

KATE SHEPPARD APARTMENTS 323230

CHAIRMAN'S REPORT FOR THE SEVENTEENTH ANNUAL GENERAL MEETING TO BE HELD ON MONDAY 14TH JUNE 2021.

Work commenced on the exterior recladding of our Apartment building in July last year with a programme planned to take place over two years and with a Budget of \$13M plus Consultants costs and GST. Initial completion date was August 2022, which has now been brought forward to April 2022 with an expectation that it could be even sooner.

The project has been split into three stages but due to delays in erecting scaffolding and material delays the stages have overlapped. Stage One is very near completion; Stage Two is well under way and in Stage Three most windows have been removed and demolition work is well under way.

There were delays in the first Stage, much longer than anticipated due to delays in finalising window specifications and then holdups in the supply of glass so that for Stages Two and Three the times that the Apartments are without windows will be significantly reduced. However, the final work after new windows are in place takes time through finishing around windows painting, inspections, and final signing off. Changes required for balustrades and then their being repainted have delayed their installation so that scaffolding can come down, a floor at a time, and as it is removed the ceilings will be replaced in the balconies and the decks finished off.

Most residents have been very supportive of the work being carried out and the regular updates with information, but there have certainly been inconveniences that they have had to put up with. However the result will be a substantially improved building with a more robust exterior sheathing which will stand up better in future earthquakes, double glazed windows, and a building that will not require repainting or major exterior maintenance again for another ten to fifteen years. The only cost to Owners has been for double glazing with many potential costs being avoided by negotiation and putting pressure on the insurers to meet costs that arguably could have been regarded as maintenance. In the meantime, we have gained some interest income from money we have been holding until required for progress payments.

Over the years we have had very substantial increases in insurance premiums from a low in 2009 of \$55,441 to this year \$619,782. Whilst part of the increase has come from increase in value that the buildings are insured for, based on replacement value, the biggest step in cost was in 2020 when the premium more than doubled following the earthquake which caused the damage that we are now repairing.

Since 2009 Body Corp Levies have less than doubled and in 2017 dropped when there was a reduction in insurance premiums. However, we are now at a point where the insurance cost is almost 50% higher than the total collected from Owners for Body Corp Levies. To date this difference has been accommodated firstly by a profit accumulated from the Apartment Interior repairs carried out by the Body Corp, on behalf of Owners, at costs less than assessed and paid for by EQC and secondly by being able to withdraw money previously put aside for long term maintenance due to that maintenance now not being necessary due to the exterior being totally upgraded now and not requiring a total repaint and resealing within the next few years.

The Body Corp Committee are recommending an increase in Body Corp Levies this year by 20% from July effectively an increase of just 11.7% for the current year. It is however likely that next year there could be an increase of a further 50% in Body Corp Levies unless there is a reduction in the level of insurance premiums payable.

This year we moved from having a live in Apartments Manager to using an external Building Management Company. This has had some cost savings including being able to obtain a rent for the Managers Apartment but has had some disadvantages in lack of service to Owners requiring more involvement from Body Corp Committee Members and making my job more difficult.

At the last Annual Meeting instead of approving a resolution to not have annual financials audited a resolution was passed to have a Review carried out. This has been completed for this year at a cost of approximately \$7,000. This has required preparation of the financials in a different form but supplying no additional information over the format that has been used each year in the past. The only relevant comment coming out of the Review was that an accounting system could be installed instead of using spread sheets to compile financial statements as has been done in the past and is used to provide quarterly financial statements compared with Budget for Committee meetings.

The position of Body Corp Chairman has become much more onerous over the past year being responsible for the Recladding Contract, dealing with Builders and Consultants including attending site meetings as well as communicating with Owners, Tenants, Trades People and neighbours to help the Project to move smoothly as well as the normal responsibility of day to day matters and accounting services. I certainly want to see the Project completed satisfactorily and ensure that no additional costs are placed on Owners that I can get met by the insurers. Whilst we object to the high level of insurance premiums, the insurers have to date been reasonable to deal with going further than could normally be expected which will give us an as new building of a higher standard than most in Wellington. The property continues have an extremely good reputation as indicated by two recent sales of Apartments that have occurred in spite of the building being totally wrapped and as a construction zone.

I appreciate the support and cooperation that I have received form the Committee and Owners over the past year.

ALAN G. STEWART - BODY CORP CHAIRMAN