

CONDO DOCUMENT ALERT

The majority of all new housing starts involve strata properties. In a dozen municipalities, strata properties now make up more than half of all taxable properties.¹

In December 2011, the provincial government changed several important strata requirements.² Whether a licensee markets strata properties or manages them, the licensee needs to know about these developments. The changes mainly concern depreciation reports and contributions to a strata corporation's contingency reserve fund (CRF). Some changes are immediate, while others come into effect at different times over the next two years. This is a summary of the changes that most concern licensees.

Depreciation Reports

A strata corporation's depreciation report estimates the life expectancy of major items and the ultimate cost of their repair or replacement. Effective December 13, 2011, every strata corporation must periodically obtain a depreciation report, unless otherwise exempted. A strata corporation whose strata plan contains less than five strata lots is excused from this requirement. So too, where a strata corporation by 3/4 vote waives the requirement for a depreciation report, the corporation may defer compliance with this requirement for up to 18 months.

With some exceptions, a strata corporation has two years (in most cases, until December 13, 2013) to obtain the mandatory depreciation report. After that, a strata corporation must update its depreciation report every three years, unless exempted. Only a qualified person may prepare the depreciation report, which must involve an onsite inspection. The depreciation report must project the anticipated costs of maintenance, repair and replacement of major building components over the next 30 years. The depreciation report must also contain certain information, including a financial forecast that offers at least three cash-flow funding models for the CRF.

Strata Records

Effective December 13, 2011, a strata corporation must keep among its records any depreciation report obtained by the strata corporation. The strata corporation must also keep any reports respecting the repair or maintenance of major items in the strata corporation, including engineers' reports, risk management reports, sanitation reports and reports respecting any items for which information is mandatory in a depreciation report.

Effective March 1, 2012, whenever a strata corporation issues an Information Certificate (Form B), the corporation must attach to it, among other things, the corporation's most recent depreciation report.

In addition, effective, January 1, 2014 the Information Certificate (Form B) will change. At that point, the Form B will require a strata corporation to disclose if there is any parking stall or storage locker allocated to the strata lot and if so, whether the parking stall or storage locker is a separate strata lot, part of a strata lot, or part of the common property.

Funding the CRF

In the past, the *Strata Property Act* imposed a CRF ceiling. In simple terms; once a strata corporation's CRF exceeded the amount of the previous year's operating budget, the law prohibited further CRF contributions, unless the eligible voters by 3/4 vote decided otherwise. Effective December 13, 2011, the CRF cap disappeared. Now, so long as the strata corporation has the statutory minimum amount in its CRF, the corporation may approve further contributions as part of the ordinary budget approval process after considering the depreciation report, if any.

This is only a summary of these important changes; the new requirements for depreciation reports, for example, are reasonably complex. A licensee can view the legislation at. Every listing licensee and buyer's agent should immediately add to their list of requisite documents any depreciation report, as well as the related documents listed above. Every strata property manager may learn the specifics of these changes by attending those industry events where these developments will undoubtedly be discussed in detail.

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¹ British Columbia, Ministry of Energy and Mines and Minister Responsible for Housing, Information Bulletin, 2011ENER0125-001607, "New strata property regulations introduced" (14 December 2011) at 1.

² OIC 623/2011 (13 December 2011).