

Things to be aware of when buying a Strata Property

Common Questions and Answers...

How do stratas work?

- *Common property ownership* – strata properties have areas that are owned in common by all the people who own a unit in the complex. E.g. the roof, the garden, the walk ways, the fences, the elevator, the hallways, etc. These areas must be maintained and therefore a governing body is set-up to oversee this and to help regulate what goes on in the complex.
- *Strata Corporation* – refers to the ownership at large (every single owner in the complex.) The corporation is like a company and is registered with a strata plan number. They have their own bank accounts, bylaws, rules, etc
- *Strata Council* – a group of elected owners who oversee the day-to-day running of the building and the corporation's affairs.
- *Meetings* – Every year the ownership at large meets for an Annual General Meeting (AGM) where important decisions are made that require the whole ownership to vote. Sometimes a Special General Meeting (SGM) is required mid-year if there is something to discuss. Also the strata council meets periodically (monthly / every few months) to discuss more detailed matters.
- *Unit Entitlement* – Because there is common property (roof, hallways, etc) there must be a way to divide the responsibility (financially and for insurance purposes.) If all of the suites in the complex are created exactly the same (same square footage, # bedrooms, # parking spots, size of deck, etc) then each suite has the exact same responsibility for the common property. E.g. 20 suites → each suite would own 1/20 of the roof, hallway etc, would pay 1/20 of the total amount needed to run the complex. However, this is seldom the case, and therefore, each unit is given a specific unit entitlement representing their percentage of the entire 'ownable' space. A simple example would be: 20 suites (ten 1-bedrooms, ten 2-bedrooms) → the 1-beds would have e.g. a 0.8/20 entitlement and the 2-beds would have a 1.2/20 entitlement.

What role does the property manager play?

- Most strata corporations contract with a property management company who acts as their agent / advisor / bookkeeper etc. Usually the property manager attends all the meetings, oversees collection and holding of the strata fees and other funds, sends out notices, and generally helps the strata corporation to run their affairs by reminding them of important inspections, expenditures, and applicable laws under the Strata Property Act.

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What do I actually own?

- Usually the portion that will be owned solely by you is from approximately the middle of the wall and inside. The rest is common property and managed by the strata corporation (of which you form a part.) *Note that the portion that is common property usually includes patios and decks* (See Addendum III – Little known facts)
- For insurance purposes, you must insure your own contents, plus any improvements you make to your home (e.g. hardwood floors and granite counters.) If the entire building burns down, the strata's insurance will cover the rebuild of the complex including your suite. However, it will be rebuilt with the same finishings as were originally installed (e.g. carpet and laminate counters.)

What paperwork is important to read when I buy a strata property?

- Once you have an accepted offer on a strata property, you will receive a copy of:
 - o All the minutes taken in all of the strata council meetings, AGM & SGM's for the past 2 years.
 - o The bylaws and rules for the complex. These are either in place before the complex is first occupied and/or have been agreed on by all owners since then.
 - o The strata plan showing the location and area of the buildings and how the common property is owned
 - o Any building warranty or engineer's reports associated with the complex
 - o A Form B which provides answers to a few common questions about the complex and the financial affairs of the strata
- ** Usually your offer is subject to you reviewing these documents. ****

What are some common restrictions effecting strata owners?

- Pets (number or type allowed, where they are allowed in the complex, how they are to be transported through hallways, etc.)
- Age (some complexes only allow people over 18, some 19, some 40, some 55.)
- Rentals (can be anything from a minimum or maximum time period a suite can be rented for or the total number or % of suites that can be rented at one time, to disallowing rentals entirely)
- Many others (can be as detailed as the colour of your blinds, hours when a toilet can be flushed, how you deal with your recycling, etc etc.)

The strata council enforces these restrictions by way of written warnings and fines.

What are some common expensive issues for strata complexes?

- Leaky condo / remediation (see Addendum I to this document)
- Decks – Over time due to insufficient building practises or expected wear and tear, decks may need to be repaired or sometimes replaced. This can be an expensive procedure. >>>

- Roofs – Every roof has a life expectancy which can be anywhere from 15 yrs to over 50 yrs (usually only metal roofs.) This should be an expenditure that is planned for by the strata. If not it could mean a special assessment (see below.)
- Parking garage membranes (see Addendum II)

What are special assessments?

- When the strata's contingency fund will not cover the costs of a repair / expenditure, the owners must vote to make a pre-determined individual financial contribution. This contribution is mandatory for each owner (usually with a 75% vote) and the amount is usually decided based on the unit entitlement for each suite.

How can I safeguard myself against expensive issues in the future?

- Check how much money is in the contingency fund and review the past and proposed budget
- **** Have an independent building inspection****
- Read strata minutes and any special reports in detail
- Talk to the property manager and/or member(s) of strata council about any questions or concerns you have
- Be clear about your responsibility vs. stratas (e.g. some stratas will decide that each owner is responsible for their own fence, windows etc... some cover all expenses from the common funds.)
- Review any specific concerns with a lawyer familiar with the Strata Property Act

Potential downsides of strata living:

- More restrictions on the way you live (pets, children, noise issues, etc)
- Possibly higher chance of security breaches due to other residents allowing strangers into the building, losing their keys, etc
- Less control over the money you spend on your property (strata fees and agreed upon special assessments are mandatory)

Perks of strata living:

- More affordable way to own because you share ownership of the property
- Increased security of having other owners watching your property
- Finances and service contracts are taken care of for you
- Being on council provides great experience in managing common assets and working with others towards common goals (plus gives you more control in protecting your investment)
- Governing bodies (the strata corporation and council) to handle disputes and concerns
- Turn key living... most of the maintenance is taken care of for you, so lock up and enjoy your holiday!

To discuss any questions or concerns you have with purchasing or living in a strata property, please feel free to get in touch with me 😊

Leaky Condos and Remediation

(Addendum I - Things to be aware of when buying a Strata Property)

In the late 1980's the building code was relaxed in Canada to facilitate increased construction. The shortcomings associated with this era of construction and the related fall-out is dubbed the 'leaky condo' issue.

Although the type of construction practices used during this time on Vancouver Island and the lower mainland were similar to the rest of the country, our extra-moist climate made this type of construction extremely impractical.

Generally, the problem lies in the massive inadequacy in the ways that moisture (in the air and from precipitation) is directed away from a building.

Here are some of the specific deficiencies which were common during this era of construction:

- Short or non-existent overhangs on roofs leaving no protection from precipitation hitting the exterior of the building
- Insufficient or non-existent metal flashings around doors, windows and decks to direct water away from the building
- No moisture barrier within exterior walls
- No way for moisture to escape once it was within exterior walls
- Wooden window and door frames (absorbed moisture once it had penetrated the exterior.)
- Insufficient drainage on decks

Symptoms of these deficiencies include:

- Moisture being trapped within exterior walls
- Leaks around windows and doors
- Deteriorating structural integrity of decks and other parts of the building
- Mould growth

A huge number of the buildings affected with these issues have had drastic action taken to repair and further protect their structures. ***This process is loosely termed a REMEDIATION and here is what can be involved:***

- Exterior cladding of the building removed
- Moisture barrier installed in the form of two sheets of plastic within the exterior walls with a space between them where moisture collects and is then directed out of the building. This is termed **RAINSCREEN**.
- Window and door frames replaced (along with the actual windows and doors themselves in some cases.)
- Flashings installed around doors, windows, and usually on each level of the building where a break in the rain screen funnels moisture away
- Decks repaired and in some cases replaced

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Although a large percentage of buildings suffering from 'leaky condo syndrome' have been remediated, quite a few buildings have not.

The process of a remediation usually starts with either obvious or suspected symptoms of moisture issues being detected. Usually the strata will then bring in an engineering company specializing in this type of issue. They will prepare a report with recommendations. The strata must then decide whether they want to have repairs completed, when, and to what extent. The strata corporation must vote to decide. Full remediations can be extremely expensive. An owner of a suite can expect to pay anywhere from **\$35,000 to over \$200,000 for just their suite's share of the work!!**

The need to remediate is a hot topic and an often debated one...

- Some people feel that the need to fully remediate falls on every building constructed between the mid 80's and approx 1998 (when the building code was changed to make Rainscreen and other measures mandatory for condos.)
- Some stratas would rather get the work done early to avoid further deterioration.
- Some feel that only when the symptoms become an issue for the residents is a remediation required.
- Some decide to only do a partial remediation or correct specific areas of the building that are showing symptoms.
- Some strata corporations cannot agree within their ownership on what to do, and when.

It is up to a buyer to investigate which stage a building of concern is at (with the help of their buyer's agent, they will review any engineer's reports, discussion within the strata, etc) and to decide whether they are comfortable with investing their money in that building.

Perks of fully remediated buildings:

- Exterior looks newer
- Components of remediation in place to avoid future moisture issues
- Doors, windows, even decks can be newer
- (Some stratas decide to replace their roof at the same time the remediation is done)
- Building warranty is in place following remediation
- Likelihood of future expenditures is decreased

What about townhomes and detached homes built within the same period of time?

The same building practises were used with these types of homes during this time. Some experts feel that the same problems plaguing condos will also affect townhomes and homes over a longer period of time. The differences lie mostly in the decreased surface area and exposed exterior cladding in smaller homes, which is partially due to the size of roof overhangs in proportion to the height of the overall structure.

In my opinion, it is advisable to take caution when considering purchasing any type of home built between the late 80's and late 90's.

Parking Garage Membranes

(Addendum II - Things to be aware of when buying a Strata Property)

The following issue is starting to come to light in buildings built in general, in the 70's and 80's:

Background...

- The roof over a parking garage is essentially a roof like any other, and all roofs have a life expectancy.
- Many buildings were constructed with the parking garage below grade (the Earth's surface) and with the area of the garage wider than the area of the bottom floor of the building.
- The perimeter of the roof of the parking garage is therefore beneath the exterior landscaping and is exposed to the ground and to moisture in the ground.

In some buildings there has been water penetration at the parking garage roof. This is due to the membrane on the roof failing to seal it from the ground's moisture

Signs of this issue include:

- Efflorescence / calcification on the roof and exterior walls of the parking garage (looks like a white chalky substance)
- Actual water dripping in the parking garage or other areas of the building that are below grade.

The best way to fix this issue is with a parking garage re-seal, which can involve the following:

- An engineer's report on the state of the membrane's failure with recommended repairs
- Ripping out all the existing landscaping around the perimeter of the building
- Digging down to the roof of the garage
- Replacing the seal
- Re-landscaping the perimeter

Some questions that are currently left unanswered or are up for debate are:

- Will all buildings with this type of parkade roof have this issue and need to be fixed?
- How long will it take an individual building before the membrane fails?
- How quickly does a strata need to get the work done?
- Is a partial fix enough?
- Are other proposed methods of re-sealing (without ripping out the landscaping, etc) effective? (E.g. a substance that can be injected into the concrete roof to seal any cracks.)

**** When purchasing in a condo building, it is important to review all the strata meeting minutes for issues re: the parking garage seal and have a building inspector look at the parking garage. ****

Little Known Facts about Stratas...

(Addendum III - Things to be aware of when buying a Strata Property)

Rental Restrictions have changed in the last few years...

- If you are the first buyer in a new complex and the developer has filed a Rental Disclosure Statement stating that rentals are to be allowed for first owners, then you are allowed to rent your suite 'forever' without restrictions, even if the strata decides to limit rentals in the future.
- Until a few years ago, when you purchased any strata property (i.e. as a first owner or subsequent owner of a suite) the rental restrictions that were in place when you bought stayed in effect, regardless of changes made by the strata in the future. However...
- **Now** all subsequent owners must abide by any new rental restrictions within a year from the time they are voted on.
- An example... In 2010 you could purchase in a 1995 built complex where they have never had rental restrictions. In January 2011 the strata could decide to abolish rentals all together. You would have to cease renting your suite by January 2012. The only people who could continue renting in that complex would be the original owners who bought from the developer.
- If you plan to rent your suite, look for complexes that have a high number of rentals already. The strata has to achieve a $\frac{3}{4}$ vote to change the restrictions, and if there is a high proportion of investor owners, it is unlikely they would vote to end rentals.

An age restriction can be serious issue...

- Many people ask whether age restrictions are legal / in keeping with human rights.
- The answer has always been fuzzy, because up until recently (to my knowledge) there has never been a case in BC where an owner and a strata went to court against each other over an age restriction.
- In the last few years, there was a case and this is my understanding of it: A woman had a baby while living in an adult only complex. The strata gave out warnings and fines and eventually it turned into a legal battle. In this case, the woman lost the case, and had to move. However, I am told by an expert in stratas that the woman had a very junior lawyer who had never worked a case involving the Strata Property Act and the strata had an expert lawyer, plus the judge was very inexperienced in this type of case as well.
- Whether or not a future case surrounding age restrictions would result in a similar decision is unknown.
- If you are considering buying in an age restricted building with the possibility that you might need or want to break the rules, please know that 1) it will unlikely turn into a court battle (many stratas turn a blind eye and never make a fuss at all,) however, 2) there is a risk of fines (or worse) which could be extremely uncomfortable and stressful.

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Your parking spot can be owned in a few different ways...

- a) Part of your strata lot (this is usually the case with townhomes where the parking is in the form of a garage built into the home.)
- b) Limited Common Property (LCP) This could be located anywhere from a car port to an underground parkade. In this case your parking spot is common property (i.e. maintained by the strata) but is limited for only your use. It **cannot** be permanently re-assigned to another suite.
- c) Common Property (CP) – This type of ownership means that although you will always have a parking spot, that spot may change / be re-assigned by the strata council.

Surprisingly, your deck or patio is also usually Limited Common Property...

- Your deck or patio is usually the responsibility of the strata (i.e. if your deck needs replacing, the strata as a whole would pay for it.) However, like your parking spot, it is limited only for your use – thank goodness!

Single family homes can be strata properties too...

- This type of strata is called a **Bare Land Strata**.
- The Developer of the land creates a number of single family home lots with common areas in between. Usually the common areas are simply the sidewalks and roads.
Common areas / expenses can also include:
 - o Sewers / Storm drains
 - o Shared septic fields / systems
 - o Street lights
 - o An entrance gate to the community
 - o Garbage and recycling pick-up
 - o Snow removal on shared roads
- With this type of home, there will be a strata fee to cover the maintenance of the shared components above. This is usually between \$25 - \$85 / month.
- Many people do not like the idea of having to pay a fee when you own your own house, however, the amount you pay should work out to a similar reduction in either municipal taxes and/or personal expenses. (E.g. instead of you paying the city who employs the snow plough, the strata employs them directly. Instead of you hiring a septic person to service your system, the strata would have a contingency fund for emergency shared expenses.)

Please let me know if you have any further questions about strata properties.

Thanks for reading!