Building Maintenance requirements and Future Upgrades for Strata Titles

LookUpStrata

A presentation for LookupStrata

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The focus of this presentation is to provide an overview of maintenance planning and upgrades for strata titled buildings, particularly in relation to infrastructure.

Introduction

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Key Reference Terms

- **Common Property –** Land shown as common property on a plan of subdivision, Registered Plan, Lodged Plan or a plan of strata subdivision.
- **Occupiable lot –** A lot that is ordinarily used for residential and/or business purposes
- **Strata Titled Property –** a body corporate which is incorporated by registration of a plan of subdivision or a plan of strata or cluster subdivision.
- **Infrastructure –** refers to Common Property facilities and utility infrastructure.
- **Strata Title Legislation –** refers to state-based Legislation that pertains the management and control of Strata Titled properties.
- **10 Year Plan –** refers to a Sinking Fund, Capital Works, Maintenance Fund or 10 Year Plan that deals with major capital items requiring repair and/or replacement within the next 10 years.
- **Maintenance Schedule –** is a schedule which identifies items of Common Property that require routine or scheduled maintenance and sets out maintenance intervals for servicing of said items, often associated with plant and equipment.
- **Upgrade –** refers to an addition to or substantial augmentation of the Common property often associated with utility infrastructure or facilities, which sits outside of the current built environment.

Definitions

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Strata Titled Property

- Strata Titled properties generally consist of Lots and Common Property. The Lots are individually owned and the Common Property, as the title would suggest, is held in Common.

- Owners furnish and maintain their lot to their Own selected standard and for the most part the standards they set are sufficient to meet their needs whether their Lot is to be let or Owner occupied.

- Owners generally understand that there is a legislative requirement to maintain the Common Property but there is typically not a uniform approach to how this is done and Legislation generally attempts to provide guidance and rules to set up a framework for owners to follow.

- Owners also generally understand that changes will need to made to the Common Property to incorporate changing technologies, trends and legislative requirements, this process for these changes is usually ad hoc and/or driven by immediate demand.

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Maintenance Happens

- In many cases a failure to adopt an approach or standard leads to inaction and once a building reaches a certain age, Owners often find themselves in a cycle of recovering from one costly maintenance issue to the next and being forced to raise Special levies to pay for the unexpected works.

- Building maintenance is often approached via a singular focus or motivation – cost. What owners often miss is what actually drives cost. Identifying the cost drivers often defines the best approach to maintenance and in the long run will provide better outcomes.

- For example, consider a building repaint. Repainting costs are largely driven by the cost of labour, the cost of the paint is small. Given that painting is often the single biggest cost for a building, reducing the labour cost for repainting should be the focus for Owners. Extending painting intervals as a perceived measure to keep costs down will result in the need for additional repairs, longer time on site and ultimately increase the incremental cost of each cycle.

The Building Maintenance Framework

- Building Codes and Standards provide for how a Strata Scheme is to be built throughout Australia.

- The National Construction Code (NCC) is Australia's primary set of technical design and construction provisions for buildings. As a performance-based code, it sets the minimum required level for the safety, health, amenity, accessibility and sustainability of certain buildings.

- Australian Standards provide maintenance intervals and testing requirements for many items of plant and equipment that form part the Common Property, especially essential services.

- Strata Title Legislation requires a Strata Titled Property to keep in good and serviceable repair, properly maintain and, if necessary, renew and replace —
  (i) the common property, including the fittings, fixtures and facilities used in connection with the common property.

- From time to time legislation is introduced to deal with a specific issue which will result in the need for the Common Property to be altered or upgraded and then maintained into the future (think Cladding).

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The Building Maintenance Process

Building Maintenance is a process and its success depends upon following specific steps.

Identify:
- **what needs to be maintained**
- **risks that need to be managed**

Assess:
- **the condition of the Common Property, buildings, plant, facilities and infrastructure**

Prescribe:
- **the required or suitable maintenance standard and intervals**

Prioritise:
- **Necessary maintenance**

Fund:
- **Anticipated short and long term capital maintenance**
- **Review and revise budgets against forecasts in real time**

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The Building Maintenance Process – Baseline Info

Building Maintenance is a process and what is critical to starting the building maintenance process is establishing a baseline.

A baseline defines what we have, how it is to be maintained and allows for the forecasting of the required funding so that funds are available as and when maintenance becomes due.

With a baseline established the true funding costs of any upgrades or unanticipated requirements are easily understood and then accommodated via a simple addition to the baseline. Owners then have more choices around how the upgrade costs can be funded (increased levy, loan, special levy) without disrupting all of the regular planned maintenance that must be carried out.

A useful way to establish a maintenance baseline is to compile a Maintenance Schedule and create a 10 Year Plan to fund it

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What is a Maintenance Schedule – What and when

Poor or irregular maintenance often leads to equipment failure much earlier in the useful life of the plant than should be the case. Planning for maintenance and focusing on the time element of when things will need to be done will assist in choosing funding solutions and can be used to track historical maintenance to assist in future planning.

- Document each item of plant and equipment located on site.
- Provide information as to item location, type, model and date of introduction to service
- Determine the current level of maintenance
- Provide recommended maintenance intervals as per the relevant Standard, Code of Practice or Manufacturer's recommendation.
- Include details of the relevant party providing the maintenance.
- Provide an approach to maintaining the Common Property (this may be a staged approach of inspect, maintain, replace).
- Create a living interface document that captures, on an ongoing basis, what needs to be maintained and when.
- It will assist in ensuring the life of the listed elements of the Common property reach or exceed the anticipated life expectancy where possible.
- It will assist in ensuring warranties or guarantees provided by the original developer or suppliers can be relied upon.

What is a 10 Year Plan – Funding Maintenance

Moving on from the schedule of equipment and the maintenance requirements of same, now we have to fund it. Levies are set and forecasts allow for the future funding of those baseline items. This forecast will allow for funds to be available as and when the repair and/or replacement will occur and will ensure that the building and its' equipment will continue to function as intended. Annual budgets can then be set based on the forecast so that all Owners can see where they are at and where they are heading. It will include all prescribed, required and major capital items that will require repairs or replacement over the life of the building.

It is important to note here that if it is not there yet (e.g. EV Chargers), planning and forecasting is still required for installation, repair and upgrade in the future.

The various State Acts defines a major capital item as including a lift, air conditioning, a heating plant, or an item of a prescribed class. The various State Regulations define as "prescribed "common property structures, including the roof, stairways, balustrades, and window frames, common property services, such as shared water, gas and sewerage pipes, pumps, drains, electrical and telephony infrastructure, common property assets, such as fences, pools, and water tanks.

f the OC owns it, or if it is critical whole of building infrastructure, or if it services more than one lot, it should form part of the plan, including all future items

Lead times

Lead times are a critical component when planning for maintenance and when looking to incorporate future upgrades.

Owners need to consider that equipment or parts may not be readily available and the installation or upgrade process may take considerable time.

A lift replacement may take up to 12 months just to procure parts and equipment. Installation and completion of works is a complicated process that will have significant impacts on residents and the operation of the building, and funding could of course be $200k - $300k or more. These are all factors that must be considered thoroughly.

Stand-alone electric vehicle chargers may be readily available and relatively affordable for as little as $1500 for a car. But planning for a system that in the future will provide a solution for all residents may involve physical building changes, upgraded electrical infrastructure, and even modifications to other services such as fire and other infrastructure, so the planning, lead time and cost will be significant.

Upgrade Process

Upgrading the Common property, like maintaining it, is a process. Whether the project involves Solar, EV Charging, Energy supply, Communications equipment, it requires a methodical approach to achieve the desired outcomes :

- Identify the drivers – need, want, or wish list. This will set the scene for time and cost decisions.
- Define the scope – Small scale, large scale, an upgrade for some or for all
- Establish capacity – Can it even be done given the limitations, age or size of the building
- Quantify incentives – Are there benefits to be considered
- Staging – Do we need to do it all now, can we keep it simple at first
- Funding – Who pays and how

Upgrade drivers

The first step in upgrade planning is understanding the drivers and having a clear picture as to what is most critical, to individual owners AND the community as a whole.

- Legislation – Will this be forced upon us? Emissions targets for fossil fuels will see a large scale transition to electric vehicles and a decentralised electrical grid. Gas may phase out or be in shorter supply, future Building Regulations may impose compulsory requirements on new buildings thus requiring older buildings to rethink (will someone buy your apartment if EV charging is NOT available)

- Cost – the cost of energy - particularly gas and electricity. How will change affect our use, how will that change in use affect our cost. Should we pay now to save later? Is waiting going to cost us more?

- Incentives –Governments will often subsidise the uptake of new technologies to create a larger market for the new technology and bring the price of the upgrades down. These incentives will generally be removed as the new technology becomes more widespread, incentive therefore is to get going sooner rather than later.

Upgrade scope

The initial scope of proposed upgrades will largely be determined by costs, the initial outlay, the ongoing outlays, and returns/benefits they may achieve. The final scope may be restricted by building layout, physical limitations that may restrict owners from achieving an ultimate solution.

Items to consider will include:

- Availability – Is the equipment readily available
- Reliability – Is the technology proven, is it adaptable, are there risks in proceeding too early?
- Staging – Can/should works be staged – Can we implement an interim solution while we continue to look at larger problems, wait for better technology, prepare our funding
- Urgency – Has legislation changed, is our current equipment end-of-life, are current maintenance costs overwhelming, is it now or never?
- Usage – Will these new elements benefit all or some?

Upgrade Capacity

The upgrade capacity of the building will generally be determined by its' Age, Condition, Construction components, and General Layout.

Engaging qualified Professionals very early in the planning stages to determine the capacity of the common property is essential. But it's really just a power point you say? Which sub-board does it feed from – private or common? What brand Car will it need to fit? Is the wall it will be on in an Exclusive Use area or on Common Property? Does it protrude into a car space, that one that is already right on the Town Planning size limit for a required carpark size limit? It's never Just a power point.

On a larger scale, a proposed EV solution may require an initial audit of the switchboard capacity, establishing the capacity of the wiring to Common Areas, availability of roof space (and wall space if larger equipment is required) and ongoing monitoring of electrical usage. Professional advice may determine that 2 slow charging points are initially possible, 4 are possible with minor load balancing upgrades and any more will require substantial upgrades particularly if fast charging points are required. This will set the scene for future planning and allow decisions to be made around timing and funding.

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Upgrade Incentives

There are a myriad of upgrade incentives available depending upon the item type. State and Territory Authorities have constantly updated feeds of information as new technology becomes available. Trusted, and appropriately Licenced Contractors are often a wealth of information, and in many cases their detailed knowledge of the property may assist in obtaining some swift and general guidance as to what may be possible.

Upgrades do not have to be an all or nothing approach. Incentives may be available to cater for items that are already in place and can be taken up as part of ongoing maintenance. Each time maintenance occurs, upgrade/replacement options should be considered as part of those routine decisions:

- LED lighting upgrades to existing infrastructure
- Solar electricity generation or heat generation to some components of the building
- Energy efficient Heat pump technology for hot water
- Insulation, glazing options or window tinting

Upgrade staging

It is important to understand that many upgrades are part of a larger process or will consist of several discrete parts.

EV charging upgrades may start with a fast and a trickle charge unit to meet the needs of a few Owners. It may be centrally located and a bit awkward. In 2 years the installation of 3 more chargers and load balancing equipment could be installed and perhaps in 5-10 years there could be a substantial upgrade of the electrical infrastructure, the installation of a solar array and many more charging stations in individual owners carspaces. Those original couple of points would be great for visitors. Careful forward planning is the key here.

This may be combined with a move by individual Owners to solar powered air-conditioning units and battery storage freeing up capacity for more EV charging stations.

Owners may look at progressively changing stairwell lighting, garden lighting, gas hot water to solar hot water as replacement is required, battery storage or solar to individual areas – that gazebo by the pool with the table under it that no-one ever sits at is just crying out for a roof full of solar.

Upgrade Funding

Once a plan for upgrading is generally decided upon, the funding requirements can forecast and in many instances, staged over multiple years to meet the needs of the Owners, smaller properties do not need to be complicated.

Year 1 of the 10 Year Plan may contain an allowance for a couple of EV chargers and some Consultant advice, let's say $5k - $10k.

Year 3 of the 10 Year Plan may contain $15k - $20k for some additional equipment, some load balancing, and a bit more advice (because equipment options will be evolving)

Years 5 – 10, you'll be getting serious. $50k+ for a solar array, battery storage and an electrical upgrade with a capacity for every Lot to have a charging station in their own Lot.

Funding could be fully planned for in the 10 Year Plan via either standard levies, small loans, or special levies if that is their choice but better planning equals better options. Planning will reduce the financial stress of future upgrades, minimise any surprises and provide some much needed stability for Owners going forward.

Human Factors

Like everything in Strata Living, the solution must ultimately be designed to cater for the “all”, not the “some”

Planning must include interim solutions – Costs, availability and building factors will for the most part determine this anyway, so therefore the interim solutions can be a work around for those that want it now and those that want it later.

But with evolving technology, Interim is what they will always be. There may be 1 person now in a 10 lot building driving an EV. 20 years from now, 9 or 10 of them will be. So the 1 now who got permission to put their own point in their own garage to charge their own car will still be responsible for contributing to the Common solution down the track, just like the are for all other maintenance/repair/replacement items.

These are factors that must be considered at all stages of implementation and design. Who is paying at each stage, who is benefitting, how long may interim solutions be required, (or permitted as the case may be), and what is the end goal.

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QIA Group is here to help

We provide specific common property reports and services to

Identify:
- what needs to be maintained and consider any risks that need to be managed
- What needs to be insured, what needs to be replaced following an insurable event

Assess:
- the condition of the Common Property, buildings, plant, facilities and infrastructure

Prescribe:
- the required or suitable maintenance standard and intervals
- the necessary insurable value of the property to advise your insurer

Prioritise:
- necessary maintenance

Fund:
- anticipated long-term capital maintenance
- review and revise budgets in real time

Thank You

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More Information

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