

Condo Smarts

Headline: When is the right time for a strata to consider liquidation? Part 1

Topic: Buying & Selling; Liquidation

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Dear Tony: What happens when a strata corporation reaches an impasse on repairs? In October, our strata had an offer from a developer for our modest 4 floor wood frame strata of 45 units in metro town. The offer at the time would have given each owner about 50% above the market value of their condo, so council decided to call a general meeting of the owners to consider the offer. By majority vote, the owners decided not to consider the offer and directed council to move forward with our routine maintenance and planning. A new council was elected in January, including one owner who is a realtor, and we are back on the program of selling the condo. The council are now claiming the depreciation report is a major factor in our decision because we need about \$800,000 of upgrades in the next 5 years. Of course we do! We're 30 years old and due for a new roof, an elevator upgrade and boiler upgrade for hot water. They directed the depreciation planner to do a presentation to the owners that was basically a threat to liquidate or face devastating costs. We are concerned the owners are being pushed down a road that will have adverse effects on everyone and we have a high level of mistrust developing within our community as a result.

Monica R.

Dear Monica: Liquidation is a complicated series of procedures for a strata corporation. While depreciation reports are an important part of the financial planning for strata corporations, alone they are the least important information for liquidation if the buildings are being demolished for redevelopment.

In the fall of 2015, the *Strata Property Act* was amended to change the voting requirement for liquidation from 100% to 80% of the schedule of voting rights. The change is significant, but even 80% of the total number

of votes will still be extremely difficult to achieve, and will now require a court application to the Supreme Court of BC to approve the decision. There are two methods of selling the property. The first is simple. A developer/speculator purchases all of the units directly from each owner. The strata is not involved in the liquidation process and the deal is fairly clean. The second method, a strata vote and liquidation, is complicated but gives the strata owners the collective ability to market the property for competitive bidding to obtain the best offers. This process will take anywhere from 6-18 months depending on the owners and the conditions of sale. The depreciation report will be valuable for owners when they assess whether their future costs in the coming 5-10 years will significantly influence whether an offer for the property balanced with the costs for maintenance and renewals is a prudent financial decision. The information could influence the decision of owners to maintain versus liquidate; however, until they have voted to sell, strata owners must still maintain and repair their property.