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Capital Projects VS Repairs & Maintenance

Ask a property manager to explain what takes up most of their busy workday, and they will probably respond with a list of maintenance items. Most of a condominium manager's time in any given week is spent working on the maintenance and repair of the condominium structure, equipment, and site. This includes preparation for scheduled items or dealing with those unscheduled emergencies on a Monday morning. So, where does a capital project fit into a manager's work week? Capital projects are typically large projects which are done at the end of the service life of an item. These projects are captured in a Reserve Fund Study, which provides the year the work or capital item needs replacing with an estimated cost.

Although capital projects are usually large and expensive, fewer are done in a year vs maintenance and repair.

Budgets

Budgeting for the capital items of a building is much different from budgeting for the day-to-day costs. Ontario condominium corporations are required to have a Reserve Fund Study prepared by a qualified professional. The fund's purpose is to establish a forced savings account to which all owners contribute each month. After 15 years, for example, the savings might be earmarked to pay for a shingled roof replacement. For provinces or countries without capital budgets, owners have less financial certainty.

A simple example might be a person who owns a condominium in Ontario

and one in Florida. In Ontario, the Reserve Fund is there to help pay for the roof replacement after 15 years. A condo in Florida would most likely assess each owner only when the roof needed replacing. Let us say that each owner had to contribute \$7,500. General everyday maintenance and repairs are typically covered in a building's annual operating budget, and an amount would be set to do some localized repairs. For example, when shingles blow off in a storm, that small repair would be budgeted and paid for out of the operating budget.

Consultants

A consultant is often required when it comes to guiding large projects. Imagine a 30-year-old high-rise condominium

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with a deteriorated underground garage. The garage has damaged traffic topping, leaks through levels, concrete spalling, and rust on metal reinforcement. Typically, an engineer specializing in building restoration would be the consultant on this project. The project, including the engineering fees, would be paid for by the Reserve Fund. A property manager must dedicate a portion of their time to this project which could take between 1 or 2 years from start to finish. Although a consultant takes on much of the heavy lifting, the manager must be on top of the financials, communicate with residents, alternate access, and unforeseen conditions. When it comes to general maintenance, a consultant is rarely required, but sometimes a consultant is necessary. An example might be a consultant who specializes in Accessibility and can provide a report to a property manager identifying Ontario Building Code (OBC) infractions or best practices according to the Ontarians with Disabilities Act of Ontario (AODA).

Quotes

Quotations are required for most circumstances at a condominium corporation unless those items are for things like an emergency flood or items with a value less than a management firm's approved spending limit. Only property managers can appreciate how much time goes into obtaining quotations. A high-rise building will require many quotes to cover every letter in

the alphabet, from Audits to Windows (Sorry, but I couldn't think of a maintenance item starting with Z).

RFPs

Request for Proposals and Bid Requests are formal documents commonly used for capital projects. Many requirements and conditions are listed in these documents and can become lengthy and detailed. I'm unsure which is longer, a bid request, or the terms and conditions of a cell phone agreement. An engineer or consultant will send out these documents to obtain prices from the contractors and suppliers. Ultimately an agreement is reached between the condominium corporation and the successful bidder, which is often executed on a Canadian Construction Documents Committee (CCDC) form.

Which one takes more time?

You might be asking yourself how best to manage the time and energy needed when it comes to a capital project vs ongoing maintenance and repair. The simple answer is both take a considerable amount of a manager's time. Proper planning and setting expectations of what can be accomplished on schedule are critical. Rome wasn't built in a day, and a condominium can't be renovated or repaired in a day, either. A 25-year-old building with all the plumbing lines being replaced will be bustling with contractors enter-

ing the suites to open walls, replacing plumbing lines, and then restoring the walls. The project will require much of the manager's attention, so an estimate of time needs to be factored into the manager's day. In contrast, another capital project, like the removal and replacement of the exterior parking lot, requires less time from the manager.

The final takeaways are some items to consider to ensure you have the resources to take on capital and repair and maintenance projects (often at the same time):

Review the project and determine if the work will require a consultant or project manager. And consider a few questions:

- Will alternate access for parking or moving through the common elements be required
- Will extra security be needed?
- How often is communication with residents required?
- At what stage and how often are inspections to take place?
- Are there going to be weekly progress meetings with the contractor/consultant or board members? ■

Van Smith, RCM, OLCM, has been a property and regional manager in Ontario for 17 years. His education in fire protection, real estate, and condominium management, have assisted in tackling building projects and training others in the industry. Van currently serves on the ACO Board of Directors. crossbridgecondominiums.com

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