Condo Smarts
Headline: Head off repairs with planning
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Imagine you've just purchased a luxury three-bedroom condo. Two months down the road, you receive notice of a meeting to vote on a special assessment of $3,000.00 per unit for a new roof because the roof is leaking. Yikes!

Take the same scenario, but this time the strata corporation have been planning for the roof for the past 10 years and voted at the AGM to replace it. In this case, you have no special assessments, no additional meetings and a brand-new roof replaced before it caused any damage to the building infrastructure.

One of our member corporations in Vancouver recently replaced their entire roofing system and skylights solely from their contingency funds. With careful investing and long term planning, the actual amounts paid by owners was 20 per cent less and no structural repairs or restorative damage required. The strata chose the time and conditions of the construction. This is a model example of success for investors in strata corporations.

Strata Law: Strata corporations have two separate funds: the operating fund for those expenses that occur at least once per year or more frequently, and a contingency reserve fund for those expenses that occur less than once per year or that do not usually occur. Contingency reserves can also be saved on a depreciation model so long-term replacements may be planned for. It is in the best interest of the strata to maintain their contingency fund for proper replacements and repairs and property values.

Tips: It is a commonly known concept that if you leave buildings until they fail or something breaks down it will cost significantly more than if you have a planned maintenance and replacement schedule. Interest earned on contingency reserve funds is not taxable, so investments will compound without tax penalties and accelerate the growth rate. Strata corporations may want to consider five elements for long-term planning; Roofing, windows, cladding/siding & decks, elevators and plumbing systems.

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