

# Strata Compliance

Your Duty to Maintain YOUR Building

Dakota & Peter

Solutions In Engineering

[dakotap@solutionsinengineering.com](mailto:dakotap@solutionsinengineering.com)

&

[peter@solutionsinengineering.com](mailto:peter@solutionsinengineering.com)



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# Every Item In A Building Has A Maintenance Regime



# Make or Break the Financial future of a Strata Scheme

**\*\*Live Example Later \*\***

- A financial management tool.
- Your maintenance plan is a way to accurately predict maintenance expenses **years before they fall due**.
- Reactive maintenance always results in **a higher cost to owners** and reflects **poor committee management** (and for investors usually returns a low yield).
- Proactive maintenance and planning will ensure that the **common property never falls into disrepair**, high yield for owners.
- The Strata Scheme has a **legal** obligation to maintain the common property of the scheme and ensure the safe occupancy of residence.





# WHY HAVE A SINKING FUND OR MAINTENANCE PLAN

Starts with the architectural and engineering decisions

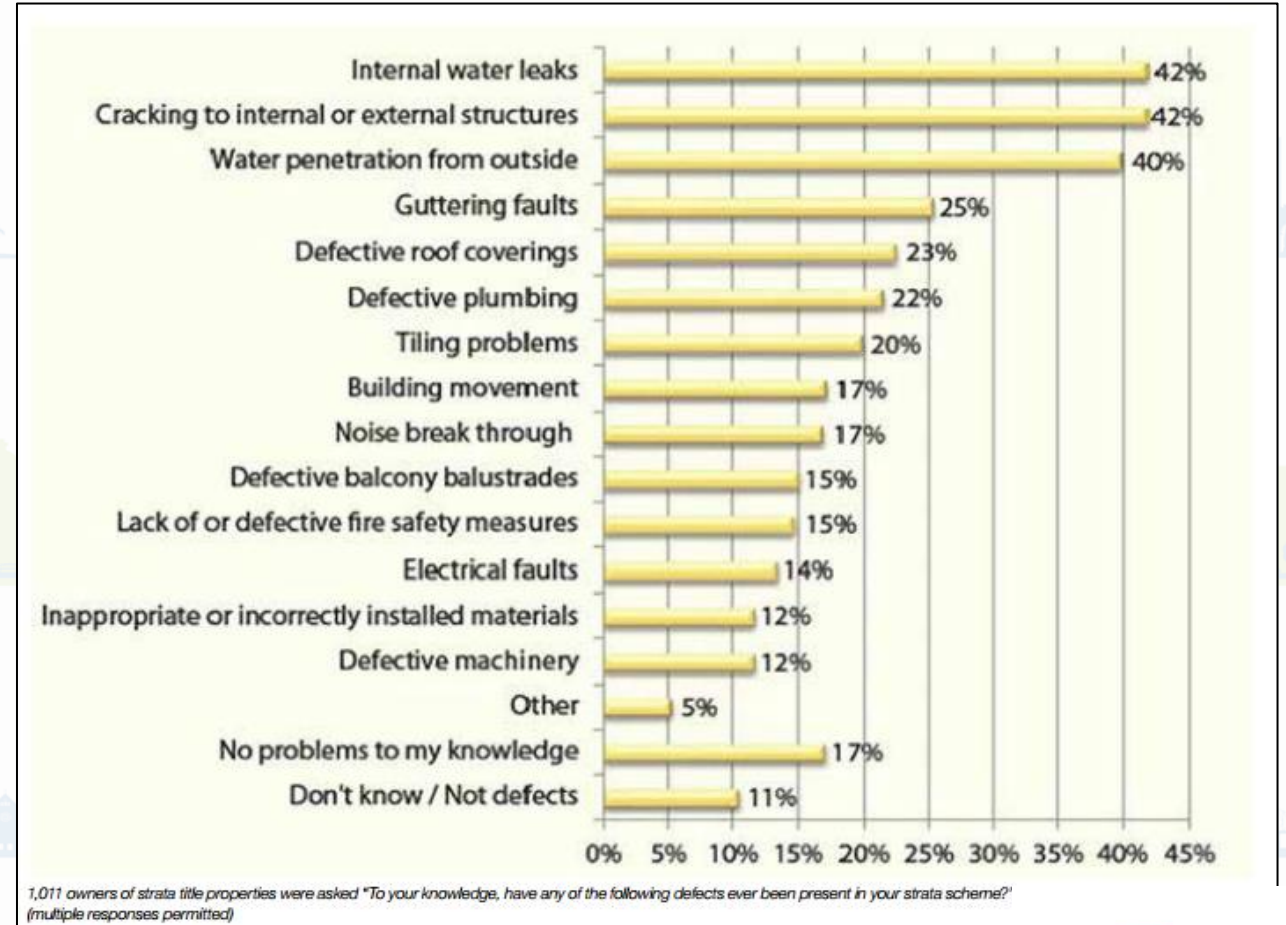
- 1/3 of the building is the superstructure
- 2/3 is finish and services, with a limited lifespan
- 3 months to 2 years- minor construction defects
- 2 years - initial maintenance free
- 6 years - short cycle items/high use
- 7+ years - major maintenance costs
- 18 - 20 years - major refurbishment costs
- Beyond 20 Years – Maintenance Items arise regularly

Without planning for all these items, you are left to react as issues arise with no money to support remedial work

# THE COST OF REACTIVE MAINTENANCE & UNDERFUNDING

When vital repairs and maintenance items are not carried out on time:

- Higher Cost of Repair
- Defects/ Damages Caused to Superstructure
- You have failed your legal obligation
  - Strata Scheme is liable for financial damages
- More Tradespeople Required
- Common Property in Disrepair
- Poor Appearance to owners/ investors
- Lack of Maintenance Can Create Safety Hazards



# Insurance Will Only Cover You If You Maintain and Comply

The fine print of most insurance policies will make it VERY VERY clear that if you do not maintain the common property and damage or injury occurs, you will NOT be covered.





# Hypothetical Insurance Scenario

- You failed to forecast the maintenance of the lift in your 100 lot, 12 floor scheme.
- Friday morning your lift technician says that he has to shut the lift off because it is unsafe to operate.
- The repair cost is \$350,000 and your sinking fund balance is \$43,000
- Going into the weekend with 180 residents and no lift access....





# WHEN YOU FAIL TO MAINTAIN A BUILDING, THE WORST CAN HAPPEN...

It looks like a war zone.  
In reality, it was a poorly maintained Strata Building.





# SO WHAT WENT WRONG?





# Another Example Of Failed Maintenance, This Time Closer To Home

UniLodge Building In Sydney  
– Currently featuring in the  
news  
How did it get to this point?





# Another Example Of Failed Maintenance, This Time Closer To Home

Levies per year above  
\$50,000



Forced Maintenance of  
\$40 million



Unable to Sell the Units

A modern house for sale advertisement. The top part shows a group of people sitting on a sofa in a modern living room. A large, diagonal, pink stamp with the word 'Unsellable' in red text is overlaid on the image. Below the image, the text reads:

**MODERN**  
**HOUSE FOR SALE**

- 4 BEDROOMS
- THE LOUNGE
- KITCHEN
- SWIMMING POOL
- GYM



## Let's Talk Value

Resale  
Insurable  
Longevity

VS





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**Solutions In Engineering**

**[dakotap@solutionsinengineering.com](mailto:dakotap@solutionsinengineering.com)**

**&**

**[peter@solutionsinengineering.com](mailto:peter@solutionsinengineering.com)**

