



Associated Property Management

## **HIRING INEXPERIENCED SERVICE COMPANIES**

### **By Associated Property Management**

With Palm Beach County experiencing a larger than normal downturn in the economy, climbing unemployment rates and a growing crisis in all areas of real estate and construction, most associations are going through a extremely difficult time maintaining their associations, keeping their maintenance costs low as well and trying to match assessment income with assessment costs.

Because of the recent economic and mortgage related problems, we have seen a growing trend with Associations hiring low cost and low fee service companies and we believe that this trend will cause additional problems to an association if ignored. These low cost vendors and service companies that are coming into the marketplace are new, inexperienced and under staffed. These new companies have no real experience in their chosen fields or new professions. These individuals who now represent themselves as service companies that cater to the Association industry are people who had been downsized, or laid off or their former professions have virtually been eliminated because of lack of demand. They have no real experience to back up their companies and they could cause your association more in the long run, due to them being untested, as opposed to the small amount of money they claim they will save your association if you hire them.

In the past, when there have been major recessions or large layoffs in Palm Beach County, such as Eastern Airlines, IBM or Pratt & Whitney, the market place is suddenly loaded with new landscapers, roofers, management companies and other service companies that would like to serve the Association industry. Today, we have the same scenario but now it is with real estate salespeople, construction related individuals, mortgage brokers, title company employees and bankers. Since they believe that their former business or profession was “related” to real estates and association management services, they are then qualified and have the experience to provide another type of service to associations.

These new service companies do not have the experience and knowledge to adequately perform to the standards of associations, and with the sophisticated issues facing most associations today. Most new service companies do not have the resources, knowledge or experience to run their businesses and or that of a potential association client.

If an association is considering getting a price quote from a new service company, the

following are a few of the questions that should be asked of that service company by the association: 1) How long have you been in business and what is your direct experience in this business? 2) How many employees do you have and what are their job duties and responsibilities? 3) Do you sub-contract any of your work to any other companies or firms? And if that is the case, you will then have get all of this same information on that company as well. 4) What types of insurance does your company have and in what amounts? Also, get proof of their insurance as well. 5) What type of bonding does the company have and in what amounts? 6). What other types of services do they provide and does this arrangement create any conflict of interest, as they may not be able to supervise the affiliated company the way a third party would and 7) In case someone gets sick, goes on vacation or quits what are their contingency plans? Who are the back-up personnel and how will they interface with the association during this time? I am sure that there are other questions that are related to your association as well.

We have seen many associations jump at having a new service company based solely on price and what they can save by switching to a new company. The association believes that they have made a good choice only to eventually find out that the company they chose does not have the experience or the resources to adequately provide the level of service that the association, the Board of Directors and the association residents have come to expect. The Board then find themselves spending their time either training the new company due to their inexperience or finding that they are doing the work of the management company due to their limited resources. The association has really found out that they have received exactly what they have paid for and it is a lot less than what they had received in the past.

If an association is looking to lower maintenance costs because of declining revenues due to the mortgage crisis and the economy, then I think it makes much more sense for everyone involved to have a meeting of the minds to discuss how this can be accomplished, instead of just going out and hiring a new, inexperienced and under staffed company to solve the problem of cost. Today's experienced association service companies and management firms understand better than anyone the price and revenue pressures and challenges that associations are operating under and they are prepared to help the Association to get through these difficult times. This can be accomplished several ways, including possibly altering the existing contract by changing time on site, changing administrative duties or lowering the fee or contract price and allowing the company to make it up on extras (more of a pay as you go arrangement) or being able to charge when a sale is made or a unit is sent to collections.

The point is that all companies pretty much all have the same overhead and costs. Therefore, if a new company price is much lower than an established firm, the association will not end up with same level of service and it will be much less than what they are now receiving. Therefore, do not get rid of the established and experienced service company or management firm, discuss with them how to lower costs in a way that helps the association without hurting the service company. If the problem is handled in this manner, the association will be getting the highest quality service at the best price.

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