## **DEPRECIATION REPORT – SEAVIEW MANOR**



## **REPORT PREPARED FOR:**

Strata Corporation EPS401 c/o Meicor Property Management 917B Fitzgerald Avenue, Courtenay, BC V9N 2R6

## PREPARED BY:

Wm. S. Jackson & Associates Ltd. 917A Fitzgerald Avenue, Courtenay, BC V9N 2R6

## **EFFECTIVE DATE OF REPORT:**

May 21, 2015

FILE #V15005



June 24, 2015 File #V15005

Seaview Manor Apartments (Strata Corporation EPS401) c/o Meicor Property Management 917B Fitzgerald Avenue, Courtenay, BC V9N 2R6

Dear Sirs and Mesdames:

### Re: Depreciation Report Seaview Manor Apartments EPS401 218 Bayview Avenue, Ladysmith, BC

Pursuant to your request for a Depreciation Report of the within described condominium project, Wm. S. Jackson & Associates Ltd. has prepared and submits to you this report.

The Depreciation Report describes the reserve fund concepts and major reserve fund items. It provides current and future replacement reserve estimates and recommends reserve fund actions. The Depreciation Report is a complex document and should be reviewed in detail and within the context of this report.

Based on our investigation and analysis, to be *'fully funded'* EPS401 should have \$296,102.00 currently in the contingency reserve fund and should be contributing \$47,344.00 per year to the reserve fund.

"Full funding" describes the objective to have reserves on hand equivalent to the value of the deterioration of the each reserve component. The objective is to have the ongoing asset deterioration offset by the proportional accumulation of cash. In essence full funding allows all anticipated expenditures both within the 30 year planning period and beyond to be fully met from the reserve fund.

As of May 1, 2015 EPS401 had a balance of \$33,176.73 in the reserve fund and the 2015-2016 contribution level has been set at \$7,200.00.

As per the requirements of the Strata Property Act Regulations, three funding models for the Reserve Fund have been developed and are included herein. There are numerous funding models and variations of models which can be developed for a strata development. Within this report, we have identified the three models which in our opinion provide the greatest level of insight and information for Strata EPS401 with respect to the options available.

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VALUE IS MORE THAN A NUMBER

Model #1 is a 'status quo' model wherein reserve fund contributions are held at the current contribution level of \$7,200.00 per year and increased only at the rate of inflation (2.5% per year) over the 30 year study period. This level of contribution is insufficient to meet funding requirements for repairs and replacement of common components and results in the requirement for numerous special assessments totaling \$505,000.00 over the 30 year period.

Model #2 is a 'full funding model', which recommends that a special assessment of \$258,880.00 be made in year one to bring the reserve fund up to the required balance. This is followed by an increase in the yearly contributions from \$7,200.00 per year to \$47,344.00 per year. This funding model allows all of the anticipated expenditures for the common components to be funded through the reserve fund and eliminates the requirements for special assessments. This model represents a fully funded strata contingency reserve fund with full funding achieved in year 1.

Model #3 is a baseline funding model. In this model, it is recommended that unit owners reserve contributions be increased from the current level of \$7,200.00 in 2015 to \$13,200.00 in Year 1; then by 10% per year in years 2 to 5; 7.5% per year in years 6 to 10; 5% per year from years 11 to 25 and 2.5% per year thereafter.

In this model, the reserve fund maintains a positive closing balance throughout the 30 year term with two special assessments required in year 2 at \$88,000.00 and year 8 at \$88,000.00.

This model does not reflect a 'fully funded' reserve fund, however maintains a positive closing balance in the reserve fund at the conclusion of each year.

Wm. S. Jackson & Associates Ltd. would be pleased to provide you with complete review and updating services for the depreciation fund of the corporation, as required in the future.

We appreciate the opportunity to perform this Depreciation Report for you. If you have any questions, please do not hesitate to contact the undersigned.

Respectfully submitted, Wm. S. Jackson & Associates Ltd.

la hel

Dan Wilson, B.Comm., RI, AACI (Fellow), CRP

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Notwithstanding the foregoing, the applicant herein has permission to reproduce the report in whole or in part for the legitimate purposes of providing information to the board of directors, unit owners and others, who have an interest in the project.

Specifically, the applicant has permission to provide insurance appraisal and reserve fund study information in disclosure documents, such as a *Form B.* 

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# **EXECUTIVE SUMMARY**

This executive summary has been prepared as a quick reference of pertinent facts and estimates of this Reserve Fund Study, and it is provided as convenience only. Readers are advised to refer to the full text of this Reserve Fund Study for detailed information.

i)	Client/ Intended User:	Board of Direct Meicor Property c/o 917B Fitzge Courtenay, BC	ors, Strata Corporation EPS401 / Management rald Avenue,	&
ii)	Dates:	Date of Inspection:		May 21, 2015 &
		Effective Date of Reserve Fund Estimates: May 21, 201 Date of Report: June 24, 20		February 21, 2015 May 21, 2015 June 24, 2015
iii)	Property	EPS401 Seaview Manor 218 Bayview Av	Apartments venue, Ladysmith, BC	
iv)	Depreciation Report Ite	ms Structural and A 8 Rese Building Finishe 3 Rese Mechanical, Ele 6 Rese Site Improveme 3 Rese Reserve Fund 0 1 Rese	Architectural Components rve Components es and Decoration Components rve Components extrical and Conveyance Compo rve Components ents rve Components Consultants rve Component	nents
		Inflation Factor Interest Rate	2.5% 1.5%	
v)	Significant Reserve Fur	nd Estimates		
		Current Replace Future Replace Current Reserve Future Reserve Future Reserve Annual Reserve	ement Costs ment Costs e Fund Requirements Fund Accumulation Fund Requirements e Fund Contributions	\$916,492 \$1,794,268 \$296,102 \$391,017 \$1,403,251 \$47,344
Summa	ary of Funding Models:			
		Model I 'Status	Quo' Funding Remains at \$7,200 p only at the rate of inflation (2.59 Five Special Assessments Req	per year and is adjusted % per year) uired Totaling \$505,000
		Model II	'Full Funding' in Year 1 Special Assessment of \$258,88 Contributions Increased to \$47,	30 in Year 1 344 per year
		Model III	'Baseline Funding Contributions Increased to \$13 10% per year in years 2-5; 7.5 10; 5% per year in years 1 thereafter Two Special Assessments requ \$88,000 per year (totaling \$176	3,200 in Year 1; then by 5% per year in years 6 to 1 to 25 and 2.5%/year uired in years 2 and 8 at 5,000.00).

# CASH FLOW TABLE – EXISTING 'STATUS QUO' MODEL

Wm. S. Jackson & Associates Ltd. has prepared the following Cash Flow Table, which based on Funding Model #1, which highlights the minimum annual funding requirements to meet estimated Reserve Fund expenditures over the 30 year term of the study.

As can be seen, at current funding levels, several special assessments (highlighted) will be required to maintain a positive balance in the reserve fund and meet all expected expenditures.

Cash Flo	w Table	Complex:	Seaview Manor			Date:	Jun-15		
		Model:	Status Quo Mod	lel		# Units:	44		
Cash Flo	w Projection	30 yrs		Existing Contr	ibutions incr	eased by inflation Only	(2.5% Per Yea	ar)	
Interest F	Rate	1.50%		Special Asses	sments As R	equired			
Inflation	Rate	2.50%							
Year	Opening	Annual	Special	Estimated	Estimated	Increase in	Closing	Annual	Monthly
	Balance	Contribuion	Assessment	Inflation	Interest	Annual Contributions	Balance	Contribution	Contribution
				Adjusted	Earned			Per Unit	Per Unit
				Expenditures	1.50%			(average)*	(average)*
2015	33 177	7 200		5 202	/08	n/a	35 582	164	14
2015	35 582	7,200		5 125	705	2 50%	38 542	168	14
2010	38 542	7,565	55.000	66 189	578	2.50%	35 496	100	14
2018	35 496	7 754		14 161	532	2.50%	29 621	176	15
2019	29.621	7,947		-	444	2.50%	38.013	181	15
2020	38.013	8.146	90.000	90.513	570	2.50%	46.216	185	15
2021	46,216	8,350		26,847	693	2.50%	28,412	190	16
2022	28,412	8,559		3,566	426	2.50%	33,831	195	16
2023	33,831	8,773	70,000	67,012	507	2.50%	46,099	199	17
2024	46,099	8,992		3,934	691	2.50%	51,848	204	17
2025	51,848	9,217		30,082	778	2.50%	31,761	209	17
2026	31,761	9,447	110,000	80,694	476	2.50%	70,990	215	18
2027	70,990	9,683		37,858	1,065	2.50%	43,880	220	18
2028	43,880	9,925		16,542	658	2.50%	37,922	226	19
2029	37,922	10,173		-	569	2.50%	48,664	231	19
2030	48,664	10,428		19,044	730	2.50%	40,778	237	20
2031	40,778	10,688	55,000	44,535	612	2.50%	62,543	243	20
2032	62,543	10,956		34,997	938	2.50%	39,440	249	21
2033	39,440	11,230		4,913	592	2.50%	46,348	255	21
2034	46,348	11,510		-	695	2.50%	58,553	262	22
2035	58,553	11,798		24,579	878	2.50%	46,651	268	22
2036	46,651	12,093		5,291	/00	2.50%	54,152	275	23
2037	54,152	12,395		-	δ12 1.010	2.50%	91.076	282	23
2038	81.076	12,705		-	1,010	2.50%	80.619	289	24
2039	90.619	12 249		19 540	1,210	2.50%	95,010	290	25
2040	85 770	13,540	125 000	154 874	1,344	2.50%	70,865	303	25
2041	70 865	14 024	.20,000	34 379	1.063	2.50%	51 573	310	20
2043	51 573	14 375		23 958	774	2.50%	42 764	313	27
2044	42.764	14.734		-	641	2.50%	58,139	335	28
2045	58,139	15,102		33,876	872	2.50%	40,238	343	29
Total Spe	cial Assessme	ents Required:	505,000	,			-,		

## RECOMMENDATIONS

Due to its past performance, the reserve fund for EPS401 requires an increase in funding in order to meet expenditure requirements anticipated in the short to midterm.

Wm. S. Jackson & Associates Ltd. recommendations, set out below and detailed in this report, will assist the corporation to achieve and maintain an adequate reserve fund. In our opinion, the current reserve fund balance, recommended annual contributions and earned investment income will adequately fund immediate and future depreciation fund expenditures.

- 1. The corporation should prepare and implement a long-term reserve fund strategy as detailed herein.
- 2. Major repairs and replacements should be recorded in, and funded from, a reserve fund account.
- 3. The reserve fund contributions of \$7,200.00 per annum in 2015 should be increased to cover the anticipated expenses of the strata in the coming years.

Three models are provided herein which provide alternatives to the funding requirements of the Strata.

- 4. The reserve fund should be fully invested in guaranteed securities, yielding at least 1.5% per annum.
- 5. The corporation should make such expenditures, as necessary to maintain the property in optimum condition.
- 6. The depreciation report should be reviewed by the corporation every year to ensure that the underlying assumptions are still valid and that the estimates remain current.
- 7. The corporation must update the Depreciation Report every three (3) years.

## CERTIFICATION

## Re: 218 Bayview Avenue, Ladysmith, BC

I hereby certify to the best of my knowledge and belief that:

1. The statement of facts contained within this report are true and correct;

2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions and conclusions;

3. I have no present or prospective interest in the property that is the subject of this report or its management, and no personal interest with respect to the parties involved;

4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;

5. My engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, or a conclusion favouring the client;

6. I have the knowledge and experience to complete a Depreciation Report, as stipulated in Regulation 43-2000 under the Strata Property Act, 2009, competently;

7. No one provided significant professional assistance to the person signing this report;

8. As of the date of this report the undersigned is a member in good standing of the Appraisal Institute of Canada and the Real Estate Institute of Canada;

9. As of the date of this report the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Mandatory Recertification Program for designated members.

10. The Depreciation Report was prepared in conformity with the Canadian Uniform Standards of the Appraisal Institute of Canada; the Depreciation Report Standards, published by the Real Estate Institute of Canada; and complies with the Strata Property Act, 2009, and Regulation 43-2000.

11. We hereby certify that we are prescribed persons empowered to conduct reserve fund studies, as stipulated in Regulation 43-2000 under the Strata Property Act

12. The undersigned personally inspected the subject property on February 21, 2015 and May 21, 2015.

Par hel

Dan Wilson, AACI, CRP. Wm. S. Jackson & Associates Ltd.

June 24, 2015

## LIMITING CONDITIONS

The legal and survey descriptions of the property as stated herein are those which are recorded by the Registrar of the requisite Land Titles Office and are assumed to be correct as are strata financials, AGM and meeting minutes, and budgets.

Complete sets of architectural, structural, mechanical, electrical and other plans and specifications of the building or buildings and improvements were not provided for this study. All buildings and improvements are deemed to have been constructed and finished in accordance with available plans and specifications, unless otherwise noted.

Sketches, drawings, diagrams, photographs, if any, presented in this report are included for the sole purpose of illustration. No legal survey, soil tests, engineering investigations, detailed quantity survey compilations, nor exhaustive physical examinations have been made. Accordingly, no responsibility is assumed concerning these matters or other technical and engineering techniques, which would be required to discover any inherent or hidden condition of the property.

The building components were assessed visually. No intrusive or destructive testing, specialized imaging, or aerial inspections of elevated areas has been undertaken. The consultants accept no liability for conditions not visible at the time of the building and site review. If further investigation of specific building components is required by the client, the services of an expert specializing in the particular building system/component is recommended.

In order to arrive at supportable replacement cost estimates, it was found necessary to utilize both documented and other cost data. A concerted effort has been put forth to verify the accuracy of the information contained herein. Accordingly, the information is believed to be reliable and correct, and it has been gathered to standard professional procedures, but no guarantee as to the accuracy of the data is implied.

The distribution of cost and other estimates in this report apply only under the program of utilization as identified in this report. The estimates herein must not be used in conjunction with any other appraisal or depreciation report and may be invalid if so used.

The intent of the cost estimates contained herein it to generate a realistic planning guideline, and it is likely that actual costs will vary from this number based on several factors. These include the supply/demand of contractors at the time replacements occur as well as the potential for changes in construction methods and materials over time.

The consultant is not qualified to design specific repair, replacement or maintenance plans. Recommendations regarding repairs, replacements and maintenance are general in nature and are intended to provide guidance and for long range planning only. In all cases of major repairs or replacements, qualified design professionals should be retained to provide a specific design. In all cases, the maintenance directions provided by the manufacturer or installer of any specific component should be followed.

The estimates herein must not be extracted or used in conjunction with any other depreciation report/ reserve fund study and may be invalid if so used. Additionally, the Strata Property Amendment Act of British Columbia requires a Form B Information Certificate to include a copy of the depreciation report, were applicable. The user is cautioned to request this directly from the author, in order to ensure that the depreciation report is complete, current and authentic. No responsibility is accepted where a claim arises from a copy of this report which has been either distributed by a 3<sup>rd</sup> party, or is not originally or digitally signed.

The client to whom this report is addressed may use it in deliberations affecting the subject property only, and in so doing, the report must not be abstracted; it must be used in its entirety. Possession of this report or any copy thereof does not carry with it the right of publication nor may it be used for any purpose by anyone but the applicant without the written consent of the author, and in any event, only with the proper qualifications.

The consultants are not liable for the failure of any sale to close as a result of information contained within this report. The consultants have no authority to compel any action on the part of the Strata Corporation and can accept no liability or responsibility for the corporations actions or failures to act.

All personal information supplied for the purposes of preparation of this report will remain within our organization and will not be shared with any external entity unless prior permission is given. Your personal information will not be sold, distributed or published in any manner whatsoever.

Wm. S. Jackson & Associates Ltd. takes privacy very seriously. We collect personal information to better serve our customers, for security reasons and to provide customers and potential customers with information about our services. We would like to have a lifelong relationship of good service with our customers, and for that reason we may retain personal information provided for as long as necessary to provide our services and respect our obligation to governmental agencies and third parties. The information will remain confidential to Wm. S. Jackson & Associates Ltd., to businesses working for us, and to any organization that acquires part or all of our business, provided that they agree to comply with our privacy policy. By accepting our report, you are agreeing to maintain the confidentiality and privacy of any personal information contained herein and to comply in all material respects with the contents of our privacy policy.

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The consultants maintain a reasonable level of insurance relative to industry standards to cover errors and omissions with per-claim and per-year limits. The consultants liability related to this report is limited to the maximum per claim value available at the time a potential claim is made.

The agreed compensation for services rendered in preparing this report does not include fees for consultations and/or arbitrations, if any. Should personal appearances be required in connection with this report, additional fees will have to be negotiated. Unless otherwise noted, all estimates are expressed in Canadian currency.

# **DEPRECIATION REPORT**

## **1.0 Purpose of the Depreciation Report**

This Depreciation Report is a financial document. The purpose of a Depreciation Report is to provide cost estimates for various reserve components that are subject to major repairs and/or replacement over the lifetime of the property, and to estimate the funding required for such major repairs and replacement in accordance with the provisions of Sections 93, 94 and 95 of the Strata Property Act Amendment, 2009 and Regulation 43/2000.

The property which is the subject of this report was inspected by the author on February 21, 2015 and on May 21, 2015. This depreciation report applies as of, or has an effective date of:

## May 21, 2015

The report was completed during the period of May 21, 2015 and June 24, 2015 with the date of this report being June 24, 2015.

This report is not a guide to maintaining the property. Component costs and remaining lifespans can vary widely and can be affected by latent issues that are impossible to discern during a visual inspection. An in depth study of each component is beyond the scope of this report. The amounts detailed herein are our opinion of the likely costs and lifespans based on the balance of probabilities. Our opinions are based on many factors including a visual inspection, replacement history, and the clients short term intention to repair or replace failing components.

## 1.1 British Columbia Strata Property Amendment Act, 2009

This Depreciation Report complies with the Depreciation Report provisions of Section 94 of the Strata Property Amendment Act, 2009, and Regulation 43/2000, to wit.

### Guidelines for depreciation report

- **6.2** (1) For the purposes of section 94 of the Act, a depreciation report must include all of the following:
  - (a) a physical component inventory and evaluation that complies with subsection (2);
  - (b) a summary of repairs and maintenance work for common expenses respecting the items listed in subsection (2)(b) that usually occur less often than once a year or that do not usually occur;
  - (c) a financial forecasting section that complies with subsection (3);
  - (d) the name of the person from whom the depreciation report was obtained and a description of:
    - (i) that persons qualifications,
    - (ii) the errors and omissions insurance, if any, carried by that person, and
    - (iii) the relationship between that person and the strata corporation.
  - (e) the date of the report;
  - (f) any other information or analysis that the strata corporation or the person providing the depreciation report considers appropriate.

- (2) For the purpose of subsection (1)(a) and (b) of this section, the physical component inventory and evaluation must:
  - (a) be based on an on site visual inspection of the site and, where practicable, of the items listed in paragraph (b) conducted by the person preparing the depreciation report,
  - (b) include a description and estimated service life over 30 years of those items that comprise the common property, the common assets and those parts of a strata lot or limited common property, or both, that the strata corporation is responsible to maintain or repair under the Act, the strata corporation's bylaws or an agreement with an owner, including, but not limited to, the following items:
    - (i) the buildings structure;
    - (ii) the building's exterior, including roofs, roof decks, doors, windows and skylights;

(iii) the building's systems, including the electrical, heating, plumbing, fire protection and security systems;

- (iv) common amenities and facilities;
- (v) parking facilities and roadways;
- (vi) utilities, including water and sewage;
- (vii) landscaping, including paths, sidewalks, fencing and irrigation;
- (v) interior finishes, including floor covering and furnishings;
- (ix) green building components;
- (x) balconies and patios, and
- (c) identify common property and limited common property that the strata lot owner, and not the strata corporation, is responsible to maintain and repair.
- (3) For the purposes of subsection (1)(c), the financial forecasting section must include:
  - (a) the anticipated maintenance, repair and replacement costs for common expenses that usually occur less often than once a year or that do not usually occur, projected over 30 years, beginning with the current or previous fiscal year of the strata corporation, of the items listed in subsection (2)(b),
  - (b) a description of the factors and assumptions, including interest rates and rates of inflation, used to calculate the costs referred to in paragraph (a),
  - (c) a description of how the contingency reserve fund is currently being funded,
  - (d) the current balance of the contingency reserve fund minus any expenditures that have been approved but not yet taken from the fund, and
  - (e) at least 3 cash-flow funding models for the contingency reserve fund relating to the maintenance, repair and replacement over 30 years, beginning with the current or previous fiscal year of the strata corporation, of the items listed in subsection (2)(b).

- (4) For the purposes of subsection (3)(e), the cash flow funding models may include any one or more of the following:
  - (a) balances of, contributions to and withdrawals from the contingency reserve fund;
  - (b) special levies;
  - (c) borrowings.
- (5) If a strata corporation contributes to the contingency reserve fund based on a depreciation report, the contributions in respect of an item become part of the contingency reserve fund and may be spent for any purpose permitted under section 96 of the Act.
- (6) For the purposes of section 94 (1) of the Act, "qualified person" means any person who has the knowledge and expertise to understand the individual components, scope and complexity of the strata corporation's common property, common assets and those parts of a strata lot or limited common property, or both, that the strata corporation is responsible to maintain or repair under the Act, the strata corporation's bylaws or an agreement with an owner and to prepare a depreciation report that complies with sections (1) to (4).
- (7) The following periods are prescribed
  - (a) for the purposes of section 94(2)(b) of the Act, 3 years;
  - (b) for the purposes of section 94(2)(c) of the Act, 18 months;
  - (c) for the purposes of section 94(3)(a) of the Act, the one year period immediately preceding the date on or before the depreciation report is required to be obtained.
- (8) A strata corporation is prescribed for the purposes of section 94(3)(b) of the Act if and for so long as there are fewer than 5 strata lots in the strata plan.

## 2.0 Methodology

## 2.1 Depreciation Report

A Depreciation Report is a financial document, which provides the basis for funding major repairs and replacement of the common elements and assets of the corporation.

This Depreciation Report comprises the following elements:

- (1) It identifies the reserve components and assesses their quality, normal life span, and present condition;
- (2) It estimates the remaining serviceable years for each of the reserve components and proposes a time schedule for repairs and/or replacement;
- (3) It provides current replacement cost estimates including the cost of removing wornout items and special safety provisions;
- (4) It projects the future value of current replacement costs at an appropriate and compounded inflation rate;
- (5) It projects the future value of current reserve funds compounded at a long term interest rate;
- (6) It calculates current reserve fund contributions required and to be invested in interest bearing securities in order to fund future reserve fund expenditures.

The Depreciation Report is a practical guide to assist the Strata Council to plan budgets and maintenance programs.

It is noted, a Depreciation Report is not a structural analysis or technical audit. It provides financial information, estimates and projections for funding the major repairs and replacement of common components and assets of the strata corporation.

## 2.2 Certified Reserve Fund Planning Standards

Section 94 of the Strata Property Act Amendment, 2009, and Regulation 43/2000 requires that a reserve fund consist of a physical analysis and a financial analysis.

The Real Estate Institute of Canada has established Reserve Fund Planning Standards that exceed the regulatory requirements and are now recognized and emulated across Canada. These standards, presented throughout this Report, consist of investigations, analyses and calculations that provide realistic and supportable reserve fund estimates.

## 2.3 General Conditions and Assumptions

Reserve fund estimates are subjective, and they are based on an understanding of the life cycle of building components and our experience gained from observing buildings over a 30 year period. It must be appreciated that reserve fund budgeting and projections are not exact sciences. They are, at best, prudent provisions for all possible contingencies, if, as and when they arise. Reserve fund requirements are subject to change and must be reviewed and modified over time, not less than every three years.

## 2.3.1 Scope of Work

This report has been prepared in accordance with our understanding of the Canadian Standards of Professional Appraisal Practice (the Standards) as provided by the Appraisal Institute of Canada. In particular, Section 12 of the standards documents deals with Reserve Fund Planning

### Inspection

We inspected the property on February 21, 2015 (exterior only) and May 21, 2015 (interior and exterior). The inspection included a visual on-site inspection of the reserve components, where practical, but not an exhaustive inspection of all areas of each component, as per the requirements of the Act. Our identification of the property also involved a review of mapping prepared by the Town of Ladysmith and the strata plans as obtained from the BC Land Titles System and available building plans as noted herein. The photographs appended were taken on May 21, 2015.

## Type of Analysis

The report conforms to the requirements of the Canadian Standards of Professional Appraisal Practice Section 12 Reserve Fund Planning Rules.

### Data Research

We received our instructions from our client, who provided information on the property along with copies of the minutes and financial statements, strata bylaws and rules and available building and site plans. Further information was also obtained verbally from representatives of the strata council. Copies of the strata plans were obtained through online sources. Publications produced by the Town of Ladysmith provided information on applicable land use controls. Sources of cost information comprised published sources (Marshall Valuation Service and RS Means) along with interviews with local service providers and trades people and our in-house data base of known costs on completed projects and developments.

### Audits and Technical Investigations

It is noted, a Depreciation Report is not a structural analysis or technical audit. The scope of the inspection is visual in nature. No destructive testing has been completed nor has detailed investigations been made. The report provides financial information, estimates and projections for funding the major repairs and replacement of common components and assets of the strata corporation. Copies of detailed building envelope studies were not provided.

### Verification of Third Party Information

The analysis set out in this report relied on written and verbal information obtained from a variety of sources we considered reliable. Unless otherwise stated herein, we did not verify client-supplied information, which we believed to be correct.

### **Competency Provision**

We are competent in this type of assignment and have completed this type of assignment and reporting previously.

## 2.4 Reserve Fund Projection Factors

Section 94 of the Strata Property Act Amendment, 2009, and Regulation 43/2000, requires that the financial analysis include the following:

- (a) the anticipated maintenance, repair and replacement costs for common expenses that usually occur less often than once a year or that do not usually occur, projected over 30 years, beginning with the current or previous fiscal year of the strata corporation, of the items listed in subsection (2)(b),
- (b) a description of the factors and assumptions, including interest rates and rates of inflation, used to calculate the costs referred to in paragraph (a),

Wm. S. Jackson & Associates Ltd. provides an objective basis for any estimates of inflation factors and interest rates. Inflation factors and interest rates must be derived from an economic analysis of the marketplace.

The estimated inflation factor and the selected interest rate are powerful factors in projecting reserve fund contributions and requirements. They can vary dramatically over time and must be periodically reviewed to ensure their relevance and accuracy.

Although the Regulations require a reserve fund plan to be projected over a period of at least 30 consecutive years, a long-term horizon in every respect, reserve fund projection factors can only be based on short-term economic conditions because of their volatility over time.

The depreciation report projection factors must be periodically reviewed and adjusted in accordance with changing economic conditions as part of the reserve fund updating process, as mandated by the Regulations.

### Inflation Factors

Inflation measurement in contingency reserve fund projections must be based on construction indices rather than the widely quoted Consumer Price Index (CPI), which measures the cost of a basket of consumer goods, not construction costs.

The most widely recognized construction cost services providing periodic cost indices are R.S. Means, Statistics Canada and Marshall & Swift / Boeckh.

### Means Historical Cost Index

The Means Historical Index, used to calculate annual inflation rates, is based on the computed value as of January 2014, for an average North American construction rate of inflation. The following are selected rates over various time periods:

Term	Time Period	Indicated Yearly Inflation Rate
30 Years	1984 to 2014	4.91%
20 Years	1994 to 2014	4.71%
15 Years	1999 to 2014	4.83%
10 Years	2004 to 2014	4.10%
5 Years	2009 to 2014	2.49%

These numbers indicate that the trend of construction inflation rates over the past 30 years has been fluid. While useful as an overall indication of the construction inflation trend in North America, these rates are too broadly based, and as such, they do not accurately reflect the inflationary impact on local construction costs. The yearly rate is also the average rate over the time period (total change between 1984 and 2014 divided by 30 years) and are not the compounded changes.

## Statistics Canada

The Non-Residential Building Construction Price Index (NRBCPI) is a quarterly series measuring changes in contractors selling prices of non-residential building construction (i.e. commercial, industrial and institutional). The indexes relate to both general and trade contractors work and exclude the cost of land, land assembly, design, and development and real estate fees.

The following chart reflects the recorded changes to the NRBCPI for the Vancouver area between 1990 and 2012 for three different property types – Office buildings; warehouses and apartment buildings.

Vancouver	1990	2000	2002	2007	2012	2014
Office Bldg	84.9	97.6	100	143.1	139.5	145.8
Warehouse	85.5	97.6	100	148.1	137.3	143.4
Apartment	83.6	97.9	100	150.2	144.0	150.5

As can be seen, average costs rose between 17.8% and 19.6% (average 18.1%) between 1990 and 2002 (average 1.51% per year). From 2002 to 2007 there was a dramatic increase in construction costs. This increase continued into 2008 and was then followed by a reduction in to the end of 2012 and a continued increase of 4.7% to 5% from 2012 to 3<sup>rd</sup> guarter 2014.

In the apartment sector, the total change in construction costs over the 22 year (1990-2012) period is approximately 63.6% or 2.89% per year with a further 5% increase from 2012 through 2014 (2.5%/year).

## Marshall & Swift / Boeckh (MSB) Annual Cost Changes

Marshall & Swift / Boeckh Annual Cost Changes for wood frame and concrete buildings located in Western Canada are summarized as follows:

January 2014 1 Year Ago	January 2012 3 Years Ago	January 2011 4 Years Ago	January 2010 5 Years Ago	January 2005 10 Years Ago	January 1995 20 Years Ago	January 1985 30 Years Ago
Wood Fra	me Building					
2.7%	11.1%	13.5%	18.9%	34.6%	84.0%	130.6%
Concret	e Building					
2.3%	8.8%	11.6%	16.1%	35.9%	84.8%	128.1%

The average percentage change from January 2010 to 2015 was approximately 18.9% or 3.78% per year for wood frame structures and 16.1% or 3.22% per year for concrete structures. The 10 year average rate is slightly higher at 3.46% and 3.59% per year respectively. Again as with the RS Means, these are average rates (total change over time period divided by number of years) and are not the year over year compounded changes.

## Inflation Factor Summary and Conclusions

The significant cost increases over the past five years are primarily due to large increases in commodities such as steel, oil and concrete prices and higher wage costs.

Judging by the overall construction cost trends, one may conclude that the longer term rate of inflation in construction will continue to increase over the foreseeable (short-term) future.

We have adopted a rate of **2.5%** (compounded) for annual inflation in calculating the future replacement costs hereinafter.

### Interest Rates

Investment income can be a significant and increasing source of revenue for contingency reserve funds, and therefore, it is imperative that contingency reserve funds are continuously and prudently invested.

Contingency Reserve Fund investments must be directly or indirectly guaranteed by governments. Bank deposits and various investment instruments are insured by the Canada Deposit Insurance Corporation up to a maximum of \$100,000, covering principal and interest.

The ability of strata corporations to earn the highest rate of interest available in the market place, given the restricted conditions of investments, depends on the expertise of financial management and the amount of available funds for investment.

Therefore, the depreciation report planner must consider management policies, the historical investment performance and the size of the contingency reserve fund available for investment. In selecting an appropriate interest rate for contingency reserve fund investments for a particular strata corporation, the balance of the contingency reserve fund is the most critical consideration as it dictates investment options and their corresponding interest rates.

Investment opportunities are widely advertised, ranging from bank deposits, term deposits and guaranteed investment certificates (GICs) to money market instruments and government bonds. The following are investment returns achievable for corporations, given various reserve fund balances:

Reserve Fund Balances	Interest Rates 1 year term	3 year term	5 year term	7 year term	10 year term
Up to \$100,000	0.625%	0.725%	0.925%	1.475%	1.725%
\$100,000 - \$250,000	0.625%	0.725%	0.925%	1.475%	1.725%
\$250,000 - \$500,000	0.625%	0.725%	0.925%	1.475%	1.725%
\$500,000 and over	0.625%	0.725%	0.925%	1.475%	1.725%

Source: RBC Redeemable GIC Rates February 1, 2015 (Interest paid monthly)

Prudent contingency reserve fund investment requires that investments are reasonably matched with anticipated contingency reserve fund expenditures, ensuring contingency reserve fund liquidity. Therefore, funds should be invested in a laddered portfolio, which ensures that contingency reserve funds are available when needed.

Some management firms use their "purchasing power" by directing business to a particular financial institution to negotiate favorable interest rates for all their clients. This approach may benefit the smaller corporations and is an important consideration when selecting an appropriate interest rate.

The benchmark calculations and the reserve fund projections are based on the assumption that reserve fund contributions are constantly and continuously invested.

Currently Strata EPS401 maintains its contingency fund account within a savings account. Based on a review of the financial statements, the interest earned on the account over the past few years has varied, however has typically been less than 2% per annum.

Considering the information available regarding the historical performance of the Corporation we outlined in the reserve fund operation, we have selected a conservative **1.5%** interest rate in calculating the future investment performance of the Corporation's reserve fund.

## **3.0 Property Information**

## **3.1 Property Description**

EPS401 Seaview Manor 218 Bayview Avenue, Ladysmith, BC

Seaview Manor is a single phase, low rise four storey apartment building. The lower floor has been constructed using cast in place concrete 'knee-wall' that are located partially below grade. The upper three floors are of conventional wood frame (2" x 4") construction. The building was constructed in about 1973

The building was converted to strata titled units in 2010. Extensive renovations were then completed in 2011 including re-cladding of the exterior, replacement of exterior windows and doors, replacement of balcony decking, railings and surfaces, and other upgrades.

Upper floor units have cantilevered balconies accessed from sliding glass doors. Access to the development is off of Bayview Avenue with paved parking areas to the rear of the building.

Quality of construction and finishing is commensurate with the era of construction.

The building complex is managed by Meicor Property Management

## 3.2 Building Plans

The following plans were examined in the performance of the reserve fund study:

Project Name

Seaview Manor Apartments (EPS401)

Architectural Plans
Civil Servicing Plans
Structural Plans
Mechanical Plans
Electrical Plans
Fire Safety Plans
Landscape Plans

Not Available.

Strata Plans

McElhanney Associates Ltd.

The above plans were used for quantifying building components and other improvements. Some quantities were estimated or measured on site and are considered estimates. The buildings and site improvements were inspected on May 21, 2015. Various construction details, facilities, equipment installations and improvements have been noted for consideration in the cost estimates herein.

Not Available. Not Available. Not Available. Not Available. Not Available. Not Available.

A copy of a Building Envelope Visual Review prepared by Morrison Hershfield, dated September 22, 2010 was also provided along with the Disclosure Statement for the Development which included a Property Condition Assessment and Reserve Fund Study prepared by CDW Engineering and dated May 24, 2010.

## 3.3 Property Data, Site Plan and Basic Construction

## Project Data

The following data and information have been compiled from the available plans, and the inspection of the buildings and improvements. The data have been calculated using dimensions taken from the plans.

## **Property Statistics**



## Strata Lot Boundaries

Aside from the following reference, the strata lot boundaries are not defined by Strata Plan EPS401:

'All patios and balconies are defined as to height by the centre of the floor above, or its extensions or where there is no floor above by the average height of a strata lot within the same building unless otherwise indicated..'

This is in keeping with Part 5, Division 1 Section 68 of the Strata Property Act which states:

## Strata lot boundaries

68 (1) Unless otherwise shown on the strata plan, if a strata lot is separated from another strata lot, the common property or another parcel of land by a wall, floor or ceiling, the boundary of the strata lot is midway between the surface of the structural portion of the wall, floor or ceiling that faces the strata lot and the surface of the structural portion of the wall, floor or ceiling that faces the other strata lot, the common property or the other parcel of land.

(2) If a strata lot is not separated from another strata lot, the common property or another parcel of land by a wall, floor or ceiling, the boundary of the strata lot is as shown on the strata plan.

(3) A boundary shown on the strata plan must be shown in a manner approved by the registrar.

(4) Despite subsections (1) to (3), but subject to the regulations, in the case of a bare land strata plan, the boundaries must be shown on the strata plan

(a) by reference to survey markers, and

(b) in compliance with rules, if any, made under section 75 of the Land Surveyors Act for the purposes of this section.

With respect to Common Property and Limited Common Property, the British Columbia *Strata Property Act* further defines Common Property and Limited Common Property as follows:

### "common property" means

(a) that part of the land and buildings shown on a strata plan that is not part of a strata lot, and

(b) pipes, wires, cables, chutes, ducts and other facilities for the passage or provision of water, sewage, drainage, gas, oil, electricity, telephone, radio, television, garbage, heating and cooling systems, or other similar services, if they are located

- (i) within a floor, wall or ceiling that forms a boundary
  - (A) between a strata lot and another strata lot,
  - (B) between a strata lot and the common property, or
  - (C) between a strata lot or common property and another parcel of land, or

(ii) wholly or partially within a strata lot, if they are capable of being and intended to be used in connection with the enjoyment of another strata lot or the common property;

"limited common property" means common property designated for the exclusive use of the owners of one or more strata lots;

## **Bylaws**

Guidance with respect to repairs and maintenance are provided by the Seaview Manor Apartments Bylaws. These bylaws reference repairs and maintenance under Sections 3 and 11 which are summarized as follows:

Repair and maintenance of property by owner

- 3.1 An owner must repair and maintain the owner's strata lot, except for repair and maintenance that is the responsibility of the Strata Corporation under these bylaws.
- 3.2 An owner who has the use of limited common property must repair and maintain it, except for repair and maintenance that is the responsibility of the Strata Corporation under these bylaws.

Repair and maintenance of property by strata corporation

- The Strata Corporation must repair and maintain all of the following: 11.1
  - common assets of the Strata Corporation; (1)
  - (2) (3) common property that has not been designated as limited common property;
  - limited common property, but the duty to repair and maintain it is restricted to
    - repair and maintenance that in the ordinary course of events occurs less (i) often than once a year, and
    - the following, no matter how often the repair or maintenance ordinarily (ii) occurs:
      - the structure of a building except as may be limited by this Bylaw Α. 11:
      - Β. the exterior of a building except as maybe limited by this Bylaw 11:
      - C. chimnevs, stairs, balconies and other things attached to the exterior of building but not including doors or fences;
      - D. fences, railings and similar structures that enclose patios, balconies and yards;
  - (4) a strata lot, in a strata plan that is not a bare land strata plan, but the duty to repair and maintain it is restricted to
    - (i) the structure of a building,
    - the exterior of a building, (ii)
    - chimneys, stairs, balconies and other things attached to the exterior of a (iii) building but not including doors or fences;
    - fences, railings and similar structures that enclose patios, balconies and (iv) yards.

## **Basic Construction Components**



Seaview Manor was constructed in 1973 in a single phase, in accordance with applicable building codes, fire codes, city by-laws, and construction practices in existence at that time. The complex comprises a single detached building comprising four stories with the ground floor having eight units and each of the upper floors containing twelve units.

The building is a conventional low rise style apartment building with interior corridors and hallways, stairwells at each end of the building and a central lobby and elevator.

The building was constructed as a rental apartment complex and was converted to strata title in 2010. In 2011, the building was extensively renovated and upgraded including replacement of the stucco siding with concrete fibreboard and rock facing, replacement of windows and trim, replacement of balcony decking, surfaces and railings, interior painting and cosmetic upgrades.

The units range in size from 525 square feet to 873 square feet in size and all units have kitchen, living/dining room, 4 piece bathroom and bedrooms with shared laundry facilities on the ground floor. The building is of conventional wood frame construction on concrete foundations and footings.

The quality of construction, materials and workmanship are commensurate with the era of construction.

### Excavation and Foundations

This development includes excavation and concrete foundations and footings; insulation and drainage system installations; crushed stone and gravel fill; with a concrete slab on grade foundation for the building. The ground floor is partially below grade.

### Exterior Walls and Structure

Conventional wood frame construction. The exterior walls are clad with a stone facing on the lower front elevation and concrete fibreboard (hardi plank) siding on the upper elevations with comb face wood trim and banding.

The framing appears to be conventional 2" x 4" wall studs with 2" x 10" floor joists.

Windows are insulated thermo break vinyl sash units with a mixture of sizes. Exterior doors are solid core metal units with a glazed front entry to the lobby. Interior doors are solid core wood doors.

### Roof and Drainage Construction

The roof system at Seaview Manor is a flat torch on membrane surface with scuppers and drainage and low parapet walls. The roof surface is reported to have been replaced in about 1998.

## Mechanical

Units are heated via hot water baseboards and common boiler system. Each unit has a standard 4-piece bathroom with toilet, sink, cabinets, and bathtub with shower. Baseboards, plumbing fixtures and equipment within the individual units would be the responsibility of the individual unit owners and are not included within this report.

Heating is provided by two newly installed natural gas boilers.

The complex has a shared coin operated laundry on the ground floor. We are advised that the laundry machines are provided by a third party operator.

Domestic hot water is provided by a natural gas fired boiler and storage tank system.

The hallways have roof top mounted fan units for hallway ventilation and pressurization.

## Electrical

Incoming metered service with main disconnects and distribution panels; wiring and fixtures for light and power; telephone wiring; house panel serving the common areas.

Each unit has an individual hydro meter with distribution panels located in the units and electrical services located in the electrical room. The complex has a 600 amp electrical service.

### Conveying Systems

The complex has a single, four stop hydraulic elevator maintained under contract by Thyssen Krupp.

### **Balconies**

Each of the upper floor units has a raised cantilevered balcony. Balcony surfaces are plywood decking with a dura deck style vinyl covering, molded drip edge and flashed under the siding. The balcony railings are aluminum rails with glass inset panels. Balcony surfaces, decking and railings were upgraded in 2011.

### <u>Amenities</u>

Common amenities include the landscaped areas which has an in ground irrigation system (reportedly not operational), lobby and stairwells, storage and laundry facilities, caretakers office, paved parking areas, signage and the electrical/mechanical rooms.

## 4.0 Reserve Component Analysis and Estimated Costs

## 4.1 Property Inspection

The property was inspected for the purposes of preparing this report on May 21, 2015, by Dan Wilson, AACI, CRP.

## 4.2 Depreciation Reports

A copy of a Building Envelope Visual Review prepared by Morrison Hershfield, dated September 22, 2010 was provided along with the Disclosure Statement for the Development which included a Property Condition Assessment and Reserve Fund Study prepared by CDW Engineering and dated May 24, 2010.

## 4.3 Component Classification

Depreciation Report Components are conveniently classified in terms of building groups, common element facilities and site improvements. The component inventory consists of the reserve components, described and analyzed hereinafter, and shown in Schedules "A", "B" and "C".

There are 21 reserve components, comprising 8 structural and architectural components, 3 building finish and decoration components, 6 mechanical, electrical and conveyance components, 3 site improvement components, and 1 reserve consultant component.

## 4.4 Life Span Analysis

Each reserve component has been analyzed in terms of life cycle condition and expected remaining useful life. The life span analysis considers the following factors:

- Type of Component;
- Utilization;
- Material;
- Workmanship;
- Quality;
- Exposure to Weather conditions;
- Functional obsolescence;
- Environmental Factors;
- Regular Maintenance;
- Preventative Maintenance;
- Observed condition

The critical aspect in a Life Span Analysis is the observed condition of each reserve component, which includes is based on:

- Actual age of the component;
- Maintenance of the component;
- Observed deficiencies of the component;
- Repair and replacement experience;
- Probability of hidden concerns

The Life Span Analysis culminates in component life span estimates, as follows:

### 1. Normal Life Span

Each reserve component is analyzed in terms of component type, quality of construction, statistical records and normal life experience.

## 2. Observed Condition Analysis

This is the critical analysis of a reserve component and consists of determining the effective age of the reserve component within its normal life cycle based on the observed condition of the reserve component. The validity of this analysis depends on the experience of the depreciation reports analyst, as this is a subjective estimate rather than an objective assessment.

## 3. Remaining Life Span

Given a normal life span estimate and a sound estimate of the effective age, the remaining life span of a reserve component is determined by subtracting the observed condition estimate from the normal life span estimate. This does not mean that reserve expenditures should only be made at the end of the remaining life. Reserve expenditures should and must be made during the remaining life span to maintain building components and facilities in good condition.

A life span analysis is a subjective, or empirical, assessment of the life cycle status of a reserve component, and as such, it is only as good as the considered opinion of the Depreciation Report's Analyst. Furthermore, the life span of a reserve component is subject to change due to numerous factors.

## 4.5 Current Cost Estimates

Component assessments and current cost estimates of the Depreciation Report are based on our investigation, observation, analyses and our extensive experience in performing contingency reserve fund studies.

Cost data have been calculated using construction cost services, including Marshall & Swift/Boeckh Commercial Building Valuation System, the Means Repair & Remodelling Cost Data, and the Hanscomb's Yardstick for Costing, modified as to time, location and quality of construction. We also verified some estimates by seeking quotations from contractors, fabricators and suppliers. Moreover, we have used our own computer programs and extensive cost compilations and databases.

All costs are strictly estimates and are subject to confirmation at the time competitive bids are obtained from contractors specializing in the repair or replacement work required.

The following factors have been considered in calculating the Repair and Replacement Costs Estimates:

## Quality of construction

Replacement cost estimates are based on the assumption of using quality materials, as specified or built, or in the case of older developments, as required under current building code regulations, at contractors' prices, using union labour and current construction techniques, and including contractors' overhead and profit.

The costs of repairs and/or replacements of many reserve components are invariably higher than original building costs when contractors have considerable latitude in planning their work and can utilize economies of scale to keep costs within construction budgets. In contrast, repair work must frequently be performed in an expedient manner with proper safety precautions and within certain constraints.

Cost estimates take into account such additional costs as special construction, safety installations, limited access, noise abatements, and the convenience of the occupants.

### Demolition and Disposal Costs

The estimates herein include provisions for demolition and disposal costs including dumping fees. These costs have been rising in recent years. Particularly, dumping of certain materials has become problematic and very costly. It appears that certain codes and environmental regulations will become more stringent in future years, all of which will further increase disposal costs.

### Goods and Services Sales Tax / Provincial Sales Tax

The Goods and Services Sales Tax ("GST") applies to all repairs and replacements including disposal costs. Therefore, these costs are included in the contingency reserve fund estimates hereinafter.

The Provincial Sales Tax (PST) is a retail sales tax that applies when a taxable good or service is acquired for personal or business use, unless a specific exemption applies. Where applicable, these costs are included in the contingency reserve fund estimates.

## Contingency Reserves

It is frequently impossible to forecast the incidence of repairs or replacements of various reserve components, particularly, major components, such as road pavement, sewer and water systems. Therefore, reserve estimates are of a contingency nature, and as such, they are subject to changing conditions and repair experience over time.

## 4.6 Reserve Component Descriptions and Analysis

The following lists each contingency reserve fund component and provides the following information:

- Description
- Contingency Reserve fund expenditure history
- Potential deterioration
- Life span analysis
- Current repair or replacement costs
- Deficiency analysis

Reserve Compo	Reserve Component: (1) Balconies and Visible Structure				
Physical Description:	This exterior element consists of the expo and the wood frame cantilevered balconie the upper floor units. Balcony surfaces are	osed structural components of the building s located on the exterior of the building for vinyl dura deck style coatings.			
	The balcony railings on the balconies are railings with glass inset panels. The balcon	e constructed of aluminum powder coated nies are sloped for drainage.			
Financial Analysis	The balcony surfaces, decking, and railings were replaced during the building renovations in 2011. No further expenditures have been made under this item. This is an allowance for repair and replacement of some components. This is not a complete replacement reserve.				
	Membranes will have a shorter lifespan (estimated at 15 years). Railings are longe due to aesthetic reasons.	than structural components and railings er lasting and are more likely to be replaced			
Potential Deterioration	Exterior exposed components can be susceptible to surface damage caused by UV rays that allows penetration by water. Freeze/thaw and water penetration can cause cracking and loss of structural strength. Concrete components are subject to freeze/thaw cycles and all exterior components may be subject to potential impact damage or vandalism.				
	Membranes are susceptible to degradation via UV rays, cracking due to freezing/thawing, general wear and tear damage and delamination of the adhesive (bubbling) from water ingress under the membrane. Such a situation would cause degradation of the balcony deck.				
	Railings are relatively long lasting but do suffer some degradation of the coating due to exposure to the weather.				
Condition Analysis	Component appears to be in good condition relative to the age. An allowance has been made for upgrading the vinyl deck surfaces at 15 year intervals however more invasive testing should be conducted periodically to determine if more extensive repairs to the deck structures are required. The allowances herein are reflective of periodic repairs required for surfaces and railings. Detailed structural analysis is recommended on a periodic basis to determine if there is deterioration of the wooden attructural elements.				
Life Cycle	Date of Acquisition:	1973/2011			
Analysis	Normal Life Span	Building life			
	Remaining Life Span	36 years			
Unit Quantity	Unit Quantity	1 Allowance for repairs.			
And Cost	Unit Cost Estimate	\$110,000.00			
Estimates	Current Repair or	<b>*</b> 4 4 9 9 9 9 9 9			
	Replacement Cost Estimate	\$110,000.00			
	Repair or Replacement	Vinyl decking upgrades in 2026 and			
		2041;			
Deficiency	We would recommend a more detailed per	iodic inspection of all structural components			
Analysis	and have allowed for periodic replacement. The strata should ensure that owners with planters on the decks must not use excessive amounts of fertilizers nor use heavy furniture that may damage deck membranes.				
	Railings should be checked at least annua and secure.	ally to ensure screws and adhesion is tight			



Reserve Component: (2) Exterior Cladding (Hardi Plank and Stone Facing)					
Physical Description:	This component comprises the exterior cladding of the structure. The component includes the stacked ledgestone facing on the lower front elevation and the concrete fibreboard (hardi plank) siding on the upper elevations along with the wood trim and banding.				
	The siding was applied the building as par include rain screening (pressure treated sheathing.)	t of the 2011 upgrades and is assumed to I furring strips, building paper over the			
	The rock facing is the stacked Ledgestone wall application at the front or main entrance to the building and along the lower ground floor elevation. The typical application is the stone with a mortar/adhesive on a diamond mesh stapled or nailed onto building paper over the exterior sheathing.				
	Also included within this component is a fibreboard and wood trim surrounding the face wood fascia along the roof lines and tri	reserve for replacement of the concrete windows and doors along with the comb m and corners.			
	The building has approximately 1,130 square feet of rock facing and 12,260 square feet of concrete fibre board and wood trim.				
Financial Analysis	The rock and hardi plank siding were installed during the building renovations in 2011. There are no further expenditures noted.				
Potential Deterioration	Shattering due to impact, vandalism. Periodic repainting will be required. Manufacturers report that concrete fibreboard siding will require repainting at 15 to 20 year intervals. Wood products are susceptible to water damage, insect and rot.				
Condition Analysis	The cladding was observed to be in average to good condition with no items of deferred maintenance noted.				
Life Cvcle	Date of Acquisition:	2011			
Analysis	Normal Life Span	40 years			
-	Effective Age	4 years overall			
	Remaining Life Span				
Unit Quantity	Unit Quantity	±13,400 sq.ft.			
And Cost Estimatos	Unit Cost Estimate	1 allowance			
Lotinates	Replacement Cost Estimate	\$195,000,00 overall			
	Estimated Year of Major				
	Repair or Replacement 2051.				
Deficiency Analysis	Not applicable – no deficiencies noted. Overall, the exterior cladding appeared to be in average to good condition and there are no reported defects to date. Any minor defects in the exterior materials can be maintained or replaced through the operations budget as required from time to time. A regular inspection of the exterior and an analysis of any anticipated repairs will ensure the integrity and aesthetic appeal of the exterior walls.				



Reserve Component: (3) Window Assemblies				
Physical Description:	Window assemblies in the condomini frame windows, with a mixture of pic area of the individual window assemb	um structure consist of double glazed vinyl cture and sliding window assemblies. The lies varied throughout.		
Financial Analysis	The windows were replaced during th	e building renovations of 2011.		
Potential Deterioration	Potential deterioration issues include - Damage of frame due to impact - Discolouration of frame over time - Seal of double-pane windows	the following:		
Condition Analysis	The condition of the windows is component cracked or broken seals were note approximately 35 years.	mensurate with their age. No examples of ed. Windows have a typical lifespan of		
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	2011 35 4 31		
Unit Quantity And Cost Estimates	Unit Quantity: Unit Cost Estimate: Current Repair or Replacement Estimate: Estimated Year of Major Repair or Replacement:	Varying sizes ±1,065 sq.ft. total 1 allowance \$50,000.00 2046		
Deficiency Analysis	None noted. Most window designs incorporate a drainage track at the bottom of the window to collect any condensation that runs off the glazing. These tracks have weep holes to the outside for drainage and should be kept clear. Aluminum and vinyl windows are manufactured with mitre joints that must be inspected regularly. Particularly, the mitre joints may fail and require the application of a small joint sealer.			

Reserve Component: (4) Balcony Doors				
Physical Description:	The balcony doors consist of 96" wide vinyl sliding doors.			
Financial Analysis	The balcony doors were replaced	in 2011 during the building upgrades.		
Potential Deterioration	Potential deterioration issues include the following: - Damage of framing due to impact - Brittleness of framing over time - Discolouration of frame over time - Seal of double-pane glazing			
Condition Analysis	The condition of the patio doors is commensurate with their age. As with windows and doors, balcony doors exposed to the prevailing weather will experience shorter lifespans than units on the protected side of the building. Balcony doors are generally replaced at the same time as a window replacement project due to cost efficiencies.			
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	2011 35 4 31		
Unit Quantity And Cost Estimates	Unit Quantity: Unit Cost Estimate: Current Repair or Replacement Estimate: Estimated Year of Major Repair or Replacement:	36 doors \$1,200.00/door \$43,200.00 2046		
Deficiency Analysis	None noted. As with windows, slid track that should be kept clear.	ding doors typically have a drainage		





Reserve Component: (5) Soffits		
Physical Description:	This component includes all of the vinyl soffits surrounding the exterior of the building and below the decks/balconies.	
Financial Analysis	This is a reserve for replacement of the soffits. Typically, soffits are replaced at the time of replacement or major repair of the exterior siding. The component was installed at the time of the 2011 renovations. No expenditures for this component were noted in the minutes.	
Potential Deterioration	Deterioration over time as the soffits becomes brittle due to age. Wear and tear is not an issue due to the nature of the component. Animal/bird penetration can occur with loose panels or incorrect fitting panels.	
Condition Analysis	The soffits were observed to be in good condition relative to the age of the component.	
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	2011 40 years 4 years 36 years
Unit Quantity And Cost Estimates	Unit Quantity: Unit Cost Estimate: Current Repair or	2,560 square feet. \$6.25/sq.ft.
D.C.	Replacement Estimate: Estimated Year of Major Repair or Replacement:	\$16,000.00 2051
Analysis		




Reserve Component: (6) Doors		
Physical Description:	Suite doors consist of solid core wood doors with hardware and signage. Service doors are solid core metal and wood doors while the entry doors at the front entry are glazed aluminum frame units. Fire doors are solid core metal units.	
Financial Analysis	The minutes indicate that repairs to the entry doors were made in 2013, followed by replacement of the fire door closers in 2014 and replacement of the rear entry door in 2014.	
	An allowance for replacement of the year 20. Suite doors are unlikely to b or due to damage.	exterior service doors has been made at be replaced unless for aesthetic purposes
Potential Deterioration	Suite doors are more likely to be replaced for aesthetic purposes over time as opposed to deterioration.	
Condition Analysis	The doors were in average condition overall. Repainting of the interior suite doors for aesthetics is more likely than full replacement.	
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	1973/Mixed 35 15 20
Unit Quantity And Cost Estimates	Unit Quantity: Unit Cost Estimate: Current Repair or Replacement Estimate: Estimated Year of Major Repair or Replacement:	1 allowance for partial replacement \$10,000.00 \$10,000.00 2035
Deficiency Analysis	Not applicable	







Reserve Component:	Reserve Component: (7) Painting/Staining and Sealant/Water Proofing		
Physical Description:	This component also includes the reserve for the repainting of the exterior siding components. This is inclusive of the exterior walls, trim, and exterior doors.		
Financial Analysis	The windows of the building have concrete fibre board and wood trim, which has caulking and weather stripping applied to the intersection between the window unit and the surrounding trim and at the joints of the trim.		
	This component also includes the reserve for the repainting and staining on a periodic basis. This is inclusive of all wood components and concrete fibreboard components.		
Potential Deterioration	Potential deterioration of the painted surfaces includes vandalism; fading; weathering; mildew and moss; impact damage repair.		
Condition Analysis	Average condition overall.		
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	2011 15 4 11	
Unit Quantity And Cost Estimates	Unit Quantity: Unit Cost Estimate: Current Repair or Replacement Estimate: Estimated Year of Major Repair or Replacement:	1 – allowance building repainting \$30,000.00 \$30,000.00 2026/ 2041	
Deficiency Analysis	Sealant and waterproofing is an ongoing maintenance item.		



Reserve Component:	Reserve Component: (8) Torched Down Roof Surface and Drainage		
Physical Description:	The membrane roof consists of a flat design with a gentle slope towards the drains. The surface comprises a torch on membrane over on wood trusses. The roof replacement cost estimate covers the total roofing system, and includes the drainage and flashings.		
Financial Analysis	There are no notations in the minutes.		
Potential Deterioration	This includes such problems as: - Shrinkage at the sean appearing; - Shrinkage resulting in flashings; and - Damage to the roof du repair roof top equipme - Impact damage /wind d	ns, resulting in pulling apart and cracks a a break in the seal surrounding the ue to tradespersons crossing the roof to ent; Iriving moisture under loose seams.	
Condition Analysis	The roof surface is reported to have been replaced in 1998 which is commensurate with our observations of the surface. Roof drains should be periodically cleaned to ensure no blockages.		
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	1998 25 years 17 years 8 years	
Unit Quantity And Cost Estimates	Unit Quantity: Unit Cost Estimate: Current Repair or Replacement Estimate: Estimated Year of Major Repair or Replacement:	±10,300 square feet 1 allowance including downspouts \$55,000.00 2023	
Deficiency Analysis	A professional should inspect flat roofs every year and all recommended maintenance should be carried out. All forms of roofing are intended to shed water and prevent its entry into the residence. Obstructions that prevent the free flow of water off of the roof surface or to a drain can cause leakage and/or premature failure of the roofing material. Roof cleaning is recommended on a semi-annual basis. Roof venting should also be checked and kept clear. All penetrations through the roof such as plumbing stacks, vents, etc., need to be checked annually and re-sealed as necessary.		



Reserve Component:	omponent: (9) Interior Painting and Decorating		
Physical Description:	The subject has painted and textured walls and ceilings through the hallways, stairwells and interior common areas. This reserve is for repairs and complete redecoration of all wall decoration as well as painting of the common areas. It covers wall coverings, ceilings and trims. Common area walls typically see a great deal of wear from objects being moved about, but it is possible that with care, the halls will not need to be repainted for much longer than the remaining economic life, whereas abuse will shorten the		
	Wall decoration is aesthetic in nature and is a discretionary expense based partially on decorating trends. Maintenance of the common areas is important to reflect pride of ownership, which will have a positive impact on visitors and potential buyers.		
Financial Analysis	Aside from repairs to the drywall ceilings on the ground floor resulting from water line leaks, there are no notations in the minutes. Touch up painting appears to have occurred over the past few years.		
Potential Deterioration	Potential problems include general wear and tear along with changes in design styles over time, which result in re-decoration. Common area walls see a great deal of wear from objects being moved about.		
Condition Analysis	Overall observed condition was average to good. An allowance for repainting at 10 year intervals has been made commencing in year 6.		
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	Mixed 10 years 4 years 6 years	
Unit Quantity And Cost Estimates	Unit Quantity: Unit Cost Estimate: Current Repair or Replacement Estimate: Estimated Year of Major Repair or Replacement:	1 allowance \$20,000.00 \$20,000.00 2021/2031/2041	
Deficiency Analysis	None noted, the common areas were obs	served to be in average condition.	





Reserve Component: (10)	Reserve Component: (10) Carpeting and Tile		
Physical Description:	The subject building flooring materia and ceramic tiles in the hallways flooring in the laundry room.	als consist of commercial grade carpet and lobby areas and a vinyl/linoleum	
	Common areas typically see a great interior lobbies.	deal of wear particularly at entries and	
	Decoration is aesthetic in nature and is a discretionary expense based partially on decorating trends. Maintenance of the common areas is important to reflect pride of ownership, which will have a positive impact on visitors and potential buyers.		
Financial Analysis	There are no notations on record aside from periodic cleaning. Portions of the interior flooring appear to have been replaced / upgraded as part of the building renovations in 2011.		
Potential Deterioration	Flooring wears out over time from traffic, spills and other soiling. Tiles can crack with impact damage and mortar can loosen over time and with heavy traffic. Ultimately, aesthetics are the key factor in the decision to change this component.		
Condition Analysis	Overall observed condition was average with some minor stains and some seam separation noted. The component has an effective age of 8 years. An allowance for replacement at 20 year intervals has been made commencing in year 12. An allowance for repair/replacement of the laundry room floor has been made in year 2.		
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	Unknown 20 years ±8 years overall 12 years	
Unit Quantity And Cost Estimates	Unit Quantity: Unit Cost Estimate: Current Repair or Replacement Estimate: Estimated Voor of Major	1 allowance \$20,000.00 \$20,000.00	
	Repair or Replacement:	2027/ 2047	
Deficiency Analysis	it is important to maintain a go including vacuuming, steam extrac carpets in good condition.	od carpet maintenance program ction and pile lifting to maintain	







Reserve Component: (11)	Elevator Interior	
Physical Description:	The subject building has a single four stop hydraulic elevator. The elevator interior consists of paneled walls and ceilings and tile flooring. This reserve is for repair and replacement of wall, floor and ceiling finishing. This does not include safety features or mechanical or electrical components within the elevator enclosure.	
Financial Analysis	There are no expenditures in the minutes.	
Potential Deterioration	This includes potential problems such as general wear and tear to the wall, floor and ceiling finishes; impact damage and vandalism. Most cab interiors are constructed of materials to allow for a certain resistance to deterioration of this type.	
Condition Analysis	Overall observed condition was average however one of the floor tiles was noted as being cracked and should be replaced and the wall finishing is becoming dated. Elevator interiors typically have a durable interior and the impact, scratch resistant laminate and finishes	
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	1973/unknown 25 years 15 years 10 years
Unit Quantity And Cost Estimates	Unit Quantity: Unit Cost Estimate: Current Repair or Replacement Estimate: Estimated Year of Major Repair or Replacement:	1 allowance \$10,500.00 \$10,500.00 2025
Deficiency Analysis	None noted. The cab of the elevator was in	average condition.





Reserve Componen	Reserve Component: (12) Elevator Modernization		
Physical Description:	This component is comprised of the hydraulic elevator cab, rail system, braking system contro fluid holding tank, and hydraulic pump.	evator system, which includes the oller, dispatcher, motor, hydraulic	
Financial Analysis	Aside from contractual maintenance, there are not the strata minutes.	Aside from contractual maintenance, there are no major upgrades/repairs noted in the strata minutes.	
Potential Deterioration	Potential deterioration issues include the followin - Failure of bearings, gears, valves, h operators; - Failure of relays, contactors, motor w	g: lydraulic pump components, door rindings, computer processors.	
Condition Analysis	Overall observed condition was average with no deferred maintenance noted. As noted, the elevator is maintained under contract by Thyssen Krupp. The component however, is of the age where major repairs and upgrading typically occur as parts become more difficult to source due to changes in technology.		
	Typical repairs/upgrading for an elevator of this age include items for both safety and passenger comfort and include:		
	<ul> <li>Installation of a solid state MAC door operator re-build and multi-beam door protector;</li> <li>Installation of a pipe rupture value;</li> <li>Installation of a solid state motor starter (soft start);</li> <li>Installation of an emergency phone/autodialer;</li> <li>Emergency lowering device;</li> <li>Installation of tactile markings;</li> </ul>		
	The costs of these individual upgrades range from \$750.00 to up to \$10,000.00. Allowances for replacement of these components have been made during the initial 10 years of the study period. In the longer term, upgrades to the controller, power unit and a cylinder replacement may be required.		
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	1973 35 years 25 years 10 years	
Unit Quantity	Unit Quantity:	1 allowance	
And Cost Estimates	Unit Cost Estimate:	\$60,000.00	
	Current Repair or Replacement Estimate:	\$60,000.00	
	Estimated Year of Major Repair or Replacement:	Repairs in years 1, 3, 5 and allowances for further repairs in subsequent years.	
Deficiency Analysis	None noted. The elevator appears to be in ave physical age. There was no evidence of hydrauli	erage condition relative to the c leaks.	
	The BC Elevating Devices Safety Branch has a regulation on compulsory maintenance. The regulation states that all Elevating Devices in public use must have a maintenance program in place with a registered elevator contractor under a contract for a minimum duration of one year, with a minimum frequency of quarterly inspections.		



Reserve Component: (13) Heating and Ventilation		
Physical Description:	This component is comprised lobbies and common areas, th the corridors and lobby areas water heating to the baseboard	of the wall heater and baseboard units in the ne make up air units on the roof top servicing and the boiler systems which provide the hot ds.
	The roof top Make-Up Air Units (MAU) are Air Handling Units that provide 100% outside air to a building. When air is exhausted from a building it needs to be replaced at the same rate. MAUs are designed to replace the exhausted air with filtered outside air and often use direct or indirect heaters to temper the air before it is supplied to the building. In the case of the subject property, the units are fan systems only.	
Financial Analysis	during the 2012-2013 period as part of the developers' upgrades. The boiler units are IBC SL80-399 Modulating Natural Gas Boilers. Given that the units were replaced by the developer as part of the stratification process, the costs of the upgrades are not included in the minutes. Interviews with the manufacturer indicate a replacement cost of \$7,700.00 per unit (plus taxes and installation).	
	This reserve component for plumbing lines is not a full replacement of the system as the plumbing systems should last the lifespan of the structure, however, a reserve for periodic repairs and partial replacement as components and fittings wear out.	
	The lifespan of boilers is approved to the lifespan of boilers is approved to the second seco	eximately 20 years with tanks slightly less at 15
Potential Deterioration	As with the plumbing lines, the heating lines (hot water lines) can and do deteriorate over time. An allowance for major repairs has been made in year 2 based on the quotes received. This is included within the Plumbing component.	
	Fans and pumps are prone to mechanical failures of bearing and seals. Wear and tear of the heating units, potential impact damage. The make up air unit is exposed to the environment and the exterior components will eventually deteriorate from wind, rain and UV rays.	
Condition Analysis	Overall observed condition was average with no deferred maintenance noted. The boilers were replaced in 2012. The MAU coverings are showing deterioration and should be replaced in the near term.	
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	1973/2012 Boilers 20 years /balance mixed 3 years / mixed 17 years / mixed
Unit Quantity And Cost	Unit Quantity:	1 allowance
Estimates	Unit Cost Estimate:	\$50,000.00
	Replacement Estimate:	\$50,000.00
	Estimated Year of Major Repair or Replacement:	2032 replacement of boilers
Deficiency Analysis	As the boiler relies on natural ventilation, the input and output vents should be clean and free of debris. The room should be properly ventilated. Boiler flames should be adjusted so that the correct air mixture is correct and the flame is as hot as possible.	
	The boiler should be serviced and cleaned periodically to minimize heat loss. Any leaking or replacement of copper pipes should be documented. As noted, the distribution line piping for the hot water lines has been showing increased leaking – predominantly on the ground floor hallway ceilings. A quotation for replacement of the piping has been received in the range of \$45,000 to \$55,000 excluding drywall repairs. An allowance of \$55,000.00 inclusive of drywall repairs has been made in year 2 for this upgrade within the Plumbing component.	



Reserve Component: (1-	4) Plumbing Systems		
Physical Description:	Primary components include water distribution piping, a natural draft, hot water boilers and storage tanks and a service sink in the laundry room. It also includes the hose connections, standpipe systems, etc. The boiler is a natural gas fired Saturn Super Hot Series unit with 2 x 284 litre storage tanks and expansion control tank. The age of the boiler unit is not		
Financial Analysis	The minutes indicate ongoing zone valves, etc. over the pas	The minutes indicate ongoing repairs and maintenance of the boiler, pumps, zone valves, etc. over the past few years.	
Potential Deterioration	Pitting corrosion is expected near the end of the copper pipe service life. Pressure reducing valves require maintenance and domestic water risers may require isolated replacement from time to time. Valves can leak and pipe work can become disconnected. Galvanized piping has an estimated lifespan in the 40 to 50 year range while		
	copper piping has a longer lifespan in the 50 to 60 year span. Re-piping is beginning to occur in older complexes in some communities in British Columbia as pipes reach the end of their useful economic lives.		
Condition Analysis	The inspection for Depreciation Report purposes is non-invasive in nature. The component appears to be in serviceable condition.		
	The building manager reports that water supply lines have deteriorated and significant repairs are required. A quotation has been received by the strata management which indicates a cost range from \$45,000 to \$55,000 for replacement of the lines in the main floor ceilings.		
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	1973 plus upgrades 50+ years 20 years 30 years	
Unit Quantity And Cost Estimates	Unit Quantity: Unit Cost Estimate: Current Repair or Replacement Estimate: Estimated Year of Major Repair or Replacement:	1 Allowance \$50,000.00 \$50,000.00 2017 repairs to lines 2028/2043 replacement of tanks. Allowance for periodic replacement of plumbing lines	
Deficiency Analysis	None noted. The current plumbing systems are presumed to have met the requirements of the municipal authorities and the prevailing building codes when they were originally installed. Therefore, full replacement is not required. Nonetheless, these systems should be routinely maintained and inspected under a diligent maintenance program. Any leaking or replacement of copper pipes should be documented. As noted, the distribution line piping for the water lines has been showing increased leaking – predominantly on the ground floor hallway ceilings. A quotation for replacement of the piping has been received in the range of \$45,000 to \$55,000 excluding drywall repairs. A repair/upgrade cost of \$55,000.00 inclusive of drywall repairs has been made in year 2 for this upgrade with the 30 year reserve set at \$50,000.00.		



Reserve Component:	(15) Electrical Distribution System and Ir	nterior/Exterior Lighting/Devices
Physical Description:	This reserve includes the incoming e panels, electrical cables and wiring, con electric fixtures. The distribution to the devices is included within this compon individual units is the individual owners' re	electrical service, various distribution nections throughout the buildings and common element equipment and end tent, while the distribution within the esponsibility.
	Also included within this component are hallways and common areas along with the building, balconies and yard lighting.	the interior lighting fixtures within the exterior lighting along the perimeter of
Financial Analysis	The reserve is a long-term reserve provision and consists of a contingency estimate for the system which is deemed to be sufficient for any electrical repairs or electric component replacements. It is a not a total replacement estimate, as the electrical systems should last the life time of the building. An allowance for periodic replacement of common area interior and exterior lighting has been made at 15 year intervals commencing in year 12 at a budgeted amount of \$5,000.00.	
Potential Deterioration	This component requires distribution wiring and connection points which generally last the lifetime of the building. High voltage wiring connections should be tight as over time, due to metal fatigue or corrosion, the screws holding the wire to their terminals can become loose. If electrical current arcs across the resultant gap, fire can result. Loose connections cause heat to build up and also increase the potential for a large scale power failure. End devices such as receptacles and light fixtures are generally affected by electrical component failures, vandalism or misuse. Similar to wall decoration, replacing interior light fixtures is largely aesthetic in nature and is a discretionary expense based partially on decorating trends.	
Condition Analysis	The observed condition of the electrical components viewed showed little signs of damage or misuse. Periodic replacement of fixtures appears to have been undertaken. The Electrical room and panels were typically well kept and properly covered.	
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	1973 plus updates 50 years 20 years 30 years
Unit Quantity And Cost Estimates	Unit Quantity: Unit Cost Estimate: Current Repair or Replacement Estimate: Estimated Year of Major Repair or Replacement:	1 Allowance \$50,000.00 \$50,000.00 2045 Upgrade common area lighting, 2027, 2042

# Deficiency Analysis None noted. Fixtures should be replaced as required. Periodic single fixture replacement, relamping, etc. is considered to be a maintenance item and is excluded from this analysis. GFCI outlets should be tested monthly to ensure their proper operation. An infrared, or thermographic, inspection should be performed periodically (say every three years) on all switchgear, distribution panels, cable and bus connections, motor control centers and starters, and other critical equipment. Infrared inspections are beneficial in reducing electrical failures by identifying potentially dangerous conditions; such as, loose or dirty connections, overloaded or imbalanced circuits, or improperly installed equipment. By measuring the heat imbalance relative to the environment and to surrounding equipment, abnormal or adverse conditions can be uncovered that if left unattended would worsen to the point of failure. Image: the implication of the point of failure.

Reserve Component: (10	eserve Component: (16) Fire Panels and Emergency Lighting		
Physical Description:	The fire alarm system is controlled by a GE EST Quickstart Fire Alarm Control Panel, located in the electrical room and an annunciator panel at the front entry. The system also includes exit lighting above exit doors and emergency lighting and hose stations on each floor. The system is serviced under contract along by Island Fire Protection.		
Financial Analysis	The reserve is a contingency intended to cover any minor repairs or replacements of these systems including any upgrades, as required by future code amendments. It is not intended for complete replacement of the existing system. Information provided indicates that the fire panels and system were replaced in 2011 at the time of the building upgrades. The minutes indicate that the Alarm Panel Annunciator Card was replaced in 2013. It is assumed that periodic replacement of initiating devices (smoke/fire alarms, photoelectric sensors, hand pulls, etc.) and indicating appliances (horns, strobe lights, chimes, bells, etc.) would be completed during the regulated inspection process as part of the maintenance of the building. These items have not been accounted for in the reserve allowance. No expenditures for this item are noted in the strata minutes however financials indicate that periodic replacement has occurred in keeping with recommendations of the contracted maintenance company.		
Potential Deterioration	Vandalism and functional obsolescence are the most likely problems. There are legislated requirements to insure equipment is operational.		
Condition Analysis	The fire alarm systems appear to be in good condition. They must be regularly inspected and tested to ensure their reliability of operation.		
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	2011 20 years 4 years 16 years	
Unit Quantity And Cost Estimates	Unit Quantity: Unit Cost Estimate: Current Repair or Replacement Estimate: Estimated Year of Major Repair or Replacement:	1 Allowance \$10,000.00 \$10,000.00 2031	
Deficiency Analysis	None noted. The component appears in average condition with no examples of deferred maintenance.		
		alle A	





Reserve Component: (17) Access Control and Security System			
Physical Description:	This component considers the access system to the lobby/entrance and common areas and includes the telephone access system/intercom system and controlled lock doors. The building has an older 'Enterphone' style system.		
Financial Analysis	This is a replacement reserve for tele which is based on a 'like for like' repla may depend on the demand by the services.	This is a replacement reserve for telephone and communication access systems which is based on a 'like for like' replacement. The reserve is a contingency and may depend on the demand by the owners for future technologically advanced services.	
Potential Deterioration	Electrical and mechanical failures or malfunctions of switches, buttons or electronics. This typically occurs from age, vandalism or misuse. Functional obsolescence of computer software and hardware is a potential problem.		
	Intercom/enterphone type units have an expected lifespan of between 20 and 30 years. Technology changes over time and sourcing replacement parts for older units becomes problematical.		
Condition Analysis	The controlled access system is repo end of life.	rted by management to be approaching the	
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	Unknown 25 years 23 years 2 years	
Unit Quantity And Cost	Unit Quantity:	1 Unit	
Estimates	Unit Cost Estimate: Current Repair or	\$6,500.00	
	Replacement Estimate: Estimated Year of Major Repair or Replacement:	\$6,500.00 2017	
Deficiency Analysis	None noted. Changes in technology and/or owner demand may warrant a shorter lifespan. The unit should be maintained on a regular basis to ensure it is in good working order.		

Reserve Component: (1	8) Walkways and Parking								
Physical Description:	This component includes all concrete walkways throughout the property along with the asphalt paved driveway and parking area.								
Financial Analysis	The parking lot lines appear to have been re-painted in the past few years. The reserve is a long-term reserve provision and consists of a contingency								
	for any repairs or partial replacements	ig areas which is deemed to be sufficient s.							
	Concrete is not usually replaced all a various rates whereby sections are re	at once since it usually wears and fails at paired on an 'as needed basis'.							
Potential Deterioration	Asphalt shifting and cracking over time. Damage may be accelerated by freeze-thaw cycle and tree/vegetation growth.								
Condition Analysis	Walkways are in average condition we lot areas to the side and front of the considerable alligator cracking was the concrete in places. Asphalt surfaces have an expected line case of the subject the rear parking economic life and as such will be due the 30 year study term.	with only minor wear noted. The parking building was in fair to poor condition and noted surrounding drains and shifting of fespan of approximately 50 years. In the g lot surface approaching the end of its e for resurfacing towards the initial part of							
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	1973 50 years 45 years 5 years							
Unit Quantity And Cost	Unit Quantity:	1 allowance							
Estimates	Unit Cost Estimate: Current Repair or	\$65,000.00							
	Replacement Estimate:	\$65,000.00							
	Estimated Year of Major Repair or Replacement:	2020 resurfacing.							
Deficiency Analysis	Not applicable.								





Reserve Component:	(19) Site Services						
Physical Description:	Site services include the water service pipe, sewer service piping, and storm water management which is inclusive of the property drainage and catch basins.						
Financial Analysis	No expenditures noted in the minutes aside from periodic cleaning and scoping of lines and flushing of the perimeter drains. It is generally expected that these systems will remain intact for the life of the property. However unexpected problems can occur. Unfortunately, there is generally no reliable way to predict whether or if such problems will arise. An allowance of approximately 25% of the estimated replacement cost of the component has been made.						
Potential Deterioration	Drains and catch basins must be cleared to prevent overflow. Over time, foliage and vegetation can interfere with utility lines. Perimeter drainage should be kept free of long rooted plants.						
Condition Analysis	Items appear to be in serviceable condition. The inspection for depreciation report purposes is non invasive in nature.						
Life Cycle Analysis	Date of Acquisition:1973Normal Life Span:Complex lifeEffective Age:30 yearsRemaining Life Span:45 years						
Unit Quantity And Cost Estimates	Unit Quantity:1 AllowanceUnit Cost Estimate: Current Repair or Replacement Estimate: Estimated Year of Major Repair or Replacement:\$40,000.00 reserve allowance \$40,000.00 Allowance for repairs \$3,000.00 allowance for repairs at ye (2022) and in years 17 (2032) and 27 (2042).						
Deficiency Analysis	A physical inspection of these sys assumed that this item and its relate requirements of that era. Furthermore property, there was no evidence obse functioning as designed. Repairs and maintenance of these ensure the services are in good wo lines be scoped periodically to ensure Catch basins should be cleaned eve Drains should be kept clear of debris.	tems was not possible. Therefore, it is d components were built to prevailing code ore, having physically inspected the subject erved to suggest that these systems are not items are required on a regular basis to orking order. We recommend that service a no intrusion by foliage. ery year as part of a maintenance program.					



Reserve Component: (20) Landscaping and Miscellaneous Site Improvements								
Physical Description:	This component includes the soft landscaping, the gardens and the signage and the timber frame pergola at the front entry. Landscaping is comprised of a mixture of lawns, perimeter gardens, flower beds and shrubbery. Also included within this component is the irrigation system which is reported to be non functional.							
Financial Analysis	This reserves contingency intended to be used to offset the cost of replacing dead or declining landscaping when and if necessary and to upgrade the irrigation system at the end of its serviceable life. It is not intended to replace the landscaping in its entirety at one time and is not a substitute for regular maintenance expenses.							
Potential Deterioration	Vandalism, impact damage, general wear, weather and wind events.							
Condition Analysis	The components appear in serviceable	condition.						
Life Cycle Analysis	Date of Acquisition: Normal Life Span: Effective Age: Remaining Life Span:	1973 plus upgrades 40 years 10 years 30 years						
Unit Quantity And Cost Estimates	Unit Quantity: Unit Cost Estimate: Current Repair or Replacement Estimate: Estimated Year of Major Repair or Replacement:	1 allowance \$20,000.00 \$20,000.00 Replacement of timber frame entry (2030)						
Deficiency Analysis	Long rooted plants should be kept back from the perimeter of the building to prevent interference with the perimeter drains. Trees and shrubs abutting any fencing or railings should be pruned to prevent interference and pressure.							



# **5.0 Depreciation Report Component Estimates**

#### 5.1 Wm. S. Jackson & Associates Ltd. Benchmark Analysis

The Wm. S. Jackson & Associates Ltd. Benchmark Analysis shows the physical aspects of the various reserve components, including the life cycle analysis and the cost estimates on a single spreadsheet for convenient examination and easy reference. The cost estimates are pursuant to prudent contingency reserve fund practices, which provide for inflationary cost increases over time and interest income from contingency reserve fund investments.

The contingency reserve fund estimates have been prepared without regard to the current financial position of the corporation or the current contingency reserve fund contributions by unit owners, and as such, they represent the optimum contingency reserve fund operation, which assumes that the corporation has continuously assessed adequate contingency reserve funding from the beginning.

This Benchmark Analysis is the foundation of the Certified Reserve Fund Planning System, as it provides the basis for comparison to the actual contingency reserve fund operation. The Certified Reserve Fund Planning Benchmark Analysis as developed by the Real Estate Institute of Canada provides the standard for contingency reserve fund planning and property maintenance, and as such, it is a valuable management and maintenance resource document.

The foregoing program represents the practical application of contingency reserve fund budget planning and management. When applied, as outlined, the contingency reserve fund will cover anticipated contingency reserve fund expenditures and any contingencies.

# 5.2 Schedule A – Schedule of Contingency Reserve Fund Component Estimates

The following Schedule of the Depreciation Reports Component Estimates shows detailed computations for the various reserve items using the projection factors explained in Section 2.4 of this Report:

Long-term inflation rate: 2.5% Long-term interest rate: 1.5%

Due to rounding automatically executed by computer, there may be minor discrepancies in the data, which are not deemed significant.

# Schedule 'A' – Schedule of Reserve Fund Estimates

	Inflation Factor	2.50%	,											
	Interest Rate	1.50%	,											
RESERVE COMPONENTS	Year of	EXPECTED	OBSERVED	REMAINING	Unit	Unit	Unit	CURRENT	FUTURE	CURRENT	FUTURE	FUTURE	ANNUAL	<b>RESERVE FUND</b>
BENCHMARK ANALYSIS	Acquisition	LIFESPAN	CONDITION	LIFE SPAN	Quantity	Measure	Cost	REPLACEMENT	REPLACEMENT	<b>RESERVE FUND</b>	<b>RESERVE FUND</b>	RESERVE FUND	<b>RESERVE FUND</b>	ASSESSMENT
		Years	Years	Years				COST	COSTS	REQUIREMENTS	ACCUMULATION	REQUIREMENTS	ASSESSMENT	ALLOCATION
Building - Structural & Architectural														
1. Balconies and Visible Structure	2011	40	4	36	1	allowance	110,000.00	110,000	267,579	11,000	18,801	248,778	5,262	11.11%
2. Exterior Cladding (Hardi Plank / Stone, Trim)	2011	40	4	36	1	allowance	195,000.00	195,000	474,344	19,500	33,328	441,016	9,329	19.70%
3. Window Assemblies	2011	35	4	31	1	allowance	50,000.00	50,000	107,500	5,714	9,066	98,434	2,517	5.32%
4. Balcony Doors	2011	35	4	31	1	allowance	43,200.00	43,200	92,880	4,937	7,833	85,047	2,175	4.59%
5. Soffits	2011	40	4	36	1	allowance	16,000.00	16,000	38,921	1,600	2,735	36,186	765	1.62%
6. Doors	Mixed	35	15	20	1	allowance	10,000.00	10,000	16,386	4,286	5,772	10,614	459	0.97%
7. Exterior Painting and Staining, Sealant	2011	15	4	11	1	allowance	30,000.00	30,000	39,363	8,000	9,424	29,939	2,524	5.33%
8. Torched On Roof and Drainage	1998	25	17	8	1	allowance	55,000.00	55,000	67,012	37,400	42,131	24,881	2,951	6.23%
Building - Finishes and Decoration								-						
9. Interior Painting and Decorating	Unkwn	10	4	6	1	allowance	20,000.00	20,000	23,194	8,000	8,748	14,446	2,319	4.90%
10. Carpet and Tile	2011/Unkwn	20	8	12	1	allowance	20,000.00	20,000	26,898	8,000	9,565	17,333	1,329	2.81%
11. Elevator Interior	1973	25	15	10	1	allowance	10,500.00	10,500	13,441	6,300	7,311	6,129	573	1.21%
Building - Conveying Systems								-						
12. Elevator Modernization	1973	35	25	10	1	allowance	60,000.00	60,000	76,805	42,857	49,737	27,068	2,529	5.34%
Building - Mechanical Systems								-						
13.Heating and Ventilation Systems	1973/2012	20	3	17	1	allowance	50,000.00	50,000	76,081	7,500	9,660	66,421	3,459	7.31%
14. Plumbing and Domestic Hot Water Systems	1973/Mixed	50	20	30	1	allowance	50,000.00	50,000	104,878	20,000	31,262	73,617	1,961	4.14%
Building - Electrical Systems														
15. Electrical Distribution System and Devices	1973/Mixed	50	20	30	1	allowance	50,000.00	50,000	104,878	20,000	31,262	73,617	1,961	4.14%
16 Fire Panel and Emergency Lighting	2011/Mixed	20	4	16	1	allowance	10,000.00	10,000	14,845	2,000	2,538	12,307	686	1.45%
17. Access Control and Security System	1973	25	23	2	1	allowance	6,500.00	6,500	6,829	5,980	6,161	668	332	0.70%
Site Improvements	4070	50	45				05 000 00	05.000	70 5 40	50 500	CO 004	40.500	0.040	4.040/
18. Walkways and Paved Areas	1973	50	45	5	1	allowance	65,000.00	65,000	73,542	58,500	63,021	10,520	2,042	4.31%
19. Site Services	19/3	15	30	45	1	allowance	40,000.00	40,000	121,516	16,000	31,267	90,249	1,419	3.00%
	1973/WIXed	40	10	30	I	allowance	20,000.00	20,000	41,951	5,000	7,815	34,136	909	1.92%
21. Cartified Paparia Fund Consultant	2015	2	2	1	1		E 202.00	E 202	E 404	2 5 2 9	0.504	1 0 4 0	4 0 4 0	2 000/
	2015	3	2	I	I	allowance	5,292.00	5,292	5,424	3,528	3,581	1,843	1,843	3.89%
			I			1		016 402	1 704 269	206 402	204.047	1 402 254	AT 244	100.00%
								910,492	1,794,200	290,102	391,017	1,403,231	47,344	100.00%
	1	1	1			1		1	1	1	1		1	

## Schedule of Contingency Reserve Fund Component Estimates

Plotting the Schedule of Reserve Fund Estimates graphically results in the following illustration of peak or critical years with respect to required outlays.



The subject was constructed in 1973 and at the date of this report is  $\pm$ 42 years of age. In 2011, the enclosure items – siding, windows, balcony doors were upgraded along with the balcony surfaces, railings and structures. Enclosure items comprise a large portion of the major items for strata maintenance and as such, the upgrading of these components has shortened the effective age of the building. The boiler system has also been upgraded (2012).

Remaining items to be upgraded however include the rear parking lot surface, upgrades to the plumbing supply lines and the second roof replacement – all of which will come due during the first 10 years of the study period. Additionally the elevator will likely come due for larger component repairs during the early part of the study period.

As noted, enclosure items due to their 2011 replacement will not come due for the second round of replacement until after the 30 year period.

Through preventative maintenance and repair, component life spans can be extended; however, 'critical' years for expenditures for the strata are noted in the above graph and will begin to occur in about year 2017 followed by 2020, 2023, 2026 and 2041.

# 5.3 Summary of Contingency Reserve Fund Estimates

The Contingency Reserve Fund position and estimated requirements of EPS401 are as follows:

Current Replacement Reserves or Costs Which are provisions for all major repairs and replacements at current prices	\$916,492
Future Replacement Reserves or Costs Which are provisions for all major repair and replacement costs in the future at the end of the expected life span	\$1,794,268
Current Reserve Fund Requirements Which are reserve fund estimates based on the notion of effective age and should have been contributed by unit owners	\$296,102
Future Reserve Fund Accumulations Which are the current reserve fund requirements together with interest compounded over the remaining life span	\$391,017
Future Reserve Fund Requirements Which are to be funded by unit owners' payments to the reserve fund plus any interest earned	\$1,403,251
Annual Reserve Fund Assessments Which are the annual reserve fund payments to be made by unit owners	\$47,344

In accordance with these estimates, to be 'fully funded' the corporation should have **\$296,102** in its reserve fund at the end of its current fiscal year, and the assessed annual payments or contributions to the reserve fund by unit owners should be **\$47,344** based on the stated assumptions. This level of contribution would result in a 'fully funded' contingency reserve fund.

"Full funding" describes the objective to have reserves on hand equivalent to the value of the deterioration of the each reserve component. The objective is to have the ongoing asset deterioration offset by the proportional accumulation of cash. In essence *full funding* allows all anticipated expenditures both within the 30 year planning period and beyond to be fully met from the reserve fund.

# 6.0 Analysis of Contingency Reserve Fund Operations

Reviewing and analyzing the contingency reserve fund operation of EPS401, we have examined the budget for the Corporation for its operations. The strata corporation year end is at April 30<sup>th</sup> of each year.

Discussions with the strata a review of available minutes and documentation indicate the following reserve fund operating history. A summary of the 2012 - 2015 years is as follows:

	2012-2013	2013-2014	2014-2015	2015 -2016 (budget)
Opening Balance May 1	\$17,990.52	\$28,992.93	\$32,625.74	\$33,176.63
Contributions	\$10,800.00	\$6,000.00	\$6,000.00	\$7,200.00
Surplus Transfer				
Interest Earned	\$202.41	\$132.81	\$150.89	\$497.65*
Expenditures		(-\$2,500.00)	(\$5,600.00)	(\$5,292.00)
Other:				
Closing Balance (April 30)	\$28,992.93	\$32,625.74	\$33,176.63	\$35,582.28

\* Interest estimated at 1.5% of opening balance

Contribution levels for the past four years have varied between \$6,000.00 (2013-2015) to \$10,800.00 (2012-2013). This equates to average contribution levels of \$11.36 to \$20.45 per unit per month (total contribution/44 units/12 months).

The 2015 budget indicates a contribution level of \$7,200.00 (\$600.00/mo (average \$13.64/unit/month)).

Expenditures noted in 2013-2014 and in 2014-2015 were for budget overages reflecting unforeseen repairs to the main floor heating lines and corresponding drywall repairs, water extraction, carpet cleaning, etc. Anticipated 2015-2016 budgeted expenditures are limited to the depreciation report (\$5,292.00).

The fund is held in a savings account. Interest received on the fund has varied, however has typically been less than 1%. Higher interest savings account and GIC's are available and should be considered by the strata to maximize the return on investment.

In addition to the contingency fund contributions, the strata incurs expenses each year out of the general fund for maintenance and small repair of common components such as windows and balcony doors, plumbing and electrical, heating, landscaping and other components.

## 6.1 Corporation's Financial Statements

As detailed above, copies of the strata corporation's financial statements were available for the 2013 and 2014 years. A copy of the 2015-2016 budget (as included in the 2015 AGM minutes) was also provided along with year to date statements and verbal and written information regarding the opening and closing balances of the reserve fund.

# 6.2 Benchmark Analysis

The Benchmark Analysis shows the difference between the actual contingency reserve fund balance and the current contingency reserve fund requirement, as calculated in the Benchmark Analysis. In other words what the strata has built up to date within the reserve fund versus what should be in the reserve fund to meet future anticipated obligations.

The current reserve fund requirement is an estimate of a fully funded reserve fund, based on the Benchmark calculation.

The Benchmark Analysis has been developed by Certified Reserve Fund Planners as a guide for property managers and the board of directors to ensure that the reserve fund is neither under-funded nor over-funded.

As compared to a *full funding* level, the reserve fund of EPS401 is showing a shortfall at the end of the 2016 fiscal year, as shown below:

Benchmark Analysis Summary								
Opening Balance May 1, 2015	\$	33,176.63						
Current Budgeted Reserve Fund Contribution for the Year	\$	7,200.00						
Tax Free Interest to be Earned On the Reserve Fund <i>(estimated at 1.5%)</i>	\$	497.65						
Less: Estimated Reserve Fund Expenditures for Fiscal Year 2015	<u>\$</u>	<u>(5,292.00)</u>						
Projected Reserve Fund Balance as at April 30, 2016	\$	35,582.28						
Estimated Reserve Fund Requirements after Expenditures in 2015-2016	\$	(290,810.00)						
Estimated Reserve Fund Surplus/Deficiency	\$	(255,227.72)						

As can be seen, the subject has a shortfall between actual and projected reserve fund balances.

### 6.3 Adequacy of the Contingency Reserve Fund

Adequacy of the Contingency Reserve Fund may be defined as the contingency reserve fund balance together with regular contributions and investment income, which constitutes sufficient resources available for all components identified within the reserve fund study including expected reserve fund expenditures, required repairs or replacement of common elements or assets of the corporation, along with an amount sufficient to eliminate or significantly reduce the potential for most special assessments due to the unexpected or premature failure of the above components.

The most direct and stringent measure of the adequacy of contingency reserve fund is the contingency reserve fund deficiency analysis, whereby the actual closing reserve fund balance is compared with the currently required reserve fund balance, as estimated by a competent reserve fund planner.

Any significant difference between the actual contingency reserve fund balance and the required contingency reserve fund balance will show the amount of a contingency reserve fund surplus or contingency reserve fund deficiency (shortfall).

A contingency reserve fund surplus, particularly when such surplus is increased by excessive contingency reserve fund contributions, means that unit owners have contributed too much to the contingency reserve fund, a situation which should be corrected to eliminate such contingency reserve fund surplus.

A contingency reserve fund deficit or shortfall indicates that unit owners have not contributed enough to the reserve fund, causing the discrepancy between a fully funded contingency reserve fund and the actual contingency reserve fund balance.

The adequacy of a contingency reserve fund does not require the test of an estimated fully funded contingency reserve fund. The test as to the adequacy of a contingency reserve fund should be sufficient cash resources to fund all potential repairs and replacements, including unforeseen events and contingencies.

Therefore, a contingency reserve fund deficiency or shortfall does not automatically mean that the contingency reserve fund is not adequate. It is the judgment of the depreciation report planner to conclude whether the contingency reserve fund is adequate or not.

In our opinion, while the current reserve fund and contribution levels are insufficient to meet anticipated repairs and maintenance, the proposed contributions for EPS401 as detailed herein will be adequate to fund all future repairs and replacements of the common elements and assets of the Corporation.

# 7.0 Contingency Reserve Fund Management – 30 Year Projections

## 7.1 Schedule C – 30 Year Projected Cash Flow and Deficiency Analysis

The Depreciation Reports – Contingency Reserve Fund Projected Cash Flow and Deficiency Analysis presents a 30 year reserve fund projection showing cash positions, cash flows and cash expenditures in a form and detail, which conforms to financial statement presentation of contingency reserve fund operations.

#### Opening Cash Balance

This is the reserve fund position at the beginning of each and every fiscal year showing the cash resources available, which consist of (1) bank deposits, (2) qualified investments, and (3) accrued interest earned.

#### Cash Flows

These are the regular reserve fund contributions, special assessments, and interest income based on 1.5% of the opening balance.

#### Opening Cash Funds

These represent the total cash resources available in any fiscal year and include the current year's cash flow.

#### Cash Expenditures

These are annual expenditures listed in the categories established by the Depreciation Report. Records or ledger accounts of these expenditure categories should be kept showing contingency reserve fund allocations and charges in a chronological order for control and reference.

#### Closing Cash Fund

This is the contingency reserve fund position at the end of each and every fiscal year, which is carried forward to the next year.

#### **Deficiency Analysis**

The Contingency Reserve Deficiency has been projected by formula taking into account the inflation factor, interest rates and contingency reserve fund expenditures. Therefore, any contingency reserve fund expenditures will not affect the contingency reserve fund deficiency because such expenditures will also affect the reserve requirements.

### 7.2 Three Funding Models

#### Three Funding Models

Section 6.2.3(e) of the Strata Property Act Regulations which deals with Guidelines for Depreciation Reports indicates at least 3 cash-flow funding models for the contingency reserve fund relating to the maintenance, repair and replacement over 30 years, beginning with the current or previous fiscal year of the strata corporation, of the items listed in subsection (2)(b).

In keeping with Section 6.2.3(e) of the act, we have developed three alternative funding models based on the previously developed Benchmark Analysis. They are summarized as follows:

#### Model 1 'As Is/Status Quo'

This model is reflective of the status quo. The monthly unit owners' contributions held at the current level \$7,200.00 per year and are increased only at the rate of inflation (2.5% per year). This model is considered an 'as is' or 'status quo' type funding model.

As can be seen, at this level of contribution, the balance of the reserve fund is insufficient to meet the anticipated requirements.

As such, five Special Assessments or 'cash calls' would then be required for expenditures in critical years 2, 5, 8, 11, 16 and 26. Total special assessments over the 30 year plan equate to \$505,000.00.

- Pros The primary benefit of this model is that monthly fees are kept to a minimum (current levels) which benefits current owners.
- Cons The primary shortfall of this model is that all major items are dealt with via special assessments.

The reserve fund balance essentially handles only smaller items. This shifts the burden for repair/replacement of larger items virtually entirely onto future owners.

This may result in increased unit turnover in years leading up to major expenditure years and market discounts for units for sale with pending special assessments.

Full funding is not reached within this model.

The increasing reserve deficiency created by this model will eventually need to be paid back (typically through special assessments). It is important to remember that there can be no reserve fund deficiency by the end of the building life, therefore steps towards reducing the deficiency should occur far in advance of end of life.



Cash Flov	w Table	Complex: Model:	Seaview Manor Status Quo Moo	lel		Date: # Units:	Jun-15 44		
Cash Flow	w Projection	30 yrs		Existing Contr	ibutions incr	eased by inflation Only	(2.5% Per Yea	ar)	
Interest R	late	1.50%		Special Asses	sments As R	equired			
Inflation I	Rate	2.50%							
Veer	0	Annual	Creatial	E atimata d	E atimata d	lu ana an in	<u>Olasian</u>	A	Manthh
rear	Opening	Annual	Special	Estimated	Estimated	Increase in	Closing	Annual	Monthly
	Balance	Contribuion	Assessment	Adjusted	Earnod	Annual Contributions	Balance	Contribution Por Unit	Contribution Bor Unit
				Expenditures	1 50%				
				Experiantares	1.50 /8			(average)	(average)
2015	33,177	7,200		5,292	498	n/a	35,582	164	14
2016	35,582	7,380		5,125	705	2.50%	38,542	168	14
2017	38,542	7,565	55,000	66,189	578	2.50%	35,496	172	14
2018	35,496	7,754		14,161	532	2.50%	29,621	176	15
2019	29,621	7,947		-	444	2.50%	38,013	181	15
2020	38,013	8,146	90,000	90,513	570	2.50%	46,216	185	15
2021	46,216	8,350		26,847	693	2.50%	28,412	190	10
2022	28,412	8,559		3,566	426	2.50%	33,831	195	10
2023	33,831	8,773	70,000	67,012	507	2.50%	46,099	199	17
2024	46,099	8,992		3,934	691	2.50%	51,848	204	17
2025	51,848	9,217		30,082	778	2.50%	31,761	209	17
2026	31,761	9,447	110,000	80,694	476	2.50%	70,990	215	18
2027	70,990	9,683		37,858	1,065	2.50%	43,880	220	18
2028	43,880	9,925		16,542	658	2.50%	37,922	226	19
2029	37,922	10,173		-	569	2.50%	48,664	231	19
2030	48,664	10,428	EE 000	19,044	730	2.50%	40,778	237	20
2031	40,778	10,688	55,000	44,535	612	2.50%	62,543	243	20
2032	20,343	11,950		34,997	930	2.50%	39,440	249	2
2033	46 249	11,230		4,913	592	2.50%	59 552	200	2
2034	58 553	11 798		24 579	878	2.50%	46 651	202	2
2036	46.651	12,093		5,291	700	2.50%	54,152	200	2
2037	54,152	12,395		-	812	2.50%	67,360	282	2
2038	67,360	12.705		-	1,010	2.50%	81,076	289	24
2039	81,076	13,023		5,697	1,216	2.50%	89,618	296	2
2040	89,618	13,348		18,540	1,344	2.50%	85,770	303	2
2041	85,770	13,682	125,000	154,874	1,287	2.50%	70,865	311	20
2042	70,865	14,024		34,379	1,063	2.50%	51,573	319	27
2043	51,573	14,375		23,958	774	2.50%	42,764	327	27
2044	42,764	14,734		-	641	2.50%	58,139	335	28
2045	58,139	15,102		33,876	872	2.50%	40,238	343	29
Total Spe	cial Assessme	ents Required:	505,000						ļ

## Model 2 Full Funding Model (Full Funding in Year 1)

A full funding model eliminates the need for special assessments and allows the strata to achieve a fully funded contingency reserve fund. There are numerous options for the strata to achieve a fully funded reserve fund all of which involve significant increases in annual contributions and typically involve at least one major special assessment.

In this model 'full funding' of the contingency reserve fund is achieved in year 1 of the study period. Full funding is achieved by an immediate special assessment to the owners of \$258,880.00 (average of \$5,884.00 per unit) which brings the reserve fund to balance up to a fully funded opening balance. Yearly contributions are then increased from the current level of \$7,200.00 per year to \$47,344.00 per year. Based on the 44 units within the development, the average contribution would increase to approximately \$89.67 per unit per month.

Under this model, all expenditures can be met from the reserve fund balance without further assessments to the owners.

Pros This model allows all obligations to be met while retaining a positive closing balance in the reserve fund each year.

It also balances the interests of future owners with existing owners and eliminates the future capital obligations (special assessments) of the owners.

Cons The primary shortfall of this model is the significantly increased monthly expenditures for unit owners and the significant special assessment or cash call required in year 1.

The secondary drawback of this model is that it risks overfunding if the projections are found to overstate the actual replacement costs, if the actual replacement dates occur later than the proposed dates in the 30 year projection or both.

Going to this level of funding may be unpalatable for the unit owners.



Cash Flo	w Table	Complex:	Seaview Manor			Date:	Jun-15		
		Model:	Full Funding Mo	odel (Year 1)		# Units:	44		
Cash Flo	w Projection	30 yrs		Existing Contr	ibutions incr	eased by inflation Only	/ (2.5% Per Yea	ar)	
Interest F	Rate	1.50%		Special asses	sment in Yea	r 1; increase in unit ow	ners contribu	tions to full fu	nding
Inflation	Rate	2.50%		levels. Full fu	nding reache	d in year 1.			
Maria		A	0	E di serie i	<b>F</b>	1		A I	Manuali
Year	Opening	Annual	Special	Estimated	Estimated	Increase in	Closing	Annual	Montnly
	Balance	Contribuion	Assessment	Inflation	Interest	Annual Contributions	Balance	Contribution	Contribution
	-			Expondituros	1 50%			Per Unit	Per Unit
				Experiances	1.30 %			(average)	(average)
2015	33.177	7.200		5.292	498	n/a	35.582	164	14
2016	35,582	47,344	258,880	5,125	705	557.56%	337,392	1076	90
2017	337,392	47,344		66,189	5,061	0.00%	323,608	1076	90
2018	323,608	47,344		14,161	4,854	0.00%	361,645	1076	90
2019	361,645	47,344		-	5,425	0.00%	414,414	1076	90
2020	414,414	47,344		90,513	6,216	0.00%	377,461	1076	90
2021	377,461	47,344		26,847	5,662	0.00%	403,620	1076	90
2022	403,620	47,344		3,566	6,054	0.00%	453,452	1076	90
2023	453,452	47,344		67,012	6,802	0.00%	440,586	1076	90
2024	440,586	47,344		3,934	6,609	0.00%	490,604	1076	90
2025	490,604	47,344		30,082	7,359	0.00%	515,226	1076	90
2026	515,226	47,344		80,694	7,728	0.00%	489,604	1076	90
2027	489,604	47,344		37,858	7,344	0.00%	506,434	10/6	90
2020	5/1/ 833	47,344		10,542	8 172	0.00%	600 349	1076	90
2023	600 349	47,344		19 044	9,005	0.00%	637 654	1076	90
2000	637 654	47,344		44 535	9,565	0.00%	650,028	1076	90
2032	650,028	47,344		34.997	9,750	0.00%	672,125	1076	90
2033	672,125	47,344		4,913	10,082	0.00%	724,638	1076	90
2034	724,638	47,344		-	10,870	0.00%	782,852	1076	90
2035	782,852	47,344		24,579	11,743	0.00%	817,360	1076	90
2036	817,360	47,344		5,291	12,260	0.00%	871,673	1076	90
2037	871,673	47,344		-	13,075	0.00%	932,092	1076	90
2038	932,092	47,344		-	13,981	0.00%	993,418	1076	90
2039	993,418	47,344		5,697	14,901	0.00%	1,049,966	1076	90
2040	1,049,966	47,344		18,540	15,749	0.00%	1,094,519	1076	90
2041	1,094,519	47,344		154,874	16,418	0.00%	1,003,407	1076	90
2042	1,003,407	47,344		34,379	15,051	0.00%	1,031,423	1076	90
2043	1,031,423	47,344		23,958	15,4/1	0.00%	1,070,281	1076	90
2044	1,070,281	47,344		-	15,054	0.00%	1,133,679	1076	90
Z040 Total Spo		47,344	258 990	33,676	17,005	0.00%	1,104,152	1076	90
i otai ope	10101 10000001110	no required.	200,000						
#### Model 3 'Baseline Funding'

In this model, it is recommended that unit owners reserve contributions be increased from the current level of \$7,200.00 in 2015-2016 to \$13,200.00 in 2016 (year 1) then increased as follows:

Years 2 to 5:	10% per year;
Years 6 to 10:	7.5% per year;
Years 11 to 25:	5% per year;
Years 26 to 30:	2.5% per year

In this model, the reserve fund maintains a positive closing balance throughout the 30 year term with two smaller special assessments required:

Year 2:	\$88,000.00	(Average \$2,000.00/unit)
Year 8:	\$88,000.00	(Average \$2,000.00/unit)

This model does not reflect a 'fully funded' reserve fund, however maintains a positive closing balance in the reserve fund at the conclusion of each year. Further the balance begins to build towards the end of the study period in anticipation of the second round of enclosure replacements which occur outside of the initial 30 year period.

Pros This model allows all obligations to be met while retaining a positive closing balance in the reserve fund each year.

It also balances the interests of future owners with existing owners and reduces the future capital obligations (special assessments) of the owners.

It allows for a gradual increase in the monthly reserve fund contributions which may be more palatable and realistic for the unit owners.

Special assessments are reduced.

Cons The primary shortfall of this model is the increased monthly expenditures for unit owners and the planned special assessments in noted years.

This model is more a threshold funding model in that *Full Funding* is not reached. This means that expenses beyond the 30 year planning horizon may require either further increases to the monthly contributions or special assessments/cash calls. Further it is important to remember that there can be no reserve fund deficiency by the end of the building life, therefore steps towards reducing the deficiency should occur far in advance of end of life.



Cash Flo	w Table	Complex:	Seaview Manor	e Eundina		Date: # Units:	Jun-15 44		
		Model.	Would's Baselin	erunung		# Offics.		1	1
Cash Flo	w Projection	30 vrs		Existing contr	ibutions incr	eased by 10%/year to y	ear 5; 7.5% / ye	ear in years 6	to 10;
Interest F	Rate	1.50%		5% per year in	years 11 to 2	25 and 2.5% per year the	ereafter.		
Inflation	Rate	2.50%		Special asses	sments of \$8	8,000 required in Years	2 and 8.		
Year	Opening	Annual	Special	Estimated	Estimated	Increase in	Closing	Annual	Monthly
	Balance	Contribuion	Assessment	Inflation	Interest	Annual Contributions	Balance	Contribution	Contribution
				Adjusted	Earned			Per Unit	Per Unit
				Expenditures	1.50%			(average)*	(average)*
2015	33 177	7 200		5 202	408	n/a	35 582	164	14
2015	35 582	13 200		5 125	705	83 33%	44 363	300	25
2017	44,363	14,520	88.000	66,189	665	10.00%	81,360	330	28
2018	81,360	15,972		14,161	1,220	10.00%	84,391	363	30
2019	84,391	17,569		-	1,266	10.00%	103,226	399	33
2020	103,226	19,326		90,513	1,548	10.00%	33,588	439	37
2021	33,588	20,776		26,847	504	7.50%	28,020	472	39
2022	28,020	22,334		3,566	420	7.50%	47,209	508	42
2023	47,209	24,009	88,000	67,012	708	7.50%	92,914	546	45
2024	92,914	25,809		3,934	1,394	7.50%	116,183	587	49
2025	116,183	27,745		30,082	1,743	7.50%	115,589	631	53
2026	115,589	29,132		80,694	1,734	5.00%	65,761	662	55
2027	65,761	30,589		37,858	986	5.00%	59,478	695	58
2028	59,478	32,118		16,542	1 130	5.00%	110 811	730	61
2029	110 811	35,724		19 044	1,139	5.00%	128 840	805	67
2000	128 840	37 181		44 535	1,002	5.00%	123,418	845	70
2032	123,418	39.040		34,997	1,851	5.00%	129,313	887	74
2033	129,313	40,992		4,913	1,940	5.00%	167,332	932	78
2034	167,332	43,042		-	2,510	5.00%	212,884	978	82
2035	212,884	45,194		24,579	3,193	5.00%	236,692	1027	86
2036	236,692	47,454		5,291	3,550	5.00%	282,405	1078	90
2037	282,405	49,826		-	4,236	5.00%	336,467	1132	94
2038	336,467	52,318		-	5,047	5.00%	393,832	1189	99
2039	393,832	54,933		5,697	5,907	5.00%	448,976	1248	104
2040	448,976	57,680		18,540	6,735	5.00%	494,851	1311	109
2041	494,851	59,122		154,874	6,000	2.50%	406,522	1344	112
2042	400,322	62 115		23 059	6,098	2.50%	430,041	13/7	115
2043	430,041	63 668		23,956	7 254	2.50%	554 503	1412	10
2044	554.503	65,260		33,876	8.318	2.50%	594,204	1483	124
Total Spe	cial Assessme	ents Required:	176,000	00,010	0,010	2.0070	001,204	.400	

## Schedule 'C' – Model 1 – 'Status Quo' 30 Year Reserve Fund Cash Flow Projection and Deficiency Analysis

F	Model 1 - Status Quo Contributions																															,	
	30 Year Projection	1	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year														
	Year		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
	-			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	OPENING BALANCE		33,177	35,582	38,542	35,496	29,621	38,013	46,216	28,412	33,831	46,099	51,848	31,761	70,990	43,880	37,922	48,664	40,778	62,543	39,440	46,348	58,553	46,651	54,152	67,360	81,076	89,618	85,770	70,865	51,573	42,764	58,139
																																	1
	Reserve Fund Contributions		7,200	7,380	7,565	7,754	7,947	8,146	8,350	8,559	8,773	8,992	9,217	9,447	9,683	9,925	10,173	10,428	10,688	10,956	11,230	11,510	11,798	12,093	12,395	12,705	13,023	13,348	13,682	14,024	14,375	14,734	15,102
	% Change			2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Special Assessment				55,000			90000			70,000			110,000					55,000										125,000				
	Reserve Fund Interest Income	1.50%	498	705	578	532	444	570	693	426	507	691	778	476	1,065	658	569	730	612	938	592	695	878	700	812	1,010	1,216	1,344	1,287	1,063	774	641	872
	Total Cash Resources		40,874	43,667	101,685	43,782	38,013	136,729	55,259	37,397	113,111	55,782	61,843	151,684	81,738	54,464	48,664	59,822	107,078	74,437	51,261	58,553	71,230	59,443	67,360	81,076	95,315	104,310	225,739	85,952	66,722	58,139	74,114
	RESERVE FUND EXPENDITURES																																L
																																	ļ'
	1. Balconies and Visible Structure	11,000												41,331															59859			/	L
	2. Exterior Cladding (Hardi Plank / Stone, Trim)	19,500																														/	Ļ'
	3. Window Assemblies	5,714																															ļ!
	4. Balcony Doors	4,937																															L
	5. Soffits	1,600																														/	<u>ا</u>
	6. Doors	4,286																					16386									/	L
	7. Exterior Painting and Staining, Sealant	8,000												39,363															57009				L
	8. Torched On Roof and Drainage	37,400									67,012																						L
	9. Interior Painting and Decorating	8,000							23194										29,690										38006				'
	10. Carpet and Tile	8,000			1,576										26,898																		ļ'
	11. Elevator Interior	6,300											13,441																				<u>ا</u>
	12. Elevator Modernization	42,857		5,125		10,769		11314					6,400					7,241					8193					9270					10488
_	13.Heating and Ventilation Systems	7,500						5657												30,432								9270				/	<b>ا</b>
	14. Plumbing and Domestic Hot Water Systems	20,000			57,784								10,241			16,542															23958	/	16781
	15. Electrical Distribution System and Devices	20,000													6,724															9739		]	L
	16 Fire Panel and Emergency Lighting	2,000																	14,845														<u>ا</u> ــــــــــــــــــــــــــــــــــــ
	17. Access Control and Security System	5,980			6,829																									12661		]	⊢ <sup> </sup>
	18. Walkways and Paved Areas	58,500						73,542																									<u>ا</u> ــــــــــــــــــــــــــــــــــــ
$\vdash$	19. Site Services	16,000								3,566										4,565										5843		/	<b>ا</b> ــــــــــــــــــــــــــــــــــــ
	20. Landscaping and Miscellaneous Site Improvements	5,000																7,241															L
	21. Certified Reserve Fund Consultant	3,528	5,292			3,392			3653			3,934			4,236			4,562			4,913			5291			5697			6136		]	6607
			5 000	5 405	00.400	44404		00 540	00.047	0 500	07.040	0.004		00.004	07.050	40 540		40.044	44 505	04 007	4.040		04 570	5 004			E 007	40.540	454.074	04.070	00.050		00.070
	TOTAL EXPENDITORES		5,292	5,125	66,189	14,161	U	90,513	26,847	3,566	67,012	3,934	30,082	80,694	37,858	16,542	U	19,044	44,535	34,997	4,913	0	24,579	5,291	U	U	5,697	18,540	154,874	34,379	23,958	U	33,8/6
_																																	
⊢			25 502	20 542	25.400	20.024	20.042	40.040	20.440	22.004	40.000	E4 040	04 704	70.000	42 000	07.000	40.004	40.770	CO E 10	20.440	40.242	50 550	40.054	E4 450	07.000	04.070	00.040	05 770	70.005	E4 E70	40.704	E0 (00	40.000
⊢			35,582	38,542	35,496	29,621	38,013	46,216	28,412	33,831	46,099	51,848	31,761	70,990	43,880	37,922	48,664	40,778	62,543	39,440	46,348	58,553	46,651	54,152	67,360	81,076	89,618	85,770	70,865	51,573	42,764	58,139	40,238
⊢																																]	
⊢	DEFICIENCE ANALESIS	206 102	200.910	227 204	202 607	264 644	414 442	277 400	402 640	452 454	440 505	400 604	E4E 20E	400 600	E06 424	E44 000	600 240	627 GE 4	650 000	670 405	724 620	703 054	917 250	074 670	022.002	002 417	1 040 005	1 004 510	1 002 407	1 021 422	1 070 280	1 1 2 2 6 7 9	1 164 454
$\vdash$	Reserve Requirements	290,102	290,810	337,391	323,007	301,044	414,413	311,460	403,019	403,451	440,085	490,004	515,225	409,003	500,434	044,83Z	000,348	037,004	000,028	0/2,125	124,038	182,831	617,309	8/1,0/3	932,092	993,417	1,049,965	1,094,519	1,003,407	1,031,423	1,070,280	1,133,0/8	1,104,151
$\vdash$	Deserve Fund Sumlus		255 222	200.042	200.444	222.022	270 400	224 044	07E 007	440.000	204.400	400 750	402.404	440.040	400 550	500 040	<b>FEA 005</b>	FOC 070	E07.405	622.625	670.000	704.000	770 700	047 500	004 700	040.044	000.040	4 000 7/0	020 544	070.040	4 007 540	4.075.500	4 400 040
$\vdash$	Reserve Fund Surplus		-255,228	-298,849	-288,111	-332,023	-376,400	-331,244	-3/5,20/	-419,620	-394,486	-438,756	-483,464	-418,613	-462,553	-506,910	-551,685	-596,876	-587,485	-632,685	-678,290	-724,298	-//0,/08	-817,520	-864,732	-912,341	-960,348	-1,008,748	-932,541	-979,849	-1,027,516	-1,0/5,539	-1,123,913
1															I I										1							,	, <i>1</i>

## Schedule 'C' – Model 2 – 'Full Funding' 30 Year Reserve Fund Cash Flow Projection and Deficiency Analysis

Model 2 - Full Funding (Year 1)																																
30 Year Projection		Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
Year		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
OPENING BALANCE		33,177	35,582	337,392	323,608	361,645	414,414	377,461	403,620	453,452	440,586	490,604	515,226	489,604	506,434	544,833	600,349	637,654	650,028	672,125	724,638	782,852	817,360	871,673	932,092	993,418	1,049,966	1,094,519	1,003,407	1,031,423	1,070,281	1,133,679
Reserve Fund Contributions		7,200	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344	47,344
% Change			557.56%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Special Assessment			258,880																													
Reserve Fund Interest Income	1.50%	498	705	5,061	4,854	5,425	6,216	5,662	6,054	6,802	6,609	7,359	7,728	7,344	7,597	8,172	9,005	9,565	9,750	10,082	10,870	11,743	12,260	13,075	13,981	14,901	15,749	16,418	15,051	15,471	16,054	17,005
Total Cash Resources		40,874	342,517	389,797	375,806	414,414	467,974	430,467	457,018	507,598	494,538	545,308	570,298	544,292	561,375	600,349	656,698	694,563	707,122	729,551	782,852	841,939	876,964	932,092	993,418	1,055,663	1,113,059	1,158,281	1,065,802	1,094,239	1,133,679	1,198,028
RESERVE FUND EXPENDITURES																																
1 Balconias and Visible Structure	11 000												11 224															50950				
2 Exterior Cladding (Hardi Plank / Stone Trim)	10 500												41,331															09009				
3 Window Assemblies	5 714																															
4 Balcony Doors	4 937																															
5 Soffits	1,600																															
6 Doors	4 286																					16386										
7. Exterior Painting and Staining, Sealant	8.000												39,363									10000						57009				
8. Torched On Roof and Drainage	37,400									67.012			00,000															0,000				
9. Interior Painting and Decorating	8.000							23194										29.690										38006				
10. Carpet and Tile	8,000			1,576										26,898																		
11. Elevator Interior	6,300											13,441																				
12. Elevator Modernization	42,857		5,125		10,769		11314					6,400					7,241					8193					9270					10488
13.Heating and Ventilation Systems	7,500						5657												30,432								9270					
14. Plumbing and Domestic Hot Water Systems	20,000			57,784								10,241			16,542															23958		16781
15. Electrical Distribution System and Devices	20,000													6,724															9739			
16 Fire Panel and Emergency Lighting	2,000																	14,845														
17. Access Control and Security System	5,980			6,829																									12661			
18. Walkways and Paved Areas	58,500						73,542																									
19. Site Services	16,000								3,566										4,565										5843			
20. Landscaping and Miscellaneous Site Improvements	5,000																7,241															
21. Certified Reserve Fund Consultant	3,528	5,292			3,392			3653			3,934			4,236			4,562			4,913			5291			5697			6136			6607
TOTAL EXPENDITURES		5,292	5,125	66,189	14,161	0	90,513	26,847	3,566	67,012	3,934	30,082	80,694	37,858	16,542	0	19,044	44,535	34,997	4,913	0	24,579	5,291	0	0	5,697	18,540	154,874	34,379	23,958	0	33,876
CLOSING BALANCE	1 1	35,582	337,392	323,608	361,645	414,414	377,461	403,620	453,452	440,586	490,604	515,226	489,604	506,434	544,833	600,349	637,654	650,028	672,125	724,638	782,852	817,360	871,673	932,092	993,418	1,049,966	1,094,519	1,003,407	1,031,423	1,070,281	1,133,679	1,164,152
DEFICIENCY ANALYSIS								100.015	180.481				100.4															1 000 15-				
Reserve Requirements	296,102	290,810	337,391	323,607	361,644	414,413	377,460	403,619	453,451	440,585	490,604	515,225	489,603	506,434	544,832	600,348	637,654	650,028	672,125	724,638	782,851	817,359	871,673	932,092	993,417	1,049,965	1,094,519	1,003,407	1,031,423	1,070,280	1,133,678	1,164,151
Reserve Fund Surplus		-255,228	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

## Schedule 'C' – Model 3 – 'Baseline Funding Contribution' 30 Year Reserve Fund Cash Flow Projection and Deficiency Analysis

Model 3 - Baseline Funding																																
30 Year Projection		Year	Year	Year	Year	Year	Year	Year																								
Year		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
OPENING BALANCE		33,177	35,582	44,363	81,360	84,391	103,226	33,588	28,020	47,209	92,914	116,183	115,589	65,761	59,478	75,947	110,811	128,840	123,418	129,313	167,332	212,884	236,692	282,405	336,467	393,832	448,976	494,851	406,522	438,841	483,581	554,503
Reserve Fund Contributions		7,200	13,200	14,520	15,972	17,569	19,326	20,776	22,334	24,009	25,809	27,745	29,132	30,589	32,118	33,724	35,411	37,181	39,040	40,992	43,042	45,194	47,454	49,826	52,318	54,933	57,680	59,122	60,600	62,115	63,668	65,260
% Change			83.33%	10.00%	10.00%	10.00%	10.00%	7.50%	7.50%	7.50%	7.50%	7.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Special Assessment				88,000						88,000			. =																			
Reserve Fund Interest Income	1.50%	498	705	665	1,220	1,266	1,548	504	420	708	1,394	1,743	1,734	986	892	1,139	1,662	1,933	1,851	1,940	2,510	3,193	3,550	4,236	5,047	5,907	6,735	7,423	6,098	6,583	7,254	8,318
Total Cash Basaurasa		40.974	40.499	447 540	09.553	102 226	104 101	E4 967	E0 77E	150.026	100 117	145 674	146 455	07 226	02.490	110 011	447 004	467.052	464 240	170 045	242 004	264 274	297 606	226 467	202 022	454 672	E42 201	E64 206	472 220	507 520	EE4 E02	638.080
		40,074	49,400	147,549	90,002	103,220	124,101	54,007	50,775	159,920	120,117	143,071	140,435	97,330	92,409	110,011	147,004	107,955	104,310	172,245	212,004	201,271	201,090	330,407	393,032	434,073	513,391	501,590	473,220	507,559	554,503	020,000
RESERVE FUND EXFENDITORES																																
1. Balconies and Visible Structure	11.000												41,331															59859				
2. Exterior Cladding (Hardi Plank / Stone, Trim)	19.500												,																			
3. Window Assemblies	5,714																															
4. Balcony Doors	4,937																															
5. Soffits	1,600																															
6. Doors	4,286																					16386										
7. Exterior Painting and Staining, Sealant	8,000												39,363															57009				
8. Torched On Roof and Drainage	37,400									67,012																						
9. Interior Painting and Decorating	8,000							23194										29,690										38006				
10. Carpet and Tile	8,000			1,576										26,898																		
11. Elevator Interior	6,300											13,441																				
12. Elevator Modernization	42,857		5,125		10,769		11314					6,400					7,241					8193					9270					10488
13.Heating and Ventilation Systems	7,500						5657												30,432								9270					
14. Plumbing and Domestic Hot Water Systems	20,000			57,784								10,241			16,542															23958		16781
15. Electrical Distribution System and Devices	20,000													6,724															9739			
16 Fire Panel and Emergency Lighting	2,000																	14,845														
17. Access Control and Security System	5,980			6,829																									12661			
18. Walkways and Paved Areas	58,500						73,542		0.500										4.505										50.40			
19. Site Services	16,000								3,566								7.044		4,565										5843			
20. Landscaping and Miscellaneous Site Improvements	5,000	F 000			0.000			2052			2 024			4 000			7,241			4.040			5004			5007			64.00			
21. Certined Reserve Fund Consultant	3,528	5,292			3,392			3003			3,934			4,230			4,562			4,913			5291			2097			0130			6607
		5 292	5 125	66 189	14 161	0	90 513	26 847	3 566	67 012	3 934	30 082	80 694	37 858	16 542	0	19 044	44 535	34 997	4 913	0	24 579	5 291	0	0	5 697	18 540	154 874	34 379	23 958	0	33 876
		5,232	5,125	00,103	14,101		30,313	20,047	3,300	07,012	5,554	30,002	00,034	57,050	10,342		13,044	,555	34,331	4,313		24,515	5,251			5,057	10,540	134,074	54,575	25,350		35,070
CLOSING BALANCE		35,582	44,363	81,360	84,391	103.226	33,588	28,020	47,209	92,914	116,183	115,589	65,761	59,478	75,947	110.811	128.840	123,418	129.313	167.332	212.884	236,692	282,405	336,467	393,832	448,976	494,851	406.522	438,841	483,581	554,503	594,204
		00,001	,500	0.,500	0.,001				,_30			,				,	0,0.0		,		,										00.,000	
DEFICIENCY ANALYSIS																																
Reserve Requirements	296,102	290,810	337,391	323,607	361,644	414,413	377,460	403,619	453,451	440,585	490,604	515,225	489,603	506,434	544,832	600,348	637,654	650,028	672,125	724,638	782,851	817,359	871,673	932,092	993,417	1,049,965	1,094,519	1,003,407	1,031,423	1,070,280	1,133,678	1,164,151
								-																					-			· · · · ·
Reserve Fund Surplus		-255,228	-293,028	-242,248	-277,253	-311,187	-343,872	-375,599	-406,243	-347,672	-374,421	-399,636	-423,842	-446,955	-468,885	-489,538	-508,814	-526,609	-542,812	-557,306	-569,968	-580,667	-589,267	-595,624	-599,585	-600,989	-599,668	-596,885	-592,582	-586,699	-579,175	-569,947

#### 7.3 Future Reserve Fund Management

#### Strata Property Act Amended, 2009 (amended 2009)

The Act provides that the Strata Council are obliged to contribute to a plan for future funding of the reserve fund, however they are not bound by the recommendations of the reserve fund planner, to wit:

Contributions to contingency reserve fund:

- 6.1 For the purposes of section 93 of the Act, the amount of the annual contribution to the contingency reserve fund for a fiscal year, other than the fiscal year following the first annual general meeting, must be determined as follows:
  - (a) if the amount of money in the contingency reserve fund at the end of any fiscal year after the first annual general meeting is less than 25% of the total amount budgeted for the contribution to the operating fund for the fiscal year that has just ended, the annual contribution to the contingency reserve fund for the current fiscal year must be at least the lesser of
    - (i) 10% of the total amount budgeted for the contribution to the operating fund for the current fiscal year, and
    - (ii) the amount required to bring the contingency reserve fund to at least 25% of the total amount budgeted for the contribution to the operating fund for the current fiscal year;
  - (b) if the amount of money in the contingency reserve fund at the end of any fiscal year after the first annual general meeting is equal to or greater than 25% of the total amount budgeted for the contribution to the operating fund for the fiscal year that has just ended, additional contributions to the contingency reserve fund may be made as part of the annual budget approval process after consideration of the depreciation report, if any, obtained under section 94 of the Act.

[en. B.C. Reg. 238/2011, Sch. 1, s. 2.]

This means that the Strata Council may vary the recommended funding. In the subject instance, instead of increasing contingency reserve fund contributions, the Council may levy a special assessment or several assessments to pay for the expenditures from the contingency reserve fund.

#### **Projected Reserve Fund Expenditures**

The proposed contingency reserve fund expenditures in the 30 Year Cash Flow Projection are mere guides in terms of timing, based on the remaining life span analysis.

Contingency reserve fund expenditures should readily be varied to conform to actual management and maintenance plans, and therefore, they should not be dogmatically interpreted.

In essence, contingency reserve fund expenditures are the responsibility of management, and any targeted expenditures guidelines only.

## 8.0 Recommendations

In our opinion, the current contingency reserve fund balance, recommended annual contributions and earned investment income will adequately fund immediate and future reserve fund expenditures.

- 1. The corporation should prepare and implement a long-term reserve fund strategy as detailed herein.
- 2. Major repairs and replacements should be recorded in, and funded from, a reserve fund account.
- 3. The reserve fund contributions of \$7,200.00 per annum in 2015-2016 should be increased to cover the anticipated expenses of the strata in the coming years.

Three models are provided herein which provide alternatives to the funding requirements of the Strata.

- 4. The reserve fund should be fully invested in guaranteed securities, yielding at least 1.5% per annum.
- 5. The corporation should make such expenditures, as necessary to maintain the property in optimum condition.
- 6. The depreciation report should be reviewed by the corporation every year to ensure that the underlying assumptions are still valid and that the estimates remain current.
- 7. The corporation must update the Depreciation Report every three (3) years.

## 9.0 Qualifications of the Reserve Planner

#### Daniel H. Wilson, B.Comm., RI, AACI (Fellow), CRP

#### **Professional Experience**

President/Owner Wm. S. Jackson & Associates Ltd. Valuation and Consulting March 2000 to Present

Partner Wm. S. Jackson & Associates Ltd. Reserve Fund Planners 2004 to Present

Real Estate Appraiser and Consultant Wm. S. Jackson & Associates Ltd. December 1994 to March 2000

#### **Educational Background and Training**

Accredited Appraiser of the Appraisal Institute of Canada AACI Designation Awarded 'Fellow' June 2014 Certificate #3514

Royal Institute of Chartered Surveyors MRICS Designation (2010 to 2014) Certificate #1295679

Professional Member, Real Estate Institute of British Columbia R.I. (B.C.) Designation Certificate #4183

Real Estate Institute of Canada (REIC) CRP (Certified Reserve Planner) Designation

Bachelor of Commerce - Urban Land Economics Major University of British Columbia, 1993

#### **Volunteer Experience**

President, Appraisal Institute of Canada June 2013 to June 2014

Director, Vice President and President Elect, Appraisal Institute of Canada June 2004 to June 2013

President, BC Association, Appraisal Institute of Canada September 2007 to 2009

Director, Vice President, BC Association, Appraisal Institute of Canada June 2004 to September 2007 Telus

Petrocanada

### **Completed Assignments for:**

City of Courtenay City of Campbell River District of Powell River	Town of Comox Comox-Strathcona Regional Distr Nanaimo Regional District	Village of Cumberland ict
CIBC TD Canada Trust BMO Canadian Western Bank	Royal Bank Vancity Savings Coastal Community Credit Union Various Private Lenders	Scotiabank Coast Capital Savings
Komox First Nations Comox Indian Band	Namgis First Nations	Tlowtsis First Nations
Public Works and Government S Ministry of Environment Land ar Ministry of Transportation and H BC Buildings Corporation Fortis BC BC Hydro	Services Canada nd Parks lighways	

Various Stratas and Professional Property Management Firms

Crown Isle Golf Course & Residential Community Various developers and investors

## **Appraisal Institute of Canada Certification**

The Appraisal Institute of Canada has a Mandatory Recertification Program for designated members. As of the date of this report, I have fulfilled the requirements of the program.

# ADDENDA

Reserve Fund Definitions and Concepts Copy of Strata Plans

## Reserve Fund Definitions and Concepts

In estimating reserves required for maintaining the building components and improvements at desired standards and conditions, the planner must quantify the various reserve components, estimate replacement costs and complex cost estimates in accordance with anticipated life spans. Therefore, it is essential that the reader clearly understand the terminology and methodology.

Reserve Component or Item:	Identification and description of the building component or improvement.										
Replacement/Repair Cost:	The estimated cost of repairing or replacing a building component at current prices including the cost of demolition and disposal.										
Expected or Normal Life Span:	The estimated life expectancy (years) of a reserve component under normal conditions.										
Actual Age:	The chronological age (years) of the building components.										
Effective Age:	The observed condition estimate of building components and improvements, not necessarily the actual age, expressed in years.										
Remaining Life Span:	The difference between the expected or normal life span and the effective age of the reserve component.										
Projected Inflation:	An estimate of the long term inflation factor, used in projecting future cost estimates.										
Projected Inflation Rate:	An average long term inflation rate, used in calculating interest earned from the investment of reserve funds.										
Current Replacement/Repair Costs:	The estimated costs of replacing or repairing reserve components at current prices.										
Future Replacement/Repair Costs:	The estimated costs of replacing/repairing reserve components at future prices, at the estimated time of replacement for that component. It must be recognized that the future costs and depreciation estimates for items will not occur simultaneously. Each future replacement cost will occur at different times for different items; thus the total future costs do not represent costs all at one time.										
Quantity Survey:	This is the unit quantity of the reserve component within the complex.										
Unit Cost Estimate:	This is the current replacement cost estimate of the reserve component on a per unit basis.										
Deficiency Analysis:	This is a brief description of any observed condition, which requires remedial action.										

# COPY OF STRATA PLANS











