**Condominium Home Owners' Association**
***Serving BC's Strata Property Owners since 1976***
**Bulletin: 300-478**

**Condo Smarts**
Headline: The Horrible Truth of Special Levies
Topic: Special Levies
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Written by: Tony Gioventu

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**Dear Condo Smarts:** Our New Westminster building is 27 years old. It is a typical 4 floor wood frame building with balconies and no over hangs. We have 2 elevators, underground parking, underground storage and a flat roof system. We're in the process of getting our depreciation report done, and it has suddenly occurred to us, that over the past 27 years, we have done little or no routine maintenance to our buildings. We already know that we have to replace the roofing system, our plumbing is showing it's sign of age, and our decks are due for major repairs. All of these are just a result of age and very little maintenance. Our strata is totally in favour of depreciation reports and for the following reason. We tried in 2008 to raise 1.5 million over 3 years, so we can plan the upgrades of the most urgent issues. Spanned over 3 years, it required each owner to pay an average assessment of $4,464 per year with the highest being $5,300 and the lowest being $2,900. We were not successful at that meeting or the two that followed. The owners simply would not support the special levies, unwilling to believe that this work had to be done. We have now seen the preliminary depreciation report, and these items are foremost on the schedule for replacement. At least owner and buyers alike will be totally aware of what we are facing. Since 2008, we have had 14 units sold at full value, all with the unknowing purchasers lured by lower prices and carrying high mortgages, so the prospect of future special levies is even more unlikely. Keep educating owners on the importance of depreciation reports. *KJ Mah*

**Dear KJ:** This is going to be a difficult period for strata corporations as we all struggle with the reality of our depreciation reports and the rising costs of maintenance we are facing with aging buildings. Adding to this, is the phenomena of speculative buyers selling units before they require major renewals, ultimately downloading the costs on future owners. Special levies that are raised to meet major repairs are a serious problem for strata corporations and owners. Either because they are often defeated, resulting in deferred repairs, or the levies are approved but place an unmanageable financial burden on the current owners. Even if the levy successfully passes, there are often many owners who cannot afford the levies and meet the payment schedules. The strata council has no option other than to proceed with the collection requirements as set out by the Act to protect the interests of the strata corporation. In addition to a $2,900 special levy, a lien may be filed, often adding more than $500 in costs. If the lien imposition has no effect the strata may be required to proceed with an application to the courts for an order for sale proceeding adding another layer of costs. Major special levies impose a cost on owners, strata corporations and communities that are difficult to measure often beyond monetary considerations. Failed major projects fuel disputes, mistrust and power struggles in strata communities. The courts are often involved in the solutions and the properties are eventually repaired, but all at a much greater cost to the community. Depreciation reports are not the panacea for funding the renewals of aging buildings, but to make informed decisions, a strata community first needs to understand what they are facing. If nothing else, the creation of an inventory of building assets that the strata has to maintain and renew will provide the owners with a clear understanding of what is coming in the future. The next step is to start planning how you are going to pay for the future costs. The strata may still decide to wait until they have special levies, but at least each owner can start their own financial planning for the future.

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