

# New regulations require strata to think long term

BY TONY GIOVENTU, THE PROVINCE DECEMBER 18, 2011

What's the news on the new regulations for depreciation reports and Form Bs?

In October 2009, the B.C. government passed the Strata Property Amendment Act, Bill 8. Under the act, many of the changes taking place were to be introduced by implementing regulations. Unlike Bill 8, which required the approval of the legislature, regulations are approved by provincial cabinet as an order in council. Within Bill 8, there were provisions that affected long-term planning and information certificates. Part 15 of the bill, applied to long-term planning, has just been adopted through the regulations as mandatory depreciation reports.

A depreciation report is basically a planning tool used by property owners (the strata corporation) to clearly understand what the strata is responsible for maintaining and repairing as part of its 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 the strata will pay for it.

The new regulations provide a two-year window for strata corporations to comply with the mandatory requirement - by Dec. 13, 2013. Strata corporations of less than five units will be exempt, and strata corporations of five strata lots or more that 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.

So how does this affect our strata corporations? Every non-exempted strata corporation will be required to commission a depreciation report by Dec. 13, 2013. They will also be required - by March 1, 2012 - to disclose on the amended Form B information certificate, whether they have a depreciation report, and they must attach a copy of the report if one exists.

Unless your strata corporation is exempt, you will be required to retain the services of a person who is qualified to create the report. So for many strata corporations, the first step is to send out requests for proposals. The requests should stipulate that the report must meet the requirements of the regulations and establish the total cost for all services, including third-party inspections and surveys.

The regulations require that the person who is providing the report include his or her qualifications and indicate whether he or she is covered by errors and omissions insurance, and describe any relationship between the individual and the strata corporation. (A 'person' also implies a consultant or company providing the report, such as an engineering firm.)

Creating an inventory of what your strata has to include will require an on-site inspection and an inventory list of the components that are common property, limited common property or items included in the strata bylawsthat the strata corporation has to maintain and repair. This includes the building's

structure, exteriors including roofs, roof decks, doors, windows, skylights, electrical, heating, plumbing, common amenities and facilities, parking and roadways, utilities including water and sewage, landscaping, interior finishing, green building components.

The period of service over 30 years will include both items that have to be replaced, such as roofs, and those maintenance obligations that are not part of the annual operating budget, such as the repainting of the siding every five to 10 years. The final report will also have to include a financial forecasting sector - essentially, how the strata is going to pay for this work. Is it going to increase fees to build up the contingency reserve fund, loans or planning on special levies as necessary, or will it consider a combination of funding options?

The depreciation report will become a significant planning tool for strata corporations to ensure they establish an ongoing schedule of maintenance and renewals, and have the opportunity to make decisions around financial and maintenance planning. The report will also become an important document that buyers and the financial and insurance sector will access to assist them with understanding the costs and risks associated with a strata property.

Strata corporations can start now by requesting proposals and gathering as much documentation about their strata as they can establish to assist the depreciation consultant. The better records and documents that your strata has maintained, the more cost-effective your depreciation report will be. For an extended information bulletin on understanding depreciation reports, go to the CHOA website at: [www.choa.bc.ca](http://www.choa.bc.ca)

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