
Condo Smarts

Headline: Wind up/ Selling your strata

Topic: Winding Up a Strata Corporation

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Dear Tony: Our strata council was approached by a developer interested in purchasing our property outright. They came to a council meeting, gave us a slick presentation, told us they were prepared to pay 35% over our current assessed values and suggested we hold an information meeting with the owners. Up to the information meeting everything was reasonably civil. At the information meeting several owners demanded to know how many offers we have had on the property. The developer advised they don't work that way and will retract if we look for other offers. As a council we were a bit embarrassed as we did not investigate this further. I can see the point of owners wondering whether we solicited the best price and terms or whether we just settled on a higher value. The *Strata Property Act* gives us no indication of the process involved. Is there at least a best practice?

Jenna L. North Vancouver

Dear Jenna: As a strata corporation you are the collective property holders of a single piece of real estate that has a marketable value. In many ways it is no different than selling your condo. You list the property for sale and offers are made that you can accept, reject, or counter offer. Through this you negotiate the price, terms of the sale and the conditions or subjects that may apply to both parties.

The sale of a strata corporation, or winding up as it is known in the *Act*, has more requirements to fulfill because the strata council do not have the authority to market the property or approve the terms and conditions of the sale without the consent of the owners. In addition, unless all the owners approve the proposed sale and no interest holders object, the strata is required to apply to the Supreme Court of BC for ratification of the sale, once the resolutions are

approved. In almost every wind up, it has been in the best interest of the strata corporation to retain a commercial broker to act in the exclusive interest of the strata corporation to market the property. The competition for property has generally resulted in the best terms and highest prices, but a word of caution, not all properties will attract multiple offers due to capacity of the sale or current market conditions for buyers and not all properties will return higher than assessed values.

Don't be lured into a price based on assessment values as market values may be higher. Because your property is a modest size and an ideal location for redevelopment, a marketing strategy and invitations for offers may be the best option to determine best price.

There are many conditions to consider in a wind up process. The location of the property is critical. The current and future zoning of the property as well as the possibility to assemble neighbouring properties may have a significant impact on the price. The terms of the sale are also significant. A closing period in 6 months may be a much more attractive deal than a closing in one or two years.

The current condition of your building and future cost facing your owners is also a consideration. It is possible the strata corporation may be due for some major upgrades because of aging assets. It is worth assessing the next 5-10 years of renewal costs when considering a wind up. If you are facing \$100,000 per unit in upgrade costs in the next five years, a sale near or above current values may be the best option for the owners to consider. You will need a reliable depreciation plan or engineering study to help determine these liabilities for the owners.

Before you proceed, determine the scope of legal fees for each phase of the process as you will need legal assistance in negotiating the proposed terms and conditions of the sale, the preparation and holding the meeting for the 80% vote, the court application if necessary and the appointment of the liquidator to manage to winding up of the strata and the disbursement of revenues and expenses.

* While there is a focus on strata wind ups in Metro Vancouver, they occur routinely in every part of the province. For more information on strata wind ups go to www.choa.bc.ca