

SWITCHING TO A NEW COMMUNITY MANAGEMENT COMPANY: HOW A DEDICATED TEAM APPROACH CAN ENSURE A SMOOTH TRANSITION



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SWITCHING TO A NEW COMMUNITY MANAGEMENT COMPANY: HOW A DEDICATED TEAM APPROACH CAN ENSURE A SMOOTH TRANSITION

By Terri Vaccher, CCAM®, CMCA®



It's not surprising that many HOA boards worry about transitioning to a new community management company.

Perhaps your homeowners association (HOA) is self-managed and looking to contract with a management company to eliminate personnel risks and other day-to-day responsibilities so that the board can take your community to new levels. Or maybe you have grown more and more dissatisfied with the level of service you are receiving from your current community management company.

In either case, your HOA board of directors is looking to bring on a new management company. You and the other members have done your homework. You know what you need from the company you hire, and you have started the interviewing process. However, now that you have narrowed down your list, some board members are beginning to hesitate. They wonder if the transition itself will create too many problems.

Change is never easy, and when it comes to moving to a new management company, board members often worry that such a transition will be fraught with difficulty and confusion and undermine the value of their decision in the eyes of the residents.

Are their concerns justified? Absolutely, since even the most straightforward transition includes a variety of complex tasks that impact the association and its residents directly. The success of your transition all depends on the capability and approach of the new management company.

So what can your board do to ensure that your transition to a new management company goes as smoothly as possible? Is there a particular approach that works best?

This white paper discusses some of the problems that can arise during a typical transition and why they occur. It also describes a proven transition approach that eliminates these issues and suggests questions to ask prospective community management companies to find out if they are implementing the right processes for a community of your size, scale and level of complexity.

All too often, important information or responsibilities do fall through the cracks when a transition is not handled properly.



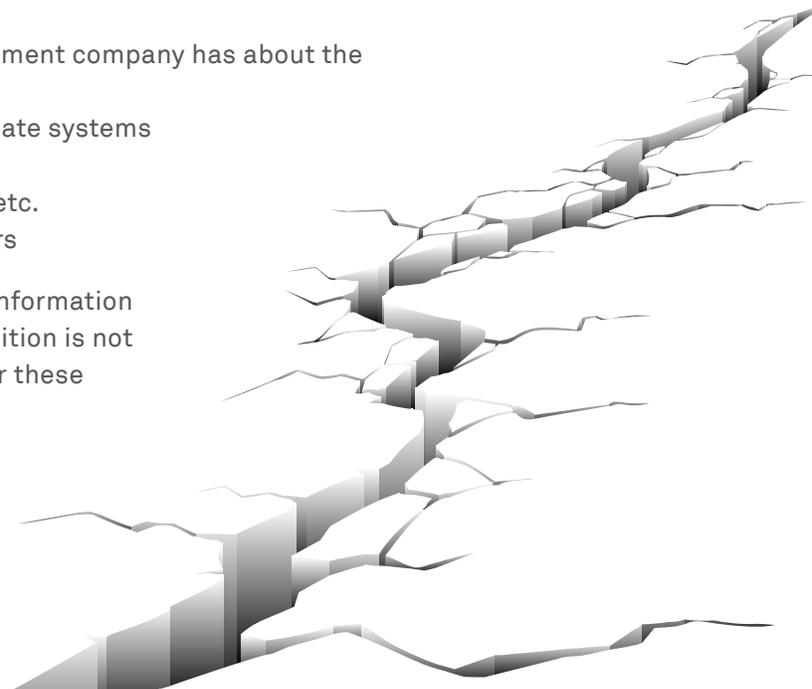
WHAT CAN GO WRONG DURING TYPICAL TRANSITIONS

How well your community transitions to a new management company can set the tone for your HOA's future: whether you are able to stay on track with your finances, keep onsite staff working efficiently, manage your day-to-day operations and implement your long-term projects. If the new company doesn't prepare your community—for example, by not properly training the board on new processes or by neglecting to communicate with homeowners about where to send payments—it will create confusion and angst. Instead of making your life as a board member easier, the transition will mean that you are spending much of your time addressing new problems.

It's not surprising, then, that many HOA boards worry about transitioning to a new community management company. Some common concerns include:

- Loss of important knowledge that the current management company has about the community
- Inconsistencies due to different processes or inadequate systems
- Financial mistakes or oversights
- Time requirements for transferring data, documents, etc.
- Impact on existing associates, contractors and vendors

These fears are understandable. All too often, important information or responsibilities do fall through the cracks when a transition is not handled properly. Board members will frequently discover these problems after receiving multiple complaints from homeowners about such issues as improper billing or incorrect assessment fees. Why are these transition problems so common?





The transitioning process involves quite a bit of work, especially for just one person. ... Fortunately, there is a better way.

During a typical transition, the new community manager is often responsible for managing the transition. This person will work with the outgoing company to obtain needed documents, financial statements and other information. Hopefully, the outgoing company will be forthcoming with this information. (On rare occasions, it is not.)

In addition, the new community manager will perform some or all of the following tasks:

- Conduct a thorough investigation of the property
- Determine whether vendor contracts need updating, and renegotiate those that do
- Vet existing contractors and hire new ones as needed
- Onboard existing staff
- Separate from ineffective associates and hire new ones
- Discuss current and future needs with the board
- Review the HOA's budget and financials
- Communicate with homeowners
- Manage implementation of new software systems
- Train homeowners on new processes

This, of course, is not an exhaustive list. However, you can already see that the transitioning process involves quite a bit of work, especially for just one person. Consider, too, that this person is probably managing a portfolio of other properties, and you can quickly see why some of the important details of your transition can get overlooked. Fortunately, there is a better way.

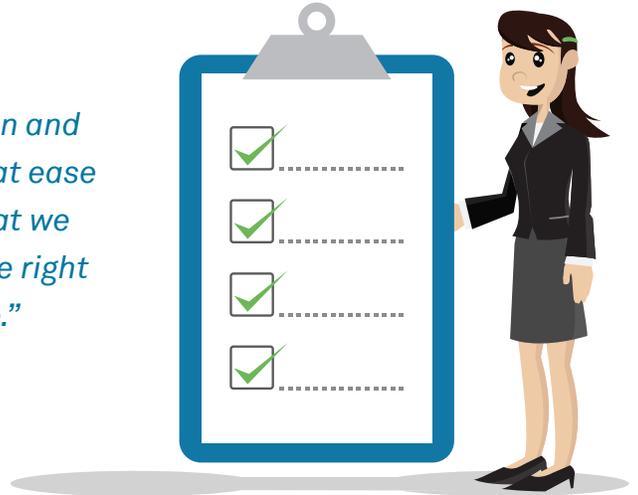


HOW A TEAM APPROACH MAKES YOUR TRANSITION EASIER



“The consistent communication and thorough status reports put us at ease while providing confidence that we were on track and had made the right decision to make a change.”

*~ HOA board member
in San Diego, CA*



When HOAs in California choose FirstService Residential as their community management company, an entire dedicated Client Transition Team from the company handles the transition. This group of specialists is dedicated solely to the task of managing HOA transitions. Each member specializes in a particular aspect of the transition, and together they address any gaps to ensure that the transition happens smoothly. Most importantly, they are in constant communication with the HOA board and provide board members with the attention they need and deserve during this potentially challenging period.

Members of the dedicated Client Transition Team have a unique role in the industry. Most of what the team does is project manage the transition, but it also provides a good bit of forensics to identify neglected action items that need to be immediately addressed as well as additional opportunities for the betterment of the association.

CONTINUOUS AVAILABILITY

Once you sign a contract, the Client Transition Team goes to work (see Table 1). Depending on how far ahead of the start date you sign the contract, you could potentially have the team already working for you as much as 60 days before the official transition. The goal is to address any outstanding issues and have everything functioning smoothly when the community manager takes over on the contracted start date. That includes having all the people, systems and technology in place.

However, just because the community manager takes over does not mean that the Client Transition Team disappears. This dedicated team normally continues to address resident requests for 60 days after the manager is serving your HOA. However, the team will continue to help residents until it is sure that everyone in the community is comfortable with the transition, including working with the outgoing company. There have been times when the team has continued working with a community as long as 90 days.

TABLE 1: CLIENT TRANSITION TEAM TIMELINE FOR SELECT ACTIVITIES



“There were many factors we needed to weigh as we decided to transition from self-managed to contracted management of our community. Naturally, there were concerns about the complexity of making such an all-encompassing change. It quickly became very clear that the dedicated team we were working with was up to the task with an organized, meticulous and well-tested process.”

~ Board member in Sacramento, CA



Forensic findings could include underperforming rates of return on association funds, open action items from past board meetings that have yet to be addressed, inactive corporation status or inadequate insurance policy limits inconsistent with governing document requirements.

COMMUNICATION AND TRAINING

Accountability and consistency are cornerstones of a successful transition, so team members meet regularly and communicate often. Communication with the HOA board is also critical. During the month prior to the actual transition, the team provides the board with weekly update reports describing findings, accomplishments, issues that need to be addressed and upcoming action items (see Table 2).

As mentioned earlier, forensics play an important part during a transition. As unusual as this may sound, it is during this phase of due diligence and communication that the dedicated Client Transition Team often uncovers oversights and brings them to the attention of the board. Forensic findings could include underperforming rates of return on association funds, open action items from past board meetings that have yet to be addressed, inactive corporation status or inadequate insurance policy limits inconsistent with governing document requirements, to name just a few possibilities. In fact, based on client feedback, the forensics conducted during transitions have proven to be one of the most beneficial aspects of investing in a dedicated Client Transition Team.



TABLE 2: SAMPLE ITEMS ON WEEKLY REPORTS

Weekly Report A

- Welcome Letters mailed today to all residents, including invitation to Welcome Event.
- Obtained current vendor contracts and scanned them into our system.
- Logged violations from last board packet into FirstService Residential Connect, FirstService Residential's advanced proprietary community management software solution, to continue tracking and address open violations.
- Currently logging all parking space numbers, storage and vehicle information into FirstService Residential Connect.
- Received documents regarding potential lawsuit. Does the board know if the suit has been filed as the demand deadline was August 30th?
- Requested job description of the onsite maintenance to determine what needs to go out for bids.
- Is the board interested in installing holiday lights again this year? It is not a budgeted item, but last year's Minutes indicate that the board did approve installation of lights.
- Reviewed a year's worth of Minutes—no follow-up questions. All Minutes will be posted on FirstService Residential Connect, and the Open Session Minutes will be available for homeowners on the website.



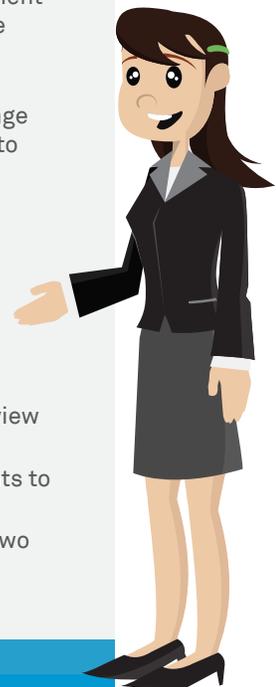
Weekly Report B

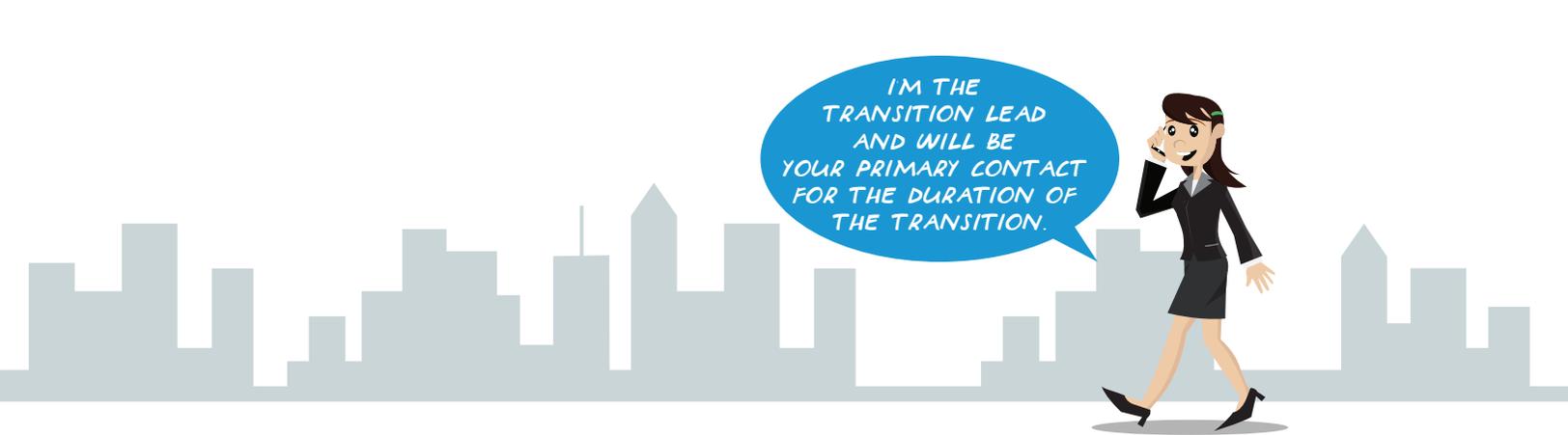
Information Received To Date:

- Member list
- Tax ID number
- Annual budget
- CC&Rs, Bylaws, Articles of Incorporation
- Current financial and banking statements
- Open Session Minutes, January – November
- Current audit and taxes
- Open and Executive Session Minutes
- Architectural Guidelines
- Rules and Regulations
- List of board members and terms
- Insurance policy
- Vendor list
- List of utility companies and account numbers

Launch Task Status:

- Welcome Letters sent out.
- Bulletin notice to be posted next week at pool informing residents of management change; two signs to be placed by the entry gates.
- Letters sent to current vendors informing them of management change as of February 1 and where and how to submit invoices.
- Filed Statement of Information with Secretary of State changing mailing address of all state notifications.
- Contact information in the Rules and Regulations and Architectural Guidelines to be changed and uploaded into the website.
- Recommend that board treasurer review the current financials.
- All association records and documents to be retrieved next week.
- Seek two signatures for each of the two bank letters.





I'M THE
TRANSITION LEAD
AND WILL BE
YOUR PRIMARY CONTACT
FOR THE DURATION OF
THE TRANSITION.

Communicating with a community's staff is also a crucial aspect of the transition period. Existing associates often worry that they will lose their jobs when new management takes over. Board members and other homeowners express concern about this as well, often noting that they have developed personal relationships with onsite staff. As a result, they want to know that the transition will be a positive experience for them as well.

The human resources (HR) representative from the Client Transition Team provides a warm welcome to the new associates. In the case of FirstService Residential, associates often experience an improvement to their health and ancillary benefit offerings, which eases some of the trepidation they may have in joining a new company.

Associates moving from the previous management company to FirstService Residential go through a comprehensive onboarding process. Training or HR representatives of the Client Transition Team provide extensive instruction and support as associates are onboarded. This approach is designed to ease the transition, get associates to understand the FirstService Residential culture so they can feel excited about the company and help them feel like part of the team. The HOA benefits from having familiar associates who have received additional training; the organization benefits from having new talent with new perspectives.

Additionally, FirstService Residential conducts background checks and also evaluates past employee performance. It then discusses its findings with the HOA board. If the board determines that it wants to separate from any employees, it should consider doing so prior to the transition to the new company.

CLIENT TRANSITION TEAM ROLES

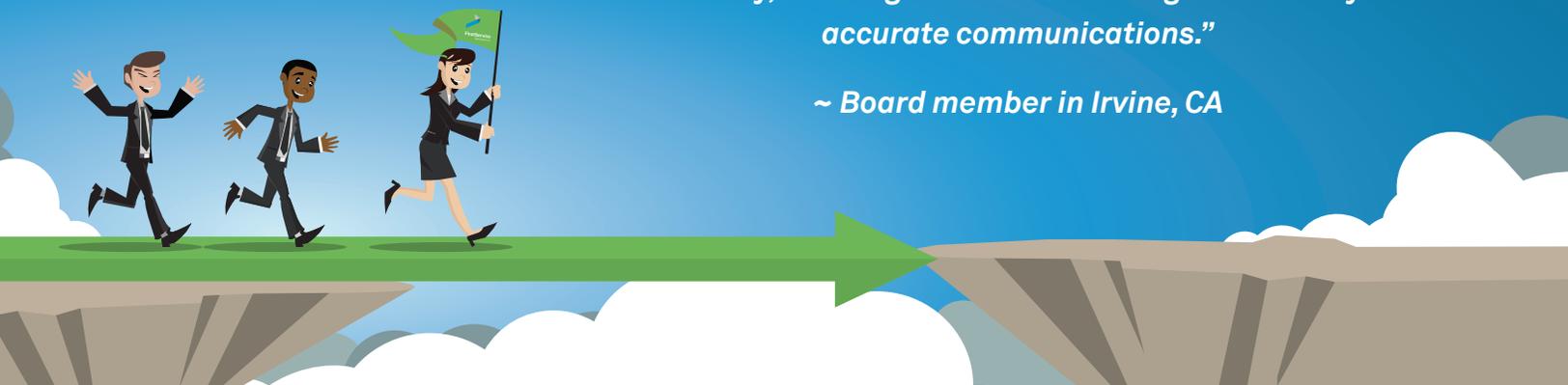
In order to address all of a community's needs during a transition, the members of the FirstService Residential California Client Transition Team take on the following roles:

- **Transition Lead:** The Transition Lead is the primary contact person for the HOA and performs project management functions. Acting as the team's hub, the Transition Lead:
 - » Works directly with the current management company and board to gather all the HOA's information and documents
 - » Informs vendors, utility companies and county agencies of the management transition
 - » Conducts a basic review of the HOA
 - » Works with the board on specific needs or issues within the community
 - » Collects all the information provided by the other members
 - » Sets the goals and timelines for accomplishing tasks

The lead is also responsible for bringing the team together on a regular basis to meet and discuss action plans and to update the HOA board on the team's progress.

“The feedback we received from residents during the management transition was extremely positive. It was clear your team took the time to understand the nuances of our community, allowing for a smooth change with timely and accurate communications.”

~ Board member in Irvine, CA



- **Accounting Specialists:** Making sure that the HOA's budget, bookkeeping, and deposits and receivables are in order requires oversight by financial specialists. These professionals comb through financial statements and other documents looking for inconsistencies and correcting any mistakes. This is a great opportunity to do some housekeeping and even identify areas where the association might be able to earn better returns and ensure that assets are protected.
- **HR Specialists:** Since any staff that reported to the previous management company must also transition to FirstService Residential, HR personnel of varying levels and expertise are needed. These team members handle onboarding of staff, including meeting with them to review benefits and provide specialized training. It is crucial for association staff to feel welcomed, understand the changes and have an opportunity to ask questions to reduce any uneasiness. The HR experts also handle the hiring of staff, as well as any necessary separations, via a dedicated talent acquisition team; manage payroll; inform new staff of corporate policies and procedures; and support ongoing associate relations.
- **Information Technology (IT) Specialist:** A dedicated IT expert ensures that the community's move to a new online system is as painless as possible. This person is responsible for setting up the community with FirstService Residential Connect, FirstService Residential's advanced proprietary community management software solution. Board members and residents can take advantage of this solution to share community information, communicate with each other, make payments and much more. The Resident Alert mass communication tool and an interactive website are additional capabilities.
- **Corporate Support and Resources:** The Client Transition Team has the full support of its Corporate executives, as well as a wide range of Corporate resources. Having the backing of an entire organization ensures that the Team is empowered to make the best decisions for the community and that these decisions are based on the most current, complete and reliable information available.

The overarching responsibility and benefit of a dedicated Client Transition Team can be summed up in one word—consistency. A new community can rely on having an exceptional experience because the Team applies a proven process and the same high level of expertise and focused attention to every community. Factor in the additional benefits of correcting errors, uncovering potential opportunities, providing detailed updates and vetting processes, and it becomes clear why a dedicated Client Transition Team is a winning formula.

CAN YOUR FUTURE MANAGEMENT COMPANY GUARANTEE A SMOOTH TRANSITION?

It is not always easy to know if your transition to a new community management company will go smoothly—until it's too late.

Before hiring your next company, be sure to ask about its approach to the transition process. Remember that the success of your transition sets the stage for your community's future and depends entirely on the skills, organization and planning of the incoming company.

Here are some of the questions you should ask about a management company's transition approach, as well as the answers you will want to hear:



1. WHO WILL BE MANAGING OUR TRANSITION PROCESS?

Make sure that the company provides a dedicated team, not a busy community manager who steps in as needed, to handle your transition. The team should include a transition lead and transition specialists, as well as professionals with expertise in HR, accounting and IT.

2. WHO WILL BE OUR PRIMARY CONTACT?

It is important that you have one go-to person on the team in order to avoid confusion. Otherwise, board members and homeowners may get inconsistent information or waste time asking about issues that have already been resolved. Also, ask how often communication with the board will occur, what specific updates will be provided and what processes are in place to ensure nothing falls through the cracks.

3. WHEN DOES THE TRANSITION PROCESS BEGIN?

The new community management company should start working on transitioning your community as soon as you sign a contract, even though the contract may not start for 30 to 60 days.

4. WILL HOMEOWNERS BE ABLE TO CONTACT THE CLIENT TRANSITION TEAM DIRECTLY?

Homeowners need to feel confident about the management company you have chosen right from the beginning. Being able to contact someone from the Client Transition Team directly with questions and concerns goes a long way toward doing this. After all, experts intimately involved and aware of every transition detail will be able to provide the best possible service, rather than responding with “let me check on that.”

5. HOW LONG WILL THE TRANSITION TEAM BE AVAILABLE AFTER OUR START DATE?

Even though you will have a community manager who also should have the support of a robust team, beginning on Day 1, you probably will continue to need the specialized expertise of the Client Transition Team for HR, accounting or IT matters. Therefore, you want the team to be available to you for 60 days or more following your start date.

6. HOW WILL RESIDENTS BE INFORMED THAT WE HAVE A NEW COMMUNITY MANAGEMENT COMPANY?

A good management company should make your job easier by taking responsibility for proactively communicating with residents with a tried and true process. The company should send out Welcome Letters, post notices and host a Welcome Event.

7. HOW DO YOU HANDLE EXISTING STAFF?

Transitioning associates from one management company to another can be a positive experience if the incoming company communicates thoroughly and provides proper training. That is why the participation of HR professionals on the Client Transition Team is crucial.

8. HOW DO YOU HANDLE VENDORS AND CONTRACTORS?

Even if your previous management company already vetted your current vendors and contractors, you will want your new company to verify that they have the required insurance, certifications, etc. The company should then request bids to replace those that do not meet specific standards or that the board no longer wants to keep and should renegotiate any outdated contracts. The board, of course, should approve any decisions.

Terri Vaccher, CCAM®, CMCA® **Vice President of Client Services**

Terri has served in a number of significant roles since joining the company in 1990, including as a community manager for the largest and most prestigious communities in California. Bringing nearly 30 years of experience in the community management industry to her current role, Terri now leads the innovative Client Transition Team. Spearheading this team, Terri is an effective liaison to ensure that associations experience a smooth and uniform transition from their previous management company to FirstService Residential.

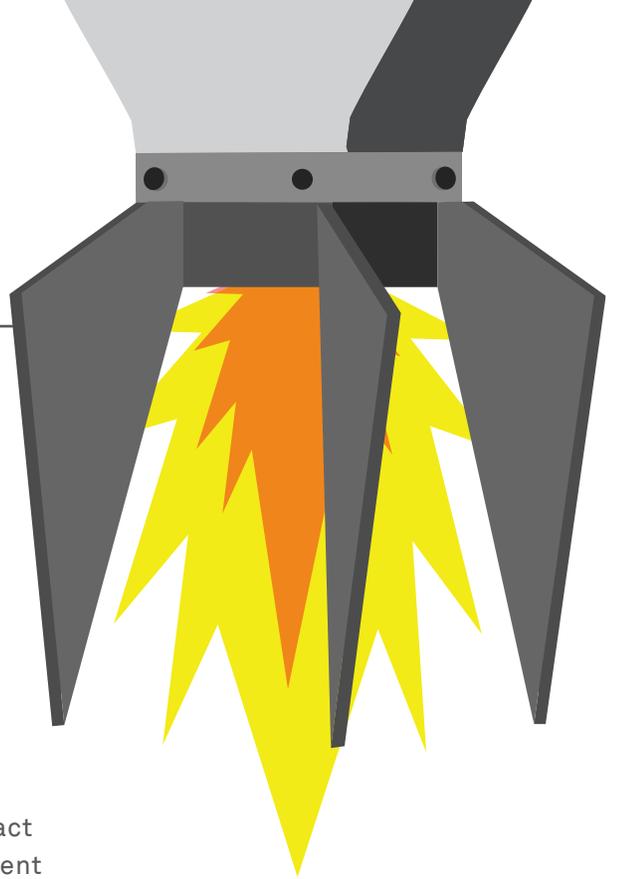
In addition, Terri is a member of the California Association of Community Managers and has served in various leadership roles within the industry organization. She received her professional certification in 1993 and also holds the Community Associations Institute Certified Manager of Community Associations designation.



CONCLUSION

Changing community management companies can be a difficult decision, but it is one that many HOAs must face at some point. Only you and your other board members will know if it is the right decision for your community. If you do decide to move forward, choosing a company that employs a dedicated team of professionals to manage your transition can make it a smoother process and help ensure that your community meets its future needs and challenges successfully.

Learn more about how the California Client Transition Team at FirstService Residential can help you with your transition. Contact FirstService Residential, California's leading community management company at learnmore.CA@fsresidential.com.



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About FirstService Residential

FirstService Residential is North America's property management leader, partnering with 8,000 communities across the U.S. and Canada. HOAs, community associations, condos and strata corporations rely on our extensive experience, resources and local expertise to maximize their property values and enhance their residents' lifestyles. Dedicated to making a difference, every day, we go above and beyond to deliver exceptional service. FirstService Residential is a subsidiary of FirstService Corporation (FSV), a North American leader in the property services sector. Find out how we can help your community thrive.

For more information, visit www.fsresidential.com/california.



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