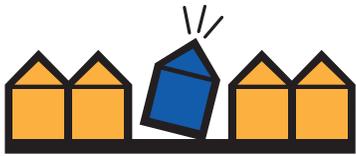


# WHAT'S NEW?

a PUBLICATION to INFORM & ENTERTAIN | July 2010



## NEW CONCEPTS

### ASSOCIATION MANAGEMENT

### COMMERCIAL/RESIDENTIAL REAL ESTATE SERVICES

### BUSINESS OPPORTUNITIES

### GENERAL CONTRACTING

### RENTAL MANAGEMENT

### MORTGAGE SERVICES

### CONSULTING

## FEATURED ARTICLE – Emerald Ash Borer's effect on common interest communities

By Steve Hoogenakker, Concierge Landscape Environments,  
Contributing writer to New Concepts Management Group

### Why should you care about EAB?

All ash trees are susceptible to EAB and millions of ash trees have been killed in infested areas already. It's estimated that townhome associations could have ash trees comprising as much as 40% of their trees. Minnesota has one of the highest volumes of ash on forestland in the U.S. with an estimated 867 million forestland ash trees and ash is a prominent component of our urban forests as well.



Adult Emerald Ash Borer

How many trees do you have in your association? If you have 200 units and there's two trees per unit including common areas, that could easily be 100 ash trees. The potential economic and environmental impacts of losing these trees is substantial. The cost of removing and replacing a single tree can range from hundreds to thousands of dollars. In any case, knowing the number and size of ash trees will be helpful in setting reserves aside now for current treatments or future tree replacements.

### The real damage is under the surface:



These markings made by the emerald ash borer larvae is called the gallery and cuts through the water and food transport system in the tree, effectively starving the tree.

There is new hope. State Department of Ag officials are planning on releasing hundreds of "stingless wasps" to help control EAB. No, these don't look anything like the wasp you're used to seeing, these are only a fraction of an inch. They're a parasite and kill the EAB larvae from the inside. Since the borers have no known local predators, the Department of Ag is using wasps originating from China, also where the borers originated.

Even though it might seem preferable to using insecticides, it isn't without controversy. Some of the wasps are known to infect good insects such as moths and butterflies. People wonder who's going to kill off the wasps once the borers are gone. Remember the Asian beetles (Ladybugs with spots) that were brought in to control soybean crops? If you don't remember, you've probably been bitten by one of those rather nasty ladybugs especially when they swarm in the fall. The Dept of Ag obviously feels the devastation they expect makes the use of wasps worth the potential damage.

**A picture of *Spathius agrili*. The "stinger" isn't a stinger, but the method it uses to plant it's eggs in the EAB.**



How do I prepare for EAB affecting my association? You have two choices. You can learn to spot EAB on your own by going to

<http://www.mda.state.mn.us/eab>, or call a professional. The information also includes insecticide information that will teach someone in your association to treat the trees or contact a reputable tree/landscape company especially if there are any large ash trees. Some companies will perform an Ash Tree audit to see how many ashes you have. The four options available for your ash trees are:

1. Remove the Ash trees now and replace with a different tree so the landscape can continue to mature. (A little extreme, but we just had an association that had an insurance claim involving partial damage to trees, so they used the occasion to replace their ash trees).
2. Treat the ash trees using an insecticide. The treatments may have to take place for the remainder of the tree's life. This is probably too expensive for your entire association, but if you have large ash trees in prominent areas, these can't really be replaced and treatments might be the best option. The main insecticide available for control is Merit brand insecticide available at garden centers and can be applied with a watering can. There is a promising insecticide, Tree-Age that is showing up to 3 year control per application.
3. Have a professional treat large ash trees: Do-it-yourself products are generally less effective on trees larger than 48 inches in circumference or 15 inches in diameter.
4. Wait until the ash trees die, dispose of properly and replace later.

Remember that EAB is just getting started in Minnesota, and we haven't had large infestations yet, so there's no reason to panic. Proper education, putting some reserves aside and preparation are the key right now for associations. ■

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## "Where You Live"

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# “Why are our dues higher than the association down the street?”

By Paul Roth, New Concepts Management Group, Inc.

The majority of associations' fiscal years begin on January 1 so as we approach fall, this will be the time when most budgets will be prepared and the assessment for the following year set. A question that comes up very often in budget discussions is, “Why are our association's dues higher than the dues at XYZ association across the street?” Sometimes it comes out as, “My sister pays a lot less for her dues than we do.” So why are dues so different from association to association? The simple answer is, associations vary widely in size, age, and scope of responsibility, and the amount of the assessment each association charges varies accordingly. Keep these factors in mind for when the question comes up at your association.

## Number of Homes

Many association expenses are not incurred in exact proportion to the number of homes in the association, so the number of homes in an association affects the dues amount. There is a cost advantage to owning a home in an association with many as opposed to fewer homes in it. For example, the fees charged by the CPA firm for preparing the tax returns and review report for a ten unit association are likely the same as for a fifty unit association. If those fees total \$1,000, each unit in the smaller association's share would be assessed \$8.33 per month while the monthly cost would only be \$1.67 for homes in the fifty unit association. Trash removal and management are other examples of expenses that are often lower on a per unit basis in associations with lots of homes in them.



Paul Roth, New Concepts Management Group, Inc.

## Amenities and Features

Pools, party rooms, tennis courts, gazebos, and other amenities are great to have in your association but they cost money to maintain. They also will all need major repair or replacement in the future so contributions to the reserve fund need to be high enough to cover the amenities as well as the residential units. Some associations spend over 75% of their dues to maintaining amenities, so you can see what a large impact the number and type of amenities an association has can have on the dues. Less obvious than amenities are the features and layout of the association. Some associations own and therefore pay to maintain the streets within their association, while other similar associations are served by public streets that are maintained at the city's expense. Fire sprinkler systems can save lives and property but they are expensive to maintain, adding anywhere from less than a dollar to over \$30 to the monthly assessment.

Why the difference? Generally speaking, fire sprinkler expenses are incurred on a per building basis. If the buildings in your association contain eight units, there are fewer units to spread that cost out on than if your buildings contain twenty units or forty units.

## Age of the Property

It usually costs more to maintain an older property than a new one since older buildings generally require more maintenance. As low and no maintenance products such as siding, trim, decking, and windows have come into use by builders the cost to maintain these items has decreased. Older properties are also

more likely to require additional work in order to maintain building code compliance.

## Differences in Maintenance & Service Responsibilities

Associations that look pretty much alike can have significant differences when it comes to what parts of the property the association has to maintain, and those differences affect the dues. Windows are a good example. Most condominium associations are responsible for window repairs and replacement, while most townhome associations are not. Similarly, some associations are responsible for deck, door, and patio maintenance while others are not. The governing documents usually give the Board of Directors the power to add services to the association's list of responsibilities, and some of the additions we've seen have a huge impact on the dues. Many single family home associations sign a contract with a trash hauler to service each home in the association, and the dues are increased to cover the cost. While this raises the dues, the lot owners no longer have to pay the hauler for the service directly, so the net result is a significant savings to the lot owner. To an uninformed observer however, the dues in the association that contract from trash removal would seem too high.

## Reserve Funding

Another major factor in determining dues is reserve funding. As mentioned above associations with lots of amenities have to fund the reserve account to cover amenities replacement in the future. Other associations have underfunded reserve accounts and are trying to “catch up” by making larger reserve contributions. And, some associations are still failing to contribute to their reserve altogether, or are under funding their reserve. With reserve contributions often being one of the largest four of five numbers in the budget, differences in how they are handled can have a significant impact on the dues. ■

## Free On Line Seminars – Don't pass up on these in August!

Classes run between 30-60 minutes. You can register anytime right up to the start of any seminar by going to [www.webinar.com](http://www.webinar.com) and click on the “join webinar” button. You will be guided through the registration process. To register you will need to supply your e-mail address and identify the seminar you wish to join by typing in the 9 digit I.D. # assigned to each class below. Here are our upcoming offerings:

**“What are the Roles and Responsibilities of the Board” – Mon. Aug. 2, 2010 from 7-8 p.m. I.D. # 253814858.** An orientation class perfect for those new to serving their HOA Board and wanting to know their duty as Board President, Vice President, Secretary, Treasurer, or Member at Large. – Instructor Gene Sullivan, President of New Concepts Management.

**“What's an HO-6 and why do I need it?” – Wed. August 18, 2010 from 7-8 p.m. I.D. # 294699795.** Have you wondered why you need additional insurance when you already pay for it monthly in your dues? Hear explained the purpose of an HO-6 policy and why it's critical for everyone living in a homeowner's association. – Instructor Gene Sullivan, President of New Concepts Management.

**“What Kind of Community Do We Want?” – Tues. Aug. 24, 2008 from 7-8 p.m. I.D. # 471852955.** Are rules and regulations really just written by a few people who want to make your life miserable? Or is it possible to develop policies that set the tone for your community and give it that reputation as a great place to live? – Instructor Gene Sullivan, President of New Concepts Management. ■

## Home Savings Store

– Resources, products and services available at special pricing for our homeowners and subscribers. To take part in any of these specific offerings, please contact our Home Savings Store Coordinator **Courtney Sletten at 952-224-2663** and ask her for full details.

## Home Maintenance

Don't know where to turn to when you need a new water heater? Who can handle all those handyman tasks that you have been meaning to get to around your home? You can be assured that when Start To Finish is on the job, it will be done right by experienced, licensed, and insured professionals who care about your home as much as you do.

## Mortgage Network

Whether you're refinancing to reduce a high rate adjustable mortgage, preparing to pay the cost of a special assessment, or getting back on your feet from near foreclosure, experience the Klein Bank difference. Mortgage Banker Greg Johnson doesn't simply put you into something in order to make a sale. He spends the time to counsel you to see what makes the best sense.

## Preferred Realtor Network

Because we are involved with the resale disclosures on every sale at your association, we know who does the best in getting the job done quickly and at top dollar. If you do not have a relationship with an experienced agent, we can help. Discounts are also available on the cost of a re-sale disclosure by going through this program.

## Rental Management Services

Your preference was to sell, but your home isn't moving. That new job is calling, and you don't want to walk away from your equity. What do you do? Call New Concepts. We can give you peace of mind knowing your property is being watched closely, and the renters aren't getting you in hot water with the Board or your neighbors. ■