

RUSSIAN STUDY TOUR HIGHLIGHTS — Local Condominiums & Cooperatives

During the past year, three groups of Russian government officials and real estate management professionals visited the U.S. in a program hosted by the Cooperative Housing Foundation. These Ukrainian and Bellarussian officials came here to learn how they could turn their public housing projects into privately-owned condominiums and cooperatives. Their two-week study program, in Greenbelt, Maryland, included curriculum that explained what a management company does, what motivates it to perform tasks, and how the company's efforts affect the property values of a community association.

RUSSIAN CONDITIONS

Under communism, every person in Russia was guaranteed a place to live; but the government is now trying to give the public housing stock away. The catch is, the

by: *Stephen R. Bupp, AMS, PCAM*

new owners must assume the maintenance and operation costs. The apartment buildings are in bad physical condition; little preventive maintenance was previously undertaken. For these reasons, many people do not want the free home, and the officials are trying to find a way to motivate these former tenants to become homeowners.

GOVERNMENT INVOLVEMENT

Part of the instruction included explaining the concept of preplanned preventive maintenance programs, and the value that they bring to owners in condominium complexes. In America, condominium owners know that property values are directly affected by the appearance and physical condition of the buildings. The management

company knows that unless they continually take action to keep the appearance of the building pleasing, the Board of Directors of that complex may elect to change management. The desire for managers to make improvements and perform preventive maintenance to a community without extra financial remuneration was an area that was difficult for the Russians to understand. The officials kept asking why a management company would propose preventive maintenance programs, energy management systems, multiple fuel sources for firing equipment, and lighting retrofits without the government forcing them to do it. In Russia, the managers would only take action upon the government's instruction.

Competition among management companies and the need to serve our communities to retain our clients was a new concept for them. When they were told

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there were over 100 management company members in WMCCAI, all professionally competing with one another for the same business, the officials started to comprehend the point. The requirement to perform well every day, without government involvement, drives our industry to always do better.

CENTRAL PLANT/FIELD TOUR

In addition to classroom instruction, the training session included a tour of a community. When the groups toured a central heating and cooling plant on a 1,000+unit condominium complex, many of the officials seemed right at home, understanding the central heating and hot water system with little explanation. One of the Ukrainians reported that in his area there are four central heating/hot water plants for the entire city. The government runs these plants which supply every home in the city. Because of the severe shortage of hard currency to purchase natural gas, the government shuts these plants down from April 15 until October 15 each year. During that time, the entire city has no hot water! None of the building's residents complain to the management about the lack of hot water, instead they complain to their elected government officials!

U.S. CONTRACT SOLICITATION

Some questions they asked during the central plant tour revealed the conditions under which these officials and the newly formed management companies exist. One official asked if the central plant equipment was all specially made for this complex. When they heard that all of the equipment was commercially available and that there were several choices for each piece of equipment, they were surprised.

The bidding process was reviewed, specifically how several qualified contractors and/or suppliers bid on a job, are evaluated by the manager, and selected by the Board of Directors of the association. This process is quite different from that used in Russia. In Russia, the government determines what equipment is available and who will perform the work. The visitors asked if the Board or the management company took a "kickback" from the selected contractor because in Russia, it is standard contracting procedure for managers to receive money from the contractor selected to do work on a complex. In light of that question, an explanation of our code of ethics ensued.

PIPE REPAIR COMPARISONS

It was interesting to see that in some areas the Russian officials are better equipped than we are to handle certain problems. It amazed us to learn that they can excavate an underground main system pipe leak, repair and backfill the pipe in a few hours. With the safety and inspection requirements in the United States, that job could take us a few days. When questioning the Russian officials on how they could do such a job so fast, their response was that "you must work fast when the temperature is 30 degrees below zero! The leaking water freezes immediately."

STAFF COMPARISONS

Staffing of the central plant was another point of interest. In Russia, a plant serving 1,000 homes would have up to six full-time employees; the condominium complex they were visiting here has one. Staffing for the entire 1,000-home complex was an interesting side discussion. Many of the officials estimated that we would need five times the number of employees that actually are employed to clean and maintain the complex to the standard they observed.

Since everyone in Russia was previously guaranteed a job and profit was not a motive, many of their complexes are over-staffed by American standards.

FUTURE OUTLOOK

The classes indicated that these officials have a strong desire to learn everything they can from the American style of management. They were very gracious and appreciative of our efforts. The class discussions also revealed how far the Russian population has to go to understand, experience and participate fully in a capitalist economy. Profit, competition and property values are new areas that managers and officials are trying to implement. We have such a variety of choices in this country, and these Russian visitors had a great time exploring all of them. I believe that each participant took back something of value from their U.S. condominium/cooperative study tour, and I certainly learned from them as well.

Stephen R. Bupp, AMS, PCAM, is president of Condominium Ventures, Inc. located in Greenbelt, Maryland.

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