

Strata Defects

CASE STUDY: Anonymous

Never Stand Still

Built Environment

RESIDENTS ARE ADVISED THAT
WEEKLY UPDATES ON THE REMEDIAL
WORKS WILL BE POSTED ON THE
NOTICEBOARD IN THE BUILDING
FOYER

RESIDENTS ARE REQUESTED TO
FAMILIARISE THEMSELVES WITH THE
UPDATES AND ENSURE THAT
RELEVANT ACTIONS REQUIRED OF
APARTMENTS ARE PROMPTLY
UNDERTAKEN

"As much as you can communicate with people, if they don't read notices in the foyer, and won't give you their e-mail address – it's hard" - EC Member 21/10/15

The Case:

The building in Alexandria, Sydney was built in 2000 and has 114 apartments, about 2/3 owner-occupied. Defects found were bathroom leakage and major drainage issues on balconies leading to roof collapse, which required significant restorative work and hydraulic engineers. Other defects included water ingress, deficient materials, missing handles and insufficient water sealing. This required resealing, and waterproofing. The scheme missed the deadlines for home warranty insurance and the defects proved costly to remedy. The Owners Corporation (OC) challenged the builder and received \$1.5 million plus legal costs, but it took over a year to negotiate. Stresses with the projects resulted in an entirely new Strata Committee (SC), and as the work commenced further defects were found.

Innovation: Managing extensive defects work and restoration.

Challenges

Overcoming these challenges

Loss of Amenity

There was a significant loss of amenity as a result of the remedial work on the defects. Scaffolding blocked natural light in affected units and some residents were concerned about potential health effects as a result of limited light and reduced air flow. Some plants on the affected balconies died. These impacts were alleviated by members of the SC negotiating with the builders to change the mesh on the scaffolding to a lighter colour to allow more light through and making plans to move pot plants to other balconies during works. Residents were also given the opportunity to select a different balcony finish and be charged for that separately to provide an opportunity for personalisation.

Costs

'A weak committee will just get walked all over'

The high costs of works, plus increased costs of tumble dryer and lighting as balcony drying and natural light was unavailable affected most owners. As most of the building was affected, the levies could not be reduced for affected owners in response to these costs. The legal case against developers was also costly and the longer the negotiations with the developers extended the more legal fees had to be paid. Owners accepted the short term levy changes, but were concerned about the high levies needed over the long term. While the financial settlement with the developer was a good outcome for the building, in hindsight members of the SC suggested that it may have been wise to spend more money and energy fixing the defects rather than on a legal challenge.

Challenges	Overcoming these challenges
Time 'Committee members have to be serious about the responsibilities otherwise they should pass on the baton'	<p>The original engineer who inspected the building for defects did not access all units, but instead made assumptions about the defects across the whole building based on the condition in a selection of units in the building. This information was insufficient for the legal case and so a SC member had to take time off work to make sure the engineer was able access all of the affected units. As well as being costly, the legal case was also time consuming, and it took additional time for the settlement to be paid to the owners corporation. Residents wanting to sell their properties and landlords providing rent relief to tenants were the most impacted by these delays. One means of speeding up the process was discussing issues between SC meetings. Much discussion happened via email, so that issues could be addressed and discussed instantly before being through a vote at the meetings. In light of these experiences, members of the SC recommend getting a good strata law firm to assist in submitting an initial claim and getting an expert building engineer to do a thorough inspection, as often there are hidden problems that will require more management time if not found as soon as possible; <i>'push for the information that isn't always forthcoming'</i>.</p>
Communication	<p>A key difficulty with the defects rectification process was that some residents were not clear about the degree of amenity loss that would be experienced during the building works. Information provided by the builders was jargon-heavy and hard to understand. The SC tried to overcome these issues by paying to have engineers and builders attend communal meetings with the owners to answer questions, providing a weekly update on the building works on the foyer notice board and sending plain English e-mail updates to owners as well as posting this information on the building's Facebook page. Letterbox drops and notices posted in lifts were also used. These methods were not perfect and some residents still said that they had not received the information. The SC also fostered constructive communication in meetings, asked residents to provide them with photographs of problems in their units, and ensured they listened to residents' concerns. This made residents feel welcome to raise issues, and if the problem was unavoidable the SC was prepared with a good explanation of why. In order to maintain this level of service the SC meet at least once a month.</p>

To choose a good engineer: "you should go on reputation...it's a lot easier to work out if you have a good legal firm that works in the strata sphere...[with] a pool of decent engineers"

- EC Member 21/10/15

Outcomes:

- Negotiated with the builders to change the colour of the scaffolding mesh from black to blue as it was more appealing and allows more light through
- Settlement with the builder – not as high as they would have liked, but still a good outcome
- Strong communication between the builders, Strata Committee and the residents and owners
- Functional committee of nine members