Condominium Home Owners' Association of British Columbia
Leadership, Education and Resources for strata owners across BC
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Condo Smarts

Headline: How do we get our strata to plan?
Topic: Depreciation Reports
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Written by: Tony Gioventu

Dear Tony: Our strata was built in 2002. We have 118 residential units and 18 commercial units. At 14 years old, our building now requires some upgrades and significant maintenance. We have two problems though, we have very little money in our contingency reserve fund and we do not have a depreciation report. Our strata was told to exempt from the report and wait a few years for the industry to sort out how reports would become standardized before we started. So we waited, and here we are with no money, owners fighting against strata fee increases to pay for maintenance, no depreciation report, and everyone afraid of what might be in our report so nothing is getting done. We are very concerned about our investment and the special levies we could be facing for our roof next year.

JGW, Burnaby

Dear JGW: Strata owners often forget their principle obligation. The strata corporation must maintain and repair common property and common assets. That obligation begins the first day the strata plan is registered and commences operations.

Depreciation reports are only a planning tool. The strata corporation is not bound to the projections, costs or even the types of repairs or replacement that are due when the project is necessary. Demonizing the depreciation report and a planning process only results in the strata being unprepared for the future. Tragically for many strata corporations, a lack of knowledge often results in waiting until a building component fails and then urgent repairs are required. To a strata corporation and the owners this only results in a loss of control over a contracting process and unnecessary costs because of the emergencies. Whether a strata corporation pays for future repairs through planned savings as part of their annual budget and strata fees or whether you require special levies does not change the outcome of the cost. For some reason strata owners seem to believe that it will cost less for special levies than it will if the strata plans for the long term. There is no evidence to support this, and substantial anecdotal evidence to the contrary. A deprecation report provides the strata with a road map for the next 30 years of building operations. If you know when the major components require maintenance or renewals, such as your roof replacement, your strata will have time to: investigate the scope of each project, review the best options for construction and services, retain a consultant to set up specifications for the scope of work, invite competitive bidding, allow for contract and legal negotiations, and schedule repairs for the best season.

Consider the legislative benefits to depreciation planning as well. It only requires a majority vote to determine how much is being contributed to the Contingency Fund each year, the approval of special levies requires a 3/4 vote. A $500,000 special levy will cost each of your owners around $3,600 depending on the unit size. If that was planned it would have only been around $30 a month over ten years, and only requires a majority vote to approve the project expense from the Contingency Fund. For each person who does not pay their special levy, the strata will be required to fund a court action to obtain an order for sale to recover the funds and they will not be able to recover all the court costs, adding to the overall cost of the project. It's up to each strata to choose their planning method, but if you don't plan for repairs and rely solely on special levies, the results are often the same. Deferred repairs, added costs, emergencies and a devaluation of property. You may not be able to avoid your next levy for the roof, but you can start to plan for other future repairs.