

# People Business

*Management rights is clearly a  
“people business”.*

Success depends on the manager developing a good working association with each owner and having a good relationship with each tenant.

If the owners are kept informed and have confidence in the manager, there will be mutual co-operation.

If tenants are happy and enjoy living in the complex, they will stay longer, extend their lease when it is due and also tell others about how they enjoy living in the complex.

This means more income for managers and owners.

Potential owners should talk to the resident manager before they buy an interest in the property.

As investors, they need to understand the full operation of the complex to ensure it will satisfy their objectives.

An investor should discuss with the manager what can be achieved from their investment and how to maximise their financial return.

ARAMA (NSW) Inc details  
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Refer to the website for branch contacts  
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ARAMA (NSW) Inc. thanks  
the NSW Office of Fair Trading  
for its support in producing  
this information brochure  
on the role of management  
rights in the strata industry.

# Management Rights and the Resident Manager



# Brief History

ARAMA (NSW) was formed in 2006 by bringing together four groups of resident managers in various parts of NSW who shared the common business role of owning management rights and holding a licence as an On-site Residential Property Manager under the *Property, Stock and Business Agents Act 2002* as administered by the Office of Fair Trading.

These groups formed the initial branches of ARAMA (NSW) and now operate in Sydney, where activity is focused on permanent or long-term letting, as well as holiday letting in Northern Rivers (Byron Bay, Ballina region), Mid North Coast (based in Port Macquarie and including members from Coffs Harbour to Port Stephens) and South Coast (based in Merimbula with members from Tathra to Eden).

The establishment of ARAMA in NSW has been based on the operations of ARAMA Queensland which was formed as QRAMA in 1991, following concerns amongst management rights owners on the Gold Coast about legal challenges to the status and operation of management rights.

From this defensive beginning, ARAMA Queensland has developed a wider role within the industry with positive input to the various developments and problems that come with multi-unit living and ownership of property in community management (strata) schemes.

The holiday letting businesses managed by ARAMA members in Queensland generate over \$330 million revenue annually, making a significant contribution to employment and the local economy. In addition, long term letting businesses managed by ARAMA Queensland members have total revenue of \$290 million annually. While the industry in NSW is smaller, increasingly it contributes to the state and regional economy.

Resident managers are typically a couple who may operate the building themselves or who may engage casual or permanent staff to work for them. Some larger buildings may operate under a company structure with larger staff numbers.

Complexes may have ten units or several hundred units.

ARAMA was founded as an incorporated body to represent members at a range of industry forums and to present a collective and considered policy on behalf of resident managers.

# Mission Statement

The mission of ARAMA NSW is:

*To serve the corporate and industry needs of members in order that ARAMA can properly represent the interests of all stakeholders and the resident accommodation industry as a whole.*

# Aims and Objectives

- Promote the concept of owner operated management rights as the most effective method of serving the interests of unit owners, owners' corporations, tourists and tenants.
- Provide the necessary lobbying, submissions and representation required for all legislation covering community title living and particularly the protection and operation of management rights.
- Promote the tourist industry generally and specifically the letting of units within tourism-approved buildings on behalf of owners.
- Keep members informed of industry developments and activities.
- Represent members on relevant tourism and other professional bodies.
- Maintain a Code of Ethics for members to enhance standards of operation and behaviour within the industry.
- Provide a source of regular bulletins, publications and media releases concerning industry issues.
- Improve the professional and educational standards within the industry through effective training and licensing requirements.

# Management Rights

Management rights operate in a residential or a holiday complex in strata and community title property. Management rights provide an effective way for a strata title property to operate when a significant number of units are owned by investors who want to maintain an active role in the operation of their investment.

Management rights are operated by a resident manager who:

- has a **caretaking service contract** with the owners' corporation under the *Strata Schemes Management Act 1996* or the *Community Land Management Act 1989*. Under this contract, the resident manager maintains the property on behalf of the owners' corporation for an agreed salary for an agreed time. These caretaking activities operate in conjunction with the executive committee for the building.
- has a **letting authorisation** with the owners' corporation to conduct a letting business within the complex
- **owns a unit** in the building (or leases a suitable unit)
- is a **member of the owners' corporation** (if he owns a unit)
- has a significant **financial investment in the scheme** and so has an incentive to ensure the scheme operates well
- **maintains an office on site**, either on title or with exclusive use on common property
- **operates a letting business** and acts as letting agent for those investor owners who choose to use the service. The letting business operates under the *Property, Stock and Business Agents Act 2002*. Letting matters are NOT owners' corporation business, are not covered by the relevant Strata Scheme Management Act and are not business items for owners' corporation meetings.

The minimum licensing requirement for a resident manager is an On-site Residential Property Manager licence issued by the Office of Fair Trading under the *Property, Stock and Business Agents Act 2002*. The manager operates the letting activities under that Act. The resident manager is responsible for the marketing of the complex and the setting of tariffs and rents. Some resident managers have additional training and hold a Real Estate Agent licence and/or a Strata Managing Agent licence.

# Resident Managers

## Caretaking Role

The manager has an obvious interest in the presentation of a building as appearance and facilities will influence the manager's ability to market the building to tenants.

Managers should be concerned with the lawns and gardens so that the building looks attractive.

The swimming pool and similar facilities must be clean and pleasant to attract tenants.

The water quality will be correct, with all plant functioning properly, satisfying Workplace Health and Safety requirements for a safe environment.

Garbage disposal, cleaning of garbage bins, cleaning foyers and stairwells, windows and doors in the common area, barbecues and outdoor areas are all attended to by the manager on behalf of the owners' corporation.

Arrangement and co-ordination of tradesmen who carry out periodic maintenance and repair of building items are usually part of the manager's role.

The caretaking role must satisfy the requirements of the *Strata Schemes Management Act and Occupational Health and Safety Act*.

Hence the successful caretaking and maintenance of the building involves clear communication and co-operation between the executive committee and the resident manager.

A successful and harmonious building will have clear objectives of the standard and extent of work to be done.

The executive committee will ensure the resources are available to meet these objectives.

## Letting Role

The manager is responsible for marketing the building through the various channels to achieve optimum income for owners.

In his role as letting agent, the manager operates a trust account for all rent money collected and must satisfy the requirements of the *Property, Stock and Business Agents Act 2002* as administered by the Office of Fair Trading in the operation of the accounts.

The manager must complete the modules prescribed in the legislation to obtain an On-site Residential Property Managers Licence and have his records audited annually before he can renew his licence. He must also complete the required units of Continuing Professional Development (CPD) annually as part of the licence renewal process. The modules are delivered by registered training bodies such as TAFE and can be completed either by classroom attendance (generally 5 to 10 days) or by correspondence (distance education).

The manager makes a disbursement from the trust account to each letting owner each month, providing details of all income and expenses for the unit.

Letting details are confidential between each owner and the resident manager.

Each unit is competing for revenue against other units in the complex and those in similar complexes nearby. The owner and the resident manager must agree on facilities and presentation that allow the unit to attract the most competitive rental

*A successful and harmonious building will have clear objectives of the standard and extent of work to be done.*



Prospective tenants will often consider several units before making a selection.

The successful manager will provide friendliness and service, encouraging tenants to renew their leases and achieve continuity of income for owners.

As the resident manager lives in the complex, he has an interest in selecting suitable tenants who will maintain the harmony within the complex. After all, he is in the unusual position of selecting his neighbours unlike the off-site agent who does not need to monitor the tenants.

# Benefits to Owners

Unit owners in buildings managed by an ARAMA resident manager have investments monitored by a person living on the site - a fellow owner who shares an interest in the success of the building.

When items in the common property need repair or attention, the resident manager is there to identify and resolve a problem or discuss it with the executive committee.

The resident manager is usually the first to be aware of damage, noise or security concerns on the site and is in a position to take action.

Without a resident manager, there may be a delay before someone "owns the problem".

A resident manager who belongs to ARAMA keeps in touch with legislative issues, industry activities and industry practices.

Where the owner has his unit managed by a resident manager, the owner receives the benefit of the manager's marketing knowledge, particularly regarding changing trends and developments in the neighbourhood.

This knowledge should enable the manager to respond to changing trends, such as tenants looking for particular features in the property.

The manager will also be involved with the cleaning and presentation of the unit after each letting, reducing the chances of maintenance items being left unattended.

The manager also develops a list of reliable tradesmen who can carry out repairs promptly and at reasonable cost.

The resident manager is able to observe, on the spot, any tenancy breaches such as pets, noise or parking. As he is on site for 24 hours each day, he can address any activities that may potentially annoy other occupants.

The resident manager is limited to only letting units in your complex. There is no conflict of interest as he is not letting many hundred other units in the neighbourhood.

The resident manager has up-to-date information of recent sales in the complex and market trends in the neighbourhood.

The resident manager has a financial interest in the success of the complex. He has invested considerable capital in buying a unit in the complex as well as buying the management rights contract. His investment is secure while he delivers benefits to all owners. Hence he has a significant incentive to work with all owners, unlike the facilities manager who has no ongoing investment in the property.

# Benefits to Tenants

The resident manager is at the complex to welcome prospective tenants, inspect the unit with the tenants and provide the prospective tenant with details of the complex and local services.

Managers ensure new tenants settle into units with the confidence as there is someone available who can provide assistance. He is also available if urgent repairs are needed, unlike the off-site agent who is only available during office hours. He can provide prompt rectification of problems in the unit and will carry out minor repair items for the benefit of both owners and tenants.

The successful manager will listen to the tenant's requests, helping them enjoy their stay and quickly become part of the complex.

The skill with which the manager provides advice on the local area and nearby activities and his quick response to repairs are important to tenants and guests.

The ARAMA resident manager will provide a standard of service consistent with the ARAMA Code of Ethics.

Tenants will benefit from the visible presence of the resident manager to provide advice on a wide range of issues in relation to both the complex and the neighbourhood.

## Benefits of Membership

For ARAMA to continue to expand its activities, ARAMA needs the continuing support of resident managers who own and operate management rights.

The industry continues to face many changes.

ARAMA is an association supporting managers, addressing those challenges and seizing opportunities.

Benefits for ARAMA members are:

### 1. LEGISLATION

ARAMA keeps members informed on current and proposed legislative issues that affect the industry.

ARAMA prepares submissions to government and members have an opportunity to submit comments and concerns with existing and proposed legislation.

The industry will grow in size and stability with informed input from all stakeholders. ARAMA recognises the advantages of speaking with all stakeholders to enhance

harmony and understanding within the industry.

ARAMA speaks regularly with government committees involved in developing and reviewing legislation.

### 2. PURCHASING

ARAMA has in place several purchasing benefits for members.

An attractive EFTPOS arrangement is in place.

A Professional Indemnity & Public Liability insurance package is available for members.

### 3. EDUCATION & INFORMATION

The website at [www.arama.com.au](http://www.arama.com.au) provides industry information, links to other helpful sites and an Information Library for members where they can access documents and records to support their role.

Seminars are conducted on topics of interest

A newsletter is published quarterly with details of industry issues

Cost and charges surveys provide details of industry practices

A State Secretariat provides administrative support and advice.

### 4. SOCIAL

Dinners and other functions enable members to meet socially and exchange views.

With the support of all resident managers, the voice of ARAMA will be more representative and members will have an increased input to the direction of the industry and share a growing list of member benefits.