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by Pamela Dittmer McKuen

For more information Contact Mark Stelter, Itasca Bank & Trust Co., Phone 630-773-0350 Ext 220, MarkStelter@itascabank.com

The Transformation of Carolshire Commons

Determination and a deluge of community spirit put blighted association on successful path

Three years ago, Carolshire Commons Condominium Association was in dire straits. Years of neglect left the Carol Stream community with an unsafe state of disrepair and an impending \$3 million fine for code violations. The bank account was nearly depleted.

Carolshire has since undergone a remarkable transformation, tremendously improving the quality of life for its residents and the financial stability of the association. It was a daunting task that required the unceasing efforts of a couple dozen dedicated owners, a team of top-flight industry professionals who guided the way, and the support of Village officials who fervently wished the association to succeed.

THE PROBLEMS KEPT ON COMING

Built in 1977, Carolshire is an enclave of 216 condominium units in 18 three-story brick buildings with flat roofs. About a decade ago, the association opted for self-management.

The property was riding a downward slope of deferred maintenance when, in August 2010, one of the 18 full-height decorative entry canopies fell off a building. That event prompted intervention by the Village.

“A bunch of bricks and rubble crashed to the ground,” recalls Don Bastian, Carol Stream’s Community Development Director.

“This was like at 2 a.m. No one was injured, but on any other day, there could have been kids playing in the area. This obviously got our attention. We began a code enforcement initiative in the Carolshire property shortly thereafter. We brought in a consultant to do a comprehensive inspection program of all common areas of the complex, inside and outside.”

The inspectors found 665 building, fire and safety code violations and other deficiencies. Among them were improperly working doors and hardware, broken windows, crumbling sidewalks and parking lot, damaged dry-wall, inoperable light fixtures and peeling paint. As a preventive measure, the remaining canopies had been removed, only to leave bare the unsightly cinder block construction behind them. All had to be replaced.

When the board did not make satisfactory progress toward addressing the violations, the Village in September 2013 initiated a lawsuit.

“We don’t file lawsuits against condominium associations very often,” Bastian says. “We can send courtesy notices and violation notices, and we can issue citations. If that doesn’t get the job done, the ultimate recourse is to file a lawsuit, and that’s what we did.”

The lawsuit took two and a half years to wind through the courts. In March 2016, in the Circuit Court of the Eighteenth Judicial Circuit, DuPage County, the Village prevailed.

The court issued a Consent Decree that mandated Carolshire correct the violations or pay a \$3 million fine. The decree further prescribed a two-year timeline for abatement and mandated frequent progress meetings, inspections and reports. The association also had to pay the Village \$70,000 in legal fees. Ouch.

Carolshire’s then-board of managers had no choice but to sign the decree.

A RESOUNDING CALL FOR CHANGE

A contingent of owners had become increasingly concerned about the unsafe environment and declining property values, and they felt strongly about the need for new leadership. They engaged in informal conversations with Paul Gioia, vice president at ACM Community Management in Downers Grove, and with Patrick Costello, association attorney and partner at Keay and Costello in Wheaton, to learn about the options and procedures. The contingent then undertook the tedious task of enlisting the support of their neighbors.

The turning point came on April 28, 2016. That’s when Carolshire owners called a special meeting to remove the existing board members and install five new ones. The historic open meeting was attended by more than 100 homeowners; Carol Stream Mayor Frank Saverino, who flew back early from his Florida vacation; and other village officials including Bastian and



➤ **Before:** often impassable parking lot, failed concrete curbs and walkways, consistent flooding.

➤ **After:** new lot from ground up, new concrete curbs and walkways, no flooding.

Police Chief Ed Sailer. Also in attendance were Costello and Thomas Skweres, vice president at ACM Community Management.

The meeting was peaceful and civil.

“Everyone was there to support the owners,” Skweres says. “It was a show of collaboration and unity.”

“There were a couple of people who protested, but it wasn’t substantial, and it didn’t last very long,” Costello recalls.

One of the speakers that night was Mayor Saverino. The essence of his message was, “We want you to succeed, we’ll work with you, but we need to see some action.”

With a new board in office, the real work began. Carolshire had \$4,000 in the bank and more than \$300,000 in unpaid bills and liens. It also had an astonishing \$700,000 in unpaid assessments. Some owners hadn’t paid assessments in years. Roofs were failing, trees were dead, carpeting was tattered, and abandoned vehicles littered the dilapidated parking lot. Units were selling, if they could be sold, in the \$20,000 to \$25,000 range. Crime was high, and police calls were frequent.

“The parking lot holds 400-plus vehicles,” Gioia says. “There wasn’t a clean piece of asphalt in the entire place. There were craters—you couldn’t call them potholes because your wheel could easily fall in. There was no speeding in the lot. You couldn’t.”

“The new board inherited, to put it politely, a really big mess,” Bastian says.

One of the new board’s first moves was to officially hire both ACM Community Management and Keay and Costello.

As the point person for, well, everything,

Gioia lived and breathed Carolshire. Before joining ACM Community Management a decade ago, he held executive positions with Aimco apartment management and Budget Car Rental. His resume is rich with experience in acquisitions and turnarounds.

“I was going to do it for probably six months,” he says. “It took a year and a half.”

THE CAROLSHIRE TEAM GETS ORGANIZED

The first challenge was acquiring--or assembling some facsimile thereof--the association’s books and records, most of which were either in disarray or nonexistent. The new Board, its attorney, and management had to locate bank accounts, contracts and policies, and to figure out who owed money and who needed to be paid--and how much. Even constructing a list of owners and their account balances was painstaking.

“It was important to make sure we had the right information,” Costello says. “Everybody had a different story about ‘I paid this’ or ‘The prior manager said I didn’t have to pay.’”

Delinquent accounts were turned over to Keay and Costello for collection. Carolshire took possession of about a dozen units as permitted under the Illinois Forcible Entry and Detainer Act, and they rented them out.

“We as a company are good at collections,” Gioia says. “We don’t use the word ‘aggressive.’ There is no need to be aggressive. You have to be consistent, and you do it every month, day in and day out.”

Carolshire board members worked side-by-side with the professionals, Gioia and

Costello note.

“The board worked tirelessly,” Gioia says. “These folks took all types of responsibilities. They would collect the rents and make sure the money got into the association’s account.”

“They had a group of people willing to do all the legwork and willing to do the hard work,” Costello says. “They knew people stood to lose their investments.”

Gioia also logged long hours lining up contractors and getting bids for the repairs and remediation projects required by the Consent Decree. The numbers mounted higher and higher until they reached a staggering million dollars-plus.

“There weren’t a lot of banks running to lend money to this association,” Skweres says. “Paul had to convince them there was some benefit to getting involved.”

In February 2017, Gioia approached Mark Stelter, vice president and commercial loan officer at Itasca Bank and Trust, about a loan. Gioia had already been turned down by several other lenders.

“They were all polite, but responded no, no way actually” Gioia says. “To begin with, we had 60 percent landlords. We also had maybe six months’ worth of financials. The previous records were like on a napkin. I can understand the banks’ position, but our six months were very strong. We had accumulated cash very quickly. We had \$200,000 in reserves, and we had a good business plan.”

Fortunately for Carolshire, Stelter and Itasca Bank saw beyond the blemishes.

“I never felt Carolshire was a stretch,” Stelter says. “Different lenders have different



➤ **Before:** missing canopies, unmaintained balconies and worn paint.



➤ **After:** new canopies, refurbished balconies and fresh paint.

standards, although we all look at the same things--delinquency rates, reserve balances, cash flow, whether the association is professionally managed and so on. From an analysis perspective, we didn't have any issues with the reserve balance or with their ability to generate sufficient cash to make payments."

A major selling point was the professional reputation of ACM Community Management and Gioia's day-to-day involvement, he said.

"Paul knew the property very well," Stelter says. "He explained what the issues were, and, more important, he said, 'Here's our plan, and this is how we are going to get them out of it.' You always want a well-established management firm, and Paul is a seasoned manager. If Paul said there was a plan and he was the man in charge of it, I had a lot of confidence."

Other positive factors were the Village's rigid oversight and Carolshire's location in Itasca's Community Reinvestment Act (CRA) area, he says.

A more significant issue was the remaining assessment delinquencies. But when closer examination showed only a small group of owners with large balances, Stelter was comfortable.

After weighing all the variables, Itasca Bank advanced Carolshire \$1.25 million in the form of a one-year line of credit that converted to a 10-year term loan. The interest rate was the same for any other association.

"I really appreciate what Itasca Bank did for us," Gioia says. "This never would have happened without a loan--or a huge special assessment, which would have been a nightmare."

"They have been as good a client as we

could have asked for," Stelter says. "We get their financial statements, and they are in compliance with everything, their delinquencies are acceptable, and their reserve balance continues to grow."

FROM 665 VIOLATIONS TO ZERO

With money in hand, the Carolshire team tackled the massive to-do list. Over a two-year period, they whittled down the 665 violations, and they made many additional aesthetic improvements as well. That doesn't mean there weren't any rough patches.

The biggest and most costly project at almost \$900,000 was replacement of the parking lot, which included curbs and ADA-compliant access. The work, done by Aurora-based Abbey, was divided into three phases. When the bids came in much higher than expected, the original starting date was delayed by several weeks while the specifications were reworked for cost savings. As one example, recycling the existing stone and asphalt--rather than trucking old material out and trucking new material in--reduced the project cost by \$250,000.

Phase 1 was completed without a delay despite a small amount of storm water piping replacement due to an unforeseen collapsed pipe.

Phase 2 was moving along nicely until the discovery of a significant amount of collapsed storm water piping, resulting in \$16,000 of additional work and a 10-day delay. Even worse, 14 inches of rain during a 3-day period prior to the scheduled asphalt placement left the base and subsurface

unsuitable to support the asphalt layer. The solution was to hire an additional contractor for \$40,000 to mix a concrete additive in the base to dry out the soil and turn the base into a rock-hard material.

Phase 3 was postponed until after the next rainy season. It was completed in 2018.

After the parking lot was finished, the association--which previously had open parking--issued resident parking permits and implemented a towing policy. These changes eliminated vehicles that had been abandoned and those belonging to non-residents. They also contributed to crime reduction.

In addition to Abbey, a wide variety of vendors and contractors such as plumbers, electricians, roofers, landscapers and construction related companies worked at Carolshire.

"An average of five vendors competed in a competitive bidding process for each project," Gioia says. "The vendors did excellent work in a timely manner."

Since March 2016, when the Consent Decree was handed down, Carolshire's accomplishments have been huge. Among the highlights:

- 97 percent of owners are paying their assessments on time;
- No special assessment was levied;
- The association's loan is being repaid from regular assessment income;
- Assessment amounts have been decreased 17 percent since 2016;
- Home values have escalated to between \$70,000 and \$95,000;
- Owner occupancy is slowly increasing;

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- Monthly rental rates have risen 20 percent to 30 percent;
- The association has over \$500,000 in its bank accounts;
- Police calls for service and major crimes decreased by 50 percent.

A SHOW OF GOOD NEIGHBORS

In January 2019, the Village returned to the Circuit Court--this time for the purpose

of dismissing the Consent Decree and potential \$3 million fine.

“We never wanted the money,” Saverino says. “We wanted them to fix up their property and make the quality of life for the people who live there better.”

Later that month, Mayor Saverino and the Village Board went a step further. They issued a Proclamation that reads in part, “The Carolshire Commons Condominium Associa-

tion Board is hereby recognized for its efforts in developing a positive relationship with the Village, for improving the quality of life for its residents, and for becoming a good neighbor and an asset to the Village of Carol Stream.”

The Village also gave the association a small parcel of adjacent land, which the Carol Stream Park District is developing into a landscaped playground and picnic area. It’s a new community amenity that wouldn’t have happened if the association hadn’t re-invented itself.

The pressure is off, but Carolshire isn’t stopping. There are roofs to replace, facade work to do, hallways to decorate and more landscaping to spiff. The reserve fund must be kept healthy to pay for these projects and for future needs.

It’s just the normal stuff that associations deal with every day, Gioia says.

For Carolshire, “normal” is a very good place to be.

“We are very happy with the results,” Bastian says. “They’ve come full circle from us having to monitor them to now when we point to their complex as a great example of how things can be done correctly and proactively. Certainly, the image and appearance of the neighborhood is incredibly transformed.”

In Gioia’s view, the turnaround took a village. Literally. He credits the board, supportive homeowners, contractors and vendors, fire and police departments as well as Carol Stream’s leadership.

“It all goes back to the mayor,” he says. “His entire thrust is ‘It’s all about the people.’”

“I’m a big believer in working together,” Mayor Saverino says. “We get a lot more done by working together. What we did was help people who needed to be helped.” ❖



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