



# PHUNG HORWOOD

Insurance Appraisals & Depreciation Reports

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DEPRECIATION REPORT OF:  
1536 HILLSIDE AVENUE  
STRATA PLAN VIS2630  
VICTORIA, BRITISH COLUMBIA

JUNE 2018



Prepared for:  
The Owners of Strata Plan VIS2630  
c/o: The Strata Council for Strata Plan VIS2630  
1536 Hillside Avenue, Victoria, B.C.  
File # DP070H

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Specifically, the applicant has permission to provide reserve fund study information in disclosure documents, such as an estoppel certificate.

This report has been prepared by Richard J. Horwood AACI. P.App., CRP, an independent appraiser and Certified Reserve Planner employed by Horwood Consulting Inc. who is doing business under the trade name Phung Horwood.

## DEPRECIATION REPORT UPDATE REQUIREMENTS

As per the legislated requirements under the British Columbia Strata Property Act and Strata Property Regulations; a new Depreciation Report is required every 3-years after an initial report is acquired by the Strata Corporation. Strata VIS2630 acquired the initial report effective November 1, 2013 from Phung Horwood. The following report represents the second Depreciation Report. This report is effective as of June 2018.



# PHUNG HORWOOD

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Strata Council for Strata Plan VIS2630  
1536 Hillside Avenue  
Victoria, B.C. V8T 2C2

File # DP070H  
July 10, 2018

Dear Council,

**Re: Depreciation Report of 1536 Hillside Avenue, Victoria, British Columbia, Strata Plan VIS2630**

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Pursuant to your instructions, I have prepared a Depreciation Report (Reserve Fund Study) of the condominium development described herein. The Report describes the reserve fund concepts and major reserve fund items. It also provides current and future replacement reserve estimates and recommends reserve fund actions. This Depreciation Report is a complex document and should be reviewed in its entirety and considered in context.

This Report continues from the original Depreciation Report (File DP019) dated December 12, 2013. A review of the Contingency Reserve Fund balance shows that Strata VIS2630 has followed the contribution recommendations from the previous report, and as a result has increased their level of funding over the past 3 fiscal years. After expenditures, the Contingency Reserve Fund was 70% funded at year end June 30, 2018.

Several changes have been made to the costing and life cycle benchmarks from the original report. The most significant changes involve long-term building envelope maintenance.

I recommend that yearly contributions to the Contingency Reserve Fund be planned as shown on page 5 of this report. For the year ending June 30, 2019 the total contributions should be increased to \$46,800, increasing at 2.47% per annum through June 30, 2048, the end of the 30-year budgeting period.

As outlined in this report, the proposed reserve fund contributions, combined with earned interest income, should ensure reserve funds are adequate to cover potential expenditures required to repair or replace common elements or assets of the corporation when needed.

Phung Horwood would be pleased to provide you with complete review and updating services for the reserve fund of the corporation as required in the future. We appreciate the opportunity of performing this Depreciation Report for you. If you have any questions, please do not hesitate to contact the undersigned.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Richard J. Horwood".

**Richard J. Horwood, AACI, P.App. CRP**

*Phung Horwood is a trade name used by individual appraisers and consultants, which operate as independent businesses and neither such companies nor their principals are doing business in partnership or deemed employees of Phung Horwood.*

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**TABLE OF CONTENTS**

TABLE OF CONTENTS	2
EXECUTIVE SUMMARY OF FACTS AND CONCLUSIONS	5
CASH FLOW TABLE	6
RECOMMENDATIONS	7
ERRORS AND OMISSIONS INSURANCE	8
CERTIFICATION	8
DEFINITION OF BENCHMARK ANALYSIS	9
DEFINITION OF FULLY FUNDED RESERVE	9
PROJECTED RESERVE FUND EXPENDITURES	9
LIMITING CONDITIONS	10
PURPOSE AND INTENDED USE	11
EFFECTIVE DATE	11
STANDARDS AND COMPLIANCE	11
SCOPE OF INVESTIGATION	12
METHODOLOGY	13
DEFINITIONS	17
CONDITIONS AND ASSUMPTIONS	18
PROPERTY INFORMATION	20
RESERVE COMPONENT CLASSIFICATION	24
RESERVE COMPONENT DESCRIPTIONS AND ANALYSES	24
COMPONENT DESCRIPTION & ANALYSIS	26
RESERVE FUND COMPONENT ESTIMATES	72
ANALYSIS OF RESERVE FUND OPERATIONS	75
BENCHMARK DEFICIENCY ANALYSIS	76
RESERVE FUND MANAGEMENT – 30 YEAR PROJECTIONS	78
PROJECTED RESERVE FUND EXPENDITURES	79
RECOMMENDATIONS	80
CERTIFICATION	81
Relevant Sections of the Strata Property Act	82
Relevant Sections of the Strata Property Regulation	84
Alternate Cash Flow Funding Model 1	88
Alternate Cash Flow Funding Model 2	90

**PHOTOGRAPHS OF SUBJECT PROPERTY**



Front View



Rear View

**PHOTOGRAPHS OF SUBJECT PROPERTY**



Side View



Side View

## **EXECUTIVE SUMMARY OF FACTS AND CONCLUSIONS**

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

<b>Property Type</b>	24 - Unit Strata Condominium Development		
<b>Applicant</b>	Strata Council for the Owners of Strata Plan VIS2630 (Oakland Park)		
<b>Date of Study</b>	June 2018		
<b>Property</b>	1536 Hillside Avenue, Victoria, BC V8T 2C2		
<b>Legal Description</b>	Strata Lots 1-24, Section 29/30, Victoria District, Strata Plan VIS2630		
<b>Reserve Fund Items</b>	Structural/Architectural Components		12 Reserve Components
	Finishing and Decorating Components		3 Reserve Components
	Mechanical Components		7 Reserve Components
	Site Improvements		5 Reserve Components
	Consultants and Fees		1 Reserve Component
<b>Inflation Factor</b>	2.70%	<b>Interest Rate</b>	1.50%

### **Significant Reserve Fund Benchmark Estimates**

Total Component Replacement Costs in Current Dollars	\$857,650
Total Component Replacement Costs in Future Dollars	\$1,357,490
Current Reserve Fund Requirements	\$ 386,952 (to be fully funded)
Annual Stabilized Reserve Fund Contributions	\$ 46,611 (to remain fully funded)

### **Recommendations**

Contributions to Contingency Reserve Fund	2019	\$46,800 increasing annually at 2.47% through 2048
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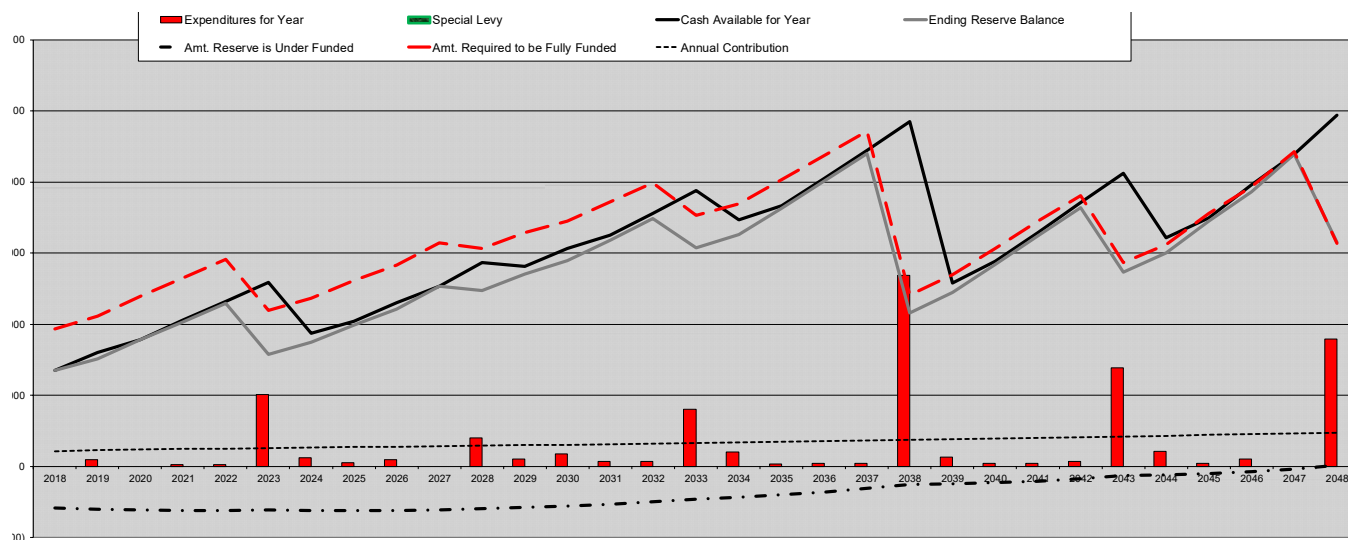
### **Other Planning Measures**

Special Levy	none budgeted
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### CASH FLOW TABLE

Phung Horwood has prepared the following Cash Flow Table, which projects proposed minimum annual funding required to meet estimated Reserve Fund expenditures.

Oakland Park								
Year	Opening	Recommended		Estimated	Estimated	Percentage	Closing	Percentage
ending	Balance	Annual	Special	Inflation	Interest	Increase in	Balance	Funded
30-Jun		Contribution	Levy	Adjusted	Earned	Recommended		
				Expenditures		Contributions		
2018	225,573	41,760	0	0	2,350	n/a	269,683	70%
2019	269,683	46,800	0	18,555	4,719	12.07%	302,647	71%
2020	302,647	47,956	0	0	5,296	2.47%	355,900	74%
2021	355,900	49,140	0	5,416	6,228	2.47%	405,852	77%
2022	405,852	50,354	0	5,562	7,102	2.47%	457,747	79%
2023	457,747	51,598	0	202,221	8,011	2.47%	315,135	72%
2024	315,135	52,872	0	25,227	5,515	2.47%	348,295	74%
2025	348,295	54,178	0	10,845	6,095	2.47%	397,724	76%
2026	397,724	55,517	0	18,563	6,960	2.47%	441,637	78%
2027	441,637	56,888	0	0	7,729	2.47%	506,254	81%
2028	506,254	58,293	0	79,753	8,859	2.47%	493,653	81%
2029	493,653	59,733	0	20,108	8,639	2.47%	541,917	82%
2030	541,917	61,208	0	34,418	9,484	2.47%	578,191	84%
2031	578,191	62,720	0	14,139	10,118	2.47%	636,891	86%
2032	636,891	64,269	0	14,521	11,146	2.47%	697,785	87%
2033	697,785	65,857	0	161,057	12,211	2.47%	614,796	87%
2034	614,796	67,483	0	40,586	10,759	2.47%	652,452	88%
2035	652,452	69,150	0	6,292	11,418	2.47%	726,729	90%
2036	726,729	70,858	0	8,077	12,718	2.47%	802,228	92%
2037	802,228	72,608	0	8,295	14,039	2.47%	880,581	93%
2038	880,581	74,402	0	538,048	15,410	2.47%	432,345	90%
2039	432,345	76,240	0	26,246	7,566	2.47%	489,904	91%
2040	489,904	78,123	0	8,985	8,573	2.47%	567,615	92%
2041	567,615	80,052	0	9,228	9,933	2.47%	648,373	94%
2042	648,373	82,030	0	14,215	11,347	2.47%	727,534	95%
2043	727,534	84,056	0	276,991	12,732	2.47%	547,330	95%
2044	547,330	86,132	0	42,980	9,578	2.47%	600,060	96%
2045	600,060	88,259	0	8,212	10,501	2.47%	690,608	97%
2046	690,608	90,439	0	21,085	12,086	2.47%	772,048	98%
2047	772,048	92,673	0	0	13,511	2.47%	878,232	99%
2048	878,232	94,962	0	358,157	15,369	2.47%	630,406	100%





## **RECOMMENDATIONS**

The recommendations, set out below and detailed in this report, will assist the corporation to achieve and maintain an adequate reserve fund. In my opinion, the current reserve fund balance, recommended annual contributions, earned investment income, and planned special levies will adequately fund immediate and future reserve fund expenditures.

1. The corporation should prepare and implement a long-term reserve fund strategy, which seeks to keep the reserve at an adequate level of funding throughout the budgeting period.
2. Major repairs and replacements of capital items (Reserve Components) should be recorded in, and funded from, a reserve fund account.
3. The reserve fund contributions should be set at \$46,800 per annum for the year ending June 30, 2019.
4. The reserve fund contributions should be increased annually by 2.47% through June 30, 2048.
5. The corporation should investigate the probability that increased interest revenue could be achieved so as to match the interest rates that have been utilized in the projections contained herein.
6. The corporation should make such expenditures as necessary to maintain the property in optimum condition.
7. The reserve fund should be reviewed every year to ensure that the underlying assumptions are still valid and that the estimates remain current.
8. The corporation should update the Depreciation Report, as required by law, every three (3) years.

**ERRORS AND OMISSIONS INSURANCE**

Richard J. Horwood carries Errors and Omissions Insurance in the amount of \$2,000,000 per claim as required by the Appraisal Institute of Canada and the Real Estate Institute of Canada.

**CERTIFICATION**

I hereby certify that I am a prescribed person empowered to conduct Depreciation Reports, as stipulated in Part 6, Section 94 of the Strata Property Act [SBC 1998], and that I have personally inspected the within described property and examined the building plans and/or documents as identified herein. To the best of my knowledge and belief, the information and data used herein are true and correct.

I have no interest, present or prospective, in the property or its management. Neither the employment to prepare this Depreciation Report nor the compensation is contingent on the amount of the reserve fund estimates reported. Moreover, I am solely responsible for the reserve fund estimates reported herein.

This report was prepared in conformity with the Depreciation Report (Reserve Fund Study) Standards, published by the Real Estate Institute of Canada, and complies with the Strata Property Act [SBC 1998], and Strata Property Regulation 43/2000.



**Richard J. Horwood, AACI, P.App. CRP**

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**DEFINITION OF BENCHMARK ANALYSIS**

The Benchmark Analysis provides the basis for comparison to the actual reserve fund operation. The Benchmark provides a picture of the optimum reserve fund operation, showing the Current Reserve Fund Requirements and the Annual Stabilized Reserve Fund Contributions for a Fully Funded Reserve model.

**DEFINITION OF FULLY FUNDED RESERVE**

A Fully Funded Reserve contains sufficient funds to cover the costs of required repair or replacement of common assets over the lifespan of the Subject Property. In a fully funded scenario, the Contingency Reserve Fund balance, when combined with an adequate level of annual contributions and earned interest, is sufficient so as to negate the requirement for special levies to cover future capital expenditures.

In this report, the reserve is considered to be fully funded when the balance in the Contingency Reserve Fund equates with the Current Reserve Fund Requirement indicated in the Benchmark Analysis.

**PROJECTED RESERVE FUND EXPENDITURES**

The proposed reserve fund expenditures in the 30 Year Cash Flow Projection are mere guidelines in terms of timing. The Strata Corporation should recognize that the actual timing of these projected repairs and replacements may occur before or after the dates shown. Reserve fund expenditures should be readily varied to conform to the Strata Corporation's actual management and maintenance plans. These variations to timing or phasing will have a minor overall effect upon the cash flow projections.

In essence, reserve fund expenditures are the responsibility of Strata management and the projections contained herein are guidelines only. The expenditure projections must not overshadow the purpose of this report, which is to assist Strata in attaining and maintaining a healthy and fiscally responsible Contingency Reserve Fund.

**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.

The architectural, structural, mechanical, electrical and other plans and specifications of the building or buildings and improvements are assumed to be correct. Furthermore, all buildings and improvements are deemed to have been constructed and finished in accordance with such plans and specifications, unless otherwise noted.

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

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 herein contained. Accordingly, the information is believed to be reliable and correct, and has been gathered according to standard professional procedures, but no guarantee as to the accuracy of the data is implied.

The utilization of the cost estimates is valid only within the context of 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 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 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.

## **PURPOSE AND INTENDED USE**

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

This Depreciation Report is a financial document. The purpose of a Depreciation Report is to create a funding model and make recommendations which the Strata may utilize to attain and maintain a healthy and fiscally responsible Contingency Reserve Fund. This modeling is based upon projecting cost estimates for various reserve components that are subject to major repairs and/or replacement over the lifetime of the property. The recommendations are based upon the estimated funding required for such major repairs and replacement in accordance with the provisions of Part 6, Section 94 of the Strata Property Act.

### **Intended Use**

This report has been prepared for capital planning purposes and is for the exclusive use of the Strata Council of Strata Plan VIS2630. No other party may rely on the report without specific written approval of the Strata Council or representative thereof.

## **EFFECTIVE DATE**

This Depreciation Report applies as of June 2018.

## **STANDARDS AND COMPLIANCE**

This Depreciation Report has been completed in accordance with the following standards and regulations:

- Depreciation Report (Reserve Fund Study) Standards, published by the Real Estate Institute of Canada. (CRP Technical Bulletin No.1)
- Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP), published by the Appraisal Institute of Canada.
- Part 6 – Div 1 of the British Columbia Strata Property Act [SBC 1998]
- Strata Property Regulation B.C. Reg. 43/2000 (includes amendments up to B.C. Reg. 206/2016, July 28, 2016) under the Strata Property Act of British Columbia.

**Refer to the relevant sections of the Act and Regulation in Addendum A.**

## **SCOPE OF INVESTIGATION**

A Depreciation Report includes the examination of the strata documentation, financial statements, budgets and existing reserve funds, and the physical inspection of common elements. Building plans, specifications and reports, field notes and other information are also analyzed in preparation of various estimates and value judgments.

In estimating replacement reserves, the component method of valuation is used. Reserve items consist of building or site components such as roof systems, exterior walls and pavement and sidewalks, each of which is deemed to have a limited lifespan, and therefore, they must be repaired, replaced or periodically upgraded to maintain the property in excellent condition.

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.

In estimating the life span of the various components, physical deterioration, functional obsolescence and environmental factors are all contemplated. In measuring the reserve requirements, I have considered depreciation tables and normal life span experience records. Finally, I relied on my own judgement and experience of estimating the current condition and remaining life spans of reserve components.

The registered strata plan and some drawings produced by RDH were reviewed during the course of completing the original Depreciation Report. Both the available plans and field measurements were relied upon for "take offs" including door and window counts, site data and building façade measurements.

The buildings and improvements have been inspected and photographed. Various construction details, facilities, equipment installations and improvements have been noted for consideration in the component estimates herein.

Cost data have been investigated using construction cost services as well as various quotes from relevant providers and suppliers. These have been modified as to time, location and quality of construction.

A variety of financial documents have been reviewed including budgets and un-audited financial statements. Discussions have been held with the Property Manager and Strata Council Members regarding the building history, standard of upkeep and ongoing issues of concern (if any).

## **METHODOLOGY**

### **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 worn-out 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.

### **Phung Horwood Depreciation Report Standards**

Part 6.2 (1) of the Strata Property Regulation of British Columbia requires that a Depreciation Report consist of:

- a) a physical component inventory 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; and
- c) a financial forecasting section that complies with subsection (3);

Phung Horwood follows Depreciation Report (Reserve Fund Study) Standards, published by the Real Estate Institute of Canada, that meet or exceed the regulatory requirements and are now recognized and emulated across Canada. Additionally, Phung Horwood follows the standards set out by the Appraisal Institute of Canada in the Canadian Uniform Standards of Professional Appraisal Practice.

These standards, presented throughout this report, consist of investigations, analyses and calculations that provide realistic and supportable reserve fund estimates.

### **General Conditions and Assumptions**

Reserve fund estimates are subjective, and they are based on an understanding of the life cycle of building components and my experience gained from observing buildings at various stages of their life cycles. 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. B.C. Regulations stipulate that a new Depreciation Report be completed every three years.

### **Reserve Fund Projection Factors**

Section 6.2 (3)(a)(b) of the Strata Property Regulation requires that the financial analysis include: “a description of the factors and assumptions, including interest rates and rates of inflation, used to calculate the costs” of “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”.

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

### **Inflation Factors**

Inflation measurement in 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, CoreLogic (Marshall & Swift/Boeckh) and Statistics Canada.

#### **• R.S. Means Historical Cost Index**

The R.S. Means Historical Cost Index, which is used herein to calculate annual inflation rates, is based on the computed index values calculated quarterly and averaged over 731 cities throughout the US and Canada. The following are selected average annual rates of change over various time periods, derived from the Means Historical Cost Indexes.

- |  |       |
|--|-------|
| ▪ 30 years from July/1987 to July/2017 | 3.01% |
| ▪ 25 years from July/1992 to July/2017 | 3.11% |
| ▪ 20 years from July/1997 to July/2017 | 3.24% |
| ▪ 15 years from July/2002 to July/2017 | 3.44% |
| ▪ 10 years from July/2007 to July/2017 | 2.35% |
| ▪ 5 years from July/2012 to July/2017  | 1.88% |

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.



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- **CoreLogic – (Marshall and Swift)**

CoreLogic – (Marshall and Swift) researches construction costs throughout North America and provides a local cost estimating service on a city by city basis. Local costs are derived by applying a local multiplier to a universal base cost.

By utilizing Marshall and Swift to produce construction cost estimates for a typical apartment, over each of the past 30 years, annual percentage changes in construction costs have been derived as follows:

- **30 years from Feb/1988 to Feb /2018**      **2.67%**
- **25 years from Feb /1993 to Feb /2018**      **2.84%**
- **20 years from Feb /1998 to Feb /2018**      **2.87%**
- **15 years from Feb /2003 to Feb /2018**      **3.02%**
- **10 years from Feb /2008 to Feb /2018**      **2.09%**
- **5 years from Feb /2013 to Feb /2018**      **2.15%**

- **Statistics Canada**

Statistics Canada publishes construction cost indexes, by geographic area, on a quarterly basis. Construction cost indexes for apartment buildings in Vancouver (the closest geographic area to Victoria) have been analyzed over the past 25 years with average annual percentage changes as follows:

- **25 years from Sept/1992 to Sept /2017**      **2.79%**
- **20 years from Sept /1997 to Sept /2017**      **2.94%**
- **15 years from Sept /2002 to Sept /2017**      **3.38%**
- **10 years from Sept /2007 to Sept /2017**      **0.76%**
- **5 years from Sept /2012 to Sept /2017**      **2.73%**

The data presented above show the annual compounded rate of increase in construction costs over various periods. The 25 and 30-year statistics are most appropriate given that the budgeting period herein is 30 years.

The annual increases over the shorter time periods provide a good check as to the trend in the long-term rate of increase. The 15-year data shows annual rates of increase which are higher than the 25 and 30-year data, while the 5-year data shows the recent annual increases have been lower than historical averages.

- **Bank of Canada Target Inflation Rate**

In 1995 the Bank of Canada instituted a long-term inflation target of between 1 and 3 percent which they control through monetary policy. The actual target rate has been 2 percent, which has led to public expectations of achieving a 2 percent inflation rate in the foreseeable future. Within specific industries, the building industry included, other factors, such as the U.S. exchange rate, or commodity prices such as copper and oil, can have localized effects upon inflation rates. For this reason, the industry specific statistics are given greater consideration than is the Bank of Canada target inflation rate.

Based upon a review of the various data sources, I have adopted a rate of **2.7%** for annual inflation in calculating the future replacement costs hereinafter.

## **Interest Rates**

Investment income can be a significant and increasing source of revenue for reserve funds; therefore, it is imperative that these funds are continuously and prudently invested. Reserve fund investments must be directly or indirectly guaranteed by governments or be a fixed income portfolio fund with 98% or more of the value of holdings having a rating of BBB or higher. 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) or Credit Union Deposit Insurance Corporation of British Columbia.

The ability of Strata corporations to earn the highest rate of interest available in the marketplace, given the restricted conditions of investments, depends on the expertise of financial management and the amount of available funds for investment. Therefore, the reserve fund planner must consider management policies, the historical investment performance and the size of the reserve fund available for investment.

In selecting an appropriate interest rate for reserve fund investments for a particular Strata corporation, the balance of the 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:

<b>Reserve Fund Balances</b>	<b>Interest Rates</b>
<b>Up to \$249,999</b>	<b>0.75% to 2.0%</b>
<b>\$250,000-\$1,000,000</b>	<b>1.25% to 2.5%</b>

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

Some management firms use their “purchasing power” by directing business to a particular financial institution to negotiate favourable 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 in a mix of both large and small denominations with staggered maturity dates.

Considering the investment opportunities available in the subject instance, and a recommended management policy of investing in secured guaranteed investments, I have selected the following interest rates in calculating the future investment performance of the Corporation’s reserve fund.

<b>Rate for Benchmark Calculation</b>	<b>1.50%</b>
<b>Rates for 30 Yr. Projections</b>	
<b>Up to \$ 250,000</b>	<b>1.50%</b>
<b>\$ 250,000 - \$1,000,000</b>	<b>1.75%</b>
<b>\$1,000,000 and over</b>	<b>2.00%</b>

## **DEFINITIONS**

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

<b>Reserve Component or Item</b>	Identification and description of the building component or improvement
<b>Replacement or Repair Cost</b>	The estimated cost of repairing or replacing a reserve component at current prices including the cost of demolition and disposal
<b>Expected or Normal Life Span</b>	The estimated life expectancy of a reserve component in terms of years under normal conditions
<b>Actual Age</b>	The chronological age of the reserve components, expressed in years
<b>Effective Age</b>	The observed condition estimate of the building component or improvement, not necessarily the actual age, expressed in years
<b>Remaining Life Span</b>	The difference between the expected or normal life span and the effective age of the reserve component
<b>Projected Inflation</b>	An estimated long-term inflation factor used in projecting cost estimates
<b>Projected Interest Rate</b>	An averaged long-term interest rate used in calculating interest earned from the investment of reserve funds
<b>Unit Cost Estimate</b>	The current replacement cost estimate of the reserve component on a per unit basis
<b>Future Replacement Cost</b>	The estimated cost of replacing or repairing the reserve component at future prices
<b>Current Reserve Requirements</b>	Reserve funds required today, considering the effective age of the reserve components or improvements
<b>Future Reserve Accumulation</b>	The current reserve requirements invested at the projected interest rate over the relevant time period
<b>Future Reserve Requirements</b>	The shortfall between the future replacement cost estimate and the future reserve fund accumulation
<b>Annual Stabilized Reserve Assessment</b>	Annual amount required to be paid into the reserve fund once the deficit is eliminated, and to be invested at the projected interest rate to fund the future reserve requirements,
<b>Life Span Analysis</b>	This is the life cycle analysis of each reserve component based on the observed condition estimate involving: <ul style="list-style-type: none"> <li>• Life Span estimate of the reserve component in terms of years;</li> <li>• Effective Age estimate, which is an observed condition judgement in terms of years; and</li> <li>• Remaining Life estimate, which is the useful life of the reserve component remaining from the date of the condition estimate</li> </ul>

## **CONDITIONS AND ASSUMPTIONS**

In estimating various reserve items, certain assumptions are made in respect to structural repairs and replacements of improvements. For example, reserves for exterior walls, structural repairs, and replacements of mechanical and electrical components are difficult to predict and/or quantify. Therefore, the only reasonable approach is to provide contingency estimates.

The underlying assumptions and quantification of contingency reserves should be reviewed from time to time, particularly in the context of repair experience and problem investigations, such as water damage, cracks in walls and concrete structures, noticeable deterioration etc.

Reserve fund estimates are necessarily in part subjective, and those given here are based on my understanding of the life cycle of building components and my experience. 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 should be reviewed and modified over time, not less than every three years.

In essence, the corporation should adopt a long-term policy regarding reserve fund allocations, which must be flexible to accommodate changes in reserve fund requirements in the future.

The following assumptions underlie the reserve fund estimates herein and are based on my investigation, observation and analysis of the various reserve components and my experience in real estate inspections, costing reviews and appraisals since 1995.

### **Quality of Construction**

The project was constructed in 1993 and is assumed to have been in accordance with applicable building codes and current construction practices at the time of construction. The quality of construction, materials, and workmanship is generally considered to be good. The building exterior was remediated in 2008.

The reserve fund estimates contained herein are affected by observed conditions, the current program of renovations and preventative maintenance, and an analysis of building components, which reflect the quality of construction and finishing.

### **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 Tax**

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

**Contingency Reserves**

It is frequently impossible to forecast the incidence of repairs or replacements of various reserve components, particularly major components, such as exterior walls, structural elements, 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.

**Structural Deficiencies**

There have not been any reports of any serious structural deficiencies. It is noted however that the planner is not a structural engineer and is not expressing an opinion on the structural integrity of the building but is reporting on observed conditions.

**Environmental Conditions**

The planner is not qualified to comment on environmental issues that may affect this analysis, including but not limited to pollution or contamination of land, building, water, groundwater or air. Unless expressly stated, the property is assumed to be free and clear of pollutants and contaminants, including but not limited to molds or mildews or the conditions that might give rise to either, and in compliance with all regulatory environmental requirements, government or otherwise, and free of any environmental condition, past, present, or future that might affect this Reserve Fund Study (Depreciation Report). If the party relying on this report requires information about environmental issues, that party is cautioned to retain an expert qualified in such issues. I expressly deny any legal liability relating to the effect of environmental issues on the Reserve Fund Study (Depreciation Report).

**Insurance Repairs**

Insurance should cover the buildings and improvements against numerous perils, but it is not intended to be a maintenance program. The difference between an insurance claim and maintenance repairs is not always clear, and it can result in prolonged disputes.

For example, an unexpected sewer cave-in and resulting back-up is a legitimate insurance claim, and as such, it should be covered by the insurance policy subject to the stated deductible. The deterioration of a catch basin and sewer connection, which caused a cave-in resulting into a sewer back up, is a building repair expense.

**Management Policy**

It is assumed that the subject strata will continue to operate under professional property management. This would usually entail the following:

- Operating and reserve fund expenditures are kept separate in the financial accounting and budgeting,
- Routine maintenance and repairs are deemed to be operating expenses,
- In general, any “common expense” which “usually occurs less often than once a year or that does not usually occur” is charged to the Reserve Fund.

## **PROPERTY INFORMATION**

### **Address**

1536 Hillside Avenue, Victoria B.C., V8T 2C2

### **Legal Description**

Strata Lots 1-24, Section 29/30, Victoria District, Plan VIS2630

### **Location**

The Subject Property is located on the Northern side of Hillside Avenue, one property west of Doncaster Drive, directly across from Belmont Avenue, within the City of Victoria, British Columbia.



### **General Description**

The Subject Improvements consist of a four-storey, wood framed, 24-suite apartment condominium building constructed in 1993. Floors 2-4 contain 7 residential condo units each, accessed by common interior hallways. The ground floor has 3 residential units, plus a common activity room, storage lockers and the mechanical/utility rooms for the Subject building. Parking is provided via a combination of uncovered surface stalls and surface stalls under the second level of the building. The building exterior was fully remediated in 2008 by RDH Engineering Ltd. due to building envelope issues common in buildings of this era. Remediation included replacement of the exterior cladding with rainscreen cladding, new windows/sliding glass doors, and balcony re-construction/remediation. Small metal roofed canopies were added to the building to increase the weatherproofing ability. The overall construction, materials and workmanship are of good residential quality, and post-remediation, the building is considered to be of sound design and finishing. The property is in good condition comparative to the date of construction.

TPM Properties, a firm with many years of experience managing residential and commercial properties, manages the property.

## **Building Plans**

The following plans were examined in the course of completing the original Depreciation Report.

Strata Plan VIS2630	Richard j. Wey, B.C.L.S
Structural Plans	Bas Smith Architect Inc.
Envelope Rehabilitation Plans	RDH Engineering Ltd.
Fire & Safety Plan	JP Fire Protection Advisors Ltd.
Layout & Plan, Grading	Deborah LeFrank Design Consultant Ltd.

Additional plans examined during the course of the second Depreciation Report include:

Architectural Plans	Bas Smith Architect Inc.
Fire Safety Site/Floor Plans	Rainbow Fire Protection Ltd.

Both the available plans and physical measurements were used for quantifying building components and other improvements. All quantities are considered estimates. **The original file documents have been reviewed and checked for accuracy. This report may contain some changes to dimensions or quantities of the components contained herein due to rounding or re-measurement.**

The building and site improvements were inspected on June 18, 2018, by Richard J. Horwood, AACI P.App., CRP. Various construction details, facilities, equipment installations and improvements have been noted for consideration in the cost estimates contained herein.

## **Project Data**

**\* Project Data is estimated only**

The following data and information has been compiled and calculated from the available plans, GIS photographs and field notes from the inspection of the buildings and improvements.

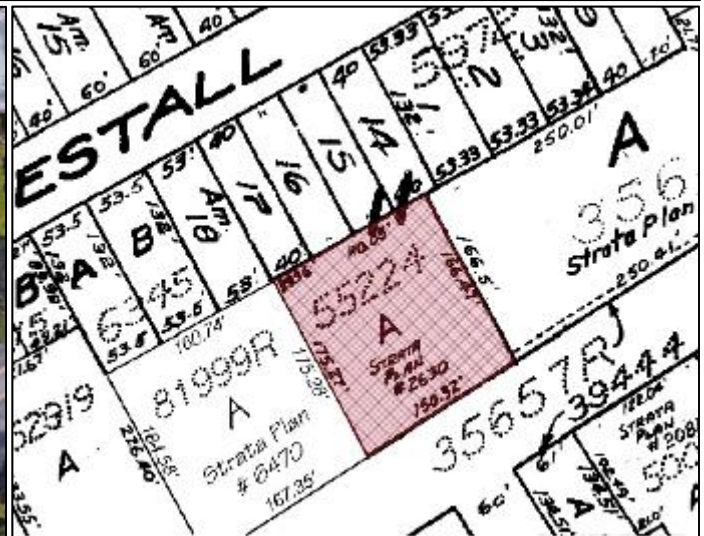
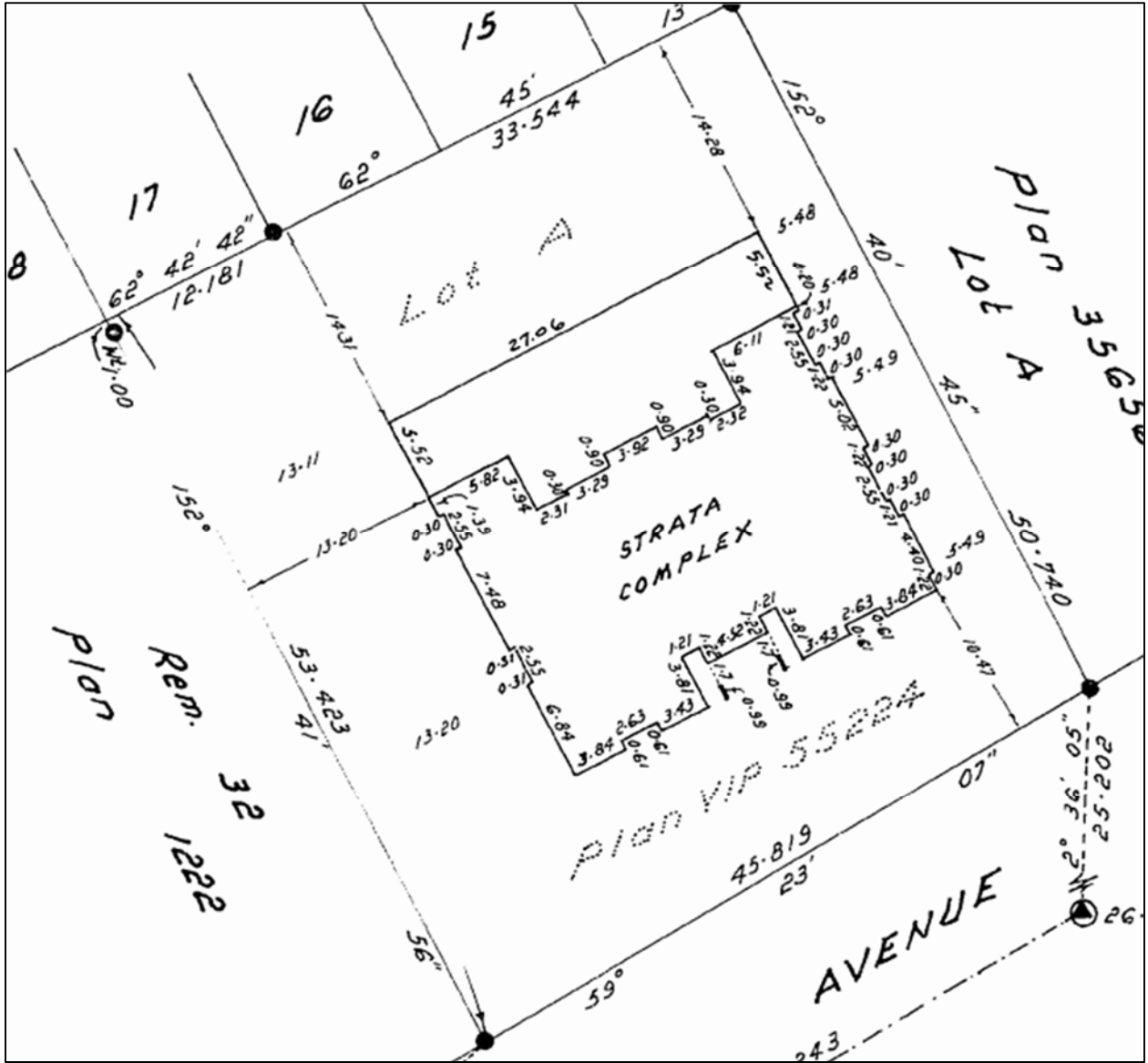
### **Property Statistics**

Site Area	± 25,640 sq.ft.
Building Coverage	± 7,450 sq.ft. (upper floors not including balconies)
Asphalt Paving	± 6,800 sq.ft.
Concrete Pathways/Paving	±6,200 sq.ft. (incl. under bldg. parking and common patio stones)
Landscaped Area	±6,800 sq.ft.

### **Building Statistics**

Date of Construction	1993
Occupancy	24 condominium units
Building Height	4 sty, 12m
Gross Building Floor Area	±27,500 sq.ft.
Building Perimeter	±400 lin.ft.
Stucco Wall Area	± 9,000 sq.ft.
Fibre Cement Wall Area	± 2,300 sq.ft.
Windows (Glazed) Area	± 3,100 sq.ft. (Includes Balcony Doors)
Flat Roof Area	± 7,900 sq.ft.
Sloped Roof Area	± 600 sq.ft.
Interior Hallway Floor Area	± 3,200 sq.ft.
Interior Hallway Wall Area	± 8,300 sq.ft.

Site Plan





### **Basic Construction Components**

The Subject Building was constructed in 1993, in accordance with applicable building codes, fire codes, city by-laws, and construction practices in existence at that time. It was fully remediated in 2008 with a rainscreen exterior. The quality of construction, materials and workmanship is considered to be good. The following information, which is deemed to be correct, was taken from a physical inspection, architectural plans and specifications, and discussions with the owners.

Foundation	Reinforced concrete foundation, footings, supports, beams, and columns. There is at grade parking under the second level of the building.
Superstructure	4-Storey wood frame construction
Building Exterior	Load bearing exterior walls clad with rain-screen stucco and fibre cement siding.
Windows and Sliding Doors	Vinyl framed thermal panes of varying shapes and sizing.
Patios/Balconies	Cantilevered wood frame balconies with vinyl waterproof membranes and aluminum guardrails with glazing. One balcony on the Hillside frontage has solid guardwalls.
Roof and Drainage Construction	2 ply torch-on membrane and sections of standing seam metal panel. Drainage is through traditional interior roof drains and gutters/downspouts.
Interior Construction	Stud and drywall partitions and ceilings. Flooring is carpet in corridors.
Mechanical	Rooftop mounted air handling unit with inline duct heater.
Electrical	1,200 Amp service with main disconnect, 500 & 350 amp sub services, 24 individual suite meters, and house meter. Distribution for each floor; wiring and fixtures for light and power; telephone wiring.
Conveying Systems	One (1) Dover 2,100 lbs. capacity hydraulic elevator servicing 4 levels. Two (2) stairwells.
Site Services	2" main water line, 6" sanitary sewer and 6" storm drains.
Heating and Cooling	Electric baseboard heaters throughout suites and common areas.
Fire Alarms and Safety Systems	Pull alarms, hard wired heat and smoke detectors, Siemens FACP and Annunciator, and emergency lighting.
Fire Suppression Systems	Dry pipe sprinkler system for the exterior areas, wet pipe sprinklers in the remaining common areas. Fire extinguishers.
Site Work	Asphalt paving, concrete paving, walkways and patios, curbing wood fencing, lamp posts, garbage enclosure, shrubs and mature trees.

## **RESERVE COMPONENT CLASSIFICATION**

The reserve component classification used herein is based on the Unifomat System, developed by the US Government, and has been modified for reserve fund planning purposes. Reserve fund components are grouped into functional classifications, such as architectural, structural, interior design, mechanical, electrical and site improvements. This classification system is consistently applied for quick analysis and data base applications.

In this reserve fund study, there are 28 major reserve components, classified into 4 categories for easy reference and convenience.

## **RESERVE COMPONENT DESCRIPTIONS AND ANALYSES**

### **Life Cycle 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, Preventive Maintenance and Observed Condition.

The critical aspect in a Life Span Analysis is the observed condition of each reserve component, which includes: Actual age of the component, Maintenance of the component, Observed deficiencies of the component, Repair and Replacement history and Probability of hidden conditions

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

- **Normal Life Span**

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

- **Effective Age (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 reserve fund planner or analyst, as this is a subjective estimate rather than an objective assessment.

- **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 reserve fund planner. Furthermore, the life span of a reserve component is subject to change due to numerous factors.

**Current Cost Estimates**

Depreciation Report component assessments and current cost estimates are based on my investigation, observation, analyses and my experience in performing Depreciation Reports.

The cost estimates are taken from a variety of sources including, documentation prepared by and for Strata Plan VIS2630, local contractors' pricing and estimates, office files, Marshall and Swift online costing services and the R.S. Means Commercial Renovation Cost Data. The life span estimates herein are based on experience, records, consultants' reports and my observation of conditions.

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.

**Additional Comments**

This may contain detail regarding the budgeting, or comments regarding any observed condition which may require remedial action.

**COMPONENT DESCRIPTION & ANALYSIS**

<b>Reserve Component: (1) General Capital Contingency</b>		
<b>Component Description</b>	<p>This component is a reserve contingency to repair or replace common elements of the Strata that do not necessarily fall within any particular component category. Items included in this category would consist of “building life” items or items with sufficiently unpredictable life spans, scope or small quantities that do not warrant an individual category. Repair and replacement cost estimates are based on the assumption of using quality materials, as specified or built. The estimated cost is a result of multiple factors taken into consideration, such as: the age of the building, location, climate, average occupancy etc.</p> <p>In the case of Oakland Park, specific items covered under this component heading include:</p> <p>Any repairs required to the foundation or superstructure; electric baseboards mailboxes; storage lockers; annual balcony membrane maintenance, garbage enclosure, signage, and common area furniture.</p> <p>*This list is not exhaustive. It should be noted that there may be other items included under this heading.</p>	
<b>Financial Analysis / Repair History</b>	There were no detailed expenditures relating to this component category.	
<b>Potential Deterioration</b>	Varied depending upon component. May be as a result of improper installation, inadequate maintenance, or typical lifespan.	
<b>Condition Analysis</b>	The items that make up this component vary in terms of effective age and condition.	
<b>Life Cycle Analysis</b>	Date of Acquisition	Varied
	Normal Life Span	Building Life, varied or unpredictable
	Effective Age	N/A
	Remaining Life Span	Building life or repaired/replaced as needed
<b>Unit Quantity And Cost Estimates</b>	Unit Quantity	1
	Unit Cost Estimate	Allowance
	Current Repair Cost Estimate	\$7,500 every 5 years
	Estimated Year/s of Major Repair or Replacement	2019 + every five years
<b>Additional Comments</b>	The budget is for a \$7,500 allowance every five years, beginning in 2019.	

<b>Reserve Component: (2) Balconies (Membranes)</b>									
<b>Component Description</b>	There is a total of 21 suspended balconies distributed across the upper three floors of the Subject Building. The balconies are cantilevered wood structures with vinyl waterproof membranes and aluminum/glass guardrails. This component will reserve for the replacement of the vinyl membranes. Structural repairs are considered in a separate component. This component would also cover minor repairs to the balcony gutter and drainage systems at the time of membrane replacement.								
<b>Financial Analysis / Repair History</b>	The balconies were remediated along with the building envelope in 2008. This included the vinyl membranes. There have been no reported replacements since the remediation. The gutter systems were installed during the remediation.								
<b>Potential Deterioration</b>	The vinyl deck membranes can deteriorate from wear and tear, or due to heat/cool cycles, water and ultraviolet light. Over time they will lose their ability to effectively prevent water ingress into the deck structure.  Gutters can become pitted and twisted or filled with debris which can impair their ability to adequately drain water.								
<b>Condition Analysis</b>	The vinyl balcony membranes viewed were in good condition, with little in the way of deterioration noted.								
<b>Life Cycle Analysis</b>	<table> <tbody> <tr> <td>Date of Acquisition:</td> <td>2008</td> </tr> <tr> <td>Normal Life Span</td> <td>15 Years</td> </tr> <tr> <td>Effective Age</td> <td>5 Years</td> </tr> <tr> <td>Remaining Life Span</td> <td>10 Years</td> </tr> </tbody> </table>	Date of Acquisition:	2008	Normal Life Span	15 Years	Effective Age	5 Years	Remaining Life Span	10 Years
Date of Acquisition:	2008								
Normal Life Span	15 Years								
Effective Age	5 Years								
Remaining Life Span	10 Years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tbody> <tr> <td>Unit Quantity</td> <td>21 Balconies, ±2,000 sq.ft.</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>\$1,300 average per balcony</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$27,300</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2028, 2043</td> </tr> </tbody> </table>	Unit Quantity	21 Balconies, ±2,000 sq.ft.	Unit Cost Estimate	\$1,300 average per balcony	Current Repair Cost Estimate	\$27,300	Estimated Year/s of Major Repair or Replacement	2028, 2043
Unit Quantity	21 Balconies, ±2,000 sq.ft.								
Unit Cost Estimate	\$1,300 average per balcony								
Current Repair Cost Estimate	\$27,300								
Estimated Year/s of Major Repair or Replacement	2028, 2043								
<b>Additional Comments</b>	The balcony membranes appeared to be in good condition with little deterioration. They are considered to be in better condition than their chronological age. Replacement is budgeted in 2028. Any annual maintenance requirements should be covered from the operating budget.								

**Reserve Component: (2) Balconies (Membranes)**



View of Typical Balcony Membrane



View of Typical Balcony Membrane

<b>Reserve Component: (3) Balconies (Structural)</b>									
<b>Component Description</b>	There are 21 cantilevered balconies distributed across the building. These wood framed structures have side mounted glass/aluminum railings, vinyl waterproof membranes, aluminum soffits and double fascia trim. This component reserves for structural repairs to the balconies at the end of their effective lifespan.								
<b>Financial Analysis / Repair History</b>	The original pony walls and guardrails were replaced in conjunction with the building remediation in 2008. Estimated cost of the guardrails in 2008 was \$43,000. There have been a couple of cases where a glass pane has shattered, however this has likely been due to impact rather than deterioration of the guardrails.								
<b>Potential Deterioration</b>	Like any wood frame structure, balconies will deteriorate over time and require repairs and eventual replacement. Deterioration is affected by factors such as exposure to the elements, water ingress, quality of original construction, and wear and tear. Guardrails may require re-painting or repair/replacement and glass is susceptible to impact damage.								
<b>Condition Analysis</b>	The balcony structures appeared to be in good condition as of the date of inspection. They are properly sloped away from the building and there were no indications of structural issues.								
<b>Life Cycle Analysis</b>	<table> <tbody> <tr> <td>Date of Acquisition:</td> <td>Original / 2008 Remediation</td> </tr> <tr> <td>Normal Life Span</td> <td>35 Years</td> </tr> <tr> <td>Effective Age</td> <td>10 Years</td> </tr> <tr> <td>Remaining Life Span</td> <td>25 Years</td> </tr> </tbody> </table>	Date of Acquisition:	Original / 2008 Remediation	Normal Life Span	35 Years	Effective Age	10 Years	Remaining Life Span	25 Years
Date of Acquisition:	Original / 2008 Remediation								
Normal Life Span	35 Years								
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<b>Unit Quantity And Cost Estimates</b>	<table> <tbody> <tr> <td>Unit Quantity</td> <td>21 Balconies</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>\$5,000</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$105,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2043</td> </tr> </tbody> </table>	Unit Quantity	21 Balconies	Unit Cost Estimate	\$5,000	Current Repair Cost Estimate	\$105,000	Estimated Year/s of Major Repair or Replacement	2043
Unit Quantity	21 Balconies								
Unit Cost Estimate	\$5,000								
Current Repair Cost Estimate	\$105,000								
Estimated Year/s of Major Repair or Replacement	2043								
<b>Additional Comments</b>	No deficiencies were noted. Structural repairs or replacement of the balcony structures is budgeted for 2043. This is in conjunction with the second cycle of membrane replacement. Providing that funds are accumulated towards this component, funds would be available for any minor repairs that may be required in 2028 at the time of the first membrane replacement.								

**Reserve Component: (3) Balconies (Structural)**



View of Balconies



View of Typical Balcony Structures



<b>Reserve Component: (4) Exterior Wall Cladding – Stucco</b>									
<b>Component Description</b>	The majority of the building exterior is clad with acrylic stucco cladding on a strapped cavity rainscreen system. This consists of an acrylic colour coat over 2 base coats, over backing board on strapping. The strapping creates an airspace between the cladding and the sheathing enabling moisture to dissipate rather than enter the structure. A portion of the building envelope at the northern side of the ground floor is still the original cementitious stucco.								
<b>Financial Analysis / Repair History</b>	The building envelope was remediated in 2008 by RDH Building Engineering. The replacement cost of the original stucco was estimated at \$510,000 in 2008. This accounted for approximately 40% of the total \$1,265,000 remediation budget.								
<b>Potential Deterioration</b>	Stucco can crack, crumble, bulge or break loose due to weather exposure such as water and wind, building settlement, improper installation, impact damage, mold / algae and missing drip screens. UV light may deteriorate the durability and function of the stucco.								
<b>Condition Analysis</b>	The stucco appeared to be in good condition as of the date of inspection. No notable deterioration was observed and the rainscreen system appears to be functioning in an adequate manner. The building exterior is well maintained.								
<b>Life Cycle Analysis</b>	<table> <tr> <td>Date of Acquisition:</td> <td>2008</td> </tr> <tr> <td>Normal Life Span</td> <td>15 years (minor repairs only)</td> </tr> <tr> <td>Effective Age</td> <td>10 years</td> </tr> <tr> <td>Remaining Life Span</td> <td>5 years</td> </tr> </table>	Date of Acquisition:	2008	Normal Life Span	15 years (minor repairs only)	Effective Age	10 years	Remaining Life Span	5 years
Date of Acquisition:	2008								
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<b>Unit Quantity And Cost Estimates</b>	<table> <tr> <td>Unit Quantity</td> <td>1</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>Allowance</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$5,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2023, 2037</td> </tr> </table>	Unit Quantity	1	Unit Cost Estimate	Allowance	Current Repair Cost Estimate	\$5,000	Estimated Year/s of Major Repair or Replacement	2023, 2037
Unit Quantity	1								
Unit Cost Estimate	Allowance								
Current Repair Cost Estimate	\$5,000								
Estimated Year/s of Major Repair or Replacement	2023, 2037								
<b>Additional Comments</b>	The building envelope has a chronological age of 10 years. It is difficult to predict the lifespan and scope of any future repairs that may be necessary. The rain screen system appears to be functioning well, and the stucco is in good condition. It is assumed that the current stucco cladding is a building life component, however the limitation of water ingress will reduce stress on the stucco and help to ensure proper function over the long term. The budget is for an ongoing painting program with an allowance for minor repairs/maintenance at the time of repainting.								

**Reserve Component: (4) Exterior Wall Cladding – Stucco**



View of Rain Screen Stucco



View of Original Stucco

<b>Reserve Component: (5) Exterior Wall Cladding - Fibre Cement</b>		
<b>Component Description</b>	There is approximately 2,300 sq.ft. of horizontal fibre cement cladding on the building exterior. Similar to the stucco, the fibre cement is installed over a strapped cavity rainscreen system. This component will reserve for an allowance for repairs and partial replacement of the fibre cement siding as required.	
<b>Financial Analysis / Repair History</b>	The original horizontal wood siding was replaced with fibre cement siding as part of the 2008 remediation. There are no records of any major capital expenditures relating to the fibre cement siding.	
<b>Potential Deterioration</b>	Fibre cement is considered to be a durable cladding which is projected to last 50-100 years. However, if installed improperly it can crack. Fibre cement siding also requires paint to prevent water penetration.	
<b>Condition Analysis</b>	The fibre cement appeared to be in good condition as of the date of inspection. No signs of premature deterioration were noted.	
<b>Life Cycle Analysis</b>	Date of Acquisition:	2008
	Normal Life Span	50+ years 15 Year Repair Allowance
	Effective Age	10 years
	Remaining Life Span	5 years
<b>Unit Quantity And Cost Estimates</b>	Unit Quantity	1
	Unit Cost Estimate	Allowance
	Current Repair Cost Estimate	\$3,500
	Estimated Year/s of Major Repair or Replacement	2023, 2037
<b>Additional Comments</b>	<p>This budget reflects an amount for periodic repairs to the fibre cement siding at the time of re-painting. This allowance is not meant to represent the cost for full replacement, but rather an amount to fund periodic targeted repairs as needed.</p> <p>Fibre Cement siding is relatively new (since 1995), hence there is no evidence as to the actual lifespan. The prevailing opinion is that it should last +/- 50 years. (Assuming a thorough and ongoing cycle of re-painting). Since the timing and scope for full replacement cannot currently be projected, the budget is for an allowance every 15-years for repairs in conjunction with periodic painting cycles. Over time, lifespan of the concrete fibre siding will become more apparent. If it should be determined that future replacement will be necessary, then the 30-year budgets will be adjusted accordingly in future Depreciation Reports.</p>	

**Reserve Component: (5) Exterior Wall Cladding - Fibre Cement**



View of Fibre Cement Siding



View of Fibre Cement Siding

<b>Reserve Component: (6) Window Assemblies (7) Sliding Door Assemblies</b>		
<b>Component Description</b>	<p>Windows in the Subject development consist of glazed thermal units within vinyl frames. The opening mechanisms are a mixture of sliders, awning top or casement. Sliding glass doors are also vinyl framed thermal units.</p> <p>These components will reserve for the replacement of the window and sliding glass door assemblies at the end of their effective lifespans.</p>	
<b>Financial Analysis / Repair History</b>	Both the windows and sliding glass doors were replaced as part of the envelope remediation project.	
<b>Potential Deterioration</b>	<p>This includes various potential problems, such as: Seal breakage in double pane windows, discolouration, staining and cracking of frames, reduced performance of sliders, and cracked and broken glass caused by impact.</p> <p>Over time the sliders and rollers on the sliding glass doors will deteriorate, requiring replacement. Additionally, weather stripping will deteriorate and require replacement to maintain heat efficiency. These assemblies are also affected by the same deterioration associated with window assemblies as noted above.</p>	
<b>Condition Analysis</b>	The windows and sliding glass doors were in generally good condition as of the date of inspection. No indications of seal failures or major deterioration were noted. Some sliders and screen doors were observed to have decreased sliding performance; however this is considered to be a minor issue.	
<b>Life Cycle Analysis</b>	(6) Windows	(7) Sliding Doors
	Date of Acquisition:	2008
	Normal Life Span	30 Years
	Effective Age	10 years
	Remaining Life Span	20 years
<b>Unit Quantity And Cost Estimates</b>	Unit Quantity	±1,975 sq.ft.
	Unit Cost Estimate	\$60.00
	Current Repair Cost Estimate	\$118,500
	Estimated Year/s of Major Repair or Replacement	2038
<b>Additional Comments</b>	<p>The windows were replaced in 2008 at the time of building envelope remediation. It is reported that there is still ±10 years of warranty in effect from Starline Windows for the vinyl frames.</p> <p>The life expectancy for vinyl windows is 20-40 years; however they have only been in popular use for +/-20 years. The quality varies dependent on the manufacturer and age of the windows. Modern vinyl windows are being engineered to be more resistant to the elements and other external factors; therefore, their life expectancies are increasing. As the windows are relatively new (10 years) and there was a 20 year warranty on the frames and 10 years on the glazing units, the mid range (30 years) of the life expectancy range is utilized for the purposes of this report.</p> <p>Currently the best practice for replacement of vinyl windows is full removal and replacement. Any failures of the glazing or window units that occur before the budgeted replacement should be handled on an as needed basis.</p>	

**Reserve Component: (6) Window Assemblies (7) Sliding Door Assemblies**



Typical Sliding Glass Door



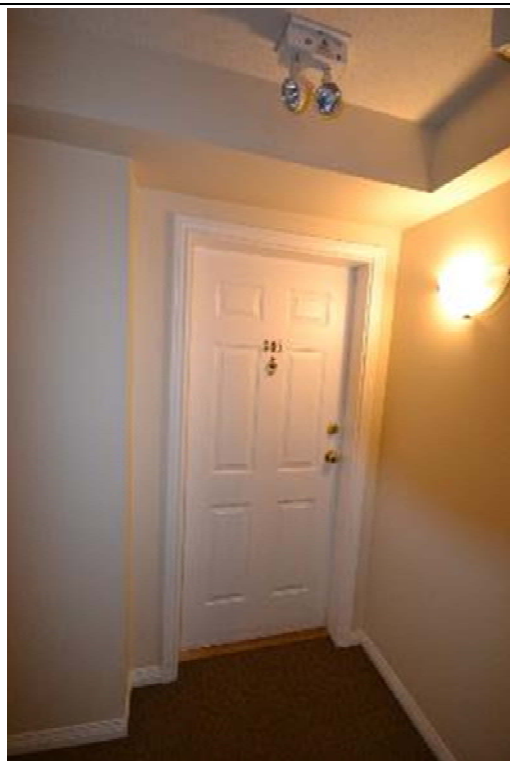
View of Typical Window Assemblies

<b>Reserve Component: (8) Door Assemblies</b>													
<b>Component Description</b>	Door assemblies consist of suite entry doors, stairwell doors, common area doors, exterior service doors, and the main and rear building entrance doors. Doors range from fire rated swing doors to pressed metal service doors and glazed storefront type doors. This component will consider a periodic allowance for door repairs or replacements, including the frames, hardware, closers and mechanical elements such as electrical strike as required.												
<b>Financial Analysis / Repair History</b>	The suite doors were repainted in 2013 at the time of hallway painting. No other records of major door repair or replacement have been reported. The stairwell and service door handles were changed in 2015 at a cost of \$700. The glazed front and rear door assemblies were retained during the building remediation at the recommendation of the engineering firm.												
<b>Potential Deterioration</b>	Door assemblies are typically affected by misuse, wear and tear, vandalism or oxidation. Mechanisms such as locks, hinges and closers will all wear out over time or be damaged through improper use. Doors that incorporate glazing are susceptible to impact damage. Metal door assemblies are typically expected to last the life of the building improvements.												
<b>Condition Analysis</b>	The doors were in good condition at the time of inspection, with no immediate maintenance requirements noted. The suite doors were painted in 2013 and the paint is still in very good condition. The front entry doors are reportedly functioning adequately.												
<b>Life Cycle Analysis</b>	<table> <tbody> <tr> <td>Date of Acquisition:</td> <td>1993</td> <td></td> </tr> <tr> <td>Normal Life Span</td> <td>30 Years</td> <td>10 year repair allowance used</td> </tr> <tr> <td>Effective Age</td> <td>15 Years</td> <td>3 years</td> </tr> <tr> <td>Remaining Life Span</td> <td>15 Years</td> <td>7 years</td> </tr> </tbody> </table>	Date of Acquisition:	1993		Normal Life Span	30 Years	10 year repair allowance used	Effective Age	15 Years	3 years	Remaining Life Span	15 Years	7 years
Date of Acquisition:	1993												
Normal Life Span	30 Years	10 year repair allowance used											
Effective Age	15 Years	3 years											
Remaining Life Span	15 Years	7 years											
<b>Unit Quantity And Cost Estimates</b>	<table> <tbody> <tr> <td>Unit Quantity</td> <td>1</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>Allowance</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$4,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2025, 2035, 2045</td> </tr> </tbody> </table>	Unit Quantity	1	Unit Cost Estimate	Allowance	Current Repair Cost Estimate	\$4,000	Estimated Year/s of Major Repair or Replacement	2025, 2035, 2045				
Unit Quantity	1												
Unit Cost Estimate	Allowance												
Current Repair Cost Estimate	\$4,000												
Estimated Year/s of Major Repair or Replacement	2025, 2035, 2045												
<b>Additional Comments</b>	The doors all appeared to be in overall good condition for their ages. If an exterior door is damaged or a problem should become evident, immediate action is recommended. Door replacements tend to occur due to aesthetic obsolescence rather than deterioration. Minor piecemeal repairs to doors or hardware can be accommodated so long as funds are being accumulated towards this component.												

**Reserve Component: (8) Door Assemblies**



Rear Entry Doors



Typical Suite Door

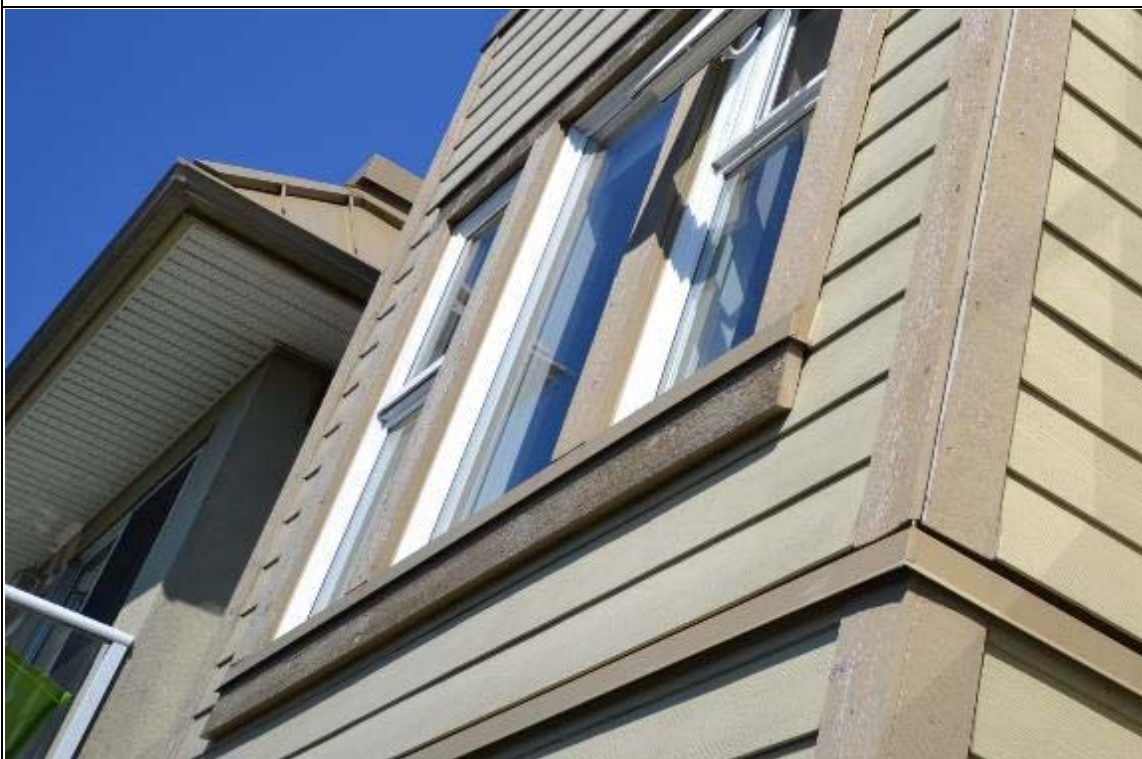


Storage Locker Door



<b>Reserve Component: (9) Exterior Painting, Caulking and Repair – Wood Trim</b>									
<b>Component Description</b>	This component considers the maintenance of the wood trim and balcony fascia through regular painting, caulking and minor repairs as required.								
<b>Financial Analysis / Repair History</b>	It is reported that the strata corporation intends to complete any exterior caulking required in the near future. There were no records of painting or repairs to the trim since its installation in 2008.								
<b>Potential Deterioration</b>	<p>Potential deterioration of this component is predominantly due to age and exposure to the elements. UV radiation and water are key contributors to the breakdown of paint. Deterioration typically involves fading, chipping and cracking of the paint.</p> <p>Wood siding and trim board is susceptible to moisture, which could cause twisting, bowing, cupping, or rotting. It can also be affected by insect infestation or impact damage. Poor installation can also cause premature deterioration. Regular maintenance and painting will help to extend the life of the wood.</p> <p>Caulking relies on flexibility to maintain seals between building materials and is attacked and gradually succumbs to elements such as sunlight, rain and temperature fluctuations. The caulking hardens and cracks allowing water penetration and heat loss.</p>								
<b>Condition Analysis</b>	The wood trim is due to be re-painted. There were several instances where the paint has visibly deteriorated and the wood is beginning to show cupping and/or cracking.								
<b>Life Cycle Analysis</b>	<table> <tbody> <tr> <td>Date of Acquisition:</td> <td>2008</td> </tr> <tr> <td>Normal Life Span</td> <td>10 year painting/caulking/repair allowance</td> </tr> <tr> <td>Effective Age</td> <td>9 years</td> </tr> <tr> <td>Remaining Life Span</td> <td>1 year</td> </tr> </tbody> </table>	Date of Acquisition:	2008	Normal Life Span	10 year painting/caulking/repair allowance	Effective Age	9 years	Remaining Life Span	1 year
Date of Acquisition:	2008								
Normal Life Span	10 year painting/caulking/repair allowance								
Effective Age	9 years								
Remaining Life Span	1 year								
<b>Unit Quantity And Cost Estimates</b>	<table> <tbody> <tr> <td>Unit Quantity</td> <td>1</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>Allowance</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$7,500</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2019, 2029, 2039</td> </tr> </tbody> </table>	Unit Quantity	1	Unit Cost Estimate	Allowance	Current Repair Cost Estimate	\$7,500	Estimated Year/s of Major Repair or Replacement	2019, 2029, 2039
Unit Quantity	1								
Unit Cost Estimate	Allowance								
Current Repair Cost Estimate	\$7,500								
Estimated Year/s of Major Repair or Replacement	2019, 2029, 2039								
<b>Additional Comments</b>	The painting/caulking/repair of the wood trim is budgeted for 2019 and every ten years thereafter. A regular maintenance program will prolong the life of this component.								

**Reserve Component: (9) Exterior Painting, Caulking and Repair – Wood Trim**



Paint Showing Deterioration and Wood Beginning to Cup



Paint Showing Deterioration and Wood Beginning to Cup/Crack

<b>Reserve Component: (10) Exterior Painting and Caulking – Stucco and Fibre Cement</b>									
<b>Component Description</b>	<p>The building exterior is clad with stucco, both cementitious and acrylic, and fibre cement siding. This component reserves for the periodic re-painting of the exterior cladding.</p> <p>Additionally, this component reserves for any re-caulking needs required at the time of painting.</p>								
<b>Financial Analysis / Repair History</b>	The building exterior has not been re-painted since the remediation in 2008. It is reported that the strata corporation intends to complete any exterior caulking required in the near future.								
<b>Potential Deterioration</b>	<p>Potential deterioration of this component is predominantly due to age and exposure to the elements. UV radiation and water are key contributors to the breakdown of paint. Deterioration typically involves fading, chipping and cracking of the paint.</p> <p>Caulking relies on flexibility to maintain seals between building materials and is attacked and gradually succumbs to elements such as sunlight, rain and temperature fluctuations. The caulking hardens and cracks allowing water penetration and heat loss.</p>								
<b>Condition Analysis</b>	The paint on the stucco and fibre cement siding was in good condition at the time of inspection. No visible signs of deterioration were noted. The caulking was well affixed with no indications of cracking or loss of flexibility.								
<b>Life Cycle Analysis</b>	<table> <tbody> <tr> <td>Date of Acquisition:</td> <td>2008</td> </tr> <tr> <td>Normal Life Span</td> <td>15 year painting/caulking allowance</td> </tr> <tr> <td>Effective Age</td> <td>10 years</td> </tr> <tr> <td>Remaining Life Span</td> <td>5 years</td> </tr> </tbody> </table>	Date of Acquisition:	2008	Normal Life Span	15 year painting/caulking allowance	Effective Age	10 years	Remaining Life Span	5 years
Date of Acquisition:	2008								
Normal Life Span	15 year painting/caulking allowance								
Effective Age	10 years								
Remaining Life Span	5 years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tbody> <tr> <td>Unit Quantity</td> <td>1</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>Allowance</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$45,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2023, 2037</td> </tr> </tbody> </table>	Unit Quantity	1	Unit Cost Estimate	Allowance	Current Repair Cost Estimate	\$45,000	Estimated Year/s of Major Repair or Replacement	2023, 2037
Unit Quantity	1								
Unit Cost Estimate	Allowance								
Current Repair Cost Estimate	\$45,000								
Estimated Year/s of Major Repair or Replacement	2023, 2037								
<b>Additional Comments</b>	Periodic and ongoing painting of the exterior cladding will help reduce water penetration and deterioration. Re-caulking is often completed at the same time as painting as mobilization costs are already covered. The budget considers re-painting/caulking in 2023 and every 15 years thereafter.								

**Reserve Component: (10) Exterior Painting and Caulking – Stucco and Fibre Cement**



Typical Caulking



Painted Building Exterior

<b>Reserve Component: (11) Roofing, Flashing and Drainage – Flat Roof</b>									
<b>Component Description</b>	The main building roof is covered with 2-ply SBS torch-on membrane assembly. Flashings are painted metal and drainage is through interior roof drains and scupper type drains. This component will reserve for the replacement of the roofing and associated flashings and drains at the end of their effective lives. Also included would be the replacement of the 13 skylights.								
<b>Financial Analysis / Repair History</b>	The torch-on roof membrane is reportedly original to the Subject building with only minor repairs and maintenance performed since original construction.								
<b>Potential Deterioration</b>	<p>The key function of the torch-on roofing membrane is achieved through its durable coverage of the roof deck. Penetrations, exposure or traffic cause premature failures of the product. Over time the torch-on product will deteriorate with age and lose flexibility resulting in lost adhesion and cracking.</p> <p>Flashings can deteriorate over time, losing their ability to effectively shed water. Roof drains are susceptible to corrosion and rusting over time. Additionally, they can become clogged with organic debris.</p> <p>The skylights and seals are primarily susceptible to weather damage caused by rain, snow and sun. Manufacture defects and improper installation can also be a factor in causing premature deterioration.</p>								
<b>Condition Analysis</b>	<p>The roof appeared to be in very good condition for its 25-year chronological age. There were sections that were exhibiting alligatoring, however the seams appear to be well sealed and there was no indication of water penetration. The roof is kept well cleared of debris, and all drains were clear. The flashings were in good condition with no major signs of deterioration. Overall, the condition has not materially changed since the last Depreciation Report.</p> <p>It is reported that the Strata Corporation recently had a roofing contractor look at the roof, with no major concerns noted at that time.</p> <p>The skylights were in good condition, with no indications of seal failure or excessive deterioration.</p>								
<b>Life Cycle Analysis</b>	<table> <tbody> <tr> <td>Date of Acquisition:</td> <td>1993</td> </tr> <tr> <td>Normal Life Span</td> <td>25 Years</td> </tr> <tr> <td>Effective Age</td> <td>20 Years</td> </tr> <tr> <td>Remaining Life Span</td> <td>5 Years</td> </tr> </tbody> </table>	Date of Acquisition:	1993	Normal Life Span	25 Years	Effective Age	20 Years	Remaining Life Span	5 Years
Date of Acquisition:	1993								
Normal Life Span	25 Years								
Effective Age	20 Years								
Remaining Life Span	5 Years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tbody> <tr> <td>Unit Quantity</td> <td>±7,900 sq.ft.</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>\$15.00</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$118,500</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2023</td> </tr> </tbody> </table>	Unit Quantity	±7,900 sq.ft.	Unit Cost Estimate	\$15.00	Current Repair Cost Estimate	\$118,500	Estimated Year/s of Major Repair or Replacement	2023
Unit Quantity	±7,900 sq.ft.								
Unit Cost Estimate	\$15.00								
Current Repair Cost Estimate	\$118,500								
Estimated Year/s of Major Repair or Replacement	2023								
<b>Additional Comments</b>	There were no indications that the roof requires immediate attention. Continual regular maintenance will help to prolong the lifespan of the roof.								

**Reserve Component: (11) Roofing, Flashing and Drainage – Flat Roof**



View of Roof



View of Roof

<b>Reserve Component: (12) Roofing, Flashing and Drainage – Sloped Roof</b>									
<b>Component Description</b>	There are several canopies which provide coverage to the 4 <sup>th</sup> floor balconies and portions of the ground floor patios. Additionally, there are some other small sloped roof sections along the ground floor. These canopies are roofed with standing seam metal roofing over a water-shedding membrane and drain to a gutter/downspout system. This component will reserve for replacement/repair of the metal roofing and associated drainage.								
<b>Financial Analysis / Repair History</b>	The canopies were added to the building during the 2008 remediation.								
<b>Potential Deterioration</b>	<p>Metal roofing is durable, however, if not properly maintained or protected, some issues such as corrosion/rust could occur. Proper installation is also key, as this assists in proper protection from moisture and the elements. Impact damage can occur over time, as well as loosened fasteners. This would generally necessitate localized repair rather than complete replacement. Obsolescence can also be a factor in the deterioration of this material.</p> <p>Over time the coating will fade and eventually fail. This could lead to replacement for cosmetic reasons, or could lead to a point where the metal is painted. Once re-painted, this must be done on a periodic and on-going basis.</p>								
<b>Condition Analysis</b>	The metal roofing and associated drainage systems are in good condition. No deterioration was noted.								
<b>Life Cycle Analysis</b>	<table> <tbody> <tr> <td>Date of Acquisition:</td> <td>2008</td> </tr> <tr> <td>Normal Life Span</td> <td>50 Years</td> </tr> <tr> <td>Effective Age</td> <td>10 Years</td> </tr> <tr> <td>Remaining Life Span</td> <td>40 Years</td> </tr> </tbody> </table>	Date of Acquisition:	2008	Normal Life Span	50 Years	Effective Age	10 Years	Remaining Life Span	40 Years
Date of Acquisition:	2008								
Normal Life Span	50 Years								
Effective Age	10 Years								
Remaining Life Span	40 Years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tbody> <tr> <td>Unit Quantity</td> <td>±600 sq.ft.</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>\$66.67</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$40,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2058</td> </tr> </tbody> </table>	Unit Quantity	±600 sq.ft.	Unit Cost Estimate	\$66.67	Current Repair Cost Estimate	\$40,000	Estimated Year/s of Major Repair or Replacement	2058
Unit Quantity	±600 sq.ft.								
Unit Cost Estimate	\$66.67								
Current Repair Cost Estimate	\$40,000								
Estimated Year/s of Major Repair or Replacement	2058								
<b>Additional Comments</b>	There were no visible signs of defects. Ongoing maintenance and cleaning will help in achieving the full-service life of the metal roofing.								

**Reserve Component: (12) Roofing, Flashing and Drainage – Sloped Roof**




View of Roof



View of Roof



<b>Reserve Component: (13) Elevator Cab Renovations</b>									
<b>Component Description</b>	There is one (1) 2,100 lbs capacity hydraulic passenger elevator. Flooring is tile, wall covering is composite paneling, and the ceiling is a drop ceiling with built-in fluorescent lighting. The elevator services all four (4) residential storeys.								
<b>Financial Analysis / Repair History</b>	The elevator flooring was replaced in 2016 at a cost of ±\$650. No other costs were noted pertaining to the elevator cab finishing.								
<b>Potential Deterioration</b>	Elevator cabs are most prone to impact damage by moving items in and out. Further damage is caused by wear and tear and vandalism. Most cab interiors are constructed of materials to allow for a certain resistance to deterioration of this type.								
<b>Condition Analysis</b>	The elevator cab is in good condition, with the new tile providing a slightly more modern aesthetic. Often this component is upgraded based upon aesthetic tastes or as part of an overall elevator upgrade rather than deterioration.								
<b>Life Cycle Analysis</b>	<table> <tr> <td>Date of Acquisition:</td> <td>1993/2016</td> </tr> <tr> <td>Normal Life Span</td> <td>35 years</td> </tr> <tr> <td>Effective Age</td> <td>20 years</td> </tr> <tr> <td>Remaining Life Span</td> <td>15 years</td> </tr> </table>	Date of Acquisition:	1993/2016	Normal Life Span	35 years	Effective Age	20 years	Remaining Life Span	15 years
Date of Acquisition:	1993/2016								
Normal Life Span	35 years								
Effective Age	20 years								
Remaining Life Span	15 years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tr> <td>Unit Quantity</td> <td>1</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>\$18,000</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$18,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2033</td> </tr> </table>	Unit Quantity	1	Unit Cost Estimate	\$18,000	Current Repair Cost Estimate	\$18,000	Estimated Year/s of Major Repair or Replacement	2033
Unit Quantity	1								
Unit Cost Estimate	\$18,000								
Current Repair Cost Estimate	\$18,000								
Estimated Year/s of Major Repair or Replacement	2033								
<b>Additional Comments</b>	Elevator cab renovations can vary widely in cost depending upon the options chosen at the time. The cost above represents the average of the range identified in recent elevator quotes reviewed.								
									

<b>Reserve Component: (14) Corridor Finishes and Decorating</b>									
<b>Component Description</b>	This component includes the paint on the ceilings, walls and any mouldings in the common areas of the building. There is very little in the way of wall decoration. Walls have a paint finish and ceilings are textured/painted.								
<b>Financial Analysis / Repair History</b>	Common areas were painted in 2013 at a total reported cost of \$7,263.20.								
<b>Potential Deterioration</b>	The typical deterioration of this component is caused by wear and tear, vandalism or impact. Paint will fade over time and will begin to look aged and dirty. Aesthetics play a large role in the determination of the replacement of this component.								
<b>Condition Analysis</b>	There was no major deterioration of the paint in the common areas of the building.								
<b>Life Cycle Analysis</b>	<table> <tr> <td>Date of Acquisition:</td> <td>2013</td> </tr> <tr> <td>Normal Life Span</td> <td>10 Years</td> </tr> <tr> <td>Effective Age</td> <td>4 years</td> </tr> <tr> <td>Remaining Life Span</td> <td>6 years</td> </tr> </table>	Date of Acquisition:	2013	Normal Life Span	10 Years	Effective Age	4 years	Remaining Life Span	6 years
Date of Acquisition:	2013								
Normal Life Span	10 Years								
Effective Age	4 years								
Remaining Life Span	6 years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tr> <td>Unit Quantity</td> <td>8,300 sq.ft.</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>\$1.08</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$9,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2024</td> </tr> </table>	Unit Quantity	8,300 sq.ft.	Unit Cost Estimate	\$1.08	Current Repair Cost Estimate	\$9,000	Estimated Year/s of Major Repair or Replacement	2024
Unit Quantity	8,300 sq.ft.								
Unit Cost Estimate	\$1.08								
Current Repair Cost Estimate	\$9,000								
Estimated Year/s of Major Repair or Replacement	2024								
<b>Additional Comments</b>	No deficiencies noted.								

**Reserve Component: (14) Corridor Finishes and Decorating**



Typical Hallway Finish



Typical Hallway Finish

<b>Reserve Component: (15) Common Area Flooring -Carpet</b>									
<b>Component Description</b>	This reserve item is for corridor and stairwell carpeting, as well as in the activity room. The materials are rated as average in terms of quality and grade. There are two types of carpeting, one in the corridors and one in the stairwells, which is a typical design choice.								
<b>Financial Analysis / Repair History</b>	The carpeting was reportedly replaced in 2008 at a total cost of ± \$25,000. There has been some discussion surrounding replacing the carpet in the lobby with tile, however this has been delayed until such a time as the carpet begins showing visible signs of wear and deterioration.								
<b>Potential Deterioration</b>	Carpet wears out over time from traffic, spills and other soiling. Ultimately aesthetics is the key factor in the decision to change this component.								
<b>Condition Analysis</b>	The carpet appeared to be in good condition. No deficiencies or major areas of concern were noted.								
<b>Life Cycle Analysis</b>	<table> <tr> <td>Date of Acquisition:</td> <td>2008</td> </tr> <tr> <td>Normal Life Span</td> <td>20 Years</td> </tr> <tr> <td>Effective Age</td> <td>10 Years</td> </tr> <tr> <td>Remaining Life Span</td> <td>10 Years</td> </tr> </table>	Date of Acquisition:	2008	Normal Life Span	20 Years	Effective Age	10 Years	Remaining Life Span	10 Years
Date of Acquisition:	2008								
Normal Life Span	20 Years								
Effective Age	10 Years								
Remaining Life Span	10 Years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tr> <td>Unit Quantity</td> <td>±3,200 sq.ft.</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>\$9.00</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$28,800</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2028, 2048</td> </tr> </table>	Unit Quantity	±3,200 sq.ft.	Unit Cost Estimate	\$9.00	Current Repair Cost Estimate	\$28,800	Estimated Year/s of Major Repair or Replacement	2028, 2048
Unit Quantity	±3,200 sq.ft.								
Unit Cost Estimate	\$9.00								
Current Repair Cost Estimate	\$28,800								
Estimated Year/s of Major Repair or Replacement	2028, 2048								
<b>Additional Comments</b>	No deficiencies noted.								


**Reserve Component: (15) Common Area Flooring -Carpet**



Typical Common Stairwell Carpet



Typical Common Carpet

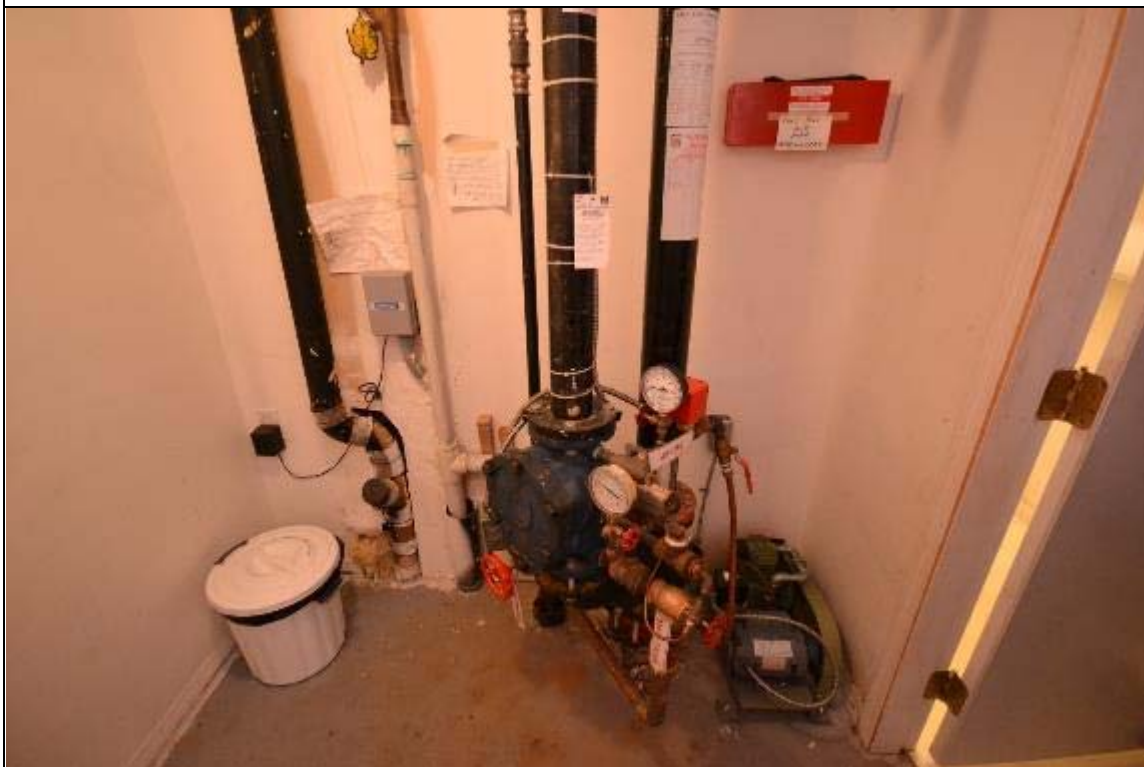
<b>Reserve Component: (16) Elevator Modernization</b>									
<b>Component Description</b>	The building is serviced by a single 2,100 lbs capacity Dover hydraulic elevator. It stops at each of the 4 building levels. The elevator modernization that is being reserved for is the power unit (hydraulic pump and controller), door operator, and fixtures. This does not include the hydraulic piston, or cab structure.								
<b>Financial Analysis / Repair History</b>	The Strata corporation has an ongoing maintenance agreement to service the elevator on a regular basis. The elevator equipment is in mostly original condition, however the door detector was replaced in 2017 at a cost of \$3,252.90.								
<b>Potential Deterioration</b>	Elevators have a variety of components which are susceptible to breakdown. Many components are replaced on an as needed basis and are covered under the maintenance contract. Over time, mechanical breakdown of valves, pump components or door operators as well as electrical failures of relays, contactors, computer processors and buttons will necessitate contingency expenditures. A good preventative maintenance routine can help achieve a long service life for these components.								
<b>Condition Analysis</b>	The elevator was in good operational condition at the time of inspection.								
<b>Life Cycle Analysis</b>	<table> <tr> <td>Date of Acquisition:</td> <td>1993</td> </tr> <tr> <td>Normal Life Span</td> <td>30 years</td> </tr> <tr> <td>Effective Age</td> <td>15 years</td> </tr> <tr> <td>Remaining Life Span</td> <td>15 years</td> </tr> </table>	Date of Acquisition:	1993	Normal Life Span	30 years	Effective Age	15 years	Remaining Life Span	15 years
Date of Acquisition:	1993								
Normal Life Span	30 years								
Effective Age	15 years								
Remaining Life Span	15 years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tr> <td>Unit Quantity</td> <td>1</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>Allowance</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$72,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2033</td> </tr> </table>	Unit Quantity	1	Unit Cost Estimate	Allowance	Current Repair Cost Estimate	\$72,000	Estimated Year/s of Major Repair or Replacement	2033
Unit Quantity	1								
Unit Cost Estimate	Allowance								
Current Repair Cost Estimate	\$72,000								
Estimated Year/s of Major Repair or Replacement	2033								
<b>Additional Comments</b>	The elevator is serviced regularly, and the Strata Corporation should budget maintenance costs accordingly to maximize the working life. This component is budgeted in conjunction with the elevator cab renovations, as bundling the two components will result in some cost savings over piecemeal replacements.								
									

<b>Reserve Component: (17) Water Supply and Drainage</b>									
<b>Component Description</b>	This component is a reserve for replacement and refurbishment of all plumbing and plumbing fixtures in the common elements of the building. This is primarily the water supply pipes and drainage pipes. The water supply and drainage typically in a building of this era involves ¾ inch to 2 inch copper supply lines, and 4" ABS or cast-iron drain pipes. Both horizontal and vertical piping are included. The reserve will be a repair allowance for targeted replacement of the described piping as needed.								
<b>Financial Analysis / Repair History</b>	There have been some historical repairs to piping due to pin holes, mainly in the area of the first floor. These were reportedly remedied immediately with appropriate isolation valves and access covers installed as required.								
<b>Potential Deterioration</b>	Piping can experience several issues such as breakage in copper solder joints, pipe leakage due to damage from freezing and construction activities and decreased flow due to sediment build up or corrosion. As piping becomes older, more issues can be expected.								
<b>Condition Analysis</b>	The majority of the piping is enclosed, therefore not visible. It is assumed that the condition of the piping is commensurate with its chronological age. There were no reported immediate concerns.								
<b>Life Cycle Analysis</b>	<table> <tbody> <tr> <td>Date of Acquisition:</td> <td>1993</td> </tr> <tr> <td>Normal Life Span</td> <td>5 Year repair allowance</td> </tr> <tr> <td>Effective Age</td> <td>2 years</td> </tr> <tr> <td>Remaining Life Span</td> <td>3 years</td> </tr> </tbody> </table>	Date of Acquisition:	1993	Normal Life Span	5 Year repair allowance	Effective Age	2 years	Remaining Life Span	3 years
Date of Acquisition:	1993								
Normal Life Span	5 Year repair allowance								
Effective Age	2 years								
Remaining Life Span	3 years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tbody> <tr> <td>Unit Quantity</td> <td>1</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>Allowance</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$5,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2021, 2026, 2031 etc.</td> </tr> </tbody> </table>	Unit Quantity	1	Unit Cost Estimate	Allowance	Current Repair Cost Estimate	\$5,000	Estimated Year/s of Major Repair or Replacement	2021, 2026, 2031 etc.
Unit Quantity	1								
Unit Cost Estimate	Allowance								
Current Repair Cost Estimate	\$5,000								
Estimated Year/s of Major Repair or Replacement	2021, 2026, 2031 etc.								
<b>Additional Comments</b>	This component will likely be replaced on a piecemeal basis as required. As the building ages, an ongoing allowance to deal with any issues is a prudent budgeting strategy. This allowance could cover the cost of repairs or the partial cost of an insurance deductible. The budget is for an ongoing repair allowance every 5 years beginning in 2021.								

<b>Reserve Component: (18) Fire Suppression System</b>									
<b>Component Description</b>	Commonly referred to as the fire sprinkler system, this component includes piping for the sprinklers, a dry pipe valve (flapper valve), compressor, and sprinkler heads. The reserve will be for the replacement of the compressor and dry pipe valve at the end of their effective lives.								
<b>Financial Analysis / Repair History</b>	The fire sprinkler system undergoes routine inspections. No major issues were reported. ±\$9,200 was spent to replace sprinkler heads in 2013. The exterior sprinkler heads on the balcony were also extended in the past so that they were not so embedded in the walls. SRL Fire Protection recently added shutoff valves to the sprinklers in the covered parking area in order to reduce the stress on the piping at the time of inspections. Total cost was \$1,386.								
<b>Potential Deterioration</b>	Deterioration can be caused by the corrosion of piping and failure of electrical and mechanical components. Longevity of this component relies on a good maintenance program.								
<b>Condition Analysis</b>	The system appears to be in good condition. Replacements of components is typically handled after identification in the regular inspections.								
<b>Life Cycle Analysis</b>	<table> <tbody> <tr> <td>Date of Acquisition:</td> <td>Varied</td> </tr> <tr> <td>Normal Life Span</td> <td>30 years</td> </tr> <tr> <td>Effective Age</td> <td>16 years</td> </tr> <tr> <td>Remaining Life Span</td> <td>14 years</td> </tr> </tbody> </table>	Date of Acquisition:	Varied	Normal Life Span	30 years	Effective Age	16 years	Remaining Life Span	14 years
Date of Acquisition:	Varied								
Normal Life Span	30 years								
Effective Age	16 years								
Remaining Life Span	14 years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tbody> <tr> <td>Unit Quantity</td> <td>1</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>Allowance</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$10,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2032</td> </tr> </tbody> </table>	Unit Quantity	1	Unit Cost Estimate	Allowance	Current Repair Cost Estimate	\$10,000	Estimated Year/s of Major Repair or Replacement	2032
Unit Quantity	1								
Unit Cost Estimate	Allowance								
Current Repair Cost Estimate	\$10,000								
Estimated Year/s of Major Repair or Replacement	2032								
<b>Additional Comments</b>	No deficiencies noted. It is possible that the compressor will fail prior to the expenditure budgeted above. Since funds are being accumulated towards this component, some variation in the timing of expenditures can be accommodated.								



**Reserve Component: (18) Fire Suppression System**



Dry Pipe Valve and Compressor



Exterior Sprinkler Head

<b>Reserve Component: (19) Common Area – Heating and Ventilation Systems</b>		
<b>Component Description</b>	The common area heating and ventilation systems consist of a make-up air unit for the main hallways and electric baseboard heaters in the common areas. This component will reserve for the replacement of the make-up air system.	
<b>Financial Analysis / Repair History</b>	The in-line duct heater was replaced in 2017 at a cost of ±\$3,100. This included the installation of a thermostat on the fourth floor. The fan motor, a pulley and belt were replaced in early 2018. The total cost of repairs was \$1,078.59.	
<b>Potential Deterioration</b>	Deterioration of the common area heating and ventilation systems is primarily from wear due to use. Mechanical and electrical parts wear over time and require repair or replacement. The majority of these repairs or replacement of parts generally gets covered under a mechanical maintenance agreement. Over time, the entire units require replacement or re-building due to corrosion, inefficiency, catastrophic failure or obsolescence.	
<b>Condition Analysis</b>	The equipment is reported to be functioning properly, with repairs or replacements having been made as necessary.	
<b>Life Cycle Analysis</b>	Date of Acquisition:	Varied
	Normal Life Span	25 years
	Effective Age	1 years
	Remaining Life Span	24 years
<b>Unit Quantity And Cost Estimates</b>	Unit Quantity	1
	Unit Cost Estimate	Allowance
	Current Repair Cost Estimate	\$7,500
	Estimated Year/s of Major Repair or Replacement	2042
<b>Additional Comments</b>	No deficiencies were noted. The reserve is to replace the make-up air unit at the end of its effective life. Since \$4,200 was spent within the last year to make major repairs to the MUA system, the budget is for complete replacement in 24 years.	


**Reserve Component: (19) Common Area – Heating and Ventilation Systems**



Rooftop Make Up Air Unit



New Thermostat for RTU

<b>Reserve Component: (20) Access and Security Systems</b>									
<b>Component Description</b>	Entry to the building is controlled through an EnterPhone 2000 access control system. It is original to the building. The system also includes a security camera. This component will reserve for the replacement of the enterphone system.								
<b>Financial Analysis / Repair History</b>	The enterphone appears to be original to the building.								
<b>Potential Deterioration</b>	Electrical and mechanical failures or malfunctions of switches, buttons or electronics will likely occur as a result of weathering, vandalism, age or misuse. With proper maintenance and servicing, these systems can last in excess of their expected lifespans, however this assumes periodic replacement of certain elements.								
<b>Condition Analysis</b>	Although the enterphone system is reported to be in functional condition, and there were no reported issues, it is likely nearing the end of its effective life.								
<b>Life Cycle Analysis</b>	<table> <tr> <td>Date of Acquisition:</td> <td>1993</td> </tr> <tr> <td>Normal Life Span</td> <td>20 years</td> </tr> <tr> <td>Effective Age</td> <td>15 years</td> </tr> <tr> <td>Remaining Life Span</td> <td>5 years</td> </tr> </table>	Date of Acquisition:	1993	Normal Life Span	20 years	Effective Age	15 years	Remaining Life Span	5 years
Date of Acquisition:	1993								
Normal Life Span	20 years								
Effective Age	15 years								
Remaining Life Span	5 years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tr> <td>Unit Quantity</td> <td>1</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>\$5,000</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$5,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2023</td> </tr> </table>	Unit Quantity	1	Unit Cost Estimate	\$5,000	Current Repair Cost Estimate	\$5,000	Estimated Year/s of Major Repair or Replacement	2023
Unit Quantity	1								
Unit Cost Estimate	\$5,000								
Current Repair Cost Estimate	\$5,000								
Estimated Year/s of Major Repair or Replacement	2023								
<b>Additional Comments</b>	No deficiencies noted. The enterphone can remain so long as it continues to function properly. However, modernization should be contemplated over the long term.								
									

<b>Reserve Component: (21) Fire Alarms and Safety System</b>									
<b>Component Description</b>	This includes the Siemens Fire Alarm Control Panel and Annunciator Panel; the devices such as pull stations, smoke and heat detectors, trouble and tamper devices and wiring end of line resistors etc. It also includes emergency lighting for the complex.								
<b>Financial Analysis / Repair History</b>	It is reported that 4 Seasons Fire Protection replaced the FACP and FAAP in June 2011 at a reported cost of \$2,899.								
<b>Potential Deterioration</b>	As the system gets older and codes change, systems become outdated. Mechanical and electrical failures of switches and devices such as heat and smoke detectors. Dust and construction damage are also circumstances that cause premature deterioration or failure. Much of this deterioration is handled through ongoing maintenance.								
<b>Condition Analysis</b>	The equipment is assumed to be in good condition throughout, with annual testing and replacement of any faulty equipment.								
<b>Life Cycle Analysis</b>	<table> <tr> <td>Date of Acquisition:</td> <td>Varied</td> </tr> <tr> <td>Normal Life Span</td> <td>30 years</td> </tr> <tr> <td>Effective Age</td> <td>10 years</td> </tr> <tr> <td>Remaining Life Span</td> <td>20 years</td> </tr> </table>	Date of Acquisition:	Varied	Normal Life Span	30 years	Effective Age	10 years	Remaining Life Span	20 years
Date of Acquisition:	Varied								
Normal Life Span	30 years								
Effective Age	10 years								
Remaining Life Span	20 years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tr> <td>Unit Quantity</td> <td>1 System</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>\$48,000</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$48,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2038</td> </tr> </table>	Unit Quantity	1 System	Unit Cost Estimate	\$48,000	Current Repair Cost Estimate	\$48,000	Estimated Year/s of Major Repair or Replacement	2038
Unit Quantity	1 System								
Unit Cost Estimate	\$48,000								
Current Repair Cost Estimate	\$48,000								
Estimated Year/s of Major Repair or Replacement	2038								
<b>Additional Comments</b>	As the fire alarm system ages, replacement of components will become increasingly difficult. Eventually, the entire system will require replacement. The FACP and FAAP panels will have a shorter expected lifespan, however so long as funds are being accumulated towards this component, piecemeal replacements or repairs should be able to be accommodated.								

Reserve Component: (21) Fire Alarms and Safety System



Fire Alarm Control Panel



Annunciator & Pull lever

<b>Reserve Component: (22) Electrical Power and Distribution / Common Lighting</b>									
<b>Component Description</b>	This component includes the electrical power main feed, distribution systems and distribution panels. The end devices are the responsibility of the unit owner. There is an 1,200-ampere main disconnect, several sub services and individual unit meters. Lighting fixtures consist of standard ceiling or building mounted incandescent fixtures. Also included are the parking lot lighting standards. This component is based upon an allowance per square foot of building area.								
<b>Financial Analysis / Repair History</b>	There was no maintenance or expenditure information available relating to the electrical power or lighting equipment.								
<b>Potential Deterioration</b>	Potential deterioration is caused by overloading, improper phase balance, single phasing or power failure causes heat from built up resistance to possibly damage insulation or melt conductors. Improper or loose connections could also shorten life or melt conductors. Exterior lighting fixtures can deteriorate over time due to exposure to the elements. Replacement can also be required due to obsolescence, physical damage due to vandalism or impact, and catastrophic failure.								
<b>Condition Analysis</b>	The electrical equipment is assumed to be in average condition for its age. Common and exterior lighting fixtures appeared to be operational and in generally good condition.								
<b>Life Cycle Analysis</b>	<table> <tbody> <tr> <td>Date of Acquisition:</td> <td>1993</td> </tr> <tr> <td>Normal Life Span</td> <td>50 years</td> </tr> <tr> <td>Effective Age</td> <td>20 years</td> </tr> <tr> <td>Remaining Life Span</td> <td>30 years</td> </tr> </tbody> </table>	Date of Acquisition:	1993	Normal Life Span	50 years	Effective Age	20 years	Remaining Life Span	30 years
Date of Acquisition:	1993								
Normal Life Span	50 years								
Effective Age	20 years								
Remaining Life Span	30 years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tbody> <tr> <td>Unit Quantity</td> <td>±27,500 sq.ft.</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>\$.50</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$13,750</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2048</td> </tr> </tbody> </table>	Unit Quantity	±27,500 sq.ft.	Unit Cost Estimate	\$.50	Current Repair Cost Estimate	\$13,750	Estimated Year/s of Major Repair or Replacement	2048
Unit Quantity	±27,500 sq.ft.								
Unit Cost Estimate	\$.50								
Current Repair Cost Estimate	\$13,750								
Estimated Year/s of Major Repair or Replacement	2048								
<b>Additional Comments</b>	It is important to conduct preventative maintenance on these items to promote long trouble-free service. No deficiencies were noted. Should any issues arise, a qualified electrician should be engaged to determine subsequent action.								

**Reserve Component: (22) Electrical Power and Distribution / Common Lighting**



Electrical Room



Exterior Light Fixture



<b>Reserve Component: (23) Site Services</b>									
<b>Component Description</b>	Site services consist of water, storm drains and sanitary sewer lines that run from the municipal lines to the Subject building. These lines consist of a 2" water line, 6" sanitary sewer line and 6" storm drain line. This component would likely never be replaced in its entirety, rather the work would be completed on a piecemeal basis as required.								
<b>Financial Analysis / Repair History</b>	No major cost has been reported relating to this component.								
<b>Potential Deterioration</b>	Deterioration of substrate and settling and damage to paving around catch basins are contributors to deterioration. Deterioration can also occur from stress on the pipe or glue joints from curvature. Expansion or contraction at joints can cause stress cracks and any poor glue joints can eventually crack.								
<b>Condition Analysis</b>	The water, sanitary and rainwater drainage lines are impossible to access without destructive or specialized testing. They are assumed to be in good condition.								
<b>Life Cycle Analysis</b>	<table> <tbody> <tr> <td>Date of Acquisition:</td> <td>1993</td> </tr> <tr> <td>Normal Life Span</td> <td>25-year allowance used</td> </tr> <tr> <td>Effective Age</td> <td>13 years</td> </tr> <tr> <td>Remaining Life Span</td> <td>12 years</td> </tr> </tbody> </table>	Date of Acquisition:	1993	Normal Life Span	25-year allowance used	Effective Age	13 years	Remaining Life Span	12 years
Date of Acquisition:	1993								
Normal Life Span	25-year allowance used								
Effective Age	13 years								
Remaining Life Span	12 years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tbody> <tr> <td>Unit Quantity</td> <td>1</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>Repair Allowance</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$25,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2030</td> </tr> </tbody> </table>	Unit Quantity	1	Unit Cost Estimate	Repair Allowance	Current Repair Cost Estimate	\$25,000	Estimated Year/s of Major Repair or Replacement	2030
Unit Quantity	1								
Unit Cost Estimate	Repair Allowance								
Current Repair Cost Estimate	\$25,000								
Estimated Year/s of Major Repair or Replacement	2030								
<b>Additional Comments</b>	No deficiencies noted.								

<b>Reserve Component: (24) Asphalt Paving</b>									
<b>Component Description</b>	The main building driveway and maneuvering aisles in the Subject parking lot consist of paved asphalt. This component will reserve for the re-surfacing of the asphalt.								
<b>Financial Analysis / Repair History</b>	There was an expense of \$5,250 relating to the asphalt in 2015, which was related to the asphalt near the garbage enclosures. Additionally, the parking lot lines were re-painted in 2016 at a cost of \$917.70.								
<b>Potential Deterioration</b>	Asphalt roadways are susceptible to UV rays, decreased flexibility, substrate erosion or poor application. These factors can lead to cracking and sinking allowing water to penetrate the surface. Through damage from water freezing and services such as snow ploughing, the wearing course of the paving will eventually need to be replaced. Good quality crack filler can be used to prolong the life of asphalt paving.								
<b>Condition Analysis</b>	The asphalt was in good condition at the time of inspection. No major cracking or settling was observed.								
<b>Life Cycle Analysis</b>	<table> <tbody> <tr> <td>Date of Acquisition:</td> <td>Varied</td> </tr> <tr> <td>Normal Life Span</td> <td>30 Years</td> </tr> <tr> <td>Effective Age</td> <td>10 Years</td> </tr> <tr> <td>Remaining Life Span</td> <td>20 Years</td> </tr> </tbody> </table>	Date of Acquisition:	Varied	Normal Life Span	30 Years	Effective Age	10 Years	Remaining Life Span	20 Years
Date of Acquisition:	Varied								
Normal Life Span	30 Years								
Effective Age	10 Years								
Remaining Life Span	20 Years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tbody> <tr> <td>Unit Quantity</td> <td>±6,800 sq.ft.</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>\$3.50</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$23,800</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2038</td> </tr> </tbody> </table>	Unit Quantity	±6,800 sq.ft.	Unit Cost Estimate	\$3.50	Current Repair Cost Estimate	\$23,800	Estimated Year/s of Major Repair or Replacement	2038
Unit Quantity	±6,800 sq.ft.								
Unit Cost Estimate	\$3.50								
Current Repair Cost Estimate	\$23,800								
Estimated Year/s of Major Repair or Replacement	2038								
<b>Additional Comments</b>	The budget allows for asphalt resurfacing in 20 years. It should be noted that the budget amount above does not consider the complete removal and replacement of the asphalt and road base. This would be a substantially higher cost.								

**Reserve Component: (24) Asphalt Paving**



Asphalt Driveway



Asphalt Driveway

<b>Reserve Component: (25) Concrete Paving, Patios, Planters and Walkways</b>									
<b>Component Description</b>	This component will reserve for a periodic allowance to cover required repairs to the concrete elements present on the common property. This would include the parking stalls, the concrete under the second level of the building, the front entryway, concrete walkways, curbing, and planters. Also included would be any required repairs to the concrete patios. This component is based upon a periodic allowance.								
<b>Financial Analysis / Repair History</b>	The patios were rebuilt in 2008 with a self-adhered membrane underneath a concrete slab.								
<b>Potential Deterioration</b>	Concrete walkways and driveways can crack and settle over time. Deterioration can be caused by impact, vandalism, deterioration of the substrate etc.								
<b>Condition Analysis</b>	There were no immediate concerns noted pertaining to the elements that make up this component. No major cracking or deterioration was noted.								
<b>Life Cycle Analysis</b>	<table> <tbody> <tr> <td>Date of Acquisition:</td> <td>Varied</td> </tr> <tr> <td>Normal Life Span</td> <td>10 Year allowance</td> </tr> <tr> <td>Effective Age</td> <td>4 Years</td> </tr> <tr> <td>Remaining Life Span</td> <td>6 Years</td> </tr> </tbody> </table>	Date of Acquisition:	Varied	Normal Life Span	10 Year allowance	Effective Age	4 Years	Remaining Life Span	6 Years
Date of Acquisition:	Varied								
Normal Life Span	10 Year allowance								
Effective Age	4 Years								
Remaining Life Span	6 Years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tbody> <tr> <td>Unit Quantity</td> <td>1</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>Allowance</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$5,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2023 + every 5 years</td> </tr> </tbody> </table>	Unit Quantity	1	Unit Cost Estimate	Allowance	Current Repair Cost Estimate	\$5,000	Estimated Year/s of Major Repair or Replacement	2023 + every 5 years
Unit Quantity	1								
Unit Cost Estimate	Allowance								
Current Repair Cost Estimate	\$5,000								
Estimated Year/s of Major Repair or Replacement	2023 + every 5 years								
<b>Additional Comments</b>	No deficiencies noted.								

**Reserve Component: (25) Concrete Paving, Patios, Planters and Walkways**



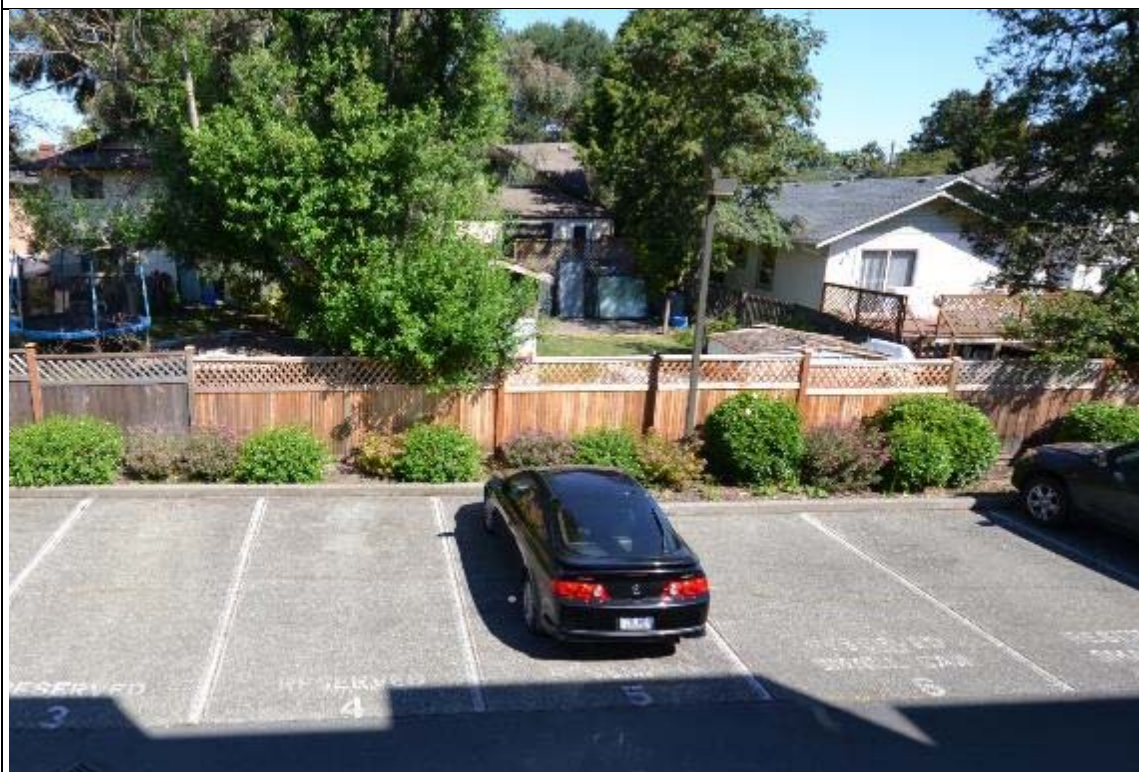
Concrete Parking Stalls



Common Front Entry Concrete

<b>Reserve Component: (26) Fencing</b>		
<b>Component Description</b>	This component will reserve for the replacement of the wood perimeter fencing as well as the fencing that surrounds the ground floor patios. This consists of 4-6' fencing, some with lattice top.	
<b>Financial Analysis / Repair History</b>	Some panels of the perimeter fencing were replaced in 2016 at a cost of ±\$2,300.	
<b>Potential Deterioration</b>	The posts can rot near or at ground level requiring replacement. The stain can degrade requiring re-staining and the above ground portions of the fence can rot as they age.	
<b>Condition Analysis</b>	The fencing appeared to be in good condition. Required repairs have been made of the years when needed. The posts are now in metal brackets to help with deterioration.	
<b>Life Cycle Analysis</b>	Date of Acquisition:	Varied
	Normal Life Span	20 Years
	Effective Age	5 years
	Remaining Life Span	15 years
<b>Unit Quantity And Cost Estimates</b>	Unit Quantity	±450 lin.ft.
	Unit Cost Estimate	\$40.00
	Current Repair Cost Estimate	\$18,000
	Estimated Year/s of Major Repair or Replacement	2033
<b>Additional Comments</b>	No deficiencies noted.	

**Reserve Component: (26) Fencing**



Rear Fencing



View of Patio Fencing

<b>Reserve Component: (27) Landscaping and Irrigation</b>									
<b>Component Description</b>	This component includes all landscaped areas including hard and soft landscaping areas, trees, shrubs and flowerbeds. Also included in this component is the 6-zone irrigation sprinkler system.								
<b>Financial Analysis / Repair History</b>	Some repairs have been required to the sprinkler system over time. The Strata is giving contemplation to the requirement of a backflow valve on the sprinkler system.								
<b>Potential Deterioration</b>	Landscaping and irrigation can vary in terms of their lifespan, with soft landscaping potentially damaged, by disease, drought or soil erosion. Irrigation systems are susceptible to improper fall maintenance which can result in the requirement to replace heads and ruptured piping.								
<b>Condition Analysis</b>	At the time of inspection, the landscaped areas were in good condition. There are quantities of mature shrubbery and trees surrounding the property, which enhance the quality of landscaping. Continued manicuring and maintenance will provide long-term life of this component. There were no reported issues with the irrigation system.								
<b>Life Cycle Analysis</b>	<table> <tr> <td>Date of Acquisition:</td> <td>1993</td> </tr> <tr> <td>Normal Life Span</td> <td>30 Years allowance</td> </tr> <tr> <td>Effective Age</td> <td>22 Years</td> </tr> <tr> <td>Remaining Life Span</td> <td>8 Years</td> </tr> </table>	Date of Acquisition:	1993	Normal Life Span	30 Years allowance	Effective Age	22 Years	Remaining Life Span	8 Years
Date of Acquisition:	1993								
Normal Life Span	30 Years allowance								
Effective Age	22 Years								
Remaining Life Span	8 Years								
<b>Unit Quantity And Cost Estimates</b>	<table> <tr> <td>Unit Quantity</td> <td>1</td> </tr> <tr> <td>Unit Cost Estimate</td> <td>Allowance</td> </tr> <tr> <td>Current Repair Cost Estimate</td> <td>\$10,000</td> </tr> <tr> <td>Estimated Year/s of Major Repair or Replacement</td> <td>2026</td> </tr> </table>	Unit Quantity	1	Unit Cost Estimate	Allowance	Current Repair Cost Estimate	\$10,000	Estimated Year/s of Major Repair or Replacement	2026
Unit Quantity	1								
Unit Cost Estimate	Allowance								
Current Repair Cost Estimate	\$10,000								
Estimated Year/s of Major Repair or Replacement	2026								
<b>Additional Comments</b>	This budget allowance is to provide for cost of major landscaping maintenance or renewal as may become necessary. There has been some discussion regarding a backflow valve for the irrigation system. Should this cost arise, funds could be drawn from this category at an earlier date than budgeted above. So long as funds are being collected toward this component, minor variations in timing should be able to be accommodated.								



**Reserve Component: (27) Landscaping and Irrigation**



Typical Landscaping



Typical Landscaping

## **RESERVE FUND COMPONENT ESTIMATES**

### **Benchmark Analysis**

The Phung Horwood 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 reserve fund practices, which provide for inflationary cost increases over time and interest income from reserve fund investments.

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

This Benchmark Analysis is the foundation of the Phung Horwood Reserve Fund Planning System, as it provides the basis for comparison to the actual reserve fund operation. The Phung Horwood Benchmark Analysis provides the standard for 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 reserve fund budget planning and management. When applied, as outlined, the reserve fund will cover anticipated reserve fund expenditures and any contingencies.

### **Reserve Fund Component Estimates**

The following Schedule of Reserve Fund Component Estimates shows detailed computations for the various reserve items using the projection factors explained earlier in this report:

Long-term inflation rate: 2.70%

Long-term interest rate: 1.50%

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

## SCHEDULE OF RESERVE FUND ESTIMATES

Phung Horwood

1536 Hillside Avenue																
	<b>Inflation Factor</b>	<b>2.70%</b>		<b>Number of Units</b>	<b>24</b>											
	<b>Interest Rate</b>	<b>1.50%</b>														
	<b>BENCHMARK ANALYSIS</b>	<b>Year of</b>	<b>Reserve</b>	<b>EXPECTED</b>	<b>OBSERVED</b>	<b>REMAINING</b>	<b>Unit</b>	<b>Unit</b>	<b>Unit</b>	<b>CURRENT</b>	<b>FUTURE</b>	<b>CURRENT</b>	<b>FUTURE</b>	<b>FUTURE</b>	<b>ANNUAL</b>	<b>RESERVE FUND</b>
	<b>Reserve Components</b>	<b>Acquisition</b>	<b>Expenditure</b>	<b>LIFESPAN</b>	<b>CONDITION</b>	<b>LIFE SPAN</b>	<b>Quantity</b>	<b>Measure</b>	<b>Cost</b>	<b>REPLACEMENT</b>	<b>REPLACEMENT</b>	<b>RESERVE FUND</b>	<b>RESERVE FUND</b>	<b>RESERVE FUND</b>	<b>RESERVE FUND</b>	<b>ASSESSMENT</b>
			<b>Last 3 Yrs</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>			<b>Year 2018</b>	<b>COST</b>	<b>COSTS</b>	<b>REQUIREMENTS</b>	<b>ACCUMULATION</b>	<b>REQUIREMENTS</b>	<b>ASSESSMENT</b>	<b>ALLOCATION</b>
<b>Structural &amp; Architectural Components</b>																
1	General Capital Contingency	Varied		5	4	1	1	allow ance	\$ 7,500	\$ 7,500	\$ 7,703	\$ 6,000	\$ 6,090	\$ 1,613	\$ 1,589	3.41%
2	Balconies (Membranes)	2008		15	5	10	21	each	\$ 1,300	\$ 27,300	\$ 35,634	\$ 9,100	\$ 10,561	\$ 25,073	\$ 2,308	4.95%
3	Balconies (Structural)	2008		35	10	25	21	each	\$ 5,000	\$ 105,000	\$ 204,386	\$ 30,000	\$ 43,528	\$ 160,857	\$ 5,272	11.31%
4	Exterior Wall Cladding - Stucco	1993/2008		15	10	5	1	allow ance	\$ 5,000	\$ 5,000	\$ 5,712	\$ 3,333	\$ 3,591	\$ 2,122	\$ 406	0.87%
5	Exterior Wall Cladding - Fibre Cement	2008		15	10	5	1	allow ance	\$ 3,500	\$ 3,500	\$ 3,999	\$ 2,333	\$ 2,514	\$ 1,485	\$ 284	0.61%
6	Window Assemblies	2008		30	10	20	1,975	sq.ft.	\$ 60.00	\$ 118,500	\$ 201,896	\$ 39,500	\$ 53,201	\$ 148,695	\$ 6,335	13.59%
7	Sliding Glass Doors	2008		30	10	20	24	each	\$ 3,000.00	\$ 72,000	\$ 122,671	\$ 24,000	\$ 32,325	\$ 90,346	\$ 3,849	8.26%
8	Door Assemblies	1993	\$ 700	10	3	7	1	allow ance	\$ 4,000	\$ 4,000	\$ 4,820	\$ 1,200	\$ 1,332	\$ 3,488	\$ 469	1.01%
9	Exterior Painting, Caulking, Repair - Wood	2008		10	9	1	1	allow ance	\$ 7,500	\$ 7,500	\$ 7,703	\$ 6,750	\$ 6,851	\$ 851	\$ 839	1.80%
10	Exterior Painting, Caulking - Stucco and Fibre	2008		15	10	5	1	allow ance	\$ 45,000.00	\$ 45,000	\$ 51,412	\$ 30,000	\$ 32,319	\$ 19,094	\$ 3,651	7.83%
11	Roofing, Flashing, and Drainage - Flat Roof	1993		25	20	5	7,900	sq.ft.	\$ 15.00	\$ 118,500	\$ 135,385	\$ 94,800	\$ 102,127	\$ 33,258	\$ -	0.00%
12	Roofing, Flashing, and Drainage - Sloped	2008		50	10	40	600	sq.ft.	\$ 66.67	\$ 40,000	\$ 116,112	\$ 8,000	\$ 14,512	\$ 101,600	\$ 1,845	3.96%
<b>Finishing and Decorating Components</b>																
13	Elevator Cab Renovations	1993/2016	\$ 650	35	20	15	1	each	\$ 18,000	\$ 18,000	\$ 26,843	\$ 10,286	\$ 12,860	\$ 13,983	\$ 826	1.77%
14	Corridor Finishes and Decorating	2013		10	4	6	8,300	sq.ft.	\$ 1.08	\$ 9,000	\$ 10,560	\$ 3,600	\$ 3,936	\$ 6,624	\$ 1,048	2.25%
15	Common Area Flooring	2008		20	10	10	3,200	sq.ft.	\$ 9.00	\$ 28,800	\$ 37,592	\$ 14,400	\$ 16,712	\$ 20,880	\$ 1,922	4.12%
<b>Mechanical &amp; Electrical Components</b>																
16	Elevator Modernization	1993	\$ 3,253	30	15	15	1	system	\$ 72,000	\$ 72,000	\$ 107,372	\$ 36,000	\$ 45,008	\$ 62,363	\$ 3,683	7.90%
17	Water Supply and Drainage	1993		5	2	3	1	allow ance	\$ 5,000.00	\$ 5,000	\$ 5,416	\$ 2,000	\$ 2,091	\$ 3,325	\$ 1,076	2.31%
18	Fire Suppression System	Varied	\$ 1,386	30	16	14	1	allow ance	\$ 10,000	\$ 10,000	\$ 14,521	\$ 5,333	\$ 6,569	\$ 7,951	\$ 507	1.09%
19	Common Area - Heating and Ventilation System	2017/2018	\$ 4,200	25	1	24	1	system	\$ 7,500	\$ 7,500	\$ 14,215	\$ 300	\$ 429	\$ 13,786	\$ 474	1.02%
20	Access and Security Systems	1993		20	15	5	1	each	\$ 5,000	\$ 5,000	\$ 5,712	\$ 3,750	\$ 4,040	\$ 1,673	\$ 320	0.69%
21	Fire Alarm and Life Safety Systems	Varied		30	10	20	1	system	\$ 48,000	\$ 48,000	\$ 81,781	\$ 16,000	\$ 21,550	\$ 60,231	\$ 2,566	5.51%
22	Electrical Power and Distribution/Lighting	1993		50	20	30	27,500	sq.ft.	\$ 0.50	\$ 13,750	\$ 30,578	\$ 5,500	\$ 8,597	\$ 21,982	\$ 577	1.24%
<b>Site Improvements</b>																
23	Site Services	1993		25	13	12	1	allow ance	\$ 25,000	\$ 25,000	\$ 34,418	\$ 13,000	\$ 15,543	\$ 18,875	\$ 1,426	3.06%
24	Asphalt Paving	Varied	\$ 6,200	30	10	20	6,800	sq.ft.	\$ 3.50	\$ 23,800	\$ 40,550	\$ 7,933	\$ 10,685	\$ 29,864	\$ 1,272	2.73%
25	Concrete, Patios, Planters and Walkways	Varied		10	4	6	1	allow ance	\$ 5,000	\$ 5,000	\$ 5,867	\$ 2,000	\$ 2,187	\$ 3,680	\$ 582	1.25%
26	Fencing	Varied	\$ 2,300	20	5	15	450	lin.ft.	\$ 40.00	\$ 18,000	\$ 26,843	\$ 4,500	\$ 5,626	\$ 21,217	\$ 1,253	2.69%
27	Landscaping and Irrigation	Varied		30	22	8	1	allow ance	\$ 10,000	\$ 10,000	\$ 12,376	\$ 7,333	\$ 8,261	\$ 4,115	\$ 481	1.03%
<b>Consultants and Fees</b>																
28	Professional Services	2018		3	0	3	1	allow ance	\$ 5,000	\$ 5,000	\$ 5,416	\$ -	\$ -	\$ 5,416	\$ 1,752	3.76%
<b>TOTAL RESERVES</b>			<b>\$ 18,689</b>							<b>\$ 857,650</b>	<b>\$ 1,357,490</b>	<b>\$ 386,952</b>	<b>\$ 473,043</b>	<b>\$ 884,447</b>	<b>\$ 46,611</b>	<b>100.00%</b>

### **Summary of Reserve Fund Estimates**

The Reserve Fund position and estimated requirements of Oakland Park are as follows:

#### **Current Replacement Reserves or Costs**

These are provisions for all major repairs and replacements at current prices	\$857,650
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#### **Future Replacement Reserves or Costs**

These are provisions for all major repair and replacement costs in the future at the end of the expected life span.	\$1,357,490
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#### **Current Reserve Fund Requirements**

This is the reserve fund estimate, based on the notion of effective age, which should have been accumulated to date. If this amount of money were in the Contingency Reserve Fund it would be Fully Funded.	\$386,952
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#### **Future Reserve Fund Accumulations**

This is the total amount which the current reserve fund requirements would accumulate to, including compounded interest over the remaining life spans of the components.	\$473,043
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#### **Future Reserve Fund Requirements**

This is the amount which needs to be accumulated, through unit owner payments combined with interest earned, over the remaining life spans of the components.	\$884,477
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#### **Annual Reserve Fund Assessments**

This is the annual reserve fund payment necessary to meet the Future Reserve Fund Requirements. This is based upon the Current Reserve Fund Requirements having been met. I.E. The reserve must be currently Fully Funded for this assessment to be sufficient.	\$46,611
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In accordance with these estimates, the corporation should have had \$386,952 in its reserve fund at the end of its most recent fiscal year. The assessed annual payments or contributions to the reserve fund by unit owners should be \$46,611 based on the stated assumptions.

## **ANALYSIS OF RESERVE FUND OPERATIONS**

Reviewing and analyzing the reserve fund operation of Strata VIS2630, I have examined the un-audited financial statements for the last five fiscal years ending June 30.

### **Corporation's Financial Statements**

#### **Analysis of Current Contingency Reserve Fund Balance:**

The total contingency reserve fund balance as at June 30, 2017 was as follows:

Balance in CRF                                    \$ 225,572.93

The budget should identify an adequate appropriation to the reserve fund as per the reserve fund plan contained herein.

### **Statement of Reserve Fund Operations**

The Subject Strata has made a concerted effort to increase the level of contributions to the CRF since the completion of the original Depreciation Report in 2013/14. Expenditures have been covered without the need for a special levy.

Historical budgeted annual contributions since the completion of the initial Depreciation Report are as follows:

<b><u>Year Ended</u></b>	<b><u>Amount</u></b>	<b><u>Year Ended</u></b>	<b><u>Amount</u></b>
Jun 30, 2015	\$ 17,279.98	Jun 30, 2016	\$ 24,480.00
June 30, 2017	\$ 33,120.00	Jun 30, 2018	\$ 41,760.00 (budgeted)

It should be noted that these contributions exactly follow the recommendations of the previous Depreciation Report dated November 2013.

### **Special Levies**

There were no recorded special levies since the last Depreciation Report.

The range in average contributions to the reserve over the past four fiscal years (including YE Jun 30, 2018) equates to an average monthly contribution of \$60.00 to \$145.00 per unit.

## **BENCHMARK DEFICIENCY ANALYSIS**

The Benchmark Deficiency Analysis shows the difference between the actual reserve fund balance and the current reserve fund requirement, as calculated in the Benchmark Analysis. The current reserve fund requirement is an estimate of a fully funded reserve fund, based on the Benchmark calculation.

The Benchmark Deficiency Analysis has been developed by Phung Horwood as a guide for property managers and the Strata Council to ensure that the reserve fund is neither under-funded nor over-funded.

The reserve fund of Oakland Park is showing a benchmark deficiency as of the end of the June 30, 2018 fiscal year, as shown below:

Opening balance, July 1, 2017	\$225,572.93
Reserve fund contribution for the 2018 fiscal year	\$ 41,760.00
Earned Interest	<u>\$ 2,350.00</u>
<b>Reserve fund balance as of June 30, 2018</b>	<b>\$269,682.93</b>
Estimated reserve fund requirements as of June 30, 2018	\$386,952.00
<b>Estimated reserve fund deficiency</b>	<b>(\$117,269.07)</b>
<b>Percentage Funded as at June 30, 2018</b>	<b>70 %</b>

Based upon the foregoing assumptions and analyses, the Contingency Reserve Fund was 70 percent funded at year-end June 30, 2018. Statistics indicate that Strata Corporations with Contingency Reserve Fund balances above 50% funded face a substantially lower risk of an unanticipated special levy than do stratas which operate at lower funding levels. Should the recommendations contained herein be implemented, the Contingency Reserve Fund would remain above 70% funded and generally make continual progress toward "fully funded" by the end of the 30-year projection.

It should be noted that this Depreciation Report is a planning and budgeting document. The actual timing of the anticipated expenditures may vary; however proper budgeting should accommodate most minor variations in timing.

**Adequacy of Reserve Fund**

Adequacy of Reserve Fund may be defined as the amount of reserve fund balance, which, together with regular contributions and investment income, constitutes sufficient cash resources available for all possible and potential reserve fund expenditures, required to repair or replace common elements or assets of the corporation when needed.

The most direct and stringent measure of the adequacy of the reserve fund is the 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. When the closing balance is equal to the balance required, the reserve is fully funded, and is therefore clearly adequate. A reserve could be less than fully funded and still be adequate, however the lower it becomes in relation to the required fully funded balance, the less adequate the reserve becomes. Eventually, the reserve becomes inadequate in that unanticipated and excessive special levies will be necessary.

A reserve fund could go into surplus, if the contributions were excessive, and the reserve balance exceeded the required benchmark amount. A properly prepared Depreciation Report, with appropriate recommendations, should preclude a fund from reaching a surplus state.

In my opinion, the recommendations listed in this report should be adhered to in order that the reserve fund will be adequate to provide for future reserve fund expenditures.

## **RESERVE FUND MANAGEMENT – 30 YEAR PROJECTIONS**

### **Projected Cash Flow and Deficiency Analysis**

The 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 reserve fund operations.

### **Opening Fund Balance**

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

### **Cash Flows**

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

### **Total Cash Resources**

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

### **Expenditures**

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

### **Closing Balance**

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

### **Deficiency Analysis**

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





**RECOMMENDATIONS**

The recommendations, set out below and detailed in this report, will assist the corporation to achieve and maintain an adequate reserve fund. In my opinion, the current reserve fund balance, recommended annual contributions, earned investment income, and planned special levy will adequately fund immediate and future reserve fund expenditures.

1. The corporation should prepare and implement a long-term reserve fund strategy, which seeks to keep the reserve at an adequate level of funding throughout the budgeting period.
2. Major repairs and replacements of capital items (Reserve Components) should be recorded in, and funded from, a reserve fund account.
3. The reserve fund contributions should be set at \$46,800 per annum for the year ending June 30, 2019.
4. The reserve fund contributions should be increased annually by 2.47% through June 30, 2048.
5. The corporation should investigate the probability that increased interest revenue could be achieved so as to match the interest rates that have been utilized in the projections contained herein.
6. The corporation should make such expenditures as necessary to maintain the property in optimum condition.
7. The reserve fund should be reviewed every year to ensure that the underlying assumptions are still valid and that the estimates remain current.
8. The corporation should update the Depreciation Report, as required by law, every three (3) years.

## **CERTIFICATION**

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

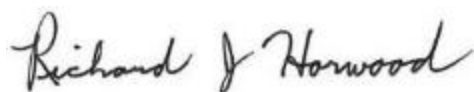
- the statements of fact contained in this report are true and correct;
- the reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are their personal unbiased professional analyses, opinions and conclusions;
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Appraisal Institute of Canada's Canadian Uniform Standards of Professional Appraisal Practice as well as the Depreciation Report (Reserve Fund Study) Standards, published by the Real Estate Institute of Canada.
- this report complies with the Strata Property Act, SBC 1998, and Regulation 43/2000 (includes amendments up to B.C. Reg. 206/2016, July 28, 2016);
- the compensation for the preparation of this report is not contingent upon the reporting or developing any predetermined results;
- I have the knowledge, experience, and am empowered to conduct depreciation reports, as stipulated in the British Columbia Strata Property Act SBC 1998 to complete the assignment competently;
- no one provided significant professional assistance to me.
- I am competent and experienced in the completion of Depreciation Reports on this type of property. I am qualified and insured to complete this assignment by the Appraisal Institute of Canada. Additionally, I have completed the Real Estate Institute of Canada courses and have been granted the designation of Certified Reserve Planner.

On June 18, 2018, I made a personal inspection of the subject property, 1536 Hillside Avenue, Victoria, British Columbia.

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

As of the date of this report, Richard J. Horwood has completed the requirements under the continuing education program of the Appraisal Institute of Canada.

**Dated: July 10, 2018**



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**Richard J. Horwood, AACI, P.App. CRP**

*Phung Horwood is a trade name used by individual appraisers and consultants, which operate as independent businesses and neither such companies nor their principals are doing business in partnership or deemed employees of Phung Horwood.*

## **Relevant Sections of the Strata Property Act**

"**common expenses**" means expenses

- (a) relating to the common property and common assets of the strata corporation, or
- (b) required to meet any other purpose or obligation of the strata corporation;

"**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;

"**contingency reserve fund**" means a fund for common expenses that usually occur less often than once a year or that do not usually occur, as set out in section 92 (b);

### **Operating fund and contingency reserve fund**

**92** To meet its expenses the strata corporation must establish, and the owners must contribute, by means of strata fees, to

- (a) an operating fund for common expenses that usually occur either once a year or more often than once a year, and
- (b) a contingency reserve fund for common expenses that usually occur less often than once a year or that do not usually occur.

### **Minimum and maximum contributions to contingency reserve fund**

**93** Subject to the requirements set out in the regulations, the strata corporation must determine the amount of the annual contribution to the contingency reserve fund.

### **Depreciation report**

**94 (1)** In this section, "**qualified person**" has the meaning set out in the regulations.

(2) Subject to subsection (3), a strata corporation must obtain from a qualified person, on or before the following dates, a depreciation report estimating the repair and replacement cost for major items in the strata corporation and the expected life of those items:

- (a) for the first time,
  - (i) December 14, 2013, in the case of a strata corporation that existed on December 14, 2011, or
  - (ii) the prescribed date, in all other cases;
- (b) if the strata corporation has, before or after the coming into force of this section, obtained a depreciation report that complies with the requirements of this section, the date that is the prescribed period after the date on which that report was obtained;

- (c) if the strata corporation has, under subsection (3) (a), waived the requirement under this subsection to obtain a depreciation report, the date that is the prescribed period after the date on which the resolution waiving the requirement was passed.
- (3) A strata corporation need not comply with the requirement under subsection (2) to obtain a depreciation report on or before a certain date if
- (a) the strata corporation, by a resolution passed by a 3/4 vote at an annual or special general meeting within the prescribed period, waives that requirement, or
  - (b) the strata corporation is a member of a prescribed class of strata corporations.
- (4) A depreciation report referred to in subsection (2) must contain the information set out in the regulations.

#### **Management of contingency reserve fund**

- 95** (1) The strata corporation must account for money in the contingency reserve fund separately from other money of the strata corporation.
- (2) The strata corporation must invest all of the money in the contingency reserve fund in one or the other or a combination of the following:
- (a) those investments permitted by the regulations;
  - (b) insured accounts with savings institutions in British Columbia.
- (3) Any interest or income earned on the money in the contingency reserve fund becomes part of the fund.
- (4) Despite subsection (2), the strata corporation may lend money in the contingency reserve fund to the operating fund as permitted by the regulations.

#### **Expenditures from contingency reserve fund**

- 96** The strata corporation must not spend money from the contingency reserve fund unless the expenditure is
- (a) consistent with the purposes of the fund as set out in section 92 (b), and
  - (b) approved or authorized as follows:
    - (i) the expenditure is first approved by a resolution passed by
      - (A) a majority vote at an annual or special general meeting if the expenditure is
        - (I) necessary to obtain a depreciation report under section 94, or
        - (II) related to the repair, maintenance or replacement, as recommended in the most current depreciation report obtained under section 94, of common property, common assets or the portions of a strata lot for which the strata corporation has taken responsibility under section 72 (3), or
      - (B) a 3/4 vote at an annual or special general meeting if the expenditure is not described in clause (A) (I) or (II);
    - (ii) the expenditure is authorized under section 98.

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## **Relevant Sections of the Strata Property Regulation**

### **Part 6 — Finances**

#### **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.]

#### **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 person's qualifications
  - (ii) the error and omission 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 purposes 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 building's 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;
- (viii) 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 subsections (1) to (4).

(6.1) The date prescribed for the purposes of section 94 (2) (a) (ii) of the Act with respect to a strata corporation that is formed after December 14, 2011, is the date that is 6 months after

- (a) the date of the strata corporation's second annual general meeting, or
- (b) if the second annual general meeting of the strata corporation has been waived under section 41 of the Act, the last date by which the strata corporation would otherwise have been required to hold that meeting.

(6.2) For certainty, a meeting held under section 230 of the Act must not be considered a second annual general meeting for the purposes of subsection (6.1) of this section.

(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 which 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.

[en. B.C. Reg. 238/2011, Sch. 1, s. 2.; am. B.C. Reg. 89/2013, s. (c).]

#### Budget requirements

6.6 (1) For the purposes of section 103 (3) of the Act, the budget must contain the following information for the fiscal year to which the budget relates:

- (a) the opening balance in the operating fund and the contingency reserve fund;
- (b) the estimated income from all sources other than strata fees, itemized by source;
- (c) the estimated expenditures out of the operating fund, itemized by category of expenditure;
- (d) the total of all contributions to the operating fund;
- (e) the total of all contributions to the contingency reserve fund;



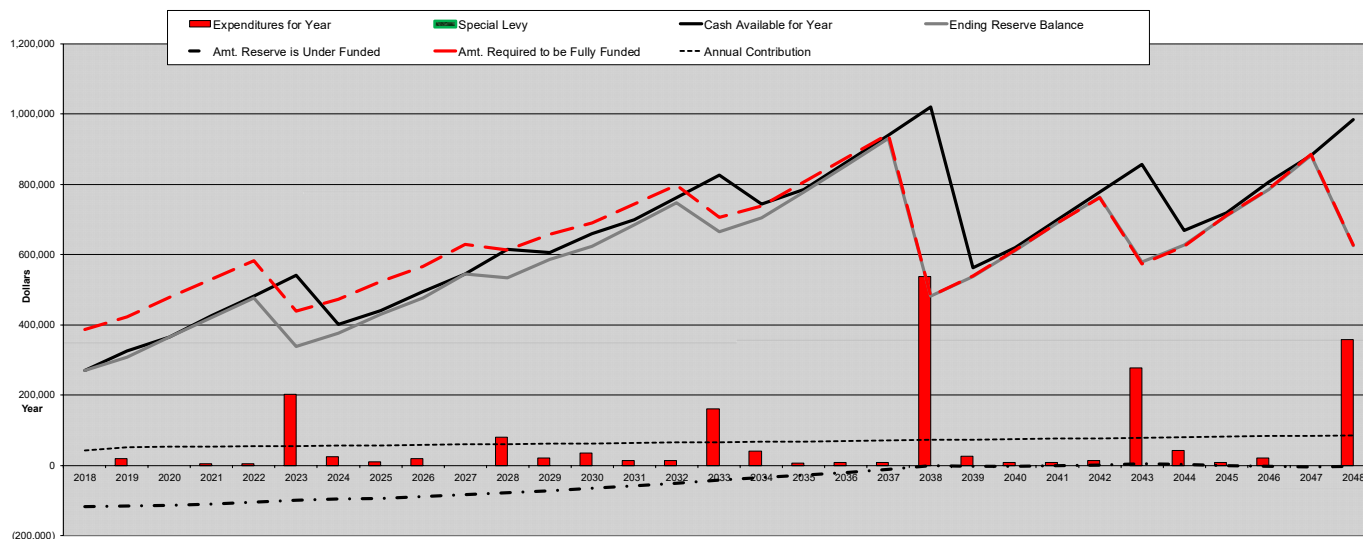
- (f) each strata lot's monthly contribution to the operating fund;
  - (g) each strata lot's monthly contribution to the contingency reserve fund;
  - (h) the estimated balance in the operating fund at the end of the fiscal year;
  - (i) the estimated balance in the contingency reserve fund at the end of the fiscal year.
- (2) If contributions to the operating fund are calculated in accordance with section 6.4 (1) or (2), 6.5 (1), 11.2 (1) or (2) or 11.3 (1) of this regulation, those contributions must be identified separately in the budget.



Alternate Cash Flow Funding Model 1

Phung Horwood

Oakland Park								
Year ending 30-Jun	Opening Balance	Recommended Annual Contribution	Special Levy	Estimated Inflation Adjusted Expenditures	Estimated Interest Earned	Percentage Increase in Recommended Contributions	Closing Balance	Percentage Funded
2018	225,573	41,760	0	0	2,350	n/a	269,683	70%
2019	269,683	51,840	0	18,555	4,719	24.14%	307,687	73%
2020	307,687	52,747	0	0	5,385	1.75%	365,819	76%
2021	365,819	53,670	0	5,416	6,402	1.75%	420,475	79%
2022	420,475	54,610	0	5,562	7,358	1.75%	476,881	82%
2023	476,881	55,565	0	202,221	8,345	1.75%	338,571	77%
2024	338,571	56,538	0	25,227	5,925	1.75%	375,806	80%
2025	375,806	57,527	0	10,845	6,577	1.75%	429,065	82%
2026	429,065	58,534	0	18,563	7,509	1.75%	476,544	84%
2027	476,544	59,558	0	0	8,340	1.75%	544,442	87%
2028	544,442	60,600	0	79,753	9,528	1.75%	534,817	87%
2029	534,817	61,661	0	20,108	9,359	1.75%	585,729	89%
2030	585,729	62,740	0	34,418	10,250	1.75%	624,301	91%
2031	624,301	63,838	0	14,139	10,925	1.75%	684,925	92%
2032	684,925	64,955	0	14,521	11,986	1.75%	747,346	94%
2033	747,346	66,092	0	161,057	13,079	1.75%	665,459	94%
2034	665,459	67,248	0	40,586	11,646	1.75%	703,767	95%
2035	703,767	68,425	0	6,292	12,316	1.75%	778,216	96%
2036	778,216	69,623	0	8,077	13,619	1.75%	853,381	98%
2037	853,381	70,841	0	8,295	14,934	1.75%	930,861	99%
2038	930,861	72,081	0	538,048	16,290	1.75%	481,184	100%
2039	481,184	73,342	0	26,246	8,421	1.75%	536,700	100%
2040	536,700	74,626	0	8,985	9,392	1.75%	611,733	100%
2041	611,733	75,932	0	9,228	10,705	1.75%	689,143	100%
2042	689,143	77,260	0	14,215	12,060	1.75%	764,248	100%
2043	764,248	78,612	0	276,991	13,374	1.75%	579,243	101%
2044	579,243	79,988	0	42,980	10,137	1.75%	626,388	100%
2045	626,388	81,388	0	8,212	10,962	1.75%	710,525	100%
2046	710,525	82,812	0	21,085	12,434	1.75%	784,687	100%
2047	784,687	84,261	0	0	13,732	1.75%	882,680	100%
2048	882,680	85,736	0	358,157	15,447	1.75%	625,705	100%





Alternate Cash-Flow Funding Model 2

Phung Horwood

Oakland Park								
Year ending 30-Jun	Opening Balance	Recommended Annual Contribution	Special Levy	Estimated Inflation Adjusted Expenditures	Estimated Interest Earned	Percentage Increase in Recommended Contributions	Closing Balance	Percentage Funded
2018	225,573	41,760	0	0	2,350	n/a	269,683	70%
2019	269,683	46,800	0	18,555	4,719	12.07%	302,647	71%
2020	302,647	46,800	0	0	5,296	0.00%	354,744	74%
2021	354,744	46,800	0	5,416	6,208	0.00%	402,336	76%
2022	402,336	46,800	0	5,562	7,041	0.00%	450,614	77%
2023	450,614	46,800	136,000	202,221	7,886	0.00%	439,079	100%
2024	439,079	52,416	0	25,227	7,684	12.00%	473,953	100%
2025	473,953	52,416	0	10,845	8,294	0.00%	523,818	100%
2026	523,818	52,416	0	18,563	9,167	0.00%	566,837	100%
2027	566,837	52,416	0	0	9,920	0.00%	629,173	100%
2028	629,173	52,416	0	79,753	11,011	0.00%	612,847	100%
2029	612,847	52,416	0	20,108	10,725	0.00%	655,879	100%
2030	655,879	52,416	0	34,418	11,478	0.00%	685,355	99%
2031	685,355	52,416	0	14,139	11,994	0.00%	735,626	99%
2032	735,626	52,416	0	14,521	12,873	0.00%	786,395	99%
2033	786,395	52,416	0	161,057	13,762	0.00%	691,516	98%
2034	691,516	63,072	0	40,586	12,102	20.33%	726,103	98%
2035	726,103	63,072	0	6,292	12,707	0.00%	795,591	99%
2036	795,591	63,072	0	8,077	13,923	0.00%	864,509	99%
2037	864,509	63,072	0	8,295	15,129	0.00%	934,415	99%
2038	934,415	63,072	0	538,048	16,352	0.00%	475,791	99%
2039	475,791	63,072	0	26,246	8,326	0.00%	520,943	97%
2040	520,943	77,184	0	8,985	9,117	22.37%	598,258	97%
2041	598,258	78,342	0	9,228	10,470	1.50%	677,842	98%
2042	677,842	79,517	0	14,215	11,862	1.50%	755,006	99%
2043	755,006	80,710	0	276,991	13,213	1.50%	571,937	100%
2044	571,937	81,920	0	42,980	10,009	1.50%	620,886	99%
2045	620,886	83,149	0	8,212	10,866	1.50%	706,688	99%
2046	706,688	84,396	0	21,085	12,367	1.50%	782,367	99%
2047	782,367	85,662	0	0	13,691	1.50%	881,720	100%
2048	881,720	86,947	0	358,157	15,430	1.50%	625,940	100%

