Condominium Home Owners' Association of BC
A non-profit association serving strata owners since 1976
Bulletin: 300-634

Condo Smarts
Headline: Depreciation Report Consultants
Topic: Depreciation Reports
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Written by: Tony Gioventu

Dear Tony: We have a number of complaints about our depreciation report and our depreciation planner. The engineering company that the strata hired provided several technicians to develop our report and they were excellent to work with. That's where our satisfaction ended. The engineer who authored the final report has interpreted our bylaws and imposed a number of recommendations that we did not ask for that have now unfairly raised a number of unsubstantiated claims about our building, and incorrectly interpreted our bylaws. The company is refusing to correct the report and not we are not sure how to address this.

Bonnie W. Surrey

Dear Bonnie: A depreciation report is a mandatory planning tool for all strata corporations of 5 units or more unless they pass an annual three vote resolution to exempt. There are a number of key terms used in the *Strata Property Act* that indicate the report is simply an information report which is based on estimates of building common asset conditions, life expectancies, and replacement costs. The report also includes an evaluation of the current financial status of the strata, and a projection of at least 3 funding models to help the strata owners with their decision making when funding future contingency reserve funds. It would be helpful if the reports were accurate within a nominal margin of 15-25%, but I have recently reviewed reports that indicate the funding estimates are plus or minus 50%, which has the potential to render them ineffective or even harmful to the asset value of your property. The report does not give the depreciation planner the free license to impose interpretations of bylaws, the strata plan of the strata corporation, any easements or covenants. Their role and that of the document is estimated information, which is essential in managing risk and planning for the future. A good example of a report that over interprets or is inaccurate, is one developed for a strata with sections created through the bylaws. The report attempted to incorrectly interpret and segregate expenses and future funding models by sections, but like an insurance policy of the strata corporation, the report contains all common assets of the corporation in the schedules without segregation. If there are exclusive expenses in the report that are to be funded purely by a section, that is the responsibility of the strata corporation and the sections to show in their annual budgets and funding responsibilities. Even the funding models are ultimately the responsibility of the strata and sections to divide according to their exclusive expenses. Interpretation of sections bylaws or air space parcel agreements frequently require a legal opinion before the strata understands their impact. Reports may also publish statements that may cause an unfair risk or evaluation of the strata finances. For example, "according to the funding models, the strata contingency fund is currently underfunded by 1.3 million dollars". There is no such evaluation of funding in our legislation. If the strata choose to provide minimal funding the in their contingency fund, then it simply means the owners will face higher special levies in the future. The reports do not set minimum funding standards. The depreciation report is basically a contract with a consultant. If your consultant is not prepared to correct errors in a report, it is a nominal cost for the strata to consider an action in small claims (provincial) court or a complaint to their regulating body.

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