

Condominium Reserve Funds

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“There is Gold in them there Hills”

- Ontario has many High-Rise condominiums
- They are “Hills” on the Urban Landscape
- Each “Hill” holds opportunity for Architects

Low-Rise	Mid-Rise	High-Rise
Houses	Townhouses	Rowhouses

INTRODUCTION

Mandates

- The nature of the Business of Architecture is cyclical
 - Even though Part 3 building design is mandated under the direction of the Architects Act, many practices see ups and down in their revenue stream.
 - Although the Design of Buildings by Architect and Engineer table is removed from the building code, it does not change the mandatory requirements under the Architects Act for the buildings that have to be designed by an Architect.

Mandates

- The General Review requirement by Architect and Engineer in Div C. Table 1.2.2.1 of the Building Code indicates Part 3 responsibility.
- Architects have a clearly mandated role in building design and review.

Mandates

- Another mandatory requirement is for residential Condominiums to have a Reserve fund and a Reserve Fund Study to be conducted every three years. Class 1 in 1st year after registration, Class 3 in 3 years after Class 1, and Class 2 in 3 years after Class 3.

Reserve Fund Study: Purpose

- To evaluate the remaining life expectancy of each building component over a projected 30 year period.
- To indicate the projected replacement cost of each building component in conjunction with a financial plan to fund such replacement through the projected reserve fund
- To provide recommendations for what amount the monthly deposit should be into reserve fund

Amount of Monthly Deposit ?

- Depends on the current balance in the reserve fund, the existing state of repair of the project, and so on.)
- Reserve fund studies must be updated in intervals of not more than 3 years from the last study.

Condominium Board Responsibility

- The Condominium Board of Directors by law under the Condominium Act, must propose a plan for funding the reserve fund within 120 days of receiving a reserve fund study.
- Notice of the funding plan must be sent to unit owners within 15 days of the proposal by the Board of Directors. The Directors have 30 days from sending the notice to start implementation.

Maintain Adequate Funding Level

- Once the reserve fund is at an adequate level, future reserve fund study updates must ensure that any inadequacy of the reserve fund is remedied within the next fiscal year following the fiscal year in which the study, or update, was completed.

Website that Show Requirements for Condominium Act Compliance

- http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_98c19_e.htm

- Condominium Act, 1998 – Service Ontario Resource Document.

Website that Show Requirements for Condominium Act Compliance

- http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_98c19_e.htm

- Condominium Act, 1998 – Service Ontario Resource Document.

The Act States:

- **Reserve fund**

- **93. (1)** The corporation shall establish and maintain one or more reserve funds. 1998, c. 19, s. 93 (1).

- **1.10 Purpose of fund**

- **(2)** A reserve fund shall be used solely for the purpose of major repair and replacement of the common elements and assets of the corporation. 1998, c. 19, s. 93 (2).

The Act States:

- **1.11 Reserve fund study**
- **94. (1)** The corporation shall conduct periodic studies to determine whether the amount of money in the reserve fund and the amount of contributions collected by the corporation are adequate to provide for the expected costs of major repair and replacement of the common elements and assets of the corporation. 1998, c. 19, s. 94 (1).

The Act States:

- **1.12 Time of study**
- **(4)** A corporation created on or after the day this section comes into force shall conduct a reserve fund study within the year following the registration of the declaration and description and subsequently at the prescribed times. 1998, c. 19, s. 94 (4); 2001, c. 9, Sched. D, s. 3 (2).

The Act States:

- **1.13 Person conducting study**
- **(6)** A reserve fund study shall be conducted by a person of a prescribed class who shall have no affiliation with the board or with the corporation that is contrary to the regulations made under this Act. 1998, c. 19, s. 94 (6).

Architects are Approved to do **Mandatory**

Reserve Fund Studies

Architects are of the prescribed class of persons able to conduct the mandatory Reserve Fund Study.

Summary

- Architects are mandated under the Architects Act to design buildings;
- Reserve Fund Studies are mandated to be completed for condominiums under the Condominium Act;
- Architects are on the prescribed class of persons to do mandatory reserve fund studies

Protecting the Public Good

- Architects should be very active in performing reserve fund studies;
- Another revenue source for Architects that flows from knowledge of building design, coordination of consultants and general review.
- Protecting the public good – One of the Tenets of the OAA that extends to Reserve Fund Study.

Mandates. Mandates. Mandates.

- Mandated design by OAA architects – Required for Buildings mandated by the Architects Act; (including Group C).
- Mandatory Reserve Fund Study – Required for residential buildings mandated under the Condominium Act 1998, including Part 3. (identified as Group C).
- Mandatory General Review – Required for buildings identified in the Building Code Act 1992 including Part 3. (Classified as Group C).

Rationale for Reserve Fund Study

- Ontario Civic Pride to attract world class businesses and maintain a high standard for residential stock;
- Maintenance of high standard for life safety and common amenities for residents in the building;
- Protection of return on investments, roi, in the building stock and have accurate information available for investors;

Recent Reviews that Impact Fund

- Ontario's Condominium Act Review – January 2013: Keeping Owners informed on financial information in the reserve fund. (Standards Improvement)
- Ontario's Condominium Act Review – January 2013: Status Certificates with updated reserve fund for prospective purchasers and mortgagees. (Improved responsibility)
- Ontario's New Home Warranties Plan Act – January 2013: Consumer protection for warranty coverage under Tarion and related to reserve fund study findings. (Improved accountability)

Competition for Fund Study

- Condominium Act regulates who can do a Reserve Fund Study:
- Architects with a Certificate of Practice, OAA
- Engineers with a Certificate of Authorization, P.Eng.
- Member of Canadian Institute of Quantity Surveyors, MCIQS
- Appraisers with membership in the Appraisal Institute of Canada, AIC

More Competition

- Member of Architectural Technologists of Ontario, AATO
- Licensed Technologist OAA
- Certified Engineering Technicians, CET
- Graduates of Ryerson University with B. Tech (Arch. Science or Bldg. Science)
- Certified Reserve Planner, CRP (with the Real Estate Institute of Canada, REIC)

Liability Insurance? Yes!

- Condominium Act requires minimum Liability Insurance of \$1,000,000.

CONFLICT OF INTEREST

- Architect of Record, Firm of Record prohibited from doing Reserve fund Study on same building.
- Board affiliate prohibited from doing Reserve fund study on same building

Basis of Reserve Fund Study

- A Reserve fund study is based on reversing the architectural design process and certifying the associated cost for repair, maintenance or replacement of selected built building elements.

ARCHITECTS RATIONALE FOR DOING RESERVE FUND STUDY

- Architects are trained to design buildings and the common elements of the condominium assets for which the reserve fund is required to repair, maintain or replace, are the very same thing an architect designs, reviews, specifies and coordinates as part of a consultant team

Recommended Charge-out Rates

- Consultant chargeout rates of \$130/hr to \$200/hr for senior to principal architect;
- \$80 to \$120/hr for intermediate to senior technologist.
- Add disbursements charges at cost + 10%.
- Add HST

CLIENT GROUPS REQUIRING RESERVE FUND STUDIES

- Owners or Owners' agents that require studies are:
- Condominium Management board of Directors
 - Condominium Management Firms
 - Real Estate Income Trusts, REIT's

FREE RESOURCES THAT LIST CONDOS

- Greater Toronto Area Homes (Magazine - Free at GO Stations)
- CondoLife Greater Toronto's Complete Condo Guide (Magazine - Free at GO Stations)
- Internet - MLS Listings

A Condo is ...

- A residential condominium is a building and property that is self-governed by a condominium board, with rules and regulations to guide the operation of the condominium's interests and assets and includes mandatory reserve fund studies.

A Condo means

A form of real estate ownership and includes:

- - Detached or semi-detached houses
- - Townhouses or stacked townhouses
- - High-rise, mid-rise or low-rise apartments

Insurance and Risk Management

- Condominium Act requires minimum Liability Insurance of \$1,000,000
- Complete listing of common elements and assets of the condominium
- Identification of the need for Class 1, Class 2; or, Class 3 study for the condominium.
- Proper gathering and verification of background information contained in as-built drawings, record drawings, permit drawings, specifications, close-out documents, warranties.

National Master Spec as a Guide

- Accurate quantity take off of elements using a format similar to the National Master Specifications headings, a document owned by PWGSC, that has Divisions established by the subject-specific document **CSC/CSI MasterFormat**.
- <http://www.innovative.ca/downloads/Support/ug2000-e.pdf> - User's Guide
- <http://www.tpsgc-pwgsc.gc.ca/biens-property/ddn-nms/index-eng.html> - NMS overview

Class 1, Class 2 or Class 3 Study?

- Class 1: Comprehensive Study
- Class 2: Update of an Existing Study with a Site Visit.
- Class 3: Update of an Existing Study without a Site Visit.

Contents of a Reserve Fund Study

- Expenditure Table for each year using an Excel spreadsheet with basic formulas for cell addition, percentage increase, annual projected increase (or decrease) based on itemized common elements for repair or replacement provide.
- Cash Flow Tables using an Excel spreadsheet based on the annual expenditures with different assumed percent inflation increase for the elements that compare current major repair and replacement costs to future costs

Contents of a Reserve Fund Study

- The recommended amount of contributions to the reserve fund that would meet the replacement and repair requirement costs while applying interest earned and applied to the reserve fund as required by the Condominium Act.
- Completion of Form 15, required under the Condominium Act – Notice of Future funding of the Reserve Funding

Action by: Owners

- Owners have to prepare a Form FF – Reserve Fund Study Report (Section 51.4) under the Condominium Property Act indicating compliance under the Condominium Act.
- Owners have to provide disclosure information about the Condominium status acknowledged in Form GG Estoppel Certificate (Section 53) under the Condominium Property Act when requested by anyone after paying the fee of about \$150. (Now replaced by a Condominium Status Certificate)

Overview of Reserve Fund Study Template and Building Condition Reports – Example 1

- Table of Contents for Reserve Fund Study Report – example 1
- A. Executive Summary – Includes Class of study, Short -Term and Long Term Expenditure.
- B. General Information – Includes Project team, Documents, Scope, Priority of Work, Definitions, References
- C. Property/Site Summary – Includes History, Description, Site Coverage
- D. Using the Reserve Fund Study REPORT – Includes explanation of Format

– Example 1 cont'd

- Section 1. Architect statement with Building Classification – Includes overview of features, OBC reference.
- Section 2. Architectural/Structural Systems – Includes photos, condition, cost allowance, remaining life.
- Section 3. Mechanical Systems – Includes photos, condition, cost allowance, remaining life.
- Section 4. Electrical Systems - Includes photos, condition, cost allowance, remaining life.
- Section 5. Appendices – Life Safety Testing, building area measurements.

Overview of Reserve Fund Study Template and Building Condition Reports – Example 2

- Table of Contents
- General Information
- Introduction
- Scope of Work
- Documents and Information Provided
- Definitions
- Limitations
- Overview of Corporation
- Overview of Site
- Shared Facilities or Assets

– Example 2 cont'd ...

- Components of Common Elements
- Elements Inside Suites
- Age of the Project

Example 2 cont'd...

Common Elements

- Description of Common Elements
- Architectural and Structural Components with Photos
- Mechanical Components with Photos
- Electrical Components with Photos
- Other with Photos

Example 2 cont'd...

Financial Analysis

- Financial Assumptions
- Analysis
- Financial Analysis Tables
- General Assumptions
- Summary

Example 2 cont'd...

Appendices

- Reserve Fund Items Table
- 30 Year Maintenance Plan Tables
- Cash Flow Scenarios
- Form 15
- Form GG (replaced by Status Certificate)

Questions?:

Average Useful Life:

Template examples:

Moisture Meter:

Inspection Camera:

Temperature Reader:

Note Pad – Tablet:

Questions?:

Digital Camera:

Electronic Measuring Device:

Sharpie:

Tape Measure:

Level:

Flashlight:

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Architects and Mandatory Condominium Reserve Fund Studies

- Reserve fund studies for Residential Condominiums, are mandated by law, to be done in the 1st year of occupancy, and every 3rd year after that. The reserve fund study is commissioned by the agents or Condominium owners of the building.

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- **Architects and Mandatory Condominium Reserve Fund Studies**
- The study uses a protocol that is normally not intrusive but relies on the professional experience and techniques that architects already use in preparing contract documents, coordinating consultants, and performing field reviews of construction. This session puts together opportunity, profitability, client service delivery requirements and the methodology of conducting and reporting the study.

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- **Architects and Mandatory Condominium Reserve Fund Studies**
- Reserve fund studies have the purpose of identifying the scope of items to maintain the quality of the building stock over a 30 year horizon. The funds to identify the items and implement the maintenance are budgeted and reserved by condominium owners to facilitate resident enjoyment and safety.

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- **Architects and Mandatory Condominium Reserve Fund Studies**
- The building appearance is part of the neighborhood pride that Ontario wants to maintain over that period. The study analyses the items, building systems, assemblies and finishes that have to be maintained to the initial design standard of the building.

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Architects and Mandatory Condominium Reserve Fund Studies

- The objective: to investigate and state the condition of all the items and indicate the frequency for their maintenance or replacement, and further provide the periodic cost expenditure that is associated in a professionally compiled report document. This report forms part of the decision making protocol for investment analysis and maintenance of the building.

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Architects and Mandatory Condominium Reserve Fund Studies

Learning Objectives

- Ontario's rationale for Reserve Fund Studies.
- Client groups requiring Condominium Reserve Fund Studies.
- The architects' rationale for and competition in doing Reserve Fund Studies.
- Overview of Risk Management and Insurance for Reserve Fund Studies.
- Overview of Reserve Fund Study Template and Building Condition Reports.

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Resources on the WEB

- <http://www.maytower.ca/financial/reserve-fund-questions.htm> - 10 Questions

[Including Question 6 - What information does the corporation need to provide? Question 7 - What is the process? Question 8 - What is the Report Format? Question 9- What is the Funding Plan? And(Contributions must exceed yearly expenditures and continue to do so. Question 10 - What happens after Reserve fund study is submitted? N.B.: Board prepares implementation plan within 120 days (4 months) and within 15 submitting summary to all owners (showing differences from plan if any) and implement plan within 30 days.]

- Note: Auditor receives – copy of study; proposed plan and notice to owners.

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Resources on the WEB

2. http://ben-engineering.com/Reserve_Fund_study.html -
Class 1, class 2, class 3
3. http://ben-engineering.com/Reserve_Fund_study_Items.html
Scope of work
4. http://ben-engineering.com/Samples/Reserve_Fund_Study_High_Rise.pdf
Sample Class 1 Reserve Fund Study for High-rise

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Resources on the WEB

5. http://ben-engineering.com/Reserve_Fund_Study_Questions_Answers.html
Reserve Fund Study Questions and Answers
6. http://ben-engineering.com/Condominium_Act_%20Reserve_Fund_study.html
Condominium Act Overview – Content and method of conducting Studies, etc.
7. http://jjmolnar.com/types_of_reserve_fund_studies.html Class
1, Class 3, Class 3 and Component Inventory discussion

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Resources on the WEB

8. <http://reic.ca/en/designations-crp.cfm> Real Estate
Institute of Canada Study of course 2300 –
3 days, 2310 – 4 days, 2320 – 3 days, 2330 – 3
days, 2340 – 3 days, 2600 – 3 days (Total \$5000+-)
9. <http://lernerrealestate.ca/blog/post/what-is-a-reserve-fund-study>
Associate Lawyer at the Ontario law firm, Lerner
LLP.
10. <http://www.maytower.ca/condominium-corporation/declaration-schedule-G.htm> Certificate of Architect or Engineer
for Standard Condominium Corporation

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Resources on the WEB

11. http://novascotia.ca/lae/buildingcode/docs/BCA_ScheduleA9.pdf

**Certification of Field Review of Construction
Signed by Architect and Engineer**

12. http://www.ccitoronto.org/Condoact/PDFs/Reg_48_01_Form_02.pdf

**Form 2 Certificate of Architect or Engineer
Schedule G to Declaration for a Standard or
Leasehold Condominium Corporation)**

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Resources on the WEB

13. http://www.ccitoronto.org/Condoact/PDFs/Reg_48_01_Form_17.pdf

**Form 17 CERTIFICATE OF ARCHITECT OR ENGINEER (SCHEDULE G
TO DECLARATION FOR A COMMON ELEMENTS**

**OR VACANT LAND CONDOMINIUM CORPORATION) (under clauses
8 (1) (e) and (h) or clauses 157 (1) (c) and (e) of the Condominium
Act, 1998)**

14. http://www.ccitoronto.org/Condoact/PDFs/Reg_48_01_Form_15.pdf

**Form 15 Condominium Act, 1998 NOTICE OF FUTURE FUNDING OF
THE RESERVE FUND**

(under subsection 94 (9) of the Condominium Act, 1998)

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Resources on the WEB

15. <http://www.ccitoronto.org/Condoact/condoact98-02.asp> **Forms**

**The Condominium Act, 1998 and Regulations
Forms associated with Condominium Act
Regulations**

**Warning: The CCI and the Toronto & Area Chapter strongly advises that you
seek the assistance of you corporation's solicitor when completing these forms
for the first time.**

16. <http://www.ccitoronto.org/Condoact/PDFs/CondoAct1998.pdf> **The
Condominium Act (151 pages)**

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Resources on the WEB

17. <http://condoinformation.ca/condos-financial-structure/> **For Owners and Future Owners**

18. https://www.sse.gov.on.ca/mcs/en/Pages/vid_gen.aspx?SelectedID=2
Ontario's Condo Act Review Jan 2013

19. http://www.sse.gov.on.ca/mcs/en/Pages/condo_rev.aspx
Ontario's Condo Act Review

20. <http://www.sse.gov.on.ca/mcs/en/Pages/condo1.aspx>
Condominium Basics

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Resources on the WEB

21. <http://www.sse.gov.on.ca/mcs/en/Pages/condo3.aspx>
Buying A Condo - what to look for; Status Certificate.

THE END
