



Reserve Study - Depreciation Report Provider Comparison Sheet

The Reserve Study, or Depreciation Report as it's known in British Columbia, is a key document for any condominium complex. It provides a 25 to 30 year¹ financial plan based on the long term requirements to repair or renovate the development in order to maintain the owners' market value.

One should expect 3 things from a Reserve Study - Depreciation Report:

1. A listing of the major assets of the development to be funded through reserves, each of their expected useful life, remaining useful life, with current and future replacement costs.
2. A recommended multi-year reserve funding plan.
3. An opinion on the adequacy of reserve fund contributions.

To get these expectations met, Boards of Directors (Strata Councils) must undertake a method of identifying those providers that meet their needs, through a review of their qualifications and expertise, what will be provided in the report and on-going services, and the related fees.

This chart was designed to assist Boards of Directors (Strata Councils) make those choices in an educated manner. This chart has a total of 90 points available.

We recommend that the provider must attain a minimum 50% in Part 1 (13 of 26 points) before price is reviewed. Boards of Directors / Strata Councils should be looking for experienced providers so that the physical inspection is accurate and the condition assessment is realistic. A Depreciation Report or Reserve Fund Study may be considered substandard if the writer is not recognized as "Qualified" under the provincial legislation and/or by the readers of the report (Potential Buyers, Banks, Owners, etc.).

The fee is very important, and additional charges for Consultants can be problematic. Making sure you get value for your money is very important.

Reviewing the sample from the provider, or a sample report off the internet, can help the decision makers understand how the report provider meets your expectations. Using the sample, the reader should be able to understand how the provider summarizes the physical analysis of the common assets in the Benchmark Analysis, as well comprehend how the writer developed their opinion about the financial health and strength of the Reserve Fund.

We hope that you find this comparison chart system useful. Please contact us at the number below if you have any comments on this document or suggestions.

¹ Length of cash flow projections is based on provincial legislation.

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Part 1: Finding Someone Who Is Qualified and Experienced

Canada, except BC – The listed designations in your Provincial legislation.

BC only – The Condominium Home Owners Association (CHOA) lists recommended designations, including the following: Engineers (P.Eng.), Architects, Senior commercial appraisers (AACI), and Certified Reserve Planners (CRP).

Designation(s):

If designation is mentioned by the legislation or provincial owners groups, like CHOA	4 points
If not mentioned by the legislation, or groups like CHOA	0 points

Some provincial legislation does not require providers to have E&O insurance, but it is recommended.

Insurance Coverage (Errors & Omissions):

Highest coverage	4 points
Third highest	3 points
Second highest	2 points
First highest	1 point
If not mentioned	0 point

Recommendations are useful to seek out – Maximum of eight (8) points.

Recommendations:

Recommended by a Property Manager	4 points
If the Property Manager has no opinion	2 points
If the Property Manager has a negative opinion	0 point
Recommended by an Owner on YouTube or other video social media	4 points
If the provider is not mentioned by an owner on YouTube	2 points
Recommended by an Owner in a letter	4 points
If the provider is not mentioned by an owner in a letter	2 points

Pre-contract Interview:

Boards of Directors / Strata councils find it very useful to have the person who will be actually writing the report (not the salesperson) present their proposal, so they can make sure they feel comfortable with the writer's experience and skills.

Report writer available for an interview	2 points
If not available	0 point

Construction Background Experience:

The longer the writer has been involved in residential and commercial construction, repairs and renovation, the more accurate and realistic the physical analysis of the complex will be.

10 or more years of designing or repairing residential or commercial buildings	4 points
5 to 10 years of designing or repairing residential or commercial buildings	2 points
Less than 5 years of designing or repairing residential or commercial buildings	1 point
No construction experience	0 point

Review Through the Interior of Suites:

Inspecting the interior side of windows or the condition of balconies is required for determining the effective age of components. This cannot be done from the ground looking up.

If access to a few suites is required	4 points
If access is not mentioned	2 points

Sample of Work:

Reviewing a sample report allows you to determine the skills of the provider, verify the content is accurate and complete, and that the report presents a realistic financial scenario.

If a work sample is available	4 points
If a work sample is not available	0 point

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Part 2: The Cost Is the Next Most Important Issue

The overall cost for the services provided is determined the fee, usually before taxes.

Fee:	Lowest fee	10 points
	Second lowest fee	8 points
	Third lowest fee	6 points
	Highest fee	2 point

These additional costs for travel, getting plans etc., without the Directors / Strata Councils approval.

Disbursements:	Lowest disbursements	4 points
	Second lowest disbursements	3 points
	Third lowest disbursements	2 points
	Highest disbursements or not discussed	1 point

Draft Discussion Meeting: Meeting with the writer to discuss the working copy (draft copy) ensures that the depreciation report will be accurate.

If the draft meeting is included in the fee	4 points
If a draft meeting implies an additional disbursement	0 point

Strata councils sometimes ask the writer to attend their Annual General Meeting. What is the cost?

Additional Meetings:	Least expensive additional cost	4 points
	Second least expensive additional cost	3 points
	Third least expensive additional cost	2 points
	Not mentioned or described	0 point

Knowing if, how many and at what cost hard copies are provided helps to determining the final cost.

Hard Copies of the Report:	If two (2) free copies are provided for free	4 points
	If one (1) free copy is provided for free	3 points
	If the cost is under \$100 or 40 cents a page or less	2 points
	If the cost is over \$100 or over 40 cents a page	1 point

Knowing the cost for hard copies helps to determine future costs for distributing the report to third parties.

Additional Report Copies:	If additional copies are free	4 points
	If the cost is under \$100 or 40 cents a page or less	3 points
	If the cost is over \$100 or over 40 cents a page	2 points
	If additional copies will not be provided	0 point

What is the standard practice of your provider?

Electronic Copies:	If the electronic copy is included in the fee on a CD-ROM	4 points
	If the electronic copy is included in the fee, but only as an email	3 points
	If there is a charge less \$20.00 for the electronic copy, if not included in the proposal.	2 points
	If there is a charge above \$20.00 for the electronic copy.	1 point
	If the electronic copy will not be provided	0 point

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Part 3: Understanding The Analysis – Reviewing the Sample

This is the part of the report that transitions the Physical Analysis into the Financial Analysis. It is a fundamental portion of all Reports, and should be clear and understandable.

Benchmark Analysis:	Full Benchmark Analysis: The Quantity and Price is listed of each item, with the Current and Future Costs and Funding Requirements, in a table format	8 points
	If the Quantity or Price of each item is not presented, but the totals of the Current and Future Costs and Funding Requirements are listed for each item, and then totalled	4 points
	If the Benchmark Analysis not presented, but only the totals of the Current and Future Costs and Funding Requirements are listed in the report	2 points
	Benchmark Analysis not presented	0 point

Reserve Adequacy or Percent Funded is the universal benchmarking method of measuring Contingency Reserve Fund (CRF) strength, and is the only system for comparing your property to others.

An Opinion on the Adequacy of Reserve Fund contributions:

While the calculation of Reserve Adequacy is not required, the Appraisal Institute of Canada and the Real Estate of BC requires its members an opinion of adequacy. This method is highly suggested to determine that opinion as it allows Buyers to easily compare properties.

If the concept of Reserve Adequacy (Percent Funded) is utilized	4 points
If the concept of Reserve Adequacy (Percent Funded) is NOT utilized	0 point

Part 4: Value of Services - What Are the On-Going Services?

These are web based portals where Strata Councils / Board of Directors can access their funding scenarios, and create alternate funding choices.

Dynamic Spreadsheet Portal:

If the portal is available and included in the fee	2 points
If the portal is available at an additional cost.	1 point
If a portal is not available	0 point

Some providers also offer a discount for taking on the insurance appraisal needs of a strata corporation in addition to the report service.

Doing the Insurance Appraisal at the Same Time:

If the Insurance appraisal is available and includes a discount	4 points
If the Insurance appraisal is available with no discount	3 points
If Insurance Appraisal is not an available service	0 point

This is recommended for larger developments and/or if a complex is undertaking a large repair or renewal program in the current or following year.

Yearly Updates:

If annual updates are included in the fee	4 points
If updates are available for a fixed additional cost	3 points
If the updates are based on a time and expenses basis (not fixed fee)	2 points
If updates are not mentioned or available	0 point

Fixing the cost of the next report at the time of this contract is beneficial.

Depreciation Report Renewal Fee:

If it is mentioned and the renewal fee is less than 70% of the first report	4 points
If it is mentioned and the renewal fee is more than 70% of the first report	3 points
If it is not mentioned or not available	2 points

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COMPANIES PROVIDING DEPRECIATION REPORT PROPOSALS		Score Below		Score Below		Score Below		Score Below	Example
Report Writer Designation(s)									4
Insurance Coverage (E & O):									4
Recommendations (Maximum 8 points):	Property Manager								4
	YouTube (Video)								4
	Owners and Letters								
Pre-contract Interview:									2
Construction Background Experience:									4
Review Through the Interior of Suites:									4
Sample of Work:									4
EXPERIENCE TOTAL:									30
Fee:									10
Disbursements:									4
Draft Discussion Meeting:									4
Additional Meetings:									4
Hard Copies of the Report:									2
Additional Report Copies:									3
Electronic Copies:									4
FEE TOTAL:									31
Benchmark Analysis									8
Opinion on Adequacy of Reserve Fund:									4
VALUE OF SERVICE TOTAL:									12
Dynamic Portal:									0
Doing the Insurance Appraisal at the Same Time:									4
Yearly Updates:									3
Depreciation Report Renewal Fee:									4
OTHER SERVICES TOTAL:									11
TOTALS									84