

Strata Living

Headline: How much of our Depreciation Report do we have to fund?

Topic: Depreciation Reports

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Dear Tony: Our strata building has finally received its depreciation report and we have a few questions about the legislation that have us a bit confused. The funding models that are included in the report have been prepared by the consultant, without any discussion or knowledge of the strata council. We understand that we will have a bit of catch up in a 12 year old building, but these funding models will have our strata fees increasing by \$145-305 per month. If we recommend one of these funding models, our owners will oppose any plans to increase the fees by any margin. So what is the purpose of the funding models?

Deliah B. Coquitlam

Dear Deliah: The *Strata Property Act and Regulations* only require that three funding models are provided to the strata corporation with the report. The purpose is to assist the strata corporation in understanding the impact of different levels of funding, and how they apply to the frequency of future special levies and reserves. Eventually your strata will require funding for new roofing, plumbing, decks and balconies, doors and windows. It is much easier for owners to approve an expense from the contingency reserve fund than to dig into their pockets for large special levies. The decision to determine how much will be

funded is left to the strata corporation each year as part of the approval of your annual budget. The models are just examples, and you are not obliged to follow them; however, your funding models were for 50, 75 and 100 % funding over the next 30 years. That may not be realistic for your owners, so consider other formulas. If your current contributions are averaging at \$20/month, double it to \$40 per month. In a 50 unit apartment strata corporation, an average of \$40 per month over 10 years will be \$240,000. This amount can cover a significant number of maintenance and repair issues. Every strata has different property designs, materials and operations history. Strata lot owners understand the need to repair buildings before they fail, and it takes a combination of increased long term funding and some special levies to achieve an acceptable balance.

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