



To Self-Manage, or Not?

There's Two Sides to Every Coin

[by Jack Carr, P.E., RS, LEED-AP]

I have a bias toward condos being managed by professional property managers. This probably is due to my belief it matches the reason many buy into condominiums or homeowner associations (HOAs) in the first place, that is: "THEY will take care of that." Actually, in the spirit of full disclosure, this bias is also driven by the fact most of my best referrals to new condo work come from property managers I've worked with before. However, my opinion has modified after participating at a recent CAI-NE Maine Forum for board members of all types of condos.

Many Maine condos and HOAs are self-managed. This is not simply due to Maine Yankee thriftiness or Maine condos tending to have fewer units to manage than other parts of the country. This tradition of self-management springs from a variety of reasons, not the least are the unit owners' desire for a greater sense of community and control over their living space.

Being an engineer, I needed to consider the problem in a logical and organized manner by creating a sophisticated analytical tool. I grabbed a blank piece of paper and drew a line down the middle free hand and labeled the two columns: Pros and Cons. The following is a summary of the items listed:

PROS TO SELF-MANAGEMENT

■ Save Money

The board members and unit owners are unpaid volunteers. Many owners may have the management, financial, and technical skills necessary to run a condo organization. The condo's funds can be used to selectively hire professional help where needed and develop committee delegation to manage: legal advice; insurance planning; community association management software; accounting; and building maintenance.

■ More Control

With more involvement required by

unit owners in a self-managed community, a greater sense of community will develop. People will get to know one another. Important projects will get appropriate recognition and resolution. Community problems and their priorities will be better understood, resulting in more equitable and rapid resolutions.

■ Hybrid Model

A community can adopt a hybrid method of management by selecting from the menu of different services offered. They can outsource. This could include hiring a professional management company to deal with the community's financial issues to allow the board and committees to deal with rule enforcement and project management matters. A second method could include hiring a professional manager to work in-house to dedicate their time to one community rather than trying to manage a portfolio of properties.

CONS TO SELF-MANAGEMENT

■ Board Burnout

There is only so much time board members or committee chairs can devote to managing the community. Any more time would be both unfair and could result in burnout. It can be difficult to ensure everyone in the community is doing their fair share. As communities age, so do the issues needing to be addressed expand to avoid deferred maintenance and untimely resolution of problems. Finding the right community members with the proper technical background to manage these projects can be a challenge.

■ Rule Enforcement

It can be difficult for neighbors to enforce rules on one another. Whether it be levying a fine or seeking overdue assessment payments, this can often be more effectively done by third parties such as a property manager. It is often more difficult for self-managed

communities to handle the hiring and firing of personnel and service providers.

■ Lack of Continuity

Unit owner and board members come and go. Their leaving can have a significant effect on a community's management efficiency. It is also difficult to hold people accountable when they are doing volunteer work. Self-managed condos are notorious for not keeping good records compared to a professionally managed community. In addition, self-managed organizations often lack adequate safeguards for preventing fraud or self-serving management practices.

■ Marketability

Buyers' due diligence efforts are becoming more invasive. Not only will condos be asked for past financial data, board meeting minutes, etc., the management methods may also be

questioned. Self-managed condos often do not present the level of security or confidence for future performance needed by some buyers in the market. This may result in fewer buying offers or discounted unit prices.

As with most management decisions it is always about the bottom line. With probably the most important 'PRO' argument being saving money, the solving of the 'CON' issues will cost money and in many cases the extra cost pushes the money-saving goal to the sidelines. Self-management is not for everyone, just as community living is not for everyone. Communities with more than 12 units should carefully consider the issues associated with self-management.



■ JACK CARR, P.E., RS, LEED-AP, IS SENIOR VICE PRESIDENT WITH CRITERIUM-ENGINEERS SERVING ALL OF NEW ENGLAND.

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