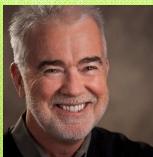


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Barry McGuire Presents:
**Tales From
The Trenches**
More
Condominium
Conundrums

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**Condo Reserve
Fund Studies**



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**Condominium Reserve Fund
Studies (RFS) Review:**

What is an RFS?

- Study of Depreciating Property
- Prepared by qualified person

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**Condominium Reserve Fund
Studies (RFS) Review:**

To Determine:

- Inventory
- Normal use
- Replaced
- 25 years



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**Condominium Reserve Fund
Studies (RFS) Review:**

To Determine:

- Present condition
- Life remaining
- Cost of replacement
- Current cost baseline

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**Condominium Reserve Fund
Studies (RFS) Review:**

To Determine:

- New estimate of after-replacement life expectancy
- Current reserve fund
- Is fund adequate?



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Preparer includes RFS in RF Report

- Qualification of preparer
- Relationship of preparer
- Details of study
- Other relevant matters



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Condominium Board must:

- Approve reserve fund plan
- Establish reserve fund
- \$\$ to fund and maintain
- Confirm that \$\$ is adequate



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Timing

- 5 year updates
- 10 days



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The Tale

- Ft. McMurray professional
- Very busy
- Strategy - condominiums

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The Tale

- Did checklist diligence
- Got but didn't read RFS
- Joined Condo Board

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The Tale

PM's say:

- Shingles, fences, siding, doors & windows all bad
- No more deferral
- No worries, right? There's a fund for that!

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The Tale

What??

- \$36,000 special assessment
- Per door!
- How can this be?

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The Tale

RFS now reviewed:

- Read Board minutes
- Did his own research

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The Tale

RFS Reviewed:

- Current costs 2x estimated costs
- Labour costs 50% more
- Component life underestimated

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The Tale

RFS Reviewed:

- Preparer had no Ft. McMurray experience
- First Reserve Fund Study
- Disclaimer

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The Tale

The Condo Board:

- Ignored
- Postponed
- Too late!

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Lessons Learned

- Reserve fund studies are complex documents
- Must be prepared by qualified **professional**
- Must be realistic & up to date
- Get help from a company that specializes



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Disaster at Penhorwood



Disaster at Penhorwood

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Disaster at Penhorwood

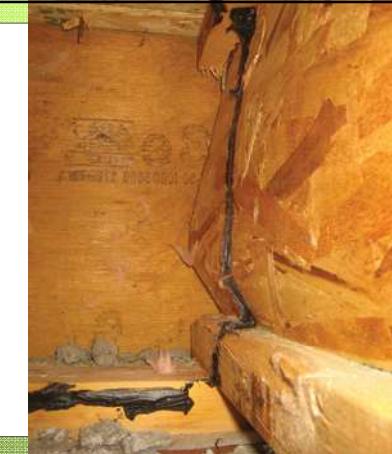
- 168 units - 7 buildings – 2002
- Tenants evicted in middle of the night
- Foundation collapse

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Disaster at Penhorwood

Early trouble in 2003

- Developer's realtor warns of deficiencies
- Risk of injury, death



Disaster at Penhorwood

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Disaster at Penhorwood

Just the start!

- Engineer's report
- Structural, mechanical, electrical...
- Failed roof, leaks, wiring mistakes
- Cracked foundation, falling stucco
- Hazard to life, health, building integrity

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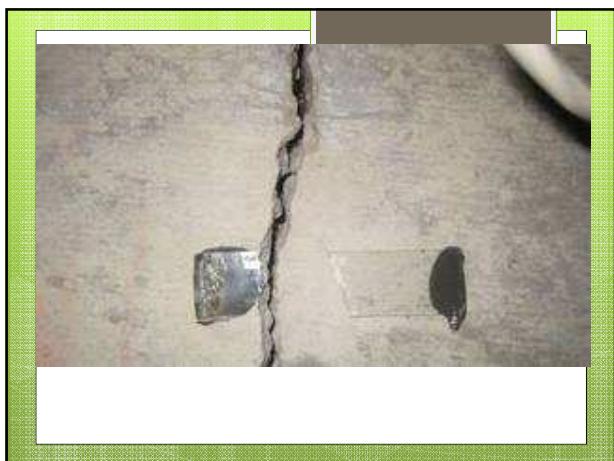
Disaster at Penhorwood

Lawsuit? You bet!

- 2007 – many defendants
- \$4.1M in damages
- Amended in 2011 to \$60M!

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Disaster at Penhorwood

How could this happen?

- No inspection or inspectors
- Safety codes officer
- Architect as inspector



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Lessons Learned

Diligence (before condition removal- 12 items)

- Previous special assessments?
- Lawsuits- QB actions search
- Your own inspection
- Reputable developer
- RFS – rigorous analysis
- Warranties
- Additional plan sheet



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Lessons Learned

- Lawsuit?
- Walk away
- “Thanks, but I’m out!”

Condominium Parking – Yet Another Mystery



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Condominium Parking – Yet Another Mystery

What we know

- You get a parking space



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Condominium Parking – Yet Another Mystery

So Far, So Good

- Where is it?
- More than one?
- My rights?



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Condominium Parking – Yet Another Mystery

- Titled parking units
- Exclusive Use agreements
- Assigned parking
- Combination the above



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Condominium Parking – Yet Another Mystery

Problem – Parking is ignored!

- Options
- Location
- Number
- Description



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Lessons Learned

- Ask about parking
- Titled, exclusive use, assigned?
- Parking plan
- Where are mine?
- Extra spaces?



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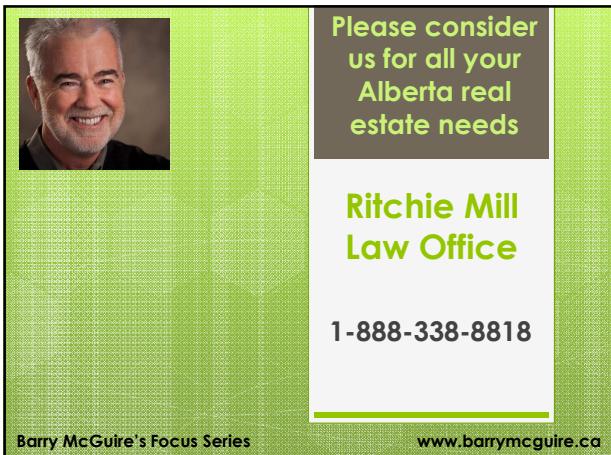
Lessons Learned

- Review diligence against condo bylaws
- Order a copy of condo plan as part of diligence?
- Ask analyst to confirm parking details

Deal with parking BEFORE condition removal

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