COMMUNITY CONNECTION

Fall 2021

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FirstService Residential Minnesota President

Dear valued client,

As I reflect on my more than 25 years in the homeowner association management business, I want to share three things that I've been thinking about lately.

First, shortcuts in maintaining real estate assets do not pay off in the long run. We see this commonly across the condominium and townhome marketplace as many communities fall a little behind each year. Then, some years later, the cumulative impact is dramatic and daunting for the next generation of homeowners. There is a better path of making ongoing investments in community real estate assets through good planning and guidance on reserve funding guided by third-party reserve studies and the Minnesota Common Interest Ownership Act.

Second, remote work has amplified the challenge for board members and association managers of staying focused on the mission of maintaining their community real estate assets and quality of life. The increased volume of requests from individual homeowners, who are home with more frequency and duration during COVID-19, has created more demand for board member and manager time and energy. It is an ongoing challenge to determine how all of us may continue to meet the needs of individual homeowners and best manage those requests to allow us also to stay mission-focused on the community as a whole.

Third, FirstService Residential has always been and continues to be deeply committed to serving our customers, and the way we support and maintain those relationships most productively is evolving. Our client boards and managers are seeking new ways to communicate with each other and ensure that homeowners are engaged and have the appropriate support and resources in their communities.

In previous communications, we've outlined advances in our processes, technology and we continue to evaluate these resources to support new approaches to engagement and issues resolution. This will continue to be a high area of focus for us, and we will have more to say about our current and future initiatives focused on these areas in our next couple of newsletters.

Yours truly,

Mark Gittleman
President
FirstService Residential Minnesota

Mark Gittleman,
President
FirstService Residential Minnesota

> "It is an ongoing challenge to determine how all of us may continue to meet the needs of individual homeowners and also best manage those requests in a way that allows us to also stay mission focused on the community as a whole."
>
> *~Mark Gittleman*

FirstService RESIDENTIAL

NEW COMMUNITIES
New Partnerships

A warm welcome to our most recent Community Customers.

Bluff Country Village - Eden Prairie
Townhomes and Condos
- 94 units

Carla De 3rd Townhome Association - Coon Rapids
Townhomes - 43 units

Compass Pointe - Woodbury
Townhomes - 78 units

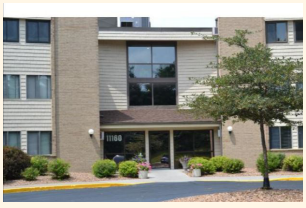
Highland Bridge Rowhomes Association - St. Paul
Rowhomes - 328 units

Hill Farm Condominiums - North Oaks
Condos - 74 units

M-Flats - Minneapolis
Condominiums - 46 units

Main Street Village Condominiums - New Brighton
Condominiums - 121 units

Preserve 1 Condominiums - Eden Prairie
Condominiums - 63 units

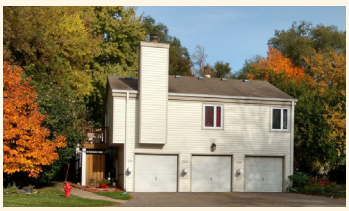


Summers Landing - Cottage Grove
Single Family homes
- 200 units

Thirty - Three Hundred on the Park - St. Louis Park
Condominiums - 128 units

White Tail Ridge - Montrose
Single Family Homes -
40 units

Woodstock Section III - Bloomington
Townhomes - 43 units



Woodstock Section II - Bloomington
Townhomes - 54 units

Terra Vista - Plymouth
Single Family homes
- 134 units

Board Member Training

As Minnesota's property management leader, we understand that board education and training are a key means of assisting board members in fulfilling their responsibilities. Over the last four years, we have held an ongoing education series on key industry topics for urban and suburban communities, including Board Basics, Insurance and Financials. Thus far in 2021, we have held several sessions on various board topics with an average of 100 board participants per session. We have a team dedicated to making these sessions as engaging and informative as possible, and have had great feedback from board participants with an average score of 9 out of 10 this year. We have an active calendar with sessions on ***State of the Industry - Outdoor Services*** on October 13th and ***Preventative Maintenance and Capital Projects*** on October 20th, 2021 with Urban Regional Director, Chris Campbell.

Sign up here to attend the October 13th, session today!

OPERATING BUDGETS, PAYROLL BUDGETS AND COLLECTIONS

Held on September 9th, 2021

Participants heard from Associate Vice President Amanda Kelzenberg, Director of Client Services Daphne Moran and Collections Manager Connie Long with FirstService Residential who discussed understanding payroll and payroll rates costs, best practices and important considerations when developing an operating budget and collections guidelines and timing.

October 15th at 8 a.m. at the Golden Valley Country Club. This event will qualify for real estate and CAI continuing education credits.

Sign up today!

UNDERSTANDING BUDGETS AND COLLECTIONS

Held on September 9th, 2021

Associate Vice President Greg Nelson, Director of Client Services Daphne Moran and Collections Manager Connie Long with FirstService Residential engaged with board members on best practices and important considerations when developing an operating budget. They also delved deeper into the resources FirstService Residential utilizes to create meaningful budgets and collections guidelines and timing.

MAINTAINING THE STRUCTURAL INTEGRITY OF CONDOMINIUM BUILDINGS

Held on July 27th, 2021

Executive Vice President Andy Gittleman, Associate Vice President Amanda Kelzenberg and Principals Curt Isernhagen and Kent Jones with Encompass Engineering discussed preventative maintenance plans and structural evaluations for condominium buildings.

Missed a Webinar?

Our **Webinar Library** is located on the FirstService Residential Minnesota website under Resources! Click on Webinar Library to view materials and past webinars!

EFFECTIVE BOARD LEADERSHIP - Improving Communication, Understanding Roles, and Running Efficient Meetings

Held on July 14th, 2021

Executive Director with Community Association Institute (CAI) Tim Broms and Regional Director Margaret Carter with FirstService Residential discussed how to communicate effectively, roles and responsibilities, voting and Robert's Rules of Order and the Minnesota Common Interest Ownership Act (MCIOA) requirements.

Associate Training

Kelly Stevens

Training Manager

Our summer newsletter discussed FirstService Residential's ongoing investment in associate training through several initiatives to develop knowledgeable and engaged association managers. At the forefront of that training is our Community/Association Manager Training Program (CAM Training), developed along with our national training team, which has been customized for the Minnesota market to provide the most up-to-date information on industry best practices for property managers. This is a 4-stage program for new community and association managers that begins within their first weeks with the company and continues throughout their first year.

Stage 1 of this training starts with intensive classroom/virtual sessions that focus on the roles and responsibilities of the manager and expectations as a FirstService Associate for working with boards and residents in the communities they support.

Stages 2-4 are assigned at 60-day increments to continue to build on the classroom learning with courses given through FirstService University.

Throughout this comprehensive training regimen, managers receive instruction in our services and platforms, learn about HOA financials, governing documents, rules and regulations and state and local statutes. This training is augmented by regular training with their regional director, on-site property walks and instruction in facilitating efficient board meetings and effective communication. Just as important, association managers with FirstService Residential learn and understand that customer service is at the forefront of everything they do. While they continue to learn throughout their career about the workings of their community - from service contracts to managing capital projects - their focus will always be on the mission of FirstService Residential to *"deliver exceptional service and solutions that enhance the value of every property and the lifestyle of every resident in the communities we manage."*

Staffing Challenges for *On-site Associates*

Whether you call it "Turnover Tsunami" or something else, it all means the same thing – employees are leaving companies in record numbers. The Society of Human Resource Management (SHRM) has written extensively on turnover statistics in 2021 and recently cited that 52% of employees surveyed were leaving or thinking of leaving their current job.

This mass exit of employees has hurt many businesses, especially for lower to mid-level roles that often have to face the difficulties of working with the public daily. While some people have experienced job loss related to the pandemic, others report to work, possibly encountering and interacting with numerous people and constantly navigating the ever-changing landscape of COVID-19.

FirstService Residential has experienced this trend firsthand. While we have been able to provide flexibility and remote work for our corporate staff, a significant portion of our workforce is sited, where the work necessitates a physical presence. As we recruit for new staff in this extremely competitive market, we see candidates are expecting more in terms of wages, paid time-off, benefits and flexibility. As we recruit for these on-site roles, we encourage our customers to keep these new work environment realities in mind. Providing flexibility where appropriate and abiding by safety protocols will result in keeping experienced people in their roles and give new associates reassurance that they've come to the right job!

Sally Andrist

Sr. Director, Human Resources

Finally, we are so proud of our sited teams for keeping safety top of mind and showing up for our clients day in and day out! We strive to foster a culture of recognition and gratitude – if you would like to give your sited teams a shout-out, please feel free to share with your association manager. We publish kudos on a weekly basis to the entire company and would love to hear about your appreciation of our sited teams.

Summit House: *A Landmark Project*

CASE STUDY | Restoration During a Pandemic

Summit House | Minneapolis

Old pipes with internal debris deposits (tuberculation)

Situation

Summit Homes Association, constructed in the late 1960s, is a 298-unit high-rise condominium community located in Loring Park. In 2016, the board of directors and FirstService Residential began planning for a major restoration project, including complete replacement of the mechanical penthouses, mechanical risers, in-unit fan coil (and surrounding cabinetry) and several major structural repairs to the roofs and parking garages.

Why FirstService Residential?

Funding the project was a challenge that took close partnership and communication with the board and FirstService Residential. After "receiving approval", over 84% of homeowners made the decision to move forward with Housing Improvement Area (HIA). Receiving financing through the City of Minneapolis the community used a combination of HIA funds, a permanent loan and reserve funding for the project.

$15,000/yr.
in annual energy savings

$2.37M
total savings for the entire community

Savings

The HIA financing option allows the owners to benefit from a 20-year fixed interest rate at a lower interest rate than conventional financing, saving each homeowner approximately $8,000 in interest over the life of the loan, which equates to $2.37M in savings for the entire community!

Better Communication

FirstService Financial partnered with the community to place the construction loan and permanent loan. FirstService Residential, working with the city of Minneapolis and the board, was able to extend the project timeline a few months to accommodate new COVID-19 protocols and restoration was completed June 2021.

For more information on this renovation, **please click here.**

New mechanical equipment

Marketplace Changes in *Client Insurance*

Current Insurance Trends

If you are a tenured board member, you may have noticed dramatic swings over the past few insurance renewals for your community. From the "good years" in 2014 – 2017, when insurance companies were much more aggressive with rates and deductibles, to the more recent years where underwriters have become extremely restrictive and more conservative in their appetite for risk. The current Property & Casualty insurance marketplace for condominium and townhome communities across the United States has been what some insurance veterans have called "the worst they've ever seen it." Since 2017, when we started seeing record-setting trends in losses resulting from hurricanes and wildfires, underwriters have been battling an uphill climb. 2017-2018 saw $200B in insured losses in the U.S. and then another $74B in 2020. The intensity and frequency of weather events have put a strain on underwriting profits, causing significant increases in reinsurance rates and ultimately driving premium expenses up for end consumers.

Impacts on the Townhome and Condominium Market

So what does all of this mean for Condo and Townhome Communities in Minnesota? The susceptibility to wind and hail claims for communities in MN has driven insurance companies to take two different underwriting approaches, depending on the building's construction; Fire Resistive/Masonry or Frame Construction. For Frame Construction (most townhomes and low-rise condos) properties, both nationally and locally, underwriters seem to have a united front in applying higher wind & hail deductibles and significant rate increases to boot. This is especially true for frame buildings with asphalt shingles. The loss experienceed by insurance carriers with an appetite in this segement has been so bad that a few have decided to leave the state of MN altogether. 2021 saw the departure of yet another insurance company after three consecutive years posting underwriting losses. Those still committed to this segment are hedging their bets with percentage wind & hail deductibles as high as 5%.

Like this article?
Visit our website for more **articles** and **webinars** about Insurance trends, Financials and more!

On the other hand, while Fire Resistive/Masonry constructed buildings (mid-rise and high-rise) have performed better than Frame Construction, they are not without their unique exposures to major claims. Water damage claims have plagued this segment and underwriters have become more creative with their deductible structures to mitigate their risk of loss. For example, Per Unit Water Damage deductibles were relatively unheard of until around 2018, when they became more prevalent.

Managing Insurance in a Cyclical Industry

It's not all doom and gloom, though. These underwriting pressures have spawned improvements in risk management, more effective risk transfer and a healthy debate surrounding association vs homeowner responsibilities. The insurance marketplace, maybe even more so than most markets, is cyclical. FirstService Residential is uniquely positioned to assist our clients through this turbulent insurance market and there is no question that our expert efforts will yield dividends when the cycle resets.

Finding Your Leadership Story

Every good leader has their own story. Their story informs their leadership style, motivates them and their team, and keeps them grounded in their authentic self. Each story is unique to the person and when developing your leadership skills, it's important you don't pretend to be someone else. A loud voice and a confident demeanor does not make you a leader – leading with purpose and authenticity does.

Finding Your Leadership Story *continued*

So, what is your leadership story?

Here are a few questions to ask yourself:

- When did you start to realize you were a leader? Think of a specific memory where you realized that you were influential. Maybe you're a natural-born leader or maybe you realized your potential to be one when you were working on a big project.
- What do you offer as a leader? How do you engage people?
- What are your goals as a leader?

Think about a leader you know and respect. What is it about them you like? Are there specific behaviors that they exhibit that commanded your respect? Schedule a short meeting with them to discuss how they approach leadership. If close, ask them what they believe you bring to the table as a leader.

Create a vision plan around how you want to develop your leadership style. This should be an action plan with specific activities that give direction to your development.

For example, if your goal is to become a better mentor, set a goal to brainstorm ideas that will help facilitate conversations around your team's professional growth. Perhaps you can add a 10-minute check-in session to think about and discuss where they envision their careers in 5 years. Maybe you can go out of your way to connect them to people in your network who they'd benefit from.

Aram Arslanian is a therapist, coach and facilitator with over 19 years of experience supporting individuals and groups in their development. He has worked globally with leaders and their teams, from the C-suite to the front lines. Launched in 2016, Cadence Leadership + Communication helps professionals learn to lead and communicate in an authentic, consistent, and inspirational way. The Cadence approach is unique in creating a lasting impact for individuals and organizations. Through programming and coaching focused on mindset shifts, Cadence has earned a reputation for progress and results.

To learn more about our offerings and connect with us, visit www.cadenceleadership.ca

The key is to regularly refer to your visions to avoid losing track of your momentum. Remember— to show up as an excellent leader consistently, you must have a sense of ownership around how you want to grow. It begins with becoming self-aware with how you lead change, engage others and achieve results.

So, what are you waiting for? Envision, build and practice it until you live it.

The Price of Landscaping *What it Covers*

The lawn care, landscaping and snow removal industry evolves each year. This year, the property's main questions during the contract renewal process have been: why has the price gone up and can we expect higher levels of service along with the increased cost of service?

As the cost of materials and labor rises, so must the price for service, as vendors must cover their costs to remain viable. Many factors play into price increases, chiefly:

1. The price of fuel has risen roughly 40% in the last six months. Although fuel is a volatile commodity, we must base contract rates on current pricing.
2. The equipment price has recently soared and equipment acquisition has also become much more complicated.
3. Laborer wages have increased roughly 25% over the past two years.

The Price of Landscaping
What it Covers

continued

Each company tries to offer the best service possible regardless of season or price, so expecting appreciably better service for a materials-and-labor-cost-adjusted contract rate is not realistic. Many in the industry have observed that consumer satisfaction seems to be at an all-time low, despite no change in the quality of service offered. The simplest explanation for this is that property and homeowner expectations have become misaligned with the logistical realities of providing these services, especially as more people are working from home, balancing more obligations with less rest and less reward and directly observing laborers at work. Stress is high, confidence is low, communication is strained and nerves are frayed, which leads to each misstep or mistake on a property to be magnified before the vendor has a chance to address the situation, much less remedy it. In an increasingly automated society, it's easy to forget that there is still a human component that remains in this industry.

ANNIVERSARIES *& Promotions*

15 Years

Keith Betters — Maintenance Manager

Carol and Ron Takalo — Cleaner Floats

10 Years

Glen Schuette — Resident Caretaker

5 Years

Lisa Ward — Community Manager

Melissa Manning — Association Manager

Zach Bruce — Master Plumber

Megan Kucz — Regional Director

Pat Siedow — Association Manager

Movin' on up!

Angela Wood — National Product Owner, Connect

Christina Kersten — Connect System Manager

Courtney Kubitz — AP Research Coordinator

Kennedy Erickson — Resident Service Specialist

TJ Leary — Drain Cleaning Service Manager

Amanda Chial — Accountant

Team Spotlight: Operations

FirstService Residential Minnesota is committed to delivering exceptional service and solutions to the communities we manage. In support of that mission, we have an experienced operations team of 17 employees that provide comprehensive support for our market. Our operations teams include Central Administration, Resident Services Support, FirstService Residential Connect™ Technology, Welcome Link, and the Business Intelligence Team.

A recent addition to our Executive Leadership Team, Bryan Vargas, director of operations,leads a team of 8 dedicated operations leaders focused on service excellence and customer success. Our team of knowledgeable operators and coordinators work closely with the property management team and homeowners to support our 540+ associations.

Bryan Vargas

Director of Operations

"We understand the unique complexities of property management, supporting our communities and are passionate about raising the standard of responsiveness, efficiency and effectiveness in our communication. By leveraging experience and technology, we will continue to define what best-in-class looks like." - Bryan Vargas

To learn more about Bryan and the rest of our executive leadership team please visit **our website**.

Social Purpose

Grants for Community Excellence

Each year, FirstService Residential Minnesota donates $25,000 through *FirstService Grants for Community Excellence* partnering with the Minneapolis Foundation.

Our primary focus areas are health and wellness, the environment, public spaces and various housing and cultural organizations. This is our 9th year of the program, and we are proud to have donated $25,000 to such great organizations in the Twin Cities. We are excited to be partnering with the Minneapolis Foundation again in 2021 in support of the non-profit organizations below.

2021 Grant Recipients include:

- Citizens for a Loring Park Community
- Greater Twin Cities United Way
- Historic Saint Paul Corporation
- Land Stewardship Project
- Loppet Foundation
- Mill City Farmers Market Charitable Fund
- Second Harvest Heartland
- The Sanneh Foundation
- Three Rivers Park District Foundation, Inc.
- Twin Cities Habitat for Humanity
- Voices for Racial Justice
- YWCA of Minneapolis

Sponsorship Success! This year FirstService Residential Minnesota served as a proud sponsor of the Information Booths at the **49th Annual Twin Cities Pride festival!** Thanks to all the companies who sponsored and to everyone who attended the event!

Emotions in Motions:

The August 7th Run/Walk for Mental Health is an event for every age group and revolves around a 5K Fun Run/Walk and a 10K chipped time run starting at Lake Harriet Pavilion. Funds raised from this event benefit SAVE (Suicide Awareness Voices of Education). This year FirstService Employees were unfortunately rained out- however, they still managed to raise a total of $1,085! Over double our goal!

National Hispanic Heritage Month is September 15th - October 15th. We encourage our associates to recognize and celebrate the histories, cultures and contributions of Americans who trace their roots back to Spain, Mexico, Central America, South America and nations of the Caribbean.

The celebratory month begins halfway through September honoring the independence of several Hispanic/Latin countries:

+ September 15: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua
+ September 16: Mexico
+ September 18: Chile
+ September 21: Belize

Below are several events, businesses and restaurants where you can celebrate and support these communities and the enrichment of Minneapolis' culture.

Fine Art and Jewelry

Markets: Mercado Central, Midtown Global, Lake Plaza and Restaurants and Breweries.

YOUR FIRSTSERVICE RESIDENTIAL *Minnesota Team*

OVER 80 YEARS OF MINNESOTA PROPERTY MANAGEMENT EXPERIENCE.

Our team is committed to serving your association with excellence, striving to enhance your property values and enrich the lifestyle of your residents.

BEST Property Management Company MINNEAPOLIS PropertyManagement.com 2019

Mark Gittleman
President

Andy Gittleman
Executive Vice President

Mike Laukka
Senior Vice President

Shaun Zavadsky
Vice President, Community Management

Sally Andrist
Senior Director, Human Resources

Eric Hennig
Director, Financial Planning and Analysis

Amanda Kelzenberg
Associate Vice President, Urban

Greg Nelson
Associate Vice President, Suburban

Bryan Vargas
Director of Operations

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