

# Negotiating Management Contracts

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# Who can manage a community association?

- Direct employee of association can perform administrative, financial and management duties
- CPA or bookkeeper can manage accounts payable and receivable as part of their normal accounting services
- Independent person or company contracting with an Association for professional management of the property for any compensation or fee (including waiver of assessments) must have Real Estate Broker's license or be associated with a licensed broker
- Conflict of Interest created when a current member of the Association or someone with a financial interest in one or more units is acting as association manager



# What are some things to consider when selecting a management company?

There are many different types of management companies, ranging from 1 or 2 persons working out of their home all the way up to national companies with offices in every state. There are also many different types of services provided by management companies. Here are some red flags and things to look out for when selecting a management company:

- Put together an RFP
- Check Credentials
- Level of Control
- Get Referrals
- Disclosure of affiliated businesses
- Referral fees from preferred vendors
- Require use of preferred vendors
- Will they give you input on selection of manager?
- Will they negotiate contract terms?



# What are some common provisions in management contracts that we should be aware of?

- Termination/renewal clauses may conflict with governing documents
- Auto-renew clauses
- What exactly is and is not included in standard management fee?
- How are Association employees handled?
- Notice of insurance termination
- Budget Preparation
- Maintenance/Repair process and spending limits
- Obtaining bids and signing contracts



# What are some common provisions in management contracts that we should be aware of? (Continued)

- How are collections handled?
- Provisions regarding processing/adjusting insurance claims
- Fees for Resale Disclosures and related documents
- Other Administrative fees
- Limitations on liability and ability to bring claims





# What can we do if we are having problems with our management company?

- Discuss concerns with management company and seek outside advice
- Termination with notice if provided for under contract
- Consult with your Attorney regarding termination for cause
- Termination by mutual consent



**TERMINATED**

# Questions?



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