

Strata Living

Headline: Unauthorized Expenses

Topic: Spending Authority; overspending, Contracts

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Dear Tony: What happens if a strata council spends more on a project than what was approved? Our strata approved \$125,000 for a new roof for our strata this summer. We have just received a notice from council with the final report and the cost is \$189,000. The project was poorly managed and the roofer over charged us for all kinds of materials, but the council just paid the bill without questioning anything. The council advised that they just paid the extra cost from our contingency fund, as they deemed it was an emergency. There are no records of the construction other than the invoices and the obvious new roof. Do owners have any recourse?

Rob J. Vancouver

Dear Rob: The time to deal with this issue is before a contract is ever signed. Whenever a strata corporation deals with any major construction, the best option to protect their interests is to hire a technician or consultant who is an expert in that type of construction to inspect and publish a clear scope of specifications for repairs and conditions of the contract. I am asked every day whether a strata corporation has to obtain three bids on projects and no, there is no such requirement in the Strata Property Act, Regulations or Standard Bylaws; however, a strata corporation may amend their bylaws to require minimum standards for purchasing and contract negotiations. At the very least, published specifications will provide the strata corporation with a consistent scope of work for bidding and contract negotiations. Unfortunately your strata corporation has engaged a contractor for major construction with only a single page estimate for replacement of the roof and no

written contract. It leaves your strata corporation with minimal information and evidence in the event your strata takes court action against your contractor. Strata councils have to make judgment calls about emergencies and additional costs and that could include decisions on site during construction. If the strata had time to convene a meeting of the owners to approve the additional costs without the risk of damage to the strata property or risk to owners, then the council will have a serious problem defending their decision. The risk of no prior inspections or specifications for the contracts is that the council cannot predict the condition of the building and plan for contingencies for building damages, rot of the structure or modifications. The strata council has an obligation to inform the owners of the details of the expenditures from the contingency fund and the special levy that was paid by the owners. Don't get sucked in by contractors who claim that costs will rise if you have published specs for contracts. It's an indication that they don't want to be hampered by terms in a written contract. It's the only way to ensure competition by the contractors and to protect your interests as a strata corporation.

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