Strata Managers First Concern under the Strata Reform: Agent Appointment and Extension of Agreements

With the new strata laws now commenced, the first thing for strata managing agents to address is their appointment. Changes to section 50(6)(a) of the Strata Schemes Management Act 2015 would mean that strata manager is required to notify their owners corporations that their term of appointment is coming to an end at least 3 months before and not earlier than 6 months, before the end of the term of appointment.

What has not changed?

At this stage, it is not expected that there will be substantial amendments to the strata laws. Accordingly, the following requirements will remain on foot:

1. FAGM appointments will still have a maximum 12 month term.

2. Appointments made at other general meetings will have a maximum term of 3 years.

   (a) The owners corporation can make successive extensions of up to 3 months, but not beyond the next AGM, pending a general meeting decision whether to reappoint the agent. If it does and then decides either not to reappoint the agent or not to make another extension, it must give the agent one month's notice of that decision.

   (b) If the appointment was for a three-year term, the owners corporation decides not to reappoint the agent, does not extend the term and does not notify the agent of the decision not to reappoint at least three months prior to the end of the term, the agent has an option to extend for a further three months.

3. Developers or persons connected with developers are prohibited from being managing agents during the first 10 years from the date of registration of the strata plan. If they were appointed before 1 July 2016, their appointment would expire as provided above and would be illegible for reappointment during that 10 year period.

What should you do in preparation of this new change?

You should consider making some changes to your agreement templates to deal with this part of the reform and other parts of the reform.

With all existing agreements in place, you should consider all relevant dates are recorded in the system so that relevant notification can be issued to all owners corporation between 3-6 months before the end of the term of appointment.

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How should expiry and renewal be handled?

Adopt a policy aimed at reducing the risk of missing one of the steps required to prevent an agreement expiring without extension or reappointment.

Key takeaways

- Strata managers must notify owners corporations of appointment term expirations 3-6 months in advance.
- FAGM appointments are limited to a maximum of 12 months.
- Owners corporations can extend appointments by up to 3 months pending a decision at the next AGM.
- Developers cannot serve as managing agents within the first 10 years of a strata plan's registration.
- Agreements should be updated to comply with the new notification requirements.

****The information contained in this article is general information only and not legal advice. The currency, accuracy and completeness of this article (and its contents) should be checked by obtaining independent legal advice before you take any action or otherwise rely upon its contents in any way.*

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