



Guide to Managing Renewals Projects in Multi-Unit Residential Buildings



Homeowner
Protection Office
Branch of BC Housing

About this Guide

This Guide is designed to provide practical information to help owners, strata managers and strata council members manage the planning and implementation of renewals projects for multi-unit residential buildings.

Over the life of a building, various components, materials and assemblies will require regular maintenance and ultimately renewals. Deciding what work is required, when and how it will be undertaken, who will implement it, and how it will be paid for is all part of the maintenance and renewals planning process.

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Disclaimer

This publication is intended to provide readers with general information only and does not constitute legal or construction advice. Issues and problems related to buildings and construction are complicated and can have a variety of causes. Readers are urged not to rely simply on the contents of this Guide and to consult with appropriate and reputable legal and construction professionals before taking any specific action. The authors, contributors, funders and publishers assume no liability for the accuracy of the statements made or for any damage, loss, injury or expense that may be incurred or suffered as a result of the use of or reliance on the contents of this Guide. The views expressed in this Guide do not necessarily represent those of individual contributors or BC Housing. The regulations under the *Homeowner Protection Act* contain specific provisions requiring owners to mitigate and restrict damage to their homes, and permitting warranty providers to exclude coverage for damage caused or made worse by negligent or improper maintenance. These provisions apply to new construction and building envelope renovated homes covered by home warranty insurance. Failure to carry out proper maintenance or carrying out improper maintenance either yourself or through qualified or unqualified personnel may negatively affect your warranty coverage. Refer to your home warranty insurance documentation or contact your warranty insurance provider, or legal or construction professional for more information.

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1. INTRODUCTION

The *Guide to Managing Renewals Projects for Multi-Unit Residential Buildings* (Guide) is intended to help owners, strata managers and strata council members manage renewals planning and implementation.

The Guide incorporates examples from a variety of building and property types, including townhouses, high-rises and low-rises, and both wood-framed and concrete buildings. References to legislation apply to residential strata corporations (stratas) in British Columbia, as of publication date of this Guide.

While the Guide targets strata corporations regulated by the *Strata Property Act* in British Columbia, the information will also be useful to non-strata homeowners, including housing co-ops (co-ops).

This Guide gives readers the background knowledge required to ask good questions, to know when to seek outside expertise, and to approach the management of renewals projects with greater confidence. It is not intended to answer questions specific to a particular project or property, or replace the advice and experience of knowledgeable professionals.

Over the life of a building, various components, materials and assemblies will require regular maintenance and ultimately renewals. Deciding what work is required, when and how it will be undertaken, who will implement it, and how it will be paid for is all part of the maintenance and renewals planning process.

Maintenance refers to a regular process of inspection, minor repairs and replacements of components of the building to maintain a desired level of performance over the intended service life without unforeseen renewal activities.



Renewals are the periodic replacement of parts of or systems in a building that have reached the end of their useful service life. Renewals can include the replacement or refurbishment of a particular material, component, assembly or asset, such as replacing a roof membrane, repainting hallways or replacing photocells that control lights.

Ongoing maintenance and renewals reduces the likelihood of premature failures, damage to other assets (e.g. from a leak), and the associated emergency costs to repair or rehabilitate.

The benefits of developing a renewals program include:

- Encouraging responsible and predictable renewals expenditures.
- Reducing unnecessary costs resulting from neglected maintenance or poorly planned repairs.
- Preserving the physical integrity and appearance of the building.
- Protecting owners' real estate investments.
- Ensuring greater cost certainty for present and future owners.
- Creating comfortable, reliable and enjoyable residences.
- Preserving owners' warranty rights.

1.1. OVERVIEW

The Guide begins with an overview of how buildings age. The next sections provide more detailed information about renewals projects, including planning tools, budgeting and funding options, communications tools, risk, insurance and warranties. At the end of the Guide there are additional resources including a checklist for project stages.

For the purpose of this Guide, building assets are defined as the physical elements the strata corporation has a duty to maintain, repair or renew and are part of a strata's common or limited common property.

1.2. HOW BUILDINGS AGE

The replacement cycles for different building components and materials vary; for example, roofing membranes are usually replaced every 20 to 25 years, while balcony membranes have a shorter service life. While all buildings age differently, some broad patterns are consistent, as shown in the figure below.

Details of Residential Building Stages

	BUILDING STAGE	EXAMPLES
A	Initial period of lower activity after the original construction of the building.	Painting, sealants (also known as caulking).
B	Increasing levels of activity in the 10 to 25 year period, when materials and components begin to need replacement.	Deck membranes, roofing systems, boilers, sealers, caulking.
C	Significant renewals projects in the 25 to 45 year period as major elements are replaced, and the second and third replacement cycles for other components occur.	The first cycle for cladding, windows, and repiping. The second cycle for balcony waterproofing.

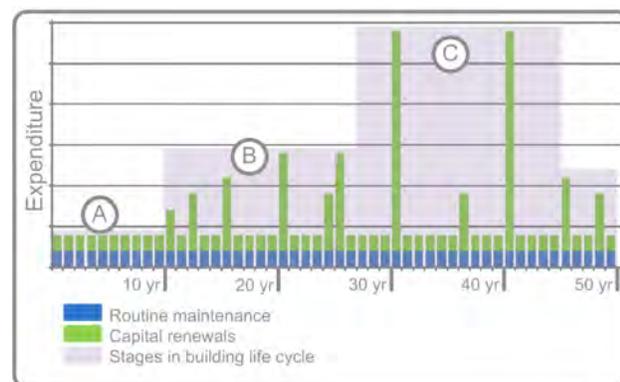


Fig. 1.2.1

The stages in the life span of typical residential buildings will follow a predictable pattern, although the exact dates of renewals and major maintenance activities will vary. Throughout the process ongoing inspections and updates to the depreciation reports must occur.

2. RENEWALS PLANNING AND BUILDING ASSET MANAGEMENT

Planning is an evolving process that must respond to changes in construction standards, building conditions, construction pricing, economic factors, and owners' performance expectations. Renewals planning usually includes three timeframes:

- Short-term, operational plan (what work will need to be done within a year or two).
- Mid-term, tactical plan (what needs to be replaced over the next five years).
- Long-term, strategic plan (what will need to be replaced over the next 30 years).

The planning process for a specific renewals project is described in Section 3 – The Renewals Project Process.

2.1. RENEWALS PLANNING TOOLS

Renewals planning tools are tailored to each property – usually by a qualified person. Key tools include:

- **Depreciation report** – a legislated planning tool that estimates when building assets will require renewal, the cost to renew and how renewals can be budgeted.
- **Renewals plan** – coordinates and groups all renewals tasks within a prescribed timeline. It often takes the form of planning tables, showing tasks, projected dates and estimated costs.
- **Maintenance plan** – states when specific short-term or routine maintenance activities should be completed – often in a checklist format. Includes instructions and guidelines for performing particular maintenance tasks. A manual might be provided by a manufacturer, developer, warranty provider or prepared by another knowledgeable professional.

2.2. DEPRECIATION REPORTS

Depreciation reports help stratas with long-term financial planning for their common property and common assets. The reports will provide an analysis of the physical condition of the strata's assets and its finances, as well as estimate the expected service life and renewal costs of major items. They answer the questions:

- What do we own or what is our asset inventory?
- How much money do we have now?
- When will items need to be renewed?
- What will it cost to renew these items?
- How can we pay for renewals in the future?

The *Strata Property Act* requires that the strata corporation obtains a depreciation report by a qualified person every three years, unless the strata waives the requirement by $\frac{3}{4}$ vote, or has less than five strata lots.

Practical information on how to maintain the building envelope can be found in the series of bulletins and videos called *Maintenance Matters*, published by the Homeowner Protection Office.

The strata corporation may be held responsible for damage to strata lot property, personal property and betterments resulting from any failure of an assembly or asset it is responsible for repairing and maintaining. Please review the *Strata Property Act* to learn more about the responsibilities of stratas.

Three cash flow models illustrate how the strata corporation may spend their money, and are affected by the current balance of and contributions to the contingency reserve fund, estimated timing and costs of renewals and potential changes to interest rates and inflation.

The cash flow models will show the approximate contingency reserve fund balances at the end of each fiscal year, and approximate dates and amounts of special levies. Because variables such as interest rates, inflation rates, and even the estimated lifespan of an asset are subject to change, the report needs to be updated every three years (as required by legislation).

Some depreciation reports will also include a maintenance plan, maintenance manual, and tools for organizing other documents and records.

Housing Co-operatives face the same long-term planning issues as strata developments, but do not come under the provisions of the *Strata Property Act*. They are governed by the *Cooperative Association Act*. Many co-ops and their members are more familiar with the terms “building condition assessment” and “replacement reserve studies” than depreciation reports but they accomplish the same goals. Best practices would also have co-ops update these reports every three years or so.

2.3. DECIDING WHEN TO REPLACE ASSETS – A RENEWALS PLAN

Over the lifespan of a building, owners of a typical residential building will undertake a number of routine maintenance projects and costly capital projects. By creating a depreciation report, renewals plan and maintenance plan, the requirements for all likely projects can be anticipated and appropriate funds can be set aside. However, without planning, owners could face numerous and sudden unforeseen costs and multiple special levies.

The table below compares the different experiences of two similar buildings over 26 years whose plumbing systems were affected by copper pipe erosion.

BUILDING	BUILDING 1 – REACTIVE PLANNING	BUILDING 2 – PROACTIVE PLANNING
Definition	<ul style="list-style-type: none"> Numerous targeted repairs No maintenance Increased pressure on insurance claims and costs due to damages to the building 	<ul style="list-style-type: none"> Some targeted repairs Maintenance, but late in service life
Timing	Re-piping in year 24	Re-piping in year 21
Cost Impact	Total cost over 26 years: \$750,000	Total cost over 26 years: \$550,000
Service Life	Projected service life of new piping system: 30 years	Projected service life of new piping system: 30 years

2.4. PROGRAM ADMINISTRATION

Owners must establish who will oversee the renewals planning process including responsibly using, planning and managing common resources, such as building assets. The program administrator is responsible for the renewals plan and for overall coordination, management and supervision of the renewals activities. They must ensure owners have the resources necessary to maintain and replace building components and materials before damage from failure increases the cost of renewals.

The strata council or co-op board as part of the construction management process may designate a council member, an owner, or contract with the strata manager or a consultant to act as the program administrator and report to the strata corporation or co-op.

Factors to consider when replacing building components to avoid unnecessary costs:

- Protecting the property and assets
 - Legislative and legal obligations
 - Impact on strata fees and special levies
 - Insurance requirements
 - Tolerance for risk – when is the best time to replace?
 - Desire to balance the cost to replace, versus the cost to maintain and repair
 - Potential return on investment – cost of disruption and use of property
 - Minimizing damage to other assets such as interior finishes, and
 - Lifestyle – impact of being able to comfortably and safely use residential property.
-

Annual planning and proper oversight by the program administrator ensures that required inspection, maintenance and renewals tasks are undertaken throughout the assets' lifespan.

The key is to embrace these tasks on a consistent and ongoing basis. This does not mean owners have to do the work themselves, but they do have to ensure somebody is responsible for planning and program administration.



3. THE RENEWALS PROJECT PROCESS

The renewals project process has three stages: pre-construction, construction, and post-construction.



PRE-CONSTRUCTION	Roles and Responsibilities
	Evaluating and Defining the Project
	Refining the Project Scope
	Preparing Documentation and Contracts for the Project
	Approvals at the end of the Design
	Hiring a Contractor
CONSTRUCTION	Implementing and Reviewing the Work
	Payments and Progress Claims
	Considering and Approving Changes to the Project
POST-CONSTRUCTION	Completing the Project
	Deficiencies and Documentation

3.1. PRE-CONSTRUCTION STAGE

Roles and Responsibilities

The size of the team and scope of their responsibilities will vary depending on the cost and complexity of the project. However, generally speaking, the various participants' roles and responsibilities include:

Strata council – plan, budget, project management, communicate with owners.

Stratas/property owners – approve expenditure, pay levies, give feedback, provide access to suites, report deficiencies and monitor repairs.

Program administrator – advise on required work, provide annual updates, keep renewals plan up to date.

Strata/property manager – prepare meeting notices, undertake contracted duties.

Consultants and technicians – assess, design and prepare contracts, review construction, certify payments and provide letters of assurance to local authorities.

On-site coordinator – may be designated to liaise with contractors and facilitate project.

Contractors – perform renewals or maintenance work.

Construction manager – may be hired to act as the owners' agent and coordinate activities.

Lawyer – review of tender packages and drafting or review of resolutions and contracts.

The BC Safety Authority, materials suppliers, municipalities, appraisers, assessors and financial institutions also play a role. Please see the Appendix D for a complete list and description of roles and responsibilities.

Standard contracts may prescribe the roles and responsibilities of each participant, and contracts should be reviewed by a lawyer to ensure that roles and responsibilities do not conflict.

POSSIBLE REASONS FOR ENGAGING A CONSULTANT	YES (✓)
Are improvements necessary for changes or adaptations to our building or property (e.g. changing use for property, code or seismic upgrade requirements, accessibility)?	
Do we know if renewing one asset results in changes to the way another asset or system operates or ages?	
Will we need to renew another component, material or asset at the same time to avoid the cost of duplicate repairs?	
Will the renewal result in a situation where parts of the building have become more or less conforming with the current building code?	
Will we need to redo the work of this project when we renew another asset in the future?	
Is there a potential for concealed damage that may be discovered when the work starts?	
Will a building permit or development permit be required for this work?	

Evaluating and Defining the Project

Renewals projects will range in complexity. Some will be simple and straightforward, where only one component is to be replaced and no other assets are affected.

Others will be more complicated, such as:

- Projects that are physically very large, such as when one asset – like windows – is distributed over a large area.
- When multiple assets, components or materials are interconnected, and replacing one may impact the performance of another. For example, a waterproof membrane on a deck or balcony needs to be replaced, and is installed below the sliding glass door. In such projects, bundling work may help reduce costs and repetition of work.
- Projects that change the appearance or performance of the building. For example, improving energy efficiency by installing energy efficient furnaces and boilers.
- Buildings in which renewals have been deferred and there is concealed damage, such as if the balcony waterproofing is overdue for replacement and leaks have damaged the wood framing.

Frequently, owners will contact someone outside the strata to help with their evaluation. For small projects, a contractor may provide the evaluation as part of a quote for the work. Alternately, the owners might hire a consultant to do a formal investigation and make recommendations. This approach is advisable if the renewals project is likely to affect or include multiple assets or systems, if multiple specialist trades would need to be hired, or if there is a problem and the cause or source has not been fully diagnosed.



The process of defining the project scope begins with a physical evaluation of the asset or assets. The evaluation should identify, in broad terms:

Evaluation Considerations

What is mandatory? Typically anything that poses a safety risk or could result in significant damage to the building if left.

What is optional? Typically anything to avoid future deterioration, a safety risk, or repeating work in the near future.

The initial evaluation may only be a first step. Additional evaluation or investigation work might be necessary to refine the scope of work and the budget.

Phasing refers to dividing a project into smaller, individual projects, each with its own design and planning, pricing and construction periods. Projects are often phased when an asset is distributed over a variety of locations, when failure of the asset is not critical, or when each location of the asset might fail at a different time.

CONSIDERATIONS WHEN DECIDING WHETHER TO PHASE A PROJECT	YES (✓)
Do we have a financial plan that is coordinated with the construction plan?	
Will a special levy be required for each phase?	
Where will the work start and finish? Will this result in hardship to any residents?	
Are there other risks and pitfalls associated with phasing the project?	
If a special levy will be required for each phase, will it be easy for owners to raise the funds for each phase?	
Will there be a visible difference between renewed assets and assets yet to be renewed? Will this impact property value?	
Will the property be perceived to be “under construction” for a long period of time?	
Are there repeated costs that could be saved if the project was done at the same time?	
Is there a risk of assets failing before they are scheduled to be replaced? What will the result of failure be?	
Is the entire phasing of the project approved at the beginning to ensure completion of all phases?	



When an evaluation is comprehensive and includes recommendations which may have significant cost implications, an information meeting should be held to advise owners about the results of the evaluation, to explain the next steps and to provide an opportunity for discussion. The information meeting may also be used to discuss different repair options and to conduct a straw poll (non-binding show of hands) on which option is likely to be approved.

Refining the Project Scope

The project is refined in the design or planning process. This refinement includes:

- The scope of work, including areas, assets, materials and components.
- If there are phases, the work included in each phase, and timing of each phase. This should be done before the funds are raised and voted upon.
- The materials and components to be used and, if appropriate, what they will look like.
- The cost estimates.

Approvals at the End of the Design

A consultant may prepare a report or presentation that will identify any changes required to the building, decisions owners have made and have yet to make, a refined construction budget and cost implications. The report may also indicate how decisions could affect the appearance or performance of the building.

An information meeting for owners is recommended for larger projects, with a separate, general meeting to approve the scope of work.

Significant changes to the use or appearance of common property or assets requires the approval of a $\frac{3}{4}$ vote resolution of property owners at the general meeting. Decisions may require a $\frac{3}{4}$ vote to approve the scope of work or funding unless the work is recommended in the most recent depreciation report and does not contain any significant change in use or appearance.

The design and planning phase may overlap with the preparation of construction documents.

It is important for the strata council to understand their purchasing procedures:

- Does the strata have a bylaw that regulates purchases?
- Does your strata require multiple quotes?
- Did the approved resolution give the strata council purchasing authority?



Is a $\frac{3}{4}$ vote necessary?
Changes to the *Strata Property Act* in Spring 2014 allows strata corporations to approve expenditures from the contingency reserve fund with a majority vote, provided the expenditure was recommended in the Depreciation Report and it is not a significant change in use or appearance.

Always use written contracts and agreements for all maintenance and renewals projects.

Preparing Documentation and Contracts for the Project

Construction documents describe the work in a technical manner, including the design of the renewals, the materials to be used, and how they are to be installed. They are used to obtain building permits from municipalities and pricing from contractors. They also form part of the contract with a contractor.

BEFORE YOU SIGN A CONTRACT	YES (✓)
Retain legal counsel to review the terms and conditions of all design and construction contracts and project documents.	
Verify the change order procedures.	
Establish a clear understanding of payment schedules and holdback accounts.	
Identify how contingencies are managed.	
Identify a clear scope of content to minimize the risk of claims for extras (e.g. services, material, products, reporting).	
Identify how deficiencies will be resolved (e.g. construction holdback, warranties and defect reporting protocols).	

Construction documents form the basis for tenders from contractors. The owners cannot hold the contractor accountable for any work not described in the documents. If the documents are not clear, contractors may make assumptions that result in inaccuracies in the construction methodology or claims for extras from the contractors.

The contract documents include the construction documents and describe the agreement between the strata and the contractor. Typically, contracts will describe roles and responsibilities, schedules of work, insurance requirements, how changes to the scope of work will be handled, what to do upon the discovery of concealed elements, how payments will be processed, and how to resolve conflicts. There are a variety of contract types, but those for larger projects will be based on a standard construction contract developed by the Canadian Construction Documents Committee (CCDC). The most common is the CCDC 2 – *Stipulated Price Agreement*.

In certain projects, there may be options that are not mandatory. It is helpful if these are priced separately for the owners to make a decision.

Hiring a Contractor

Most people are familiar with the concept of competitive quotes: a number of contractors are asked to quote on a defined scope of work, and the client selects the best quote based on certain factors. The formal term for asking for quotes is called a tender process, and contractors are asked to submit bids.

Once the project has been clearly articulated in contract documents, the next step is usually to identify qualified contractors – those with the knowledge and expertise, workforce and financial ability to complete the work properly, on time and within budget.



On small projects, the strata might rely on references from people it is familiar with, the contractor, or its strata manager.

For large projects, all contractors invited to quote should be asked to complete a standard CCDC 11 form – Contractor’s Qualification Statement – which requires a list and value of all relevant completed projects, client contact information, and financial information. Typically a consultant can suggest companies to invite to bid.

Contract bidders will receive the contract documents and a description of the bid requirements, including the submission deadline and, for larger projects, a process for asking questions and a requirement for a bid bond (insurance in case the contractor decides not to proceed with the work, even if they are the lowest bid).

If a formal tender process is used, it should be transparent, fair and confidential. It is important to remember the process can be challenged in court if it is seen to be unfair, and if certain requirements are not met.

The call for tenders and supporting documents should be reviewed by a lawyer to ensure that they provide the strata with flexibility in decision-making and protection from aggrieved bidders. Some important clauses to consider including in the call for tenders are:

- A “privilege clause” which states that the strata does not have to accept the lowest or any tender.
- A “discretion clause” which allows the strata to accept certain types of non-compliant tenders.
- A “subject to financing clause” which protects the strata in the event owners refuse to authorize the expenditure.
- A “damages clause” which limits claims to the cost of preparing the tender as opposed to the profits lost had the tenderer been awarded the contract.

The strata may choose to select a contractor to participate in the design process and negotiate a fixed price for the work. The contract or agreement is usually the same, but the design incorporates suggestions from the contractor. This is common with trades contractors with a long history of work on a particular building.



In large projects involving multiple trades and specialties, there are two ways to arrange contractual relationships (see Appendix D – Roles and Responsibilities):

General contractor – the owners work with a consultant to prepare contract documents and either tender the project or negotiate a price with the general contractor. The strata will sign one contract with the general contractor, who will then sign sub-contracts with other trades contractors. The general contractor is responsible for coordinating activities on site, and for ensuring the work conforms with the construction documents and warranty requirements.

Construction management – in one model of construction management, the owners hire a construction manager in addition to a consultant. The construction manager tenders the project to different trades contractors. The owners sign contracts for each major trades category. The construction manager has a full-time presence on site (typically a site supervisor), co-ordinates day-to-day construction activities (including safety), administers all contracts, and provides cost control services, working with the consultant to optimize construction on the owners' behalf.



A number of administrative tasks need to be completed once the contractor or contractors have been selected, starting with a notice of award. The notice of award confirms that the contractor's bid has been accepted and outlines any conditions of the bid.

In many cases, the letter of intent is necessary for the contractor to begin arranging for the work to start. For some small projects, no formal contract such as a CCDC 2 will be signed, and a document similar to the letter of intent might constitute the agreement. For larger projects, the letter of intent may be reviewed by a lawyer for options or upgrades.

If the bid included alternate pricing, the owners must decide whether or not to proceed with the alternate scope of work. Often, this will require approval at a special general meeting, which must be held as soon as possible, as most quotes and tenders are valid for only 60 days.

3.2. THE CONSTRUCTION STAGE

Implementing and Reviewing the Work

After receiving the notice of award, the contractor will typically begin mobilizing – the process of preparing to start construction, including arranging for trades contractors, ensuring key staff are available, ordering material, signing contracts with sub-trades, and setting up the workspace at the property.

Once the contractor is ready to start work, there is commonly a start-up meeting between the site superintendent (the person overseeing the day-to-day operations on the construction site), the owners' representative, the consultant or representatives of the consulting firm, and others directly involved with the project. The meeting will address:

- Site safety concerns
- Communication of resident and owner questions and concerns
- Communication between the contractor and/or consultant and owners and residents



A large renewals project can be disruptive and exhausting for those living in the building, regardless of how smoothly it runs. The key to minimizing the impact on owners is effective communication.

Before the holdback is released obtain clearance certificates and assurances of satisfactory completion and payments of sub-contractors.

- Suite access requirements, coordination and advance notice
- Emergency procedures – e.g., for leaks or power outages
- Site organization – e.g., location of trailer, site office, storage, and washroom facility, and
- Work hours, and security measures.

CONSIDERATIONS FOR SETTING UP THE WORKSITE	REQUIRED? (✓)
Temporary office	
First aid room	
Workshop and storage area	
Scaffolding	
Weather protection	
Safety barricades	
Fences	
Temporary electrical power for work areas	
Parking, sanitary services and other site requirements	
Waste management	

If a consultant is involved during construction, a representative of the consulting firm will be responsible for field reviews, which involves making periodic visits to the site to determine if the project conforms with the construction documents and building code and to confirm the progress of work.

When a building permit is required, engineers and architects may be required to complete and submit documents to the municipality stating they will be responsible for field reviews of the items they are responsible for. A professional coordinates the field reviews for all other professionals working on a project.

There are typically progress meetings between representatives of the contractor, consultant and owners to discuss any issues that may arise. In addition, there may be information meetings for the owners and residents to advise them of the progress or changes.

Payments and Progress Claims

As determined by the contract, the contractor will submit an invoice indicating how much work has been completed in the previous month. The consultant will review the invoice for accuracy and issue the owners a certificate of payment, which typically states the estimated total value of work completed and materials on site as of a specified date. The owners are then responsible to pay that amount within a period of time specified in the contract.

Payments to the contractor or contractors should be made only for work completed or material delivered to site. When contracts are negotiated, payment terms can vary and may include a builders lien holdback. For contracts valued at \$100,000 or more, the owner must maintain a lien holdback account, unless the owner is the government or the owner's

mortgagee is retaining the holdback. This latter situation might occur where the strata has opted to finance major repairs through a financial institution.

In each payment schedule, the builders lien holdback (worth 10 percent of the contract value) is deducted from the certificate of payment and placed in a holdback account (a joint savings account between the owners and contractor). Refer to the *Builders Lien Act* for further information and have the contract reviewed by a lawyer to ensure complete understanding.

Considering and Approving Changes to the Project

Changes to the project scope of work may be required to address problems that were not evident during the evaluation period, to add additional work the owners desire, or to include items not included during the design stage. It is important that the project budget allow for some changes during construction.

If the project does not involve a consultant or fixed price contract such as a CCDC 2, a method of reviewing and approving changes must be put in place, including who can review and approve changes on the owners' behalf, and how approvals will be communicated. The method should be described in writing, and agreed with the contractor before construction begins.

If the owners have a fixed price contract, changes are implemented through a change order or a change directive, both issued by a consultant.

The consultant will typically start the process by issuing a proposed (or contemplated) change order. A proposed change describes the change (sometimes including drawings) and requests the contractor provide a price for the change. The consultant then reviews the price and recommends the owners approve (or reject) the change. If the change is approved, then a change order is issued and the contract is modified.

A change directive may occur when either the scope of the change is not known in advance (for example, something concealed in the walls) or when requesting a price for a change that takes time and further information to price and would result in a delay to the project. In this case, the contractor records the time and materials used to implement the change, the consultant reviews the records, and the owners approve the costs after the work has been completed.

Example:

A townhouse complex that was repainting siding did not test the existing paint for lead until repainting was underway. They discovered enough lead was present that the contractor would have to take special precautions, slowing down the surface preparation. The owners asked for an estimate to do the work, but agreed to proceed as a change directive, where the contractor recorded the extra time spent to remove lead containing paint.

Approving changes is time sensitive – sometimes construction cannot continue until a change is approved, or the change has a finite window of opportunity because it affects other parts of the project. Usually the council or one representative is authorized to make some changes. In certain cases the full council or building committee is required to review and approve all changes. More significant changes may need to involve individual owners or all owners. Before contracts are signed and construction begins, the council should consider how they will address potential changes and their duty to consult and advise other owners.

Some issues to consider with change orders:

- What is the budget allocation?
- Who has the authority to approve the change?
- Is the change documented?
- How will the change impact the construction schedule?



3.3. POST-CONSTRUCTION STAGE

Completing the Project

Once the consultant determines the project is substantially complete, a 55-day lien holdback period begins. During the lien holdback period, any sub-contractor, supplier or worker who has not been paid can place a lien on the common property and/or strata lots by filing a certificate of lien no later than 45 days after the earlier of:

- The date on which the certificate of completion was issued
- The prime contract has been completed, abandoned or terminated, if the owner engaged a prime contractor, or
- The improvement has been completed or abandoned.

In addition to the lien on land, all unpaid persons retained in connection with the renewal are entitled to assert a lien claim against the statutory holdback. This type of lien can be asserted at any time (by commencing a lawsuit) as long as the holdback remains unpaid.

Legal counsel should be instructed to conduct a land title and court registry search prior to the strata releasing any holdback. If liens have been filed, legal advice should be sought before any lien claimants are paid out from the holdback monies.

Before issuing a certificate of completion, the consultant will typically complete a review of deficiencies, including incomplete and incorrect work. The consultant will estimate the value of remaining work to ensure the owners have money available to correct any deficiencies, and to encourage the contractor to address outstanding deficiencies. At this time a deficiency holdback is retained to ensure the contractor completes the remaining deficiencies. This is different from the lien holdback.

Near the end of the project, a contractor will file for payment of the lien holdback. Substantial completion is when the value of work completed is approximately 97 percent of the contract value (the actual calculation is described in the *Builder's Lien Act*). The consultant, or person certifying payment, must then verify the criteria for substantial completion has been met, and issue a certificate of completion. They will also post a notice on the property stating the certificate has been issued.

After the certificate of completion is issued, the project then enters the post-construction stage. It can often take longer than expected to resolve deficiencies, complete weather-dependant finishing work, and obtain completion documents and warranty information.

Throughout the project, 10 percent of each invoice is deposited into a holdback account. The holdback account is released to the contractor 55 days after the certificate of completion is issued.



Deficiencies and Documentation

Construction contracts frequently contain clauses which prescribe deadlines for giving notice of a claim and/or commencing litigation or arbitration. Should a dispute arise, these clauses should be reviewed in a timely manner to ensure the stratas' rights are protected.

Before the holdback is released, obtain clearance certificates and assurances of satisfactory completion and payments of sub-contractors.

The contractor will address incorrectly completed work that is covered by the contract documents.

Small items that were not identified in the construction documents and were not noticeable until construction neared completion can be resolved fairly easily. These items may require the payment of additional costs by the owners depending on the terms of the contract and warranty.

If owners are not satisfied with the work, but the work has been completed according to the construction documents, any corrections would typically be addressed at additional cost to the owners unless the contract required the contractor to review the construction documents and identify and deficiencies. Stratas faced with deficiencies that are attributable to problems with its construction documents should consider whether those problems may be compensable under its consultant's contract.

Post-construction deficiencies may be identified by the contractor, a consultant or a representative of the owners. Individual owners may also be asked to review work within their suite and identify any deficiencies.

If the contractor disagrees with any items on the list – either with respect to whether the item is a deficiency or correcting the deficiency – the consultant's role is to review the construction documents impartially and work to reach a fair compromise. The matter can usually be resolved, but if not, most contracts will have procedures for formal mediation or arbitration.

Create a record of the work completed, including:

- A copy of all plans and drawings
- All warranty certificates
- A maintenance manual, including documents for major materials and components, and
- A maintenance plan for assets or assemblies.



4. BUDGETING AND FUNDING

4.1. PROJECT COSTS

A basic project budget will include:

Construction costs – cost to hire a contractor to complete the work

Consultant costs – evaluation, design and planning, contract and construction documents, tendering, field reviews, contract administration (if required), maintenance manuals, and project management (if required)

Insurance and construction bonding premiums – costs for premiums

Landscaping or decorating costs – repair any damaged landscaping or interior finishes of common property

Legal review and drafting costs – any major construction projects

Permit fees – higher permit fees may result from significant changes to the appearance of the building or to the use of the building

Project contingency – address unforeseen circumstances including delays

Security – such as fire watches (e.g. if sprinklers are replaced), fences or a security patrol

Strata management fees – identify additional work for the strata management company related to the project and the cost

Suite repairs – repair damage to either the strata lot or owner improvements to limited common property

Taxes – the provincial sales tax and GST

Warranties – if additional warranty coverage is desired

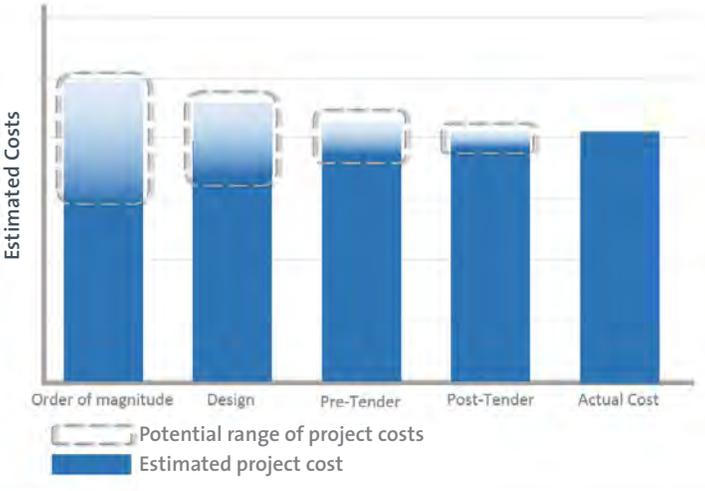


Budgets and Estimates

Preliminary budgets are usually based on incomplete details and have an accuracy of plus or minus 25 percent, but they help owners to understand what type of financial planning they have to do.

The budgets and estimates will continue to be refined as a project evolves from conception to implementation.

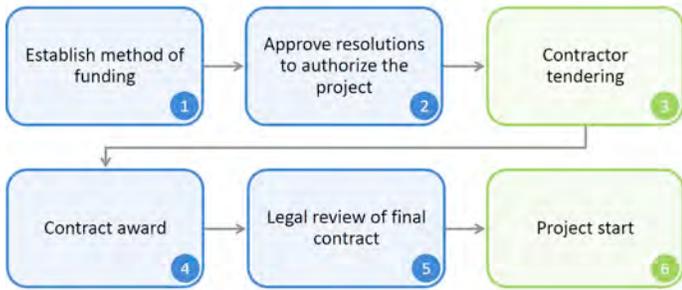
Fig. 4.1.1
Typical process of refining a budget. As more information is known, and uncertainty is reduced, the budgets and estimates become more accurate.



4.2. FUNDING THROUGHOUT THE RENEWALS PROCESS

For major projects, planning and construction may span several years and there is a significant amount of time and research required by the building contractors. To attract competitive bids, it may be necessary for the strata corporation to approve the funding and scope of work before the tender process begins. Before contractors are invited to tender, the following steps may be helpful for the strata corporation.

Fig. 4.2.1
Approval flow chart.



For major projects, there is a significant amount of time and research required by the bidding contractors. To attract competitive bids, it may be necessary for the strata corporation to approve the funding and scope of work before the tender process begins.

It is critical that the wording of the resolution approved by the owners ensures the strata has the necessary authority and funding to proceed with the project. Legal advice is recommended throughout all phases of major projects.



4.3. OPTIONS FOR FUNDING RENEWALS PROJECTS

Strata Corporations may fund major renewals and maintenance from their contingency reserve fund, through a special levy, or a construction loan which is repaid through a long-term special levy or operating expense.

If the strata corporation has developed a contingency reserve fund with sufficient funding, they have two options that permit them to access those funds:

Option 1: A $\frac{3}{4}$ vote resolution approved at an annual or special general meeting.

Option 2: A majority vote resolution approved at an annual or special general meeting, if the renewal or maintenance project has been recommended in the strata's most recent depreciation report.

A special levy must be approved by a $\frac{3}{4}$ vote resolution at an annual or special general meeting and may designate a one-time payment or a schedule of payments for each strata lot, based on the schedule of unit entitlement or another formula that has been filed in the land title registry by unanimous vote resolution.

Construction loans are also options for a strata corporation. Loans for major projects are available through banks, credit unions, financial institutions and corporate lenders.

For resolutions approving special levies, loans, major construction and maintenance, strata corporations are recommended to obtain legal advice to ensure they have the authority to spend the funds, proceed with the contracting process, and take the necessary steps to ensure the funds are collected to pay for special levies and loans.

5. OWNER COMMUNICATIONS

Providing clear information at all stages can help reduce frustration and ensure residents and owners understand the scope of work and where to direct questions and concerns.

In addition to the emergency contact provided to owners and residents, an emergency contact may also be provided for responding to after hours problems directly related to the construction work, such as power outages, leaks from pipes or the roof, or wind damage to equipment and temporary construction. This individual is usually the property manager but may be a site superintendent, strata council member, building committee member or anyone else identified for this role.



5.1. OWNER COMMUNICATIONS TOOLS

Throughout the project, various methods should be used to share information and answer questions.

Consultant Reports

Evaluation or investigation reports – summarize findings and provide recommendations. Before construction, these reports usually form the basis for making decisions, and should be made available to all owners.

Design or planning reports – summarize decisions owners must make including implications of the project on the operations of the building.

Site visit reports – summarize the observations and recommended or required actions at a site visit during construction. These reports are used by the contractor to address deficiencies or confirm work is completed correctly. They are also useful to track the progress of work.

Meetings

In-person meetings allow participants to ask questions and hold conversations. As well, meeting minutes can be useful to record and share information.

Information meetings (pre-construction) – summarize the results of an evaluation or design/planning report, or answer questions and receive feedback prior to a general meeting. Information meetings can even lead to refinement of the scope of work or other aspects of the construction process (ex. staggering of the construction schedule).

Special general meetings – formal meetings of owners to discuss reports and vote on special $\frac{3}{4}$ vote resolutions. These are ideally not held at the same time as information meetings to allow for discussion and additional questions. For strata corporations there are specific notice requirements that are required by the *Strata Property Act* and need to be considered before holding a meeting.

Update meetings – informal meetings between owners, residents, council members and/or the consultant to provide a progress update and address any questions.

Progress meetings – formal meetings between the contractor, owner representative, strata manager and consultant for sharing information and addressing issues.

Information Notices:

- For strata corporations and co-ops, the bylaws stipulate specific notice requirements for access to suites.
- Residential tenancy legislation and rental agreements also stipulate specific notice requirements for access.

Information Notices

Information notices will be sent to residents and/or owners for a variety of reasons:

- To advise when work will begin in a general area.
- To advise that suite access will be needed.
- To notify residents if there are limitations or changes to the use of the building (for example, temporary water or power disconnection, or limitations on access to balconies).
- To request residents do something to facilitate the work, such as close windows.
- To notify residents of safety concerns or issues.
- To notify of upcoming activities that might make large amounts of noise.
- To notify when work is complete.

Each notice should clearly state the purpose and provide contact information for questions.

Newsletters and Other Periodic Correspondence

Newsletters, bulletin boards, posters or online media can be used to provide informal updates. This can help avoid surprises and provide feedback opportunities or contact details for questions.

5.2. COMMUNICATIONS

It is important to identify the communication liaison during construction. This may be the strata manager, a strata council member, a resident, an owner, or the project administrator.

Having one point of contact helps ensure consistency and accuracy with communications.

A common scope of services may include:

- Liaise between the residents, council, consultant and strata manager.
- Respond to telephone and e-mail enquiries from residents.
- Update the residents and council on project process, progress and schedules.
- Forward deficiencies and concerns from owners and residents to the appropriate person.
- Arrange for suite access and notice.
- Attend progress meetings.
- Attend council meetings and provide information on the progress of the project.
- Maintain a file record of project correspondence.

6. RISK, INSURANCE AND WARRANTY

Effective management of a renewals project can reduce but not eliminate the risks of financial loss, physical damage or injury. A variety of warranties, insurance and bonds provide an additional layer of protection for all participants. A legal review of the terms, conditions and exemptions of warranties and insurance policies will ensure the strata understands its rights, obligations and limitations.

6.1. WARRANTIES

There are three types of warranty coverage that may exist for a renewals project. Warranties are basically contracts between the client and the warranty provider.

1. Third-party Warranties

Third-party warranties protect owners against construction defects or the consequences of construction defects. One common third-party warranty is roofing warranties.

The Roofing Contractors' Association of BC provides five and 10-year guarantees on workmanship and materials if certain criteria are met.

2. Warranty Under Contract

Most construction contracts require the general contractor to provide a warranty covering defects and deficiencies in the work. This warranty is not backed by an insurance company.

3. Materials Warranties Provided by the Contractor

Some building materials manufacturers provide warranty coverage on materials, and in some cases, on the labour associated with installation, related to manufacturing defects.

Administering the Warranty

It is important to review the terms and conditions of all warranties and understand the rights and obligations of the strata that relate to maintenance, repairs and claims reporting and coverage. It is also important to review the limitation periods (deadlines for filing lawsuits) applicable to the warranty claims.



6.2. INSURANCE

A number of types of insurance should be in place during a renewals project.

Home Warranty Insurance

The Homeowner Protection Act requires that all new residential construction and all building envelope rehabilitation projects (within certain parameters) have home warranty insurance. Warranty insurance must be provided by an insurance company approved by the Financial Institutions Commission and include minimum coverage, including one year on strata lots, 15 months on common property, two years on certain major systems, five years on the building envelope and 10 years on the structural. Details can be found on the HPO website (www.hpo.bc.ca) and in the warranty documents of your building.

Property Insurance

Property insurance typically excludes coverage for construction defects. However, it may include coverage for damage resulting from construction defects. In addition, it will typically cover damage caused by a specific list of major perils. Prior to starting the construction stage of a renewals project, the strata should have their existing policies reviewed by either their lawyer or an insurance agent, to confirm their coverage is appropriate for a construction project.

The *Strata Property Act* requires that strata corporations obtain and maintain property insurance on common property, common assets, buildings shown on the strata plan, and fixtures built or installed on a strata lot by the owner developer as part of the original construction.

The strata should also recommend that owners review their strata lot insurance policies to ensure that they provide sufficient coverage in the event of an incident during the construction process.

Builder's Risk Insurance

Builder's risk insurance, also known as course of construction insurance, covers the building and property while under construction but typically excludes faulty materials, workmanship or design, hidden defects, wear and tear or gradual deterioration and extreme weather events or temperature changes.

The strata should require all its contractors to provide it with copies of their builder's risk insurance policies.

General Liability Insurance

General liability insurance protects the insured from claims by third parties, such as for personal injury, property damage or bodily injury.

Stratas are required to have a minimum of \$2 million in general liability insurance coverage, although many choose to increase the value to \$5 million. Tenants and unit owners may not be covered by the strata's liability insurance and may wish to obtain their own coverage. For contractors, standard CCDC 2 contracts require that contractors provide general liability insurance of \$5 million both during the course of construction, and until one year after

substantial completion. If a less formal agreement is used, the strata should consult an insurance broker or lawyer and take steps to ensure that its contractors have obtained general liability insurance. The strata should further consider what amount of insurance coverage is appropriate given the size and value of the project.

The strata should require all contractors to provide copies of their general liability insurance policies.

Professional Liability Insurance (Errors and Omissions)

When selecting consultants and other professionals, owners should review their professional liability insurance coverage, which protects them if they are found legally liable for financial losses resulting from errors or omissions. Strata corporations should also obtain errors and omissions professional liability insurance on behalf of the strata council.

Error and omissions insurance is typically drafted as a “claims-made” policy. This means that coverage can only be granted if the wrongful act and insurance claim are made while the policy is in force. If an incident occurs, the strata should take immediate steps to report the claim to the insured to minimize the risk that coverage will be denied.

The strata should require all consultants to provide copies of their errors and omissions insurance policies.

6.3. BONDS

Bonds are an agreement between three parties: one party (the surety) guarantees that another company or person (the principal, e.g. the contractor) will fulfill contractual obligations to a third party (the obligee, e.g. the strata). A bond is triggered when the principal defaults on his or her obligation and pays for economic loss, even when nothing is damaged. Bonds have fairly stringent notice of claim requirements. They typically require that the obligee provide clear, written notice within a specified time.

Three types of bonding are commonly obtained as part of renewals projects:

Bid bonds – a common requirement of the tender submission, guaranteeing that a contractor will honour their bid and sign a contract with the client (the strata corporation).

Performance bonds – guarantee that the contractor will complete the project as described in the construction documents, and in accordance with the agreement.

Labour and material payment bonds – provide security for payment of subcontractors and material suppliers, if the contractor fails to pay.



APPENDIX A – GLOSSARY

Adaption	Changing the building use to meet the evolving needs of residents or to comply with new legislation. Examples include adding a playground to an empty area of a townhouse complex or replacing lower quality carpet with high quality carpet.
Assembly	The arrangement of more than one material or component to perform a particular function (e.g. roof assembly includes all layers of materials forming the roof).
Asset inventory	A list of the strata corporation's building assets.
Builders lien holdback	The amounts deducted and accumulated from the certificate of payments until substantial completion is reached, governed by the <i>Builders' Lien Act</i> in BC.
Building asset management	The interdisciplinary (management, finance, and engineering) administration of a strata's physical assets, including activities related to the operations, maintenance, renewals, repairs, rehabilitation and adaptation.
Building condition assessment	A detailed investigation of either single or multiple building components by a qualified technician or consultant.
Building envelope (building enclosure) system	Includes all the elements that separate the interior from the exterior, or that separate interior spaces with distinct climates, such as pool areas. The envelope regulates moisture, air and heat movement, and includes elements like the roofs, walls and windows.
Bundling	Grouping related renewals projects into one, larger project. (See also Phasing.)
Certificate of completion	A certificate prepared under Section 7 of the <i>Builders Lien Act</i> stating that work under a contract or subcontract has been substantially performed.
Change directive	A written instruction prepared by the consultant and signed by the owner directing a change in the work within the general scope of the contract but without a fixed cost in place.
Common asset (see <i>Strata Property Act</i>)	<i>(a) personal property held by, or on behalf of, a strata corporation, and</i> <i>(b) land held in the name of, or on behalf of, a strata corporation, that is</i> <i>(i) not shown on the strata plan, or is</i> <i>(ii) shown as a strata lot on the strata plan.</i>
Components	Something fabricated in a controlled environment, brought to the construction site and installed, such as windows, sinks and light fixtures.
Construction documents	Documents intended to describe construction work in a technical manner, including what materials and components are to be used, and how they are to be installed.

APPENDIX A – GLOSSARY

Contingency reserve fund	CRF (see <i>Strata Property Act</i>).
Deficiencies	Construction work that was not completed, or that was incorrectly completed.
Depreciation report (also known as a reserve fund study)	A legislative financial planning tool that estimates when building assets will require renewal, the cost to renew and how renewals can be budgeted.
Holdback account	A separate, joint account at a savings institution between the owner and contractor into which holdback amounts from each progress payments are paid.
Maintenance plan	A guidebook containing specific itemized lists of tasks or instructions on how to keep each component of an asset in good working order and associated timeframes to do this. Also describes normal maintenance required to ensure that a building, assembly or component meets its anticipated service life.
Notice of award	A letter to the contractor confirming that the tender they submitted has been accepted, and that the owners intend to proceed with the work. The contract is usually prepared and signed after the notice of award has been issued.
Owners	Refers to the collective purchasers, investors and shareholders of a strata or co-op building (for the purpose of this document only).
Phasing	Dividing a project into several smaller, individual projects. (See also Bundling).
Prime contractor	A term used by WorkSafeBC, to mean the directing contractor, employer or other person who enters into a written agreement with the owners of that workplace to coordinate safety related activities of employers, workers and others at the workplace. If there is no written agreement, the responsibility falls to the owner of the workplace, such as the strata corporation.
Program administrator	The person responsible for the renewals plan and for overall coordination, management and supervision of the renewals activities.
Progress claim	A monthly invoice submitted by a contractor, based on the amount of work completed, and the value of material delivered to the site.
Proposed change	A request for a price to add or remove work from a contract. A proposed change typically includes a technical description of the work.
Rehabilitation	Addressing damage resulting from the premature failure of a building asset.
Renewals	The periodic replacement of an asset as it reaches the end of its useful life.

APPENDIX A – GLOSSARY

Renewals plan	A scheme or method for the coordination and grouping of all renewals tasks within a prescribed timeline.
Special levy	A method for raising funds for a specific purpose. A strata lot's portion of the special levy is determined by unit entitlement. Levies must generally be approved by $\frac{3}{4}$ vote. However, where the levy is in respect of work recommended in the most recent depreciation report, the levy only requires a simple majority.
Stipulated price agreement	A fixed price agreement, based on a clearly defined scope of work.
Substantial completion	When work remaining can be completed or corrected at a cost of not more than approximately 3 percent of the total contract value (for the purpose of this document only).
$\frac{3}{4}$ (Three-quarter) vote (see <i>Strata Property Act</i>)	A vote in favour of a resolution by at least $\frac{3}{4}$ of the votes cast by eligible voters who are present in person or by proxy at the time the vote is taken and who have not abstained from voting.

APPENDIX B – CHECKLIST FOR PROJECT STAGES

Pre-construction Stage

STAGE	TASK	WHO?	COMPLETION DATE	REVIEW DATE
EVALUATION & DEFINING THE PROJECT	1. Review depreciation report or renewals plan to identify potential renewals needs.	Strata Council		
	2. Determine if a building asset condition assessment is required or recommended.	Strata Council		
	3. Present renewals project under consideration to all owners, and request approval for consultant involvement (if necessary). This may occur at an Annual General Meeting or a General Meeting.	Strata Council Strata Manager		
	4. Select and hire a consultant to complete the evaluation.	Strata Council		
	5. Evaluate the condition of the assets. This may include destructive testing, functional tests, review of previous documents. Prepare findings. Depending on the nature of the assessment, someone may need to facilitate suite access, forward historical documentation, or help in other investigation activities.	Consultant Strata Manager		
	6. Review consultant findings and recommendations and ask for clarification if needed.	Strata Council		
	7. Present findings and recommendations to owners. This may include hosting an information meeting, and all administrative requirements associated with information meetings.	Strata Council Consultant Strata Manager		
	8. Ask for feedback and input from owners, if appropriate. This may include questionnaires, requests for letters, small group meetings, online discussion or whatever is appropriate.	Strata Council Owners		
	9. Based on the consultant's findings and feedback from owners, generate a conceptual approach for completing the renewals project in collaboration with the consultant.	Strata Council Consultant		
	10. Obtain a proposal from a consultant to plan and design the renewals project, based on the conceptual approach identified in step #9.	Strata Manager		
	11. Present conceptual approach and consultant's proposal to owners group for consideration, feedback and input. You may need to collect feedback and seek input on multiple occasions, depending on the nature of the renewals project under consideration.	Strata Council Consultant		

APPENDIX B – CHECKLIST FOR PROJECT STAGES

Pre-construction Stage

STAGE	TASK	WHO?	COMPLETION DATE	REVIEW DATE
EVALUATION & DEFINING THE PROJECT	12. Prepare resolution for approval, based on proposal from consultant.	Strata Council Strata Manager Lawyer		
	13. Have a resolution reviewed.	Consultant Lawyer		
	14. Distribute resolution and host General Meeting.	Strata Manager		
MILESTONE	APPROVAL OF THE RESOLUTION TO PROCEED WITH PLANNING, DESIGNING AND REFINING THE RENEWALS PROJECT.			
PLANNING, DESIGNING AND REFINING THE PROJECT	15. Collect original construction documents and other documents issued since the original construction of the building.	Strata Council Strata Manager		
	16. Undertake additional investigation and review to confirm existing construction, and feasibility of alternate solutions and designs, as appropriate.	Consultant		
	17. Develop different technical solutions, as appropriate.	Consultant		
	18. Develop conceptual design alternatives.	Consultant		
	19. Clearly define areas and components included within the scope of this project.	Consultant Strata Council		
	20. Document the proposed design in a format that owners will understand.	Consultant		
	21. Prepare construction budgets, including any alternatives to consider.	Consultant		
	22. Review design alternatives, pricing and proposed scope of work, and develop design proposal for owner consideration.	Strata Council/ Building Committee Consultant		
	23. Present proposed design of renewals project to larger owners group.	Committee Consultant Strata Council		
	24. Ask for and collect feedback and input from owners. This may include a townhall style meeting, questionnaires, requests for letters, small group meetings, or online discussion.	Strata Council Owners Consultant		
	25. Incorporate feedback into renewals design.	Consultant		
26. Identify funding requirements, and opportunities (contingency reserve fund, special levy, strata loan or other funding mechanisms).	Strata Council Strata Manager Financial Institution Note – the property manager, financial institution or others may be able to assist with this step.			

APPENDIX B – CHECKLIST FOR PROJECT STAGES

Pre-construction Stage

STAGE	TASK	WHO?	COMPLETION DATE	REVIEW DATE
PLANNING, DESIGNING AND REFINING THE PROJECT	27. Prepare resolutions for approval. The resolution commits owners to a particular renewals package, and is intended to authorize the funds to cover construction costs of borrowing and financial administration.	Strata Council Strata Manager Lawyer		
	28. Review the resolution.	Consultant Lawyer		
	29. Distribute notice of general meeting.	Strata Council Strata Manager Manager		
MILESTONE	RENEWALS PROJECT IS APPROVED, AND FUNDS ARE COMMITTED TO THE PROJECT.			
PREPARING DOCUMENTATION AND CONTRACTS	30. Prepare agreement between the consultant and owners.	Consultant		
	31. Review the consultant's agreement.	Lawyer		
	32. Sign the agreement with the consultant.	Strata Council		
	33. Prepare construction documents (drawings, specifications) based on the conceptual design approved in the previous stage.	Consultant		
	34. Prepare tender package (bid documents).	Consultant Lawyer		
	35. Prepare contract for contractor(s).	Consultant		
	36. Review insurance requirements before construction.	Lawyer		
	37. Review construction contract.	Lawyer		
HIRING A CONTRACTOR	38. Apply for a building permit.	Consultant		
	39. Solicit bids and pricing from contractors.	Consultant		
	40. Collect bids from contractors, review contents, pricing & scheduling, and summarize results for the strata council's consideration.	Consultant		
	41. Select a contractor based on the tender results.	Strata Council		
	42. Form agreement with contractor. (At this stage, this may include preparing and issuing a notice of award or letter of intent.)	Strata Council Consultant		
MILESTONE	CONTRACTOR IS SELECTED; BID IS ACCEPTED; CONTRACT IS SIGNED; AND THE START OF CONSTRUCTION IS SCHEDULED.			

APPENDIX B – CHECKLIST FOR PROJECT STAGES

Construction Stage

STAGE	TASK	WHO?	COMPLETION DATE	REVIEW DATE
IMPLEMENTING THE WORK	1. Meet with the contractor and consultant to review schedule, process, safety etc.	On-site Coordinator Contractor Consultant		
	2. Set up holdback account.	Property Manager Contractor		
	3. Share information with residents and owners about what to do and expect during construction including emergencies during construction, and disruptions. This may include an information meeting, newsletter or other form of communication.	On-site Coordinator Council Consultant Contractor		
	4. Issue notice to residents and landlords, advising of upcoming construction project, and what to expect.	On-site Coordinator Strata Manager		
	5. Develop communications plan.	On-site Coordinator Council Strata Manager		
MILESTONE	CONSTRUCTION BEGINS			
IMPLEMENTING THE WORK	6. Liaise between owners, residents, property manager, contractors and consultants as required to address issues of safety and other concerns.	On-site Coordinator		
	7. Arrange for access to suites as required.	On-site Coordinator		
	8. Review documentation, and acquire approvals from council in a timely manner.	On-site Coordinator		
	9. Archive documents and correspondence throughout construction.	On-site Coordinator		
	10. Provide information to residents and owners about the progress of work.	On-site Coordinator		
	11. Attend meetings (site).	Owners' Representative(s) On-site Coordinator Contractor Consultant Strata Manager		
	12. Install materials, components and assemblies.	Contractor		

APPENDIX B – CHECKLIST FOR PROJECT STAGES

Construction Stage

STAGE	TASK	WHO?	COMPLETION DATE	REVIEW DATE
IMPLEMENTING THE WORK	13. Track time and associated materials.	Contractor		
	14. Prepare and revise construction schedule.	Contractor		
	15. Issue notices regarding suite access or changes to the location and nature of work (for example, increased noise).	Contractor		
	16. Review construction work, including performance testing of new components and assemblies, and reviewing mock-ups or samples of work.	Consultant		
	17. Review invoices for consistency with work performed and issue certificates of payment.	Consultant		
	18. Review shop drawings and other information collected by the contractor and accept designs.	Consultant		
	19. Track payments by owners to the levy account and initiate foreclosure proceedings as required.	Property Manager		
	20. Make payments to the contractor, consultant and holdback account.	Property Manager Financial Institution (if responsible for holdback)		
	21. Track the overall budget, including fees of consultants, property managers and others as appropriate.	Strata Council Property Manager Consultant		
	22. Issue certificate of completion.	Consultant		
	23. Review construction and compile list of deficiencies.	Consultant Strata Council		
	24. Review deficiencies reported by consultant and owners and determine what type of deficiency they are and how it should be resolved.	Consultant		
	25. Close out building permit.	Consultant		
	26. Resolve owners' concerns.	On-site Coordinator Consultant Contractor		
27. Collect all maintenance information and prepare or revise maintenance program.	Consultant Maintenance Program			
28. Collect all warranty documents and compile for the owner.	Administrator Consultant			

APPENDIX C – FREQUENTLY ASKED QUESTIONS

We can't afford a renewals project. What should we do?

Deferred renewals projects can result in increased repair and maintenance costs, insurance claims, and potentially higher deductibles for future insurance claims. In some cases, renewals projects can be deferred for a few years in conjunction with aggressive maintenance and repairs, to allow time for funds to accumulate.

Our depreciation report indicates our roof will last four to five years. How do we know this is correct?

Predicting the failure of an asset – whether a roof, a hot water heater, or a carpet – depends on the asset's age and typical lifespan, current condition, use, and quality of the installation and maintenance. A detailed inspection of the component may be necessary to determine condition and recommended renewal date.

We've been told that our drywall contains asbestos. How will that affect our renewals planning?

The trades contractors will need to take additional precautions, for their safety and yours. This may add costs and time to the project. You can reduce unforeseen costs by having a hazardous materials survey completed in advance and providing it to contractors submitting bids. Refer to www.worksafefbc.com for more details.

We received proposals from two different consultants to provide services for the renewal of all our balconies. Who should we choose?

The total project cost will depend on the accuracy and completeness of the construction documents provided by the consultant, and how well the consultant can control costs throughout construction. Review the proposed levels of service during construction and ask for references from their five most recent jobs.



When should the council tell the owners about potential renewals projects and costs?

It's generally best to distribute information as it becomes available. Information meetings can be useful to explain large projects.

What happens if we do not have a renewals plan or do not follow the plan?

If you do not have a renewals plan or do not follow your plan, there is a risk of building assets failing without warning, of increased maintenance costs, and of money being spent on projects of lower priority. The longer maintenance is deferred, the greater chance there is of disputes within the strata/board, potential litigation and a decline in property values.

Property values are negatively affected if a complex has obviously deferred and/or hasn't set aside funds for needed maintenance and renewals projects. Well maintained strata corporations that have obtained depreciation reports and set money aside for renewals projects are typically more attractive to buyers.

APPENDIX D – ROLES AND RESPONSIBILITIES

Strata Council

Before construction begins, the strata council will:

- Present owners with resolutions regarding funding and scope of work.
- Provide direction to third parties such as strata managers, contractors and consultants.
- Prepare a mechanism for communication to address owner or resident issues.
- Maintain records, prepare budgets and review/adjust insurance coverage.

Once construction starts, the strata will:

- Make decisions regarding the scope and performance of the project.
- Sign and authorize contracts and changes, pay bills and prepare, revise and track budgets.
- Address resident and owner concerns.
- After construction is finished, the strata works with the consultant to compile a list of deficiencies. It is also responsible for maintaining records of the work, ensuring the maintenance plan is updated and arranging for warranty reviews.

The strata corporation may contract the strata manager for some of these tasks.

Strata/Property Managers

Strata managers support strata councils in completing their duties. In BC, strata managers are licensed by the Real Estate Council of British Columbia and governed by the *Real Estate Services Act*. Services and duties vary depending on their contract with the strata.

Before construction, they may provide guidance to the council, distribute information to owners, obtain quotes, make payments, and coordinate consultants and others.

Once construction begins, a strata manager will often create a holdback account (see Section 3), act as a liaison between residents and others, make payments, and advise on decisions about administration and operation. After construction is finished, the strata manager may store records and documents.

Consultants/Technicians

Consultants are hired to provide advice and services related to the planning, design, review, and/or administration of a renewals project.

In the pre-construction stage, a consultant may help define and refine the project, prepare a design and construction documents (see Section 3.1), prepare contracts, arrange for pricing or bids, and help select a contractor.

Once construction begins, the consultant may administer the contract, review work and invoices.

After construction is finished, the consultant will review the work, compile a list of deficiencies and make sure the contractor has addressed deficiencies and typically assemble a maintenance manual.

On-site Coordinator

On-site coordinators can help facilitate communications between all parties to help prevent misunderstandings, help arrange for suite access, and facilitate in other ways. Some companies will provide these services for a fee.



APPENDIX D – ROLES AND RESPONSIBILITIES

Contractors

Contractors perform the work. There are three basic types of contractor:

General contractors – General contractors co-ordinate and sub-contract work to trades contractors. They may be designated as the prime contractor for the purposes of co-ordinating safety.

Prime contractor – In BC, WorkSafeBC requires building owners to appoint a prime contractor to coordinate safety activities on site when doing any construction work. Failure to appoint a prime contractor may mean the strata corporation is considered responsible for the safety of all workers on site, and may be considered an employer by WorkSafeBC. Before signing an agreement with any contractor, the strata should ensure it is in compliance with WorkSafeBC regulations and that there is a prime contractor co-ordinating safety for all trades on site.

Trades contractors – A trades contractor will have a particular area of expertise, and may employ journeyman tradespeople (who have formal training).

Maintenance or casual labour – employees typically have a general knowledge of a variety of systems and assets. They may specialize in smaller and simpler projects that typically don't require a consultant.

Once construction begins, contractors are responsible for implementing the work in accordance with their agreement with the strata. After construction, contractors are responsible for correcting deficiencies and providing warranties and other documents.



Construction Manager

An alternative to a general contractor, a construction manager acts as the owners' agent to coordinate activities on site, control costs, and administer contracts with trades contractors. The construction manager acts as the prime contractor for safety considerations, while the strata enters into agreements with each trades contractor.

Municipalities

Municipalities issue building permits and development permits, and administer bylaws for noise, traffic, and disposal of materials. Requirements vary between municipalities.

Building permits are typically required for projects that change the building use, structure, electrical, mechanical or other life safety systems, such as repairs to balcony structures, re-piping, new retaining walls above a certain height, and replacement of siding. Before you proceed with any construction contract, the municipality needs to determine if any building permits are required, including changes to landscaping. They may not be required for projects such as: replacing an air-handling unit with a similar product, painting the exterior in the existing colour, and replacing sealants.

Development permits are typically required if the appearance of a building will change – such as colours, exterior materials, and size or enclosure of balconies – or there will be changes in use of spaces within the building.

The BC Safety Authority issues installation and operation permits, undertakes inspections, and issues licences and certificates to those working with regulated technologies such as electrical systems, boilers, elevators and other equipment.

APPENDIX E – ADDITIONAL RESOURCES

1. *Builders Risk Insurance* published by R. Glen Boswall, of Clark Wilson LLP, available online at www.cwilson.com.
2. *CHOA Bulletin 400-006* published by Allison Baker of Clark Wilson LLP, available online at www.choa.bc.ca
3. *Construction Bonds Guide* published by R. Glen Boswall of Clark Wilson LLP, available online at www.cwilson.com.
4. *Maintenance Matters* bulletins published by the Homeowner Protection Office, available online at www.hpo.bc.ca.
5. *Strata Property Act* published by the Office of Housing and Construction Standards, available online at www.housing.gov.bc.ca.
6. *The Law of Tendering: A Hidden Trap for Strata Corporations?* Published by John G. Mendes of Lesperance Mendes Lawyers, available online at www.lmlaw.ca.
7. *How BC's Builder's Lien Act Affects Owners* published by Jenkins Marzban Logan LLP, available online at www.jml.ca.

Refer to your building's maintenance manual.

