

# Management Rights

## Commonly Used Abbreviations and Terminology



Abbreviation or Term	Explanation
Accommodation Module	A regulation module under the BCCMA Act (QLD). For lenders the primary feature is the agreement term limitation of 25 years inclusive of options.
Accountant's Verification	Process undertaken by purchaser's accountant to ensure the accuracy of financial statements on which net profit for sale purposes is calculated.
Audits	Each year the OFT requires 3 audits to be conducted by the on site manager's accountant. One of these audits must be submitted to the OFT annually. Resident Letting Agent licence renewals are predicated on the OFT receiving a satisfactory audit in the period 8 to 12 months after the licence was granted and annually within that time frame thereafter.
BCCMA (QLD)	Body Corporate and Community Management Act 1997. Legislation administering strata schemes including management and letting
Body Corporate (BC)	The legal term which refers to the consolidated entity which is the lot owners within a scheme. Known as Owner's Corporation in some states.
Body Corporate Committee	Group of elected lot owners which has the power to vote on specific matters and decision matters concerned with the day to day running of the scheme. Does not have the power to vary agreements but can approve assignments. Resident manager is included but has no vote.
Body Corporate Manager	A business set up to provide BC management services to multiple individual bodies corporate. Will attend to such matters as organising AGMs, providing legal opinion to committee and administering the collection of levies.
Body Corporate Salary	The sum paid to the resident manager by the BC under the terms and conditions of the Management Agreement. Average salary benchmark is \$1000 per unit in the scheme (not the letting pool) with reviews generally linked to CPI.
Clawback / Retention	Refers to the contractual mechanism by which an intending purchaser of an "off the plan" MR can ensure that the number of units projected to be in the letting pool at settlement is achieved.
Committee	Also known as the Body Corporate (BC) committee. A group of elected owners within a strata scheme who are empowered to make certain decisions and recommendations to allow for the smooth day to day running of the scheme without the need for all decisions to go before an AGM or EGM. Resident managers are to be included in all committee discussions but do not have voting rights. Does not have the power to vary management and letting agreements.
Common Property	Property within a strata scheme which vests with the BC rather than with any particular lot owner.
Deed of Assignment	Document entered into between an outgoing manager, an incoming manager and the body corporate allowing for the transfer of the management and letting agreements. Requires approval by the BC committee.
Deed of Authorisation	Document used to adopt and/or amend the Letting Agreements in certain circumstances.

# Management Rights

## Commonly Used Abbreviations and Terminology



Abbreviation or Term	Explanation
Deed of Engagement	Document used to adopt and/or amend the Management Agreement in certain circumstances.
Deed of Variation	Document entered into between the BC & the resident manager varying the terms and conditions of the management and/or letting agreements.
Due Diligence	Process undertaken by purchaser's solicitor to ensure all documentation is in order in respect of agreements, previous assignments and compliance with appropriate legislation.
Exclusive Use	An area of common property the use of which attaches exclusively to one particular lot. Also known as an Occupation Authority or Licence to Occupy.
Leaseback	An arrangement whereby a resident manager leases units in a scheme direct from the owners on the basis that the units are then on-let for a higher return than that paid to the owner under the leaseback arrangement.
Letting Agreement	An agreement between the BC and the On Site Manager whereby the BC agrees to allow the manager to provide exclusive letting services to lot owners within the scheme.
Letting Appointment	Written agreement under PAMDA Form 20A by which the owner of a property appoints a licensed party to act on behalf of that owner and account for funds via a trust account.
Letting Pool	The combined units in a scheme which, on the basis of letting appointments from individual lot owners, are managed by the on site manager as letting agent.
Levies	Amounts payable by lot owners in a scheme to ensure the coverage of costs associated with the day to day running of the scheme. Standard levies cover sinking fund contributions, body corporate management fees & the resident managers salary while special levies can be introduced from time to time to cover such things as refurbishments & upgrades to the site.
Lot Owner's Deed	Document entered into between the BC & the manager where the owner of the manager's lot is not the same party as the owner of the MR business.
Management Agreement	An agreement between the BC and the On Site Manager whereby the manager agrees to perform certain duties for an agreed remuneration.
Modules	The regulations incorporated in the BCCMA under which various types of strata schemes are operated.
Occupation Authority	Document entered into by the BC allowing use of common property that is not classified as exclusive use.
Off the Plan / Greenfield	Refers to a management rights business being purchased prior to the construction and/or completion of the subject development.
OFT (Qld)	The Office of Fair Trading (OFT) which administers compliance with the PAMD Act including licensing and trust accounting.

# Management Rights

## Commonly Used Abbreviations and Terminology



Abbreviation or Term	Explanation
On Title	Term used to differentiate areas which could be either common area, exclusive use or actually owned as freehold. Typical example is the manager's office space.
PAMDA (Qld)	Property Agents and Motor Dealers Act. Legislation administering real estate licensing, property management licensing and real estate trust accounting.
Letting Agreement	An agreement between the BC and the On Site Manager whereby the BC agrees to allow the manager to provide exclusive letting services to lot owners within the scheme.
Rental Guarantee	An arrangement whereby a developer undertakes to pay a set amount to unit owners within a scheme. Usually applied to make the purchase of units in a scheme more desirable for investors.
Resident Manager	The manager contracted by the BC to manage the site and provide letting services to lot owners (unit owners) within the scheme. Also referred to as Resident Unit Manager (RUM) or On Site Manager.
Resident Letting Agent	A licensed agent under the PAMDA for the purposes of acting as a letting agent for a specific building or group of buildings.
Sinking Fund	The accumulated funds collected from sinking fund levies go toward the upkeep and maintenance of the site. BCs are obligated to put in place maintenance plans & costings on a regular basis.
Standard Module	The module to which all schemes defaulted when the act came into force in 1997. For lenders the primary feature is the agreement term limitation of 10 years inclusive of options.
Strata Scheme	Multi titled residential development comprising individually owned lots, exclusive use entitlements and common property.
Transfer Fee	Percentages of the MR business sale price which may be charged by the BC in the event of a sale within the first 2 years of ownership. 3% in year 1 and 2% in year 2.
Trust Account	The OFT approved account into which the proceeds of all letting must be banked by the on site manager. Owners are paid from this account on a monthly basis net of letting commission and any other deductions such as cleaning costs, linen hire and charge backs to owners.
Wholesaling	Refers to commercial arrangements via such organisations as Sunlover Holidays whereby holidays are sold by the wholesaler who in turn takes a percentage of the tariff, generally 25%.

Note : These terms apply predominantly to Queensland although most state use the same or similar descriptions.