

WHEN TRENDS TREND IN YOUR FAVOR — CAPITALIZING ON COMMUNITY GROWTH AND GROWING VALUE IN YOUR COMMUNITY

By RALPH CERULLO, ADVANCED PAVEMENT GROUP



Community living is on the rise in the United States. Since their inception in the 1970's, community-governed models have steadily risen from 10,000 communities in 1970 to 342,000 at the end of 2016, according to the results of the National and State Statistical Review for 2016 conducted by the Community Associations Institute. With no indication for development of communities declining, it is the

perfect time for homeowners and community boards to take advantage of a growing market share that is highly attractive to service providers across every industry.

Smarter decision making, advanced planning techniques, and lifecycle driven commitments are the best way for communities to gain control of budgets, save for contingencies and manage all their needs successfully. This is not to suggest that attempting to commoditize the services needed to maintain your facility is the play. Rather, the advantage in this climate is in developing highly intelligent bidding models to ensure that assessments match needs and meet requirements before any meeting is held or vote executed. How can this be accomplished? Well, there are several tactics that should be applied to the 2018 agenda.

Define Goals to Manage Lifecycles

There is one major advantage in community models; most likely all of the units were built simultaneously. What does that mean? Well, most likely the utilities, grounds features and amenities are all similar in age, depending on the overall life of the community and how repairs and replacement have been phased over time. It is possible to control the long-term goals of budget items. Breaking down the lifecycle expectancies of all the major expenditures within the community will provide a baseline for planning initiatives. Once an inventory and assessment is completed, prioritizing short term and long term goals is possible.

Scope Projects to Manage Decisions

The major issue faced in any major project is not execution, but rather defining what the project is in the first place. Repair the road between point A and point B. This is not a scope of work. The result is three contractors, three definitions of repair and three bids that range from vague to detailed, with pricing that can't be averaged and compared. The ability to manage this decision is drastically reduced. The best way to manage scope is to define objectives, research solutions and consult a professional. It may make sense to invest in an engineer for larger projects to provide a written scope. Once a scope is defined, it should be presented to each bidder. Sticking to the scope will help to gain comparable pricing. Once a decision on a service provider is made, further recommendations and scope changes can be inserted. The important part of scope consistency in this scenario is managing the decision. Controlling the parameters of the decision will, on average, result in the most qualified service provider.

Qualify to Quantify Value

Communities are in a unique position to benefit from both residential and commercial providers. Although, on the surface, this would present itself as advantageous, in actuality this can cloud the bidding process. Capability levels and community needs are directly tied together. The setting is residential, the needs are, without question, commercial. The reason community living makes sense is because it provides greater

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comforts and security due to the fact that it's fiscally managed like a business. This is not to insinuate that all service providers that are residential models are unfit to service communities. The purpose is to highlight that the scale of the community should hold relevance to the size of the service provider. Picking comparable providers of similar size and capability will ensure that bidding remains consistent with the project scope. This will serve any board well when it is time to make a decision.

Ignore the Forecast, Rain is Coming

Utilize potential providers to help profile possible outcomes of every project or maintenance item. This will help to identify what unexpected needs will arise. Insisting on "no surprises" is a mistake, mainly because it is an impossibility. Don't ever get comfortable. Whatever can go wrong will go wrong. Once control of major initiatives is achieved, contingency budgeting should be top of mind. Setting aside 10% of the total budget for contingency spending is just smart business. One sure way to lose control of spending and see priority items get pushed aside is to have an unforeseen event. Two things needed to make informed decisions are time and access to knowledge. When an emergency occurs, time and information will come with a price tag. "Buying time" may just be the one thing a contingency budget will be needed for. The more consultation that occurs

between the provider and client prior to the project start, the less time and information will be needed when a contingency item presents itself. Budgeting for these scenarios early will eliminate shock and allow managers to think clearly and solve problems.

Contract and Contract Again

Installation, repair and maintenance are all intimately interconnected. The biggest mistake when contracting a service provider for a major installation or rehab is to not simultaneously contract them for any future repairs and general maintenance items. Maintenance contracts are not the elephant in the room when discussing major initiatives, they are the insurance policy. Warrantees are great, but repair and maintenance programs speak to the lifecycle goals. Often, warrantees can even be extended if a maintenance contract is also in place. Sharing long term goals upfront will help to develop what type of maintenance plan makes sense. The key here is to protect the investment, get the provider invested in the protection and know what tomorrow looks like in real numbers.

Community living is shaping the future of real estate and redefining the value proposition for homeownership. Board and community members have the opportunity to standardize the relationship between community and service provider. The result of this relationship is higher quality services, lower incidences of indecision and most importantly, planning that mirrors the management of the immediate needs inherent for a commercial property with the extended lifecycle expectations of a residence. ■

If you have any questions, feel free to call Ralph Cerullo of Advanced Pavement Group at 516-220-9809 or reach him via email at r.cerullo@advancedpavementgroup.com.

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