

Strata Law Reform: Impacts on Strata Manager Agreements

The new strata laws have made significant changes to the appointment and role of strata managing agents.

Agents' appointment terms are to be limited to a maximum of 3 years (or 12 months for an appointment at the first AGM). Existing agreements will run their agreed term, as long as it does not exceed three years or extend more than six months after commencement of the new laws, whichever is later. Developers and persons connected with them are prohibited from being managing agents for 10 years from registration of the strata plan, so a lot of existing agents will not be eligible for reappointment when their existing agreement comes to an end. As a result, **a lot of existing agency agreements are going to expire earlier than expected, possibly as early as 31 May 2017 and a lot of existing agents aren't going to be eligible for reappointment.**

This presents an opportunity for strata schemes to shop around or renegotiate existing agreements, so strata investment property owners should consult with other owners in the scheme, with a view to taking advantage of this opportunity.

The complicated new rules create **potential for an agent's appointment to expire, leaving the scheme unrepresented.**

Schemes need to take a proactive approach to ensure that this does not happen. It may be appropriate to place on the agenda, for each AGM, consideration of the agent's performance and remaining term and any need for reappointment or other action. Strata investment property owners should ensure that their scheme does this.

The New South Wales Civil and Administrative Tribunal will have greatly expanded powers to make orders in relation to agency agreements, including termination orders.

It will be more practical for strata schemes to resolve issues with unfair agency agreements or poor agent performance. Strata investment property owners who think that their scheme has such issues should consider consulting with other owners with a view to taking appropriate action.

Strata managers will not be entitled to receive gifts and other benefits from suppliers and the **receipt of insurance commission income will be subject to disclosure requirements and other restrictions.**

Schemes need to give proper consideration to proposed insurance arrangements and whether they are the best option for the particular scheme. Strata investment property owners should ensure that their scheme does this.

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