

Condo Smarts

Headline: Condo Smarts: 8 Years and 400 Columns

Topic: General Information

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Dear Condo Smarts: Our strata council hired a handyman to do day-to-day chores for the strata. His list includes: changing light bulbs, fixing trim and wood facings, fencing repairs, spot painting, gutter servicing, tree pruning and snow removal. Most of these items were fairly harmless and for the most part everyone in the strata has been grateful. But now the owners are concerned he has moved on to bigger projects and is working for each owner as well. We pay him by the hour, and the strata has a Home Depot card, so we didn't have much control over his expense item. At least weeks AGM, to our horror, we found out we have a \$21,000 deficit, all attributable to the handyman and the charged supplies. The owners refused to approve the new budget, until we have an exact list of the expenses and the projects he worked on, and we want to cancel the credit card. Council are saying no, they don't have to tell us, that's what they were elected for, and we've told council they didn't have the authority to expend money we didn't approve in the budget. I'm afraid our strata is at an impasse and we're getting ourselves into big trouble. Help! Stefanie J., Abbotsford

Dear Stefanie: Eight years ago, when I started writing the column for the *Sunday Province*, I would never have guessed there were so many different issues in strata corporations, that I would be responding to you 400 columns later. The statistics however tell the story. There are roughly 27,000 strata corporations in the province, and that converts into 27,000+ strata councils that change every year, serving 700,000 – 900,000 active strata titled units. The most frequent problems and questions all relate to one topic: a lack of prudent business practices.

Think of your residential strata corporation for a moment as a place of business, not where you live. What business practices would you put in place to protect your company and your investment? You would have a long-term planning and renewals program, an accounting and fraud prevention program, an employee practice manual, procedures for purchasing and annual operations, safety and emergency procedures, a law firm on retainer, and a view to compliance with local laws and regulations. So why should your strata corporation function any differently?

Take an average size apartment condo of 50 units. The appraised value is likely going to place the complex around a 13 million dollar capital asset. So while the job may be small, the asset at risk is great. Even for what appears to be the smallest jobs, we need to use some common sense before we hire someone to do the work.

Before you enter into a contract, question everything. Does the contractor have a business license? Do they have a current WorkSafe account and coverage? Are they insured, and are they willing to provide you with a copy of the insurance? Do they have a business address and phone number? Do you have a written estimate for the work, and an agreed upon contract for the job? Have you screened their company and asked for referrals, or visited the BBB website, or searched the internet for company reports? Is this contractor qualified to do the work, or do you require a licensed trade or certified consultant? Do you require building permits? Should you have legal advice on the contract before you sign? Will any special consulting services (engineering) be required? If something goes wrong, what are our options? If we end up in court, have we protected ourselves in a written contract?

If you have a contractor that is not willing to disclose information or not willing to enter into a contract, to keep it "under the table," you need to seriously consider other options. You are not only assuming liability for yourself, but for all of the collective owners of your property.

Stephanie's strata owners can restrict the council and prohibit items such as the use of credit cards or credit accounts, and they are entitled to know how their money was spent. Unless it is an emergency, the council may only spend up to \$2,000 or 5% of their equivalent annual budget, whichever is less, on unauthorized expenses. We did a bit of digging to discover that an entirely new monitoring system was installed by the handy man, at a cost of \$11,500, even though the previous system was recently serviced and fully operational. The council did not have the authority to spend the funds. The strata corporation now have a deficit, which they will have to either cover by special

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levy, 3/4 vote reserve expense, or include with next year's budget as an expense. There have been strata corporations in recent years who encountered similar problems, and have adopted bylaws for their strata to ensure that there are clear requirements and limitations for purchasing, employment, and financial operations. Perhaps this is the best solution.

Get actively involved with your strata, and make sure your strata is operating in a transparent and business type manner. Attend general meetings, read the minutes, serve on council, and work for the best interest of your strata community and your investment. Education plays a vital role and many organizations offer programs and publications to help your council. Go to www.choa.bc.ca to view our Fall seminars and information guides.

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