



FEATURES THIS MONTH

1. HPO Loan Program Has Been “Scrapped”
2. Expect The Unexpected - An Olympic Tale
3. Running Red Lights

NEED GOOD SITES FOR STRATA CORPORATION INFORMATION?

Here are some sites you can access:

Strata U. - Continuing Education Department web site links of interest:

- Canadian Condominium Institute: <http://www.cci.ca>
- Condominium Home Owners Association: <http://www.choa.bc.ca/index.html>
- Clark, Wilson, Barristers & Solicitors: <http://www.cwilson.com/stratafaq>
- *Strata Property Act* information web site: http://www.qp.gov.bc.ca/statreg/stat/S/98043_01.htm
- Vancouver Condominium Services: <http://www.vancondo.com>

1. HPO Loan Program Has Been “Scrapped”

Unless you have been vacationing out of province for the entire summer, you have by now heard and read in the news that the provincial government is scrapping the “leaky condo” Reconstruction Loan Program administered by the Homeowner Protection Office (HPO). This program has provided leaky condo owners with interest-free loans to pay for repairs for the past decade and is being “sunset” according to the Housing and Development Minister because it has “more than run its course and is no longer sustainable”. Established in 1998, the HPO has loaned close to \$670 million to 16,000 owners of condo owners in B.C. The program will officially end with legislation in the coming months and all eligible applications received by July 31, 2009 will be funded.

This turn of events currently affects a handful of our clients. There was no warning that the program was going to be cancelled so there are some owners that have received approvals for HPO loans with neighbours who were unfortunately too late out of the gate to be considered. What will they do? While there are some options available for financing by the strata corporation in some instances, the question remains as to how these strata lot owners will cover the assessments to fund these projects when they have no other means. Looking forward, the program cancellation will have a huge impact on strata corporations that have either deferred addressing repairs or may not yet be aware of concerns within their walls that will necessitate remediation in the future.

The common thread from the experts (engineers, condo owner advocates, etc...) quoted in the media is that the loan program itself was a tremendous kick-start for otherwise reluctant strata corporations as it encouraged homeowners to acknowledge the problem and financially supported them taking action on their leaky condo issues. Accordingly, there is now concern that without the loan program, owners will be more reluctant to address their problems with leaks and buildings will go longer without repairs.

While the pronouncement from the government is that the program has more than run its course, the truth is that there is still much more work to be done. In fact, the HPO received a report over a year ago from consultants McClanaghan & Associates that estimated that up to 55 per cent of the 160,000 strata-owned condos built in B.C. during the leaky condo period (considered between 1982 and 1999) had suffered “premature building envelope failure.” The report's authors estimated that between 45 and 68 per cent of these units had not yet been repaired and that by 2012, up to one-third of them would still need fixing.

VCS is looking very closely at how this situation impacts our clients and we are anxious to see what other options will present themselves to strata corporations for dealing with the financial side of significant leaky condo remediation. The HPO suggests that, if condo owners were planning on submitting applications, they are advised to seek advice from their financial institutions on the best loan options available to them. While it is not much of a silver lining, loan interest rates are much lower now than when the Reconstruction Loan Program began, so hopefully this will provide other options to some owners.

The HPO has also been asked to review its operations and determine what other programs may or may not be necessary. For your information, the other responsibilities of the HPO include:

- running research and education programs for the construction industry,
- setting standards for and licenses homebuilders, renovators and strata management companies, and
- monitoring the homebuilding industry third-party home warranty insurance program (underwritten by the private sector) that was brought in after the leaky-condo crisis collapsed the existing program.

You can find more information on the program by going to the HPO's website at www.hpo.bc.ca.

2. **Expect The Unexpected - An Olympic Tale**

Perhaps you already know this but it bears repeating: the upcoming Olympic event will create a huge demand for short-term rental accommodation. Owners of houses and/or condos are being offered obscene amounts of money for their properties.

Many strata corporations have rental limitation bylaws (or outright prohibitions) but you can be assured that such bylaws will not prevent owners from renting their strata lots. The maximum fine for rental bylaw violations, in most cases, is \$500 per week, or approximately \$2,000 to \$2,500 per month. Given that rental income during the Olympic event is being offered at up to \$10,000 per month, owners who get caught in the rental bylaw violation net will still “come out ahead” even if they are fined. VCS has learned that some rental income offers are in the \$20,000 per month range although we have not seen corroboration of such amounts. In any event, be it



\$10K or \$20K, it is clear that some owners will be tempted to violate rental bylaws given the very lucrative financial rewards.

There is likely not much that a strata council can do to prevent such bylaw violations. There is no mechanism to physically stop a rental from occurring and there is no hope of running down to the courthouse to get an injunction. Essentially, all that can be done is to impose the fines, subject first to the offending owner being given the right to a hearing in the matter.

If your strata corporation has a rental limitation or prohibition bylaw, you may want to start thinking now about how to handle the violations which will surely occur.

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3. Running Red Lights

Recently one of our strata councils became very upset because they suddenly realized that they had been operating in a “deficit” for the past year. Council wanted to know why VCS had not brought this matter to their attention.

In fact, VCS had raised the issue periodically with council; however, our words fell on “deaf ears” and it was only when the strata finally ran out of cash and bills could no longer be paid, that the council understood the dilemma.

Council acknowledged that they had received the monthly financial statements, but some of the members confessed to not reading them and others said they could not understand them. VCS cannot do anything about council members not reading the financial statements; however, when it comes to assisting with the understanding of the statements, we are here to help for sure. Council members can direct their questions to their assigned agents or to VCS management. In fact, one of the benefits of the VCS Management Program is the involvement of the agent in all



aspects of your account's financial management. It is our utmost desire at VCS to ensure you understand the financial position of your strata corporation and there is no charge, no hassle, and no problem with asking us to assist.

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