
Condo Smarts

Headline: Depreciation Changes

Topic: Depreciation Reports

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Written by: Tony Gioventu

Dear Tony: How do the new changes to depreciation reports apply to smaller strata corporations like a bare land or townhouse strata of less than 25 units? We have very few items of common property and have chosen to defer the requirement as we cannot justify the cost. Will small strata corporations be permitted to create their own inventory of common items? Our owners are not willing to approve the additional expense, and are looking for a provision for small strata corporations to be exempt.

JD Marshall, Penticton

Dear JD: The requirement for a depreciation report that meets the requirements of the *Strata Property Act* will be in full effect as of July 1, 2024, and depreciation reports will now have a 5-year renewal cycle. All strata corporations of 5 units or more must now have a depreciation report completed. There are no exemptions and this applies to all strata corporations in BC registered in Land Titles, including bare land, townhouse, apartment style midrise and high rise, and lease hold strata corporations. If a strata corporation has not commissioned a report since December 31, 2020, or deferred the obligation by a 3/4 vote, there are two time periods for compliance that will affect you.

For those strata corporations in the Fraser Valley, Metro Vancouver, or Capital Regional Districts, they must obtain a report by July 1, 2026, for all other regions, including those across the province that are only accessible by air or boat, they must obtain a report by July 1, 2027. These dates provide strata corporations with a compliance window, but don't delay, as a significant number of strata corporations will be competing for service providers that are identified with specific professions and qualifications.

As of July 1, 2025, the *Strata Property Act* and regulations specify six professions which can prepare depreciation reports. These six professions are:

1. engineers and geo scientists,
2. architects,
3. applied science technologists,
4. certified appraisers,
5. certified reserve planners, and
6. quantity surveyors.

From July 1, 2027, owner developers must pay into the contingency reserve fund \$5,000 plus an additional \$200 per strata lot to a maximum of \$30,000, to fund a strata corporation's first report, due no later than 18 months after the first annual general meeting (AGM) of the strata corporation.

New strata corporations created between July 1, 2024 and July 1, 2027, must complete a report within 2 years of their first AGM.

One other note to the regulations, the report must include an executive summary, intended to provide easier information for the readers as reports are often several hundred pages in length.