

April 8, 2020

Dear Board of Directors and Owners

**Re: ACMS - COVID-19 Pandemic and Condominium Contributions**

The pandemic has raised many concerns about the affordability of Condominium Contributions (Condo Fees) by many Owners and with Condominium Boards collecting these fees.

Due to job loss, reduction of income and illness, many individuals are not able to afford their monthly Condo Fees, which are due and payable on a monthly basis. Some questions that have been raised are:

**Can a Board suspend or reduce the Condo Fees during this pandemic?**

The answer is NO! A Condominium Corporation incurs expenses and the only way to pay these expenses are through their Owners. Many Condominiums have utilities, maintenance costs, life safety equipment and cleaning expenses. These expenses cannot be deferred or reduced in many cases; therefore, the fees are required in order to maintain the safety and security of the buildings. There are also no social or federal subsidies that can bare these costs.

**I am an Owner and I do not have ANY funds to pay right now?**

If you are an Owner and you cannot pay your Condominium Fees, **contact your Board of Directors immediately!** Place your intent in writing, whether an email or a letter to the appropriate contact, and ensure that the details include a date, why you are under financial distress and what type of leniency you are looking for. This will help the Board of Directors understand why your Condo Fees are not being paid and so they can budget accordingly.

**How does a Board of Directors deal with an Owner that cannot pay their fees?**

A Board of Directors should be sympathetic to the current pandemic and once they hear from an Owner that cannot make Condo Fee payments a policy should be put in place as a best practice to deal with the matter. This issue may become more evident in the future and if the Board has to deal with the same matter over and over again, it's a good idea to have some guidelines moving forward.

Some suggestions for Boards that are facing this issue are: waiving interest levied against Owners for a period of time, reduce or eliminate legal collection and foreclosure on Unit Owners that are not repeatedly and delinquent in paying arrears, work out payment plans with Owners and what is acceptable to the Corporation's needs. Remember that Condo Fees will be required to be paid at one point so being lenient is only a temporary measure.

**Can we use Reserve Fund dollars to pay for Operating Costs?**

This is a big NO! Reserve Fund monies are meant for Capital Replacement costs in accordance with the Condominium Property Act. A Board of Directors or Corporation does not have the ability to use these funds on anything other than what the purpose it was collected for. There is an alternative to this and a Corporation can use Reserve Fund dollars only if the removal of funds for that purpose is authorized by a special resolution or there will be sufficient funds remaining in the reserve fund to meet the existing requirements. Otherwise those funds cannot be used.

The risk with spending Reserve Fund dollars on Operating Expenses is that in some point of time, the dollars taken from the Reserve Fund will need to be replaced. This could lead to a future Condo Fee increases or a Special Levy to meet these requirements. Before a Board looks to pass a Special Resolution to use these funds, they should also look at the future consequences that this action will cause.

**What are some ideas to reduce the day to day expenses and to prepare for a financial hardship?**

Some ideas that have been discussed and exercised are:

- **Stop monthly Reserve Fund Contributions.**

If a Corporation contributes monthly to their Reserve Fund, they may want to postpone these contributions to ensure liquidity in the Operating Accounts. At the end of the fiscal year, they can review the amounts owed to the Reserve and make that contribution all at once.

- **Control Expenses**

Review the monthly costs and only focus on the required maintenance and expenses. Reductions in the overall maintenance of the buildings and reduce spending can help with the reduction of income if a large number of Owners cannot pay their fees.

- **Stop Honoraria or Stipend Payments**

If a Board of Directors collects an honoraria or stipend for their volunteer duties, they may want to cease those payments as well.

**What types of benefits can Owners use to help them through these tough times?**

We hear of a lot of programs on the news and on social media. These programs are to help people pay their bills such as Condominium Fees and insurance payments. These programs can be found on the Government of Canada or the Province of Alberta websites. There is also mortgage, vehicle loan and loan deferrals that are provided by financial institutions. If someone requires help there are many options to help them through these tough times.

During this time of need, there is no right answer to these questions, however Condominium Corporations need to adapt to the new normal and change with society. How we prepare now will help us in the future and ensure that anytime we are plagued with these types of challenges, we will be prepared.

Yours truly,

President, Owner  
Accredited Condominium Management Services