

Strata Schemes Management Act 1996(NSW)

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Owners – Strata Plan No. 69259

Mondrian Apartments

2-4 Powell Street, Waterloo

DATE, PLACE AND TIME

The meeting will be held on Monday, 25 May 2015

In the offices of Strata Plus
Level 2, 80 Cooper Street, Surry Hills

The meeting will commence at 6:15pm

AGENDA

STATUTORY OBLIGATIONS		
MOTION 1	MINUTES	That the minutes of the previous general meeting held on 24 July 2014 be confirmed a true record of the proceedings at that meeting.
FINANCIAL MATTERS		
MOTION 2	FINANCIAL STATEMENTS	That the financial statements for the period ended 30 April 2015 be adopted.
MOTION 3	CONTRACT FOR STRATA LOAN	<ol style="list-style-type: none"> 1. That SP 69259 enter into and execute a loan contract with Lannock Capital 2 Pty Limited (ACN 153 391 283) to fund the Owners Corporation’s obligations to carry out defect rectification works. 2. That the SP 69259 Owners Corporation’s common seal be affixed to the loan contract in the presence of the Strata Manager alone. 3. That the Owners Corporation acknowledges that it is a condition of the authorisation in this resolution that: <ol style="list-style-type: none"> a. the executive committee may negotiate the terms and conditions of the loan; b. a copy of the proposed loan contract, the terms and conditions and a prescribed notice, was tabled at the meeting; c. the maximum amount of credit available under the loan contract is \$1,000,000.00; d. members of the SP 69259 Owners Corporation approve the raising of additional levies to ensure the owners corporation can perform its obligations in relation to each advance under the loan contract; and e. a drawdown instruction may be signed by the Strata Manager alone.

<p>Note; MOTIONS 4 & 5 are two options for the same issue, thus mutually exclusive and only one must be chosen.</p>		
<p>MOTION 4</p>	<p>SPECIAL LEVY – REMEDIAL WORKS & PAINTING</p>	<p>That a special administrative fund levy be struck pursuant to Section 76 of the <i>Strata Schemes Management Act 1996</i> for the sum of \$1,760,000 (\$1,600,000 plus GST) being for the purpose of repayment of the principal and interest on borrowings and for the funding of further works in relation to fire defects and hot water reticulation system rectification</p> <p>Further that the contribution is to be levied by notice from the treasurer of the owners corporation in accordance with Section 78 of the <i>Strata Schemes Management Act 1996</i> by unit of entitlement in sixteen instalments per quarter payable in accordance with unit entitlements on the 14th day of August, November, February and May with the first payment due in August 2015 and the final payment in May 2019.</p>
<p>MOTION 5</p>	<p>SPECIAL LEVY – REMEDIAL WORKS & PAINTING</p>	<p>That a special administrative fund levy be struck pursuant to Section 76 of the <i>Strata Schemes Management Act 1996</i> for the sum of \$1,808,400 (\$1,644,000 plus GST) being for the purpose of repayment of the principal and interest on borrowings and for the funding of further works in relation to fire defects and hot water reticulation system rectification</p> <p>Further that the contribution is to be levied by notice from the treasurer of the owners corporation in accordance with Section 78 of the <i>Strata Schemes Management Act 1996</i> by unit of entitlement in twenty-four instalments per quarter payable in accordance with unit entitlements on the 14th day of August, November, February and May with the first payment due in August 2015 and the final payment in May 2021.</p>
<p>MOTION 6</p>	<p>DISCOUNT FOR ADVANCE LEVY PAYMENT</p>	<p>That pursuant to Section 79 of the strata Schemes Management Act 1996 the owners strata plan 69259 SPECALLY RESOLVE that Owners who pay the full amount of the Special Levy (all 16 or 24 instalments) on or before 14 August 2015 be entitled to a 10% discount.</p>
<p>REMEDIAL BUILDING WORKS</p>		
<p>MOTION 7</p>	<p>CONTRACT FOR REMEDIAL WORKS TO FIRE SYSTEMS</p>	<p>That a contract be entered into between the Owners Corporation and the successful tenderer for the rectification of the balance of Fire Defects identified in the Fire Order issued by City of Sydney in accordance with the recommendation of AE & D Consultants.</p>

DATE OF THIS NOTICE: 7 May 2015

Mondrian Extraordinary General Meeting 25 May 2015

SPECIAL LEVY AND BORROWING MOTIONS

FAQ's

The Agenda contains motions to approve a Special Levy for the purpose of raising funds to carry out defect rectification work. The Agenda also contains motions relating to the Owners Corporation borrowing up to \$1 million for the purpose of funding these works in a way that will avoid any Special Levy being set at a rate so high that some owners might have difficulty in paying it.

Why is a Special Levy required ?

Mondrian is facing two major and extraordinary expenditures that cannot be paid for from the Sinking Fund balance it has at its disposal. These comprise the remaining Fire Defect Works est. \$950,000 and the rectification of the Hot Water piping est. \$250,000. The Fire Defect works have a 31 December 2015 deadline set by the City of Sydney and the hot water works are becoming increasingly urgent due to frequent pipe failures.

When do the Fire Defect Works and the Hot Water Rectification work need to be completed ?

See also the latest and past editions of My Mondrian for discussion on this.

Council has set a 31 December 2015 deadline for completion of the works required for compliance with the fire order. We continue to press the HOW insurer with a claim for the costs of this work but it has still not been determined. Tender submissions have been received to complete the rectification work and owners will be asked at the meeting to agree the contract with the recommended successful tenderer.

Failures in Mondrian's hot water piping have over the past year started to occur at an ever increasing rate. The costs of repair are significant and hot water shut downs inconvenient. The Executive Committee commissioned a report from AJ Whipps hydraulic consultants to analyse the causes of failure. The full report is available to owners who log in on the Mondrian website www.mondrianwaterloo.com.au. Laboratory tests of sections of the polybutylene piping have shown chemical degradation and an estimated remaining life of as low as 3 years. In areas where the method of clamping has been inappropriate degradation has been accelerated and failure is now occurring. The consultants have also highlighted other design failures with the system.

Current estimates to complete the replacement of the polybutylene piping with a new copper reticulation system are of the order of \$250,000. A scope of works needs to be developed and a tendering process commenced for this work. Connections into individual apartments are not affected.

Can we use the Sinking Fund balance we have to pay for these works ?

Yes we can, but currently the balance of funds freely available in the Sinking Fund is just \$550,000 approx and part of this is already committed to contracts we have in place such as the repainting of the pool and the waterproofing of balconies by Everest Contracting. In addition funds have to be retained to keep up to date with the Mondrian's normal programme of scheduled maintenance and repair, including major painting. A further source of funds is therefore required.

How has the amount of the Special Levy been calculated ?

Projections have been made of Mondrian's financial requirements for the next 5 years until 30 June 2020. These projections include the cost of the Fire Defect and Hot Water Rectification projects as well as the usual repair and replacement expenses. They also include the costs of fully repainting Mondrian which is scheduled to be done in 2017 and should not be further deferred.

How much will the Special Levy be for the average Lot Owner ?

It is necessary to raise approx \$1.6 million dollars. This cost will be split amongst Lot Owners in accordance with their unit entitlements with the larger lots typically paying more than the smaller. The average levy will need to be approx \$12,000 + GST, ranging between \$8,320 and \$18,080 depending on unit entitlement. The funds could be raised by a single lump sum levy on each lot owner, but a single levy amount as large as this could be difficult for many lot owners to pay and is not being proposed. (But see below for the option to prepay the Special Levy)

Option 1

The Executive Committee has sought ways to make payment of the Special Levy easier and is proposing that the owners corporation borrow \$800,000 for a term of 4 years. This will enable the works to proceed and at the same time for owners to pay their Special Levy by quarterly instalments. The quarterly instalment proposed for the average lot owner would amount to approx \$750 + GST. The 16 quarterly instalments would be required to be paid for a period of 4 years and they would be payable in months when no payment of the regular Mondrian Administrative or Sinking Fund levies was required

Option 2

Another option is for the average quarterly levy to be reduced to \$500 + GST and which would be less onerous. Should owners decide on this option, the special levy would need to be paid by 24 quarterly instalments for a period of 6 years, instead of 4, and the sum to be borrowed and repaid by the owners corporation would need to increase from \$800,000 to \$1 million. This is to ensure that all proposed works can be paid for as and when required. The disadvantage of this option is that the interest cost would be higher and Mondrian would have a Special Levy in place for a longer period of time.

Opportunity to Prepay

It is further proposed that there should be an option for any owner who wishes to pay the full amount of the Special Levy upfront in a single instalment to be able to obtain a discount for doing so.

What will borrowing cost the Mondrian owners corporation ?

An owners corporation can only borrow unsecured as it has no title to property. This means that the interest rate it has to pay, currently 8.5%, is nearly twice the rate that owners pay on home mortgages. Whilst rates are variable the total interest cost over a 4 year term loan will be of the order of \$150,000. There is little difference in rates charged by the various strata finance providers and Lannock Finance has been selected as the preferred provider since it is possible for the loan, or parts of it, to be repaid at any time without penalty.

Early repayment of the loan by Mondrian would mean a reduction in the total interest bill. For instance some early repayment might be possible if the HOW insurer Allianz agrees to a favourable settlement of Mondrian's claim for the Fire Defect works. If a significant number of Mondrian owners paid their Special levies upfront in a single instalment, this too might assist in making early repayment of the loan possible.