

A Unique Solution That Will Decrease Condo Maintenance Fees

A Toronto condo owner and condo rental investor who was unhappy with a rental income decrease in spite of crazy rental prices wanted to make a maintenance fee level that was justified and controllable. She found a very natural solution for maintenance fee decrease.

As a new investor and owner of a condo in Toronto, Natalia Goryacheva was surprised with the continuously growing annual maintenance fee of 4-8%, making a Condo Net Rental Income comparable with a bank deposit. Owning a rental property in a condo building meant that owner needed to transfer the increase of the maintenance fee to the tenant. Otherwise, the return became lower and lower year by year. Natalia looked for the answers for a lot of arising questions related to some Condo projects like "garage waterproofing" that was assessed for \$1,000,000 by one contractor and \$135,000 by another one, related to a Condo Board president that served the Board for a few years without owning any condo in condominium.



« *Being an experienced financial professional with about 20 years financial management practice, Natalia decided to work for the Condo Board in order to study the situation from the inside. She understood that there are some some major problems caused the maintenance fee growth: »*

- The prices for condo services are not transparent because **contractors who service condos do not advertise their prices openly**. There is no rivalry based on price or quality between contractors.
- There are no benchmarks available on the market, and no useful tool for condo directors to collect a full list of contractors and compare their reputation and their prices.
- The Board plays more of a formal role in condo management: approving what property managers bring rather than being a real influencer. So, it almost does not matter who is on the Board because everything depends on the property manager, who in most cases, works for a Property Management Company and tends to follow that company's interests rather than the condo owners' interests.

Conflict of interest exists.

- The list of major repairs and replacements (ranging between 10-30% of the total annual maintenance expenses) is **usually out of the Board's attention**, and therefore accepted as a condo obligation, and is **not a subject of thorough discussion and professional, or even visual, inspection of objects in need of repair or replacement**.
- The actual major repairs and replacements done by contractors are **out of the Board of Directors' physical control**. It might be done, or not done, or done inadequately. Anyway, it is a high risk area of condo management.
- The scope of works connected with major repairs and replacements is usually based on an assessment of a contractor whose job is paid as a percentage of the total job price. So, such **contractor is interested in blowing up the scope of work to get more money**. The conflict of interest exists.
- The reserve fund size and annual contributions (20-30% of total condo budget) usually does not have a reliable assessment base, and the Condominium Act and Bill 106 does not provide a clear methodology of that assessment. It more depends on a judgment of the contractor who performs the reserve fund study, rather than on reliable methodology of major condo repairs and replacements and past statistics. But different contractors' reserve fund studies of similar buildings are different.

All of these problems inspired Natalia. Helped by Thierry Pires, her business partner, and 2 web agencies, they developed a solution to reach the following goals:



- to generate some comparable information on maintenance fees in similar/different buildings to help Condo Boards, owners and property managers to implement best practices, improve cost efficiency, and raise the quality of Condo life for condo owners and tenants.
- to open communication channels between condo owners within the same building and between owners of different buildings. And the same for Condo Directors. Such channels will allow private and public discussion of condo problems and opportunities.
- to connect Condo Service Providers with condo owners, Boards and managers to save people's time and such connection should provide the best prices and the best quality of Condo services.

As a result, owners and potential condo investors should expect equilibrium market prices for condo services due to increased competition, improved quality of services, and decreased service prices. And condo maintenance fees should go down naturally. Taking into account the fact that the average maintenance fees in Ontario is about 77 % higher than in Quebec there are a lot of space for improvements!

CondoBI Canada just launched 4 websites:



as one solution that must change the market to be transparent, competitive and to make Condo life much more enjoyable!

The company's mission is to help Condo Owners get the best-rated Contractors for the best prices for their Condos regular services and projects, Condo service providers can also grow their business by advertising their services with www.condo-fairtender.ca, www.condo-benchmarking.ca and www.condo-social.ca.

Finally, www.condobi.ca/news provides several insights to understand the Condo market trends.

What should users expect from our Business Intelligence Solution:

Condo service providers will increase their business. New condo service providers will get the opportunity to enter the market and offer condominiums high quality services for the best price.

Contractors just need to advertise the filling out a special part of their profile at high quality services. Then they can strive to be at a good competitive performance results (in quality and

Condo management and any owner for their condo service efficiency

Condo owners will get an opportunity to answers, support, and recommendations from



business, offering their best quotes by www.condo-fairtender.ca, and provide ask condo management for a review and position in the ranks based on their price).

can get free access to this useful tool improvements.

share their experience, find appropriate other owners who overcame similar situations.

« Living for several years in France, I faced similar challenges and I could observe it at a large scale, so I put User Experience on top of my priorities. We designed our solution as a user-centric approach to fit their needs and scale it in a broader way (from Toronto to the other big cities in Canada). »

Thierry PIRES (Vice-President)

