

Condo Smarts

Headline: What's the news on the new regulations for Depreciation Reports and Form B's?
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Written by: Tony Gioventu

In October of 2009, the BC government passed the Strata Property Amendment Act, Bill 8. Under the Act, many of the changes taking place were to be introduced by implementing regulations. Unlike Bill 8, which required the approval of the legislature, regulations are approved by the provincial cabinet as an order in council. Within Bill 8, there were provisions that affected long term planning and information certificates. Part 15 of the Bill, applied to long term planning, has just been adopted through the regulations as mandatory depreciation reports. A depreciation report is basically a planning tool used by property owners (the strata corporation), to clearly understand what the strata is responsible to maintain and repair as part of their building system (a physical component inventory), the age of the building system, the projected life expectancy, when it should be planned for renewal, what it will cost when the time comes to renew the component, and how your strata will pay for it. The new regulations provide a 2 year window for strata corporations to comply with the mandatory requirement, by December 13, 2013. Strata corporations of less than 5 units will be exempt, and strata corporations of 5 strata lots or more who wish to be exempt from the requirement, must essentially pass a ¾ vote at an annual or special general for each one year period the depreciation report is required to be obtained.

So how does this affect our strata corporation? Every non exempted strata corporation will be required to commission a depreciation report by December 13, 2013. They will also be required by March 1, 2012, to disclose on the amended Form B information certificate, whether they have a depreciation report, and they must attach a copy of the report if one exists.

Unless your strata corporation is exempt, you will be required to retain the services of/appoint a person who is qualified to create the report. So for many strata corporations the first step is going to be sending out requests for proposals. The requests should stipulate that the report must meet the requirements of the

regulations and establish the total cost for all services, including 3rd party inspections and surveys.

The regulations require that the person who is providing the report include their qualifications, and indicate whether the person is covered by errors and omissions insurance, and a description of any of the relationship between that person and the strata corporation. A person also implies a consultant or company providing the report such as an engineering firm.

To create an inventory of what your strata has to include, will require an onsite inspection and an inventory list of the components that are common property, limited common property or items included in the strata bylaws, that the strata corporation has to maintain and repair. They include the building's structure, exteriors including roofs, roof decks, doors, windows, skylights, electrical, heating, plumbing, common amenities and facilities, parking and roadways, utilities including water and sewage, landscaping, interior finishing, green building components.

The period of service over 30 years, will include both items that have to be replaced, such as a roof, and those maintenance obligations that are not part of the annual operating budget, such as repainting the siding every 5-10 years. The final report will also have to include a financial forecasting sector. So essentially how the strata is going to pay for this work? Are they going to increase fees to build up the contingency reserve fund, loans, or are they planning on special levies as necessary or will they consider a combination of funding options.

The depreciation report will become a significant planning tool for strata corporations to ensure they establish an ongoing schedule of maintenance and renewals, and have the opportunity to make conscious decisions around financial and maintenance planning. The report will also become an important document

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that buyers, and the financial and insurance sector will also access to assist them with understanding the costs and risks associated with a strata property. Strata corporations can start now by requesting proposals and gathering as much documentation about your strata as you can establish at this time to assist the depreciation consultant with the process. The better records and documents that your strata has maintained, the more cost effective your depreciation report will be. For an extended information bulletin on understanding depreciation reports, go to the CHOA web site at:
www.choa.bc.ca<<http://www.choa.bc.ca>>

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