
Designing A Risk Management Program

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Written by: CHOA

The rising cost of strata insurance and increased deductibles are an indication of what strata property owners and corporations can anticipate. The best solution to defend against increased costs is also the best solution to protect your investment. A risk management program is essentially an effective buildings operations program and will encompass:

- annual scheduling and planning for common property inspections, suite inspections, maintenance and servicing of all building components
- a depreciation report that is an active document to plan for the funding and implementation of renewals before components fail
- a routine governance review to determine if your bylaws are sufficient and your buildings activities have not increased the risk to property or persons
- a monthly schedule and agenda of council meetings that review, maintenance, operations, depreciation planning, supervision of service contracts, staff and management review, financial review and approvals, building safety and budgets

The first step is to assemble a complete inventory of all of your building components that are the responsibility of the strata corporation and the responsibility of each owner. While there are many obvious components that require routine inspection and servicing, there are hidden services and facilities within our buildings that are not apparent until disaster strikes. Internal and external drain clean outs and parking garage sump pumps are a common example. Depending on the complexity of your property, elevation to sea level and ground water, clean outs of internal and perimeter

drains may be required every year to prevent floods and sewer back-ups.

A detailed spread sheet that lists all of your components is the best starting place. Your depreciation report will include a spread sheet of all common property components. In addition to the remaining life and projected renewal date for components, add columns that identify the cycle of repairs, inspections, maintenance and long-term renewals. This will also provide you with the building blocks for your annual budget and your contingency contributions. Do not leave these services up to special levies. The result of deferred maintenance is always the same: the service life of components is reduced, the cost to replace them after they fail significantly increases and your strata corporation will likely experience a loss resulting in an insurance claim, which in turn results in higher insurance costs and higher deductibles.

Building Servicing & Inspection Sample Checklist Annual/Monthly/Weekly/After Major Events

Exterior

- roofing systems, drainage, flashings, overflows, membranes, tiling, roof tops decks, skylights, roof top heat and ventilation systems, vent stacks, chimneys and venting
- exterior water management systems, gutters, downspouts, surface drainage, balcony drains and overflows, sealants around doors, windows, cladding, pools, ponds and adjacent waterways
- lighting, walkways, roadways, snow removal, common barbeques, recreational facilities, tree management and landscaping, retaining walls, culverts, bridges, parking garages, stairwells, canopies and entries

Interior Building Components

- Water management/energy systems, hot and cold water delivery, water treatment, hot water boilers, heating systems, air conditioning, make up air units, parking ventilation/exhaust, attic/crawl space ventilation, geo thermal/glycol heating and cooling systems, sump pumps, drainage clean outs, back flow prevents, pressure regulators, electrical vaults, charging stations, gas fire places*, hot water tanks* (* see strata bylaws)
- Safety/Access Systems, fire suppression systems dry/wet sprinkler, installation of sprinkler cages, smoke detectors*, heat detectors, fire safety plans and resident awareness, water intrusion alert systems, elevators, emergency stairwells, FOB/lock door access, dryer venting and exhaust
- Interior finishing and access, carpets, door closers and handles, lighting, stairwells, common rooms and recreation areas, pools, hot tubs, saunas, exercise facilities

Strata Lot Components: Owner Responsibility

Laundry systems, dryer lint trap cleanout, installation of steel braided washing machine hoses, inspection of drainage hose, caulking and maintenance of tub and shower surrounds, cleaning of overhead range vents, protection of sprinkler heads, removal of garbage and recycling, safe management of barbeques if permitted, inspection of under sink drainage and water lines, hot water tanks, fire places, smoke detectors, drain clear out of decks and balconies, heat pumps and furnaces.

Strata Corporation Bylaws

Bylaws that may apply to use of the common property, use of a strata lot, the obligation to maintain and repair a strata lot, or where a strata corporation takes responsibility to maintain and repair a portion of a strata lot may provide the strata corporation with the ability to closer manage risks that may result in building damages and insurance claims. A routine review of your bylaws is necessary to ensure they comply with changing legislation.

Hot water tanks

- There are many strata apartments and townhouses that contain a hot water tank for each unit. The frequency of replacement relies upon the quality and age of the tank. Most tanks have life cycles of 7 or 10 years. In an apartment strata the failure of a hot water tank may result in compounded damage to the strata lots below the failed unit. Because the tanks are located within the strata lots, they are the responsibility of each owner to maintain and repair; however, everyone pays the cost when the systems fail. The Strata Property Act permits a strata corporation to adopt a bylaw where the strata corporation takes responsibility for the maintenance and repair of specific components. This could be beneficial for townhouses, strata apartments and even bare land strata where all the structures were constructed in a similar fashion by the developer. The benefits of such a bylaw are:
 - The strata corporation controls the frequency of inspections and renewals
 - Multiple renewals increases the negotiating power of the strata corporation with significant cost reductions.
 - The strata corporation reduces the risk of losses and insurance claims

Barbeques

- Since 2010 there have been 5 major claims relating to gas/charcoal barbeques in strata buildings. The losses in some cases have exceeded \$1,000,000. Is this a risk that your strata corporation is willing to burden? We all enjoy outdoor cooking; however, barbeques on balconies and decks of wood frame structures significantly increases the risk of fire and subsequent loss. A strata corporation is permitted to adopt bylaws that restrict or limit the use of a strata lot, common/limited common property. Options to consider in lieu of barbeques on decks and balconies is the installation of a common area barbeque space on the strata property that is removed from the building. As many strata units in BC are not air conditioned due to a moderate climate, the only option for ventilation is open doors and

windows. The exhaust from barbeques may also cause significant damage to adjacent strata lots and may pose a health risk.

Fireplaces/Smoke Detectors

- Gas and wood burning fireplaces are common in most townhouses and strata apartments. They do require routine inspection and servicing. Strata corporations in apartment style buildings also attempt to save money by turning off the gas to fireplaces during summer month. While the cost savings may be beneficial, they may expose your strata corporation to failures in the lines if the system is not properly restarted. A bylaw that requires the strata corporation to inspect and maintain gas fireplaces annually ensures all fireplaces are serviced routinely, and can be negotiated as a single service contract.
- Smoke detectors are generally not hard wired into the building monitoring and fire safety systems. For obvious reasons, the fire department cannot respond every time someone burns the toast; however, smoke detectors are life alert monitors and essential to draw attention to a problem. Owner and tenants often ignore their smoke detector until they realize it is not working. Including smoke detectors as part of your annual servicing of fire safety systems.

Smoking

- Strata corporations are permitted to adopt bylaws that restrict smoking in strata lots and on common property. This is a lifestyle choice for each community; however, smoking is flagged by risk managers as a cause of fires. Designated outdoor smoking areas may be a viable solution to accommodate smokers and reduce the risk of fire related incidents.

For all bylaw amendments, please consult your lawyer to ensure your proposed bylaws comply with the Strata Property Act, BC Human Rights Code and every other enactment of law.

200-220 Supplement

For a SAMPLE Operations Planning Chart, please see CHOA bulletin 200-220 Supplement on the next page or if you prefer it is available as a separate excel file.



Condominium Home Owners Association of British Columbia
Leadership, Education and Resources for Strata Owners Across BC

Website: www.choa.bc.ca / Toll-free: 1.877.353.2462

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SAMPLE Operations Planning Chart

** The following operations/risk management plan is extracted from an 88 unit strata building that is 10 years old.*

Component	Current Age YRS	Renewal Date	Projected Renewal Cost	Maintenance Cycle	Service Agreement	Budget Allocation	Who schedules the inspection service?	Date Service scheduled	Projected Contingency Expense	Date Service Completed	Contract Renewal Date
Roofing/Drainage	10	2028	\$250,000	Annual Inspection	ABC Roofing	\$800.00	property manager	Apr-20	\$250,000 - 2028		Annual
Doors/Windows/S kylights	10	2035	\$1,800,000	Bi Annual inspection	ABC Engeering	2,000	property manager	Jun-20	\$1,800,000 - 2035		Annual
Sealants & Caulking	10	2020	\$10,000	Every 7 years	ABC Engineering	0	property manager	Jul-20	\$10,000 - 2020		Annual
Decks & Balcony Inspections	10	2022	\$137,000	Annual Inspection	ABC Engineering	\$1,500	property manager	Jun-20	\$137,000-2022		Annual
Surface drainage	10	2040	\$35,000	Annual Clean out	ABC Plumbing	\$1,200	property manager	Sep-20	\$35,000-2040		Annual
Trees	10	2030	\$50,000	Annual Pruning	ABC Arborist	\$1,000	property manager	Aug-20	\$50,000-2030		Annual
Landscaping	10	2030	\$40,000	Landscaping & Irrigation	ABC Landscaping	\$12,000	garden committee	Jun-20	\$40,000-2030		Annual
Gutters	10	2028	\$7,500	Annual Cleaning	ABC Roofing	\$1,500	property manager	May/Oct 2020	\$7,500-2028		Annual
Fire Safety Systems	10	2035	\$185,000	Annual servicing	ABC Fire Prevention	\$5,800	property manager	Nov-20	\$185,000-2035		2023
Elevators	10	2035	\$250,000	Annual	ABC Elevator	\$8,500	property manager	4 X / year	\$250,000-2035		2030
Boilers	10	2025	\$24,000	Annual	ABC Plumbing	\$2,500	property manager	Aug-20	\$24,000-2025		Annual
Make Up Air Unit & Garage Exhaust	10	2032	\$58,000	Annual	ABC Mechanical	\$2,000	property manager	Jan-20	\$58,000-2032		2021
Hot and Cold Water	10	2045	\$790,000	Bi annual suite inspections	ABC Plumbing	\$3,000	property manager	Jan-21	\$790,000		Annual