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10 Year Maintenance Plans, What's the point?

Article written by **Solutions In Engineering**.

It can be frustrating when a large special levy is issued to cover unforeseen building maintenance costs. Especially when more in-depth planning would have meant that the cost was known and budgeted for. Increasingly Managers are putting a motion on every agenda to develop a 10 year maintenance plan no matter the size of the building.

Four compelling reasons to put a 10 year maintenance plan in place:

1) User pays. If a person buys a unit and sells after six years the new owner who has not had the benefit of six years of use of the building is often charged a large special levy in the first or second year of ownership for items like painting, pool equipment and door motor replacement.

2) Resale. The stories of contracts of sale falling over are more and more common as unit buyers, their search agent and conveyance solicitors become more aware of the liability attached to buildings with no funds in their maintenance fund account. There are a number of cases in the United States where new owners have sued previous owners, executive committees and managers for large unexpected and undisclosed liabilities for upcoming special levies.

3) Finance. A new trend is for banks financing mortgages for unit purchases to request that strata building units for which they are providing finance have a properly funded maintenance fund. The largest lenders in the United States, Fannie Mae and Freddie Mac, will not lend to unit buyers if the strata building does not have a fully funded maintenance fund budget.

4) Saving Money. When sufficient funds are in a maintenance account then maintenance is not delayed. The conversation at the AGM is about which contractor to use and which colour rather than, where do we find the money. The delaying of maintenance is often very costly, an example of this is painting. When painting is left more than 7-9 years it will start to break away from the surface it is adhered to and what was originally a repaint can easily turn into a full scrape back to the bare surface and paint job. The cost is often 300% more than painting a stable surface at the right time.

What does the legislation say?

Under the provisions of the *Owners Corporation Act 2006* all prescribed buildings are required to prepare a maintenance plan for the property. The plan must contain and set out:

- *the major capital items anticipated to require repair and replacement within the next 10 years; and*
- *the present condition or state of repair of those items; and*
- *when those items or components of those items will need to be repaired or replaced; and*
- *the estimated cost of the repair and replacement of those items or components; and*
- *the expected life of those items or components once repaired or replaced; and*
- *any other prescribed information.*



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A prescribed building Owners Corporation is a building that has more than 99 lots (including accessory lots, such as car parks and storage) or a total annual fee exceeding \$200,000.

Conclusion

A 10 year maintenance plan will ensure a fair user pays system, save money in the long run and prevent large special levies. It may, in the near future, affect an owner's ability to sell a unit and get finance.

Poorly maintained properties can often pose a higher health and safety risk as well as spend a higher time on the market and often a lower sale price.

A professional provider of 10 year maintenance plans will ensure you have the funds you need when you need them.

Like more information?

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