

A Condominium Management Company

ASSOCIATION NEWS

Inside this issue:

It's My Condo, It's My Home **1-2**

Determining a Reserve Threshold **1, 3**

Rules of Conduct **2**

Local Community Events Calendar **4**

Your Management Team Information **4**

It's My Condo, It's My Home

~ by Eric Mazure, A Condominium Management

Recently I received a call from a Condominium owner; she informed me that she had a leaky toilet and that her dishwasher was no longer working. She proceeded to tell me that she needed it fixed right away. Of course I was confused considering these were not Association responsibility and when I told her that, she informed me that her realtor told her that all of these things were Association responsibility. Her realtor told her that condominium living was a carefree lifestyle and that everything, even the dishwasher, was covered by the Association. What a life.

Of course this was not the case, and she was less than thrilled to get the list of expenses that the Association did cover. As the management company, we of course did all we could to assist with her problems. We coordinated to send a plumber in . The plumber was familiar with her community, and was able to offer her a good deal. Your management company is always a great resource for dealing with the day to day care of your unit, for referrals or some overall experience. As the management company we are always working towards helping our Co-owners to the best of our ability; but it is becoming more and more common that we have to have the “talk” with new Co-owners. Explaining what owning a Condominium is really like, what is actually covered, and what they are in store for.

Continued on Page 2...

Determining a Reserve Threshold

~ excerpt from Common Ground by Mitchell Frumkin

While we all know what a reserve study is, I'm often asked, “What threshold should we use if we decide to use a ‘threshold funding plan?’”

First, a little background about funding plans and how they relate to a reserve study. CAI's National Reserve Study Standards divides a reserve study into two critical, inter-related parts; the physical analysis and the financial analysis.

The physical analysis, which reflects a point in time, lists all of an association's components that eventually will need to be repaired or replaced; estimates the useful life and replacement cost of each component; recommends an amount to set aside in the reserve fund each year to cover the replacement costs when they're expected; and provide the total costs for all of the components included in the study.

The financial analysis coverts the information from the physical analysis into a projection of the association's future financial needs and informs the association how much money to set aside in a reserve fund at regular intervals to be able [to] meet those needs.

Continued on Page 2...

Getting Involved

All residents—long-time homeowners, new residents and even renters—can contribute to making any community a great place to live by volunteering a few hours a month on any one of several association projects.

The next time you're looking for an activity or a way to meet your neighbors, consider participating on an association committee or task force or volunteering to plan a casual neighborhood social gathering. Your ideas, time and effort will be a valuable contribution to making a neighborhood event successful.

Your neighbors aren't the only ones who'll benefit from your volunteer endeavors. According to HELP-GUIDE.org, volunteering can reveal untapped talents, teach new skills, introduce you to new activities and increase your self-confidence. Participating in a community activity can also provide networking opportunities that can benefit your career and your social life.

Contact an association board member soon to ask how you can get involved in our community. Who knows? There may even be a vacancy on the association board that should be filled by someone just like you.

It's My Condo, It's My Home

Continued from Page 1....

Make no mistake, there are of course luxuries that condominium living has to offer. The lawn is maintained for you, as well as most of the exterior of the home; and especially in Michigan, saying goodbye to the shovel and early morning salting can sometimes become a priceless luxury. But these luxuries are often misconstrued and can mislead Co-owners into believing that the Association is responsible for everything, and that some of the important maintenance, is not their responsibility. Let there be no confusion, a condominium is still a home, and it is still yours, your asset, and your responsibility. There are clear lines drawn to explain to every Co-owner what their responsibility is and what is not, all communities will have this in their Association Bylaws, and some are even considerate enough to compose a responsibility matrix. The most common problem is Co-owners not being properly informed, and not reading the Bylaws or associated documents. Making sure that your responsible items are taken care of is as integral to your condominium, as it is to a home, and is part of condominium living. An ignored leaking toilet can lead to dramatic water bills and even water damage to yours, and your neighbors units.

No management company can ever replace the knowledge that living in a unit will give someone. The Co-owner knows about the little things that are particular to each condominium better than any manager ever will; and they have better eyes than any manager could ever offer, it is their home after all, and they see it every day. Staying on top of the maintenance of your unit is easier than most Co-owners realize. Property managers keep their eyes open for developing and current problems, and are vastly knowledgeable in every community they manage and will almost always have the answer to any question. But weekly site inspection and this knowledge is no substitute for the keen eye and concern of a Co-owner. Property managers rely on these eyes, watching the leaking toilets, and letting them know when something is wrong. These extra eyes help save the Association money, save the Co-owner money, and save the frustrations of all involved with deferred maintenance projects. It is important for all Co-owners to understand when they buy a condominium, they are buying into an association, and it is theirs too.

Rules of Conduct

~ excerpt from Common Ground

Associations should have only a handful of transparent, enforceable rules that can be understood by all residents.

PROBLEM: An empty recycling bin has been lying on its side for days on the sidewalk in front of a house down the street. Although the car in the driveway has come and gone several times throughout the week-a sure sign residents are home-no one has picked up or moved the orange plastic bin.

Across the street, the lawn of another house is brown and overgrown with weeds, despite the community's guidelines about maintaining landscaping. And around the corner, several cars are crammed day and night in the driveway of another house-an indication that too many people live there.

The community manager spends a lot of time fielding phone calls about clutter in common areas; she also struggles to collect homeowner's assessments each month. The association has rules, so why aren't residents following them?

SOLUTION: An essential element to any community's integrity and appearance is making sure residents know of and comply with its rules. But ignorance of the rules-and the consequences of non-compliance-is usually the main reason residents break them.

Start by educating all of the community's residents of the existing rules-when assessments must be paid, when trash and recycling bins need to be set out and then put away, limits to the number of vehicles parked in front of a house, and even what exterior paint colors can be used or the condition of an individual home's landscaping. Make sure the rule clearly states-in terms all residents can understand-what behavior is expected, when they need to comply and what the consequences are if they don't comply on time.

It's also helpful to share the association's rules with real estate agents and prospective buyers and renters. Repeat the rules often and in a wide range of media-newsletters, handbooks, signs and the association's website.

Take action as soon as you know any rules has been violated. Notify the resident informally but promptly to avoid an air of permissiveness or a loss of confidence in the association which may lose its right to take action later if violations are allowed to go on too long.

Allow the offender sufficient time to fix the problem. Rules must be enforced uniformly and consistently, so make sure the rule is applied the same way with all residents while taking into account relevant facts that may make circumstances different from one situation to another. Make sure the consequences fit the situation, don't use a bazooka when a fly swatter will do.

And be flexible; consistency could be your undoing, if you don't allow appropriate and reasonable exceptions.

Encourage and help boards review established rules periodically, and eliminate or amend rules when situations and circumstances change. A rule that made sense 20 years ago may be inappropriate today. Any rule-and any consequences for violating it-must be reasonable in the opinion of both the community and the courts. A community should have only a few easy-to-follow rules.

Take steps to build community concerns to support any new rule that the association wants to establish.

Once residents know the rules and why they're necessary, they'll be less likely to break them. And you, the manager, will spend less time and energy achieving compliance.

Determining a Reserve Threshold

Continued from Page 1

Types of Funding Plans

There are four ways an association can choose to contribute to its reserve fund:

Full funding-the most conservative approach. An association that prescribes to a full-funding plan contributes 100 percent of the money estimated to be needed at any point in time into its reserve fund. For instance, if a component is expected to last 10 years and its replacement value is \$10,000, then the association should have \$3,000 in the reserve fund for this item at year three.

Baseline funding-probably the most risky. With baseline funding, the association reduces its annual contributions to a level at which the reserve fund balance eventually drops to zero. If the replacement cost of any component exceeds the estimated cost, or if a component is replaced sooner than anticipated, the association could experience a deficit or require a special assessment.

Statutory funding-prescribed by state or local law. We'll skip discussion of a statutory funding plan because it's externally regulated.

Threshold funding-a combination of full and baseline funding. Most associations establish funding plans that are a blend of baseline and full funding-what's known as "threshold funding"—by determining the lowest amount they're comfortable contributing to their reserve account during the cash flow projection period.

Determining a Threshold

A "threshold" can depend on a number of variables, including the amount of risk an association is willing to take.

For example, an association that conducts full annual reserve study or review has an up-to-date appraisal of the condition and estimated lives of its components. There's less risk that any one component will need to be replaced sooner than its predicted life span-and less risk that the replacement cost will be higher-than if the association conducted its reserve studies only every few years.

An association also may choose to base its threshold amount on the total cost of replacing all of its components at one time-which would require the most money that would need to be spent in any one year. A threshold also can be based on a percentage of an association's fully funded reserve fund balance.

Because individual boards analyze variables differently, it's unlikely any two associations-even if they're similar in many other ways-will use the same threshold.

For this reason, association boards and the managers who guide them, should discuss the pros and cons of various scenarios with their reserve professionals. And keep in mind that as an association's financial situation and risk tolerance changes, so will its funding plan and threshold amount.

P. O. Box 81561
 Rochester, MI 48308-1561
 Office: (248) 650 - 8983
 Fax: (248) 453 - 5771
 Email: Info@ACondoMgt.com



www.ACondoMgt.com

Your Management Team Members:

Jason Carey Owner	JCarey@ACondoMgt.com	(248) 453-5798 Direct Dial
Eric Mazure Property Manager	EMazure@ACondoMgt.com	(248) 453-5794 Direct Dial
Edward Oland Property Manager	EOland@ACondoMgt.com	(248) 923-2673 Direct Dial
Makayla Eckardt Management Coordinator	MEckardt@ACondoMgt.com	(248) 402-5002 Direct Dial
Brittany Baker Administrative Assistant	BBaker@ACondoMgt.com	(248) 650-8983 Main Office

Upcoming Community Events

Date	Event	Venue Information
January 1	New Year's Day <i>A Condominium Management office closed and will open January 2 at 9:00 AM</i>	
January 16-18	Blue Man Group Performances	Warton Center for Performing Arts East Lansing
January 17-25	North American International Auto Show 2015	Cobo Center-Detroit
January 21-26	Snowfest 2015 at Zehnder's	Frankenmuth
February 1	NFL Super Bowl XLIX 2015	Arizona
February 10	Luke Bryan Concert	Van Andel Arena
February 27-28	Garth Brooks Concert	Joe Louis Arena
March 12-15	Disney on Ice Presents Frozen	Palace of Auburn Hills
March 17	St. Patrick's Day	
March 26	Bob Seger & The Silver Bullet Band Concert	Palace of Auburn Hills