



Purchasing a Condominium- The Status Certificate

By Denise Lash on December 17, 2010

When purchasing a resale condominium unit it is important to consider the financial condition of the condominium corporation and not just look at the location, amenities and features of the unit. Most purchasers do not pay enough attention to such matters as the overall state of the condominium corporation.

The most important protection for a purchaser is to have a condition in the Agreement of Purchase and Sale which states that the purchase is conditional upon the Purchaser's lawyer receiving a completed status certificate from the condominium corporation and having at least 5 business days to review and approve the certificate. It is essential that the status certificate is properly completed and that the required documents are also provided.



The form of status certificate is set out in the regulations to the Condominium Act and the form lists those documents which the condominium corporation is required to deliver with the certificate. Anyone is entitled to request a status certificate and regardless of who requests the certificate a purchaser or mortgagee is entitled to rely on the responses or absence of responses. Because of the binding nature of what is contained in the status certificate, great care should be taken in reviewing it.

The time for delivery of a status certificate is ten days from the date of a written request and payment of the \$100 (including taxes). Often times real estate agents will complain about the length of time it takes to get a status certificate especially since the deal will be conditional upon the status certificate review and parties are always eager to have the deal firmed up. The Condominium Act, however, gives the condominium corporation 10 days to provide the status certificate and no wording should be inserted in an agreement which would shorten that time period, unless the status certificate has been obtained and can be reviewed by the solicitor within the time period set out in the condition. On the other hand, I often hear complaints from property managers who prepare the status certificates and feel that the \$100 charge barely cover their costs in providing the documentation and need the time to get the up to date financial information.

The status certificate contains important information that will give the purchaser details as to the following items:

Common Expenses The status certificate must indicate when the next payment of common expenses is due, how much is due, if a unit owner is in default of common expenses, and if so, by how It may also contain other added costs such as:



Any assessment against the unit for overcrowding; any insurance deductible amount that an owner is responsible for under the insurance policy; costs of repairs to the unit and/or common elements where owner is responsible for and has failed to do; costs, charges and expenses for non-compliance with an agreement allowing an owner to modify common elements

Surplus or Deficit The certificate also requires that the certificate identify the expected financial position of the corporation at the end of the current budget and requires an explicit dollar value for the expected surplus or deficit. The significance of this information is directly related to the time of the year at which the information is obtained. If the corporation's fiscal year end is December and the status certificate is requested in March, the corporation will be unable to advise a purchaser or any other person who requests the certificate; as to whether there will be a budget surplus or shortfall. If, however, the status certificate is requested in November, a much more accurate picture of the likelihood of and the amount of deficit or surplus should be available.

Anticipated increases The certificate will also note any anticipated increases in common expenses. Some corporations insert very general statements, which suggest that increases may occur at any time due to unanticipated utility increases.

Reserve Fund The Reserve Fund information in the status certificate requires that the exact dollar value of the total amount in the Reserve Fund as of a particular month end, 90 days prior to the date the certificate is issued, be inserted.

Legal Proceedings, Claims The certificate must indicate if there are any outstanding actions to which the corporation is a party and any judgments against the Corporation.

Agreement with owners relating to changes to the common elements These agreements are required between the condominium corporation and the unit owner when the unit owner has been given permission to carry out alterations to the common elements. The agreement sets out the owner's responsibilities for the alterations, puts the obligations with respect to the maintenance and repair of the alterations onto the owner and allows the corporation to carry out any of the owner's obligations, if the owner fails to do so, and collect the costs for doing so as a common expense. These agreements must be included with the status certificate. The agreements must be registered against title to the unit and are binding on future owners. The status certificate together with the accompanying documents contains essential information which a purchaser should carefully review prior to finalizing the decision to buy a condominium unit. The process of the review should be conducted by the purchasers lawyer together with the purchaser in order for a purchaser so that the purchaser is aware of the operations and the financial position of the corporation.

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