Condominium Home Owners' Association
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Condo Smarts
Headline: What is the right amount for strata fees?
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Dear Tony: Our strata has been struggling with the issue of determining how high our strata fees should be. Since we received our depreciation report, our council have put pressure on the owners to increase contingency contributions, and our maintenance and inspection provisions as part of our budget. As a result we increased our strata fees by 8% in 2014 and are looking at another 12% in 2015. The property across the street from us was built in the same year and their strata fees are $100 a month cheaper and this is having a negative effect on the ability of owners to sell their units. We have many opinions in our strata but few facts and I'm afraid our community is becoming divided over this issue. Is there such a thing as an average strata fee? *Glenda Davis*

Dear Glenda: Each strata corporation has a variety of different expenses that are included in their annual strata fees. As a result, it is often difficult to compare one building to another without fully understanding which operating costs are included in the annual budget. Obviously we need the detailed information of both properties to make some sort of comparisons. The neighbouring property was contacted by Glenda's strata and they agreed to provide a copy of their annual budget to make this possible. Glenda's strata, Building A, constructed in 1986, has 125 units, and the neighbouring strata, Building B was constructed in 1985, and has 118 units. The units are comparable in size, and the basic age and design are the same with one significant difference: Building A has a central boiler providing hot water and heat to each strata lot as part of the common expenses, while Building B has electric hot water tanks in each strata lot and electric heat paid for by each owner separately.

In Building A they budget $155,000 per year for maintenance and repairs, and that works out to $1,240 annually per unit while Building B budgets $75,000 per year at $635 per unit. Building A has implemented their deprecation report and are funding an average of $55/unit per month for future renewals as opposed to Building B which has not yet obtained a depreciation report and are only funding $15/unit per month. These two items alone, not including the costs of heat and hot water, are a difference of $90 dollars per month, making up the difference between the two properties. While the decision to obtain a deprecation report and plan on higher levels of funding is up to each strata to decide, a major project on the horizon will be a good bell weather to understand how the strata is planning for the future. Building A is planning for a new roof in 2017 to be paid from the contingency fund, with a current balance of $550,000. Building B has not investigated their roof, only has $137,000 in the reserve fund and is likely facing special levies within the next few years. Comparisons of strata fees are only valid if you compare the exact same conditions. If we factor in the heating and hot water costs to building B and the additional CRF contributions, their fees are actually higher. Don't be fooled by numbers without more information.
