

WHAT CONDO DWELLERS ARE READING

ART OF DECEPTION

Hiding Condo Fee Increases and Reserve Fund Problems



This has been a challenging year for condominium management, directors and owners dealing with rising costs. In [Condo Fee Increases in 2023](#) we reported that communities “may require condo fee increases of 15 percent or more to maintain current levels of maintenance, staffing and services.” In [Catching Up with Inflation](#) we reported that an 18.6 percent increase in condo fees would be necessary to avoid the need for reductions in operations. For communities with an underfunded reserve fund and condo fees that are too low, the necessary increase is likely to be in the range of 38.6 percent.

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FROM THE EDITOR

Over the past few months we have provided guidance on how inflation has impacted condominium communities and its impact on fees. In the face of these challenges, some condo boards remain intent on avoiding these realities. They choose to keep owners uninformed about the financial state of their community.

In [Art of Deception](#), our feature article, we look at how one condo board takes advantage of a general disinterest and lack of financial acuity to keep their financial situation hidden while providing disclosures in accordance with the Condo Act.

In [The Business of Condominium Management](#), page 2, we look at the practical considerations of condominium management. We present eight changes that would dramatically improve on condominium living and management the industry should consider.

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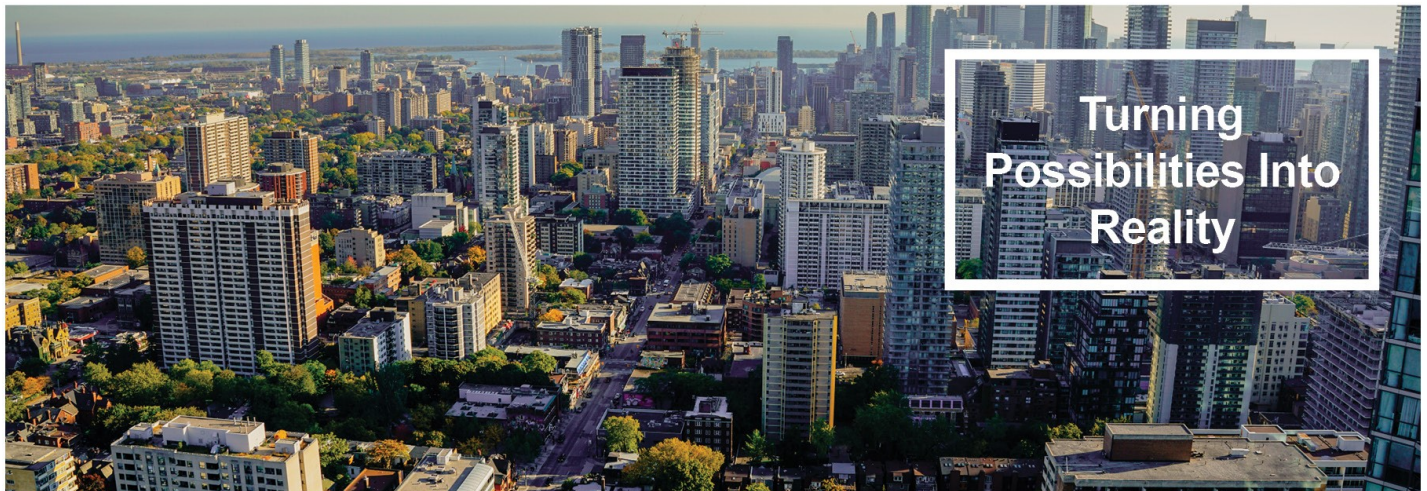
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THE BUSINESS OF CONDOMINIUM MANAGEMENT

Each condominium building, and community, serves as home to hundreds of people. Each is also a business and commercial operation handling millions of dollars and providing employment.



Business issues become personal in a residential condominium community. There are a multitude of decisions that must be made, legal issues to address, legislative requirements and safety concerns. Every rule, revision, policy, undertaking and safety initiative somehow becomes personal or intrusive to some residents.

Does it make sense to have all of this handled by volunteers unprepared to commit the time necessary and lacking in experience? The accepted approach is to employ condominium management expertise to fill these gaps. In truth, too many condominium managers lack the required education, skills and experience, and would never be employed to manage a similar sized operation in the private sector.

Condominium communities are far from harmonious. They represent the single largest expenditure for most, and are designed to have people living in close proximity of each other. Residents have a heightened sense of personal ownership. There can be an unrealistic expectation of personal control. Conflict and disagreement are unavoidable and must be managed if harmony is to prevail.

Condominium managers will always be required to deal with irate residents. Unlike volunteer directors, they don't live in the same building and can be inaccessible outside of regular working hours. Directors make decisions while considering how they are personally

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CONDO BOARDS & MANAGEMENT

THE BUSINESS OF CONDOMINIUM MANAGEMENT... CONTINUED FROM PAGE 3

impacted and aware of how easily accessible they are to their neighbours and friends. It can be difficult to separate good long-term decisions from those made simply to reduce short-term conflict.

This is a recipe for poor decisions and conflict if not managed well. Condominium communities have rules and restrictions intended to deter, prevent or avoid conflict among neighbours, which can themselves become sources of conflict.

Condominium corporations have both the right and duty to ensure condo fees are paid, and decide how these funds are utilized. When owners fail to pay their required fees, they can be forced to sell their unit(s). Condominium corporations can influence tenant evictions, deal with anti-social people, and make decisions directly affecting the well-being of unit owners.

Volunteer Directors



Volunteer directors are chosen through elections typically held at the Annual General Meeting. In practice, few are chosen because they have the requisite skills and experience. They get

elected by friends or owners who have little to no understanding of their practical skills and experience. Many get elected by manipulating the election process through misuse of proxies. Once elected, doing a good job requires far more time and effort than is reasonable to expect of volunteers.

Employing a "professional condo director" to advise and work alongside volunteer directors while

handling many of the tasks not suitable for the condominium manager would help to resolve many problems. The cost of a "professional condo director" should be offset by financial savings, better decisions and improved efficiencies. Communities would struggle with fewer financial surprises and special assessments.

"Professional Condo Directors" ...

- Would not have another day job or employment obligation. They can spend more time learning about condominium law and management, and employing what they learn for the best interests of their community.
- Would simplify the time and obligations required of volunteer condo directors. Fewer communities would struggle with lack of candidates.
- Would be more independent and less biased than volunteer directors who can let their personal interests get in the way of making good decisions. In the business world, independent directors are desirable and sometimes mandatory.

Condominium Managers

The vast majority of condominium managers lack the experience, skills and training to fully manage an operation the size of a mid-size condominium community. Requiring a higher level of experience and education would create a shortage of people for managing the growing number of condominium communities. Furthermore, many communities are reluctant to pay for experience. They prefer to employ someone with lesser skills and experience at a lower salary. Condominium managers rely on their condo directors to the same extent as directors rely on management.

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THE BUSINESS OF CONDOMINIUM MANAGEMENT... CONTINUED FROM PAGE 4

Condominium management will never be easy. A more professional or business-like approach offers the best solution for improvement.

Implementing Major Improvements to the Current Situation



In this reality of condominium living and management, our government, including the Condominium Authority of Ontario and the ministry to which it reports, appears content to make minor changes in

condominium governance while avoiding what will make a more positive impact on what has become a highly-desirable living arrangement. Their most current focus is recognition that the year is 2023 and e-mail is an acceptable way to communicate so will soon remove those restrictions they have imposed, and also allowing online meetings although this is too easily abused without including some constraints.

Here we present eight changes that would dramatically improve on condominium living and management far more than most revisions to the Condo Act, hundreds of revisions that are sitting in limbo, many suggestions made by those whose primary purpose is to make money from condominium corporations, and those who reside in or own condo units.

1. There is a lack of reliable data condominium communities can rely on when making decisions. Condo directors, management and owners find it necessary to rely on hunches and intuition. This

is easily fixed.

The Condominium Authority of Ontario (CAO) is in a position to improve on data available to communities. It currently requires each condominium corporation to file an annual return. It should be easy to require each annual return to include audited financial statements and other desirable information being provided to owners such as condo fees by unit size.

This data could be anonymized and made available so that communities could be aware of the costs of condo operations for comparable buildings, energy efficiency upgrade costs by building size and building revenues by occupancy. They could choose to incorporate search functionality that produces reports which any user could compare against their budget and level of condo fees. A user would specify a building's parameters – number of units; age of building; reserve fund balance; major cost of amenities such as full-time security, number of management office employees, swimming pool – and receive a report providing an averaged profit and loss statement, typical or suggested reserve fund balance, average condo fees and other useful information.

Once this financial data is in the public domain condominium corporations, private businesses and government agencies could access it. Businesses could create analytic tools and reports utilizing this data to be used by condominium corporations and those that support the condo marketplace. This information would offer solid data on costs and practices thus eliminating the cost, confusion and misdirection of invalid assumptions.

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CONDO BOARDS & MANAGEMENT

THE BUSINESS OF CONDOMINIUM MANAGEMENT... CONTINUED FROM PAGE 5

No community would be obligated to use this information. They would be motivated to do so since better and more poorly run condominium corporations would be more easily identifiable, and possibly reflected in condo selling prices. There would be more motivation and incentive for communities to improve as compared to averages generated from this data.

2. Update the Condo Act to address misuse of proxies, and have the Condo Authority of Ontario take an active role in discouraging their misuse. This would help ensure better qualified directors get elected.
3. Prior to any condo election, require director-candidates to speak directly with owners at a meeting where they present their credentials and what they hope to achieve if elected. This would ensure owners make better informed choices for their leadership than is currently the case.
4. Eliminate the "compulsory education" requirement for directors. It is impossible to force knowledge or education on those who are disinterested. Those interested in learning will always do so through advanced education and personal reading. Forcing volunteers to undergo "training" is counterproductive. It deters highly qualified and busy individuals from volunteering their time. It is insulting to those who are qualified and capable of adding value to their community by virtue of their advanced education and experience. Finally, the current system requiring directors to participate in online education is flawed. It is far too easy to cheat when participating in virtual education sessions.
5. Require that reserve fund studies be based on 40-year projections and require that the minimum reserve fund contribution be increased from the

current 10 percent to a more reasonable 25 percent or more.

6. The Condominium Authority of Ontario could encourage condo boards to employ a "professional condo director." They could provide guidance for compensation and obligations including a standard job description communities could modify in accordance with their needs.
7. Expand on reporting requirements. Condominium corporations could be required to provide key data from their audited financial statements through the current reporting system.
8. Finally, resolve the varied issues that deter people from submitting to the Condominium Authority Tribunal, completing the process, and the Tribunal's reluctance to address broader issues that could improve the situation for condominium communities.

Combined, these changes would go a long way toward improving condominium governance and influence better decision-making.



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ART OF DECEPTION... CONTINUED FROM PAGE 1

The best approach to communicating fee increases is full transparency. Many condo boards are uncomfortable with condo fee increases and prefer hiding the truth while complying with required legal disclosures.

One local condominium community shows how this is done. They announced that fees were increasing by 7.99 percent, which appears to be low compared to the above guidelines. Other documents provide a clearer picture for those choosing to read and understand what is provided.

Condo fee increases are typically announced in writing prior to a new fiscal year. Owners receive a Budget Letter showing their monthly assessment for the coming fiscal year and the percentage increase in assessments. Accompanying documentation would typically include a Periodic Information Certificate and the Annual Budget. If a reserve fund study was recently completed, this package is likely to include summary documents showing reserve fund contribution increases and estimated balances by year. It is in these documents where the truth can be found.

Budget Letter

The local condominium community announced an increase in condo fees of 7.99 percent for the coming fiscal year along with increased contribution levels to both the reserve fund and a shared facilities reserve fund. This is an indication that prior contribution levels have been inadequate due to poor fiscal planning. Both reserve funds have likely been underfunded for years and these

increases appear to be an effort to avoid financial collapse. Incomplete detail in the letter makes this unclear.

The Budget

The budget contains rows of numbers that most quickly scan to compare 1) current year actual spend with the budget, and 2) coming year budget with prior

year actual. Lines showing large changes will be identified by owners and questions asked. While helpful, this fails to show how expenses and revenues are likely to change over multiple years. They fail to identify deficiencies in the reserve fund or operations budgets.

Summary of the Reserve Fund Study

After a reserve fund study has been completed and approved by the board, a summary is provided to

Art of Deception Stated and Actual Increases in Condo Fees and Reserve Fund Contributions			
	According to the Letter	According to the Reserve Fund Study Summary	Comments
Condo Fees	7.99% for the coming fiscal year		Increase reflects elimination of prior year surpluses. Increased funding to the reserve fund and shared facilities reserve fund will likely require additional and unstated increases of a similar or higher amount for between three and seven years.
Reserve Fund	17.1% for the upcoming fiscal year	<ul style="list-style-type: none"> 17.1% increase for the current fiscal year. 14.6% for the following fiscal year. 12.8% for the next fiscal year. 	Total of announced increases in reserve fund contributions is 57.1%.
Shared Facilities Reserve Fund	18% for the upcoming fiscal year	<ul style="list-style-type: none"> 15.50% for the current fiscal year 18.0% for each of the following six years 	Total of announced increases in reserve fund contributions for a virtually depleted (\$200,000 balance) reserve fund is 205%. Excludes a major expenditure for confirmed work that could eliminate remaining balance.

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owners. Before reviewing this document, be aware of your building's current age and reserve fund balance. Consider that a high-rise building of about 17 to 24 storeys could require \$15 million or more to replace major components once it reaches 30 to 35 years old. While building your reserve fund to this level, there can be years where annual reserve fund expenditures exceed contributions.

The local condominium community was informed that fees were increasing by 7.99 percent. The board has chosen to remain silent regarding increases in 2024 and 2025 shown in the Reserve Fund Study Cash Flow Table. **Contributions to the reserve fund, announced as increasing by 17.1 percent, are actually increasing by 57.1 percent over a three-year period!** This is intended to grow the reserve fund from approximately \$2 million to more than \$15 million. For the shared facilities reserve fund, which is virtually depleted, **the announced 15.5 percent annual increase is actually an astounding 205 percent increase over seven years according to the Reserve Fund Study Cash Flow Table!**

Periodic Information Certificate (PIC)

The Periodic Information Certificate must be delivered to owners twice during the corporation's fiscal year, within 60 days of the end of the first and third fiscal quarters. It includes information on finances, reserve fund, budget and insurance, and names of current board members. The PIC is of little value in understanding the financial state of your condominium corporation.

Back to the Budget Letter

The letter announced that fees are increasing by 7.99 percent for the upcoming fiscal year. Unstated but evident from reserve fund documents is that a comparable increase will be necessary for the following two years if announced higher reserve fund contributions are to be ensured. This suggests

an increase of 25.9 percent over three years. Considering the current financial situation, there are likely to be further and unstated cost increases.

The letter for this local community is accurate in all respects while failing to explain primary reasons for the increase and other important details. Owners will learn the truth as it unfolds in the coming years. The board's ability to present a credible financial plan has been compromised.

Sliding into Disaster

It is a misconception to believe that financial problems occur quickly. It takes years of financial mismanagement before problems become obvious, owners recognize them and decide to take action.

For the local condominium community, these documents present a quantifiable indication of financial distress. There can no longer be credibility behind statements that the corporation is in a "strong financial position" and that their reserve fund is adequately funded.

This local condominium community appears to have run out of money. Their future is likely to include both visible and unnoticed reductions in quality of staffing, maintenance, cleanliness, security and internal system problems. Elevators may break down more frequently and take longer to repair. Quality of life and general home maintenance problems will increase and take longer to be resolved. Better management services and managers will demand a premium or possibly refuse to work for the condominium corporation.

The condominium corporation has time to fix their finances if they recognize the problem. Otherwise, they may soon reach the point of a neighbouring building that has run out of tricks and is rumoured to have implemented a \$30,000 special assessment.

PLASTIC BAG BAN IMPACTS TRASH CHUTES



As stores stop providing plastic bags for carrying purchased items, condominium communities will need to adjust how they handle garbage.

Grocery shopping bags are the preferred choice for transporting waste to a building's garbage chute or to a dumpster. When these bags are no longer available, people are unlikely to purchase bags for this purpose. They may decide to throw unbagged garbage down the chute or transport it through hallways causing all kinds of problems.

Unbagged waste thrown down a garbage chute can build up along the walls of the chute, cause equipment problems, emit bad odours, and attract insects and rodents. There are increased fire and health risks. Transported through halls and in elevators, unbagged waste will create sanitation issues if not controlled and require enhanced cleaning measures.

There will be a need for increased frequency of cleaning of waste systems and common areas, pest control, odour control and general cleaning. The easier solution, spraying a degreaser and deodorizer down a chute, can help to a limited extent. More extensive and manual cleaning by professional services will be needed.

With elimination of single-use plastics, planning for transport of waste from unit to waste bins should be on the radar of building management.

DECLINING DEMAND FOR PARKING



Demand for residential parking is on the decline. Many communities will soon find they have excess parking spaces and a lack of space for what is replacing personal ownership of a car.

Living in the city, obtaining a driver's licence isn't the rite of passage it once used to be. Many find it to be of no use. They rely on public transit, ride hailing services and bicycles. They avoid the cost of purchasing a car, insurance, gas and maintenance.

A fall 2019 survey of more than 18,500 students at 10 post-secondary institutions across the region, conducted by StudentMoveTO, found that over 22 per cent of survey respondents said they didn't have a driver's licence. Of those who did, a majority didn't own a car or drive regularly.

The city is adapting by improving public transit, building subways and creating transit-only corridors. They are narrowing roadways, adding bicycle lanes, and creating more space for walking, sitting and outdoor eating.

How high-rise communities deal with this information is unclear. Many will find they have excess parking that will become vast unused space unless repurposed for other uses. There will be greater demand for secure bicycle storage and easy access. More space may be needed for ride hailing service pick up and delivery.

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MANAGING YOUR PARCEL ROOM OR PARCEL LOCKERS



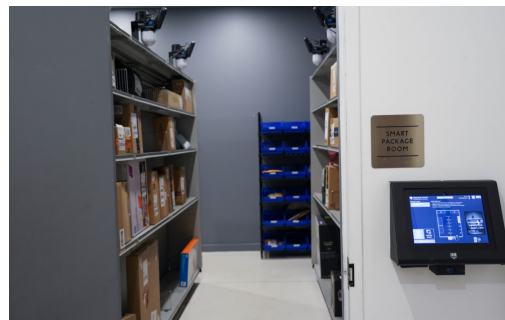
The way in which packages are received and managed has changed as volumes have doubled, tripled and quadrupled. Residents find it unacceptable for their valuable items to be left unattended where anyone can sort through and possibly take them. They find it unacceptable to reside in a community unable to find space where these important items can be left.

Consumers expect a parcel management system that includes real-time notification, access via their smartphone, the ability to have items stored for a short period of time until retrieved, and a package return option. While this may seem to be a complex undertaking, available technologies make the process seamless.

A further complication is that growth in purchases have created a dramatic increase in parcel delivery companies. Amazon alone relies on 12 carriers in Canada. Your parcel management system needs to be capable of processing these growing volumes and dealing with the proliferation of delivery services.

The challenge in package deliveries has always been greatest in the "last mile". Regardless of how far a package has travelled, dealing with that "last mile" remains difficult. It is clear that high-rise residents dislike having to pick up packages from locations away from their home. Increasingly, this is becoming more difficult and expensive for those without access to an automobile. Their preference is for a secure location at their home.

Allowing unknown and unverified parcel delivery personnel to wander throughout a high-rise building poses a security risk. Packages can be left with a concierge who stores them, informs residents when their packages arrive, and facilitates retrieval. This requires a sophisticated solution for handling these tasks with minimal effort since package management is not a primary responsibility. Software solutions are readily available, such as those provided by [BuildingLink](#) and [UpperBee Software](#), that are economical and easy to use.



Parcel rooms, which appear to be a simple solution, are problematic. Carriers tend to dump parcels for residents in a single room

after scanning just one package from the group they are delivering. This means that most are unaware their package has been delivered. Packages accumulate in a room accessible to many people. This can result in confusion, damage to some packages, and theft.

Parcel lockers provide residents with the parcel security and access they desire without involving a concierge desk or taking from their responsibilities. Packages are delivered to a secure locker. Services

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COMMON AREAS AND AMENITIES

MANAGING YOUR PARCEL ROOM OR PARCEL LOCKERS... CONTINUED FROM PAGE 11

such as [ParcelPort Solutions](#) integrate with your condo management software to automatically access resident information and contact them in a preferred manner be it e-mail or text message for pick up at their convenience.

Many purchases end up being returned. Unlike parcel rooms and a concierge desk, parcel lockers offer a secure package return solution. The best parcel locker solutions offer a system for leaving return items in a locker and requesting pick up by the designated service.

Like them or not, package deliveries are not going to disappear. Each community needs to develop a workable solution consistent with their infrastructure and how they choose to operate.



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HOW A CONDO BOARD SHOULD RESPOND WHEN UNDER ATTACK



When disagreements arise in a community, some rely on a steady stream of e-mail and social media posts directed to an individual; perhaps a condo board, director or condominium manager. There can be false allegations and nasty personal attacks. It can be tempting to directly respond when attacked unfairly. Avoid the temptation to respond but don't just ignore these attacks.

Saying nothing makes others wonder what is going on. The only version out there is that of the attacker so owners can only guess at the truth. Silence may be interpreted to mean the assertions are valid. Setting the record straight each time means you lose control of the situation and allows the attacker to control your actions. Being on the defensive is not productive or effective.

There is a way for condominium management or the board to deal with false statements and allegations.

Speak with the corporation attorney. Unresolved, the matter could lead to litigation or dangerous actions from the attacker. Get ahead by understanding what legal remedies are available and ensure that further communications don't put the board, management or the corporation at legal risk.

Look into the attacker's accusations to determine if there are truths among their statements, lies and misrepresentations. Avoid providing further ammunition by addressing any truths.

Provide owners with an alternative narrative. Acknowledge what they may have heard but avoid repeating lies and personal attacks. Even the denial of false information makes it seem true according to social science research. Present the facts as you see them, and your understanding of the matter calmly and clearly. Never attack the attacker. Presenting a different version of events, when both versions cannot possibly be true, ensures owners cannot choose to believe both versions and will have to choose. Presenting your version well makes owners want to believe you and is affected by your relationship with them. A board or individual that fails to communicate well, or has been known to be dishonest, is less likely to be believed even when telling the truth.

Finally, give owners a way to ask questions. They may not want to ask questions but providing the opportunity makes you appear more credible.

Be sure to communicate with owners as the situation evolves.

Being articulate, calm, focused and confident in communications is the key to fighting against false accusations and lies.



CONDO ACT REVISIONS

Virtual Meetings and Electronic Notices to be Allowed



Ontario's "Less Red Tape, Stronger Economy Act" (Bill 91) received royal assent in June. This bill incorporates changes to

the Condominium Act as reported by **Toronto Condo News** last month.

Virtual and hybrid meetings will be allowed without requiring condominium corporations to pass a by-law for this purpose.

Owners and mortgagees will no longer be required to submit an Agreement to Receive Electronic Notices before a condominium corporation can send them e-mail communication. It will be assumed that providing an e-mail address is sufficient authorization. Those desiring paper communication will be required to make a specific request.

The Record of Owners and Mortgagees, which includes addresses for delivering documents and is available to owners on request, would presumably now include e-mail addresses.

Anyone casting an electronic vote prior to an owners' meeting will be considered present at the meeting even if they choose not to attend. This makes it easier for condominium corporations to achieve quorum while possibly eliminating any practical reason to require proxies.

Changes come into effect on October 1, 2023.

[Bill 91 here can be found here.](#)

HOME-BASED BUSINESSES REQUIRE INSURANCE

When working from home or operating a home-based business, your homeowner or renter insurance is unlikely to be adequate.

Typical insurance coverage for a home offers limited coverage for books, tools and supplies. Depending on the business, home-based operations may require a separate business insurance policy or extension to an existing personal policy.

A large amount of inventory stored in your home is unlikely to be protected against loss due to theft, fire or water damage. If your business includes having clients visit your home, there is increased liability and risk. You may not have protection should a client slip and fall while on your property, or if someone chooses to sue you as part of a business dispute.

Business insurance should be considered by anyone operating a home-based business or working from home.



INTERFERING WITH EFFECTIVE ORGANIZATIONS

The Office of Strategic Services (OSS), precursor of the Central Intelligence Agency (CIA), published a document in 1944 on how to interfere with organizations. This wartime organization had as its goal obtaining information about and sabotaging the military efforts of enemy nations during World War II, and defeat of the Nazis. It was disbanded after World War II.

Within this document is a section for interfering with how organizations function which may sound familiar to some condo boards.



General Interference with Organizations and Production

(1) Insist on doing everything through "channels." Never permit short-cuts to be taken in order to expedite decisions.

(2) Make "speeches." Talk as frequently as possible and at great length. Illustrate your "points" by long anecdotes and accounts of personal experiences. Never hesitate to make a few appropriate "patriotic" comments.

(3) When possible, refer all matters to committees, for "further study and consideration." Attempt to make the committees as large as possible — never less than five.

(4) Bring up irrelevant issues as frequently as possible.

(5) Haggle over precise wordings of communications, minutes, resolutions.

(6) Refer back to matters decided upon at the last meeting and attempt to re-open the question of the advisability of that decision.

(7) Advocate "caution." Be "reasonable" and urge your fellow-conferes to be "reasonable" and avoid haste which might result in embarrassments or difficulties later on.

(8) Be worried about the propriety of any decision — raise the question of whether such action as is contemplated lies within the jurisdiction of the group or whether it might conflict with the policy of some higher echelon.

1. "Insist on doing everything through 'channels.'" Never permit short-cuts to be taken in order to expedite decisions."
2. "Make 'speeches'." Talk as frequently as possible and at great length.
3. "When possible, refer all matters to committees, for 'further study and consideration.'" Attempt to make committees as large as possible — never less than five."
4. "Bring up irrelevant issues as frequently as possible."
5. "Haggle over precise wordings of communications, minutes, resolutions."
6. "Refer back to matters decided upon at the last meeting and attempt to re-open the question of the advisability of that decision."
7. "Advocate 'caution.'" Be "reasonable" and urge your fellow-conferes to be "reasonable" and avoid haste which might result in embarrassments or difficulties later on."
8. "Be worried about the propriety of any decision — raise the question of whether such an action as is contemplated lies within the jurisdiction of the group or whether it might conflict with the policy of some higher echelon."

Best practices for how condo boards should operate, including following established Rules of Order for board meetings, offer a solution for dealing with those who desire to hinder good work being done by condo boards.

Illustrate your "points" by long anecdotes and accounts of personal experiences."



RESERVE FUND REQUIREMENTS PROTECT AGAINST SPECIAL ASSESSMENTS

Special assessments always come as a shock to condo owners who can be required to pay six-figure bills for overdue maintenance projects. Ontario's Condo Act protects against most of these shocks.

Harbor Towers, on the Boston waterfront, assessed owners about \$15,000 US per unit in the 1990s to replace windows and waterproof the building. They then assessed owners between \$120,000 US and \$400,000 US each to repair the building's heating and cooling system and corroded pipes. This was not an isolated case.

Another condominium corporation had a \$38 million special assessment to replace a heating system amounting to about \$50,000 US per unit. A third community assessed owners an average of \$160,000 US to replace garage flooring, a brick exterior and emergency generator.

Throughout the United States, condominium corporations implement special assessments known only to affected

owners. Governments rely on residential communities to self-regulate except for fire safety and exterior inspections every few years.

In Canada, British Columbia requires condominium corporations to prepare depreciation reports comparable to those of Ontario's reserve fund studies. In that province, corporations are not required to undertake necessary work identified in these reports. This has resulted in some having

CONTINUED PAGE 17



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FAN COIL SYSTEM MOULD



Black spots on a wet towel not properly hung to dry, or on a piece of cheese left in the fridge too long, are visible signs of mould. Both are easily addressed by throwing out the item and replacing it. Black spots in the corners of a shower, also mould, can usually be addressed with surface cleaning.

Mould growing inside the walls of your home is another matter. It can grow unseen in heating, cooling and ventilation equipment, and be in the air you breathe. Water damage can cause excessive mould growth if not properly repaired. Relatively minor symptoms of repeated exposure to mould include chronic cough, congestion, sinus infections, headaches and irritated eyes. More serious health problems include asthma.

There is no easy way to see hidden mould. It may

reside in the fan coil that cools your home, in the fan coil unit or walls next to it. These dark and warm spaces, possibly moist from condensation or leaks and particularly if poorly maintained for 20 or more years, are ideal breeding spaces for mould that spreads with airflow.

Fan coils are a common element in about 40 percent of high-rise communities in Ontario. In the remaining 60 percent of communities, fan coil systems are owned by the unit. Many communities choose to handle fan coil maintenance and repair as common area maintenance regardless of ownership. A typical preventative maintenance program includes systems checked twice a year at which time filters are replaced. Damaged components or mould can be identified and addressed before serious problems arise.

RESERVE FUND REQUIREMENTS PROTECT AGAINST SPECIAL ASSESSMENTS... CONTINUED FROM PAGE 16

assessments of \$40,000 to \$80,000 per suite.

In Ontario, like elsewhere, assessments are a reality of condominium corporations where owners are expected to maintain their unit and share of common area expenses. This can be expensive but no different than what is required by owners of single-family homes.

Ontario offers protections against the majority of special assessments and their higher amounts elsewhere. Special assessments must be disclosed in the status certificate when a unit is sold. In the United States a condo owner is not required to

disclose when a special assessment has been made or is expected. Another difference is that Ontario condominium corporations are required to maintain a reserve fund that alleviates the need for most special assessments. Properly budgeted and maintained, condominium corporations in Ontario can avoid the need for any special assessments so long as their board is paying attention and operating in a responsible manner.

Special assessments are the cost communities pay for poor management and bad budgeting practices. They are avoidable through good management and proper budgeting.



CONDO LOAN CASE STUDY

The condominium corporation brings in a new management company after converting from what was a rental complex. A review of finances makes it clear there has been a problem with prior management. Chunks of concrete are falling off terraces. There had never been a reserve fund study or reserve fund. There had also not been an annual general meeting in three years as prior management said nobody would attend.

Roof, asphalt, retaining walls and concrete components are all nearing the end of their life. Repairs and replacement are estimated at \$5 million. Without having a reserve fund, the board of directors had to choose between a \$25,000 special assessment or loan. Money was needed immediately to undertake emergency repairs and a special assessment was unaffordable to most.


This was the situation faced by one condominium corporation. Best practice would have been to immediately raise condo fees and implement a special assessment to repair and replace what is required. This was impractical since owners were unable to finance individual loans to pay the amounts necessary to get required work completed, and increase interest in what had been an unpopular and run-down community.

A meeting was called to pass a by-law for borrowing \$5 million for urgent repairs. The by-law passed after owners understood the scope of

work. The loan amount was reduced after condo fees were increased by \$100 per month with the full amount going to the reserve fund.

After repairs were completed, property values increased to market level. Selling prices more than doubled.

There are times when a condo loan may be superior to implementing a special assessment for addressing capital expenditures or major repairs. A loan can be more affordable, and spreads expenses over more owners as units are bought and sold. This differs from a special assessment which is paid by current owners for work that can last 30 to 40 years. While this deviates from the recommended approach of owners paying to replace what they have used, it may be the only practical option for a community that has failed to adequately maintain their reserve fund.




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- 2 Additions and Alterations
- 3 Refinancing of Guest and Superintendent Suite
- 4 Capitalization of Undermaintained Reserve Fund

HOW MUCH TECHNOLOGY DO WE NEED

It turns out to be a lot!



The growth in high-rise buildings has created a need for better technology. There is no way a single manager can deal with the volumes of work, record keeping and communications without assistance. The choice is to enhance supporting technology, or employ more people while being accepting of mistakes, delays and problems.

In the office, condo management software allows one manager to handle what would otherwise require more people. It no longer makes sense to maintain paper records and lists which require constant updating. Accounting software simplifies collection of condo fees, receipt of invoices and making payments. Uniquely, [UpperBee Software](#) integrates the accounting and condo management functions in a single application.

Building systems designed for keeping the air clean, safe and at a comfortable temperature are increasingly complex. The sun-facing side of a building requires more assistance to cool it down during warmer months while the other side requires more warmth during colder months. Climate change is making it harder to maintain a constant temperature throughout a building. Systems used for this purpose change as outside weather gets warmer, cooler, windier and wetter. Constant monitoring of the various systems and tweaking of mechanical adjustments can be a full-time job. Building Automation Software (BAS) simplifies this with assistance from what has become known as artificial intelligence technology. The BAS monitors all equipment and systems used to keep air clean and comfortable. Building

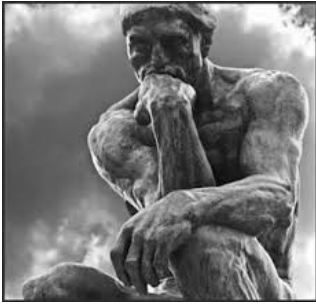
management relying on BAS learn to navigate a system dashboard to ensure everything is operating as it should. They contact a specialist when the BAS is unable to function as expected or when adjustments are necessary.

Astronomical growth in package deliveries makes it impossible for a building to function without additional staffing were it not for technology. Condo management software and apps allow building management or concierge to scan delivered packages with a smartphone. Recipients automatically receive e-mail notification. Packages are logged and retrieved faster thus reducing volumes in a lobby or package storage area. Automated parcel lockers allow deliveries without requiring effort by building management or concierge.

Task specific technologies for electric vehicle charging and electronic voting continue to evolve. Each year there are improvements and they are embraced by more high-rise communities.

While the demands of high-rise residential building management increase in complexity and volume, technology allows it to remain manageable for those that embrace new technologies.





RAISING THE CONDO REASONABLENESS BAR

When you read through Condominium Authority Tribunal decisions, a common thread that runs through many of them is one (or both) of the parties: "...has failed to take reasonable steps to..."

But what is 'reasonable' and in particular, what is reasonable in the context of condominiums?

As the Condominium Authority of Ontario does not define "reasonable," it's left to the adjudicator (member) to make that assessment. While common law provides some guidance around reasonableness standards, for the condominium community - owners, residents, condominium managers and volunteer board members - it's left to their self-assessment.

So before beginning a Tribunal claim, assess if you've taken all reasonable steps.

For residents, that includes:




- Attempting to first resolve through all available channels and clearly setting out your issue(s) in writing, submitting it to either the condominium manager or following dispute protocols provided by your condo.
- Ensuring your claim(s) are factually correct and that you've got sufficient evidence to fully support your position.
- Making best efforts to resolve the matter(s) that led to the claim and

remain open to finding a suitable resolution from the outset and throughout.

- Being realistic in expected outcomes, rooted by what the Tribunal is empowered to do.

CONTINUED PAGE 21

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RAISING THE CONDO REASONABLENESS BAR... CONTINUED FROM PAGE 20

For condominium corporations, that includes all the above plus (the longer list reflects the greater onus on the corporation):

- Providing documentation in your possession that can assist in de-escalating the dispute and lead to resolving the matter. Ensure your governing documents are relevant and in line with all applicable laws - documents created more than 5 - 10 years ago will likely require some revisions to remain current.
- Assessing your processes and protocols for applying rules that are reasonable, fair and consistent. It's reasonable to expect if you grant allowances for one, comparable allowances should be made for all.
- Assigning an impartial person to take lead in overseeing a dispute that escalates beyond normal and to inform the board. That impartial person may be a director, resident or paid third party, to provide an objective perspective and to preliminary, informal mediation (if appropriate, and only if all parties are open to it).
- Consult with your legal counsel proactively - to get their guidance on dispute resolution and on "all reasonable steps" you can take in advance of

a matter escalating to the Tribunal. However, hold back with legal counsel issuing letters/ notices until necessary and ideally only after all other 'reasonable' measures have been unsuccessful.

- Budgeting for increased legal fees annually. Tribunal claims are going to increase as more learn about CAT; condominiums would be prudent to anticipate higher professional fees, in part to empower their manager to get advice from their lawyer at early stages and given appearing before the Tribunal is expensive.

The challenge is to be truly objective with yourself in your assessment of your contribution to the dispute and failures to resolve it before it gets to the Tribunal - if you aren't, count on the adjudicator to be in their assessment and of you!

Bruce Young, CPA, CA is a business consultant and founder of [Collective Agreement](#). He works with organizations dealing with complex disputes and facing litigation, providing strategic assessment, litigation support and project management.

What is Toronto saying about Toronto Condo News?

"Great publication.

I look forward to the issues and I save them on my iPad for future reference."

"I think it is important for all condo owners to know this information."

"I really appreciate your excellent choice of stories; they are uncannily right on the mark as to the interests of condo owners and directors."



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CASH – THE END IS NEAR

Physical money will soon become a relic. Smartphones are displacing billfolds and physical wallets, not unlike how we no longer use cameras and GPS devices.

The impact on high-rise communities will be less than on much of society. Communities already require payment of condo fees via digital means which currently includes cheque, credit or debit cards, and electronic transfer of funds.

Canadians relied on cash for only one-sixth of their payment transactions in 2020 which is down from nearly half of all transactions in 2008. Cash transactions have nearly disappeared in Sweden. The only exceptions to the decline in use of cash among wealthy countries are Japan and Switzerland. In China, even the smallest of transactions are now conducted primarily through smartphone apps.

Benefits of digital payments are many. They are faster and cheaper for consumers. Businesses inclusive of condominium corporations don't deal with managing, counting and depositing large amounts of cash, or the risks of physical theft or robbery. Governments are better able to trace and audit transactions, and to reduce tax evasion. The disappearance of cash might not be a bad thing.

Yet cash has advantages. It is easily accessible and can be used without an electronic device, wireless network or the internet. It can be used if the power goes out and by those without financial accounts.

Digital payment services in the form of credit and

debit cards have been popular for a long time. Newer services, such as PayPal and Apple Pay, are growing in popularity. Most households have a bank account and one or more payment card options. The cost of most payment systems is paid by merchants who build the cost into what they sell. Those who utilize cash back or point features add to the costs paid by merchants which are ultimately passed on to consumers.

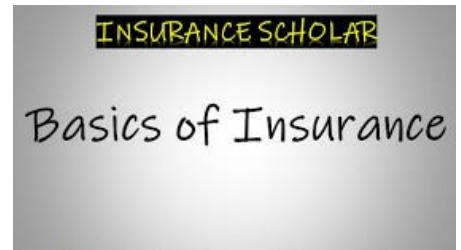
Cryptocurrency bitcoin was once thought to offer a solution for digital payments ensuring anonymity. This is no longer considered viable because of its volatility, risks and popularity for laundering funds.

The Bank of Canada is currently looking into the viability of a digital version of the loonie. This would help ensure Canadians have easy access to a safe, secure and efficient digital payment system. It would offer new opportunities and a tool for government surveillance. Government funds could come with expiration dates to encourage spending within a specified time. There may be limitations on the use of funds preventing them from being spent to purchase pornography, narcotics or ammunition.

The arrival of digital currency and elimination of cash is undesirable for those concerned with the intrusiveness of corporations and governments.

The days of cash are not yet gone. During Covid, in 2020, the amount of cash in circulation rose as more held it for emergency use. If or when cash does disappear, payments will become easier and cheaper with national borders being less relevant.

CONDOMINIUM INSURANCE BASICS



Insurance is financial protection for when unexpected emergencies arise.

Master Policy

The condominium corporation maintains a master policy that provides some protection for all condo owners.

There are three main components of the Master Policy. **General Liability** protects the corporation against liability for injuries and damages that occur on the premises. **Directors and Officers Liability** protects board members against claims of damage resulting from their "good faith" decisions. This does not protect directors against deliberate fraud, or injuries and property damage caused by negligence. **Fidelity Coverage** protects the corporation should anyone it employs embezzle or steal money or property, or commit a serious transgression that costs the corporation.

Personal Coverage

Condo owners and renters require personal coverage to address what is not included in the master policy. This includes personal possessions, appliances, furnishings, flooring and cabinets. Condo owners can be held liable for damage to other suites or common areas. Landlords require protection against tenants that fail to maintain adequate insurance coverage. Without this protection the owner of a unit with a kitchen fire or overflowing bathtub causing damage beyond the suite could be responsible for paying a deductible in the tens of thousands of dollars.

Tenants and owners maintain separate insurance policies for their home. If renting or subletting a property to a tenant, be sure to inform the insurance company to avoid being responsible for major repairs relating to any uninsured tenant.

Insurance is an annual purchase and coverage should be re-evaluated every few years. Deductible, standard unit bylaw, claim history and amenities all impact on the annual premium. A higher deductible and standard unit bylaw can reduce the cost of a Master Policy while making owners and tenants more accountable for what occurs in the unit.

Never misrepresent anything when obtaining insurance. Each policy is structured to your building or home situation. Misrepresentation is grounds to decline a claim based on false information.

Avoid bargain shopping. When pricing out an insurance policy, lowest price should not be the primary consideration since this typically results in reduced coverage. The board and management should understand details of what they are purchasing for the Master Policy, and put less focus on the total premium. Owners and tenants have a comparable obligation when obtaining personal coverage.





SILENCING THE NOISE

Among the drawbacks of being at home all day is unwanted noise. Through open windows come the sounds of kids yelling, barking dogs, leaf blowers and construction. High-rise communities must also contend with noise from neighbours internally through walls, ceilings and floors which can interrupt quiet relaxation or working sessions, phone calls and Zoom meetings. There has never been greater demand for quiet.

Unwanted sounds can be reduced or softened with solutions ranging from inexpensive design tweaks to extensive renovations.

Most noise complaints in high-rise buildings concern upstairs neighbors. There is typically solid concrete separation between units which transmits sound. A suspended ceiling can provide room for sound absorption material. Low-profile recessed ceiling lights reduce sound penetration. A similar approach can be used by applying specialized wall panels from floor to ceiling. Such an extensive and costly renovation is beyond what most require. Before providing simpler solutions, it helps to understand the basics of sound.

Understanding Sound

Sounds are classified by frequency. Low-frequency sounds, the hardest to contain, include bass from music, furniture sliding across a floor and footfalls. They permeate doors, walls and windows. High-frequency sounds are easier to disrupt because they're vibrating so quickly.

It is mid-range frequency sounds that are most concerning, including human speech. They

accumulate, bounce around and reflect off the floor and ceiling. Fabric and books are inexpensive techniques for absorbing much of the unwanted high- and mid-range frequency sounds.

Inexpensive Sound Control Measures

Rugs prevent mid-frequency sounds from bouncing off a hard surface. Books on walls, spines turned inward so pages face out absorb mid-frequency sounds. Uneven heights and thicknesses work best at breaking up sound waves and creating a softer sound. Where there are windows, consider drapes.

Another trick comes from home recording studios. Put cardboard egg cartons on the wall. The cardboard pockets will absorb a large portion of those mid-frequency sounds. A more professional approach is to purchase acoustic panels. Each is two inches thick and four feet by two feet. They are lightweight and easy to attach to a wall. Covering panels in fabric make them decorative.

Sound sneaks through cracks and gaps, so energy-efficient features serve a dual purpose. Door sweeps, weatherstripping and storm windows all help to keep out sounds.

For sounds that enter through an open window, ocean noise videos are more than calming. Ocean waves have a full spectrum of sound waves so can mask many noises.

Living near others requires dealing with their noise. Turning your home into a quiet refuge from most sounds will calm the nerves and reduce stress.



HIRING A CONDOMINIUM MANAGER

Can you let us know about the education of property managers and how this is done?

What works and what doesn't in terms of experience in the variety of fields of study and work experience?

How does a condo ensure they get a good property manager?

Is there any research on this so that programs of study can gear to the needs of the many new condo buildings in downtown Toronto?

Many thanks.

L.M.

Response from Toronto Condo News

Some good questions for which there is no solid information.

For good or bad, education for condominium

managers is an art rather than a science.

Obtaining a condominium manager designation requires completion of educational requirements - five courses which you can read about on the [CMRAO website](#) - and some time working under the guidance of a licensed condominium manager. Those obtaining their license have a basic background in condominium management.

Better managers have broader experience obtained through years of experience as a condominium manager, or in some form of senior business management.

Condominium corporations seeking an experienced manager are on their own since the licensing process does not require more than a basic level of experience and knowledge. Managers with more experience command a higher salary. Some communities prefer to offer less compensation for an individual lacking experience. See [Condominium Manager Roulette](#) in the [Condo Archives](#) for the benefits of hiring experienced managers.

Toronto Condo News has written numerous articles on hiring condominium managers and what skills to look for. See [What to Look for in a Condominium Manager](#) to understand the necessary skills for condominium management.

Two areas of the **Condo Archives** have many articles covering the skills and experience to be a good condominium manager:

- [Condo Building Management – Management Office](#)
- [Condo Boards, Communications & Community – Condo/Property Managers/Management](#)

You will find lots of useful information in these areas of the **Condo Archives**.

I hope this is helpful.



Information and resources for the Toronto and GTA condo community

Serving Condominium Residents, Directors and Management



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