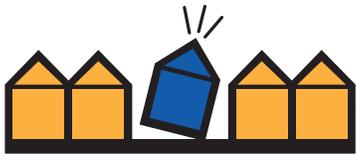


WHAT'S NEW?

a PUBLICATION to INFORM & ENTERTAIN | January 2011



NEW CONCEPTS

ASSOCIATION MANAGEMENT

**COMMERCIAL/RESIDENTIAL
REAL ESTATE SERVICES**

BUSINESS OPPORTUNITIES

GENERAL CONTRACTING

RENTAL MANAGEMENT

MORTGAGE SERVICES

CONSULTING

FEATURED ARTICLE – “The Culture of Low-balling”

By Gene Sullivan, President, New Concepts Management.

Newsweek magazine this last September outlined a phenomenon they entitled “The Culture of Low-balling.” In that article the argument was made that due to a depressed economy, a sharp rise in unemployment, and a housing bubble that had burst causing foreclosures to take place at unprecedented levels; a new mind-set was taking hold with Americans, the mind-set of “Low-balling”.

The mind-set of low-balling according to that Newsweek article came into play due to several factors. The first was a matter of survival. In order to stretch an individual's buying power; one goes from merely loving a good bargain to now requiring one. Next it was noted that due to these depressed and desperate times, buyers of goods and services have come to the belief that those selling products and services should be grateful for any offer at all; and thus be willing to take whatever is being offered to them.

Respected economists from even a century ago, such as John Maynard Keynes, noted this phenomenon and coined the phrase a “paradox of thrift.” The idea is that when everybody saves, they ultimately get poorer, because a crowd mentality takes over. The mind-set of bargain hunting can create a dangerous downward spiral that can make recovery even harder to achieve.

While no one takes fault for someone wanting to save a dollar, one must be careful with how far they let this go.

Painting contractor Mark Schoenfelder, principle, and a past President of the Minnesota chapter of C.A.I. (Community Associations Institute) has seen all too well what can happen when someone allows price to be the deciding factor when it comes to accepting a proposal or contract for work at an association. “When price between contracts deviate between thousands of dollars” he said, “Don't be too eager to merely accept the lower price. It's not possible for two contractors to offer the same quality and level

of service. Something has to give. The job you think you are getting, and the one you receive could be two completely different things! In this particular case saving money meant only receiving one coat instead of two, and a one year guarantee on the workmanship instead of a guarantee for several years.”

Even when the contractor doesn't consciously cut the scope of their service, low-balling could

have further long term consequences as it may also put the contractor into a tough spot when it comes to being able to maintain the quality of their level of service.

Grounds contractor Kris Birch, principal of Birch Lawn Maintenance, has seen this dynamic take place this winter season already. “When an association accepts a bid that is significantly lower than others being offered, they may unknowingly give the nod to a vendor who doesn't have the depth to be able to consistently perform.” Birch stated that

“Many times a smaller vendor may only have one or two plow trucks, or older equipment that doesn't cost the same to maintain as a larger company. But as soon as one or more of those trucks go down, that contractor doesn't have the ability to maintain service to their customers when they need it the most!”

Even though cutting or freezing costs on services may be necessary during these uncertain times, most reputable vendors are of the belief that the cost to maintain a customer is always cheaper than trying to find a new one.

“Talk to us. Be candid in your conversation with us,” says Birch, “If we are doing a good job, let's see if we can sit down and work something out that will work for the both of us.”

The associations and their boards that can achieve this type of balance with their vendors will many times be able to keep their property's budget where it needs to be without losing the essential quality and level of service they have come to expect. ■



Gene Sullivan,
President, New Concepts Management

What's in the News?

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Patience & Wisdom



One of the greatest secrets of life is having patience and wisdom and knowing the difference between the two!

Salt De-icers:

Their impact on your bottom line, your landscape and the environment.

By Steve Hoogenakker, Concierge Landscape Environments

The use of salt as a deicer on commercial properties roads and sidewalks is the preferred method to promote safe motor vehicle and pedestrian travel during winter months. The most commonly used deicing salt is sodium chloride (NaCl). Sodium Chloride effectively depresses the freezing point of water to melt ice. But what are the impacts of salt applications to drinking-water supplies and watershed ecosystems?

The application of NaCl and its environmental consequences have come under scrutiny by the environmental and scientific communities as well as regulators and legislators.

There is growing concern over plant habitat, wildlife kills, and water-quality issues. It is estimated that the United States applies 8-12 million tons of salt on the roads annually. Living in Minnesota, we certainly get more than our share of this total. The question is, how much damage to the environment is caused by dumping the equivalent of 20 pounds of salt on the ground for every man, woman and child in the U.S. each year?

So, what is the solution for commercial property managers and association managers?

1. Review your winter maintenance contract. Does your contract call for auto salting by the contractor whether the site needs

it or not? Although the numbers vary widely, most snowfalls in the Twin Cities don't require salting. If we have 20 snow events in a season, maybe 4-7 need salt. So salting 20 times is not only damaging your property and the environment, but you're throwing dollars out the window as the contractor has built in the cost of the 20 saltings in your contract. It's better to have your board or manager determine when and where salt is applied on your property. Since the board lives on site, you'll have a constant watch of your sites conditions.

2. Even if a site requires salt, many times putting the proper amount of salt on intersections, hills and underground parking ramps are all that is needed. That alone will save at least 50% of the salt applied.

3. Temperatures matter! At 30 degrees, one pound of salt melts 40 pounds of ice, while at 20 degrees; one pound of salt melts only 10 pounds of ice, a 400% difference! And the air temperature is a minor part of the equation. Does your contractor apply varying amounts of salt to your property at different temperatures? Do the varying amounts show up when they bill for salt, or does it always seem to be "2 tons" every time?

4. Barrels of salt/sand. 10 years ago, we were applying mixtures of 80% sand and 20% salt as THE standard application for

townhomes. The salt was in there basically to keep the sand from freezing solid in the spreader. Nowadays, sand is rarely used on private lots, but there is still a place for sand. Your contractor can usually provide sand barrels for your association. They'll place them next to hills and parking ramps, or wherever you want them. It's that same



Steve Hoogenakker,
Concierge Landscape Environments

80/20 mix of sand/salt. They'll provide a cover and a scoop for residents to use whenever needed. When a barrel runs low, call the contractor and he'll refill it. At the end of the season, the contractor picks up the barrel and stores it.

Free On Line Seminars – Look what's coming up in February & March!

Classes run between 30-60 minutes. You can register anytime right up to the start of any seminar by going to 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:

NEW* "Selecting a Contractor" – Wed. February 9th, 2011 from 7-8 p.m. I.D. # 302252043.** Is it always as simple as going with the lowest price? How do I know if the project is really being done correctly? If problems arise, how do I get a contractor back to fix any problems? – Instructor Paul Roth, Executive Vice President of New Concepts Management.

"How to Handle an Insurance Claim" – Tues. February 22nd, 2011 from 7-8 p.m. I.D. # 279801835. How long should it take to complete a claim after a disaster? If I don't agree with what the insurance company is going to pay out, do I have any recourse? What are the potential issues I have to watch out for? – Instructor Gene Sullivan, President of New Concepts Management.

"The Roles and Responsibilities of the Board" – Tues. March 15th, 2011 from 7-8 p.m. I.D. # 347198931. 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 David Schultz, Property Manager with New Concepts Management. ■

Road-Salt Alternatives

Calcium Magnesium Acetate

CMA is relatively harmless to plants and animals, noncorrosive to metals, and non-destructive to concrete and other highway materials. CMA is very expensive and is required by customers with raised parking decks or concrete parking areas. Because of its expense, its use as a parking lot deicer is limited, but can be found in bagged salt as a blend to be used on sidewalks. CMA acts more slowly and is less effective than salt in cold conditions.

Magnesium Chloride. Another good choice if you're concerned about pets and the environment. Magnesium Chloride also melts ice at much lower temperatures than Sodium Chloride. If you have questions or concerns, call me and we'll work out the best solution for your individual properties. ■

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. ■