



FILENOTE

To: Vineway Ltd

From: [REDACTED]

RE: Delmore

Strata Title Administration Ltd experience

Strata Title Administration Ltd (Strata) has been managing multi-unit developments for 29 years.

We manage nearly 1,000 developments comprising nearly 23,000 units/lots delivered through our team of 67 staff via our offices in Auckland, Hamilton, Wellington, Christchurch.

Included in the above numbers are 140 Incorporated Societies, comprising 4,250 lots, sometimes referred to as Residents' Associations/Residents' Societies.

I have been employed at Strata for 23 years, a Shareholder for 19 years and a Director for 11 years.

Other than my directorship duties, I am employed as Strata's Business Development & Technical Director.

File Note objective

I have been asked by Vineway Ltd to answer a number of questions relating to how Residents' Associations/Residents' Societies operate in practice, and how I see the Residents' Associations/Residents' Societies that will be established as part of the Delmore development working.

Generally, I don't see any issues with the proposed Residents' Associations/Residents' Societies and they should operate in the same way as any of the Residents' Associations/Residents' Societies Strata currently manage.

Questions

- 1. Can you please provide examples of Residents' Associations/Residents' Societies with similar obligations to those the Delmore Residents' Associations/Residents Societies would have?***

A: 25 Lot Incorporated Society (incorporated Oct 2020)

- The development has extensive roads, rain gardens, filter strips alongside all roads, stormwater gabions, catchpits, ecological sites, Archaeological/Cultural sites and bush areas. The site was originally bare, steep farmland covered in grass and gorse. It was cleared and all infrastructure, and planting done by the developer. The areas planted in bush covers about 5 hectares. The site contains wetlands.
- The bush is well established with the trees several meters tall.



- The Society budgets and spends \$150,000 per annum on weed management within the bush areas. Some of the 25 lots extend into the bush areas and are maintained and paid for by the Society.
- The Society spends \$43,000 on animal pest management to control predominately rats and rabbits.
- The Society budgets \$416,000 per annum to maintain the common infrastructure.
- The Society's costs are funded via annual levies collected quarterly from members.
- The annual levy for each Lot is \$16,640.
- Rubbish collection is included.
- Collection of the levies is in accordance with the provisions of the Constitution.

B: 81 Lot Incorporated Society (incorporated March 2006):

- The development has extensive roads, cobbled impervious stormwater management features, catchpits, an indoor swimming and spa pool, a gym, community hall and tennis court.
- The bush areas are predominantly contained in the private Lots, with strict conditions on only being permitted to clear bush for the building platforms.
- There are Design Control Consultants who are engaged when a Lot is developed to ensure compliance with the design guidelines.
- The Society has maintained the stormwater network/areas, but after 20 years it is now in the process of applying for resource consent to upgrade the stormwater management features to include rain gardens and bio filters.
- Following a comprehensive site survey and catchment analysis, the Society, through its consultants, is presently designing bespoke retrofit solutions to enhance water quality treatment for storm water run-off. Specifically, bioretention devices (rain water gardens/biofilters) are being strategically integrated into grassed berm areas, judiciously spaced between permeable paving areas. Thereby mitigating the environmental impact, on the surrounding lake ecosystem.
- The Society budgets \$300,000 per annum to maintain the common infrastructure.
- The Society's costs are funded through monthly levies.
- Average monthly levy per lot is \$3,700.
- Collection of the levies is in accordance with the provisions of the Constitution.

C: 67 Lot Incorporated Society (incorporated March 2009)

- Site is approximately 120 acres comprising 67 large Lots. 62 of which are private Lots with 5 common Lots, comprising ecological areas maintained by the Society.
- The common Lots also include a community hall, swimming pool, tennis court, large barn to house tractor, mower and other machinery.
- An extensive roading network.



- The Society budgets \$250,000 per annum to maintain the common infrastructure.
- The Society's costs are funded through annual levies.
- Average annual levy per lot is \$3,846.00.
- Rubbish collection is included.
- Collection of the levies is in accordance with the provisions of the Constitution.

D: 151 lot Incorporated Society (Incorporated December 2021)

- 151 Terraced houses completed by the developer.
- Because the development was completed by the developer with purchasers settling the purchase of a developed site (a terraced house), the Society insures all improvements on the land. The annual insurance premium is \$300,000, averaging \$1,986.00 per lot.
- No roading as such but rather central driveways to access each lot.
- In addition to the insurance levy of \$300,000 the Society levies owners their share of a further \$222,000 which equates to an annual levy of \$1,470.00 collected in two equal instalments of \$735.00.
- Collection of the levies is in accordance with the provisions of the Constitution.

2. *What has been the track record of these Residents' Associations/Residents' Societies in performing obligations?*

- Obligations have been performed as required.
- The obligations for each Society are set out in each Society's Constitution.
- It is imperative that the Constitutions are worded appropriately to ensure that the ongoing obligations (maintenance and funding for example) are defined. The specific wording of the Constitutions and the obligation of a property owner to be a member of the Society secured on the record of title of each residential lot by way of the consent notice and covenant in gross in favour of the Society ensures compliance.
- The Constitutions provide for a Controlling Member which is the developer who has one more vote than all other Members (lots) combined. This ensures that the developer can complete the development.
- Prior to the settlement of the sale of the first lot in the development, the developer will sign off the Opening Resolutions which are a series of resolutions which, *inter alia*, bind the Society to the various contracts (WWTP, Management, animal pest management, ecological/landscape maintenance etc), and adopts the annual budget and sets the members' contributions. It is through these contracts that the various management, maintenance and reporting is performed and through the budget and levies that these functions are paid for by the Society.



3. *What has been the means by which the obligations have been funded?*

- The obligations are funded through annual society levies collected by Strata as the Society Manager/Treasurer/Secretary in accordance with the provisions of each Constitution.
- If a member's levy remains unpaid beyond the due date, Strata collects the overdue levy in accordance with the provisions that pertain to a breach of the Constitution. Late payment is considered a breach because the Constitution requires members to pay their share of the annual operating costs.
- Of the 23,000 unit/lots under management Strata has never failed to collect a levy. Historically less than 1% of members are handed to a solicitor for the final debt recovery through the Courts as Strata's debt recovery process results in 99% of the levies being paid without having to go to the Courts.

4. *Based on your experience what is the estimated annual cost of the obligations on home-owners in the Delmore development?*

My estimate of the annual levy is below. This would be lower if the on-site wastewater facility and the on-site water supply facility are not required.

Preliminary Estimate of Society Costs			
		STAGE 1	COMBINED STAGE 1 AND STAGE 2
Including GST	LOTS	475	1213
Waste Water Treatment Plant (\$842 per Lot Stage 1/\$495 per Lot Combined Stages 1 & 2) *		\$400,000.00	\$600,000.00
Water Supply (\$368 per Lot)		\$175,000.00	\$447,000.00
Ecological Landscape Maintenance (\$150 per Lot)		\$71,250.00	\$181,950.00
Animal Pest Management (\$50 per Lot)		\$23,750.00	\$60,650.00
Contingency & Compliance (\$25 per Lot)		\$11,875.00	\$30,325.00
Society management (\$230 per Lot)		\$109,250.00	\$278,990.00
	TOTAL	\$791,125.00	\$1,598,915.00
	PER LOT	\$1,665.53	\$1,318.15
Plus			
Private rubbish collection payable by JOAL Lot owners for rubbish & recycling		\$380.00	\$380.00
Rebate from Auckland Council removed from Lot owners Council rates		\$315.00	\$315.00
* Estimated adjustments and economy of scale achieved for the costs associated with the waste water treatment plant once Stage 2 units connect to the plant.			

Rubbish: The owners of lots in the JOALS that can not use the Council rubbish collection will pay for their rubbish and recycling to be collected by a private contractor contracted and paid for by the Society. As noted above, the cost of this is approx. \$380.00 per lot per annum. However, because Auckland Council will not be providing the service, an application will be made by the Society to Auckland Council on behalf of the lot owners who cannot use the



Auckland Council service for a rubbish and recycling rebate of approx. \$315 to be applied against the rates assessments for these lots.

Water Care Average Cost per Household

Watercare's average annual cost of water and wastewater per average household is \$1,200.00, of which 60% is attributable to wastewater costs, so \$720.00.

If the on-site wastewater treatment plant is decommissioned and lots are connected to the public network, based on today's costs each member's levy would reduce by \$495.00 (if all Lots were connected to the wastewater treatment plant, giving an annual levy of \$823.00.

Although levies are assessed to be \$1,318.15 per Lot for the completed development, the Society members will not be paying the Watercare wastewater charges of approximately \$720.00 per annum (using the Watercare's average), which they would have otherwise had to pay to Watercare. Therefore, netting off the likely Watercare costs leaves a difference of \$598.00.

The above average levies set out in the table are at the low end of annual levies for Societies. This is a product of scale.

5. *Have such arrangements included assurance or bonding measures on the consent holder?*

I know of only one circumstance through Strata's management where a bond has been imposed on the consent holder where the obligation for ongoing compliance was with the Society and not the original owner/developer. However, because of the ongoing maintenance, monitoring and reporting requirements that will be set out in the Resource Consent, the RC is likely to be transferred to the Society as these obligations become the Society's responsibility to perform.

The Society's obligations to comply with the resource consent must be stipulated in the Constitution, including arranging and funding the maintenance.

Because the Society's Constitution requires it to do certain things (including in this situation, maintenance of the wastewater treatment plant, the ecological sites, pest management, and to engage a Manager, such as Strata) that is where the obligation sits, with the Society through the Constitution.

The development entity will remain the Controlling Member (by virtue of rules in the Constitution) in the Society until such time as the last lot is sold. The Constitution will provide that the Controlling Member has one more vote than all other lots/Members combined which ensures that the development can be completed. With the lot that will contain the wastewater treatment plant being retained by the developer and redeveloped once the WWTP is decommissioned, the developer will be able to ensure that the Society performs its obligations.



Whilst the Controlling Member remains a member of the society, the Constitution can not be changed without its consent.

Ultimately the most important mechanism to ensure that the Society complies with the ongoing management, maintenance and requirements and the ongoing funding requirement is to ensure that the Constitution is properly worded.

Prepared by [REDACTED]
Business Development & Technical Director.
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