



## CONDO LAW FOR ALBERTANS

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# The Big 3: Condominium contributions, special assessments and reserve funds

Condominium contributions (also known as condo fees), special assessments, and reserve funds are different. Condo board members need to understand how they differ. The following chart with frequently asked questions will help clarify how they differ.

	Condominium Contributions	Special Assessments	Reserve Funds
<b>What is it?</b>	<p>Money paid by unit owners to the condo corporation.</p> <p>Condo contributions are due and payable upon passing of a board's resolution or according to the terms in the resolution.</p>	<p>A financial contribution imposed on unit owners in addition to condo contributions. Can be one-time lump sum or additional monthly payment.</p> <p>Special assessments are due and payable upon passing of a board's resolution or according to the terms in the resolution.</p>	<p>Money set aside by the condo corporation for the costs of major repairs to and replacement of the condominium's capital property. A portion of condo fees goes into this fund.</p>
<b>What is it used for?</b>	<p>Goes towards the operating budget such as:</p> <ul style="list-style-type: none"><li>• Cost of repairing and maintaining common property</li><li>• Cover administrative expenses like condo management fees</li><li>• Pay insurance premiums</li></ul> <p>Goes towards building or topping up the reserve fund</p>	<p>A special assessment is levied when the corporation's operating funds are insufficient to meet its needs. For example:</p> <ul style="list-style-type: none"><li>• There is insufficient funds in the operating budget to pay for an emergency expense</li><li>• There is insufficient funds in the operating budget to pay for a capital repair</li></ul>	<p>Used for major repairs to and replacement of the condominium's capital property such as:</p> <ul style="list-style-type: none"><li>• roof</li><li>• windows</li><li>• doors</li><li>• irrigation systems</li><li>• asphalt</li><li>• fences</li></ul> <p>The reserve fund is NOT used for repairs or replacement that are done annually</p>

	Condominium Contributions	Special Assessments	Reserve Funds
<b>How is it determined?</b>	By unit factor unless the bylaws say otherwise	By unit factor unless the bylaws say otherwise	By a reserve fund study, report and plan (to be completed every 5 years)

## Frequently Asked Questions

### Does the reserve fund plan need to reflect the reserve fund report recommendations?

Yes. The intended actions in the reserve fund plan need to be consistent with the recommendations set out in the reserve fund report. Otherwise, potential problems may include:

- large increases in condominium contributions or major special assessment levies
- financial stress on unit owners and condo board members
- loss of unit appeal or market value, making them difficult to sell

### Can reserve funds be used to make capital improvements?

Capital improvements are usually changes, enhancements, alterations, or additions to the condo corporation's property that are not listed in the reserve fund study report. Condo corporations cannot use reserve funds to make capital improvements unless:

- the removal of funds for the purpose is authorized by a special resolution (at least 75% of unit owners, representing 75% of unit factors must approve)
- after the removal of the funds according to the special resolution, there are sufficient funds remaining in the reserve fund to meet the requirements of the major repair/replacement of capital property

### Can reserve funds be used to cover operating expenses?

In Alberta, a condominium corporation's operating budget and reserve fund are separate and distinct accounts with their own rules. Money from a reserve fund can only be used to cover the cost of repairing and replacing capital property; it cannot be used to cover operating expenses.

## Can the reserve fund be returned to owners?

Condo corporations cannot return reserve funds to owners once money has been collected from them. Any surplus collected stays in the reserve fund. For example, if a condominium corporation repairs the roof but it takes less money from the reserve funds than anticipated, the corporation cannot return the surplus funds to the owners.



### CAUTION

Different rules regarding the return of reserve funds may apply when a condo corporation has been terminated. You should always seek legal advice when dealing with this type of situation.

## What happens if an owner fails to pay the condo contributions and/or the special assessment?

The condo corporation can take a number of actions against an owner who fails to pay condo contributions and/or a special assessment, including:

- charge interest on the unpaid amount (up to 18% per year)
- file a caveat against the property
- sue for the special assessment or contribution arrears, plus interest and any legal costs
- ask the mortgage company (if the unit is mortgaged) to pay the outstanding amount. The mortgage company may pay the outstanding amount.
- require the tenant living in the unit (if any) to pay rent to the corporation
- foreclose on the title to the unit