

WINTER 2013

CONDO CONTACT



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A SOUND INVESTMENT?

CONDOMINIUM ACT REFORM
FULL STEAM AHEAD-DESPITE PROROGATION

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Contents

Winter 2013

4 Editor's Message

By Nancy Houle

5 President's Message

By John Peart

6 Condominiums – A Sound Investment?

By Mike Lewicki, Keller Williams VIP Realty

8 Condominium Act Reform – Full Steam Ahead-Despite Prorogation

By Armand Conant

14 What Is A Reserve Fund?

Back To The Basics

By Cathy Lee, P.Eng and Diana Carr, P.Eng

18 New Members

Contributing to CCI Condo Contact Editor's Contact Information

A benefit of CCI membership is the opportunity to share perspectives with one another by contributing and reading articles in CCI-Ottawa's quarterly newsletter *Condo Contact*. If you are a condominium director, owner or manager, and have a unique tale to tell or advice to relay to other condominium boards, let us know! If you are a professional or represent a trade company offering services or products to condominiums and have a relevant article, let us know!

The subject matter should be current, concise and helpful. Topics should relate to management and operation of condominiums and not be of a commercial nature.

ARTICLES MAY BE FORWARDED TO:

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EDITOR'S MESSAGE



Let me first take this opportunity to wish all of our readers a safe and happy new year. As we move into the new year, it appears that 2013 will bring further momentum to ongoing developments in the condominium industry.

Notwithstanding warnings about slow downs in condominium sales or development, it appears that changing demographics and personal lifestyle choices of residents in the Ottawa area are continuing to drive people towards condominium ownership. Approximately 20 – 25 percent of the real-estate market in Ottawa is represented in high-rise condos in urban settings. Furthermore, although plans for a 42 story building on Preston Street are in a hiatus while the City of Ottawa reviews the proposed development, a new 25 story condominium will be moving into Ottawa's popular Westboro neighborhood. The condominium market in Ottawa appears to continue to be steady.

As most of our readers will, by now, be aware, this continuing movement towards condominium living has driven many changes in the condominium industry, including proposed reform of the *Condominium Act*, 1998. [See the enclosed article – *CONDOMINIUM ACT REFORM Full Steam Ahead-Despite Prorogation*.] We continue to look forward to providing our readers with commentaries, and perhaps opportunities for dialogue, on key issues as they come to the forefront.

I also take this opportunity to remind our readers of the upcoming Director's Course, to be held from April 20 - 21, 2013. These popular sessions always sell out, so please do contact CCI early if you are interested in attending!

I hope to see you all on the Canal, or at Winterlude!

Kind Regards,
Nancy Houle
Editor, *CondoContact*

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P R E S I D E N T ' S M E S S A G E



Welcome to the Winter edition of *Condo Contact*.

On behalf of the CCI Ottawa Board of Directors, I want to thank Noreen Harris and John Denisavitch for their years of service, and congratulate Stephanie Courneyea on being re-elected to the board for another year. I would also like to welcome our two new board members, Diana Carr, and Ian Davidson, we are excited to have them on board!

Education continues to be the cornerstone of the CCI-Ottawa mission. Our Fall Directors' Course was once again sold out, and our upcoming Spring course has already started filling up. Be sure to register early to ensure you get a seat.

We kicked off the new year with our popular and well attended annual "Lawyers, Guns and Money" seminar, featuring Jim Davidson, and myself, in our annual review of condo case law. Further events are planned for Spring, including another session in March, so stay tuned for more announcements over the next few months.

John Peart
President – CCI-Ottawa

LIST OF ADVERTISERS

Atrens Counsel	20
Axia.....	13
Borden Ladner Gervais LLP	15
Buchan, Lawton, Parent Ltd.	18
Carma Industries	13
Cohen & Lord Insurance Brokers	7
DanCan Electric.....	18
Elia Associates	16
Forestell Designed Landscapes	15
Garrett Restoration	10
Heenan Blaikie LLP.....	16
Keller Engineering	12
Larlyn Property Mgmt.....	12
McCay Duff & Co	13
Nelligan O'Brien Payne	2
Sentinel Mgmt.....	12

Condominiums

A SOUND INVESTMENT?

By Mike Lewicki, Keller Williams VIP Realty



There is always talk of investing in real estate as part of your financial portfolio. But often, people look at residential properties first when looking for rental income property. In the real estate community, we differentiate between residential and condominium by their basic difference:

one is a freehold and the other is part of a condominium corporation and all that it implies. But often when investor clients are reviewing their options with their realtor they shy away from purchasing a condo initially because of real and perceived costs associated with it. Often, they have heard horror stories of condominium boards making decisions, or large special assessments and potential legal issues that come with owning a condo.

As with any investment, due diligence is critical during every stage of the process and a prudent purchaser will have a solid team with their realtor and attorney who will help them realize the potential and limitations in buying into a condominium corporation. The key to making this process work is that from day 1 there should be a positive relationship started with the property manager and by proxy, the condominium board.

Potential owners should be aware that just because they aren't going to live in the unit/home itself doesn't absolve them from responsibility or in some way limit their involvement. If anything, it's an opportunity to get involved and participate in the process with having a tenant abide and respect the condo by-laws and decisions of its owners.

When a potential purchaser is looking to invest in a condo they should do some research to make sure it's the right decision: demographics, economics and a number of other factors should weigh into the decision. Being aware of what kind of owners have purchased within that community (ie. professionals, retirees, families) will ensure that the tenants are a good fit and enjoy their lease period as well as the owners who live within the condominium corporation itself.

There are a number of ways that a property owner can work with the condominium corporation from the beginning:



1. Management Relations: Making sure that the property manager is engaged in when it's being rented; with not only the standard 'contact info sheet' but also providing any contact info they need in case they need to reach you. Checking in with the manager periodically will also serve to maintain a relationship of open communication and clear support from your role.

2. Tenant Relations: Working with your tenants to ensure they understand the by-laws etc, will not only work to protect you from unwanted issues but it also engages the tenant to be responsible and involved in their living arrangement.

3. Neighbour Relations: Talking with the neighbours, and assuring them that you will not be an 'Absentee Landlord' along with providing your contact info with any questions will go a long way. (Also informing your tenants that you know the neighbours and they you will serve as a reminder of your involvement as an owner who cares about their investment)

A key point to ensuring a successful rental income is to understand that you are not just buying into the benefits of the condominium corporation, but are entering into an agreement that if treated like any other contract will provide you a framework for your investment to work towards your goal of a sound investment.

Mike Lewicki is a Sales Representative at Keller Williams VIP Realty (Independently owned and operated brokerage) where he primarily focuses on Residential and Condominium Real Estate in Ottawa and Surrounding Area. You can read his blog about things that matter in Real Estate at www.condosbyreferral.com.

CCI-Ottawa Board Member Profiles



DIANA CARR

SENIOR PROJECT PRINCIPAL, PARSONS BRINCKERHOFF HALSALL INC.

Diana Carr is a professional engineer in the province of Ontario. She joined Halsall Associates in 2000. Diana is a Senior Project Principal in Halsall's Audits and Restoration services group. Her primary responsibilities are property condition assessments, including capital and reserve fund planning, transactional due diligence, and performance audits. Diana has been responsible for over 1,000 property condition assessments over her career.

Diana is Halsall's Condominium Practice Team Manager, responsible for the knowledge, processes, and market reputation related to delivering Reserve Fund Studies and Performance Audits nation-wide. She has been active in the Condominium and Commercial communities in Toronto and Ottawa, and has been involved in delivering presentations and training, and co-authoring articles for the Condominium industry.



IAN J. DAVIDSON

PRESIDENT, CONDOMINIUM MANAGEMENT GROUP

Mr. Davidson is a graduate of Brock University (BA., Business and Economics). Prior to founding Condominium Management Group (CMG), Ian worked for a large local accounting firm through a co-op placement program at Brock University, then joined a property management firm as a property manager, managing Condominium Corporations for five years.

With the experience and knowledge gained over 19.5 years from running CMG, growing the business to over 210 Corporations and having 28 property managers, attending some 1800 Board of Directors Meetings and 200 Annual General Meetings, Ian is looking forward to assisting where possible while on the CCI – Ottawa Chapter Board.

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CONDOMINIUM ACT REFORM

FULL STEAM AHEAD-DESPITE PROROGATION

By Armand Conant



The big concern of the condominium industry when the government was prorogued on October 15, 2012 was whether or not this meant the end of the review process for the *Condominium Act*, 1998 (the “Act”). When a government is prorogued all government actions, bills, legislation, committee work, etc. automatically stops and in the case of legislation before the house, die on the order paper.

Shortly after the announcement of prorogation, the writer met with the Deputy Minister who confirmed that prorogation had, and will have, no affect on the opening of the Act and the review process. This is excellent news for the condominium industry as the legislative review process and reform to the Act is continuing FULL STEAM AHEAD.

The opening of the Act and the broad based public consultation process were not a result of the introduction of a Bill or other legislative step at Queen’s Park. Rather, it was a

decision of the Premier and the Ministry of Consumer Services, which means that the process can continue unabated and in accordance with the proposed plan set out by the government. We also understand that when the opening of the Act was announced, the Ministry had already anticipated the possibility of a provincial election during the review process and thus the process was not contingent on, nor related to, the status of the political government.

We are all very relieved to hear this as the tremendous work undertaken so far by all sectors of the industry, and particularly the joint CCI (Toronto)/ACMO Legislative and Government Relations Committees, has not been in vain. In fact, the Legislative Brief from the Legislative Committee that was submitted to the government in May of 2011 remains extremely relevant and has been very well received by the government.

Therefore, as mentioned at the closing session of the condominium conference that was held on November 2nd and 3rd (which conference was a huge success) our work to date has played a role in the review process, but we have much work still to do to help shape the new legislation when it is eventually passed. With the other stakeholders who will be making submissions to the government, we all have the opportunity to make condominium living and the industry better.

As many may know, the review process was officially launched in September of this year and it is new and unique for Ontario, and to the writer's knowledge, the first time it has been used in Canada. As has been mentioned in earlier articles, the essence of the new process is to seek broad based public consultation and input before any Bill or legislation is attempted to be drafted. This way the government hopes they can reduce the time frame for legislative reform from the usual 3 to 4 years to approximately 18-20 months. This is an ambitious model, and thus the many participants and stakeholders are working through it as quickly and as best as everyone can.

The government is approaching legislative reform based on five pillars or foundations, which are:

1. Consumer Protection
2. Dispute Resolution
3. Licensing of Condominium Property Managers
4. Governance
5. Financial

It is through these lenses that the government is studying the various problems and proposed solutions.

The following is a brief summary of the review process: The government has already held 4 public meetings (Town Hall meetings) across Ontario where the Minister and usually the local MPP meet in a typical Town Hall meeting forum to hear comments, suggestions, etc. The latest one was held in London, Ontario and we are advised that the government plans to do two more although at the time of this article, the dates and places had not been announced. However, it is believed that one will be held in Thunder Bay.

The government decided it would like to have a "Residents Panel" and thus sent out 10,000 letters to condo owners and residents across Ontario asking if they would be interested in participating in a panel. Of the approximately 500 responses, the government picked a panel of 36 owners or residents trying their best to have a cross section of the condominium industry, both as to type of condominium building, areas of Ontario and other demographic criteria. Given the large growth in leased residential units, it is the writer's understanding that 3 members of the panel are tenants with the remaining 33 made up of owners, most of whom are resident owners although some are non-resident owners.

The panel is to meet for a total of 4 Saturdays, eventually to produce a findings report on major issues facing owners in condominiums, and broad based solutions (without trying to actually draft detailed wording). Because some of the panelists may not have had experience with the Act or the governance of a condominium corporation, the government decided that it would be helpful to the panelists for representatives from the various sectors of the industry to speak to them briefly about various issues in condominiums such as licensing of managers, governance, financial, consumer protection and others. Each speaker speaks for 10 minutes followed by approximately an hour of questions and answers. The panel has already met two times with various members of ACMO and CCI (Toronto) participating, including Dean McCabe, Sally Thompson, the writer and Audrey Loeb. It is expected they will finish their work by the end of November.

Concurrently with the Residents Panel, the government formed a Stakeholders Round Table Committee which is made up of approximately 25 individuals representing various sectors of the condominium industry including CCI (Toronto), ACMO, engineers, owners associations, developers, CMHC and others. This committee is to meet a total of 4 times for day long meetings. It has already held three of them and will be finished by the time this article is published. The meetings are approximately 6 hours each with extremely active and engaging dialogue, all with the goal of trying to identify the main issues and problems in the industry and potential solutions, though again without trying to draft the language or getting into the minute details.

After the Stakeholders Committee has finished its deliberations, the organizer (a consulting firm called "Public Policy Forum") will produce a Findings Report, which is expected to be completed late November or early December, 2012.

The next stage of the review process will be the establishment of an Experts Panel, probably in early January, 2013. This panel will be a revolving group of experts that will receive reports and input from the Residents Panel, Town Hall meetings, Stakeholders Round Table Committee, online suggestions and various briefs and representations from a variety of stakeholders. The Legislative Brief prepared by CCI-T/ACMO will be one of many documents the Experts Panel will review and consider.

The Experts Panel is to review, analyze and distill all of the various reports and input to determine the issues, problems and solutions for the new Act. Although there is no fixed timeline for this, it is hoped that that stage of the review process will take about 4 months. The Panel then will submit their report back to the Stakeholders Round Table Committee and the Residents Panel along with others, for what has been called "validation". At that time the committees and stakeholders will review

it and raise comments and concerns, without going back to square one and making representations again. The comments and questions by these groups will then be submitted to the Expert Panel who will review them and make their final changes to their report and then submit it to the government. This final report should in essence be the new condo Act although not in legislative language.

If all goes well it is hoped that the new condo Act will be introduced in Queen's Park for First Reading in the spring of 2014.

In conjunction with all of the above, the Deputy Minister has also established an Advisory Group who will assist him in understanding the issues, comments and suggestions, all on an as and when needed basis. The writer is honored to be a part of the Advisory Group along with other members of CCI (Toronto) and ACO, including Harry Herskowitz and Audrey Loeb.

The Ministry has advised us that all reports and findings will be available to the public, most likely to be posted on the government's website, as it is important for the government to have full and broad based public consultation and transparency in the process. It is through this new process that the government hopes to be able to achieve a *Condominium Act* that will be around for many years.

In addition to all of the above, the joint CCI (Toronto) / ACO Legislative Committee will be at the Ministry table as a stakeholder making presentations on behalf of the industry. In order to improve its Legislative Brief that was submitted last year, the Committee which is made up of over 30 dedicated volunteers from our community including owners, directors, engineers, lawyers, auditors and many, many more, have met 3 times over the last few months for day long meetings to review and update the Brief. The writer has the honor of being the chairman of the Legislative Committee and cannot thank everyone enough for their hard work and dedication. This Brief, which will include the sub-committee's recommendations for better dispute resolution mechanisms (which sub-committee is headed by Richard Elia) should be submitted to the government before Christmas this year.

As you can see, a lot has been done to date, but there is much more to do. So we ask all members of the condominium industry to continue to make suggestions and comments either to the Legislative Committee or directly to the Ontario government. Together we will achieve great legislation for the condominium industry and communities.

We will keep you advised as the process progresses and particularly when the various reports are published. Stay tuned!

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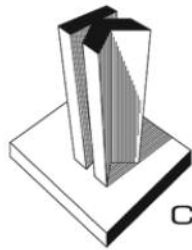
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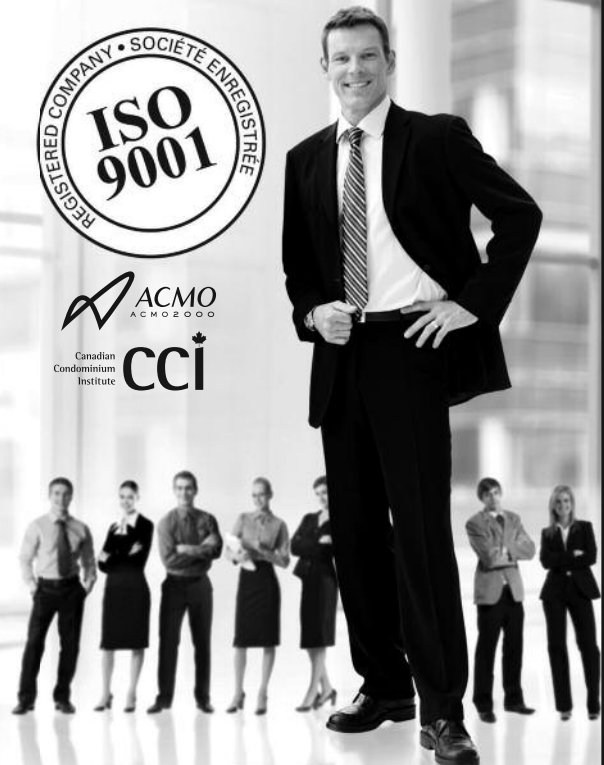
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WHAT IS A RESERVE FUND?

BACK TO THE BASICS

By Cathy Lee, P.Eng and Diana Carr, P.Eng



What is a reserve fund, and why do we need a reserve fund study? The Condominium Act, 1998 requires all Ontario condominium corporations to maintain a dedicated fund (called a reserve fund) to pay for the major repair and replacement of the common elements and assets of the Corporation. A reserve fund study is an independent study prepared by a qualified reserve fund planner. It identifies the future major repair and replacement needs of the common elements, and determines how much money should be set aside each year to adequately cover the projected expenditures.

What is a reserve fund, and why do we need a reserve fund study? The *Condominium Act*, 1998 requires all Ontario condominium corporations to maintain a dedicated fund (called a reserve fund) to pay for the major repair and replacement of the common elements and assets of the Corporation. A reserve fund study is an independent study prepared by a qualified reserve fund planner. It identifies the future major repair and replacement needs of the common elements, and determines how much money should be set aside each year to adequately cover the projected expenditures.

The *Condominium Act* outlines the frequency and general methodology for reserve fund studies, and identifies who is qualified to prepare them. However, there can be significant variations in the experience level and approach between consultants. As the outcome of the study is influenced, in part, by the approach and judgement of the reserve fund planner, it is important that a condominium board choose an experienced and reputable consultant to prepare their condominium's study. A reserve fund balance is not a good indicator of the fund's

health. A reserve fund study calculates a schedule of contributions based on projected expenditures. A reserve fund balance will, and should, fluctuate from year to year. A corporation that has recently invested in significant component renewal may correctly have a low reserve fund balance, while a corporation with a hefty balance, but several large projects planned in the upcoming year or two, may actually be underfunded.

A reserve fund is meant to be spent. It is not a "rainy day" fund that is meant to be guarded. If the study has been prepared correctly, the funding plan will have optimized contribution levels against the forecasted expenses, assuming that the projects in the plan will be carried out generally as planned. Obviously, there will be variations in the timing, scope, and cost of each project – variations are normal, as projects may be reprioritized depending upon need and the board's changing vision for the property. However, annual contributions are set based on the expenditures included in the plan, so Boards should not have reservations about implementing legitimate reserve fund projects that are included in the plan simply for fear of depleting the balance.

Interior refurbishments are discretionary in terms of timing and scope, but are a necessity to help maintain property value. Boards have an obligation not only to repair or replace building components that are worn or broken, but to maintain the property value on behalf of all unit owners. While interior finishes and decorative elements are not critical to building operation, they can significantly affect the marketability of the units. Interior refurbishment projects may have more flexibility in timing and scope, but they are no less legitimate a reserve expenditure than a boiler replacement.

There is a wide range in the scope and cost of interior refurbishments, and higher-end or design-intensive finishes will have a different cost, durability, and impact upon the condominium assets and community than more modest or less design-intensive schemes. It is the Board's responsibility, on behalf of all unit owners, to make prudent decisions that balance costs with the benefits.

Not all common element repairs/replacements are legitimate reserve fund expenditures. The *Condominium Act* specifically states that the reserve fund may not be used for additions, alterations, or improvements. The Act does provide for replacement using materials that are appropriate in accordance

with current construction standards. As construction standards change over time, this provision can be open to interpretation. It is the Board's responsibility, working with their property manager, auditor, and/or legal counsel, to interpret these requirements responsibly, and ensure that only those expenses allowed by the Act are drawn from the Reserve.

The study requires routine updates. The reserve fund study is based on a number of assumptions, based on the conditions observed at a specific point in time, and on the input provided by the board and management of the day. The performance of certain building components, the cost of certain materials, the long-term vision for the property, etc., can all change over time. For this reason, the *Condominium Act* requires that the study be updated every three years, alternating with and without site visits. Generally speaking, interim updates are not required unless, perhaps, a large unexpected expenditure arises when the fund balance is relatively low.

A well-developed funding model will set the stage for financial stability and a well-maintained and marketable condominium in future years.

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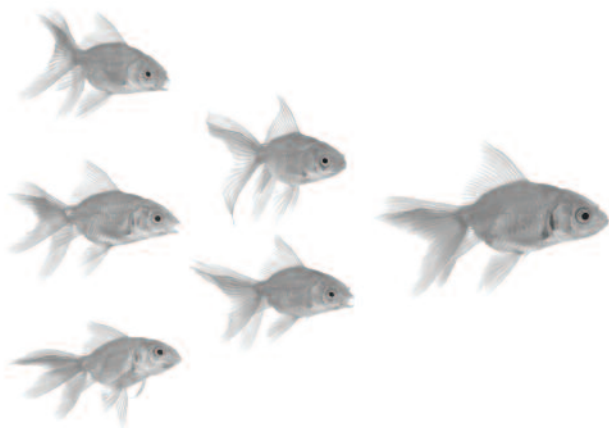
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MEMBERSHIP APPLICATION

MEMBERSHIP TO JUNE 30, 2013

How/from whom did you hear about CCI?: _____

■ CONDOMINIUM CORPORATION MEMBERSHIP: Please complete all areas

- ☐ Townhouse
☐ Apartment Style
☐ Other

Condominium No.:	No. of Units:	Registration Date:
Management Company:	Contact Name:	
Address:	Suite #:	
City:	Province:	Postal Code:
Phone: ()	Fax: ()	Email:
Condo Corporation Address:	Suite #:	
City:	Province:	Postal Code:
Phone: ()	Fax: ()	Email:
President:		
Treasurer:		
Director:		

Please forward all correspondence to: ☐ Management Company address ☐ Condo Corporation address

Fee: ☐ 1-49 Units \$125.00 + 16.25 HST = \$141.25 ☐ 150-249 Units \$185.00 + 24.05 HST = \$209.05
☐ 50-149 Units \$160.00 + 20.80 HST = \$180.80 ☐ 250 + Units \$200.00 + \$26.00 HST = \$226.00

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Email:	
Full Year Fee:	



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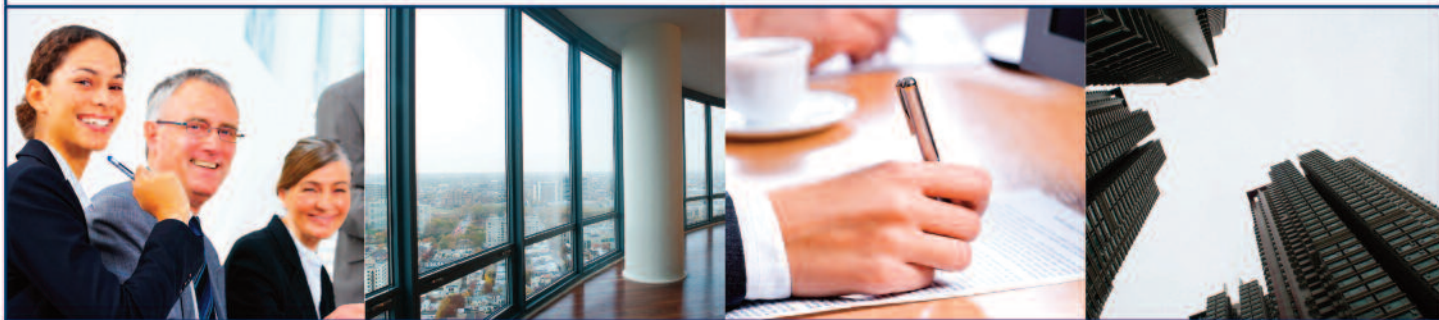
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The CCI Ottawa Chapter Spring 2013 Condominium Directors' Course



Saturday, April 20th • 9:00am – 4:00pm & Sunday, April 21st • 9:00am – 4:00pm

Nepean Sportsplex, 1701 Woodroffe Avenue, Ottawa: Capone's Ballroom

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- Completely updated to reflect the important legislation in the *Condominium Act, 1998*
- A must for all condominium directors, professionals and condominium owners who are potential directors or simply want a better understanding of the way condominiums function
- Course taught by experienced professionals
- A practical, hands-on course developed to reduce the risks of condominium ownership by equipping condominium corporation directors with the specialized management skills they need

Session Topics:

1. What is a Condo/
Overview of the Condo Act
2. Status Certificates/Changes to
Common Elements/Insurance
3. Property Managers/Effective
Directors
4. Property Asset Management/
Reserve Fund Planning
5. Accounting and Finance
6. Specific Legal Issues

**For more detailed information, please
visit the Chapter website at:
www.cci.ca/ottawa/NEWS/EVENTS**

REGISTRATION FORM

Spring 2013 Directors Course

Name: _____
Company: _____
Mailing Address: _____
City: _____
Province: _____ Postal Code: _____
Phone: _____
Manager's Email: _____
Registrant's Email: _____

Course Registration Fee

CCI Member – First Registrant	\$285.00
CCI Member – Additional Registrant	\$240.00
Non-Member	\$570.00

13% HST _____

TOTAL \$ _____

Please complete a registration form for each person registering.

**Registration includes all sessions, coffee breaks, two light lunches,
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