

For Immediate Release



April 2, 2009

## **A Beacon Lights The Way For Others**

*Training and repairs help condo board protect owners' investment*

With the increased inventory of properties available in today's real estate market and the negative economic outlook that permeates the media, what can condominium or townhome association boards do to help separate their associations from all the rest and make a positive impact? *Efficient management, financial responsibility and on-going maintenance are the three key areas where associations either fail or succeed.*

"One of the biggest dilemmas that we hear from associations today is how to balance spending money for needed repairs and maintenance of the property while keeping assessments as low as possible to remain competitive," said Shirley Feldmann, founder and project manager of Association Advocates Inc. (AAI), which offers condominium and townhome associations and homeowners customized training and project management services to help them protect their investment. "There are cost effective steps that associations can take to protect the value of their properties, and some may only cost time and commitment by the board."

**Beacon Terrace Condominium Association**—a 3-story, 19-unit vintage courtyard building located in the Sheridan Park area of Chicago's north side—is a positive success story that should be an inspiration for others.

### *Headaches for Homeowners*

Mona Ewing, Board President from the time of the developer turnover in 2004 through 2008, and the four other volunteer board members were first-time homeowners and put trust in their property manager. Although they were paying a reasonable fee, their frustration increased as they felt management was unresponsive, inefficient, and projects were not getting done. "It was getting to the point where I felt like I was doing more managing of the building and the management company than the management company. They were just collecting our assessment money and paying the bills. They didn't provide any value once we took a look at who had more of the workload," said Ewing.

Management should also have been guiding the board to follow all applicable laws and protocols to eliminate possible liability and risk for the association. "Boards often don't know what they don't know," said Angela Falzone, 30-year property management veteran and property consultant for AAI. "Unless the board understands what their role and responsibility is, and that of their property manager, it is hard for them to know if they are doing things correctly," continued Falzone. "We are finding that many property managers are either not properly trained, inexperienced, or have too many associations in their portfolio to handle effectively, so boards must take an active role in protecting their association."

-more-

---

### **PROPERTY CONSULTATION**

Angela Falzone  
310 Busse Hwy.  
Suite 316  
Park Ridge, IL  
60068

**847.685.0710**  
fax 847.685.0709

---

### **PROJECT MANAGEMENT**

Shirley Feldmann  
4114 N. Lincoln  
Suite 312  
Chicago, IL  
60618

**773.348.0742**  
fax 773.348.0799



### *Professional vs. Self-Management*

In 2006, the Beacon board hired AAI for board training in an effort to identify their roles vs. that of their manager. Information learned included, but was not limited to, an overview of the Illinois Condominium Property Act (ICPA), the association's Declaration and Bylaws, revised budget recommendations, guidance on how to create their Rules & Regulations, advice on how to conduct meetings properly, procedures for adopting board decisions, and how to accurately draft minutes. "That alone opened our eyes to the 90 percent of things we were doing wrong. They also helped us to understand that we didn't need all of the unit owners to weigh in on decisions. We were then able to have more productive meetings and get more items completed that needed to be done," explained Ewing.

After unsuccessfully attempting to resolve problems with management, the board decided to become self-managed and hired AAI on retainer for on-going management guidance, an attorney for legal advice, and an accounting firm to outsource their financial duties. Although the cost they paid for full management was comparable to their team of assembled professionals, they feel they are now working smarter and faster. "AAI's guidance was extremely important because we are not the subject matter experts in managing a building," continued Ewing. "We are great in our 'real' jobs, but having them as a guide took a huge load off of us. We never got the level of service or responsiveness from our professional management company that AAI gave to our association."

### *Water Infiltration Problems*

While the board was actively committed to creating efficient protocols, the building's water leaks were unfortunately increasing due to unaddressed developer issues from previous management. The problems continued despite working with their maintenance company, roofing and masonry vendors. "It took us about two years to try to fix the problems with stop gap measures, but we still had leaks," said Ewing.

They also learned through AAI of the importance of performing a Reserve Study, which they budgeted for in advance and implemented in 2007. "The band-aid fixes helped to mitigate further damage to the units and allowed the association time to fully research the problems," explained Falzone. "But at some point, the board needed to make the important decision and take the next step to perform the needed repairs building-wide and for the long term."

And, that's exactly what they did. The board met with multiple vendors, but received conflicting recommendations for solutions, creating confusion on which analysis was the one to follow. "We had been talking about doing this tuck pointing project since the day we moved in. After four years of trying to be available at the building when vendors/contractors had to do work, there was no way we could take on this project. And, as far as getting a loan to pay for it, this was also above our heads," explained Ewing. "As long as I have been a professional, I know where my limits are and I know that I need others to help me complete projects that I'm not strong in."

### *Masonry Project Management*

In February 2008, the board hired AAI to oversee the project management of a building-wide masonry project—including tuck pointing, parapet re-builds and window lintel replacement—from the selection of vendors and contract negotiations through project oversight and vendor payments. AAI first oversaw the hiring of a consulting engineer. Beacon's former Treasurer, who recently sold his unit and has moved, stated, "Until we received the engineering report, I don't think we fully understood the required Scope of Work or perhaps, more importantly, the impact of not addressing the issues."

-more-



### Loan Oversight

In addition, AAI was hired to help obtain a \$175,000 loan for the masonry, and a few other improvement projects, and guide the board through the special assessment process and loan compliance guidelines. This decision did not come without deliberation, as any good board should review all pros and cons prior to spending money.

The former Treasurer was an early skeptic until the project was underway, “There were a lot of tasks AAI ended up handling for us that we never imagined needed handling and was a convenience for the board and its members. I don’t think anyone on the board had the knowledge or desire to organize and oversee the loan and management of the project,” he continued. “I think it was valuable to have a third party handle the oversight to ensure independence and a level of expertise to address project related issues.”

The project was completed in September 2008, allowing the owners seven months to either research their own financing options or participate in the association’s loan. “While no owner was happy about the idea of dishing out a sizable special assessment, advanced notice and regular communication were key in obtaining owner cooperation and decreasing any possible inconvenience that could be caused by the work,” explained Feldmann.

The biggest benefits of hiring a project manager on behalf of the association were the savings of time, money and frustration by ensuring that all vendors adhered to the agreed upon services, budget and schedule. “We felt confident that AAI was working for us instead of for themselves, which is how I felt when we had a management company,” explained Ewing. “We ran into some issues with the engineer and AAI fought the battle for us because the engineer was not holding up their part of the deal. It was nice to come home knowing AAI had it covered. We felt confident that AAI had *our* best interest at heart, so I know AAI was the right value and the right decision.”

### Beacon’s Success

In today’s market, it is unfortunate that many units for sale are taking countless months before receiving an offer, let alone a contract. In early 2009, the former Treasurer’s unit went under contract at Beacon within six days of listing, and there were two offers within that short timeframe! While pricing appropriately to the market is a big factor, this former board member also believes, “I think it’s reasonable that the \$175,000 tuck pointing was a positive point for prospective buyers, based on the assumption that the building should require less masonry work in future years.”

The roof, masonry and windows are considered an asset of the property, so an experienced Realtor® and savvy buyer will see a newly repaired property as a positive selling point, especially for a vintage building. Also positively setting Beacon apart from similar properties in the area was the board’s diligence in running the association like a business and complying with the ICPA including, but not limited to:

- Holding regular board meetings;
- Writing business-like, typed minutes;
- Researching thoroughly for the board to make the most informed decisions;
- Developing a fiscally sound budget with reserves allowance;
- Enforcement of a strict collections process resulting in few delinquencies;
- Professional financial statements;
- Keeping the property clean and well maintained.

-more-



### *Advice for Others*

Ewing has this to say to those associations hesitant about spending money on building repairs: “Just do it!! It will be worth the effort and how the building will look once unit owners want to start putting their places for sale.” Her only regrets were not having completed the project sooner and all of the wasted time trying to do the research on their own without professional guidance.

The former Treasurer has this to add for those homeowners who don’t plan on staying at the property for the long term and feel capital repairs should not be their expense: “It would be easy to defer maintenance and let ‘other owners’ worry about it, but in my view, this hurts the overall building value and often leads to more costly repairs than would have been required had the issues been addressed properly and early in the process.”

**A down economy is a great time to negotiate with contractors hungry for work and to obtain a low interest rate construction loan.** There are banks that specialize in association loans and, contrary to the media, they are providing money to well-run associations. According to Tim Haviland of Itasca Bank & Trust, part of the loan approval process for associations is to confirm whether the board is managing efficiently, holding regular meetings, complying with ICPA standards, making good decisions and has a good reputation. “Even though we may do a loan based on cash flow and we’re looking at numbers, it really comes down to the character and the leadership. If I ever feel that’s in question, we’ll take a pass on it,” said Haviland.

It is important to note that not all management companies are unresponsive or create headaches for homeowners, but most boards are unclear as to what services they should be receiving and training can address that. “Information is power. We empower board members to put into place proactive procedures, preventing crisis management and board member burnout,” Falzone said.

**Beacon Terrace’s self-management success has not come easy or without hard work by its board, but easier days are ahead.** Now that efficient protocols are in place and important repairs are completed, it has left Mona Ewing proud of their accomplishments and confident enough that the association is on the right path. She decided not to run for a fifth board term, but rests assured that those remaining on the board have the tools and professional guidance to continue Beacon’s good work.

To learn more about what your board can do to be as efficient as possible and be another success story, you may contact Shirley Feldmann or Angela Falzone directly or visit [www.AssociationAdvocatesInc.com](http://www.AssociationAdvocatesInc.com) where free resources are available including radio shows, published articles, handouts from past seminars, client testimonials and helpful links. You may also learn more about upcoming seminars and AAI’s customized training, consultation and project management services for homeowners, Realtors®, property managers and developers.