

Condominium Home Owners Association

A non-profit association serving strata owners since 1976

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Condo Smarts

Headline: Bills can balloon if put off when they should be paid

Topic: Defect or failure of common property

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Technology failures and production and installation errors are a fact of all buildings new and old.

Recently, a 205-unit strata corporation in Vancouver learned a very costly lesson.

In the mid-90's, the residents discovered their originally-installed toilet tanks were defective, resulting in unpredictable cracking, splitting and flooding. At the time, with the allowance from the manufacturer, the strata would have paid only a nominal \$20,000 to have had all of the tanks replaced. Instead, it notified all the owners that they were responsible for replacing their own tanks, and never followed up.

In the past six months alone, the building has experienced three insurable floods resulting from failed tanks that were never replaced. The losses have exceeded \$75,000 in deductible claims and costs.

The strata council asserts that because the owners were notified to have the tanks changed but never did so, the owners should pay.

Now comes the twist: Most of the suites, including the three flooded units, have been resold since the issuing of that notice. The strata never documented the recall or notice in the strata minutes, and nothing was disclosed to any of the new owners.

At a special general meeting, the strata corporation have decided that they will have to replace all the remaining tanks and pay all the costs.

Strata Law: Stratas must insure for major perils, including water escape. The Act does allow the strata to seek recovery of a deductible amount from an owner if the owner is responsible for the loss or damage. Some normal losses caused by owners, from which the strata can easily recover the costs, are items such as bathtub overflows, waterbed leaks, overflowing washing machines. However, this does not release the strata corporation from its responsibility to maintain, repair and restore in case of insurable or catastrophic damages.

Tips: When there is a defect or failure of a common asset, facility or the property - don't defer. The only way a strata council can protect an asset is to be proactive and get the job done.

This strata has risked losing insurance coverage, incurred excessive financial losses, likely lowered property values and created potential legal disputes. Its insurance deductible for water escape now stands at \$100,000. In comparison, the \$20,000 bill seems like a small price to pay.

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