



## Recession fuels change in residential property management

BY MARILYN BOWDEN

Due to mortgage fraud, foreclosures and a virtual freeze in home financing, the recession has been particularly hard on condo associations, and experts say that's bringing about changes in residential property management.

"In the boom years, property management was more about administration and helping developers get their units closed," said Paul Kaplan, founder with Robert White of Coral Gables-based KW Property Management & Consulting, which manages about 30,000 units statewide. "In 2006-'07 we started seeing changing needs in the properties we deal with, especially with accounting issues such as collections and cash-flow analysis."

With three CPAs, including its founders, on staff, KW has built its corporate culture on three core areas, Mr. Kaplan said: strong financial capabilities, building aesthetics and routine maintenance.

"We provide full-service management," Mr. White said. "That includes all back-office support, human resource functions and oversight for the property."

"We administer annual meetings, oversee the budget process and help conduct monthly board meetings. We come up with what we call action plans — road maps of all items that we agree with the board and mem-

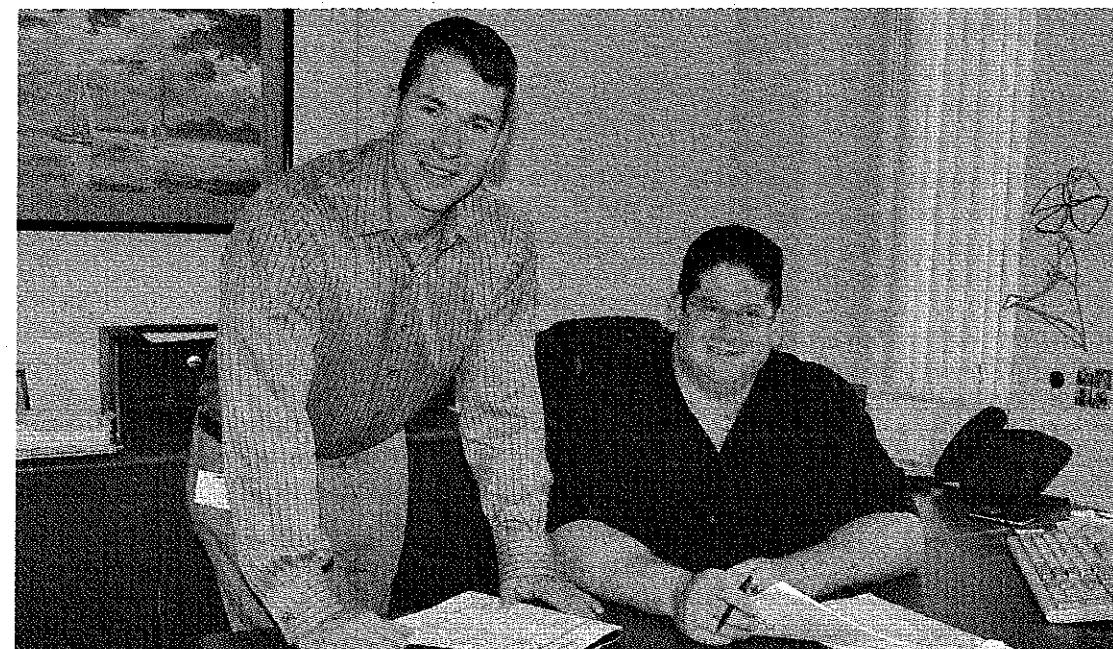


Photo by Maxine Usdan

**Paul Kaplan, right, with co-founder Robert White of Coral Gables-based KW Property Management & Consulting, says the need for collections and cash flow analysis has increased for condo associations.**

bership need to be done, both long and short term."

"Given the turmoil in the markets, most condo associations have made more requests for financial information this year, primarily in the area of projecting their bad debts and their cash flows," said Monte Kane, managing director of Kane & Co., CPAs and Advisors, which represents more than 150 associations in Florida.

"That is not something that management companies had to do in the past."

"There is already a heavy burden on any management company to enforce collection poli-

cies, from the delinquent-letter process all the way to counsel and foreclosure proceedings. That's fairly complex because attorneys doing the foreclosure have to be aware of what is happening with the banks, and management companies have to report back to the board on what happens at the attorney's office. So there's a greater need for communication."

Because condo associations have little control on the revenue side, he said, "they want to exert as much control as possible over expenses. So there's a much heavier empha-

sis on explanations of variances with budget."

A further element of complexity is added, Mr. Kane said, when there are owner groups with different interests — primary owners, investors, banks and the developer.

However, "it's not enough to say if you're got a management company with an accounting background you're good to go," said Donna Berger, managing partner at law firm Katzman Garfinkel and executive director of the Community Advocacy Network, which promotes positive community association legislation.

"It's certainly something that goes in the plus column, but it's part of a bigger picture. There's also common sense, strong people skills and the ability to know your limits as a property manager. I would also have a look at their preferred clientele — high-rises, garden apartments, homeowner associations."

An emerging specialty is the management of bank-owned properties, referred to in the banking industry as REOs, for "real estate owned."

Steelbridge Real Estate Services, a division of Steelbridge Group, focuses on REO assets, said President Anthony Manno.

"A lot of banks came to the realization a while ago that they were going to have a lot more on their books than they anticipated," he said, "and also weren't going to be able to sell it nearly as fast as they anticipated."

"They used to just give REOs to a real estate agent to get it off their books. Now they are looking for property management that can manage their assets or rent them out and manage the tenants."

"Property managers create certain efficiencies that agents don't have. It's a different business platform."

Mr. Kaplan said KW's licensed CPAs are court-appointed receivers of REOs for

Bank of America, LaSalle Bank, Ocean Bank and Colonial Bank, among others.