



The Introduction and Implementation of a 10 Year Maintenance and Reserve Fund

One of the amendments required by the Strata Titles Act is the introduction of the 10 year maintenance and reserve fund.

There is a one year grace period to allow a smooth introduction.

The fund is to be in place by the 1st May 2021.

At Harbour Pines there is currently no allowance or agreements in place for lump sum payments after 10 years. The current lifestyle agreement outlines how the residents are to keep their units in good and tenable repair and condition, and also confirms that residents are to restore their unit to a marketable (reasonable condition) to sell it.

To introduce a new capital maintenance contribution would require a change of rules in accordance with the Retirement Village Codes.

Clause 23(3) prescribes a consultation requirement as follows:

‘The administering body of a retirement village (Adder) must consult with the residents of all occupied residential premises in the retirement village, if any before making, changing or revoking the residents rules’.

With an open mind we will be gathering resident’s views.

On receipt of those views we can consider the option(s) and plan how to proceed.

Why a new maintenance contribution program?

Background

Residents at Harbour Pines are required under their lifestyle agreement to keep their units in good and tenable repair and condition. Residents are also required under their lifestyle agreement to restore their unit to a marketable (reasonable) condition, in order to sell it.

If a resident dies, their survivor or executors or administrators must still abide by the terms of the lifestyle agreement in order to sell the unit.

Experience shows us that at the end of a resident’s time at the village, there can be a reluctance to spend money – even where the responsibility to refurbish is clear. The situation can become complicated when family members (particularly in the case of deceased estates) begin making decisions: There can be confusion and upset, if they aren’t aware or are not prepared to accept what you agreed to in your lifestyle agreement, at the time of moving in to Harbour Pines.

Proposal

It is in all parties' interests to ensure that units are maintained on an ongoing basis, and refurbished to a marketable condition prior to sale. Units in good condition are more likely to sell in a timely fashion, at the best possible price.

Adder Holdings is offering to share some of the cost of refurbishment works that residents would otherwise be liable for in any case. The proposed arrangement is summarised as follows:

- After a resident has resided at Harbour Pines for 10 years, they will be invited to participate in the 10 Year Maintenance Contribution Program.
- A participating resident would contribute \$15,000, which we would match with a further \$5,000. A total of \$20,000.00 would be available for work on the resident's unit.
- The resident would then elect for work to be carried out on their unit at one of two times:
 - The \$20,000 could be applied towards maintenance work, around the time of entering into the Program. This would give the resident the benefit of enjoying a well maintained unit for the remainder of their time at Harbour Pines. It could also mean there is less refurbishment to be done when the time comes to sell the unit.
 - Alternatively, the \$20,000 could be applied towards refurbishment work when the resident vacates their unit (the funds being held in escrow in the meantime solely for the use on the unit). This would help ensure the availability of necessary funds when the time comes to refurbish the unit.
- Whatever time works are to be performed, they will be administered by Adder Holdings, taking advantage of experience and economies of scale.

The proposal is intended to be mutually beneficial. Residents who don't participate will not receive a \$5,000.00 contribution from us.

For the avoidance of doubt, it is not proposed that works will be performed that go beyond the standard required under a resident's lifestyle agreement. The 10 Year Maintenance Contribution Program also does not supersede or replace residents' maintenance and refurbishment obligations under their lifestyle agreements. In other words, even if maintenance is performed on a unit after 10 years, subsequent repair and maintenance may still be needed; or works may be required in order to prepare the unit for sale upon vacating of the unit, in accordance with the lifestyle agreement. The 10 Year Maintenance Contribution Program simply helps ensure that work which is required to be performed on a unit, is in fact performed, with some sharing of cost.

Works and expenditure will all continue to be managed in accordance with the Retirement Villages Code (in terms of the standard of work, and clear disclosure of costings upfront).

For residents wanting to opt in to the 10 Year Maintenance Contribution Program, the arrangement will need to be documented by short written deed – the terms of which can be supplied on request.

We look forward to consulting with all residents in order that we can move forward to implementing a workable arrangement as regards to the 10 year Maintenance Fund