



NSW strata reform

Key changes

The new NSW strata laws will come into effect on 30 November 2016.

More than a quarter of NSW's population currently lives in, owns or manages strata properties and this number is growing rapidly.

To support this increasing trend the laws have been modernised to reflect and accommodate the needs of strata living in today's environment.

Terminology changes

- **Executive committee** to be known as the **strata committee**
- **Sinking fund** renamed to **capital works fund**
- **Exclusive use by-laws** will now be known as **common property rights by-laws**
- **Caretaker** renamed to **building manager**

Tenant representative

If 50% or more of the lots are registered as tenanted, a tenant representative can be elected to attend meetings of the strata committee and the owners corporation. The tenant representative does not have voting rights and may be excluded from meetings when financial issues are being discussed.

Meeting options

Currently an Annual General Meeting (AGM) must be held every year within 11-13 months from the last AGM. However, the reform provides greater flexibility and only requires an AGM to be held once in each financial year.

The reform also allows, where available, the adoption of technology such as video or teleconferencing, for meeting participation.

Proxy voting

Proxy votes held by one person will be limited to:

- One proxy vote only for schemes with less than 20 lots
- 5% for schemes with 20 lots or more

Financial management

Payment plans

The owners corporation will be able to enter into payment plans for outstanding levies with lot owners for a period of up to 12 months.

Summary of financials

The current requirement to accompany the AGM notice with a full financial statement is replaced with a one page summary of key financial information. Copies of full financials will still to be available upon request.

Setting of realistic and adequate levies

The Tribunal may order the original owner (developer) of the strata scheme to pay compensation, if determined that estimates and levies during the initial period were inadequate.

By-laws

New model by-laws are to be considered by the owners corporation and may be adopted in whole, or in part. New by-laws must be lodged in the Registrar-Generals office within six months. The owners corporation is to review by-laws for a current scheme no later than 12 months after commencement of the new legislation.



Strata managing agents

Strata managing agent agreements will be limited to one year in the first year of a strata scheme and three years after the initial first year, with a possible three month extension.

Property management

Maintenance schedule

The original owner (developer) must prepare an initial maintenance schedule for common property. Whilst the owners corporation is not required to comply with the schedule, it may be considered in proceedings relating to defects.

Failure to maintain the common property

The owners corporation may be liable in damages for failure to repair and maintain common property.

Minor renovations

Lot owners can do "minor renovations" if approved by a general resolution of the owners corporation. "Minor renovations" include, but are not limited to; kitchen renovations, changing recessed light fittings, timber floors and reconfiguring internal walls. The owners corporation is not allowed to unreasonably reject approvals for renovations.

Disposal of goods on common property

The new legislation empowers the owners corporation to store or dispose of goods left on common property, including motor vehicles, provided the relevant notice has been given.

Window safety devices

To prevent children falling from windows, lot windows above specific heights must be fitted with approved safety devices that allow windows to be locked at 12.5cm. Installation of devices must be completed by March 2018.

Building defects

The reform introduces mandatory defect inspection reports and payment of a building bond for developers. The new building defect bond scheme will commence on 1 July 2017.

How the process will work

The building bond will be applicable for strata buildings over three stories high. Developers will be required to lodge a 2% bond for the final contract price of the building, as a form of security to fix any defective work.

Developers will pay to engage an independent building inspector to provide defect inspection reports. A first report is due between 15 and 18 months after the completion of the building. The final report must be provided between 21 months and no later than two years after the building work is completed.

Dispute resolution

Greater role for the Tribunal

The reforms expand the Tribunal's power to exclusively deal with most strata disputes, including orders to recover outstanding levies.

Resolution process for dysfunctional schemes

The tribunal will have the powers to remove members of the strata committee and the strata managing agent, as well as force elections for office bearers.

The Tribunal will be able to limit the matters that strata committees can make decisions about, and require votes on certain matters.

For more information

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