CONDO LAW FOR ALBERTANS

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Reserve Fund Guide



In Alberta, all condominium corporations must establish and maintain a reserve fund. The fund covers the costs of major repair and replacement of its real, personal, common and managed property. Funds from the reserve fund can also be used for:

- a reserve fund study and reserve fund report
- any other report prepared by an expert about the corporation's real and personal property, common property and managed property, and
- any other purpose in the *Condominium Property Regulation*

To determine how much money a condominium corporation should have in its reserve fund, it must complete a reserve fund study, report, and plan every five years. Therefore, boards must understand the process to complete a reserve fund study, report, and plan as well as their duty to provide reserve fund information.

Reserve fund study	Reserve fund report	Reserve fund plan
A physical inspection of the condominium's depreciating (declining) property, such as the roof and heating system.	A written document outlining all of the findings from the reserve fund study.	Based on the reserve fund report, the plan is created by the condo corporation. It outlines how much money is needed to top up and maintain the reserve fund.

Centre for Public cplea Legal Education Alberta

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You should **NOT** rely on this booklet for legal advice. It provides general information on **Alberta law only**.

TIP

Condominium corporations can prepare reserve fund studies and plans more often than every five years.

The reserve fund study, report, and plan process

Step 1: Hire a reserve fund study provider to do the reserve fund study

The condo corporation must retain a reserve fund study provider to carry out the reserve fund study. A reserve fund study provider is knowledgeable on the depreciating (declining) property (including its operation, maintenance, and cost of repair and replacement) and is allowed to act as a reserve fund study provider under the *Condominium Property Regulation*.

Only the following people are qualified as a reserve fund study provider under the *Condominium Property Regulation*:

- A professional engineer
- A professional technologist
- A certified technologist under the ASET Regulation who holds a certificate of registration as a certified engineering technologist or applied science technologist
- A registered engineering technologist under the ASET Regulation
- A registered architect
- A person who is a member of the Appraisal Institute of Canada and has an Accredited Appraiser Canadian Institute designation
- A person who is a member of the Canadian National Association of Real Estate Appraisers and has a Designated Reserve Planner or Designated Appraiser Commercial designation
- A person who is a member of the Canadian Institute of Quantity Surveyors and has a Professional Quantity Surveyor designation

- A certified reserve planner who is accredited by the Real Estate Institute of Canada
- A person who has a certificate from the Reserve Fund Planning Program at the University of British Columbia
- An individual who has successfully completed training or who has qualifications recognized by the Director (under the *Condominium Property Act*)



TIP

A qualified reserve fund study provider can have staff working on the reserve fund study – even if the staff do not meet the qualification under the *Regulation*.

Certain people are not allowed to act as a reserve fund study provider, for example:

- A director, officer or employee of the corporation
- A manager under a management agreement with the corporation
- A partner, employer or employee of a director, officer, employee or manager with the corporation
- A spouse or common-law partner* of a director or officer of the corporation
- A child of a director or officer of the corporation
- A child of the spouse or common-law partner* of a director or officer of the corporation
- An owner of a unit
- An occupant of a unit

* As of the date of publication the *Regulation* still refers to common-law partners. Unmarried couples living together in Alberta are now defined as "Adult Interdependent Partners".

Alberta Real Estate Foundation

This project was made possible through a grant from the Alberta Real Estate Foundation.

TIP

For condominiums with 12 units or less, the board can do the study if a special resolution is passed. However, experts highly recommend a qualified reserve fund study provider do the study and report.

CAUTION

The condo corporation should do its research and due diligence before hiring a reserve fund study provider. For example, by checking references and asking for sample reserve fund studies.

Step 2: Carry out the reserve fund study

When conducting a reserve fund study, the reserve fund study provider must:

- Determine the current amount of funds in the corporation's reserve fund
- Conduct an on-site visual inspection of depreciating property
- Interview board members, managers for the corporation, employees or any other person
- Review relevant documents such as the condominium plan, construction documents and maintenance records

Step 3: Prepare the reserve fund report

The reserve fund report is the written document outlining all of the findings from the reserve fund study. Once the reserve fund study provider completes the reserve fund study, the provider must prepare and submit a reserve fund report to the board with the following information:

- The qualifications of whoever did the reserve fund study and prepared the report
- A signed statement that the person completing the reserve fund study is a reserve fund study provider and is not disqualified under the Condominium Property Regulation
- Findings of the reserve fund study relating to the following matters:
    - An inventory of all depreciating property (for example, roof, siding, heating and cooling systems, plumbing, and electrical systems) that may need to be repaired or replaced within the next 30 years (or a time period longer than 30 years).
    - For each piece of listed depreciating property:
        - a description of its current condition
        - an estimate of when it will need to be repaired or replaced
        - an estimate of the cost of repairs or replacement
        - the estimated life expectancy after repair or replacement
    - The amount currently in the reserve fund
    - On site visual inspection of visible components of the depreciating property
    - Interviews with board members
    - Interviews with board members, managers for the corporation, employees or any other person

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- Review of relevant documents such as the condominium plan, converted property study or building assessment report (if applicable), construction documents and maintenance records

- A recommendation for how much should be added to the reserve fund to meet future costs of repairing and replacing the corporation's real/ personal property, common property and managed property

- How the current amount in the reserve fund and recommended amount to add to the reserve fund is determined

- Any other relevant matters (for example, determining the potential damage to an item if it is not repaired or replaced)

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Step 4: Develop the reserve fund plan

The reserve fund plan is the written document created by the condo corporation outlining the money needed to top up and/or maintain the reserve fund. The plan is based on the reserve fund report. The condo corporation must review the reserve fund report and approve a reserve fund plan. If a condo corporation does not have a reserve fund, it must set one up.

If a condo corporation has a reserve fund, it must plan how to raise any additional funds to meet the report's recommendations. The board may raise funds through a special levy and/or increased condominium contributions. Unit owners must receive a copy of the reserve fund plan before the condo corporation can collect any additional money for the reserve fund.



CAUTION

The reserve fund plan should reflect the recommendations in the reserve fund report. There can be major problems if there is not enough money in the reserve fund to cover the repair and replacement of corporation's property. For example:

- A condo board may have to increase condominium contributions or impose special levies. This could lead to financial stress to unit owners and create tension between board members and unit owners.
- Failing to have an adequate reserve fund to maintain the building can cause the units to lose their appeal or market value and lead to difficulty in selling the units.

Step 5: Provide reserve fund information

The condominium corporation has a duty to prepare an annual report which contains reserve fund information. It must provide unit owners with the annual report at least 14 days before the Annual General Meeting (AGM). The report must include:

- the amount of the reserve fund on the last day of the previous fiscal year
- all payments made into and out of the reserve fund for that year
- a list of the depreciating property that was repaired or replaced during the fiscal year and the cost to repair or replace the property
- the reserve fund projected for the current fiscal year
- total payments by ordinary or special resolutions into, and payments out of, the reserve fund for the current fiscal year
- a list of depreciating property projected to be repaired or replaced during the fiscal year, plus the projected costs of those repairs and replacements

The corporation also has a duty to provide reserve fund information in certain circumstances. For example, the condominium corporation must provide a copy of the reserve fund documents to an owner, buyer, or mortgagee within 10 days of receiving their written request.

TIP

The condo corporation should record the details of any requests for information, such as the date, the person's name, and information/documents provided. It should also verify the identity of any non-owners making a request, such as buyers or mortgagees. When collecting personal information, the corporation should know its obligations under the *Personal Information Protection Act* (*PIPA*). More information on *PIPA* can be found on our website: **www.condolawalberta.ca**