

Condo Smarts

Headline: Depreciation Reports

Topic: Reserve Plans

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Dear Condo Smarts: Our property manager suggested that we pass a 3/4 vote as soon as possible so we wouldn't get burdened with the additional fees for a depreciation report that's required with the new amendments to the Strata Property Act. So at our AGM in February we passed a 3/4 vote to exempt our strata. Now we have a challenge with resolution, because we also voted to not be obliged to contribute any amount, yet the Regulations still require a minimum contribution of 10%. So if we change back and reverse the 3/4 vote we have two questions. How do we proceed with a depreciation report and who is a qualified person? John Fischer, Richmond

Dear John: Your strata has got a bit ahead of the legislation. Yes the amendments to the Strata Act under Bill 8 were passed; however, only certain sections were brought into force by the regulations. The sections that deal with depreciation reports, audits, arbitration, provincial court, and amendments to Form B Information Certificates, all require extensive development and consultation before the regulations can be created, and therefore are not yet in effect. Terms such as: "qualified person, prescribed class" which will apply to depreciation reports and audits are undefined at this time. The types of depreciation report or perhaps reserve fund study that are mentioned in the amendments to the Act are still not established. Until those regulations are created and approved by an Order in Council of the Provincial Cabinet, they do not come into effect. Exempting your strata from the funding obligations, has significant repercussions in the future, especially if your neighbouring properties are participating in

active depreciation/reserve fund reports and are funding them over the long term. At some point, your strata will be faced with substantial special levies to address repairs, and future buyers, mortgage providers, mortgage insurers and insurance companies will begin to view your lack of long-term planning and financial commitment as a significant risk. That will have a negative effect on the value of your properties. Before you decide to exempt your strata from these obligations, think of what the future may hold for your property values and owners' personal financial risks. It is too early to contemplate a 3/4 vote for an exemption, because this part of the legislation is not yet written and is not in effect. CHOA is hosting three forums on reserve fund studies, that are open to the public at no cost. Their purpose is to provide strata corporations with an understanding of reserve fund studies (depreciation reports), and to seek feedback on the issues that strata corporations will be facing in the near future. The forums are on Saturday April 17 ~ 10:30am-12noon at Douglas College, 700 Royal Avenue, New Westminster, Large Lecture Theatre; Saturday May 15 ~ 2:30-4:30 pm following the Penticton Seminar at the Days Inn, 152 Riverside Drive, Penticton and Saturday May 29 ~ 2:30-4:30 pm following the Victoria Seminar at the Comfort Hotel, 3020 Blanshard Street, Victoria. Space is limited so please contact the CHOA office to register, toll free at 1-877-353-2462 ext 2.

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