

# A Condominium Buyer's Glossary

## *Useful Terms & Meanings.*

### A

#### **Administrator**

If a situation occurs that prevents the proper management and administration of a condominium in accord with the Condominium Property Act and Regulations and in the best interests of all parties, any interested party such as an owner, a group of owners or a financial institution may apply to the Court to have an Administrator appointed. The Administrator would have all the powers and duties that the Court deems necessary.

#### **Alberta Building Code**

Based on the National Building Code, this provincial code regulates construction techniques and materials as well as equipment necessary to protect the health and safety of building occupants.

#### **Amortization**

The period of time, most often 15, 20 or 25 years, required to reduce a debt such as a mortgage to zero.

#### **Annual Budget**

The Condominium Property Act requires that a Condominium Corporation's Board of Directors use its best efforts to develop an Annual Budget. Such a budget is the basis for establishing and collecting Condominium Fees from Unit Owners. Those funds are used for the management and the administration of the Condominium Corporation, the maintenance and repair of the common property, and for Reserve Fund requirements.

#### **Annual General Meeting**

Required by law, the AGM must be held annually and within 15 months of the last such meeting. This meeting of all Unit Owners is called by the Condominium Corporation's Board of Directors. At the meeting, the outgoing Board of Directors

provides Unit Owners with reports on the operations and finances of the Condominium Corporation over the past year. Unit Owners elect a new Board and deal with any unfinished or new business. Such business might include the appointment of auditors to review, prepare or verify the Condominium Corporation's accounting and financial statements.

#### **Appraisal**

A process for estimating the market value or the mortgage lending value of a particular property. Mortgage lending value seldom matches the actual price asked or paid for a property.

#### **Approved Lender**

A lending institution authorized by the Government of Canada through the Canada Mortgage and Housing Corporation to make loans under the National Housing Act. Only approved lenders can negotiate loans that require mortgage loan insurance.

#### **Arbitration**

The final process used (after Mediation and Conciliation) to resolve a warranty dispute between a Developer and an owner and the only process used to resolve Purchase Agreement contractual issues. Arbitration is a formal hearing process to resolve disputes. It enables you or your legal representative to present your position with supporting evidence to an independent third party (the Arbitrator) for a binding decision that is rendered in the form of an Award. At the conclusion of the process, the Arbitrator decides on how much of the Arbitration costs each party must pay.

#### **Architectural Controls/ Guidelines**

The regulations or guidelines created by a Developer to manage the exterior appearance of homes constructed in a development as well as the grading of the lands and the maintenance of fences and other features, all the while adhering to local development bylaws. Generally such controls or guidelines are used to establish uniformity in the standards of architectural design and exterior finishing by specifying architectural themes, design elements, materials and colours to be used.

# B

## **Barely Blended Condominium**

A condominium where the boundaries of the units are defined in relation to the land on which each home is constructed rather than as a volume of space defined by the interior walls of a structure.

Since the home sits on the unit (the land), the owner would normally be responsible for all maintenance of the home and land (as in the case of a Bare Land Condominium).

However, in a Barely Blended Condominium, the exterior maintenance of each structure and possibly the grounds are done by the Condominium Corporation. Details of such maintenance are in the bylaws.

## **Bare Land Condominium**

A condominium in which the units are defined in relation to the land rather than in relation to a structure.

A Bare Land condominium could be a duplex or a freestanding home with its own yard.

A Bare Land condominium shares all the other features of a conventional condominium except for the definition of the boundaries.

## **Blended Payment**

A mortgage payment that includes principal and interest. It is paid regularly during the term of the mortgage. At the beginning of the mortgage, most of each payment is interest. This situation changes over time as the interest portion declines and the principal is paid out.

## **Board of Directors**

Every condominium must have an elected Board of Directors that is responsible for the proper administration of the condominium and the enforcement of the bylaws adopted for that condominium. The number of Directors to be elected and their qualifications are set out in the bylaws of the Condominium Corporation.

## **Builders' Lien**

A claim against real property for money owing. A lien may be filed by a supplier or subcontractor who has provided materials or labour in the construction of a home but who has not been paid. A lien must be properly filed by a claimant within 45 days of when the work or materials were

provided to the home. It has a limited life that requires further legal action within 180 days. If the lien holder takes action within the prescribed time, the homeowner may be obliged to pay the amount claimed by the lien holder (or group of lien holders). The lien holder may force a sale of the property to pay off the debt.

## **Builders' Lien Holdback**

Depending on who holds Title to a property or whose name is on a mortgage registered on the property's Title during construction, a Purchaser may wish to retain a Builders' Lien Holdback on deposits or payments made to the Developer during construction. Such holdbacks, designed to help safeguard the Purchaser, are usually 10% of any amounts paid to the builder. Holdbacks are held in trust by the builder's lawyer until the Builders' Lien Holdback period expires. The funds are then released to the builder provided that no liens have been registered on Title by that time.

## **Building Permit**

After a municipal development permit is issued to a Developer, the Developer must provide the municipality with detailed plans concerning the exact construction to be undertaken on the lands. Once those plans are approved and once the municipality is satisfied that all applicable building codes are being adhered to, it will issue a building permit that permits construction to start.

### **Bylaws**

Upon registration of a Condominium Plan with the Land Titles office, a Condominium Corporation is created. At that time, a standard set of bylaws applies to the operation and management of the condominium and its Condominium Corporation. These are commonly called “Schedule A” bylaws because they comprise Schedule A of the Condominium Property Act.

Shortly after the Condominium Corporation comes into existence, condominium Developers will typically replace Schedule A bylaws with customized bylaws to better reflect the nature of a particular development before it goes on sale.

Unit Owners can agree to add, amend or replace bylaws by a 75% majority vote in favour of adopting a Special Resolution to that effect.

## **C**

### **Caveat**

A notice placed on the Title to a unit that states that a party has interest in the Title to the unit by reason of entitlement to a legal interest in the property. Copies of all Caveats should be obtained and reviewed with legal counsel to determine how they will affect the use and occupancy of a unit.

### **Certificate of Possession**

A certificate, signed by the Purchaser at the end of the Occupancy Inspection, which indicates approval of the overall finish of the home while noting any defects or deficiencies requiring correction or completion. A copy is filed with The Alberta New Home Warranty Program by the Developer/Builder.

### **Certificate of Title (Condominium)**

A record of ownership in real property issued by the Land Titles Office for the Province of Alberta.

When a condominium Developer registers a Condominium Plan with the Alberta Land Titles Office, the Registrar cancels the existing Certificate

of Title to the overall parcel of land described in the Condominium Plan and issues a separate Certificate of Title for each unit. Any conditions or caveats noted on the canceled Certificate of Title for the entire land parcel are transferred by the Registrar to the Certificates of Title for each of the new units.

No more than one unit may be included in one Certificate of Title and no less than one share of the common property may be attributed to the Certificate of Title.

After a Certificate of Title is issued for a unit, that unit can then be leased, sold, mortgaged or have its Title transferred in exactly the same way as for any real estate property.

### **Closing Costs**

Costs such as GST, legal fees and disbursements, Title transfer and mortgage registration fees, Land Titles Office charges, mortgage application fees, interest adjustments, and property taxes that increase or decrease the balance of the purchase price due and payable on the Closing date of a Purchase Agreement.

### **Closing Date**

The contractual date on which possession of a property is supposed to be turned over to the Purchaser subject to completion of the home, payment of the purchase price and actual registration of Title.

### **Commitment Letter/ Mortgage Approval**

Written notification from a mortgage lender to a borrower that gives approval for and commits the lender to provide a specified amount of funds under specified terms and conditions.

### **Common Property**

Every part of a condominium, as described in a Condominium Plan, that is not an Owner’s Unit is Common Property that services and supports the individual Units. Ownership of the Common Property is proportionately distributed among the Unit Owners in accordance with their Unit Factors. Maintenance and repair costs for the Common Property are similarly shared by the Unit Owners, subject to special rules in the bylaws that relate to Exclusive Use areas.

### **Conciliation**

A formalized resolution process conducted by The Alberta New Home Warranty Program to settle a warranty issue dispute between a Homeowner and a Developer. The process is initiated by a written request from the Homeowner or Developer and requires the payment of a non-refundable fee by both parties. An Inspector conducts a thorough investigation and issues a report. Where necessary, the report defines required actions and establishes deadlines for completing work. Should the Condominium Developer fail to fully comply, the Program will complete the work under the terms of its Warranty coverage.

### **Conditional Offer/Conditions of Sale**

A Purchase Agreement that is subject to specific conditions such as arranging mortgage financing. If there is a condition, then the Purchase Agreement should contain a stipulated time limit for the conditions to be met. If the conditions are not satisfied or if they're waived, then the Agreement ends and the deposit must be returned.

### **Condominium**

A form of ownership of real property as described in The Condominium Property Act of Alberta.

### **Condominium Corporation**

A condominium Developer is required to file a Condominium Plan with the Alberta Land Titles office for registration. When that plan is registered, a Condominium Corporation is automatically created to manage the affairs of the condominium in the best interests of all owners. As units are sold, each new owner becomes a member of the Condominium Corporation. The Condominium Corporation is owned by all the unit owners in proportion to their specific Unit Factor interests.

### **Condominium Fees**

Condominium unit owners contribute to a fund for the payment of common property expenses including regular maintenance and services such as landscape care.

Assessments for fees are levied against each unit by the Condominium Corporation on behalf of all unit owners. Assessments are based on Unit Factors that are in proportion to each unit's ownership share of the common property.

A portion of the fees should be directed to a mandatory Reserve Fund set aside to pay for major repair or replacement costs in the future that are anticipated in a Reserve Fund Plan. A Special Assessment may be necessary to obtain the needed amount of fees for a Reserve Fund or to pay for unexpected costs when there are insufficient monies in the Reserve Fund or the operating account.

In the event of non-payment of Condo Fees, a Condominium Corporation has the right to file a Caveat on the Title of a unit. Such a Caveat is enforced in the same way as with a mortgage registered on Title. A Caveat for unpaid Condo Fees takes priority over any other financial charges on a unit such as a mortgage.

### **Condominium Plan**

Every condominium development has a plan, registered at the Land Titles Office, that defines the perimeter of the condominium, the boundaries of each owner's Unit, and the Unit Factors that represent each unit's ownership share of the Common Property.

### **Condominium Property Act of Alberta**

The Alberta legislation governing condominium ownership in the Province.

### **Condominium Property Regulation**

The legislated set of rules by which the scope and intent of the Condominium Property Act are implemented.

### **Condominium Unit**

Units are the parts of a condominium project that are for the private and exclusive use of individual owners. A unit can be comprised of the volume of space contained within the walls, floor and ceiling of a condominium home, as in the case of an apartment. Or a unit can be a volume of space that includes the exterior walls and roof of a condominium home, as in the case of a Bare Land condominium. A unit can also be a parking space or storage area. Details will be set out in the Condominium Plan filed at the Land Titles Office.

### **Construction Allowance/ Builder's Allowance**

A portion of a new home's purchase price designated by the Developer/Builder for specific components; for example, kitchen appliances. Should the Purchaser wish to upgrade from the quality of items that are "standard" in the home, the extra cost, over and above the allowance, is payable by the Purchaser either to the Developer or to the Developer's supplier depending on how the Developer wants to handle these "extras" or upgrades. All changes or extras should be documented in writing. In the event that the full allowance is not used, the surplus will be allowed as a credit against the purchase price at the Closing Date.

### **Construction Schedule**

A timetable of construction activities that guides trades people and suppliers in planning and coordinating their activities towards a completion date for all work.

### **Conventional Mortgage Loan**

A mortgage loan for up to a maximum of 75% of the lending value ascribed to a property. Note that the lending value is determined by a property appraisal for mortgage purposes. As such, the lending value may be less or in rare cases more than the purchase price.

### **Covenant**

A clause in a legal document that, in the case of a mortgage, gives the parties to the mortgage a right or obligation. For example, a covenant can impose the obligation on a borrower to make mortgage payments in certain amounts on certain dates. A mortgage document consists of covenants agreed to by the borrower and the lender.

## **D**

### **Default**

Failure to abide by the terms of an agreement such as a mortgage agreement. If the default is under a mortgage agreement, then the failure to make mortgage payments (defaulting on the loan) may cause the mortgage lender to take legal action to possess (foreclose) the mortgaged property. If the default is under the purchase agreement, then the other party may be able to terminate the agreement or seek damages for the breach, or both.

### **Defects**

Items that have been installed and completed but require additional work to meet the quality standard. These are normally superficial defects involving fit, finish or appearance.

### **Deficiencies**

Items in the Purchase Agreement that have not been completed at the time of occupancy inspection. Exterior Seasonal Deficiencies are the most common type, where weather and climate factors make it impractical to complete the work until conditions are more favourable.

### **Deficiency Holdback**

At the time of possession, elements of the common property or of a specific unit may not be complete.

In the case of a residential unit, the Purchaser may wish to hold back funds equal to the value of the incomplete work until such time as the work is completed.

The holdback may represent the value of several incomplete items. As each item is completed, the holdback amount for that item is released to the Developer from the trust account of the Developer's lawyer.

In the case of incomplete common property work, the unit Purchaser may wish to hold back an amount equal to the unit's share of the value of the incomplete common property work.

There is no automatic right to make a holdback. In principle, the right should be negotiated and included in the Purchase Agreement before it is signed.

If the Purchaser has the right to make a holdback, the amount must be negotiated at the time of Closing and in relation to agreed-upon dollar values for the incomplete work. Such a negotiated agreement must include provisions governing the release of the holdback funds to the Developer.

**Deposit**

A sum of money provided by the Purchaser as a means of binding a Purchase Agreement. The funds are held in trust until they can be released to the Developer unless there is an approved plan such as The Alberta New Home Warranty Program in place to protect and replace deposit funds released to the Developer.

**Deposit Protection (under an Approved Plan)**

As a government approved plan, The Alberta New Home Warranty Program protects your deposits in the purchase of a condominium home up to a total of \$30,000 or 15% of the purchase price, whichever is less.

**Development Permit**

The municipality in which a condominium is to be built will issue a Development Permit for the project. The permit approves the project in so far as the use of the land, the unit density of the project and the concept are concerned. A Development Permit

does not permit construction to begin. That requires detailed building plans to be submitted to the municipality for approval and the issuance of a Building Permit.

**Discharge of Mortgage**

A document signed by the lender and given to the borrower when a mortgage loan has been repaid in full. Such discharge must be registered at the Land Titles Office to be effective.

**Disclosure Documents**

Developers of new condominiums are required by law to provide prospective Purchasers with numerous specified documents that serve to disclose the implications of unit ownership in the condominium. Such documents must disclose, among other things, the anticipated amount of Condominium Fees required from each unit.

**Down Payment**

The portion of a home's price that the Purchaser must pay up front from personal resources before securing a mortgage. It typically ranges from 5% to 25% of the purchase price. If there is no need for a mortgage, the down payment can be 100% of the purchase price.

**Easement**

A right acquired for the use of or access to another person's land for a specific purpose such as for a driveway or to install, maintain, repair or replace utility services. To be binding, the easement must be registered on the Title to the unit and its terms should be read carefully to understand what rights have been given.

**Encroachment**

An improvement to a property — like a fence, carport, garage or deck — that intrudes onto another property — whether it is a neighbour's property, a street or lane — contrary to any municipal bylaws or the terms of any easement registered on Title to the lands.

**Encumbrance**

A claim for a debt, such as a mortgage, that is made against a property. An encumbrance must be registered on the Title for the property through the Land Titles Office.

**Equity**

The difference between the value of a home and the total debts registered against it. Equity typically increases as the outstanding principal of the mortgage is reduced through regular payments. Rising prices in the marketplace as well as improvements made to the property work to increase equity as well.

**Estoppel Certificate**

Typically required when purchasing a condominium home. The Condominium Corporation issues this certificate to indicate the status of a particular unit's Condo Fee account. If the Corporation certifies that there are no arrears, this "clear certificate" means that the Corporation cannot subsequently claim otherwise and demand payment for condominium fee arrears from the unit's new owner. The Estoppel Certificate also verifies that insurance coverage is in place for the common property as well as for the Reserve Fund.

### Exclusive Use Common Property

Common Property areas such as a patio, balcony, parking space or storage room that are designated for the exclusive use of a particular unit. Such Exclusive Use Common Property, while owned by all the unit owners, is reserved for the designated unit owner. Reference must be made to the bylaws for details as to what use can be made of the area and the rules relating to the maintenance of such areas.

### Exterior Elevations

Detailed, scaled, dimensional drawings of the roof and exterior walls of a home as seen from the front, sides and rear. These elevations also show the location and types of specific exterior finishing materials to be used.

### Extraordinary General Meeting

Any properly convened meeting of a condominium's unit owners, other than an Annual General Meeting. Such a meeting can be called by the Board of Directors whenever it sees fit or it can be requisitioned by a certain proportion of unit owners per the bylaws of the Condominium Corporation. Typically, an EGM is called to deal with matters that require urgent attention.

## F

### Finish Schedule (Exterior/Interior)

A detailed and specific listing of materials, colours, styles and models of finishing materials selected by the Purchaser, usually from standard choices offered by the Developer. Finish schedules are a part of the contract for the purchase of your condominium home.

### First Year Material & Workmanship Protection

Protection provided by the Alberta New Home Warranty Program for up to \$60,000 per condominium unit and up to \$1,500,000 per condominium development registered with the Program to cover material replacement and workmanship costs in the first year.

### Foreclosure

A legal procedure in which a mortgage lender obtains ownership of a property or causes it to be sold if the borrower defaults on the mortgage loan.

### Gross Debt Service Ratio

The percentage of a mortgage borrower's total monthly income that is used for mortgage principal and interest payments and to pay property and school taxes, heating costs and half the amount of condominium fees required for maintenance and upkeep.

### GST and GST Rebates

The purchase price of a new condominium home is subject to the 7% federal Goods & Services Tax (GST).

However, if the home will be your principal residence or the principal residence of a family member, then there is a partial rebate of the GST. In some circumstances, there may also be a rebate even if the purchase is intended to be a rental property.

The GST rebate is customarily credited to you at the time of Closing.

The amount of GST rebate is variable, depending on the price of the home.

If the purchase price is up to \$350,000, then the rebate is equal to 36% of the tax.

If the purchase price is more than \$350,000 but less than \$450,000, then the rebate is proportionally reduced. For example, if the purchase price is \$400,000, the GST rebate is half of 36%. If the purchase price is \$425,000, the eligible rebate is one quarter of the full 36% rebate. There is no GST rebate if the purchase price is over \$450,000.

### High Ratio Mortgage

A mortgage loan for in excess of 75% of the fair market value of a unit, as determined by the lender. This type of loan must be insured against payment default. Canada Mortgage and Housing Corporation (CMHC) is a federal agency that offers high-ratio mortgage loan insurance as do several private sector companies.

## G

## H

**I****Insurance —  
Condominium Corporation**

Every Condominium Corporation must place and maintain a “Master Policy” for a broad range of perils specified in the Condominium Property Act and Regulation. Such a policy covers both the Common Property and the Units (except, in some cases, for improvements made by Unit Owners). Additionally, the policy must insure the Condominium Corporation, its Board, Officers and employees against liability arising from their actions, errors or omissions in carrying out their functions and duties.

**Insurance — Unit Owner**

Unit Owner insurance protects against property loss, personal liability and disaster expenses. Such insurance typically offers all-risks coverage for an owner’s personal property in the event of loss from fire, theft and vandalism as well as improvement and betterment coverage for damage to upgrades made by the owner. Moreover, this coverage typically provides for the unit owner’s share of liability in any action against the Condominium Corporation as well as the unit owner’s share of costs arising from all-risks claims on the common property. In placing insurance, care should be taken to avoid duplicating coverage provided by the Condominium Corporation’s Master Policy and potential coverage disputes between insurers in the event of a claim.

**Interest**

The cost of borrowing money. Interest is usually paid to the lender in installments along with repayment of the principal loan amount.

**Interest Adjustment Date (IAD)**

A date from which interest on the mortgage amount advanced is calculated for your regular payments. This date is usually one month before regular mortgage payments are to begin.

**Interior Floor Plan**

A scaled down, two-dimensional overview of each level of a home, including the basement if applicable.

**J****Joint Tenancy**

Typically, spouses or life partners will hold Title to their condominium unit jointly. This means that each person owns an undivided half-interest in the unit. In the event of the death of one person, the other person automatically becomes the sole owner by the rights of survivorship.

**Lending Value**

The lesser of the appraised market value or the purchase price of a home.

**Loan to Value Ratio**

The ratio of the mortgage loan to the lending value of a property, expressed as a percentage. For example, the loan-to-value ratio for a mortgage of \$90,000 on a home with a lending value of \$100,000 would be 90%.

**Lot Grade**

The topographical profile of a lot after landscaping and in relation to the lot’s boundaries as well as geographic and physical features such as roads, sidewalks, storm sewer intakes and adjacent property. Adherence to proper grades, as approved by municipal authorities, ensures that surface water drainage is away from buildings and towards storm sewer collection points.

**Lot Plan/Grade Slip**

A scaled down overview showing the location of a building or buildings on a lot in relation to the borders of a property and easements on the property. The lot plan also shows “grade” elevations for any buildings and at the property lines. A municipality must ensure that the grades are correct and that the placement of any building on the lot plan conforms to bylaws governing minimum required “setbacks” from the property lines and from any easements running through the property before the lot plan can be approved. Once approved, the municipality will issue a “Grade Slip” authorizing a Developer to contour the finished landscaping of a lot to conform to the approved grades on the lot plan.

**Mandatory Clauses**

The contractual arrangements between The Alberta New Home Warranty Program and a Purchaser for the various protection coverages offered by the Program through a Builder Member. Mandatory clauses are part of the Purchase Agreement.

**Maturity Date**

The last day of the term for a mortgage agreement. On this date, the mortgage must either be repaid in full or the loan agreement must be renewed for another term.

**L****M**

### Mediation

An informal, voluntary process in which The Alberta New Home Warranty Program acts as a facilitator to help the Purchaser or Homeowner and the Developer/Builder get together in the case of a dispute so that the issues can be identified, along with any misunderstandings or miscommunications, and so that both parties may reach agreement on a solution.

### Mortgage

A mortgage is a legal security, registered on Title, for a loan on the property you own. As such, it is your agreement that you will repay the loan according to the terms and conditions of the loan. As a financial charge (encumbrance) registered on Title, it is also your pledge of the property as security for the loan in the event of default (non-payment).

### Mortgagee

The lender providing a mortgage loan.

**Mortgage Holdback** (*see also "Deficiency Holdback"*)  
An amount or amounts, if any, withheld by a mortgage lender from mortgage advances or at the time of the final mortgage disbursement to ensure construction is satisfactory or complete.

**Mortgage Holder** (*see "Mortgagee"*)

### Mortgage Life Insurance

Insurance that guarantees full repayment of your mortgage in the event of your death. Typically, this insurance is available from or through your mortgage lender and the premiums are added to your regular mortgage payment amounts. Alternatively, mortgage life insurance is available from and through insurance brokers and agents.

### Mortgage Loan Insurance

In the event you require a high-ratio mortgage (more than 75% of the lending value of the property), the mortgage lender will require mortgage loan insurance that pays the lender the full amount of the principal, interest and costs should you default on the loan. Mortgage loan insurance is available from CMHC, a federal agency, or from private insurers.

### Mortgage Payment

A regularly scheduled payment which is blended to include principal and interest, commonly referred to

as a "P.I." payment. The mortgage payment may also include additional funds set aside for the payment of annual property and school taxes in which case the type of payment is called "P.I.T."

### Mortgage — Unit

Like any home purchase, ownership of a condominium unit plus its share in the common property is an estate in land. The Alberta Land Titles Office will issue a Title and register mortgage documents and other instruments such as Caveats or Liens against the Title of a condominium property or "Unit" just as it would for any non-condominium real estate property.

### Mortgagor

The borrower who pledges to repay a mortgage loan and who pledges the mortgaged property as security for the loan.

### Net Worth

Your total financial worth, calculated by subtracting your total liabilities (mortgage, car loan, credit line debt etc.) from your total assets (value of home, car, savings, RSP, etc.)

### Occupancy Inspection/ New Home Orientation

A meeting between the Purchaser and the Developer/Builder to review and confirm that work on the home is satisfactory and complete and to note any outstanding items that will require correction after the Purchaser moves in. Typically, this meeting is also used to orient the Purchaser to the new home and to provide demonstrations and information on the use, maintenance and upkeep of the home's components.

### Occupancy Permit

At the time of taking possession of the unit, the Purchaser should receive from the Developer a copy of the Occupancy Permit issued by the municipality. The permit gives permission for the unit to be occupied as a residence.

**Offer to Purchase** (*see also "Purchase Agreement"*)

A written contract setting out the terms and conditions under which the Purchaser agrees to buy. If accepted by the Developer, it forms a legally binding contract subject to the terms and conditions stated in the document and the laws governing condominium purchases.

N  
O

### **Officers (Condominium Corporation)**

A Condominium Corporation's Officers — the minimum being a President, a Secretary and a Treasurer — are elected by unit owners and/or mortgage lenders or selected from and by the members of the Corporation's Board of Directors in accordance with procedures set out in the bylaws of the Condominium Corporation. The President chairs meetings of the Board or General Meetings of the Condominium Corporation membership and may cast a vote in Board decisions. The Secretary keeps the minutes of Board and General Meetings. The Treasurer ensures that proper financial records are maintained for the Corporation. See the Condominium Corporation's bylaws for details on the titles and duties of the Officers.

### **Progress Payments/Mortgage Draws**

It's important to note that there should be no Progress Payments or Mortgage Draws involved in the purchase of a condominium unit. These types of payments typically apply to conventional homes. They're made during construction from the mortgage funds approved for a purchase and in advance of the home being completed. These payments are timed to correspond with the completion of stages of construction and should closely match the value of the completed work in place.

A 10% Builders' Lien Holdback may be deducted from each payment to the Developer/Builder, with that amount being held in trust by the Developer's lawyer until such time as Title to the property is legally free and clear of potential Builders' Liens (claims for non-payment by suppliers or sub-contracted building trades) against the property.

## **P**

### **P.I.T.**

Principal, Interest, Taxes. Payments due regularly under the terms of the mortgage agreement typically include a component to pay the estimated annual property and school taxes on the property. If, for example, regular payments are to be paid monthly, then one-twelfth of the estimated annual taxes are added to the monthly mortgage payment amount. Since the tax amount is an estimate and since these taxes can change annually, the portion of the mortgage payment attributable to taxes may also change. Moreover, upon issuance of the annual tax notice by a municipality, the lender may determine that the amount of funds held in your tax account is insufficient. Therefore, the lender will require you to "top up" your tax account with an additional amount. Funds retained in your tax account typically earn a small rate of interest from the lender.

### **P.I.T.H.**

Principal, Interest, Taxes and Heating. Monthly costs used to calculate your Gross Debt Service Ratio (GDSR) in determining whether you qualify to borrow a specific mortgage loan amount.

### **Principal**

The amount of money actually borrowed, excluding interest but including any mortgage insurance premiums and fees that are payable if the mortgage is a high ratio mortgage for over 75% of the unit's lending value.

### **Property & Education Taxes**

As with non-condominium homeowners, condominium unit owners are landowners. So they must pay municipal property taxes and provincial education taxes assessed on the value of their land plus the value of their homes. For assessment purposes, each unit and its share of the common property represents a separate parcel of land and improvements to the land. Improvements include the owner's unit and the owner's share of common property buildings.

### **Proxy**

By written authorization, a condominium unit owner may authorize another person to act for the owner and exercise a unit's voting share at a general or special meeting of the Condominium Corporation.

### **Purchase Agreement**

A contract between a Purchaser and a Developer for the construction of a unit (and common property) at a specified purchase price.

### **Purchase Price**

The agreed upon price of your new condominium home, as set out in the Purchase Agreement. The purchase price may list GST as extra or it may indicate that it is included. The purchase price also includes the added or deducted costs for any

changes to the standard plans or specifications which are agreed to in writing and included in the Purchase Agreement at the time it is signed by both parties. The purchase price will also be subject to adjustments for Closing costs, taxes and other items detailed in the Statement of Adjustments at the time of Closing.

# R

## **Real Property Report**

A legal document that clearly indicates the location of all visible public or private improvements on a property, relative to the property's boundaries. It can be relied upon as an accurate representation of the improvements on a property. A Real Property Report is normally required when the boundaries of the unit are set in relation to the land, as with a Bare Land condominium, rather than in relation to the buildings, as with a conventional condominium.

## **Refinance**

To pay off a mortgage or other registered encumbrance and to arrange a new mortgage with the same or a different lender.

## **Rescission**

The Condominium Property Act provides condominium unit Purchasers with the Right of Rescission in order to cancel (rescind) a Purchase Agreement.

When you sign the Purchase Agreement and once you have received all the required disclosure schedules (documents), you have 10 days to back out of the Purchase Agreement.

If you have the Purchase Agreement and all the disclosure schedules in your possession for at least 10 days, you have no rescission rights when you sign the contract.

## **Reserve Fund**

A fund created from a portion of the Condominium Fees paid by all unit owners, set aside and managed by the Condominium Corporation to pay for major repairs or the replacement of common property elements, where such repair or replacement is not part of the regular ongoing annual maintenance program.

Properly called a Capital Replacement Reserve Fund, it is usually held in secure liquid investments such as guaranteed investment certificates, bonds, mortgage investment funds or money market funds and is not intended for regular or annually recurring maintenance expenses such as trash disposal or snow removal.

## **Reserve Fund Study**

A study conducted on behalf of the Condominium Corporation Board to identify the depreciating common property that will need to be repaired or replaced over the next 25 years. The study determines when such work will need to take place, and at what cost, and sets out the amounts of funds that need to be set aside monthly in order to meet all such costs over the 25 year time frame. The first study must be conducted within two years of a condominium plan being registered. Subsequent studies must be done every five years after that.

## **Reserve Fund Report**

A written report prepared for the Condominium Corporation Board by the person undertaking the Reserve Fund Study. The Report covers the qualifications of the person conducting the Study, the independent nature of the Report, the findings of the Reserve Fund Study, and makes recommendations for creating a Reserve Fund Plan or for amending an existing Reserve Fund Plan.

## **Reserve Fund Plan**

After receiving and reviewing the Reserve Fund Report, the Condominium Board must approve a Reserve Fund Plan to create and manage a Reserve Fund if one has not been established already.

A Condominium Corporation has two years from when the condominium is completed to establish the Reserve Fund.

The Reserve Fund Plan sets forth the amount of funding needed for creating and maintaining the Fund. It also details the Reserve Fund contribution amounts needed from each unit owner, a timetable for collecting the funds, and the manner in which the funds are to be collected — either by adding to regular Condo Fees or through a Special Assessment or both.

The Condominium Corporation must provide the unit owners with a copy of the approved Reserve Fund Plan before collecting monies for the Reserve Fund.

**S****Seasonal Deficiencies**

Exterior items that are a part of the condominium unit owner's property and which, at the time of possession, are incomplete as a result of weather or climate conditions such as rain or extreme cold. Such seasonal deficiencies might include stucco or trim paint that require manufacturer specified minimum temperatures and dry conditions for successful application.

**Second Mortgage**

An additional mortgage on a property that already has a mortgage loan to the property owner registered on Title. The Second Mortgage ranks behind the First Mortgage in terms of priority of security.

**Special Assessment**

If significant or urgent repair or replacement expenses for the common property need to be funded and sufficient sums are not in the Reserve Fund, the Condominium Corporation Board must levy a Special Assessment so that all the unit owners contribute their fair share of the funds needed to deal with the situation.

**Special Resolution**

Important condominium decisions such as enacting or amending bylaws, or selling or leasing common property require that a Special Resolution be adopted by a majority vote of the unit owners at a properly convened General Meeting. A majority constitutes not less than 75% of all unit owners entitled to vote and the votes must also represent at least 75% of the total unit factors.

**Specifications**

A list (or lists) of the general construction and finishing components of a new home. Specifications typically include information on the Developer's Warranty and policies for handling legal arrangements and Title transfer. Detailed lists of the interior and exterior finishing details are called Interior and Exterior Finish Schedules. Specifications are an important part of the Purchase Agreement and take precedence over Working Drawings in the event of a discrepancy between the Specification and the Working Drawings.

**Statement of Adjustments**

A final statement of account presented to the Purchaser by the Developer's lawyer at the Closing of

the transaction. It details any extra charges that are the result of changes to the plans or specifications made by the Purchaser and agreed to by the Developer after the initial Purchase Agreement was made. It also lists other normal Closing costs and adjustments such as for GST, legal fees, mortgage and mortgage insurance application fees, interest adjustments and tax adjustments. These adjustments are due and payable, together with the balance of the purchase price, at the Closing of the transaction.

**Structural Defect**

The failure of a load-bearing component of your home to provide its required and necessary load-bearing weight and function.

**Structural Integrity Warranty Protection**

This protection from The Alberta New Home Warranty Program permits the unused portion of First Year Material & Workmanship Warranty coverage (up to \$60,000 per condominium unit and up to \$1,500,000 for an entire condominium development including common property) to be used for paying the costs to repair major structural defects in the first five years of the Program's coverage.

**Structural Plans**

Working drawings that provide cross-sectional views and details of the structural components of a building. These include foundation footings, basement walls, roof trusses, floor joists, load-bearing beams and load-bearing walls.

**Substantial Completion**

The date upon which the units and the common property are declared to be ready for their intended purpose — that is, for residents to live in and use — and also the date upon which The Alberta New Home Warranty Program's coverage on the common property begins.

The date of Substantial Completion must be verified in writing. This is usually done by the prime consultant responsible for construction of the Condominium (i.e. the Architect or Engineer).

**Survey**

A document that illustrates a property's boundaries and measurements and the location of improvements (i.e. buildings), as well as easements and encroachments. (see also "Real Property Report")

**T** **Tenancy in Common**

Condominium unit owners share ownership in the common property as “tenants in common”. Both owners hold an undivided half interest in the property, but without rights of survivorship. (see also “Joint Tenancy”)

**Term**

The length of time during which payments are to be made on a mortgage at the rate of interest set out in the mortgage. At the end of the term, the remaining principal is to be paid out unless the lender agrees to renew the debt for a further period of time. The entire mortgage principal is usually not paid off at the end of the term because the amortization period is normally much longer than the term. (see also “Amortization”)

**Title** *(see also “Certificate of Title”)*

A document issued by the Alberta Land Titles Office which shows the registered owner(s) of a property subject to any registrations against the Title. In a condominium, the Title gives a unit owner full and exclusive ownership rights to the unit (which may include land within the unit as in the case of a Bare Land Condominium) for an indefinite period of time. The Title also records the unit owner’s share of the common property, stated as a fraction of 10,000.

**Total Debt Service Ratio (TDSR)**

The percentage of total monthly pre-tax income required to pay all monthly housing costs (Principal, Interest, Property Taxes, Utilities, 50% of Monthly Condominium Fee) plus all other debts such as monthly car payments, line of credit payments and credit card payments.

**Transfer of Title**

A legal document, signed by both the Developer and Purchaser, which transfers ownership of a unit to the Purchaser.

**U** **Unit Boundaries**

In conventional condominiums such as apartment units and town homes, the unit boundaries are the inside surfaces of ceilings, floors and walls including doors and windows. However, these boundaries may be varied by the Condominium Plan.

In Bare Land condominiums, the boundaries are set in relation to land, not building structures, so that property boundaries are established by survey markers.

**Unit Factor**

The term used in the Condominium Property Act to define each unit owner’s tenancy-in-common share in the common property. The Unit Factor also determines each unit’s proportionate share of maintenance and operating costs for the common property and thus each unit’s required condominium fee. Assessments for condominium fees may use another calculation method or formula, other than Unit Factors, as long as the method is agreed upon by the owners through a properly passed bylaw.

**Unit Rentals**

Since the rental or lease of a condominium unit includes the right of access by the tenants to the common property, the Condominium Property Act ensures that a Condominium Corporation has the authority to protect all owners’ interests. Moreover, the Corporation’s bylaws apply equally to all residents including tenants.

If a unit owner rents out a unit, the Condominium Property Act states that the unit owner must provide written notice of intent to the Condominium Corporation. The notice must include the amount of rent to be charged and an “address for service” — that is, an address and contact information so that the unit owner can be reached during the rental period.

The Condominium Corporation may require a security deposit from the unit owner when a unit is rented out.

The Condominium Corporation also has the right to terminate a rental agreement at any time if a tenant causes damage or contravenes a bylaw.

## **W** Working Drawings

A set of scaled down, two dimensional construction plans consisting of exterior elevations, interior floor plans and structural plans. Used for a number of purposes including providing construction directions to sub-trades, identifying materials and quantities of materials to be ordered from suppliers, and receiving municipal building permit approval.

## **Z** Zoning Bylaws

Municipal or regional laws that specify a use for particular blocks of land; for example, residential single family or residential multi-family.