

Condo Smarts

Headline: Contracting management services

Topic: Management; contracts

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Dear Tony: Our property manager has recently sent to all its clients an addendum that they wanted signed. I believe this is of concern to all strata councils as it can cause an increase in fees and in the event of major construction imposes much higher costs on the owners. There are so many items of concern, the most distressing is their request that they receive a 2% fee on all projects over \$10,000. This is in addition to any fees by the engineer or project manager. So, an upcoming \$2,000,000 project for our strata would cost the strata another \$40,000 just for the management company to oversee the project. In addition to that, they want a waiver of liability if anything goes wrong under their oversight of the project. We are addressing this and have refused to sign the document as is but many councils may read this and not completely understand the implications to their strata. Are the additional fees normal? I am hoping you publish this to alert other strata councils before they sign new fee schedules.

JD, President of Council, North Vancouver

Dear JD: The purpose of a strata management agency agreement is no different than any other contract relationship. It defines what we are getting from the strata management company, any terms and conditions that may apply to our agreement, and in exchange, what we going to pay. The negotiation is up to each strata corporation to determine the scope of services, terms and fees; however, these agreements will often carry over for long periods of time and frequently require renegotiation for services, fees or because of changes in legislation.

The volunteer council members are often afraid to admit they don't understand the existing contract let alone the changes proposed, so when a strata corporation is approached with a new schedule of fees

or changes to the contract, this is your opportunity to renegotiate all of the existing contract and consult with a lawyer so that your best interests are represented. This is not a one-sided relationship but instead provides a good opportunity for your strata corporation to renegotiate the working relationship with your strata management company.

In most situations the renegotiation begins with a proposed fee increase that was not previously agreed to or a change in services or other fees. Like the proposed 2% fee on contracts over \$10,000, or hourly costs, weigh the value of the fee and how it is applied or earned as it could potentially change for all contracts.

You may have a contract that is labour intensive, disruptive to the owners and requires a significant amount of attention from the manager where additional fees are necessary, or you may simply be replacing a building component that has a similar cost with no impact and no services are required. If a company is providing additional services beyond the scope of their contract they should be compensated accordingly.

Rather than being confused by a new proposed schedule of fees, apply a test to services to help determine the best method of negotiation.

For example:

- Is it better to provide a flat rate for all contracts or should each contract be negotiated separately based on the services required?
- Is the company insured for the type of services they are providing?
- Is there a written scope of services provided for each project?

- Is the fee within the scope of authority of the council to approve in a service agreement or does it require a 3/4 vote of the owners at a general meeting?
- How could you impose a fee on contracts that require a special levy when the owners have not yet approved the special levy?
- Are there other fees being charged that off-set the additional proposed fees?
- Are we paying for additional meetings or hourly services as well as a surcharge on projects?
- How does the management company report the scope of services provided to be able to earn the fee?
- Is there an itemized invoice provided, along with disbursements for the approval of strata council?
- Is the contractor responsible and liable for the services they are providing?

In any negotiation, go back to the basics. What are you doing for us, what are we paying you for, and how much will it cost us?