Condominium Home Owners' Association
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Bulletin: 300-437

Condo Smarts
Headline: How high should our strata fees be?
Topic: Strata Fees
Publication date: June 19, 2011
Publication: The Province
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Dear Condo Smarts: Our strata council is under a lot of pressure from our owners to keep our strata fees down, but it means we are going to have to reduce maintenance and services to our building. We have been checking out strata fees in the Abbotsford area, and while we are a bit on the higher side we do have some additional services that other apartment complexes do not. Is there some way to compare our strata fee rates in a 61-unit wood frame building with other regions of the province? It would be helpful is there was some way of knowing whether our fees are in line or not. We had a real estate agent at our AGM in May who recommended we keep our fees low and simply have special levies when we needed them for repairs, but that appears to us to be self serving for the agents and not realistic for the strata corporations to be able to operate, and if we maintain strata fees at exactly the same rate as last year, we will likely be facing a 3% deficit if expenses remain stable. Claire Wiggins

Dear Claire: Comparing your fees to another strata corporation will only establish a comparison of the amount, but will not take into consideration any of the services, amenities, maintenance or operational functions, geographic variations, landscaping functions, or even the basic building construction and durability of each of the properties. Strata fees are set by approving the annual budget. The annual budget is proposed by the strata council to the owners at the annual general meeting, and based upon the amount approved in the annual budget and the contribution to the contingency reserve fund, that amount is used to calculate the monthly contribution of each strata lot. We did a research comparison in 2008 between two almost identical properties in Richmond and Nanaimo. Both were basically the same age, design, number of units, basic construction, and with the same services. Both had central heating and hot water which were included in the monthly strata fees and had a comparable history of operations. The one main difference was that strata fees were almost historically 50% higher in the Nanaimo strata, and the main influence was an integrated maintenance and operations plan in their annual budget. At the time the Nanaimo strata was not facing any special levies for major repairs, while the Richmond strata was facing two levies for roofing and balconies. The process of annual budgeting really has little benefit if a strata corporation has not created a maintenance and operations plan and simply agrees that last year's budget seemed to work because it balanced at year end. What you should really assess is, "what did we leave out last year?" A basic inventory of your major building components and a basic understanding of the maintenance and inspection requirements each year will have an overwhelming benefit to your strata corporation if you provide enough funding to meet those obligations. With an aging strata inventory, the grim reality of neglected maintenance and repairs is rapidly setting in. Much of that problem is caused by underfunded budgets and low strata fees, the genesis of which was often created by the development industry showing artificially low budgets to make new housing more affordable and attractive. Consumers are now faced with rising special levies for the replacement and renewal of major building systems that have not served out their full life expectancy, often due to neglect, and that neglect is usually linked to lack of funding with no planned maintenance and operations plan. In addition, rising energy costs are absorbing the desperately needed increases for maintenance and renewals. If you show a simple graph of a building aging and the costs to operate, both lines should run on a rising parallel. For every year a property increases in age, the life of the roof, windows, balconies, plumbing, elevators, proportionally decreases until they are renewed. The more important question everyone should ask: "Are our strata fees high enough?"