

Condo Smarts

Headline: Small Strata Corporations – How to Stay Out of Trouble

Topic: Strata Council

Publication date: November 7, 2010, 2010

Publication: The Province

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Dear Condo Smarts: What happens when a small strata fails to keep any minutes of its meetings, or worse yet, fails to comply with any of the basic requirements of the Act? Our five-unit townhouse strata in North Vancouver has been around since 1997. We are a simple operation with few common expenses other than our building maintenance, snow removal, landscaping and insurance. All operating expenses and utilities are billed directly to each strata lot, and we are blessed with great neighbours. Unfortunately one of our owners has got to the point that she can't negotiate the stairs anymore so listed her unit for sale. Several buyers have asked for copies of the minutes for the past five years, but we have never kept any minutes, and our meetings basically only ever occurred whenever an expense comes up. One owner goes around and gets cheques for each unit's share. We all pay the same amount so it has been an easy job to do, but now buyers are giving us some grief over the lack of records. We know the Act is there for everyone's protection but isn't there a simpler way for small strata corporations without the hassle of all the meetings and records? No one in our strata has the interest or time for the work? Karl R.

Dear Karl: Every strata corporation is bound to the same requirements in BC regardless of size, description or type of operation. Whether you are in a duplex, 20-unit industrial park, 150-unit bare land or a 600-unit condo complex, the same basic legislation, regulations and standard bylaws that set out the general operations apply. It is not as complicated as it appears if you follow some basic steps.

Properly conduct an Annual General Meeting (AGM) each year. At the AGM you need to approve an annual budget, provide a report on insurance and elect a strata council. This also includes a financial report that shows your total fees collected, your total expenses based on the previous year's budget, and a financial report of your contingency reserve fund. Many small strata corporations also make their annual decisions on maintenance, contractors, consulting and general services at the AGM, so each strata lot has the ability to participate. Remember that common expenses are still allocated by unit entitlement. The schedule is published either on your strata plan or filed as a separate document in the Land Title Registry. Before you calculate each strata lot's share of the annual budget, you will need a copy of the schedule.

When I checked Karl's strata plan, I discovered their strata fees are not all equal and their common expenses that include strata fees and special levies are based on the size of each unit by square footage.

A typical annual budget for a five-plex likely has at the least the following expenses: Insurance, Building Maintenance, Landscape Maintenance, Bank Charges, Memberships or Consulting Services, and a Contingency Reserve (CRF) Fund Contribution. Once you have voted on the total amount of the annual budget and determined how much money you need to raise for revenue, you then apply that amount to your schedule of unit entitlement, which calculates the amount of your monthly strata fees.

For example, in the charts shown, the adopted annual budget requires \$14,135.00 in revenue. The share that would be paid by strata lot #1 is calculated as follows: $1195/5464 \times \$14,135 = \$3,091.38$ per year or \$257.60 per month.

Annual Budget	Amount (example)
Insurance	\$2,750.00
Maintenance	\$7,500.00
Gardening	\$1,800.00
Bank Charges	\$300.00
Services/Consulting	\$500.00
Subtotal	\$12,850.00
CRF contribution	\$1,285.00
Total Expense	\$14,135.00

Strata Lot Number	Schedule of Unit Entitlement
#1	1195 /5464
#2	1142/5464
#3	1050/5464
#4	990 /5464
#5	1087/5464
Total	5464

Once the strata has approved an annual budget, then the strata corporation is now in a position to enforce it's bylaws in the event a strata lot does not pay their strata fees and to pay their expenses. For example, the insurance, covering the common property, common assets, fixtures and general liability, is in the name of the strata corporation (strata plan number) and is paid as a common expense by the corporation. Make sure you provide a copy of the annual insurance and the appraisal status information to all strata lots each year as part of your insurance report.

Finally, elect a strata council. The strata council may only be the minimum number of people, but they are mandatory to enforce bylaws that include the critical part of collecting monthly fees, maintenance and repairs, operations, and general use of property. Also, information forms that are

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required for real estate transactions, must be signed by council members. Maintain a single book of minutes to report your annual meetings and any council meetings and maintenance records of the property. A strata corporation is a separate legal entity from the owners that can do anything an owner may do, so if you get the basics correct, the rest can be much easier to handle. A summary guide for small strata corporations is posted on the CHOA web site: www.choa.bc.ca under Public Resources.

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