

Condo Smarts February 20, 2019

What controls purchasing?

Dear Tony: Our strata owners recently approved 1.8 million dollars from our contingency fund on elevator upgrades, deck and balcony repairs, and the replacement of our boilers. At our general meeting, an owner questioned the council on how the funds would be spent and how the council would ensure we obtained the best prices for the best values and not leave our strata corporation in a disaster over failed contracts. The council responded they would be seeking several bids from contractors and awarding the contract to the best price, but they would not explain how this process would unfold. While the owners did approve the expenses there remain several concerns over past council practices of just awarding contracts without any due diligence. Do any standards or conditions exist that strata councils must follow when administering projects over a certain value such as \$100,000? Emma W., Vancouver

Dear Emma: Many strata council and property managers often assure their owners and clients that several bids on a project will be sought and the best bid will be accepted; however, multiple bids alone will not assure success or best value. A bidding process is only credible if everyone is bidding on exactly the same details and specifications. To achieve this standard, an independent consultant or technician is hired who details the scope of work and contractual details, and every bidder is required to comply with the specifications of the project and contract conditions to qualify. General bids on a project will help your strata in planning and understanding the scope of the project and estimate pricing, but it does not replace competitive tendering. In my experience, a well detailed scope of work and a qualified list of contractors who meet the conditions of the contract will provide your strata corporation with a comfortable level of confidence on the pricing, the contractor's ability to perform the work, and legal options if the project becomes embroiled in conflict. No one wants contractors who constantly delay completion, fail to meet their quoted prices, take shortcuts on promised schedules of work or use substandard materials on their project. While a tendering process is not always possible for every contract, a reliable preferred contractor should still expect to enter into a written agreement that details the scope of work and the terms and conditions of a contract.

A qualified consultant will provide you with a detailed scope of work and monitor the progress and completion of the project to confirm the contractor has met their promised obligations. Your lawyer reviews the scope of work and provides advice on contract terms, conditions, and helps negotiate. A bid is only reliable for your owners if the project is completed within the time frame promised, on budget and with quality materials and service.

The CHOA offices receive monthly complaints regarding contractors who undertake projects and fail to meet building code requirements, obtain building permits or are in violation of WorkSafe regulations. These failures overwhelming burden condo owners with costs and delays that could have been easily avoided. Neither strata councils or property managers are procurement experts. The whole point of buying in a strata corporation is the collective ability to manage and negotiate purchasing. Your common fees ensure your strata council has access to hire the necessary professionals. There are no laws or regulations that regulate how strata corporations administer the purchasing of products or services; however, that does not prevent the owners of strata corporations from making decisions by majority vote that direct or restrict strata councils in the action of their duties, or strata corporations adopting bylaws that regulate purchasing practices and procedures. If your owners insist on an independent consultant and a supervised bidding process, you are permitted by majority vote at a general meeting to direct council to retain the professionals necessary to protect your interests. A majority vote to approve money from your contingency fund for repairs or major maintenance cycles as recommended by a depreciation report may also include consulting and legal services as part of that project. Don't be deceived by values. A \$25,000 deck repair can easily spiral out of control into a \$100,000 dollar nightmare. Get the right consultants on the job and do it only once. A common warning alarm from a contractor is: "if you are going to seek competitive bids on this project I am not

interested because it will the make the project too expensive” What they are really saying is: “if you want me to compete on a level playing field with everyone else I won’t play.” These are the common funds of your owners, how do you think they should be best spent?

Tony Gioventu, Executive Director CHOA

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