgeable and dedicated property manager can be of tremendous value to your association. Given the option, opt for property management--- qualified management.