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Special Assessments

Not the Time for a Special Assessment

Deciding to Levy a Special Assessment is Made Exponentially Harder Given the Financial Impact of the Current Pandemic



Serving on a condominium Board of Directors can be tiresome and thankless. Directors have to make tough decisions, the most difficult of which may be a decision to levy a special assessment. This decision often forces your neighbours to pay large sums of money without much notice. While this is difficult decision in normal times, it has made exponentially harder given the financial impact of the current pandemic. Many folks who've always had stable jobs or businesses have suddenly found themselves financially unstable. Having worked with many boards facing this type of decision, both prior to and during the pandemic I can tell you the resounding battle cry from many condo owners today – Now is not the time for a special assessment.

The current reality for many condo corporations is that when it comes time to do some of the most major repairs and replacements, they will not have enough money. With the rising cost of construction and pending changes to reserve funding legislation, the need for additional funding is likely going to get worse before

it gets better. If you are on the board of an older condominium with major work on the horizon, I encourage you to prepare yourself for the possibility that you may need additional funding, either from a special assessment or a dramatic increase in condo fees.

There are some proven strategies to navigate through this type of crisis. There are a few pieces of advice I can offer:

1. Communicate, Communicate, Communicate

Once you are aware of a possible shortfall in funding, let the owners know. It is better to tell your owners that there may be an issue and you are looking into a solution, than not saying anything at all until you have a solution. Providing continuous updates will also build trust and confidence in the Board. If you are unsure about what to say and how to say it, seek help. There are some great engineering partners, condominium lawyers and property management professionals that pride themselves on effective communication.

2. Evaluate all of Your Options

Many condos are choosing to finance major repairs as an alternative to a special assessment or large increase in condo fees. Spend the time to speak with someone who specializes in condominium lending. You may be surprised at the advice that you can get at no cost. A specialized lender will invest considerable time reviewing your specific situation and can provide the board with a realistic comparison of their options to consider. Without any obligation, this investment in time can help the board make an informed decision on how to proceed.

3. Let the Owners Decide

Boards need to make the decision about whether to proceed with major repairs and maintenance, that is their responsibility. A board can however give the unit owners a choice with respect to funding. When a Condo Board proposes a Borrowing Bylaw, they are often effectively letting the owners decide whether to get additional funding through a special assessment or a

ILLUSTRATION BY TOM SEVALRUD

loan. In order to for a condominium corporation in the Province of Ontario to borrow funds, most will require at least 50% of the owners to support this choice through a vote. This process encourages owners to make an educated choice and can be a means for a Board of Directors to

let the owners decide whether to raise funds through a special assessment or whether to borrow through the condominium corporation. Owners that have been consulted, educated and given a choice are much more understanding than owners that just get a bill in the mail.

To all of the Board members out there who are losing sleep at night worrying about your condominiums' finances, I salute you and thank you for the work you do for your community. You are not alone, there are proven strategies and good people out there in the industry that can help make these difficult decisions easier.

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