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COMMUNITY LIVING

## Small communities still need to mind their own business

**By Pamela Dittmer McKuen**  
Special to the Tribune  
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Small communities, with perhaps 20 or fewer residences, can be neighborly but they require just as much care and handling as the big ones.

"It's easier to get things done," said Jim Kutill, treasurer of a six-unit association in Oak Park. "If you want to put a barbecue out back, it's not like first you have to go through a grounds committee and then a hearing committee. You just ask your neighbors, 'What do you think?'"

Another advantage, Kutill said, is that neighbors watch out for one another. "We take turns looking after each other's mail if someone is out of town," he said.

Too much neighborliness can lead to bad business practices. It might seem friendlier to make decisions by consensus rather than elect a board to do it. Likewise, chipping in money as needed may seem easier than establishing a budget and reserves. But don't be tempted into becoming too informal, association veterans advise.

"This is a business, not a social organization," said attorney Chuck VanderVennet of Fosco VanderVennet & Fullett in Mt. Prospect.

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Small associations must follow the laws and their governing documents, just as those with hundreds of residences do, VanderVennet said.

"Failure to comply with those requirements leaves the association or at least the board members exposed to claims of breach of fiduciary duty," he said.

"I think the mentality is, 'We're only three or four or five units, we'll do it the way we want,'" said association consultant Angela Falzone of Association Advocates in Park Ridge and Chicago. "They might get away with it for a while, but then someone moves in who asks all the right questions and the owners who have been doing it wrong all these years have to go back and regroup and do it right anyway."

If someone becomes angry and sues, associations that have met their legal obligations and kept good records are more likely to be protected by their insurance carriers and the courts, said Kutill, whose professional hats are vice president and director of neighborhood properties for Appraisal Research Counselors in Chicago.

Because of their fewer numbers and smaller budgets, small associations often lack the resources to hire managers, accountants and attorneys. Even without that expertise and guidance, small associations should conduct their operations in a professional manner. Here are some of the essentials:

Create a budget. The law requires it, and so do most major money-lenders, said Kutill.

When a prospective buyer applies for a loan, lenders typically ask the association for copies of the current year's budget and the prior year's financial statement, he explained.

"If you're going to sell your unit and the association has a history of haphazard finances and special assessments, it becomes more difficult for a buyer to obtain a mortgage," he said. "The association potentially could hurt its marketability."

Keep your building in good shape. "Don't put off significant maintenance issues," Kutil said. "They just get bigger and more expensive the longer you defer it."

VanderVennet stresses the importance of putting money into reserves for when the roof, boiler and other major building components need replacement.

"If it's a condominium, all budgets [by law] must contain reserve allocations, or the association must go through a formal process to waive reserves," he said. "If it's a non-condominium, it's prudent to have reserves anyway."

Pay for housekeeping. You'll avoid fights that way, Falzone said.

"Small associations often think, 'We can save money and vacuum the halls or shovel the snow ourselves,' but then they ask me how to make the guy on the 4th floor do his share." she said. "You can't. There's nothing in the law that says he has to, and it can get very nasty."

Establish rules. If someone causes disruption in a large association, chances are that most residents won't hear about it. In a small association, as soon as someone buys a new stereo or adopts a puppy, everyone else in the building is affected, said Falzone.

"Even if it seems like overkill, even if you're only making rules and regulations for three people, do it," she said. "Those people are going to change."

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