

CONTRACTS AND THE BASICS

NRS 116.____ requires that the Community Manager learn “contracts” in their pre-licensing classes to get their license. Initially I thought *why*, since contracts are really scary and can cause so many problems if not drafted right. This should be left to the attorneys and put a huge responsibility on the teachers of the classes to teach the *right* things.

In putting the classes together, I realized that the legislators were very smart in including this in the mix as we are able to let the students know the numerous problems that they can ward off if they will minimally request that ALL contracts be reviewed by the HOA’s legal counsel. Even those very small contracts can cause huge problems. I will try to give you an example in this article that will help you understand at least one of the issues.

If Associations would prepare RFP’s for most of the work, many of the problems would be resolved and these RFP’s referenced in the contract as well.

Some contracts limit the amount of the company’s responsibility to the amount of the contract. If the fire inspection company does not do their job and there is a fire, the damages can be huge. If their contract says that their responsibility is limited to the \$2,500 a year that is contracted, there is a huge hole in your coverage. At times, you won’t be able to find a vendor who will enter into a contract that puts them into a position where they can have huge liabilities. In those cases, you would want to have the association’s insurance broker or agent involved as they need to know now that they have become the insurer. Your attorney will point out these types of problems since the person who drafts the initial contract obviously drafts it into their own favor.

If the Board will not take the manager’s advice to involve the attorney, the Manager will be sending the HOA a CYA letter to protect their company and themselves when things go South.

Remember that there is a law in most state’s that you cannot practice law without a license regardless of how smart you feel.