

Consultation Paper

Condominium Manager Standards of Practice

Regulation of Condominium Managers in Alberta

In December 2014, the Government of Alberta passed legislation to amend the *Real Estate Act* and delegate authority to the Real Estate Council of Alberta (RECA) to license and regulate the practice of condominium managers in Alberta. The expectation is this legislation will become effective in the Spring of 2021.

In August 2015 RECA completed Phase I of our consultation, specifically on the regulatory model and the requirements for licensing and education.

In June 2020, the Government of Alberta passed further legislation to amend the *Real Estate Act* (Bill 20 *Real Estate Amendment Act, 2020*) which impacts the mandate and structure of RECA, but will not change the intent to license condominium managers. While RECA awaits the proclamation of this legislation, it will continue the important work of consulting on the proposed rules governing condominium managers.

RECA regulates through Rules adopted by Council (by Industry Councils upon proclamation of Bill 20). The Rules are divided into Parts (like chapters) and each Part may have multiple Divisions (like sub-chapters). RECA is currently developing amendments to the *Real Estate Act* Rules outlining condominium manager standards of practice and required condominium manager service agreement ("service agreement") content to govern the professional behaviour of licensed condominium managers when the legislation takes effect.

RECA is now launching the Phase II consultation.

This consultation paper outlines these proposed standards of practice and the service agreement content. The accompanying online survey asks for your feedback and suggestions. You may answer all or any part of the survey. You can also start the survey at one point and

then open it again later to continue from where you left off (as long as you're using the same computer).

You may also send direct feedback on any of these items to consultation@reca.ca, or mail to:

ATTN: Doug Dixon
Real Estate Council of Alberta
Suite 202, 1506 11 Ave SW, Calgary AB, T3C 0M9

We strongly encourage stakeholders to review the complete consultation paper and accompanying appendices prior to providing feedback.

Section 1 of the online survey includes general, high level questions on the issues raised in this consultation paper. Section 2 of the survey asks for much more detailed responses on all the rules applicable to condominium management. Stakeholders are encouraged to complete the [SURVEY](#) online.

RECA will be providing information sessions for interested organizations and the general public during the last 60 days of the consultation. This will give interested parties an opportunity to obtain additional information, ask questions, and get clarifications. RECA will provide more details on those information sessions later at www.reca.ca/about-reca/legislation-standards/industry-and-government-consultations/. Please check back regularly for updates.

The Condominium Manager Implementation Advisory Committee (CMIAC) will review the feedback after the close of the consultation and then make final recommendations to the Industry Council. RECA looks forward to your response to this consultation.

Consultation submissions and responses will be made available on RECA's website. Individuals will not be named. Consultation responses from industry associations will be posted in full, including the responding organization's name.

Please complete the survey or provide written feedback on or before November 12, 2020.

Background

What is the Real Estate Council of Alberta (RECA)?

The Real Estate Council of Alberta (RECA) is the independent governing authority that sets, regulates, and enforces standards for residential property management, commercial real estate and property management, mortgage brokerage, and residential real estate professionals in Alberta.

Who is serving on the Condominium Manager Implementation Advisory Committee?

The Committee consists of people representing various segments of the condominium sector who have been appointed by the Administrator of the Real Estate Council of Alberta.

- One (1) condominium manager expert who will be the Committee Chair (Deborah Howes)
- One (1) condominium manager nominated by the Alberta Condominium Managers Association (Crystal Deley)

- One (1) condominium manager nominated jointly by the Canadian Condominium Institute Alberta North and South Chapters (Alan Whyte)
- Four (4) condominium owners/board members (Junaid Malik, Rick Morrow, Linda Faulkner, Shelly MacMillan)
- Three (3) Alberta condominium managers (Suzanne LeValley, Sandra Robertson, Michael Stiebritz)
- Two (2) public members (Luke Kurata, Denis Brodeur)

In addition, RECA Administration provides staff support and resources.

The Committee's mandate is to advise and assist RECA with the implementation of regulation of condominium managers under the *2014 Real Estate Act* amendments.

Why is RECA going to regulate condominium managers?

The Provincial Government has mandated that RECA regulate condominium managers.

The regulation of condominium managers will:

- require condominium managers to provide services within a common structure, meaning all will use the condominium management brokerage, broker, and associate structure.
- require condominium management brokerages, brokers, and associates to meet eligibility requirements, and obtain licenses from RECA, and to renew those licenses and maintain ongoing eligibility
- inform and train condominium managers in proper accounting and administrative practices to reduce the potential for financial hardship for Condominium Corporations (and thus owners)
- improve condominium managers' knowledge, skills, and competencies for compliance with regulatory legislation and management agreements
- ensure Condominium Corporations (Boards and owners) receive accurate, timely, and relevant information from condominium managers
- establish clear expectations, roles, and responsibilities for condominium managers so they operate more effectively
- hold condominium managers accountable to regulatory standards
- indirectly increase the knowledge of condominium boards and increase their own best practices.

What is within RECA's scope?

RECA will have authority to regulate the activity of condominium managers. Condominium boards and unit owners will be able to raise concerns to RECA about their condominium manager if they believe their condominium manager is acting in breach of the *Real Estate Act* or Rules. RECA will review all conduct complaints received from all sources about condominium manager compliance with practice standards or other issues. Should a unit owner have a complaint regarding their condominium manager, it is recommended they first try to resolve the issue with the condominium corporation's board of directors.

What is not within RECA's scope?

RECA will not regulate issues between condominium boards and owners. The legislation is not making RECA a condominium tribunal. Owners should first raise the issue(s) with their

condominium board and try to resolve it directly. If the issue is not resolved, they may seek a resolution through mediation, arbitration, or the Courts.

In addition, condominium corporations that are self-managed and who choose not to use the services of a condominium manager brokerage will not be regulated by RECA under the *Real Estate Act* and Rules.

Before and after regulation of the condominium management industry

Currently the condominium management industry is not regulated in Alberta. Some condominium management companies are licensed with RECA as property management brokerages and manage some condominium corporations, but there are many companies managing condominium corporations that are not regulated.

Condominium managers in British Columbia and Ontario have been regulated for several years. Once all the necessary preparations are complete in Alberta, all condominium management companies, and condominium managers working for those companies, will be regulated and required to be licensed through RECA.

Timeline

An overview of the timeline for the work to date and projections for future steps by the Government of Alberta and RECA is provided at the end of this consultation paper.

Terminology

Here is a list of common terminology used in the rules:

- Condominium manager brokerage—The company that is licensed with RECA to provide condominium management services to condominium corporations
- Condominium manager broker—The person licensed with RECA who is responsible for the operation of the brokerage, supervising condominium manager associates and providing condominium management services to condominium corporations
- Condominium manager associate—Persons licensed by RECA and employed by the brokerage to work under the supervision of the broker to provide condominium management services to condominium corporations
- Service agreement—a written contract between a condominium manager brokerage and a condominium corporation that details the services the brokerage will provide to the condominium corporation and the obligations the brokerage and condominium corporation will have to each other
- Standards of Practice—are rules that define the legal and professional expectations of condominium manager brokers and associates

Consultation Topics

The focus of this consultation is standards of practice and content for condominium manager service agreements. There are three Appendices to this consultation paper.

1. Appendix A—The proposed standards of practice for the condominium managers are found in proposed *Real Estate Act* Rules. The proposed Rules are integrated into the existing Rules and

highlighted in yellow.

2. Appendix B—A summary of only the proposed Rules for condominium managers. It includes existing Rules where references to condominium managers have been inserted and new Rules specific to condominium managers.
3. Appendix C—There are two Rules that specify content required in written condominium management service agreements. The first is an existing Rule that applies to other sectors regulated by RECA and will also apply to condominium managers. The second rule is new and specific to condominium management service agreements.

Proposed Standards of Practice

The proposed standards of practice for condominium managers are modelled on the existing model for all other sectors RECA regulates.

- **Part 2—Industry Standards of Practice.** The proposed standards of practice will apply to condominium managers and are found in the yellow highlighted sections of Part 2 of the proposed Rules.
- **Part 3—Accounting, Records & Reporting Requirements.** The proposed accounting requirements for condominium managers are found in the yellow highlighted sections of Part 3 of the proposed Rules.
- **Part 4—Errors and Omissions Insurance.** The proposed errors and omissions insurance and insurance for fraudulent and dishonest acts requirements for condominium managers are found in the yellow highlighted sections of Part 4 of the proposed Rules.

Part 2—Industry Standards of Practice

Division 3.1—Requirements for Condominium Managers is a new division created with the standards of conduct for condominium manager brokerages, brokers and associates. This division includes each classification's responsibilities, prohibitions, and disclosure requirements, and includes disclosure requirements with respect to conflicts of interest. The required content for the written service agreement with condominium corporations is provided for in this division.

This is the most significant division in the proposed standards of conduct for condominium managers. They relate to the operation and the provision of services to condominium corporations.

This division and how it affects condominium managers is largely modelled on the existing standards of practice for property management brokerages.

Part 3—Accounting, Records & Reporting Requirements

Division 4.1—Requirements for Condominium Manager Brokerages is a new division detailing the specific requirements for condominium management brokerages.

In this division are rules with respect to financial statements, service agreements, and various business models permitting condominium manager brokerages to collect, hold, and disburse a condominium

corporation's funds from brokerage trust accounts or from the condominium corporation's bank accounts. These rules facilitate condominium managers who work directly using the condominium corporation's bank accounts.

Part 4—Errors & Omissions Insurance and Insurance for Fraudulent and Dishonest Acts

Division 2.1—Requirements for Condominium Manager Brokerages is a new division setting out the specific errors & omissions insurance requirements and insurance for fraudulent and dishonest acts of condominium managers. Part of this section is modelled on the requirements for mortgage brokers. The insurance for fraudulent and dishonest acts requirement ties into the requirements under section 62.5 of the CPA Regulation.

Thank you for providing your feedback to RECA on this important regulatory change for condominium management in Alberta.

If you would like more information on this consultation or on RECA generally, please go to www.reca.ca or email consultation@reca.ca. RECA will continue to update its consultation page at www.reca.ca/about-reca/legislation-standards/industry-and-government-consultations/ throughout the consultation period.

Timeline

Work undertaken so far

1. Sept 2013: The Minister of Service Alberta invited RECA to make a proposal to regulate condominium managers. RECA agreed and proposed six (6) pillars. Five (5) were agreed (government funding was not).
2. Dec 2014: The amendments to the *Real Estate Act* for condominium manager regulation received Royal Assent. The proclamation of the amendments will occur when the *Real Estate Act* Regulations are implemented
3. April 2015: RECA developed a communication plan to include RECA news, Regulator, blogs, website, postings, and advertisements, for industry and the public. The plan includes condominium manager regulation, licensing, education, and practice standards.
4. May 2015: RECA Chair appointed twelve (12) members to the Condominium Managers Implementation Advisory Committee (CMIAC). Two (2) additional owners have subsequently been appointed to CMIAC at government's request.
5. May 2015-ongoing: RECA is identifying individuals providing condominium management services who will require licensing.
6. June 2015-October 2016: CMIAC held eight (8) meetings.

7. October 2015-January 2016: RECA developed a consultation paper and held Nine (9) town hall meetings across Alberta and published an online survey to discuss the paper. Respondents could provide written responses to the consultation paper. The consultation was to determine the regulatory model for condominium managers.
8. March 2016: CMAIC received a report about the consultation feedback, including all written responses. CMIAC approved recommendations to Council for the basis of a regulatory model for condominium managers.
9. April 2016: Council approved in principle the CMIAC recommendations.
10. April 2016: Condominium Manager Implementation Phase 1 is complete. The model Council approved was the condominium manager brokerage model, where a condominium management brokerage would be licensed by RECA, having condominium manager broker and condominium manager associates also licensed by RECA. You can review the full results of Phase 1 Consultation under Past Consultations:

<https://www.reca.ca/about-reca/legislation-standards/industry-and-government-consultations/>
11. December 2018: RECA begins work on its condominium manager implementation Phase 2 processes. This includes completing practice standards for condominium managers for the *Real Estate Act* Rules, Real Estate Exemption Regulation submission to Service Alberta, and meeting with CMIAC for its recommendations to Council.
12. April 2019: Council approves recommendation to the Government of Alberta that licensing exemptions under the CPA Regulations include employees of condominium corporations.
13. November 2019: Government announces implementation of Stage 2 CPAA Regulations. The Stage 2 Regulations came into force January 1, 2020, including insurance requirements, reserve fund studies, electronic notices, and annual general meeting timing.
14. March–December 2020: CMAIC completes work to finalize recommendations to Council for final approval in December 2020. This will include the draft *Real Estate Act* Rules for condominium managers, content for service agreements, and the consultation paper on the rules and service agreement content.
15. August–November 2020: Consultation on Condominium Manager Standards of Practice and content for service agreements.

Projected Future Steps

(these steps may be modified by the proclamation of all or part of Bill 20 Real Estate Amendment Act 2020)

1. December 2020—CMIAC reviews feedback from consultation, decides on revisions, if any are required
2. December 2020—Recommends proposed rules to Industry Council for approval
3. December 2020—Industry Council approves rules
4. December 2020—RECA notifies Service Alberta rules are finalized
5. April–June 2021—RECA begins licensing of the condominium management sector

Alternate timeline – should licensing be delayed by steps above not being completed as described

6. November–December 2021—RECA begins licensing of the condominium management sector