

- **Operational Solutions & Management Selection**
- **Improving Management Performance**
- **Duties, Responsibilities and Communication**

CONDOMINIUM MANAGEMENT

GENERAL OVERVIEW

As more and more Canadians select condominium living for various reasons, the requirement for professional management becomes increasingly important. The same advantages that make condominium living attractive also present the owners with some challenges that if not managed properly may result in costly operational, emotional and financial problems.

A professionally managed condominium corporation will benefit from the economies of scale achieved by sharing a variety of services and amenities. The price of a detached single family home on a conventional lot in a desirable location may be prohibitive, whereas a stratified lot may be very affordable and desirable.

Strata corporations all face the challenge of governance. Although legislation provides direction, the owners must still determine how the actual the day to day operation will proceed. Many alternatives are available to the condominium corporation in terms of operational management. However, having numerous choices inevitably creates a dilemma for owners who may differ greatly in their opinions as to the best solution. Ideally, whatever form of management is chosen, a community environment should be encouraged creating an atmosphere;

- *open to participation*
- *transparent to actions*
- *beneficial to all the owners*

OBSTACLES

Before proposing a management solution or creating any specifications for professional management services, it is helpful to identify any existing obstacles in the way of achieving successful management. The ability of a condominium council to mutually agree on the day to day operations will likely depend on overcoming several typical issues.

Most council members have preconceived ideas about how their condominium corporation should be managed. Failure to concur on the method of management and the duties and responsibilities of all parties is a major obstacle that should be thoroughly addressed if successful management is to be achieved.

Another obstacle which often has regrettable results for all parties is the retention of an in-house service pro-



vider who is an owner in the building. Most common of these relationships are owner-caretakers or owner-janitors. When hiring an owner to do paid work for the corporation, other owners often assume that since the individual is also an owner with a vested interest in the building, there will be

no problems and the quality of the work will be excellent. This is often not the case.

Directing the work and supervising a worker who is also an owner becomes difficult for both council and the manager. At such time the relationship needs to be severed a complicated and awkward situation results. Regardless of the type of contract that may exist between the worker-owner and the corporation, an employer and employee relationship is created. Many responsibilities accrue to the employer that the corporation may not wish to assume. While legislation does not prohibit hiring an owner to work for the corporation, it may be advisable to avoid these situations by amending by-laws to prevent this potential problem.

Every condominium corporation will face different obstacles, some more difficult to overcome than others. Other obstacles may include council members' personal agendas, lack of communication, inappropriate management services, uninformed owners, micro-management by council or a tendency to become polarized in the absence of strong and reflective leadership.

OPERATIONAL SOLUTIONS

By developing and implementing a win-win philoso-

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phy, increasing communication and defining areas of responsibility, most obstacles can be overcome. Open communication between council members and between council and owners is essential for a successful operation. Owners' forums should be encouraged by an effective council.

To assist council members with their role, an orientation outlining their duties and responsibilities is beneficial to both the individual and the corporation. The election of a pragmatic council president with focus and vision is certainly desirable although not always possible. Strong leadership qualities are often necessary to influence council decisions based upon recommendations from experts or based upon the wishes of the majority of owners.

Once council has determined their priorities and the action required, a management agency would typically take over implementation and overall management within the parameters of the current budget, established Bylaws and Rules. Except for the very smallest of condominium corporations, professional property management is recommended.

One of the reasons homeowners select condominium living is the widely advertised concept of a carefree home. As stated by Antonio Gioventu, Executive Director, Condominium Home Owners' Association, "it is important to note that carefree living should not give way to careless living". The owners and council must be diligent in the fulfillment of their individual roles and responsibilities. The quest to achieve the carefree living objective must be tempered with a realistic perspective; some work and participation are required. Most, but not all, of the operational management may be delegated to the management agency.

Except for the very smallest of condominium corporations, professional property management is recommended.

MANAGEMENT SELECTION

In certain areas of Canada, British Columbia being one, the management of condominium corporations only requires a business license; at this time, April 2003, it does not require property management licensing (or any qualifications or experience).

Given the demand by knowledgeable condominium owners for improved and expanded service, the condominium management industry is being forced to evolve from a traditional administrative function of taking minutes and



lecting common area maintenance fees, to providing a comprehensive management program where an experienced and certified property management professional ensures all needs are met. The earlier administrative approach has not been sufficient to protect the physical assets and financial integrity of the condominium corporation or to ensure the successful overall management.

A previous article of Interlink Realty News, Guidelines for Selecting an Agent outlines some of the recommended selection steps in finding a suitable managing agent. Final selection should result in a management organization where the assigned property manager is an individual with the prerequisite qualifications, experience and maturity to respond to the unique financial and operational requirements of the condominium corporation.

Given that property management is a profession, identify companies and individuals who are licensed and have staff with one or more of the following designations offered by the Institute of Real Estate Management: Certified Property Manager (CPM), Certified Manager of

Condominiums (CMOC)

Throughout Canada various forms of legislation exist to govern the development and operation of condominium corporations.

In British Columbia the creation, ownership and administration of condominium developments are legislated by the Strata Property Act and Regulation. Section 26 of the Act stipulates that the powers and duties of the Strata Corporation must be exercised and performed by the council, subject to the Act, the Regulations and the Bylaws. Under Section 38 of the Strata Property Act, the strata corporation is permitted to enter into contracts in respect of its powers and duties. Additionally, the Schedule of Standard Bylaws, Section 20, enables Council to delegate its powers and duties with some minor exceptions as defined in Section 20 (4) of the Standard Bylaws.

This flexibility of operation is crucial as it enables each condominium corporation to respond in a manner that suits its own unique requirements. A condominium corporation should select the level of professional management that most closely corresponds with the expectations of the owners.

When a condominium corporation enters into an agreement with a management company, the corporation is the Principal and the management company is the Agent. An Agent is a person or company empowered to act on behalf of another, performing actions or bringing about certain results. The express appointment and authority of the Agent is defined in the agency agreement (contract) between the Principal and the Agent and is subject to the Law of Agency.

The agency agreement gives the Agent the authority to enter in to contracts with third parties, binding on the condominium

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* SCHEDULE "A" - DUTIES AND RESPONSIBILITIES

| FINANCIAL ACTIVITIES | WHO IS RESPONSIBLE |
|--|---------------------------|
| 1 Collect monthly strata fees | Manager |
| 2 Collect special levies | Manager |
| 3 Assess bylaw / rule fines | Council |
| 4 Collect bylaw / rule fines | Manager |
| 5 Maintain record of owner charges and payments | Manager |
| 6 Issue arrears notices monthly | Manager |
| 7 Respond to owner inquires concerning their account | Manager |
| 8 Receive & record miscellaneous revenue | Manager |
| 9 Deposit all receipts into a Trust Account | Manager |
| 10 Operate Trust Account(s) | Manager |
| 11 Designate & operate separate accounts for Reserve funds or Special Levy funds | Manager |
| 12 Arrange for audit as directed by Council | Manager |
| 13 Present investment alternatives for consideration | Manager |
| 14 Make investment decisions | Council |
| 15 Maintain current Accounts Receivable Report | Manager |
| 16 Issue demand notice for delinquent accounts | Manager |
| 17 Make decision to place a Lien | Council |
| 18 Prepare and register Lien | Manager |
| 19 Calculate payout figures on delinquent accounts | Manager |
| 20 Approve invoices for payment (within Agency Agreement) | Manager |
| 21 Approve invoices for payment (exceptional) | Council |
| 22 Record & issue payments for invoices | Manager |
| 23 Provide payroll accounting, if applicable | Manager |
| 24 Retain payroll records to conform to legislation | Manager |
| 25 Provide projections and recommendations for budget preparation | Manager |
| 26 Finalize & recommend annual budget figures for owners' approval | Council |
| 27 Prepare and distribute any changes in strata fees | Manager |
| 28 Prepare monthly financial reports, including variances | Manager |
| 29 Provide monthly financial reports to Council | Manager |
| 30 Prepare detailed financial reports annually to comply with legislation | Manager |
| 31 Maintain accurate and accessible financial records | Manager |
| | |
| MAINTENANCE ACTIVITIES | WHO IS RESPONSIBLE |
| 1 Approve emergency work | Council/Manager |
| 2 Approve non-budgeted work | Council |
| 3 Respond to requests from owners or resident caretaker for common area repairs or maintenance | Manager |
| 4 Determine the reason for and validity of all repair/maintenance requests | Council |
| 5 Provide emergency service 7 days a week, 24 hours a day | Manager |
| 6 Administer extraordinary construction contracts | Council |
| 7 Issue work/purchase orders to trades and suppliers as required | Manager |
| 8 Negotiate maintenance or service contracts | Manager |
| 9 Select maintenance or service contracts | Council |
| 10 Obtain quotes for work | Manager |
| 11 Recommend trade or service provider | Manager |
| 12 Select trade or service provider | Council |
| 13 Review invoices prior to recommending payment | Manager |

* Schedule to be modified by user to meet desired results for specific property

| Administration Activities | Who Is Responsible |
|--|---------------------------|
| 1 Prepare statutory forms | Manager |
| 2 Sign and issue statutory forms | Manager |
| 3 Acquire statutory forms from owners as required | Manager |
| 4 Provide sale / purchase documentation as required | Manager |
| 5 Respond to correspondence (with council input if required) | Manager |
| 6 Maintain current list of Council Members | Manager |
| 7 Maintain current list of registered owners, mailing addresses, emergency contacts, tenants | Manager |
| 8 Prepare and mail out owner notices | Manager |
| 9 Update insurance appraisal | Manager |
| 10 Place or renew property insurance, including public liability | Manager |
| 11 Report any events of a significant or sensitive nature | Manager/Council |
| 12 Supervise resident manager or other employees as directed | Manager |
| 13 Retain Lawyer | Council |
| 14 Provide direction to Lawyer | Council / Manager |
| 15 Prepare & distribute Agenda packages for Council Meetings | Manager |
| 16 Preparation and distribute Notices for General Meetings | Manager |
| 17 Attend Council Meetings and General Meetings | Manager/Council |
| 18 Record minutes of scheduled meetings | Manager |
| 19 Distribute meeting minutes to owners | Manager |
| 20 Maintain records of minutes of all meetings | Manager |
| 21 Act as registrant at General Meetings | Manager |
| 22 Chair Council Meetings | Council |
| 23 Chair Annual or Special General Meetings | Council |
| 24 Maintain current and historical documents and records | Manager |

*** SCHEDULE "B" INQUIRY GUIDE**

| INQUIRY CONCERNING: | CONTACT |
|---|-----------------|
| 1 Budgeted Expenses | Manager |
| 2 Bylaw or Rule enforcement | Council |
| 3 Bylaws or Rules - request copy | Manager |
| 4 Exceptions to Bylaw/Rules requests | Council |
| 5 Complaints from Owners | Council |
| 6 Contractors working on site | Manager |
| 7 Conveyance | Manager |
| 8 Damage to common property | Manager |
| 9 Emergencies | Manager/Council |
| 10 Statutory Forms | Manager |
| 11 Requests for alterations to property | Council |
| 12 Garbage disposal | Manager |
| 13 Janitorial contractor | Manager |
| 14 Rental requests | Council |
| 15 Special requests from owners | Council |
| 16 Volunteers | Council |
| 17 Elevator Key | Council |
| 18 Fire Alarm Response | Manager |

** Schedule to be modified by user to meet desired results for specific property*

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corporation. The corporation is bound to the third party to the extent that the action was within the Agent's authority and pursuant to enabling provincial statutes.

The Agent employs individuals who act as property managers for the condominium corporation. There are several types of property management formats, classified in the language of the day as follows:

Self Managed – this option requires enthusiastic council members who are well informed with knowledge in all areas of operation including governance, administration, maintenance and finance and who have the time to attend to these matters. This type of management is common in smaller developments where the workload is manageable. This option has and continues to serve some condominium corporations well. A condominium corporation may be self-managed but may out-source the bookkeeping function.

Strata Agents – primarily task oriented receiving day to day instructions from a council and usually not in a leadership or significant advisory role. Services tend to be responsive and administrative in nature and not significantly involved in the management of the physical asset. This option works well if a council is active, knowledgeable and has the time to become involved at an operational day-to-day level. This type of management is common for smaller condominium corporations where the workload for council members is not significant.

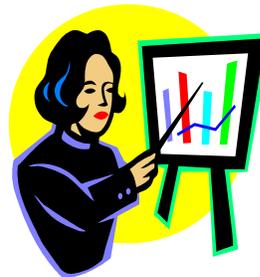
Property Managers - take a proactive role in the management of a condominium corporation including the financial and physical assets. Activities include advising councils, making recommendations and implementing approved operating strategies. In this situation the council depends on the manager to provide a leadership role in the areas of governance, administration, maintenance and

finance. The council makes final decisions based on information compiled or recommended by the Property Manager.

Asset Managers - may have power of attorney to act on behalf of the owner in all aspects of ownership, are retained by major investment funds or insurance companies. The asset manager is advised of certain financial objectives that need to be met and is required to analyze performance, develop, implement and continually modify strategies to manage the assets to meet the financial objectives or in some instance to re-develop the property to its highest and best use. Asset managers may retain Property Managers to engage in the day-to-day management. This is not a management option suitable to a condominium corporation.

IMPROVING MANAGEMENT PERFORMANCE

While opinions may vary on the type of management solution that is best for a particular property, councils do have the power to improve management re-



sults. That is, a council may improve the level of management and reduce management cost by focusing on the following activities, or developing other pertinent strategies.

- Improve budget and financial planning process to reduce number of meetings and make serving on council more attractive to volunteers.
- Increase lines of communication to eliminate the Ivory Tower perception and create a transparent council to re-

duce friction and keep all owners in the loop.

- Prescribe specific functions for council members and create working committees and hold regular committee meetings. This will get more owners involved on committees and eliminate committee work at the council meeting, making for more productive meetings.
- Meet with the property manager to review how information will be shared, lines of communication and areas of responsibilities. If you already have a manager, it may be a good idea to refresh the relationship from a revised perspective.
- Establish a relationship with the property manager where you are able to rely on his or her expertise and resources. Over time property managers develop a range of contacts for trades and services that have a proven track record and are cost effective. The qualified property manager is a resource; use him/her to your benefit.

DEFINING DUTIES AND RESPONSIBILITIES

To keep the management activity on track, it is important for all the stakeholders to be aware of the lines of communication and areas of responsibility. The responsibilities and duties described herein are not the answer to every condominium corporation's needs, but may serve as advancing one perspective and may be modified to meet objectives.

In a situation where the council has delegated some or most of the management responsibility to a manager, it is important to agree upon the specific areas of responsibility. The more comprehensive the list of responsibilities, the better it will function to ensure tasks are completed and misunderstandings are minimized.

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It is important to note that "carefree living should not give way to careless living".

Antonio Gioventu
Executive Director
Condominium Home
Owners' Association

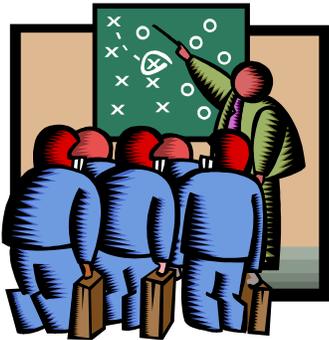
The list on page 3 marked **Schedule "A" Duties and Responsibilities** describes in some detail typical areas of

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responsibility. As all corporations are unique, modifications will be required for specific properties

INFORMATION DISTRIBUTION

Some of the traditional methods to dis-



tribute or share information with all the owners are by way of minutes, newsletters, special mailings, committee reports, notices on bulletin boards or notes attached to council minutes when they are distributed.

Unfortunately these can be time consuming and reactive measures creating significant lag time with news sometimes received after the event. Also it is not practical to copy and distribute all operational information all the time for all the owners regarding matters contemplated by council. In a large condominium the copying cost would be significant and the property manager would expect compensation for this extra time consuming work.

One way to achieve immediate transparency and also reduce photocopying and postage costs is to utilize the Internet. Unlimited documents can be posted on a dedicated web site accessible only by the owners within a specific condominium complex. A British Columbia company, Web Page Condominium News (WPCN) Inc. (www.wpcn.ca) pioneered the use of the Internet for Canadian condominium and strata corporations. At this site a condominium corporation may post all their documents, minutes, contracts, bylaws etc. as well as communicate with owners and create an electronic filing cabinet

for current and historical records. This system provides maximum flexibility for owners as access is available seven days a week, twenty-four hours a day.

LINES OF COMMUNICATION

Even though all parties may have a common goal, sometimes directions or instructions are not properly communicated and result in avoidable misunderstandings and even financial loss.

Unless specified otherwise, a manager should take instruction only from the President of the council, or act upon approved resolutions or motions from properly convened meetings. Individual owners should not instruct the manager nor should they be out and about conversing with or directing trades or contractors who are executing specific work orders issued by the manager pursuant to council directions.

Day to day operations may be further improved by encouraging ongoing interaction between council members and committee members between scheduled council meetings. This will result in smoother operations without the spikes of activity usually caused when issues escalate into crisis situations.

A realistic financial plan and operating budget created by council and approved by the owners are critical to the successful management of any property. A professional manager can implement the plan without further council involvement and can avoid the need for crisis meetings during the budget period, except for emergency situations.

While owners are correct in stating the property manager works for them, this is a beneficial relationship as the manager actually works for, represents and reports to the condominium corporation.

Chaos would result if each individual owner expected to direct and participate in the activity of the manager on a daily basis. Owners should direct their concerns or questions to the council, preferably in writing, for distribution to all council members for review at their next meeting. On a day-to-day basis,



the list on page 4 marked **Schedule "B" Inquiry Guide** will help clarify the lines of communication available to indi-

vidual owners and outside parties. This guideline may be modified as required.

If inquiries and concerns are not addressed, owners' frustration will rise, council may suffer burn-out and the manager's time is consumed by non-productive work. Unintentional misunderstandings may also arise distracting the various parties from the important task of managing the assets of the corporation.

Implementing the recommended procedures for;

- *sharing information*
- *establishing lines of communication*
- *defining areas of responsibility*

for both the council and manager will create a participatory and interdependent environment. In such a positive atmosphere the owners will realize their concerns matter, council will become effective managers of the corporation's assets and the property manager can focus on productive management.

Management of condominium corporations will evolve as legislation changes and owners' requirements change. Seek out progressive and flexible managers.

* * *

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