
Condo Smarts

Headline: Small Strata Corporations

Topic: Strata Corporations: Small strata corporations

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Dear Tony: We recently moved into a coach house that is part of a new 3 unit strata corporation in Vancouver. We have always lived in larger strata buildings that have operated smoothly, but we can already see a few rough roads ahead. The owner of the largest unit has decided we will be casual in operations as they come up, no need to maintain bank accounts, and everyone will simply split the cost of expenses 3 ways without the need for an annual budget. We would appreciate your advice on how to proceed and the implications as we disagree with this approach.

JBL

Dear JBL: Whether a strata corporation is a duplex of 2 units or a 200 unit high rise, the *Strata Property Act*, Standard Bylaws and Regulations apply. They aren't a reference in the event there is a dispute, they are your governance manual and the law that applies to all strata corporations in BC. There are two exemptions for small strata corporations, but the basics still apply and they apply to ensure everyone has their rights protected and liabilities and expenses are managed fairly. If your strata corporation is 4 units or less, you are not required to obtain a depreciation report or an electrical planning report.

You are required to hold an annual general meeting, approve a budget of the common expenses, account for operating expenses and contingency reserve accounts, purchase insurance in the name of the strata corporation for all common property, assets and fixtures, keep minutes of your meetings, and open a bank account for the strata corporation.

The annual budget in many small strata corporations is routinely common utilities, insurance and maintenance approved by the owners, plus 10% of that amount must annually be retained in the contingency reserve fund.

Without approving an annual budget, which determines the monthly strata fees for each unit, the strata corporation will not have the eligibility to start collection proceedings against an owner who does not pay strata fees, and you will have no records to disclose under a Form B Information Certificate with respects to subsequent purchasers.

All common expenses are based on unit entitlement. These would include the annual share of insurance costs and a share of a common insurance deductible, operating costs such as common area maintenance and utilities, and contingency contributions and any special levies that may arise. Your administration doesn't have to be complicated, but you are required to follow the law. Basic documents you require: your registered strata plan and schedule of unit entitlement. The plan shows the boundaries between strata lots and common property, and the entitlement is the formula that determines all common expenses. If you do nothing more than approve an annual budget, purchase insurance, and apply the allocation of costs fairly, it will set your strata in the right direction.