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Condominium reserve fund

Reserve fund

To share the expense of major repairs to high-cost items, most condominium corporations are required to keep a separate reserve fund. This would cover repair or replacement of items such as roofing, siding, insulation, heating and cooling, plumbing and wiring.

Keeping a reserve fund means that condominium corporations do not need to unexpectedly raise large amounts of money through levies (known as special assessments) in order to complete major repair and replacement projects.

Establishment of the reserve fund

When a new condominium corporation is formed, the developer must start a reserve fund. Once the first unit is sold, the developer must deposit 25 per cent of the estimated total annual common expenses into the reserve fund.

Reserve fund study

A condominium corporation is required to obtain a reserve fund study (also called a depreciation report) that estimates the expected life of common property and major common assets and also estimates their repair and replacement costs.

Exemptions

A condominium with two or fewer units, such as a duplex, is exempted from reserve fund requirements. In addition, some pre-existing corporations may be permitted to waive reserve fund requirements. See the “Reserve fund transition period” section on page two for more information.



Qualifications for conducting a reserve fund study

Only qualified persons are authorized to conduct a reserve fund study. Examples of qualified persons include chartered professional accountants, architects and professional engineers. Anyone who is not at arm's length from the condominium corporation – including the developer – is not a qualified person.

Reserve fund study timeline

A condominium corporation is required to obtain a reserve fund study before its first annual general meeting. The study will need to be updated every five years. The developer of a condominium created by converting an existing building must obtain a reserve fund study before the sale of any unit.



Contribution to a reserve fund

The most recent reserve fund study will help determine each unit's contribution to the reserve fund. If a study hasn't been completed, the contribution must be determined and approved by the condominium's board of directors as part of the annual budget. A share of each unit owner's monthly condominium fee is deposited into the reserve fund.

Separation of funds

Condominium corporations are required to keep the reserve fund separate from operating funds.

Reserve fund deposits

Reserve funds held by a condominium corporation must be deposited promptly in order to collect interest. That interest (or income) accrued becomes part of the fund.

⚠ Note: this fact sheet is based on the *Condominium Act, 2015* and its regulations which come into force October 1, 2022. It is intended as a simplified general resource and is not to be considered legal advice or legal opinion. Please seek legal advice about any specific issues.

Reserve fund expenditures

Any spending from the reserve fund can only take place if:

- It is consistent with the purposes of the fund;
- It is authorized by a special resolution of eligible voters; and
- Enough will remain in the fund after the withdrawal to pay for major repairs or replacement of the common property and common assets.

Reserve fund transition period

The *Condominium Act, 2015* provides transition periods for reserve fund requirements for pre-existing condominiums:

- Condominiums that are 10 years or older on October 1, 2022, the day of the coming into force of the Act, are exempt from reserve fund requirements for a period of five years. Before the end of that period, these condominium corporations may waive reserve fund requirements by special resolution for additional periods of up to one year.
- Condominiums that are less than 10 years old on October 1, 2022 are exempt from reserve fund requirements for a period of five years.