

Sectional Title participation quotas explained

Every section within a sectional title scheme has a participation quota (PQ) allocated to it - and this is not just an irrelevant number on the sectional title plan.

In a residential development, where PQs are usually calculated by expressing the size of each section as a percentage of the combined sizes of all the sections, they also indicate the undivided share of the common property that is allocated to each section - and even more importantly, for most owners, are the usual means of determining the monthly levy payable by each owner to cover the scheme's common expenses.

"These expenses include insurance premiums, maintenance costs, wages and salaries, gardening, cleaning and security costs, and water and electricity consumed on the common property," says Andrew Schaefer of Trafalgar, "and the PQ system generally ensures a fair apportionment, with the owners of bigger sections that consume more of the common resources paying higher levies.

"When the building or complex needs repainting, for example, a bigger section will take more labour and raw materials to complete. Similarly, if the complex is damaged or destroyed by a flood, a fire or other natural disaster, it will cost more to replace the bigger units."

However, PQs are usually also what the trustees use to work out each owner's share of any special levy that is imposed, or any debt incurred by the body corporate, and that's where that's where trouble can arise, he says.

"As managing agents, we have often heard the owners of bigger sections express dissatisfaction at having to pay more than other owners when it comes to special levies, on the basis that all owners are equally responsible for the body corporate falling into debt, or for an unexpected repair that has become necessary.

"It is at that stage that they usually start looking into alternative methods of calculating levies, and the Sectional Titles Act does in fact provide for this, although not on an ad hoc basis."

What the Act says, Schaefer notes, is that at the time of building, the developer of a sectional title scheme may assign values to each section that differ from the actual PQs.

"Alternatively, the body corporate can make a rule to this effect by special resolution - although this would mean that those owners who would be adversely affected by the change would have to agree, and that is unlikely. What is more, no nominated values would be effective anyway until the new rule had been filed at the Deeds Office."

In short, he says, the trustees cannot take it upon themselves to apportion a special levy any differently to the way they calculate the normal levies.

"In addition, owners should bear in mind that if a garage or a storeroom is included in a section, or is a second, separate section, it will mean higher levy payment whichever system of calculation is being used."

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