

Condo Smarts

Headline: How much does a Depreciation Report Cost?
Topic: Depreciation Reports
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Written by: Tony Gioventu

Dear Condo Smarts: We are asking for your help regarding the Engineers' Depreciation Report required by each Strata Corporation. Notice of our AGM for 2012 has just been delivered. We are being asked to approve a special resolution to authorize the expense of \$20,000.00, from our contingency fund for the expense of the Depreciation report. Is there some way of assessing the cost for this service and what is a reasonable expectation for a 108 unit townhouse complex in Richmond? Perhaps there is some way of better analyzing what we are getting to understand the cost.

Glen Pines Strata Council

Dear Council: This is not an easy question to answer because there are so many variables in each strata corporation. The depreciation planners, many of whom are engineers, licensed appraisers, quantity surveyors and reserve fund planners are providing quotes at no cost, so the best place to start is when you request quotes. Set up a request for proposals (RFP) that creates a profile of your strata corporation, contact at least 3-5 parties who do the work, and request a quote be submitted that is valid for at least 60 days from the time of receipt. It is important that your RFP stipulate exactly what you want and is the same RFP that is issued to all of the parties. RFP's are unreliable when they are not consistent. Request that the quote be a complete or total price that would include all services. You want to avoid a quote that is showing services for sub contractors such as elevators, structural or specialized heating systems as additional costs. You may not be able to control these additional costs. Your strata can also save time and money if you have complete drawings of your building structure, areas, mechanical, electrical and historic documents such as minutes of meetings,

warranty histories, repair schedules and all of your governance documents.

Each strata has significant differences so it is very difficult to address what the comparable costs are going to be from property to property. It is easy to estimate that for the first report on a large strata, there could be at least 60-100+ hours of work to create the inventories, plans, conduct site visits, review and interpret documents, bylaws and user agreements, perform the inspections, estimate life remaining in the components, calculate the next 30 year life of your property and provide you with funding models. It should also be noted that many smaller strata corporations of 10-50 units will take at least 35-50+ hours of time for their first report, if the report has any reasonable merit. A perfect example of the complications that arise in the different strata plans is Glen Pines strata that was constructed in 5 phases, and not all phases were built by the same contractor. The result is, the depreciation planner is going to have to closely review all 5 phases for construction differences and implications. This adds more time, more documents and more cost. Another complication is strata corporations that have created sections and the cost of maintenance and renewals are exclusive to those sections. The strata corporation depreciation report needs to address those items; however, it will also address those items as obligations of the section and not necessarily of the strata corporation, so another layer of work and time. We have posted a sample RFP on the CHOA web site, www.choa.bc.ca, in word format. Strata corporations are invited to use it as a working document. It is also helpful if you include an inventory of the records that are available for your strata corporation.

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