Condominium Home Owners' Association
Serving BC's Strata Property Owners since 1976
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Condo Smarts
Headline: What if we just say NO to depreciation reports?
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Dear Condo Smarts: Our strata of 18 bare land units in a retirement community located in Oliver BC have been reviewing the depreciation legislation and just don't see the point for small strata corporations. Owners are responsible for each of their units and other than snow removal and insurance we have very few common expenses. We have decided to take advantage of the exemptions in the regs but don't understand the procedure. *Mrs. KR McMillan*

Dear Mrs. McMillan: One of the most valuable benefits of the depreciation reports is going to be the inventory of common property, common assets, and portions of limited common property and strata lots that the strata corporation is going to have to repair, maintain and replace. There are many strata corporations that have operated with limited function under the Strata Property Act, and the new regulations will certainly require that strata corporations recognize their obligations. Strata corporations of 5 or more units are required to provide a depreciation report by December 13, 2013. A strata corporation of 5 or more units may be exempted, if the strata corporation annually passes a three quarters vote at a general meeting. This will require the strata corporation to include the exact wording of a three quarters vote resolution with the notice of the general meeting and on the agenda. The minutes will then reflect the results of the three quarters vote. Remember a three quarters vote is only based on those who vote for or against the resolution at the time the resolution is passed and who have not abstained. For example, your strata is 18 units. At the AGM 14 owners register in person or by proxy. When the vote is called, 9 vote yes, 3 vote no, and 2 abstain. The result is based on three quarters of 12.

However, before your strata corporation considers an exemption, consider also the implications. Depreciation reports are going to be a widely used tool to mange risk for buyers purchasing in strata corporations. A buyer and their mortgage provider or mortgage insurer may have a keen interest in a depreciation report if your strata poses risks that may indicate a high ratio borrower may not be able to manage special levies or unknown future costs. The absence of a report will make it more difficult for a vendor to sell their unit in these circumstances. Also, buyers will be using depreciation reports to determine the accuracy of the asking price. The absence of a depreciation report may impose restrictions on the property that limit the ability to sell.

Many retirement owners often tell me they are planning on their final farewell from the condo, so why should they bother with paying for something they won't use? Actually, you have used the life of the building components over the years. Most people will require some sort of extended care as we age and different accommodations. The ability to sell our homes quickly and for a good value will be impacted by the condition of our property, our strata's financial position and the long term planning for renewals. Our market is quickly transforming buyers into assessing their investments from all of these perspectives before they make an offer. Mrs. McMillan's strata has an even greater problem. The requirement of depreciation reports has caused them to assess their strata, and even though they have been operating as such for 11 years, they are not a bare land strata as they claim, and the strata corporation is responsible for the building exteriors and all defined common property. Even in a bare land and townhouse community, there are still significant common costs in the future. For example, who is going to pay for the replacement of the common water and sewer lines when there is a failure? The strata corporation, and this is a significant cost. So don't be deceived into thinking your risks are small. Before you exempt, think about the implications and the future of all of those costs.

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