
Strata Living

Headline: What is "Interest on Destruction"?

Topics: Buying & Selling; Liquidation

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Dear Tony: Our strata corporation is considering an offer from a developer to buy all the strata units. We have been told the interest on destruction is a formula that would apply to each of the transactions and this formula is used to calculate the amount each owner gets for their purchase. Why would it be different from our assessed values? Four units that are identical in our building would receive amounts that are plus or minus \$35,000. Why would it be any different?

Carter D. Vancouver

Dear Carter: There are 3 different formulas that may apply to the destruction or liquidation of a strata corporation. In the event a strata corporation decides to liquidate and terminate the strata, or in the event of a disaster where the strata corporation cannot be restored or rebuilt, the formulas would apply to pay out each owner.

If your strata was created under the *Strata Titles Act* in the 60's and 70's, the formula used is unit entitlement. The same formula used to calculate strata fees and special levies.

If your strata was created in the 80's and 90's under the *Condominium Act* the formula used is interest on destruction. This is a separate schedule that was created to determine the projected value of strata lots, when they were marketed. It wasn't based on any specific science or method but rather projections of value, and the obvious result today is a significant variation in payout for units that are identical and current selling or are assessed for the same price.

For Strata Corporations created under the *Strata Property Act*, 2000 onward, the formula used is the BC Assessment values. Those generally reflect relative market pricing of comparable units.

The *Strata Property Act* has been amended to reduce the voting threshold of a liquidation decision to 80% of the votes on the schedule of voting entitlement. Once the regulations come into effect a strata corporation will be required to obtain an 80% vote at a special general meeting, and make a subsequent application to the courts to ratify the decision and appoint a liquidator for the winding up of the strata corporation. The process is legally demanding and strata corporations are advised to retain a lawyer experienced with strata liquidations to review contracts, listing agreements, prepare notice packages and resolutions, make the court application and advise on the appointment of the liquidator.

If an investor or developer is purchasing the units directly from each owner, no formula applies, and each owner negotiates their own price, like a conventional sale.