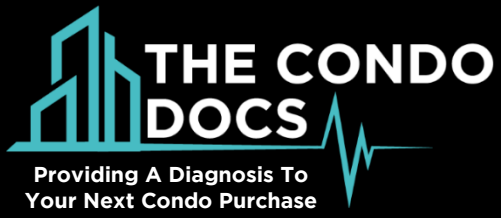


2024



PREPARED FOR: YOU

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Understanding Condominium Corporations & Building Management

The Condo Corporation

So, you're buying a condo. The first thing to understand is that you are not only buying a condo, but you are buying into a condominium corporation and condo board. This corporation is made up of all the unit owners in the building, and the condominium corporation assigns a Condo Board, who play a crucial role in managing the affairs of a condominium complex. The primary function of a condo board is to oversee the operation and governance of the condominium community, ensuring it functions smoothly and in accordance with relevant laws and regulations. Some of those obligations are:

- 1. Financial Management:** The board is responsible for managing the condominium's finances. This involves creating and overseeing the budget, collecting fees from unit owners, and ensuring that funds are appropriately allocated for maintenance, repairs, and other necessary expenses.
- 2. Property Maintenance and Repairs:** They oversee the maintenance and repair of common areas and shared elements of the condominium, such as hallways, elevators, and recreational facilities. This includes arranging for necessary repairs and ensuring that the property is well-maintained.
- 3. Enforcement of Condo Bylaws and Rules:** The board establishes and enforces the bylaws and rules that govern the condominium community. This includes regulating issues such as noise levels, pet policies, and other community-specific regulations.
- 4. Decision-Making:** The board makes important decisions on behalf of the condominium corporation. This can involve making policy decisions, approving major expenditures, and representing the best interests of the condo owners.
- 5. Communication and Transparency:** They are responsible for communicating with condo owners. This involves keeping owners informed about decisions, financial matters, and any developments that may affect the community. They often organize meetings to keep residents updated.
- 6. Hiring and Management of Service Providers:** The board may be responsible for hiring and overseeing property management companies, contractors, or service providers involved in the maintenance and management of the condominium.
- 7. Legal Compliance:** Ensuring that the condominium corporation complies with all applicable laws, regulations, and legal requirements. This includes understanding and adhering to the Alberta Condominium Property Act.

The board is typically made up of elected condo owners who volunteer their time to serve the community. They must act in the best interests of the condominium corporation and the owners they represent.

Understanding Condo Fees

Condo fees are more than just a recurring expense to make sure the hallways are vacuumed and the sidewalks are cleaned. Your condo fees cover your buildings current expenses, being typically operating expenses (heat, electricity, water, on going maintenance), insurance (coverage varies from building to building), and future expenses outlined in your Reserve Fund Study. It is a common misconception that the lower condo fees make one building better than another from a purchasing perspective. Lower condo fees can be (but not limited to) a result of fewer maintenance costs (usually meaning fewer amenities), a building that has not had many major repairs from a result of quality building practices, among many other positive outlooks.

BUT it could in some instances, also mean that there is deferred maintenance, and corner cutting when it comes to building repairs and maintenance to keep monthly condo fees low. This could result in larger failures in the future that are much larger in cost than the repairs would have been in the first place, or the cost of regularly scheduled maintenance, that result in massive spikes in condo fees or special assessments (or commonly referred to as “cash calls”).

This is not to say that all lower condo fee buildings have this issue, but it is something a purchaser should be aware of when comparing one unit to another. Abnormally high condo fees can also be a result of poor financial management relative to the buildings maintenance, but all condo buildings are different, and each has a story to tell, make sure you understand the full story from the available information before making judgement if fees are too high or low given the age and history of the building.

Building Maintenance & Reserve Funds

All buildings are designed and built, to the current standards at the time of construction. Although some of these buildings are old, if their deteriorating features were planning to be replaced and maintained, there should not be a extraordinary cost to the unit owner, as the Reserve Fund should be funded to take on those costs, which is the point of the Reserve Fund Studies(RFS). These RFS are a part of legislation in the Condominium Property Act in Alberta, and must be completed every 5 years. These studies will project major capital expenditures over the course of the next 30-50 years as well as other reasonably anticipated increases in operating costs.

If the condo board is smart, and follows the RFS plan, then your building should be in a good position to handle these future repairs. Far to often does a board try to skim expenses and reserve fund contributions to save condo fees, and end up paying the price when it comes to pay the piper. BUT the same can be said for a new condo. A board could think that a new building doesn't need repairs or maintenance, because it's got that new car smell. A new building needs just as much maintenance as an old one. This includes increasing condo fees with annual inflation rates. Maintenance costs go up with rising labour and material cost increases, any additional tax increases including Carbon Tax, is reflected in increased service costs for all trades.

Your condo fees should reflect these increases to be able to stay on top of financial responsibilities. Regular maintenance on your plumbing, heating, ventilation, air conditioning, flat roofing, and electrical systems keep the components in their respective lifespans or may even extend it. There is also always the possibility of failures regardless of maintenance, but the risk is higher with increased maintenance negligence.

At The Condo Doc's we're committed to dissecting all documentation given, and laying it out there for consumers to make their best judgement in regards to their purchase.

Disclaimer and Liability Statement

Clients of (corporation) have all been aware and agree to the following disclaimers and liabilities relinquished liability to (the corporation).

- a) This report is not a legal opinion on whether the client should proceed with a purchase of any given condo.
- b) All opinions presented herein are all based on the information given within the set of documents received. This information can change at any point without notice, if that change occurs without notice on the provided documentation, we cannot be held responsible.
- c) Recommend to review report with legal counsel.
- d) All personal and corporate data is confidential.
- e) The client accepts that a physical visit to the condominium building does not take place.

Condominium and Unit Information

Unit Information

Condo Corporation #XXXXXXX

Address: Calgary AB

Condo Building Description: The Condo Corporation size, and overall building description. This will include unit factor (so we can dissect any shortfalls on a per unit basis), monthly condo fee, parking type (assigned/titled), and if this is a conventional or bare land condo. We will break out who the condo manager is, and what their fee's are per month and if they are reasonable given the size.

Executive Summary

Board and Finance Summary

Here your going to find a summary of the Operating Account, the Reserve Fund and Expenditures and any shortfalls, any Special Assessments, major Meeting Minute problems/items of concern, bylaw particulars that are out of the ordinary, Additional policies that are non-standard or of importance to new owners. In short, all of the below sections are summarized so you can see what matters most right away. Everything else is covered in detail in their respective sections.

Condominium Financial Review

Reserve Fund Review

Here you will find a in depth description of the Reserve Fund as it pertains to Past audited financial statements and how they stack up against the Reserve Fund Study and its recommendations. If we receive a recent balance sheet, we will analyze the most recent balance sheet, and compare it to where the Reserve Fund balance should be. We will also list when the next study will take place. From all this we can derive if there is a shortfall in the Reserve Fund, and how much your client's unit would be out of pocket if a Special Assessment was issued today. This is important for your client's risk assessment when choosing to move forward or not with the unit. We do not make this decision or advise your clients to move forward with any purchase, as it is between you and your client to decide on the risks relative to the price, we just present those risks as plainly as we can.

Reserve Fund Expenditures

Here we will breakdown the past audited financials reserve fund expenditures and show what the corporation has been spending over that period. If financials for the current year are available that show reserve fund expenditures we will show those here as well. Those will be analyzed with the Reserve Fund Studies recommendations and if the board is over/under spending relative to the reserve fund study.

We will also take a 5 year outlook from the reserve fund study and depict what major work is upcoming so that your client is completely informed about any possible major projects that may affect them, ie a siding replacement.

Operating Account Review

The operating account for previous years audited financials will be reviewed, and compared to budgets. If we see deficits, we will advise of those deficits and any efforts made to remediate, or not to remediate. Large overages will be broken down here and explained if they are ordinary based on economic trends. (ie, utility deficits are common place currently based on unpredictable inflation rates).

We will do this same evaluation on the most recent balance sheet and any year to date financials. Overages will be broken down on a line item basis, with budgets and actuals shown. Any deficits or surplus' will be noted. The current or most recent balance will be noted. We will also advise on whether the current balance is within norms for the size of the corporation/complex.

Annual General Meeting Minutes Summary

AGM meeting minutes will be broken down line by line here, based on relevance. Your clients do not need to read about Quorum, governance, or voting of a new board. We keep it simple and relevant with any notes of maintenance or breakdown issues, security problems, upcoming renovation projects, parking problems ect

Board of Directors Meeting Minutes Summary

These minutes usually are more informal and less descriptive than the AGM's, but help us get a broader view of any issues brought up during the AGM. We will summarize each relevant discussion regarding building maintenance, security issues, on going renovations, upcoming renovations, and other items pertaining to management or building operations.

Condominium Bylaw Review

Due to legal requirements dictated by the condominium property act, the owner of each condo needs to read and cooperate with their buildings bylaws. Unless we were lawyers we cannot give owners bylaw advise, as you will find with any condo doc review service. BUT with a disclaimer, we can provide summaries of sections that affect unit owners the most. We will cover Use and Occupancies restrictions, duties of owners and corporation, Leasing of units, and parking restrictions just to name a few. Our video review will also provide a generalized overview of these sections and the owners responsibilities and restrictions under these bylaws.

Building Specific Forms and Policies

For corporations that have additional policies above what's in the bylaws, we will provide a summary here of those policies. These typically include Visitor Parking Policy, Move in and out Policy, Pet Policy,

or Tenant Policy just to name a few. We will summarize the relevant facts of these without inundating you with endless text.

Insurance

Unfortunately, we are not insurance brokers, so we cannot comment on the “quality” of corporation insurance policies. But we can ensure that your building is *insured* currently, which is a requirement of the common AREA re sale contract. We also outline the property loss deductibles, so we can see the risk associated with the operating fund balances, and if the corporation has enough to cover common property loss deductible we see, or if the corporation includes a deductible in their annual budget to cover these potential losses. We will also outline the difference between the corporations insurance and the property owners insurance, and the importance of having their own coverage for losses, and if they are at fault for damage to other units or common property.

Disclosure Statement

This information is usually relatively cut and dry from the condo managers statements. We will note what is disclosed on the statement, and if there are any items worth looking into further (finance problems, structural issues ect.)