



Condo Smarts

Headline: Management Fees & Increases

Topic: Strata Management

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Dear Tony: We have 3 issues with our management company. They are imposing a charge of \$100 an hour on owners wishing to inspect documents. They have just notified us their fee increased 50% January 1st, and they have already drawn the increase without our approval. We hired them 2 years ago with reasonable results and a competitive cost. What do we do?

Andy K. Richmond

Dear Andy: The fees you pay for service, and the charges permitted on behalf of the strata corporation are set out in your service agreement. The management company may only charge what you have agreed.

Before you take any steps, review the service agreement in detail. Hopefully, your council did not sign the agreement before closely reading and understanding the schedule of fees. If your strata corporation is not in agreement with the increases, notify the company they are not authorized to draw the fees.

Your other option is to terminate the agreement. As a condition of the contract you may be required to convene a special general meeting of the owners to pass a 3/4 vote to terminate the strata manager, or the company may simply terminate without the approval of the fees.

A common misunderstanding of management fees and increases, is the automatic approval when the annual budget is approved. When the annual budget is approved, it authorizes the council to negotiate and approve the increase. Some companies have built in inflation clauses or set increases over a 3-5 year period to adjust for inflation.

The only fees that a management company imposes are those of the strata corporation as permitted by the *Strata Property Act*, the Bylaws of the Strata Corporation and set out in the Regulations of the Act. Any of the fees the management company charges to an owner, tenant, buyer, must be itemized in the service agreement. The Act does not permit a strata corporation or a strata manager to charge any fee per hour to inspect records. The company may have an appropriate administration fee they charge the corporation to manage inspections, but that cannot be charged to an owner or tenant. Rush fees are often charged for short notice requests of Form B Information Certificates and Form F Payment Certificates as part of real estate transactions. If less than 7 days notice is given, a rush fee may be permitted; however, that is a fee of the corporation being charged and must also be detailed authorized in the service agreement. Beware of the low bidder for management fees. Itemize the total list of services and hours they are providing before you make a decision. It's either too good to be true, or the company will simply not deliver what they promised.