



www.choa.bc.ca
1.877.353.2462

Planning for Reserve Fund Studies in British Columbia

Presented by: Tony Gioventu
Executive Director, CHOA
tony@choa.bc.ca

The Current Status

- **Strata Property Act in British Columbia**

Part 6 Finances – minimal requirements

10% of the Annual Operating Budget

Once it reaches 25% of AOB – no obligation

Once it reaches 100% of AOB – $\frac{3}{4}$ vote

Result: insufficient funds or maintenance

CHOA

The Current Status

- **Strata Property Statistics in BC**
 - **27,775 Strata Corporations Aug 31/10**
 - **Est 970,000 strata units**
 - **Est 22,000 qualifying strata corporations**
 - **Est 770,000 qualifying strata units**

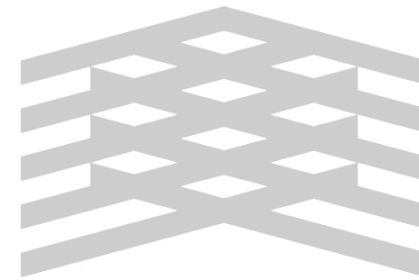


The Bottom Line

- **Current**

	Current Funding	Alternate	Fully Funded
→ Annual reserve allocation	\$24,200	\$100,000	\$293,000
→ Per suite per month	\$ 30.10	\$ 124.38	\$ 364.43
→ Per square foot	\$ 0.20	\$ 0.83	\$ 2.43

- Townhouse complex, Surrey, BC
 - 67 units, 120,667 square feet heated space
 - 11 years old
 - Spa, fitness room, guest suite, lounge



CHOA

The Amendments

- **Strata Property Act in British Columbia**

Bill 8 2009 # 15 – Section 94

“ subject to subsection (3) a strata corporation must obtain from a qualified person, on or before the following dates, a depreciation report estimating the repair and replacement cost for major items in the strata corporation and the expected life of those terms; “

CHOA

The Amendments

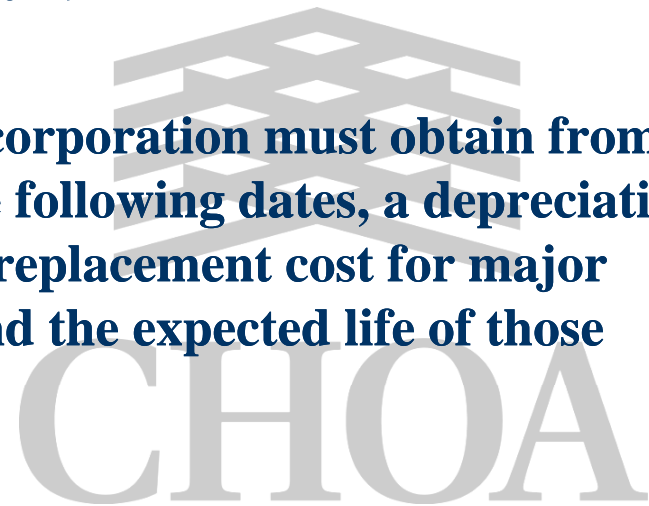
- **Strata Property Act in British Columbia**

Part #15 – is not in effect

Bill 8

2009 # 15 – Section 94

“subject to subsection (3) a strata corporation must obtain from a qualified person, on or before the following dates, a depreciation report estimating the repair and replacement cost for major items in the strata corporation and the expected life of those terms; “

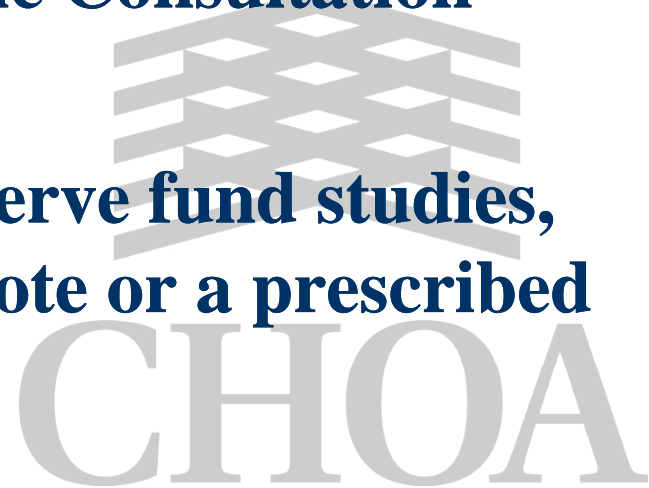


The Amendments

- **Strata Property Act in British Columbia**
Bill 8 2009

Reserve Fund Studies (Depreciation Reports)
Development under public Consultation

Intended: mandatory reserve fund studies,
unless exempted by $\frac{3}{4}$ vote or a prescribed
class



What we don't know

- **Qualified person**
- **Prescribed class**
- **The standards for reports**
- **Funding requirements**
- **Disclosure of report & funding status**



Purpose of the RFS

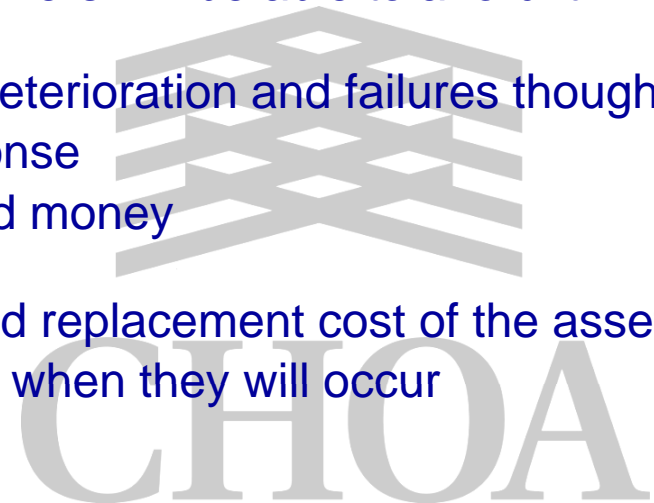
- **To Establish:**
 - **What you own**
 - **How much money you have**
 - **When building systems need to be replaced**
 - **What it's going to cost for future replacement**
 - **How to prepare your financial plan for the future**
 - **An integrated annual maintenance plan**



CHOA

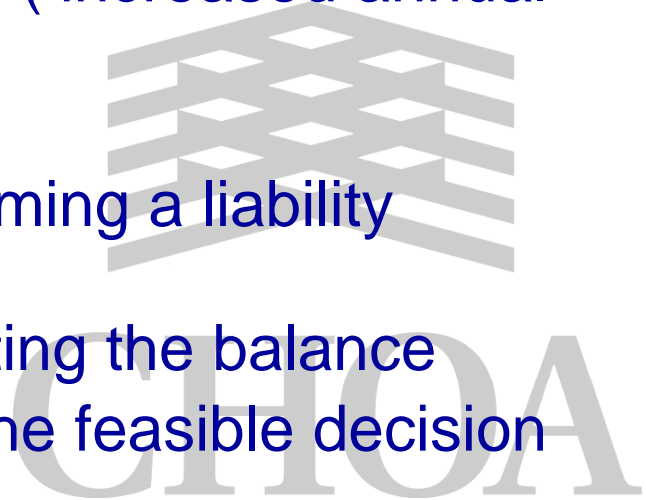
Benefits

- Maintain asset value by contributing to a well-managed reserve fund
Translation: property value impact
- Equalize the multi-year contributions necessary to cover future replacement costs
Translation: Regular payments = fewer special levies
- Develop a stable and equitable funding plan that meets the needs of current and future Owners
Translation: You can afford it and future owners will be able to afford it
- Be prepared for anticipated future system deterioration and failures through proactive planning instead of reactive response
Translation: Plan efficiently to save time and money
- Knowledge of the service lives and projected replacement cost of the assets
Translation: Understand your liabilities and when they will occur



Impacts ~ Benefits

- Upward pressure on monthly operating costs ~ strata fees
- Housing affordability – monthly cash flow (what the real costs are)
- Active integrated operations plan (increased annual service)
- Exempt strata corporations becoming a liability
- Existing strata corporations meeting the balance between the ideal decision and the feasible decision



How a strata prepares:

- Populate their history
 - Prints and plans
 - Warranties & service agreements
 - Alteration agreements
 - Insurance claims history
 - Bylaws, Rules
 - Covenants, building schemes, easements, right of ways, air parcel agreements
 - Service agreements and contracts



How do you prepare?

- Business plan for services
 - Service program / Business plan
 - Ensure you have sufficient staff & resources
 - Industry standards : What are acceptable practices?
 - Train staff on Strata Property Act



CHOA

Thank you



Condominium Home Owners' Association

1.877.353.2462

www.choa.bc.ca

202-624 Columbia St.
New Westminster, B.C.
V3M 1A4
604.584.2462

222-1175 Cook St.
Victoria, B.C.
V8V 4A1
250.381.9088

101-3115 Skaha Lake Rd.
Penticton, B.C.
V2A 6G5
250.492.3552