

NEWS

Owners question East End contract

BY MICHAEL PARRIS

A GROUP of owners in the new East End redevelopment has questioned how a company which shares a director with developer Iris Capital was awarded a lucrative long-term building management contract shortly before residents settled on the properties and moved in.

Minutes of the East End complex's inaugural building management committee meeting on March 2 show that a representative of Iris and another from strata management service Strata Sense were in attendance and resolved to award a contract to East End Village Building Management Pty Ltd worth at least \$2.5 million over 10 years.

Australian Securities and Investments Commission records show that Sam Arnaout is the sole director of both Iris Capital Holdings and East End Village Building Management.

Mr Arnaout denies any wrongdoing and says his building management company is best placed to manage the site and is offering "competitive" rates to do so.

The two people at the March 2 meeting also awarded a three-year strata services contract to Strata Sense worth more than \$30,000 a year at the new redevelopment beside the Hunter Street Mall.

The meeting was held in Iris Capital's offices in George Street, Sydney.

Residents started moving in to the East End complex several weeks later.

One resident, Neil Petherbridge, who is chairman of

the Property Council's Hunter chapter, said he was concerned that incoming owners had not had the chance to shop around for a building manager for the complex.

"It's a real shame to see this kind of behaviour from the developer after Richard Crookes Constructions delivered such a high-quality product for them and the residents are generally really happy with their new apartments," he said.

"Prior to settlement of the units, the developer had complete control of the building management committee and signed up a company it has ties with on a 10-year contract.

"I've not seen a developer do this in my 30 years in the industry. To undo the contract the owners may well have to go to the Supreme Court."

At the March 2 meeting, the Iris employee was appointed to represent the five individual lots within the development, comprising the King & Perkins, Washington House and Fabric House apartment towers, the Q Hotel now under construction and retail tenancies.

Strata Sense has sent residents an agenda for the inaugural meeting of the Washington House strata committee on Wednesday which includes a motion to appoint East End Village Building Management on a separate 10-year, \$52,000-a-year contract as building services manager for that strata scheme.

East End Village Building Management is also seeking to be appointed as building manager for 10 years by the



CONTRACT QUESTIONS: The first stage of Iris Capital's East End redevelopment of the Hunter Street Mall. Pictures: Max Mason-Hubers



SHARED SPACE: One of the communal areas in the East End redevelopment.

Fabric House and King & Perkins strata committees.

Mr Petherbridge said East End Village Building Management stood to earn a total of almost \$5 million in fees over the next 10 years for the complex if it succeeded in also being appointed building manager by the three individual strata committees as well as manager for the overall complex.

"Strata fees can have a real impact on owners, particularly those on fixed incomes," he said.

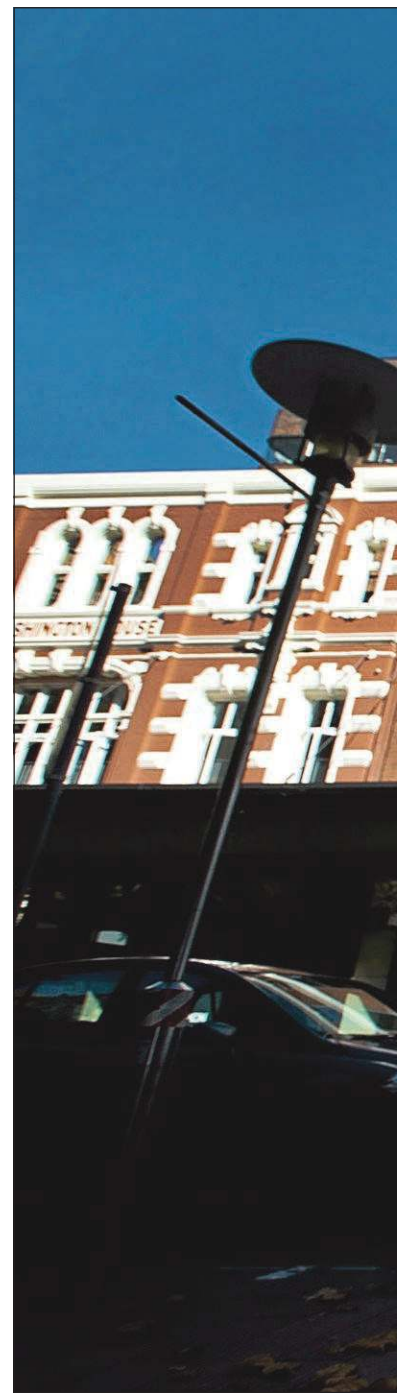
"We need as many owners as we can to turn up to the AGMs that are being held this week to nominate for committee positions and vote against the motions being put up."

Mr Petherbridge works for engineering firm Northrop,

which has launched legal proceedings against Iris over what it alleges are unpaid fees.

Two other East End owners with experience in the building industry told the *Newcastle Herald* that they were also concerned about how the building management contract had been awarded.

"It's the biggest conflict of



interest I've ever seen," one said. "We may have to seek legal advice."

Mr Arnaout said it was "standard practice" for inaugural building management committee meetings to appoint building and strata managers soon after strata schemes were registered.

"This ensures appropriately qualified people are engaged to manage the property during the period between strata registration and the first annual general meeting," he said.

"During this period settlements occur and people start moving in to their properties.



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