



# Purchasers Strata Inspections Pty Ltd

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It's only a block of 4 Units what could possibly go wrong?

## The Estate Agents Description

Located in the best street and just a short stroll from the ferry wharf and less than five kilometres to the city.

This second floor apartment perfectly combines period elegance and ultra-contemporary style. This is a beautifully crafted Federation apartment steeped in local history in a small block.

- Light filled casual living area with soaring high ceilings
- Well-kept rear yard with a common property secret garden and a leafy seclusion
- Large outdoor alfresco area with gas connection
- Modern stainless steel gas kitchen seamlessly flows to the outdoor area
- Sizeable bedrooms with plantation shutters and built-in robes
- Pristine designer bathroom with sunken bath and chic finishes
- Secure parking space in a lock-up garage
- Freshly painted and carpeted
- A short walk to local shops, schools, cafes and the harbour
- One of only four apartments

## Sounds nice?

Our client thought so but although advised by the Estate Agent that strata reports were not necessary for small blocks he asked Purchasers Strata Inspections to do a strata record search. The result was quite unexpected and demonstrates how one owner can hijack a whole strata building and make it a horrible place to live.

## The Building and Unit Entitlement

Our report detailed a 4 lot strata plan with 2 apartments on the ground floor and 2 apartments on the top floor. The building was originally a stately home converted into apartments. The apartments on the ground floor have a larger area on title and therefore the 2 ground floor apartments hold a greater share of unit entitlement. This was important as it meant the ground floor apartments had a combined greater share of the voting rights than the apartments above. Basically, if the owners of the ground floor voted one way and the owners of the top floor voted another way the owners of the ground floor apartments would always win the vote in most voting cases. We also noted in our report that one single owner, owned both ground floor apartments. For this study we will call her Nancy (not her real name)

## Our Report

Our inspector of 20 years was surprised when boxes and boxes of records were presented for inspection and was further surprised at the amount of computer based correspondence. To see so many records held for a small building it was clear that things were not quite right with this strata plan.

## Finance

The finances were in turmoil. There were funding short falls, special levies, substantial monies spent for legal action and a continuing cycle where the ground floor levies were never paid on time but, always paid up just before the Annual General Meeting (AGM). Being paid up at the AGM ensured full voting rights at the meeting. The up-stairs apartment owners were frustrated as no works could be done during the year with any certainty as they could not budget. There was a history of special levies which appeared to be far out of proportion with the size and scale of this strata plan. Levies were about 3 times what you would expect to pay for a similar building.



Some of the additional costs included the cost to recover levies from Nancy. It took a lot of time and caused the strata manager's fees to increase. Even though Nancy was fined and interest was added it still made the process of managing the building difficult with more than 50% of the budget being delayed. This inefficiency translated into additional levies.

Maintenance activities were voted down at meetings. In one instance painting was continually voted down. By the time the strata was able to do this painting it was not a simple repaint, the paint had peeled and now it was a full strip back, undercoat and two coats of paint plus the additional rental time for the scaffold increased the original quote of \$20K to \$69K.

Nancy had caused so much drama with strata managers that previous managers had resigned. The latest strata manager was a compulsory appointment meaning in the absence of any strata manager willing to take on this property the Department of Fair Trading looked up a list of strata managers selected one at random and appointed the building to their portfolio. This means the strata manager did not have to tender for the business and therefore the costs to manage the building had not been set by competitive tender.

## Horrible place to live

Nancy's nature of difficulty also extended to the other owners in one instance she called on an owner at 11:00 pm to complain about noise. The owners were asleep! Owners wore thin of Nancy. The upstairs owners just wanted to sell up and move as it was simply too hard to live there. Nancy rented her other apartment but the tenants were harassed and most of the tenants broke their lease and left due to continuing harassment.

## Legal Action

Nancy had taken the previous strata managers to court over various matters. Nancy was known by the ATTT as a vexatious litigant. The latest legal action was over a repair that Nancy thought the strata should pay for that repair a cost \$11K. She had asked the strata manager to pay and they told her it was a personal repair.

Nancy went to conciliation and lost

Nancy went to the ATTT and lost

Nancy went to the Supreme Court and lost and had costs of \$25K were awarded against her

Nancy was challenging the Supreme Court's decision when we did our report.

## Nancy loses her job

In 2014 Nancy lost her job due to a mental illness. Public document held on file. When Nancy lost her job things got worse. Everyone who had anything to do with the building was a problem and it became hard to avoid Nancy as she no longer went out to work.

Maintenance trades refused to do work at these apartments as they would be called back to do trivial tasks.

Up until the date of our inspection Nancy continued to play havoc within this strata plan and with the strata manager. The current strata manager will only see Nancy by prior arrangement and only when there are independent witnesses and a security guard present.

## Our Client

We presented our report findings to our Client personally giving us the chance to fully outline the implications. Our Client did not buy the top floor unit thankfully. The apartment was sold to another purchaser 2 weeks after. We don't think they got a strata report!

This report held on file. Some minor details have been changed to protect the identity of parties. A public document from the NSW Department of Health stating Nancy's real details and job loss is held on file. General details relating to the Strata Plan, the Strata Manager, the other owners as well as unit entitlements and finances are factual and are held on file.