

# Condominium Home Owners' Association

*Serving BC's Strata Property Owners since 1976*

Bulletin: 300-320

## Condo Smarts

Headline: Management Agreements

Topic: Management

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**Dear Condo Smarts:** Our strata council received proposals from five management companies for service to our strata corporation. With the proposals we received a number of schedules of the work the companies will do, the costs and representation they will undertake. Here we are one month later having decided on a company and they have sent us a contract for signing. There are a number of issues in the contract that make us uneasy. The manager said we cannot alter the contract as it is a standard contract. There is a clause that makes us liable to defend the manager if they are sued, none of the work they claimed they would do in the presentation is listed in the contract, and we have no control over our funds. Is this normal? I can't believe that we are forced to sign an agreement that cannot be changed. This seems unfair to the strata corporation. Denys P., Abbotsford

**Dear Denys:** There is no standard agreement. As in any contractual agreement, it is a negotiation between two parties. You can make as many changes as you want provided the other party agrees. The only requirement to the service agreement (contract) is that it complies with Section 5.1 of the Rules of the Real Estate Council. This contract represents an agency agreement, where the management company acts on the direction of the strata corporation, the agent of the Strata. Because their actions can incur

liability for your strata corporation as well, it is prudent to include the management company on your liability insurance policy. You may also negotiate under the contract to defend the manager in the event they are sued when acting as your agent; however, this can be limited to circumstances where they have acted in a manner that is not contrary to your bylaws, the Strata Property Act, Real Estate Services Act or any other enactment of law.

The strata corporation can still choose to maintain their own operating funds, reserve funds or special levies in their trust, but there are accounting and reporting limitations that may not be acceptable in the service agreement.

According to Cora Wilson, a Nanaimo lawyer who focuses her practice on strata law, "every strata is encouraged to seek legal advice before they sign. Many contracts have hidden pitfalls that benefit only the managing broker, and the strata is left with little recourse. The contract should stipulate the actual services the company is providing. If the company chooses to sell it's book of business, will the strata have the final say in who handles their accounts next? If you want to terminate the agreement, what type of conditions exist in the contract?" Contact your lawyer, and review before you sign.

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