

Strata Interests - versus - Unit Owner Interests

The cost effect of Weatherproofing the roofs



by: **The Great Canadian Roof Doctor** November 13, 2017

Strata Unit owners expecting to move in the next few years, often have no desire to see their roofs “Weatherproofed” (extending their lifespan by cleaning, and then sealing them). They don’t want to pay a related strata fee increase that would only benefit the other remaining Unit owners. They just want their roof to last until after they have moved.

Until recently, future strata financial obligations could be substantially hidden ... and conflict on the use of funds (strata interests versus individual Unit owner interests) was common. For several years now, the BC Strata Property Act and Regulations have required a significant move to transparency through the introduction of the Act’s “Depreciation Report” for stratas. In this report, stratas spell out their expense expectations for the next 30 years for paving, windows, roofing, and other anticipated major common property costs, that normally occur less often than once per year.

Of note is that potential Unit purchasers now have full access to this report through their real estate agents, and can see the strata’s expected future roof replacement costs (and timing). They will also see the projected value of the strata’s “Contingency Fund” (funded by the regular strata fees), which is the sole source of funding for these expenses. Because the fund cannot borrow, the 30 year projection of Cash Reserves can’t drop below zero. If you need a new roof, and the fund isn’t able to cover it, then the cash WILL come from the Unit owners as a “Special Levy” [SL] in the year required. This is not negotiable. The amount of that estimated future SL, is also shown in the Depreciation Report.

If your roof needs replacing 10 years from now, and the report shows a required SL of \$5,000 (or whatever) per Unit, then you should expect your Unit’s market value for resale to drop by at least that amount. If buyers think of SL’s as poor management, or as a predictor of an increase in monthly fees to happen soon, then expect your value to drop even more. You don’t normally want a planned SL in the Depreciation Report.

Although the Weatherproofing savings, and roof life extension, will remove the need for a roofing related SL, there could still be some concern that Weatherproofing will bring with it, a NEW additional cost! It’s a reasonable expectation; but ...

Even if the originally planned re-roofing had only been funded at **half** of its required rate (not uncommon in BC I’m told), the cost to Weatherproof will still be less than these currently allocated funds, and the cost can be paid from that re-roofing allocation. No new funds will be required! The roofing portion of the monthly strata fee can remain the same, and the roofing allotment that remains in the fund will continue to grow at its current rate. The reduced annualized roofing costs due to extending the life of the roof, will allow some of the roofing portion of the fee to be applied to other Contingency Report items that might be under-funded.

With one or more re-roofings now being skipped, lower ongoing roofing costs, the removal of at least one roofing related Special Levy, and no related strata fee increase required ... Unit market values will now increase to above those of other stratas that are otherwise equivalent. Unit owners leaving soon will get treated fairly (and get a benefit too), and Unit owners that remain, will continue to benefit each year ... on into the future.

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“Roof Fund” value (\$), assuming regular equal savings deposits since the current roof’s start, and any cleaning, reroofing, or sealing costs paid for out of this fund.

