

Good Relationships Build Better Values



BY MICHAEL E. LE PAGE, RCM

The following article was originally a speech at the 2008 ACMO/CCI Conference in a session entitled “Building Better Values by Acting Wisely”.

The value of a community can be measured in many ways and the actions (or inactions) of the Board of Directors can greatly influence the value of the corporation. Fiscal responsibility is paramount to good directorship and this responsibility extends exponentially beyond the budget, even beyond the reserve fund and is reflected in the values of each and every residence in your community. To be clear, the decisions of the Board can often impact values and it is important that the impact is positive. In order for the Board to make decisions in good faith and to act “reasonably and prudently” as required under the Act and to protect themselves from liability should things go wrong, the Board needs to develop good relationships with various professionals and they need to communicate key decisions with the residents.

So how do we do this? How do we achieve this objective?

Believe it or not the most important

ingredient is communication – open, forthright, informative communication. Boards of Directors are challenged by establishing priorities at every turn. They are assisted by a team of professionals and a Reserve Fund Study that charts a course for major items providing a thirty year forecast.

Back to communication. Communication is key. If the grounds of your corporation are less than the established standard (let’s say the frost has caused the tennis court to be unlevel and surrounding fence to be askew) this will negatively impact values. However, the impact is lessened or even eliminated if this repair was scheduled for the following year and you were to advise everyone that next year you are replacing the membrane on the garage roof slab and upon completion the tennis court will not only be repaired, it will be replaced entirely, including the fence.

That communication and those of a similar nature need to come early, it needs to be repeated loudly and regular-

ly and it needs to go beyond your community to the local realtors and general neighbourhood. It is not a secret. Share it, make it known.

As mentioned earlier, the Board has a team of experts available to them—the Accountant, the Lawyer, the Engineer—as well as an army of trades that service the site and the Property Manager—all standing at the ready. It is important to call upon these professionals on an ongoing basis and as situations may dictate.

In many respects the depth of knowledge and expertise of the Property Manager or more so the depth of resources of the management firm can often determine when consultants are called upon. But be forewarned, there are Property Managers with big ambitions and a can-do attitude without the experience or expertise necessary. Although these Property Managers are willing to step up to the plate, and even though they are exposed to the industry and have much more insight than the

average director, there are definitely times when you should reach beyond their particular expertise and turn to the industry specialist.

It is important when aligning yourself with any industry professional, the choice of professional is based upon the level of expertise they, or their firms bring to the table. Now to be clear I am not advocating *biggest* is best by any means. Nor am I saying that *price* necessarily determines quality although in fairness in a competitive marketplace there should be some parity in pricing.

The professional must have an allegiance to the condominium corporation as a whole and not to any one individual through an extended relationship, connection or any degree of nepotism. The relationship must be free of any potential conflicts of interest and this includes the professional's relationship with your manager.

The Auditor/Accountant

Your auditor is usually appointed each year by the owners at the AGM and continuity in this area is in accounting terms, an asset. Your auditor has an established role in auditing the accounting records of the corporation and reporting to the owners, but you can expand this role. Your auditor can bring additional value when included in Reserve Fund study review, when included in investment planning and laddering the investments so that funds are available without penalty for anticipated expenditures. Your auditor brings a level of financial planning and management expertise, call upon on it, take advantage of it or again in auditing terms, *capitalize*.

The Lawyers

The Condominium Act is intricate. It is important that we all understand and respect that. It is evolving to become more and more sophisticated and demanding a level of expertise and familiarity. A good condominium lawyer is not only up to speed with the Act but

is also aware of the many established precedents and court interpretations. This expertise can come at a premium.

Recognize that a solicitor who does not specialize in this area may cost less and have a lower hourly rate. However they will need to spend additional time in getting up to speed and you are somewhat vulnerable to their advice. As well, if you ask a lawyer for their two cents worth, in some cases it arrives with a \$400 price tag.

Now I have to be careful because I hear lawyers can be litigious, and although a lawyer may offer his or her best advice, if he or she is not a condominium specialist that advice may not be the "right advice" – and you as the client may venture a long way down the wrong road before that is apparent.

So yes, initially you saved money on the hourly rate but you may have lost in almost all other respects. You need a lawyer who is well acquainted with the Act, and you need to call upon that lawyer to clarify any ambiguity in your documents and provide an opinion – an opinion that can guide you with consistency and confidence. Corporations registered prior to May 4, 2001 should have their documents reviewed and updated as needed to ensure compliance with the Act.

A good condominium lawyer, or law firm, is one that has an area of expertise in Condominiums, and has a predisposition to keep you out of court battles and not draw you into one when it is avoidable. Your dollars are always better spent on resolution rather than conflict. However, with that said you must at all times be protective of your corporation's interests.

The Engineers

When selecting an Engineer it is beneficial to look at the depth of the organization, their familiarity and experience with your construction design and the inherent challenges that will evolve as a result.

Chances are the first encounter with your engineering firm will be in their appointment to complete your performance audit or reserve fund study. Quite frankly this is not a time when price should be the main determining factor. These two tasks are far too important and have far too long lasting an impact to eliminate a firm simply because they were expensive or select another because they were less expensive. Engineers will tell you a properly completed Reserve Fund Study is not profitable for their company but rather it is an introductory opportunity for them to show the Board the depth of their expertise and they remain hopeful to be called upon to address any and all future engineering needs.

The Property Manager and Board need to do their homework here and make sure you are comparing apples to apples. The scope of the work being offered, the depth of the organization, their experience and appreciation of you as a client all need to be carefully weighed in making this selection.

This relationship is ongoing. Every three years your Reserve Fund Study must be updated and as your corporation ages you will inevitably call upon the engineers to supervise and oversee numerous projects. Although there is no requirement to use the same firm for all tasks, as stated previously, the longevity of these associations can prove to be very beneficial.

The engineer becomes intimately familiar with the development and this association can outlast that of Board Members and even management. Align yourself accordingly.

An engineer should be called upon without hesitation when addressing physical projects and remedial repairs of any magnitude. It is important that your money is spent wisely, that the repair is optimized and that the life of the repair is not compromised. The engineer is a key player in a team that works for you and their efforts usually have a very long lasting impact.

The Trades

Trade selection is very important and what should drive trade selection are all of the same factors mentioned previously – expertise, ability and value in service rendered for fees charged. Your trades also have a much more intimate relationship with your condominium and what we want them to be first and foremost is conscientious.

The trades go to the edge of the property and beyond, into the corners and crevices on a frequent basis, and we want them to report and be forthcoming in all respects. Your trades are an army of supporters that not only provide a service but in so doing protect your building's value and in many ways polish the apple. Their efforts have the largest visual impact of all. Your landscape contractor and cleaners have huge impacts with respect to the desirability of your community.

After their selection (which hopefully was routed through a proper tender process with detailed RFP's) if you are satisfied with the services rendered, it is not necessary to re-tender every year. Rather, if the requested increase was negotiated at appointment, is in-line with CPI or adjusted fairly to reflect a change in scope, tendering these service contracts on a three year basis is not only a good way of ensuring that you are paying market rates (note that was market rates and not necessarily the lowest rates) it also is a way in which the trade can commit the resources and investment necessary to achieve the desired objective over a longer period.

In being on a Board of Directors you are assembling a team – a team that's primary goal is to protect the value of your community. And we all know that when building a team one secret to success is to surround yourself with the best “players” possible that fit with your corporation. The fit factor is that intangible tangible that is always very much a factor. Although there is a salary cap otherwise known as budget restraints, overall we want to be solid

and avoid being weak in any one area.

This particular team is coached by a property manager, however the GM is the Board of Directors. Both the Coach and GM understand and appreciate what each player brings to their team and they want to try to maximize on those benefits, all the while remaining cognizant of the financial limitations.

Longevity is a key ingredient to the success of the team. The seasoned veterans can bring more to the table than the rookies, they have the benefit of first hand experience but the rookies bring new insight and are oftentimes more open-minded so a balanced mix is important and beneficial.

This team parallel is easy to comprehend, but the team is not limited to the Board, Management, the Accountant, Lawyer, Engineer and trades – it is actually much larger. You will recall in my early remarks we spoke of communication. Positive community centered communication is necessary to solicit the support of the residents and have them shoulder some of this responsibility as well. Community pride and all the benefits that brings is contagious.

The Board of Directors and Management must share the vision of building the best team they can to protect and preserve the value of the community.

As you are aware, the reputation of a community or anything or anyone often precedes your personal interaction with it. Therefore, if your development is to have but one reputation above that it is well maintained or the monthly fees are reasonable, the one reputation you should want it to have above all others (and that encompasses everything that ever really needs to be said) is “That community is well run”.

Select the players on your team wisely and this reputation will evolve over time as a matter of course.

Once it arrives, the market shrinks, the competition is either eliminated or

reduced, and your community becomes the destination of choice. It is then probable that the demand for available units will outweigh the supply.

The decision to purchase at your community will appeal to the emotions of the purchaser in that they know this is a safe place to put their money and they vote with their purchasing dollars for your community. The cycle actually continues almost in perpetuity as you attract buyers that become residents who appreciate this reputation and who wish to cherish and protect it. ■