

Condo Insights – Professionals that serve community, condominium and homeowner associations

Condominium and homeowner associations rely on various types of professionals that provide services and guidance. This column will highlight various professionals, their services and how an association can find the right professionals for its needs. The business judgment rule will generally insulate a board from liability if it relies upon the advice of its hired professionals and acts in good faith.

Accountants prepare annual financial statements and tax returns and provide general guidance to condo boards. Accountants follow generally accepted accounting principles (GAAP) for financial reporting. Accountants may offer advice and guidance as boards evaluate options and alternatives for non-condo-fee income sources. Accountants typically work on a fixed-fee basis. At the very minimum, associations should have an accountant prepare their tax returns. An annual audit becomes more essential the greater the size of the association budget and greater the complexity of association operations and income sources.

Lawyers offer general legal advice for routine matters and provide essential information to guide boards in dealing with complex legal matters, such as contract review, litigation and preparation and in dealing with government agencies. An attorney experienced in condo practice serves as a resource for association boards in dealing with any number of issues related to the association governing documents. Lawyers frequently work on retainer or hourly basis. Far too often an association board involves their attorney to fix a problem when it would have been much less expensive and time consulting to utilize legal counsel for guidance to protect association interests as regular practice. The larger the association, the more important to retain a law firm with cross disciplines in areas commonly affecting condo and homeowner associations.

Property Management Companies provide day-to-day administrative, bookkeeping, property operations and maintenance to associations. Smart board members rely on their property manager's experience and guidance. The most effective property managers offer their insight which allows condo and HOA boards to maximize cost effective use of their funds when utilizing other professionals. Given their access and control of the association's finances, make sure your property manager is adequately insured and bonded. Property management companies work on a contract or hourly basis. When it comes to evaluating options for managing your association, property management experience matters.

Insurance Agents are another essential professional for condo boards. Insurance is often the single largest expense in an association's annual operating budget. Your primary objective is not to save money but to protect the assets of the community with the best coverage money can buy, within reason. The best agents have a substantial client base of coastal condominiums and access to the insurance companies that serve the coastal condominium market. Your agent can offer insights into trends and factors affecting market conditions that will affect future coverage and premiums and can ensure that other professionals providing services to the association have proper insurance coverage.

Engineering Firms provide a multitude of services. They prepare reserve studies, which are long-term funding plans for replacement of association assets and common elements. Engineering firms provide professional project-specific and general building consulting services and work on a project-specific or hourly basis. In wake of the Florida condominium collapse, there is greater demand for structural engineering inspections and building exterior balcony and façade evaluations. Engineers know qualified contractors across a wide range of disciplines.

The greater the size, scope and cost of a project, the greater the need to rely on a professional, such as roof replacement. Just because a fellow condo owner works in building maintenance or construction does not mean they can replace the services and expertise provided by an engineer. It is not enough to simply hire the cheapest local roofing contractor. With advances in roof design, it is important to FIRST retain an engineer to prepare specifications and identify qualified contractors before going out to bid. The board's lawyer will prepare the contract. The lawyer, engineer and property manager will guide the board through the nuances of roof manufacturer's warranties and exclusions.

When you don't know what you don't know, rely on a professional. Elevator modernization projects are a good example. When it's time for major elevator repairs or service, don't just rely on your current elevator

service provider. An elevator consultant is specially trained and experienced and knows how to evaluate your current elevator and control system, is aware of current codes and how to prepare requests for modernization proposals. An elevator consultant understands elevator service contracts and is qualified to evaluate the current condition of your elevator relative to periodic maintenance to ensure the elevator service company is fulfilling its obligations under your service contract.

There are other professionals that an association may occasionally need to rely on such as insurance valuation appraisers, air-quality and environmental specialists, information technology, safety & security consultants, as well as licensed service providers such as electricians, plumbers, and HVAC technicians.

As buildings age, the need for regular service to essential building systems is more important. Domestic water pumps, elevators, HVAC systems, fire annunciation and suppression systems, trash compactors and access control systems all require periodic service and maintenance from skilled, experienced professionals.

How do you find qualified professionals? The best referrals are from other professionals, such as the authors of this column. CAI-NJ is the trade organization for community associations and professionals in New Jersey. Contact local realtors or other condo associations for references.

In many instances, the association's hired professionals will work as a team with: a) the property manager providing the referrals and coordination, b) the lawyer drafting the contracts, c) the engineer preparing the specifications, and d) the insurance agent making sure there is adequate insurance on the project.

Effective board members recognize the value in relationships with professionals and service providers to protect their association's common property and interests. Lowest cost shouldn't necessarily be an association's highest priority. The right blend of experience, service and price will provide the best long-term value for any association.

Jim Yost owns Elite Management and Advisory Services, LLC and is managing partner for Ocean Property Management Corporation, based in Wildwood. The firms manage numerous community, condominium and homeowner associations in southern New Jersey. He can be reached at yostopmc@comcast.net. Past columns are available online at www.oceanpropertymgmt.com.

Karim Kaspar, Esq. is Senior Counsel with Lowenstein Sandler LLP. He serves as general counsel to numerous community and condominium associations throughout New Jersey. He specializes in complex commercial litigation and real estate matters and has been active and instrumental in the firm's pro-bono activities. He can be reached at kkaspar@lowenstein.com.