

Reserve fund study providers, plans and reports

This publication is intended to provide general information only and is not a substitute for legal advice.

Qualifications for conducting a reserve fund study

After January 1, 2020, in order to act as a reserve fund study provider, a person must be:

- a professional engineer;
- a professional technologist;
- a certified engineering technologist or applied science technologist;
- a registered engineering technologist
- a registered architect;
- a member of the Appraisal Institute of Canada who holds the designation of Accredited Appraiser Canadian Institute;
- a member of the Canadian National Association of Real Estate Appraisers who holds either the designation of Designated Reserve Fund Planner or Designated Appraiser Commercial;
- a Professional Quantity Surveyor;
- a certified reserve planner who is accredited by the Real Estate Institute of Canada;
- a person who holds a certificate from the Reserve Fund Planning Program at the University of British Columbia.

Other qualifications and training may be added by the Director for the purposes of the *Condominium Property Act* and regulations.

In addition to the professional qualifications listed above, reserve fund study providers must also be knowledgeable about how condominium property

experiences wear and tear over time, understand the operation and maintenance of the condominium property, and know about the costs of repairing or replacing it.

Carrying out tasks without a designated qualification

A business corporation can be recognized as a reserve fund study provider, and may complete a reserve fund study, assigning tasks to people who are not considered qualified, as long as a qualified person is part of the project team.

Reserve fund study providers may also rely on information and documents, prepared or provided by persons who are not reserve fund study providers, while carrying out a reserve fund study or preparing a reserve fund report.

Persons disqualified to act as a reserve fund study provider

People with a conflict of interest, or potential conflict of interest, cannot be the reserve fund study provider. Those include:

- a director, officer or employee of the corporation;

- a condominium manager under a management agreement with the corporation;
- a partner, employer or employee of a condominium manager, director, officer, employee of the corporation;
- the spouse, common law partner or child of any of the persons listed above;
- an owner of a unit in the condominium parcel;
- an occupant (for example a renter) of a unit on the parcel.

Exceptions for reserve fund study provider requirements

In condominium corporations with 12 or fewer units, the owners have a choice on how to conduct a reserve fund study. They may hire a reserve fund study provider or they may vote (by special resolution) to let the corporation be its own reserve fund study provider (meaning, the owners can do the study themselves). This is the only size-related exemption in the condominium legislation.

Condominium corporations who act as their own reserve fund study providers must meet all the criteria and guidelines for the reserve fund study itself and the report.

If the owners do not pass a special resolution, the corporation must hire a reserve fund study provider to complete the reserve fund study and report.

Exemptions from establishing a reserve fund

If all the condominium units are owned by one owner or a group of owners, and are used as a rental property, the condominium corporation does not need to have a reserve fund. However, if the owners decide to sell any of the units, the condominium corporation must complete the reserve fund study, reserve fund study report and a reserve fund plan before any unit is sold.

All other condominium corporations must establish and maintain a reserve fund. Residential condominium conversions must have a reserve fund study, reserve fund study report and plan in place before the developer sells the first unit. New

condominium corporations have two years from the date of registration of the condominium plan to complete the reserve fund study, report, and plan.

Requirements for the reserve fund study

The person carrying out a study of the depreciating property must

- identify what may need to be repaired or replaced within the period of the study, which must cover at least the next 30 years;
- assess the present condition of the property and estimate when it will need to be repaired or replaced;
- estimate the costs of repair or replacement of the property, at a cost no less than current costs;
- identify the life expectancy of a component if it is repaired or replaced.

The person carrying out the study must also do the following:

- identify the current level of funds in the reserve fund;
- conduct an on-site visual inspection of all visible components of the depreciating property;
- interview the members of the board;
- as the reserve fund study provider deems necessary, interview the condominium manager, employees, or any other person who has knowledge of or experience with the property;
- review relevant documents, including the condominium plan, construction documents and maintenance records;
- recommend the amount of money, if any, that should be included in or added to the reserve fund; and
- describe the basis for determining the current level of funds and recommend the amount of money required.

Requirements for the report on the reserve fund study

After the reserve fund study is completed, the reserve fund study provider must prepare a report on the findings of the study and submit the written report to the board. In addition to the information gathered during the study, the report must include



- the qualifications of the provider to carry out the study and prepare the report;
- a signed statement that the provider is a reserve fund study provider and has no grounds for disqualification (see disqualified persons section, above);
- any other matters that the reserve fund study provider considers relevant.

The initial reserve fund study, report, and plan must be completed within two years from the date the condominium plan was registered.

Following the recommendations in the study and report

The Condominium Property Regulation requires the board to review the reserve fund report and approve a reserve fund plan. The board, or someone on behalf of the board, such as a condominium manager may prepare the plan. If developed by a condominium manager, then the board will need to approve the reserve fund plan.

If the reserve fund study and report are the first ones prepared for the corporation, the plan must establish a fund that is separate from the administrative or operating fund. The reserve fund plan must also describe the method of collecting the contributions needed for funding and maintaining the reserve fund.

A reserve fund plan must be based on the reserve fund report, and must provide for sufficient funds to be available for repairs or replacement of the depreciating property described in the report. Depreciating property includes common property, real and personal property of the corporation, and managed property.

The allocation for the reserve fund is often included in the corporation's annual budget, and the contributions are collected monthly, along with the contributions for the administration of the corporation and the common property.

Normally, the reserve fund plan will cover a five-year period, until the next reserve fund study is conducted.

Once the board has made the decision on which funding method to implement, it must adopt the reserve fund plan and send a copy of the plan to the owners so that contributions can be levied.

Distribution of the reserve fund plan

The board must provide a copy of the reserve fund plan to each owner of a unit in the condominium plan (complex).

If the developer for a condominium conversion is offering a unit for sale, they must provide a prospective purchaser with a copy of the reserve fund report and the reserve fund plan.

The corporation must provide a purchaser or a mortgagee of a unit with the most recent reserve fund plan, as well as the most recent annual report on the reserve fund and a copy of the reserve fund report, within 10 days of receiving a written request for those documents. Fees may apply to this request.

Please see Service Alberta's Condominium Documents Fact Sheet.

Annual report on the reserve fund

The Condominium Property Regulation states that the corporation must prepare the annual report on the reserve fund. This means the report can be done by the board of the corporation, or the board could delegate the responsibility to someone such as a condominium manager

The annual reserve fund report must include:

- the amount of the reserve fund as of the last day of the immediately preceding fiscal year;

- all the payments made into and out of the reserve fund for that year and the sources and uses of those payments;
- a list of the property that was repaired or replaced during that year and the costs incurred in respect of the repair or replacement of that property;
- the amount of 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; and
- a list of any property projected to be repaired or replaced during the current fiscal year, including the projected costs of the repairs and replacements.

Distribution of the annual report

The corporation must provide copies of the annual report on the reserve fund, along with the financial statements and annual budget to each owner at least 14 days in advance of the annual general meeting. The corporation must also provide copies of the annual report, financial statements and annual budget to any mortgagee who has given written notice to the corporation.

A purchaser may request a copy of the annual report, and the corporation must provide the report within 10 days of receiving a written request. Fees may apply to the purchaser's request.