

Rules, Rental Deposits, and Termination

BACKGROUND

Rules of the Corporation

Condominiums are governed by two binding laws set by the Province – the *Condominium Property Act* and Condominium Property Regulation. Each corporation is also governed by its own bylaws.

In addition, some corporations have created rules. Rules supplement the bylaws by setting requirements for the day-to-day administration of the corporation. They generally cover topics such as use of common property and amenities, such as the use of a social room.

Rules may also expand on requirements in the bylaws. For example, a bylaw may require board approval to install a satellite dish, and the rules may say what size of dish will be approved, how it may be attached to the property, and similar details.

Rules let the corporation deal with certain types of issues, like use of common property, more easily than through bylaws or legislation. Rules must be reasonable and consistent with the laws and bylaws mentioned before, and must not restrict the use of units. The board must let the owners know about rules when they are made, changed, or repealed.

Albertans have told us more requirements may be needed to make sure rules are appropriate, such as whether rules should

have to be approved by owners. Some options from other provinces are:

- Allow owners to overturn rules through a vote at a general meeting.
- Require rules be ratified at the next general meeting, or the rule will expire.

Rental Deposits

When an owner rents their unit to a tenant, the corporation wants to be sure the owner pays for any damage their tenant may cause to the common property. Corporations can collect a deposit from the owner in case any repairs or maintenance are needed to the common property because of their tenants.

If a tenant damages common property, the corporation can withdraw the cost of the repairs from the owner's deposit. When the corporation takes money from the deposit, they must give the owner a statement of account that says how much was taken off of the deposit. This statement does not have to say why the payment was taken, though, and does not have to prove the expense. This makes it hard for an owner to argue the deduction being taken from their deposit, as they may not know why it was taken.

The corporation can collect a maximum deposit equal to one month's rent that the owner is charging for the unit. Albertans have told us this amount should be reviewed.

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On one hand, if the deposit amount and the monthly rent are the same, the owner should be able to afford to pay the money to pay that deposit. On the other hand, a tenant paying more monthly rent will not necessarily do more damage to the common property than one who pays less rent.

Some options to determine the maximum amount of a deposit include:

- The amount of one month's rent the owner will charge for the unit.
- An amount that is based on the unit's condo fees.
- An amount set by the corporation in the bylaws, up to a maximum allowed by law.

Termination of Condominium

In some cases, the owners of a condominium building may decide they want to terminate the condominium status of the building and wind up the affairs of the corporation. Terminating a condominium is a legal process that dissolves the corporation and eliminates the individual units in the building.

This choice may be made in some situations, such as if the building is in poor condition and would cost too much to fix, if there has been major fire or flood damage to the building, or if the owners want to sell the land to a developer who will build a new building on the site.

Each owner would own a share of the entire building, rather than owning their specific unit. For example, an owner who had owned a unit worth 5% of the unit factors would now own a 5% share in the entire building. This allows the whole building and the land to be sold, with the money received for the sale being split up among the former owners.

The *Condominium Property Act* does not say how to divide the money received for the sale

of a building among the owners after a condominium is terminated and the building is sold. Some owners have argued the funds should be divided by unit factors, since condo fees were based on those unit factors. Other owners feel the money should be split up according to how much their individual unit was worth, especially if they had made improvements.

These disagreements have led to court battles in some cases to decide how to divide up the money.

Several methods are used in other provinces and countries to decide how to distribute money from the sale, which could be adopted in law in Alberta to prevent these disputes:

- Split the money based on an independent property appraisal on each unit.
- Distribute the proceeds based on the unit's assessed value in its last municipal tax assessment.
- Divide the money according to the owner's share of unit factors.

If You Have More Feedback

If you have some thoughts or comments you would like to provide after the Open House, please feel free to write down your feedback and send it to us:

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For More Information

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Response Form

For each question below, please note the option(s) you like most by checking the box next to the question and the one(s) you like least by crossing them out. You can also suggest your own option.

Should rules passed by the board have to be approved by the owners?

- Allow owners to repeal a rule through a vote at a general meeting.
- Hold an approval vote for each new rule at the next annual general meeting. The rule would be in place until the next AGM, but would expire at the AGM unless the owners to keep it.
- Allow the board to pass rules without needing approval from the owners.
- What other option(s) could address this issue?

How should the maximum deposit be determined that a corporation can collect from an owner that rents out their unit?

- The amount of one month's rent the owner will charge for the unit.
- An amount that is based on the unit's condo fees.
- Require each condominium corporation to set a bylaw that sets the amount of the deposit, up to a maximum set in law.
- What other option(s) could address this issue?
