

Condo Smarts

Headline: How much is too much?

Topic: Strata Fees

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Dear Tony: Our building is only 7 years old, and with the addition of a resident caretaker and concierge to manage our property our strata is facing a massive increase in our condo fees this year. My monthly fees for a 1 bedroom have gone from \$419 a month in 2015 to \$829 for 2018. Almost a 100% increase. If we continue to increase our fees at this rate our units will no longer be affordable as several owners in the building are now facing a serious financial cash problem. With increasing interest rates, operating costs, and building costs many owners are concerned our units will no longer be affordable. We have also been informed the strata is planning on recommending full funding for our depreciation plan which will add another \$150 a month to my strata fees. Is there a limit to the amount the annual condo fees can be raised each year? I know we need to protect our property and maintain our assets, but at what point do we face a crisis when the owners no longer approve sufficient funding?

Carla D.

Dear Carla: The annual budget contains those expenses for your strata corporation that occur once a year or more frequently. The proposed annual budget is first developed and approved by the strata council before they give notice of the Annual General Meeting. At the meeting, the eligible voters approve the budget by majority vote; however, as part of the discussion and debate the eligible voters are permitted, by majority vote, to make amendments to either increase or decrease the portions of the budget before approving the final amount. There is no limit to the value or types of changes the owners are permitted to make at the meeting and there is no limit on the proposed increases provided the owners approve the budget by majority vote.

The total amount of the approved operating budget and the contribution to the contingency fund determines the portion each strata lot pays for monthly strata fees based on the schedule of unit entitlement filed in the Land Title Registry. When your strata corporation sends out the notice of the meeting, they must include a schedule of proposed strata fees showing the projected contributions if the proposed budget is approved. Within 2 weeks of the budget being approved, the strata must send a notice to all owners advising if their strata fees have changed.

Unfortunately, many strata corporations just get into the routine of approving the same budget year after year without reviewing the impact of aging and changing buildings systems, long term planning for renewals and an appropriate assessment of the services they need to maintain the standards of maintenance and repair. Budget planning is an ongoing annual process. When your strata council reviews monthly or quarterly financial reports the information forms the framework for future projections. This provides the council with the opportunity to review existing and future service and maintenance agreements, staff requirements and long-term planning costs.

I am constantly asked what the "average rate of strata fees" should be for a high rise, townhouses or low-rise apartments. There is no such standard as every building and community is constructed separately, with different geographic locations, services, finishing standards, service demands and community history. Rather than looking at how to keep strata fees down, owners need to focus on the appropriate strata fees to protect their investments. In new buildings, it may take a few years before the building is fully occupied when you can anticipate strata fees to increase significantly as developer tend to project low fees for affordability and

more services and operating costs are added. A well planned and funded budget will ensure your property is well maintained, major repairs are funded, special levies are avoided, and your financial asset is protected.