

## Condo Smarts

Headline: What happens when we run out of money?

Topic: Depreciation Reports, Voting

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**Dear Tony:** Our strata corporation has a depreciation report that projected our roof replacement in 2017 at \$95,000. We hired a licensed roofing inspector and had the roofing project put out for bids. The lowest bid we received was for \$155,000, plus we need some funds for the inspector and legal. At our AGM in May our owners approved up to \$95,000 for the roofing replacement from the recommendation of our depreciation report. Does the council have the authority to spend the additional funds without calling a meeting of the owners? Our property manager told us the majority was just a formality and we're not required to have another vote.

*Jason M. Port Coquitlam*

**Dear Jason:** The values in the depreciation report are simply estimates. Depending on the depreciation report contract a strata corporation agrees to, the variance in cost could easily be up to 50%. In your case, your contract estimates subject to market conditions, the projections within the 3 year period are estimated to be within 30%. Approving the funds recommended by the depreciation planner before you have retained a consultant to provide current market estimates is premature. In addition to ensuring all bidders are competing for the same product, services, technical requirements and conditions set by the specifications, the consultant will be able to provide you with a much closer market cost. The strata could include a contingency for cost estimates to ensure they have sufficient funds and approve up to a specified amount rather than just the fixed projection cost of \$95,000. The *Strata Property Act* and Regulations do not require that the amount is restricted to what is in the report. The *Act* permits a strata to vote by majority vote for a contingency expense if the renewal is related to the repair, maintenance or replacement of a component recommended in the most current

depreciation report. If the strata corporation did not approve sufficient funds either by majority vote for a contingency expense or a three quarters vote for a special levy your strata corporation will be required to hold another general meeting and obtain the approval of the owners for the additional funds.

The depreciation report was not intended for strata corporations to simply approve funds by majority vote. The report is a planning tool to project when components need to be maintained or replaced, how much life is remaining in the components, how much the projected cost may be, and options for how the strata corporation may choose to fund the future requirements.