

Headline: Strata Management Services: Who makes the decisions?

Topic: Management

Publication / Date: Westcoast Condominium Magazine, Feb 12, 2016

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For most strata owners in BC, the thought of managing your own strata corporation is overwhelming. It is common for a 100 unit high rise with an asset value of 50-75 million dollars to contain complex mechanical systems, retail and commercial offices, an underground parking garage, complex monitoring and security systems and swimming pools and recreational facilities. On top of this add service agreements for operations, resident staff and cleaning services, major construction projects, collecting strata fees and special assessments, paying bills, setting agendas for meetings, minutes, record keeping, correspondence and bylaw enforcement, and it all adds up to the operation of a medium size corporation. Now consider your strata council, many of whom are still working and act solely as volunteers for everyone else. The only option for most medium to large strata corporations is contracted strata management services.

In British Columbia, strata management is a licensed and regulated activity under the Real Estate Council. Strata managers and brokerages must meet minimal education courses and qualification requirements, and are bound by the *Real Estate Services Act*, the RESA Regulations and the Rules of the Real Estate Council. Financial activities such as the management of trust funds, disclosure of financial relationships and benefits, are a key component of the legislation for the public interest. The success of your relationship with your strata manager relies on the diligence of the strata council, as they are the supervisors of the terms and conditions of the contract, and the terms and conditions that are set out in the contract.

So what can your strata contract for strata management services? The relationships that exists between a strata corporation and a strata management company is called an agency agreement. When a strata enters into an agency agreement they are appointing the company

and their manager as their agent. Simply put, this means when the company or the agent on your behalf they are acting with your authority. They are you. This is one of the reasons a strata corporation will want to have their strata manager named on their insurance policy. It is because you assume the liability for many of their actions as your agent. While a strata agency agreement implies they are your representative, they do not replace council, and the functions of general meetings, council meetings and the enforcement of bylaws are still performed by the strata council.

Before your strata signs a strata management agreement get your lawyer to review the contract. Verify it complies with the legislation, it clearly defines what services are being delivered and when they are being delivered, the type of authority you are delegating to the manager, what happens in the event something goes wrong or your strata wants to terminate the contract, how duties are reported to the strata corporation, how information such as 3<sup>rd</sup> party commissions, fees and services are disclosed, and clearly understand what type of instructions your strata council will have to provide to enable your manager to do their job. Also closely review the scope of fees associated with the services and how those fees are included in your service agreement. In addition to the monthly or annual fee there may be hourly fees for additional council meetings or special general meetings, additional administrative costs like copying and record storage, and the strata management company generally provides forms and records for buyers and sellers. The company may retain the fees in exchange for providing these services. Successful relationships with strata management companies are a result of good communication with the council and owners, a fair and balanced service agreement, full disclosure of 3<sup>rd</sup> party fees and commissions, and a respectful level of supervision of the strata manager by the strata council.