

You take a risk deferring repairs

timing is everything: You could pay twice the price if you let naysayers put you off timely work

BY TONY GIOVENTU, SPECIAL TO THE PROVINCE JULY 12, 2009

Dear Condo Smarts: Could you please explain to strata owners a way to convince them that deferring maintenance is just a waste of money and destructive to our communities?

Our townhouse complex is fixing decks and balconies at a cost of about \$20,000 per unit because we waited until things started to rot before we fixed them.

At our first meeting in June of 2001, our owners voted down a motion to replace membranes and railings at a cost of \$3,750 per unit. The contractor at the time warned us that if we didn't do the work, we would be facing serious damages.

Unfortunately, a few fear-mongers in our strata convinced enough owners that the contractor was only trying to scare us into a repair we didn't need.

In hindsight, we should have challenged the decision and gone to court.

In addition to the damages and costs, we have a small group of owners who cannot raise any funds for the special levy because their debt/mortgage value exceeds the value of their townhouses.

-- CG

Dear CG: The first thing we need is a change in legislation that ensures strata corporations are saving sufficient funds for future repairs.

The government recently moved the administration of the Strata Property Act from the Ministry of Finance to Housing.

CHOA will continue to work with government to bring reasonable changes in the legislation, and you as homeowners need to contact your MLAs to encourage them to support a public consultation process on future amendments.

We completed a study several weeks ago into the exact issue you raise. The outcome of the study is that it can easily cost more than double when you defer repairs.

The study involved a 50-unit, 17-year-old, wood-frame building that required a roof replacement this year. As a result of forgoing maintenance and inspections, the roof defects -- which could have easily been remedied in the early years -- resulted in shortening the roof life by five years, \$27,000 in emergency repairs, an increase in their insurance deductible to \$25,000, and \$26,000 in additional repairs resulting from the damage.

The total special levy was \$201,000 and the average unit cost was \$4,020.

Averaged over 17 years, that means each unit paid \$24.90 per month, and the owners had to deal with the conflicts, nuisance and personal financial crisis all because they deferred repairs.

If the strata had planned the maintenance and repairs, the cost would have been \$175,000. Plus they could have allocated \$16,500 for maintenance and inspections over 22 years.

If the strata had amortized a monthly contribution and reinvested their reserve, compounding the non-taxable interest, the owners' monthly contribution over 22 years would have been only \$8.82.

This is economics in its simplest form. Long-term planning costs less than half of deferring.

Notwithstanding all of the other complications, it's the only choice and it's never too late.

Until we have a mandatory regulation on funding for future repairs, your strata can pick your greatest future costs or risks -- such as roofing, windows, cladding, plumbing or elevators -- and find out what the future cost of maintenance and replacement will be and start saving today.

Don't let agents of discord in your strata discourage long-term planning.

Your future investment really is worth the effort.

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