

Pre-Budget Submission

Strata Community Association (Vic) Submission

23 March 2021



Introduction

Strata Community Association (Vic) Ltd is the peak body for the Owners Corporations sector, which comprises commercial, industrial, and recreational properties ranging from two units in a suburban street to many hundreds of units in inner city apartment buildings. Owners Corporations represent property valued at over \$300 billion dollars and encompass commercial, retail, lifestyle resorts, retirement villages, car parks, storage facilities, industrial and, increasingly, mixed developments. More than \$1 billion per year is collected and spent. There are currently more than 85,000 active owners corporations in Victoria, covering more than 772,000 individual lots. It is estimated that around 1.5 million Victorians — a quarter of the state’s population — either live in, or own property in, an owners corporation.

Background – Strata Community Association (Vic)

SCA Victoria was established in 1990, it succeeds Owners Corporations Victoria (OCV) and Institute of Body Corporate Managers Victoria (IBCMV). SCA (Vic) members comprise more than 80 per cent of all professional owners corporation managers, with over 800 members managing upwards of 450,000 lots. SCA (Vic) Associate members are industry suppliers, including waste management providers, Essential Safety Measures managers, quantity surveyors, insurers, lawyers, accountants, facility managers, property valuers, building maintenance and tradespeople. Members benefit from representation, support, advice, and promotion. With Continuing Professional Development (CPD), Best Practice Guidelines on regulatory and legislative amendments, updates on VCAT determinations and emerging issues, SCA members are best placed to manage OCs and empower Lot Owners and occupiers.

In Victoria, the Owners Corporations Act 2006 defines an Owners Corporation as a ‘body corporate which is incorporated by registration of a plan of subdivision or a plan of strata or cluster subdivision.’ The individual Lot Owners form a collective known as an Owners Corporation (OC). This is a legal entity which must comply with its governing legislation and enabled regulations. Owners Corporations can choose to appoint a registered manager who will act on their direction, including engaging contractors for maintenance and repairs, on behalf of the OC. The responsibility to maintain common property and shared services is that of the owners corporation. The manager assists the OC to meet these and other obligations. As part of the Annual General Meeting, Lot Owners collectively agree on a budget to fund ongoing maintenance and shared service costs. Items agreed can include the management fee, caretaking costs including gardening, utility charges, repairs to essential services, insurance premiums and waste management expenses. These are funded through fees/levies.

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SCA (Vic)'s Pre-Budget Submission

Summary

SCA (Vic) has proposed a series of priorities for consideration by the Victorian Government in the delivery of its 2021-2022 budget; these are as follows:

1. **Support for Strata Communities Post-JobKeeper**
2. **Documentation and Building Manuals**
3. **Emergency Management Plans for Residential Buildings**
4. **COVIDSafe Plans Rebate**
5. **Enabling Adoption of Microgrids, Solar and Electric Vehicles**
6. **Fairness in Strata Waste Management**
7. **Transforming Recycling**
8. **Embedded Networks**
9. **Additional Proposals**

1. Support for Strata Communities Post-JobKeeper

The COVID-19 pandemic has affected Victoria more distinctly than the rest of Australia, owing to the individual challenges and economic hardships faced by many people as a result of unparalleled disruption to daily life and imposition of the strictest lockdowns and other countermeasures seen amongst any comparable developed nation in the world.

The Federal Government's response to the economic crisis caused by the pandemic, specifically, the creation of the JobKeeper payment subsidy for businesses to retain workers is to be commended for preventing a rise in unemployment above levels of 10 per cent.

SCA (Vic) acknowledges that this arrangement is not permanent, and that the scheduled end of JobKeeper from 28 March 2021 will likely present significant economic difficulties for many Victorians. These difficulties will include the nearly one in four Victorians residing in strata communities, who rely upon the program for financial security and peace of mind during an unpredictable period for their industries, careers, and livelihoods.

Owners Corporations are dependent on levies raised from owners, whether employed or unemployed, while debtor levels generally follow the trend of unemployment figures.

Identifying this as a significant issue facing the sector, SCA surveyed strata manager in August 2020 (of which 60 per cent of participants were based in Victoria) and showed that approximately 46.5 per cent of respondents indicated an increased numbers of lot owners or committees requesting strata levies be deferred, waived or payments made in instalments. In addition, approximately 72 per cent were identified as requesting these concessions.

Approximately 45.2 per cent of respondents in the same survey identified greater numbers of 10-day arrears clients compared to the same time in the previous quarter (Q2 2020).

A projected increase in unemployment from 6.4 per cent to as high as 8 per cent arising from the conclusion of JobKeeper, stands to place strain on the finances of some Victorian Owners Corporations. In particular, their ability to service debts, afford insurance cover and carry out maintenance works could be adversely affected.

To address this potential issue, SCA (Vic) is asking the Victorian Government JobKeeper to protect lot owners in arrears who meet eligibility criteria to be determined with industry consultation with JobKeeper the provision of short-term, interest-free loans to cover levy costs.

In doing so, strata communities across Victoria will be best protected in terms of health and safety, financial security, and quality of life for owners and residents.

Recommendations:

- **Establishment by the Victorian Government of a pool of funds to cover short-term, interest free loans for lot owners in arrears and who have also come off of JobKeeper post-28 March 2021.**
- **Increased funding by government to the Victorian Property Fund (VPF) to act as an overdraw facility, whereby affected Owners Corporations can apply for relief based on fair eligibility criteria.**

2. Documentation and Building Manuals

A primary learning experience from the work of the Victorian Building Authority (VBA), Melbourne Metropolitan Fire Brigade (MFB) and Cladding Safety Victoria (CSV) is that having base building data available is critical to assess risk quickly and improve critical outcomes in relation to cladding.

Regulatory reform generally has failed consumers and not delivered the mandated requirement for the handover of base building information.

Recent changes to the Owners Corporations Act 2006 have attempted to address this by requiring a Building Maintenance Manual, Asset Register, and a long-term Maintenance Plan to be handed over. There is no specificity of what any of these items are and what they must contain.

SCA (Vic), in collaboration with Engineers Australia, has created a Best Practice Building Manual for the Built Environment sector to adopt. In the absence of a uniform standard for building manuals, Owners Corporations require financial support for the sourcing of documentation which should have been provided by developers at handover.

Funding is required to harvest base building information for those existing buildings where no documentation or incomplete documentation has been handed over. The funding would allow an appropriate qualified professional to source or recertify critical building systems.

A pilot program could be conducted for buildings that are on the CSV list but are yet to commence the search and collation of base building information. The pilot could then inform the scope of the wider collation of base building documents as well as support the CSV project team.

Buildings with flammable cladding, but which do not meet eligibility requirements for the CSV removal program, will be supported on a level footing in terms of ensuring safety and compliance with regulations concerning cladding if this funding is allocated.

SCA (Vic) calls upon the Victorian Government to act to provide funding to source the required documentation to allow a risk assessment and rectification of defective buildings not currently being addressed by CSV.

SCA (Vic) also supports creating a portal dedicated to the retention of the base building documents for the basis of design, construction, and maintenance of multi-unit dwellings; accessibility to documentation is critical to the consumer rights, safety and wellbeing of new and existing owners and renters.

Recommendations:

- **Financial support for Owners Corporations to source base building with and without cladding, in line with Better Practice Building Manual.**
- **Financial and administrative support to create a portal containing construction, design, and maintenance documentation for multi-unit buildings.**

3. Emergency Management Plans for Residential Buildings

The Emergency Management Legislation Amendment Act 2018 establishes a new integrated, comprehensive, and coordinated framework for emergency management planning at state, regional and municipal levels.

Under the State Emergency Management Plan (SEMP) – Roles & Responsibilities there are 15 emergency risks assessed as significant for the State and relevant mitigation activities as well as a list of participating agencies that could be involved in any aspect of the mitigation activity, including regulatory oversight and policy development.

It is not clear from the SEMP where and how multi-unit dwellings, some of which are suburbs in size and in name are adequately catered for.

It was clear in the management of the COVID-19 Pandemic that these multi-unit dwellings have been classed as a single dwelling home or as a business – neither of which is correct nor adequately protected the inhabitants.

During the beginning of residential tower lockdowns in June and July 2020, the potential for shared residential spaces to transmit COVID-19 became the subject of public attention and awareness via mainstream media coverage.

While the majority of residential buildings that were locked down during the aforementioned period incorporated public housing, the private residences such as townhouses, apartments and other strata titled properties were managed by strata managers and owner committees to fend for themselves and interpret health directions in such a way as to ensure the safety and wellbeing of residents.

Strata managers identified issues regarding clarity, oversight, and guidance in relation to adherence to public health advice and regulations while acting to ensure the safety of tenants and owners.

SCA (Vic) advocates for the establishment of a working group comprised of industry stakeholders including state government, with funding geared towards ensuring the adoption of fit for purpose response plans to ensure that common property areas and services, residential and other strata title properties are protected and provided with the right resources to respond to future emergencies.

Funding is sought to create a best practice guide for responding to emergencies in multi-unit dwellings to adopt for the 15 emergency risks assessed as significant for the State, encompassing management of shared spaces, management of shared services like waste and wastewater and first responder engagement.

Focus within an infection control guide should be placed upon apartment design within tower complexes, considering ventilation systems, connection of vents and surface materials within dwellings. An international literature review, NCC and regulatory oversight and code developments, thereafter, would assist in achieving equivalent standards with those seen in such buildings as public housing estates, schools, and hotels.

Recommendations:

- **Government partnership in a strata industry working group, to oversee creation and adoption of future emergency response plans.**
- **Creation of a best practice guide to emergency response for multi-unit dwellings.**

4. COVIDSafe Plans Rebate

All multi-unit dwellings must complete a COVIDSafe Plan. Owners of multi-unit dwellings are being penalised unfairly as single dwelling homes do not require to implement a COVIDSafe Plan.

The cost to prepare a Plan commences at \$500 ex GST for QR code registration, printing and installation, site visit assessment, completion, and distribution of the COVIDSafe Plan. Many small schemes have been caught in this new requirement and do not have sufficient funds to cover the expense.

SCA (Vic) therefore calls upon the Victorian Government to provide a COVIDSafe Plan Rebate to multi-unit dwellings to help offset the costs of hiring professional services to provide a COVIDSafe Plan, similar to the COVIDSafe Deep Cleaning Rebate VIC.

Recommendations:

- **Establishment of a COVIDSafe Plan rebate scheme for multi-unit dwellings, to alleviate cost burdens of implementation.**

5. Enabling Adoption of Microgrids, Solar and Electric Vehicles

With the growing need to combat climate change, the Victorian Government is acting to transition to net zero emissions by 2050, and this includes planning for our transition to zero emissions vehicles, starting with reducing Victoria's emissions by 15 to 20 per cent by 2020.

One of the biggest (and growing) sources of greenhouse gas emissions is the transport sector. Zero emissions vehicles using clean, renewable energy, can provide opportunities to achieve significant reductions in greenhouse gases. They will also reduce the amount of air pollution, making our cities and towns more liveable.

Supporting Multi-unit Dwellings to retrofit microgrids from renewable sources will in turn assist the Government in achieving its zero-emissions goals sooner and create jobs.

Existing buildings need to be assessed. This project links to the base building document project as once the original design parameters are determined load calculations will determine the feasibility of converting a building to Photovoltaics (PV) or Electric Vehicle (EV) or both. This project also links to the emergency planning project especially risk number 3 electricity supply outage.

SCA (Vic) therefore calls upon the Victorian Government to provide funding for a feasibility report for the retro fitting of EV, PV, and battery microgrid for Class 2 buildings.

Recommendations:

- **Funding for a solar panel and battery feasibility report for residential buildings to ensure continuity of electricity supply and meet sustainable development goals.**

6. Fairness in Strata Waste Management

In light of forthcoming reforms proposed in the Victorian Waste Authority and Waste Act (2021), the important role that strata communities play in the process of efficient and sustainable waste management practices cannot be understated.

Responsibility for collection of waste is mostly delegated to local councils throughout Victoria, however, in many cases, via a Section 173 agreement under the local planning scheme, Owners Corporations are obligated to arrange waste collection services privately.

Subsequently, many lot owners are effectively charged twice for waste collection services; once by the Owners Corporation, and then again by local councils, despite no service being provided by the latter.

In a manner reminiscent of practices highlighted in the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Financial Services Royal Commission), lot owners have been unfairly charged fees by local councils for no service being provided.

SCA (Vic) urges the Victorian Government to legislate against this practice, and to consider the decisions of several progressive councils which have acted to remedy the situation via provision of equivalent rate relief, in the implementation of the Waste Act.

Recommendations:

- **Outlaw the unfair charging of strata communities for waste collection by local councils where obligations already exist for waste collection to be completed by private companies.**

7. Transforming Recycling

By 2046, Victoria is expected to produce 40% more waste than it did in 2017–18 and the important role that strata communities play in the process of efficient and sustainable waste management practices cannot be understated.

How the proposed new changes will be delivered for multi-unit dwellings:

- By 2030 a new 4-bin waste and recycling system will be standard for households across the state.
- By 2022–23 a container deposit scheme will be introduced so that empty cans and bottles can be swapped for cash.

These are worthwhile initiatives, but funding and research is required to understand how this works in multi-unit dwellings, what this change means for planning and better apartment designs, especially the management of organics.

SCA (Vic) calls upon the Victorian Government to fund a research and development program for multi-unit dwellings to find sustainable solutions based on the people who live in the buildings, not based on the planners', architects', and commercial businesses' ideas.

Once behaviours and education measures are understood, the business and commercial sectors will be able respond with appropriate solutions, and effective legislation can follow.

Recommendations:

- **Commission a review, or feasibility report into sustainable recycling solutions within multi-unit dwellings based on residents' input.**

8. Embedded Networks

In February of 2021, SCA (Vic) filed a submission with the Department of Environment, Land, Water and Planning (DELWP) concerning the proposed Embedded Networks ban put forward by the government at the last State Election.

In the submission, the need to ensure protection of legacy embedded networks within existing multi-unit structures was identified, so as not to unfairly target owners and renters with burdensome cost barriers to replacement or upgrades of fixtures to meet the new guidelines.

Electricity Retailers have indicated that they do want to take over a legacy embedded network because of the cost to provide a compliant NMI meter for those customers who want to opt out.

Specifically, SCA (Vic) has advocated for appropriate support to be directed towards retrofitting existing embedded network infrastructure to meet forthcoming new regulations, in the event that no such protections exist for this infrastructure.

SCA (Vic) calls upon the Government to provide a rebate scheme to allow residents in a non-competitive embedded network structure to claim the installation cost of a new NMI meter.

Recommendations:

- **Funding support for the retrofitting of embedded network infrastructure on residential buildings.**
- **Grandfathering of legacy network infrastructure in new regulations.**

9. Additional Proposals

The proposals above summarise the bulk of SCA (Vic)'s submission to Treasury, however, there are several additional proposals that we seek to ensure appropriate accounting for in the 2021-2022 Budget.

- **Funding towards common property accessibility upgrades** – cases in Victoria, New South Wales and Queensland have determined that Owners Corporations provide a service, and as such, that there is a duty to upgrade common property to meet any and all 18 attributes of the Discrimination & Disabilities Acts. Since Owners Corporations cannot access the NDIS, funding is required for applications to retrofit doors, ramps, and other infrastructure to meet these requirements, as is also stipulated by the Sustainable Development Goals.
- **Training and mentoring programs for Strata professionals** – SCA (Vic) supports funding towards the development of courses aimed at ensuring compliance with recent changes to the Owners Corporations Act (2006).
- **The establishment of a Strata Ombudsman.**

- **Investment into SmartBlocks** – SCA (Vic) supports the establishment of a Sustainability Knowledge Hub, a portal containing information critical to the planning, installation, operation, and maintenance of sustainable multi-unit properties, with the aim of accelerating progress towards a net zero carbon future, and as per the Sustainable Development Goals.
- **Funding towards an Electric Vehicle readiness report for multi-unit dwellings and EV Ready programs.**

For further information about this submission, please contact Shaun Brockman, National Policy and Advocacy Manager, SCA. Shaun.brockman@strata.community.