

Strata Living

Headline: What's the news on the new regulations for Depreciation Reports?

Topic: Depreciation Reports

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On December 14, the provincial cabinet passed the regulations that now make mandatory depreciation reports a requirement for strata corporations in BC. A depreciation report is basically a planning tool used by property owners (the strata corporation), to clearly understand what the strata is responsible to maintain and repair as part of their building system (a physical component inventory), the age of the building system, the projected life expectancy, when it should be planned for renewal, what it will cost when the time comes to renew the component, and how your strata will pay for it.

The report will require an onsite inspection and an inventory list of the components that are common property, limited common property or included in the strata bylaws, that the strata corporation has to maintain and repair. The period of service over 30 years, will include both items that have to be replaced, such as a roof, and those maintenance obligations that are not part of the annual operating budget, such as repainting the siding every 5-10 years. The final report will also have to include a financial forecasting sector, which is essentially how the strata is planning to pay for this work.

The new regulations provide a 2 year window for strata corporations to comply with the mandatory requirement, by December 13, 2013. Strata corporations of less than 5 units will be exempt, and strata corporations of 5 strata lots or more who wish to be exempt from the requirement, must essentially pass a $\frac{3}{4}$ vote at an annual or special general meeting for each one year period the depreciation report is required to be obtained.

The depreciation report will be an important planning tool for strata corporations and an important document for buyers. The anticipated future costs and conditions of the building assets will also be an important consideration for buyers and mortgage providers. For an extended information bulletin on understanding depreciation reports, go to the CHOA web site at: www.choa.bc.ca

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