



SWITCHING STRATA

A Practical Guide to Changing
Strata Management Companies in
5 Simple Steps

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INTRODUCTION

Congratulations on taking the first step towards finding a new owners corporation manager for your building!

This guide will walk you through the process to finding a new manager, from establishing your needs to evaluating prospective companies and ultimately appointing a new manager.

We also provide you with resources that can help you make the best decision for your building.



FOUR THINGS TO CONSIDER

Whilst changing owners corporation management companies is a relatively straight forward process, it is important to do your due diligence to ensure that you select the right company for your needs and avoid “jumping from the frypan into the fire”.

Below are four key points to consider before beginning the process of changing managers:

1

Your Needs & Requirements

What are the specific services that you need from a management company? Do you need help following financial mismanagement, building maintenance, or dispute resolution? What are the needs of the individual owners and their expectations for a management company? Are they reasonable?

Once you know what you need, you can consider if your current manager is right for you and if not, consider the next steps.

2

Read the Room

Understand where the majority of owners or Committee stand when it comes to the performance of the current manager and the possibility of changing.

Does the majority want to change managers? If so, why? If not, why not? Does the Committee need to consider holding an information session with owners to further communicate why they are considering changing managers?

3

Current Contract Terms

It's important to understand the terms of your current management contract, including possible termination clauses or fees that may be payable if you decide to exit.

If you are locked into a contract, reach out to Keystone as we may be able to help exit the contract without penalty to the owners corporation.

4

The Tender Process

Consider who and how you are going to conduct the tender process. Generally, you have two options 1. Engage a broker, 2. Conduct the tender internally.

Engaging a broker to conduct the tender process is a great option for time poor Committees. The challenge with engaging a broker is:

- You may pay a higher management fee than if you went direct to a manager.
- You will likely have to enter a minimum 2 year contract with the manager.
- If you don't select a manager put forward by the broker, you may be liable to pay the broker a fee for their time.
- Alternatively, a proactive Committee may conduct the tender process themselves. The benefits of conducting an internal tender process is:
 - You can interview as many manager as you feel necessary until you find the right one and you don't have to pay a broker fee for not proceeding with the brokers manager.
 - You are more likely to get a competitive management fee as the manager doesn't have to recoup any costs paid to the broker.
 - You can negotiate shorter contract terms with the manager to ensure you are satisfied with their performance and operations before committing long term.

The documentation provided in this Guide is designed to assist Committees who will conduct an internal tender process.

We understand that changing managers can be a daunting task. However, the owners corporation management industry is a strong and sound business operation. Management companies are always looking for new clients, and you have the power to choose a company that will best meet the needs of your owners corporation.

THE PROCESS

Once the committee understands its needs and requirements and has agreed to changing managers by conducting an internal tender, changing owners corporation managers can be summarised into the following five steps:

- 1. Research management companies and create a shortlist of five candidates. You may task multiple committee members with obtaining one or two quotes each to share the load.**
- 2. Review the shortlisted candidates and agree on three to interview.**
- 3. Conduct the interviews.**
- 4. Discuss each candidate's performance and suitability and pass a resolution to appoint the preferred candidate.**
- 5. Notify the successful candidate.**

TYPES OF RESOLUTION REQUIRED

Only an ordinary resolution must be passed in order to appoint a new manager. An ordinary resolution is a simple majority vote (50.01%) however it can be conducted in a number of ways:

- 1. At an Annual General Meeting**
- 2. At a Special General Meeting**
- 3. At a Committee Meeting**
- 4. Via a Ballot of owners or committee**

Generally speaking, the easiest way to pass a resolution to appoint a new manager is either via a Ballot of Committee or at a Committee Meeting. We recommend a Ballot of committee and have included ballot template with this guide.

WHAT HAPPENS ONCE A NEW MANAGER IS APPOINTED

Once the new owners corporation manager is appointed, and you have signed a contract giving them authority to act on the owners corporation's behalf, the onboarding process will typically follow these steps, depending on the specific requirements of your building:

- The new manager will contact the incumbent and notify them of the decision and request the records be prepared for handover - this may take up to 28 days.
- The new manager will receive all of the owners corporation's records and information. This will allow them to get up to speed on the current state of the property and to start making decisions about its management - this may take up to 14 days.
- The new manager will take over the day-to-day management of the property. This includes tasks such as collecting fees, handling maintenance requests, and scheduling repairs as well as planning meetings.
- The new manager will begin to familiarise themselves and building relationships with the owners and the committee members.
- The new manager will work with the committee to develop a wish list and plan for the future of the property. This plan should include goals for the property so the manager can consider strategies for achieving those goals.

Here are some additional things that the new manager will need to do:

- Review the owners corporation's budget and financial records. This will help them to understand the financial health of the property and to make sure that the budget is being managed effectively.
- Meet with the property's contractors and suppliers. This will help them to build relationships with the people who are responsible for maintaining the property.
- Review the owners corporation's rules and regulations. This will help them to understand the owners corporation's expectations and to make sure that they are in compliance with the law.
- Update signage at the property.

Depending on a number of factors, the transition from the old manager to the new manager can be a smooth or bumpy process. However, by following a strict onboarding process, the new manager can get off to a good start and help the owners corporation to achieve its goals.



SETUP FOR SUCCESS

- How to align expectations

The owners corporation committee and manager are two of the most important stakeholders in a strata property. The committee is responsible for making decisions about the property, while the manager is responsible for implementing those decisions. In order for the relationship with your manager to succeed, it is essential that the expectations of the committee and manager are aligned.

There are a number of things that the committee and manager can do to ensure that their expectations are aligned. These include:

- Clearly defining roles and responsibilities: The committee and manager should have a clear understanding of each other's roles and responsibilities. This will help to ensure that everyone knows what is expected of them.
- Communication: The committee and manager should communicate routinely with each other. This will help to keep everyone informed about the property and to ensure that any issues are addressed promptly.
- Being open to feedback: The committee and manager should be open to feedback from each other. This will help to identify any areas where expectations are not being met and to make necessary adjustments.

When expectations are aligned, the committee and manager can work together smoothly and efficiently. The committee can provide clear direction to the manager, and the manager can deliver on that direction in a way that meets the needs of the owners.

