

Condo Smarts

Headline: Pay me now, or much more later

Topic: Depreciation Reports, Budgets

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Dear Condo Smarts: Our strata council have just been working on our budget for our AGM in June. Including projected increases to utilities, insurance, the cost of our depreciation report this year, our strata fees are going to increase by 18% this year alone, and that does not include additional contributions to our reserves or extra maintenance costs. As a mid-sized strata of 60 units on the upper island, we really have to question the wisdom of depreciation reports. Our owners are already facing major increases and we know they will not agree to greater funds for our reserves, so how do we comply with the legislation? Our other option is to try and get an exemption, but what if the owners don't pass a vote to exempt, and then turn down the budget to approve the contributions for reserves? We have already had a buyer deciding to wait until we have our depreciation report, before they consider the purchase, so we don't have much choice but to get the report done. Why depreciation reports and why now? *JT Mills, Nanaimo*

Dear JT: There are always two points to be made about "why depreciation reports and why now?". First, ask any family about what they fight about most, and it's generally money or a lack of money. While strata corporations should be operated as a business, with long term planning and financial understandings, they are after all, just an extended family of strangers living communally. Strata corporations that function well, execute best practices in maintenance planning, decision making, financial planning, democratic decision making and compliance with the legislation. If a strata corporation has a well executed financial plan, at least everyone, especially the owners, know what to expect in the future. Strata owners would be

happy to reset the clocks back 10 years and know what is coming on the horizon, as opposed to getting a notice package in the mail advising of a meeting to vote on \$50,000 dollar special levy due May 1st. Strata corporations do not have to fund any of the models that are included with the depreciation report. They may choose to stay at a base funding of 10% of their annual budget or less, but at least the owners now know what to expect in the coming years. The second part of "why now" addresses planning. When do most people replace their hot water tanks? Sadly, when they fail. Most building components are out of sight, as a result, out of mind. If you wait until there is a failure, the costs are much greater than proactive renewals. Here is a perfect example. A 60 unit condo in Coquitlam received their roofing report in August 2010. It was recommended they replace the roofs immediately to avoid damages. They held a meeting in October 2010 to approve a levy, which was voted down. The levy was also voted down in February and April 2011. In that small window of time they paid an additional \$53,000 in emergency repairs and two insurance deductibles of \$10,000 each, before their insurance was finally cancelled. Don't let this happen to you. Every strata owner is surprised how little they have to increase their contributions and planning to make a significant difference. Even an increase of \$22 per month to \$40 per month to reserve funds will make an overwhelming difference over 10 years. As always, it's pay now or pay much more later.

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