

Board Member Guide for Changing Management Companies

So, you and your fellow Board members have decided it's time to change your HOA management company. Hiring new management can seem like a daunting task but it's actually easier than you think. The following is a step by step guide on how to change your management company.

Step 1 – Sit down with your fellow Board members and discuss the issues that led to your decision to change and what are the most important qualities you are looking for in a management company. Make note of these issues and qualities and ensure that they are addressed in your bid request and/or when speaking with prospective bidders.

Step 2 – Develop a scope of work and a sealed bid request. The best way to ensure you are receiving accurate and comparable bids is to provide your bidders detailed information about your community and how it operates. Here is a list of the most common information you will want to provide your bidders:

- Legal name of community
- How many and what type of units (SF homes, condos, townhomes)
- How many Board members and how often does the Board meet
- Assessment amount, billing frequency and method (statements, coupons)
- How many community inspections per month
- List of active committees (ARC, social, landscape)
- List and description of common areas (private streets, pool, gates, clubhouse, etc.)
- Is your association a master or sub association?
- Does your association have any direct employees?
- Specify whether you would like a standard bid (monthly fee plus ancillary costs) or an inclusive bid (most ancillary charges included in monthly fee)

- Ask for non-priced contract
- Provide a deadline at least 7 days before your meeting so you have enough time to review and compare the non-priced contracts
- Specify whether you will require an interview (highly recommended) with the bidders and when/where the interview will take place
- Ask for bidders to provide client references!!!

Step 3 – Select your bidders and provide your bid request. Management companies come in all shapes and sizes. Do some research, find the names of several companies...call their office and for a quick phone interview and look at their websites. Based off these results select 3-4 to will send your bid request to.

Step 4 – Schedule your Board meeting and direct your current management company (in writing) to add the following two items to the meeting agenda:

1. Discuss/Review/Approve Management Bids
2. Discuss/Approve Termination of Current Management Contract

Remember, NRS 116 requires you to make these decisions in a duly noticed Board meeting (open to homeowners) and the item must be placed on the agenda.

Step 5 – Review the termination provision in your current management contract. If you don't have a copy, ask your current management company to provide one to you in a timely manner. Most management companies require a minimum 30 written termination notice which typically begins on the first day of the next month. Their contract may also require you to pay certain fees during the transition/termination process. Be familiar with the termination provisions and be ready to comply with them.

Step 6 – Hold your meeting, review the bids and conduct your interviews. There is a lot of information to dissect when you open all those sealed bids. Hopefully you were able to at least review the non-priced contracts prior to the meeting and now all you need to do is compare pricing. If not, take your time...Recess the meeting if you need to. NRS 116 allows you to recess the meeting and reconvene within 10 days without having to re-notice the meeting as long as you specify the date, time and location that the meeting will reconvene to those in attendance.

Now that you have made your decision, your new management company should be willing to help you draft and send the required termination notice to your current management company. Speak to your new management company about the transition process and what it means to your homeowners. Here is a timeline which shows an example of a typical management company transition.

30+ days prior to the new management company's start date a termination letter will be sent certified to your current management company.

25 days – your new management company will request items such as an owner mailing list, homeowner account ledgers, current financials, budget, governing documents, utility bills and account information, and start up checks for your new operating and reserve accounts (yes, always start new bank accounts when changing management companies)

20 days – Your new management company will send a letter to your homeowners notifying them of the management change. This letter will talk about the following:

- Provide contact info for the new community manager and accounting staff.
- Specify the effective date of the turnover

- Detail when and how assessment payments will be handled between both companies. Typically, homeowners on automatic payment will need to re-enroll with the new management company.
- An account statement or beginning balance. The letter will usually ask the homeowner to check their balance for accuracy and detail what a homeowner needs to do if they find a discrepancy.
- The letter should contain a request for residents to verify/update their contact information and should include a contact information form for residents to complete and return to the new management company.

15 days –Utility’s and service providers should be notified of the new management company and be provided with contact information for the community manager and accounts payable department.

10 days – your current management company should stop processing accounts receivable and payables and begin forwarding these items to the new management company.

0 days – Your former management company will begin processing their final monthly financial packet and forward any/all correspondence to your new management company. At this time your former management company will release homeowner files and archived records to your new management company. At this time your former management company may also present their final bill for management fees, extras and transition fees.

Normally management transitions are smooth but on occasion you may experience bumps in the road. If you find that your current and new management company are not cooperating during the transition, you may want to request a face to face meeting with both companies to resolve any issues.

Here is an excerpt from NRS 116A.620 which generally describes your current management company's responsibility to transition your records to the new management company.

NRS 116A.620.6 Except as otherwise provided in the management agreement, upon the termination or assignment of a management agreement, the community manager shall, within 30 days after the termination or assignment, transfer possession of all books, records and other papers of the client to the succeeding community manager, or to the client if there is no succeeding community manager, regardless of any unpaid fees or charges to the community manager or management company.

NRS 116A.620.7 Notwithstanding any provision in a management agreement to the contrary, a management agreement may be terminated by the client without penalty upon 30 days' notice following a violation by the community manager of any provision of this chapter or [chapter 116](#) of NRS.

If you have any questions not covered in this guide, please contact us at
702-362-0318.

