

Condo Smarts

Headline: What does a depreciation report really cost?

Topic: Depreciation Reports

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Dear Condo Smarts: Our strata council issued a verbal request for quotes from a list of 10 different companies who are doing depreciation reports. Eight of the companies provided quotes that ranged from \$950 - \$24,000, and one company sent back a list of items for us to review before they could provide us with a quote. The council are now divided and confused over what standard is required and how we can tell the difference between a good report that meets the requirements of the Act and a report that basically gives us the bare minimums, if that? Some guidelines would be very helpful.

Karen K. Richmond

Dear Karen: On the CHOA web site there is a posted guide along with a sample request for proposals that may help you to determine what standard of report you are looking for. Whether a strata corporation is considering a major construction project or a consulting contract, like a depreciation report, your success depends on your first steps. The procurement process is often the most critical step to ensure your strata gets what you want, and what you pay for. A request for proposals should include a profile of your strata corporation, a basic inventory of the condition of your records, and the basic requirements of your expectations. If possible, it is important to list the critical elements that you want to be contained in the proposal. For example, the profile of the strata should include the details of your strata, the number of units, buildings, recreational features, age of the building, type of construction, details of recent major renewals or repairs, and a list of the records you have on file, such as building and mechanical plans, strata plan and your current bylaws. It is the obligation of the depreciation planner to ensure they include all common property and common assets that the strata corporation has an obligation to maintain, repair and renew, and any obligations or agreements where an owner has an obligation to maintain, repair or pay the costs of the renewals of any common or limited common property. This condition alone makes it mandatory for the depreciation planner to review both your strata plan and your current bylaws, so they can create the inventory.

Depreciation planners may also provide additional services that include web storage of all of your records and documents, annual reports of maintenance and renewal requirements and ongoing maintenance and renewal planning systems to ensure you repair or replace components before the costs are unmanageable.

In addition to the basic construction of her building, Karen's 115 unit strata is 17 years old, with a parking garage, hot tub and sauna, 2 elevators, emergency generator and integrated life safety systems, 11 bylaw filings, and 21 user agreements. They are due for renewal of their water delivery system, and significant exterior maintenance. They do not have any copies of building plans or mechanical documents. If you consider the time that will be required to assemble the documents, to establish the inventory of all common property and building components that must be included in the depreciation plan, and the review of the user agreements, it will take a depreciation planner 25-35 hours just to assemble and review the basic documents to create the framework of the plan. In addition, the common elements must also undergo an onsite review to establish their condition and their remaining life expectancy. The solution to establishing reliable pricing? Create a written request for proposals, detail the building profile, detail the documents and records of the strata corporation, and demand written quotes, including hourly rates of the consultants along with an estimated upset price. If you want to keep this simple, at least get everything in writing. Remember my motto: If it isn't in writing, it probably isn't true anyhow.

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