



THE INDEPENDENT
VOICE OF STRATA
OWNERS



Key Issues and Priorities for a Better Residential Strata Future

NSW election 2023

**Climate ready, Resilient and Empowered communities
living in Defect-free buildings.**

Introduction

After many years of neglect, the Owners Corporation Network has welcomed the proactive stance of the NSW Government to clean up the development industry and professionalise the strata management industry.

However, the unique aspects and impact of strata ownership and living remain poorly understood across Government and by the wider community. A clear focus on the Owner (the customer) and their needs and aspirations is now required in legislation and policy. The scale of Government resources should also match the social and economic impact of this housing sector.

In this document the Owners Corporation Network describe ten key issues that face our sector and recommend government action that we believe will ensure a better residential strata future.

About the Residential Strata sector in NSW

More than 1 in 5 residents live in Strata and Community Titled Properties¹, with 1.1 million people living in Apartments. By 2040 50% of Australians' will be living in Strata.

Eighty four percent (84%) of strata residents are 20 years and older - that's at least 13% of the NSW electorate.

Owners and residents enjoy the many benefits of apartment living including a 'lock-up and go' convenience and of being part of a community. But owners and residents also responsibilities and obligations including the payment to upkeep common property. Often residents move into strata without a clear understanding of their rights and responsibilities.

In 2020 the 83,998 strata schemes in NSW were valued at more than \$404 Billion; Directly employed 2,730 people; and in 2018 generated more than \$2.9 Billion in support and services fees².

Whilst 97% of strata schemes have less than 50 units, the remaining 3% house 36% of strata residents in large, valuable and complex buildings. To operate and maintain the large apartment buildings requires significant management expertise and experience – and voluntary Strata Committees are often stretched to provide this capability.

¹ Australasian Strata Insights 2020, City Futures Research Centre Faculty of Built Environment UNSW Sydney, Appendix 4 Estimated residential population in strata

² Australian National Strata Data 2018, City Futures Research Centre Faculty of Built Environment UNSW Australia

Our Key Issues and Priorities for Government

1. Appoint a Senior Minister
2. Ensure dedicated and specialist government resources
3. Educate
4. Empower consumer representation and the provision of data and insights
5. Plan for Net Zero emissions
6. Accelerate the electrification of strata buildings and adoption of Electric Vehicles
7. Ensure emergency preparedness
8. Update legislation to protect consumers
9. Ensure all new buildings are defect free
10. Resolve all major defects in existing buildings

Issue 1: Appoint a Senior Minister

Strata is a significant housing sector, with more than 1 in 5 residents now and growing fast. The sector also has a large economic impact employing more than 2,700 people in NSW.

For too long the NSW Government has appointed new and junior politicians to govern this unique sector, resulting in missed opportunities to reform and improve the lives of NSW residents and businesses.

The sector is undergoing immense and necessary change and with the further opportunities and issues highlighted by OCN the sector deserves the leadership of an experienced and senior Minister in Government.

Recommended Actions

- Appoint a Senior Cabinet level Minister to safeguard the interests of this fast-growing housing sector, and to lead the legislative and governance change required to secure its future.

Issue 2: Ensure dedicated and specialist government resources

Strata laws and policy are complex, distributed and fragmented across government. An analysis of OCN's recent submissions to government on legislative reform indicates strata is governed by an astonishing 23 acts, regulations, and policies, managed by 29 different ministries or departments.

A common experience of strata owners is that the dispute resolution systems are slow, frustrating and expensive. The NSW Civil & Administrative Tribunal has proven to be too broad in scope with adjudicators and staff who are not enabled to provide the dedicated, consistent and specialist focus on complicated Strata issues.

The governance of strata is buried within generalist departments who manage multiple sectors and unrelated issues, overseen by industry focussed commissioners who don't have the customer – the owners, at the heart of their remits.

Recommended Actions

- Create a dedicated and specialist government department with capable and experienced staff who are suitably resourced to govern strata law in NSW. A department that considers the interests of both the customers (owners) and the industry of managers and agents who serve these customers.
- Appoint a Strata Commissioner to oversee strata governance, with a role that includes:
 - The management of the Strata Schemes Management Act and Regulations;
 - The proactive and positive development of strategy and policy;
 - The mediation of disputes – as the step before Adjudication, by specialist strata mediators;
 - The education of strata owners, residents, agents, and others within the Sector on all matters related to Strata; and
 - Collaboration with all Strata Sector representative bodies, including OCN, in transforming strata sector governance
- Establish a dedicated and specialist Strata Adjudication body, that can adjudicate issues in an efficient and timely manner.
- Establish a Strata Standing Law Committee to assess and recommend legislative change outside of the five yearly reviews of strata legislation, to ensure prompt resolution of issues and the capture of opportunities as they arise.

Issue 3: Educate

Strata law and policy are changing rapidly and the requirements on Owners Corporations are becoming more complex, but owners, strata committees and strata managers are not being educated and supported sufficiently. This is resulting in confusion, increased risks and in some cases conflict.

Strata Managers are also suffering from inconsistent and incomplete education. A typical example is where managers provide differing views on the requirements of records inspection vs the Privacy Policy.

Recommended Actions

- Implement a comprehensive sector wide education program, with the goals of:
 - Managing the expectations of new/ prospective strata owners and residents to the nature as well as the benefits of Strata living;
 - The provision of timely and tailored information to all parties on changes to law and other relevant matters; and
 - Ensuring a consistent level of education across the management of strata.

Issue 4: Empower consumer representation and the provision of trustworthy data and insights

The Strata Sector is large, with highly distributed ownership and management. This means that effective government consultation and engagement is costly and very complex.

The OCN was created 20 years ago to represent the interests of owners for the betterment of the strata sector. The OCN collects data and provides key insights and has proven to be a reputable and honest advocate to government and other industry stakeholders. The OCN is in a trusted position to expand its ability to collect and analyse data and to make this available to drive better law and practices across the sector – but OCN needs additional funds to realise this opportunity.

Properly funded OCN could:

- Undertake quarterly surveys of owners, including questions from government agencies, to investigate policy options, policy performance and other customer feedback;
- Undertake a satisfaction monitoring service to allow government and industry to understand how satisfied owners are with government services and to help identify and quantify the scale of emerging issues that may require government consideration;
- Undertake benchmarked comparative analysis across strata schemes on key expenses and services such as the cost of energy, cost and service scope of strata managers, cost of insurance etc. That would allow strata owners to better manage key costs and services delivered: and
- Benchmark Strata Manager performance.

The Strata Hub is a new government run data portal that has a promising future as the source of truth on Strata Scheme characteristics, performance and key contact information. It's role as a digital channel to strata owners will be critical in the provision of data to inform research and in the provision of key information to and from the customers.

Recommended Actions

- Fund OCN at \$250,000 per year, as the owners' representative, to ensure its growth and ability to further assist government in owners' engagement and the collection and provision of key insights and data.
- Retain, fund and continue to develop the Strata Hub as the central place to gather data, enable research, and to communicate with strata owners. Ensure data sets are available for research and at no cost.

Issue 5: Plan for Net Zero emissions

Australia is committed to be Net Zero carbon emissions by 2050, with an interim 2030 target of 42% less carbon than 2005. NSW is going faster with a target to cut carbon emissions by 50% by 2030.

To help drive these targets a massive increase in renewable electricity generation and transmission is being built with the federal government committed to ensuring 82% of electricity will be from renewable sources by 2030.

To achieve the emission targets it is clear that residential strata homes, will need to be energy efficient, all electric and powered by renewable energy.

What the Covid-19 pandemic has taught us is that our homes must also be well ventilated, healthy, and comfortable. Our homes should also be resilient to the impacts of climate change – whether they be increased heat, drought and extreme weather events including floods.

For many years the commercial and industrial building sectors in Australia have successfully advocated for public resources and support to decarbonise, and the large institutional owners within these sectors have driven impressive carbon reductions.

NSW Government has not provided sufficient focus and support to decarbonise residential sectors. NSW has even backflipped on progressive policies such as the Design and Place SEPP (state environmental planning policy) that aimed to ensure we have “well-designed places that enhance quality of life, the environment and the economy”.

Government must now prioritise necessary policy and support to our residential sectors and ensure that our homes can be part of the solution for Net Zero. We don’t want to become a casualty in a stampede to slash carbon emissions as we get closer to the deadlines.

Recommended Actions

- Mandate that all new strata residential buildings (and their units) are built to operate with net zero emissions by 2030.
- Incentivise the early upgrade of existing buildings to net zero emissions by mandating the disclosure of the NABERS energy and water efficiency ratings for all apartment buildings.
- Update strata residential design requirements to ensure the provision of energy efficient, all-electric, low embodied carbon buildings that are healthy and resilient to climate change.

Issue 6: Accelerate the electrification of strata buildings and adoption of Electric Vehicles

To achieve carbon emission targets the NSW car fleet must be transformed to become electric vehicle (EV) and other zero emission vehicles. The sales of electric vehicles whilst currently low are increasing rapidly.

Key issues impeding Australian's adoption of EVs include concerns on where and how to recharge their vehicles. Providing residents with EV charging options across the full range of strata buildings (from walk-ups to residential high rise) is an essential service. Allowing residents to recharge at home at off-peak times is a practical, low cost and an economically efficient solution to the need to scale up the State-wide electricity generation and distribution infrastructure to meet EV recharge demand.

EVs will play a key part in the design of all-electric buildings, with the EV batteries potentially providing energy resilience and an ability to smooth peak electrical demands. Considering building electrification and EV recharge needs together will ensure optimised designs and least cost solutions for owners and electricity networks.

Interest relating to Electric Vehicle Charging in apartment buildings continues to grow. OCN has demonstrated expertise in partnering with the NSW government to produce tailored information for our sector. Most recent example is the 'Make your residential strata building EV ready'.

Fully electrifying buildings will be a more complicated task than ensuring that buildings are EV recharge ready.

Strata owners need comprehensive guidelines and support to electrify their buildings. But financial incentives are also required to motivate the early adopters, generate learnings, and case studies to start the transformation.

Guidelines are just the start. Owners will require substantial incentives and financial support to both determine their upgrade paths and to realise the electrification upgrades over the next 10 years. Government needs to take a proactive position in catalysing this transformation. OCN stands ready to work with Government on the design of appropriate policies and programs.

Recommended Actions

- Fund OCN to develop guidelines, tools, asset upgrade plans, and case studies on electrification tailored for strata residential communities. OCN would establish an expert group of stakeholders run a limited program engaging with a representative sample of apartment buildings in order to learn what works best. The information resources developed will help empower strata owners to plan upgrades to fully electrify their buildings over time.

Issue 7: Ensure emergency preparedness

Half of all strata communities do not believe they are prepared for emergencies and disasters, and only 12% have an emergency response plan³.

Resilient communities are better able to prepare and respond effectively to major emergencies and disasters such as extreme weather, infrastructure failure, water crisis, digital network failure, terror attack, disease pandemic and cyber-attack.

Whilst some guidance is available to residents through tools such as the Red Cross Get Prepared app, comprehensive guidelines and tools are not available to Owners, Strata Committees and Strata Managers.

Recommended Actions

- Develop resilience and emergency planning guidelines tailored for strata residential communities and support strata owners in developing resilience plans.
- Require strata owners to lodge resilience plans through the Strata Hub by 2027.

³ OCN & City of Sydney Sustainability and Resilient Strata Communities survey June 2021

Issue 8: Update legislation to protect consumers

Often the rights and expectations of strata communities are overridden by commercial and individual interests.

- The impacts of short-term letting are felt by all, whilst the financial benefits accrue to a minority of owners and the platform providers.
- Developers reduce upfront building costs by including embedded networks that impose long term costs and reduced competition on owners.
- Telecom operators have unfettered rights to install systems regardless of owners' interests.

The residents of a strata building are a community – they live together; share common facilities and space; jointly own and must maintain their building. As the fourth tier of government, they need rights appropriate to this unique sector as well as responsibilities.

A state-wide regulatory framework for short-term rental accommodation came into effect on 1 November 2021, which includes: Fire safety standards; a Register; and reference to the complementary mandatory Code of Conduct. However, there is serious concern across the sector of significant non-compliance with the regulation.

Recommended Actions

- Review all strata related policy and legislation by 2027 and ensure the democratic right of owners corporations to decide what is best for their communities is enshrined in law.
- Ban developers from entering into embedded network contracts for new apartment buildings.
- Conduct an evaluation of the short-term letting policy to determine whether the policy and its implementation has been effective and appropriate from the perspective of apartment owners, local communities and local councils.
- Implement appropriate consumer protection in the areas of Warranties; Liability periods; Defects, Unfair Contracts, and Insurance.

Issue 9: Ensure all new buildings are defect free

A vast majority of new strata buildings have defects after occupation. System wide issues have been allowed to fester for decades leading to this appalling state of play.

The NSW Government commissioned the 2015 Lambert review and the Australian governments commissioned the Shergold & Weir 2018 review to investigate the crisis and propose recommendations.

The NSW Government appointed a building commissioner in August 2019 to implement a building reform program. Early wins have been made, but the system will take a number of years to reform. Long term commitment is required, but the NSW Building Commissioner leaves office in 2023.

There were many recommendations made by Lambert, Shergold and Weir to improve the quality of buildings and address consumer confidence, not all of which have been addressed by the NSW Government building reform program. We could consider the NSW response as a first phase in cleaning up the mess.

Recommended Actions

- Retain a strong ongoing focus and appropriate resources to ensure the development industry is transformed, and that all new and existing strata buildings are made defect-free – Led by a Building Commissioner.
- In 2023 (3 years after appointment) undertake a review of the NSW Building Reform Program and of its progress to date to assess its completeness in addressing all significant issues impeding the goal of ensuring all residential strata buildings are built defect free. Make recommendations and consult widely on what actions are required in a second phase of the building reform program. Resource and deliver this second phase.

Issue 10: Resolve all major defects in existing buildings

After initiating solutions to improve the quality of new buildings, the NSW Building Commissioner has now turned his mind to addressing the backlog of defects in existing buildings. A program that focusses on buildings within their defect liability period and where a developer or builder is still operating has been launched.

But the question of what practical equitable support the NSW government will provide to the owners of the many buildings with serious defects that fall outside these thresholds remain.

A specific example of a building defect is flammable cladding. The NSW government launched a program to help owners replace flammable cladding on high-risk strata buildings. Whilst a welcome initiative, participants have expressed their concern and frustrations with the program's costs and timeframes. And what about all the other buildings with flammable cladding not part of the program?

Recommended Actions

- Retain a strong ongoing focus and appropriate resources to ensure the development industry is transformed, and that all new and existing strata buildings are made defect-free – Led by a Building Commissioner.
- Urgently conduct a review of the Flammable Cladding replacement program and ensure that it is more efficient, effective and fair to the owners' corporations.
- Implement a government led program that supports the owners of all buildings with defects, including flammable cladding, to ensure all serious defects are remedied.

The Owners Corporation Network of Australia

The Owners Corporation Network of Australia Ltd (OCN) is the peak consumer body representing and advocating the rights and interests of residential strata title, community title, and company title owners and occupiers.

As a sustainable organisation, our vision is to create a better future in residential strata and community living and ownership. Our mission is to represent, educate and protect the interests and rights of owners and occupiers of residential strata, community title and company title schemes.

Our vision of a Better Future is one where of **Climate ready, Resilient and Empowered communities living in Defect-free buildings.**

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