

# Collective sale and renewal reforms

Important reforms to strata law create an alternative process for owners to jointly end a strata scheme so the site can be sold or developed. This is part of an information series explaining the amendments in greater detail.

## Collective sale and renewal process

The current law allows for the termination of a strata scheme under certain circumstances such as when there is unanimous support from all the owners. Collective sale and renewal of ageing housing stock aims to deliver urban renewal and boost housing supply in the places that people want to live. Under the reforms, 75% of owners can agree to end their strata scheme.

By establishing a process for collective renewal and sale, lot owners will be empowered to realise the full potential of their strata building and make their own decisions in a democratic and transparent way.

Importantly, the process will involve many checks and balances such as:

- compensating lot owners with at least the market value of their lot plus moving costs, as detailed in the Land Acquisition (Just Terms Compensation) 1991 Act
- referring renewal plans to the Land and Environment Court for final consideration
- establishing a free NSW Government advice service for all owners in addition to a free advocacy program to assist vulnerable owners.

## Steps for collective sale and renewal

There are several stages that strata schemes will need to follow as part of the collective sale and renewal process.

### 1. Vote to opt into the process

The new process will apply only to existing schemes if the owners corporation agrees to opt in. If the majority of owners (50% or more) don't support the decision, no further action can be taken.

### 2. Initiate the collective sale/renewal process

A proposal to sell or redevelop a scheme must first be considered by the strata committee (currently known as the 'executive committee'). A general meeting of all owners is then called to consider the proposal.

### 3. Form a strata renewal committee

If the majority of the owners (50% or more) agree to pursue a proposal, a committee is elected to investigate and develop the proposal. The committee can appoint professionals such as valuers, lawyers, and tax experts to assist them.

### 4. Develop a collective sale/renewal plan

The strata renewal committee develops a plan that must set out certain information to help lot owners make informed decisions. The strata renewal committee, and the owners corporation will hold meetings to discuss and further develop the plan. The plan will need to address certain areas such as the amount that each lot owner will receive under a collective sale as well as the costs and liabilities that will be faced by the owners corporation, the proposed settlement date and arrangements for moving out of the building. The plan must also include a full and frank statement by the proposed purchaser or developer of their intended use of the strata parcel. Guidance material will be made available on how to prepare a sale and renewal plan.

### 5. Consider the plan

Owners will have a minimum of 60 days to consider the plan and seek independent advice. Owners in favour of the plan will sign a support notice, which will be given to the secretary of the owners corporation. The plan lapses if it is not supported by 75% of owners within 12 months. The plan will list the compensation that is to be paid to each lot owner in dollar terms, as a formula (e.g. a percentage of the sale price) or in kind (e.g. a lot in the new building).

### Approval of the plan

Plans for renewal will be referred to the Land and Environment Court for final consideration.

The Court would consider whether the process has been properly followed and would initially seek to resolve disputes through conciliation or mediation.

The Court can reject a renewal plan if it was not developed in 'good faith' or followed due process. The Court will also examine the amount to be received by each owner. For a collective sale or for dissenting owners in a renewal the amount must be no less than the compensation value of the lot, which is based on the principles used to determine Just Terms Compensation.

Importantly, the terms of settlement provided by the plan must be just and equitable.

More detail on how the compensation value is to be determined will be included in the Regulations.

### **Advice for all owners and free advocacy and assistance for vulnerable owners**

Fair Trading will establish a Strata Renewal Advice and Advocacy Program. This program involves a dedicated hotline that all owners can ring for further information, advice and referrals. If a caller has specific issues they can be referred on to the appropriate agency, for example the Law Society.

Additional protections will be in place for elderly and vulnerable owner-occupiers. For callers from identified vulnerable groups, for example, owners who are on an aged or disability pension, funded agencies would provide additional advice and free advocacy on the sale and renewal plan as well as alternative housing choices. For example an owner on an aged pension would have access to a speciality aged advice service who could assist in examining alternative housing options like a retirement village, or an owner on a disability pension could be provided with free advocacy assistance with reviewing the strata renewal plan.

Further information will be provided in the supportive Regulations.