Condominium Home Owners' Association of British Columbia
Leadership, Education and Resources for strata owners across BC
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Condo Smarts

Headline: How much do I get? Strata Liquidation
Topic: Buying & Selling; Liquidation
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Written by: Tony Gioventu

Dear Tony: We hope you can write one more column about liquidation. Our strata was created in 1974 and our owners are considering selling the property. It is a 4 floor walkup in upper Lonsdale, so no elevator and an old boiler with a failing heating system. This community has been a wonderful home for many of us and a great community, but we have all aged and our property values as individual units are low but as a collective group of owners an investor has made us a very generous offer. For those of us who are retiring it is a good opportunity to simplify our lives and for the families a good opportunity to move up. Before we move forward and vote we need to clear up the problem of how the money gets distributed to the owners. We have been given different information from a number of professionals and our owners are very confused.

Carol D.

Dear Carol: When a strata corporation accepts an offer to purchase, and the strata agrees to vote to liquidate, there are generally 3 different formulas that may apply and a 4th formula that may be agreed upon by unanimous vote. If your strata corporation was created under the *Strata Titles Act*, which is the case in 1974, the formula for "destruction" as it was called then, is based on unit entitlement. Unit entitlement is the formula that is commonly used to calculate our common expenses such as strata fees, special levies and the settlement of law suits. For many strata corporations created under the *Strata Titles Act*, the Schedule of Unit Entitlement was based on the approximate size of each strata lot. This formula may be comparable to your BC Assessment values. There is one flaw in this schedule however, the schedule may also have been based on a simple formula, such as 1 for a 1 bedroom, 2 for a 2 bedroom and 3 for a 3 bedroom. This could indicate the payouts for the respective units are 100%, 200% and 300% of the payout value. The net amount will reflect any charges such as mortgages on the property. If a strata was filed under the *Condominium Act* in the 80's and 90's, the formula commonly used is the Schedule of Interest on Destruction, which was a formula created by the developer that estimated what the likely sale value of each unit would be at the time, or a comparable formula. For strata corporations created under the *Strata Property Act*, the BC Assessment values are used to determine each unit's share of the proceeds. The 4th option would require a unanimous vote of the strata. The owners could adopt a separate formula if everyone agrees, to create a new method of distributing the funds. This may be necessary to pass a successful vote to liquidate where the Schedule of Unit Entitlement doesn't make any sense or there are obvious errors or significantly unfair distribution formulas in the schedules that were filed. Before owners vote on the liquidation, it is essential that they understand how much each strata lot will receive from the sale. There may be unusual or separate formulas filed in the different time periods so it is important for the strata to legal advice before you proceed.