



Vancouver Island Strata Owners Association
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STRATA BULLETIN – APRIL 2006

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MESSAGE FROM YOUR PRESIDENT

**A New Day for VISOA
APRIL 2006**

Members present at February’s Annual General Meeting heard Florence Walker’s announcement that she would not stand for re-election as president. VISOA’s Board of Directors, faced with the need to elect a new president, elected me. Why me? I suppose it was because I was the longest serving Board Member other than Florence and it seemed the logical thing to do. I’m not sure the Board was being logical and even less sure that I was being logical in accepting the position. But the Board elected and I accepted so here we are, at least for the year.

The greatest challenge in this job will be trying to maintain the high standard of performance and service set by Florence during her years as president. VISOA members will miss her expertise in all matters strata and her steady hand at VISOA’s helm. But VISOA will continue to benefit from Florence’s knowledge and experience because as immediate past president, she remains a board member.

We owe Florence a further debt of gratitude because of the excellence in quality of the Board Members she recruited before stepping down as president. With such a legacy, we are confident that VISOA will survive and even thrive.

But there will be some changes: A new voice will answer VISOA’s Helpline: **Felicia Oliver**, VISOA’s new vice president (with expert

BOARD OF DIRECTORS

President	Harvey Williams
Vice-President	Felicia Oliver
Secretary	Claudio Procopio
Treasurer	Bill Frache, CGA
Board Members	Florence Walker Allen Walker Elsie Lockert Mowe Warwick Laura Neilson

advice from **Florence Walker**) and on occasion, Laura Neilson who will be Felicia's backup. Email queries will be answered by Felicia but sometimes by Laura or myself.

Bill Frache continues as treasurer and **Claudio Procopio** as secretary. **Laura Neilson** filled a vacant position on the Board in November and is assembling a manual and organizational plan for the Board. **Mowe Warwick** and **Elsie Lockert** are VISOA's membership committee. **Allen Walker**, in addition to being a Board member, is techie-in-chief, serving as VISOA'S Webmaster and providing technical support for the membership database and email helpline. He also provides desktop publishing services for the Bulletin and other publications.

So begins a new chapter in the life of the VANCOUVER ISLAND STRATA OWNERS ASSOCIATION.

Harvey Williams, President



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IS YOUR STRATA ONE OF THE MANY "LEAKY CONDOS"

Elsie Lockert, Board Member

Your VISOA Board of Directors has, for many years, been concerned about the far-reaching effects on the owners, strata corporations and society in general, of the premature failure of building envelopes, better known as "leaky condos". And they still are.

In the February 2006 Bulletin we included a copy of the letter that was sent to all of the Vancouver Island candidates (and news media) during the January 2006 Federal election. Responses were limited. However Keith Martin, elected in Esquimalt-Juan de Fuca, pledged his support to work on solutions.

Ophir Place in Victoria is currently undergoing a \$4 million renovation. Their Council president, Hugh Miller, has been in touch with various MPs as well. He has shared much of the correspondence pertaining to these issues with VISOA. For example:

- A letter from Gary Lunn, MP for Saanich – Gulf Islands, stating he believes "more can be done to help leaky condominium owners".
- A letter from John Cummins, MP for Delta-Richmond East, to the Hon. Diane Finley, federal minister responsible for CMHC, reiterating that our current Prime Minister, on December 17, 2005, pledged that his new government would "review CMHC's handling of construction regulations and leaky condos". His letter included recommendations for a course of action to do just that.

Our new Prime Minister says he is committed to reviewing the issues. MPs Gary Lunn, Keith Martin, and John Cummins have all expressed strong interest in helping. And there may be other elected MPs who are ready to address this ongoing disaster that seems to have no end.

Is your strata one of the "victims"? If so, send an email to membership@visoa.bc.ca or leave your name and phone number with the HelpLine at (250) 920-0222. We have letters and information to share with you and perhaps you have information and letters to share with us. Let's

advocate for assistance together. The GST rebate program, which the Barrett Commission recommended, could be a good start. Maybe some of us could meet after the seminar on April 23rd and spend a few minutes to discuss all of this further?

We look forward to hearing from you!



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YOU ASKED: About Strata Council Meetings

Harvey Williams, VISOA President

Have a question about managing your strata corporation? Ask us, we've had a lot of experience helping strata corporations solve problems, perhaps we can help you. Questions may be rephrased to conceal the identity of questioners and to improve clarity when necessary. We do not provide legal advice and our answers should not be construed as such. However, we may, and often will advise you to seek legal advice.

We've had several inquiries of late regarding the necessity for small strata corporations to hold annual general meetings and elect strata councils. The inquiries often go like this, "We've only got 5 (6, 7, 8 units as the case may be) units. We're all good friends, see each other frequently and chat about strata concerns,"

or "We have a little wine and cheese social once a year to discuss condo issues. Can't we just do this stuff informally as friends without having an Annual General Meeting and a strata council? Do we really have to operate in accordance with the Strata Property Act"?

The snide answer is "No, you don't have to comply with the Strata Property Act", meaning that you are not likely to go to jail or be whipped by the Taliban if you ignore the Act. But there are possible consequences that, while less fearsome, can be costly. Your strata corporation could end up with a court appointed administrator at your expense. Here's what section 174 of the Strata Property Act says:

- (1) The strata corporation, or an owner, tenant, mortgagee or other person having an interest in a strata lot, may apply to the Supreme Court for the appointment of an administrator to exercise the powers and perform the duties of the strata corporation.
- (2) ... if in the court's opinion, the appointment of an administrator is in the best interests of the strata corporation.
- (3) ...for an indefinite or set period...the court can set the administrator's remuneration...order that the administrator exercise or perform some or all of the powers and duties of the strata corporation, and... relieve the strata corporation of some or all of its powers and duties.
- (4) The remuneration and expenses of the administrator must be paid by the strata corporation...

What this means is that owners would lose all their rights to manage their strata corporation and be required to pay the costs of an administrator to do it for them. The administrator could make up a budget, set and collect fees, pay bills, order repairs, any and all of the functions normally carried out by the strata.


But why would anyone want to apply for an administrator? Because without annual meetings, there could be no budget, contingency fund, or strata council. Without a budget, strata fees cannot be set and without strata fees, bills cannot be paid. Without meetings there can be no minutes hence no written official record of

actions. As an owner or mortgagee, you would have no way to know if your property was properly insured until there was a fire, or even worse the big earthquake.

With today's building costs, replacement of even a small strata building of 5 or 6 units could easily exceed a million dollars with individual units valued at \$200,000 or more. Even with functioning councils, premises are often under-insured because of out-dated appraisals.

The Strata Property Act, Regulation and Standard Bylaws were designed by legal experts to protect and preserve the property and legal rights of strata owners. Why not use them to protect the value of your property?

Doesn't it make sense to hold AGMs and elect a council?



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RESA AND THE COST OF STRATA MANAGEMENT SERVICES

Harvey Williams, VISOA President

Licensing and regulation under the Real Estate Services Act (RESA) has tamed the Wild West that was once strata management. It is no longer legal for convicted con-artists or functional illiterates with no knowledge of strata management to hang out a strata manager's shingle. But the taming of the strata management wild-west has come at a cost to strata owners – I am told of one management quote of \$23.00 per unit per month for a 24-unit strata corporation.

Management services are generally charged on a per unit basis, but the actual per-unit cost to the management company decreases in proportion to the number of units. For example, at \$23 per unit, a 30-unit strata corporation would pay \$690 per month and a 60-unit strata corporation would pay \$1,380 per month. But the cost of providing management services to a 60-unit strata is not twice the cost of providing the same services to a 30-unit strata. Economies of scale significantly reduce the cost per unit in larger strata corporations making them much more profitable.

Strata properties of 100 or more units are like low-hanging fruit waiting to be plucked by strata management companies. But size cuts two ways. Because they are more profitable, large strata corporations have more leverage in bargaining for management services. When renewing or negotiating new management contracts, they should exercise that leverage by requesting quotes from several management companies and demanding more and better service.

The Strata Property Act applies equally to large and small stratas. But because of the small profit margins, 4- and 6-plex stratas may not be able to find full service management at an affordable price in which case, their only option is self-management. But our experience in assisting small stratas leads us to the counter-intuitive conclusion that the fewer the units, the more difficult it is to self-manage. The irony in that conclusion is that professional management

services may be unaffordable for them. One solution may be to contract only for essential services such as financial management.

Managing finances and financial reporting seem to be a bug-a-boo for many people. A small strata corporation could employ a bookkeeper to keep financial records and prepare financial reports so long as they did not write cheques or collect fees. Anyone other than an owner who does that must be licensed as a strata manager.

But why should a 4- or 6-plex strata corporation need professional management?

On the surface this seems like a no-brainer, and it would be if strata owners were logical robots. But they're not. They are individuals with personal values and emotions. One difficult person in a 4-unit strata can wreak havoc with rational decision-making. Finding even three rational owners in a 6-unit strata willing and able to serve on the strata council can be a challenge.

And this is where VISOA may be of assistance. While VISOA does not give legal advice or provide professional mediation services, our phone and email help-lines can answer owners' questions or direct them to appropriate professional services if that is what is needed. And we will facilitate owner meetings on request if that will assist.



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HAVE YOU CHECKED YOUR INSURANCE COVERAGE LATELY?

We received the following item from a member who prefers to remain anonymous and thought it worth sharing with our readers.

Many strata property owners are being faced with heavy increases in building insurance premiums. The following example from a real life recent

experience shows that it pays to shop around.

For many years the self managed Eldercrest Strata (not the real name) had used Broker A for its strata insurance. As best the long-time owners could remember, they had only ever had to claim once for water damage to electrical installations due to a hot water tank failure and the repair costs less deductible were promptly covered. The premiums increased fairly regularly and the explanations -"due to 9/11" or "due to Katrina and New Orleans" seemed reasonable and no questions were asked.

However, when our last renewal time came around an enterprising broker, we'll call him Broker B, offered to quote on our insurance. It turned out that his quote was substantially lower than Broker A. He also suggested that on account of today's rapidly escalating building costs, a building appraisal be made. This was done and both Brokers A and B were asked to requote on the new appraised value.

Broker A quoted a 20% deductible for Earthquake damage and \$50,000 limit for Volunteer Maintenance Accident Coverage.

Broker B quoted for 10% deductible for Earthquake and \$75,000 limit for Volunteer Accident coverage and his quote was several hundred dollars less. When Broker A's coverage was matched to Broker B's coverage for the same limits and deductibles the difference in premiums was over \$1,000.

The question for Council then became - do we stick with the devil we know or gamble on a new unknown horse? Broker B was investigated as well as possible in the short time available. No problems with the Better Business Bureau. Broker B was open and frank about all the ramifications of building insurance. The Insurance companies he used were in the top 15 of the many hundreds of companies reported by the Canadian Underwriters Association, although one of his chosen companies had reported a downgrading of credit rating from A- to B++ (very good) with a negative outlook. The major unknown remaining was how hard-nosed or easygoing would the adjuster be if a claim were filed. Some adjusters are retained in-house by

insurance companies which may suggest a conflict of interest.

Council was evenly split on which way to go.... The Treasurer, a senior business executive, was asked to see if Broker A would reduce their premium at least some of the way towards the Broker B quote. When he asked for a matching quote he got it without argument!!!!

The moral of this true story: it pays to shop, even for insurance!

Anonymous



Strata Property – Home or Investment? (Part 1 of 2)

John Grubb, Unity Business Services

As a consultant to Strata Plan clients, I often find myself trying to offer individual owners a new perspective, to help them better understand the responsibilities of their Strata Corporation and their own position within its operation. The word “within” is perhaps the most telling aspect of the owners’ relationship with their Strata Corporation.

A single family home owner purchases his home and lives essentially unhindered. A Strata owner purchases his home but must then live “within” the restrictions placed on him by the Strata Corporation.

Rather than viewing a strata purchase as buying a “home”, an owner is better off viewing it as buying a “share” in the Strata Corporation, treating the transaction in much the same way as one would purchase stock in a company. The number of “shares” in the Corporation is restricted to the number of units, and the purchase of a “share” entitles the owner to live “within” the Strata property in his own unit.

To varying degrees, we all see the purchase of our homes as an investment but if, in purchasing a strata home, the buyer places an added emphasis on the “investment” aspect, this change in perspective may assist many to understand the

differences in the two types of property ownership.

Under this arrangement, the owner also agrees (knowingly or not) to live “within” the rules of the Strata Plan, which come from two sources. The first is the BC Strata Property Act (SPA), which governs the operations of the Corporation and its Directors in much the same manner as any publicly traded company. The SPA is the “law” under which the Corporation must operate, whether an individual owner likes it or not.

The second set of rules is generated by the Strata owners themselves and laid out in the Corporation’s bylaws and, again, this is directly comparable to the operation of any company in which we might invest. Every Strata has a set of bylaws, whether developed and voted into the record by the owners or, lacking those, the default bylaws laid out in the SPA.

Any investor about to spend several hundred thousand dollars on the purchase of shares - on the stock market or in a Strata Corporation - is well advised to look carefully into the company’s bylaws and operations, and the laws that govern those operations. Unfortunately, it seems that many strata purchasers step into the transaction because, “We found this lovely little condo...”, and forget to look at all the other conditions, expectations and restrictions placed on the ownership of their “share”.

To purchase a strata property is to become a member in a “Corporate Partnership” and as with any venture, its success or failure depends entirely on the effort each partner/owner is willing to put into “The Business”. A Strata Corporation’s business is subject to a different set of rules and regulations than those governing individual ownership of a property, and it is best that each “partner” understands this clearly before buying a “share”.

John Grubb is a Property Maintenance Consultant serving Strata Corporations and building owners on Vancouver Island. 616-9298 or www.unityservices.ca

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**WANT TO HELP KEEP THE MEMBERSHIP
 FEES DOWN?**

Elsie Lockert, Membership Chairperson,
membership@visoa.bc.ca

At the February 19, 2006 Annual General Meeting it was amazing the number of hands that went up when the question was asked “Who uses email?” Yes, we were told, using email would be one way to help VISOA hold the line on membership fees.

Currently there are three options for members to receive Bulletins (and other information). They are:

Option #1: Members who have authorized “**email only**” do not receive regular mail copies.

Option #2: Members with email addresses that have NOT authorized us to stop sending a copy by regular mail receive the Bulletin by regular mail and by email.

Option #3: Members with no email address receive it by regular mail.

Please note that there are three types of members: Corporate Strata, Individual, and Business members.

- To hold postage costs down we will send out only one copy for each corporate, individual, or business membership (same as always).
- Emails are not limited. All residents listed in the database (it usually is the Council members for Corporate Stratas) can receive information by email. Corporate Stratas tell us that they usually designate one person to pass the electronic version to other residents who wish it. Very efficient!

Using email has several advantages:

- It’s delivered immediately (no postal delays)
- You can print as many copies as you need
- You can print off only the pages you want
- You can forward it by email to other members of your strata corporation.

When you use the “email only” (option #1) there are some advantages for us:

- No printing or postage costs
- We can use these savings to provide additional information or services for our members.

We hope that if you have not already joined the “option #1” group that you will consider giving it a try. It is also a “let’s save the environment” initiative. However, each member should choose the option that is best for them be it #1, #2, or #3.

Want to get off the VISOA email list?

- To stop receiving Bulletins and other information from VISOA by email just send a note to membership@visoa.bc.ca. We will ensure you are placed on the “regular mail” only list.

Want it by both email and regular mail?

- If you are currently receiving the Bulletin by only email or by only regular mail and would prefer to be on both lists, send a note to membership@visoa.bc.ca and ask to be put on the “option #2” list.

Currently not on the VISOA email list?

- If you did not receive this Bulletin by email and you would like to in the future, send a note with your name, strata number and email address to membership@visoa.bc.ca. Let us know which option you wish to be placed on, #1 or #2. We will even send you this version by email.

Totally Confused?

Go back to the beginning of the article and figure out which option number you are and see if that clears things up for you.

Comments? Questions?

- We would like to hear them. So email them to membership@visoa.bc.ca or telephone the helpline at (250) 920-0222. We will do our very best to answer any questions you have.

**A Marketplace for Ideas:
Letters to the editor**

Beginning with the May bulletin VISOA members are invited to write letters to the editor commenting on issues, asking questions, exchanging ideas, and sharing experiences. Letters should be no longer than 250 words and, of course, not contain libelous material. Letters may occasionally be edited to make them more concise. Email is preferred, but typed or neatly hand-written letters will also be accepted.

Save the following dates for VISOA's 2006 workshop series
(Topics to be announced)
June 18 – Victoria
September 17 – Qualicum Beach
November 19 – Victoria

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Elsie Lockert at (250) 920-0222 or
membership@visoa.bc.ca .**

DISCLAIMER

The material in this publication is intended for informational purposes only, and cannot replace consultations with qualified Strata professionals.

Legal advice or other expert assistance should be sought as appropriate.



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The Vancouver Island Strata Owners Association Presents

A SEMINAR ON STRATA INSURANCE

By Steve Hodges

OF

Hodges and Company Insurance Services

- What insurance coverage should our strata have?
- Is our insurance appraisal up-to-date?
- Are our council members insured?
- Should our strata have earthquake insurance?
- Who pays for the cleanup if our strata building is destroyed?
- Who pays if my water heater leaks and floods another suite?

These are some of the questions about Insurance that Steve will answer.

Questions from the floor will be answered.

Sunday, April 23, 2006 – 1:00 P.M.

Registration begins at 12:30 p.m.

**LOCATION: Trafalgar/Pro-Patria Legion
411 Gorge Road East, Victoria**

**The Seminar is open to all VISOA members
The Strata Plan number is required to register**

(If your strata plan is a member, all owners in your strata may attend.)

Memberships will be available at the door

PLEASE POST FOR ALL OWNERS TO SEE