UNIT ENTITLEMENT, OWNERSHIP INTEREST AND UTILITY INTEREST
WHAT IS THE DIFFERENCE – AND WHY DOES IT MATTER?

19 September 2025

UNIT ENTITLEMENT

Unit entitlement referred to a number that was assigned to each unit within a body corporate or timeshare resort, and was related to the value of that unit. You may still see this term being used but it was made redundant when the 2010 version of the Unit Titles Act[1] was introduced.

An individual unit's unit entitlement determined the size of the annual levy that was charged to owners.

OWNERSHIP INTEREST

The new and approximately equivalent term is now Ownership Interest. It too is based on the value of a unit within a body corporate or timeshare structure. That value has to be determined by a professional valuer and is normally done once[2], at the initial creation of the body corporate or timeshare.

UTA s 222 states that Unit Entitlements as defined under the earlier 1972 Act (ie as occurred for the Ridge Resort), automatically become the Ownership Interest values under the 2010 Act.

Ownership interest is used to calculate a number of things[3] including:

- the owner's personal interest in the body corporate
- voting rights under a poll
- the distribution of any surplus if the body corporate or resort is sold and
- the share of the Capital Improvement Fund that is part of the annual levy.

The annual levy is now based only in part on this ownership interest number. (At the Ridge Resort, the Capital Improvement Fund expenditure in any year is about 9% of the total operating costs.)

UTILITY INTEREST

Prior to the 2010 version of the Unit Titles Act there were concerns that ownership interest by itself was not a fair way of assigning annual levies. A common example was in relation to lifts. In a tall body corporate building, the people living at the top gained the most benefit from the lifts. However, those on the ground floor saw no benefit – only costs to maintain and eventually replace the lifts. Those owners complained that it wasn't "fair" that they contribute the same as top floor owners to the on-going lift costs.

The term Utility Interest was introduced to assign a "fairer" value that would then be used to calculate most of the annual levy.

By default, the utility interest is said to be the same as the ownership interest[4]. It is up to owners to decide if the utility interest for any unit should be more or less than the ownership interest. This is usually done at an AGM but agreement of 75% of owners voting is required to make any changes.

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1 The Unit Titles Act is the main legislation that determines how a body corporate building or timeshare resort is to be governed.

2 Revaluations of the resort can be done at any time but this is not common, largely because of the cost involved in contracting a professional valuer to assign new values to each unit.

3 UTA s 38(3)

4 UTA S 222

It’s not an easy process to get agreement on any changes to the utility interest. In the example above, ground floor owners will be only too happy to set a lower utility value to their unit. Those on the top floor will be less happy as it means they must accept a higher utility value for their unit, and hence higher levies every year.

Lifts may not be the only area of expense where owners feel that they want to change the way in which levies are calculated. Other items may include access to a swimming pool, cost of garden maintenance etc. The greater the number of items that owners want to seek new utility values for, the more difficult it is to get agreement from the necessary 75% of owners.

The Act states that the utility interest may be reassessed by owners as long as it is done on a fair and equitable basis, having regard to the relevant benefits and the costs to units[5]. Once a change is agreed to utility values, further changes cannot be made for 3 years.

SO HOW ARE LEVIES CALCULATED CURRENTLY FOR TIMESHARE OWNERS?

Currently, at most timeshare resorts in NZ, annual levies for timeshare owners are set on an equal basis ie every timeshare owner pays the same amount for each week, regardless of the value of the chalet that they originally bought into. The rationale for this is that generally each chalet is of approximately the same size and value and while owners are assigned a week in a specific chalet when they first purchase their week, those owners may not get to use that specific chalet when they book their holiday. In fact, owners must sign what is called a Pooling Agreement that allows the resort manager to allocate any chalet to a requested booking. (If owners have a fixed week, there may be different arrangements.)

This is a simple and easily explained justification for all owners paying the same for each week that they own.

The problem is that it is against the law and our legal advice is that we should change the way in which annual levies are calculated.

The law states (UTA s 39(3)) that utility interest is to be used to determine the share of annual levy costs that come from long term maintenance expenditure and the operating expenses. These costs account for about 91% of annual levy costs at our resort.

Utility interest is defined to be the same as ownership interest unless different utility interests have been agreed. No such changes have been agreed at the Ridge.

What is worse, if annual levies are charged strictly according to the law, then some owners will face an even larger increase in levies than would otherwise be the case – and some owners will be charged less. The actual calculations of the respective ownership interest and utility interest portions will also take more work than previously.

This issue was first raised by the chair at the 2025 AGM. At the moment the Body Corporate Committee is still grappling with this issue.

Note that most of the comment above apply only to levies assigned to timeshare owners at the Ridge. The BC Chair has stated that private owners’ levies are already charged on a legally correct basis.

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[5] UTA s 41(5A)