



WHAT A DEPRECIATION REPORT MEANS

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Following the lead of many other provinces, the B.C. government implemented law that requires all strata properties with five or more units to have either completed a common property depreciation report by December 13, 2013, or to have waived the requirement under the Strata Property Act.

So what exactly does a depreciation report mean to strata owners? And what are the implications if a report isn't filed? To find out, REW.ca interviewed Tony Gioventu, Executive Director of the Condominium Home Owners' Association of BC (CHOA) – a non-profit association that provides advisory services, education, resources, and support for its members and stratas throughout BC.

Q&A:

1) What is a depreciation report?

The Depreciation report is essentially a planning document with a three-year life span, where the strata corporation retains a qualified person to:

- establish an inventory of all common property, common assets, and strata property that the strata corporation is obliged to maintain and repair;
- conduct an on-site-review of the condition of that property and assets;
- establish the remaining useful life of these components;
- estimate what the projected cost of the renewal or major maintenance will be; and
- provide projections for how the strata corporation may consider paying for the future costs.

Depreciation reports, also known as reserve fund studies around the world, are critical planning tools for all prop-

erty owners. They provide us with the resources to create annual inspection and maintenance checklists which are essential for operations and budget planning. And they ensure we repair or replace components before they have failed, causing damages that could have been avoided.

2) Why was this depreciation report law implemented?

Depreciation reports are a world-wide business practice for all types of buildings: commercial, government, residential, and institutional. The report is a road map that helps property owners plan for maintenance schedules, inspections, and long-term renewals. Without depreciation reports, buildings can be neglected and deteriorate at a premature rate resulting in uncontrollable costs for property owners. The intent of the report is to identify the best time for the renewal, before there is any

damage to the structure of surrounding property.

We have an unfortunate practice in our industry where strata corporations routinely do not repair building components until they fail – a point well past the time for replacement. Just consider the cost of deferring roof maintenance. If a roof fails, there will be additional costs for damages to the structure and strata lots. And the strata corporation loses their ability to effectively plan for a secure bidding process to ensure the best price for repairs, at the best time and in the best conditions.

3) What are the timelines?

If they do not waive the requirement the following year by $\frac{3}{4}$ votes then they have six months to obtain a report.

4) Is there anything people can do if their strata keeps voting against this?

At this time if the strata corporation votes to waive the requirement, they will be in compliance with the Act; however, if most people showed up at meetings and exercised their voting rights, it is unlikely the waiver would pass. Normally a small majority of owners attend in person or by proxy and tend to control the outcomes.

For more extended information guides on depreciation reports, go to:

www.choa.bc.ca