

KATE SHEPPARD APARTMENTS 323230

CHAIRMAN'S REPORT FOR THE 18TH ANNUAL GENERAL MEETING TO BE HELD MONDAY 4TH APRIL 2022.

RECLADDING PROJECT

The recladding Project is near to completion. There are still minor outstanding issues in some Apartments, final touch ups and supply of blinds and curtains but otherwise the Builders consider that they will be complete by the time of the Annual General Meeting. Subsequently any outstanding matters that Owners have in their Apartments need to be communicated to me and I will pass on to the Architects who will then be responsible for things raised deciding whether they are faults that are to be rectified by the Builders or whether they are the Body Corp or Owners responsibility.

Two separate contracts are in place going forward, one to identify and rectify the leaks in the foyer and already the garden has been dug up with investigations taking place. This will be completed as a separate job by the contractors. If the leak is caused by earthquake damage the cost will be met by insurers under the earthquake claim. If it is caused by the Builders it will be met by the Contractors insurance and if no fault is found it will be a claim against the Body Corp insurance. In any of these cases it is the same insurer that will be paying.

The second job is on the roof to take up pavers, erect scaffolding with a cover over the paver area. The membrane is to be taken up and if cracks in the concrete are found, as is expected, then repairs will take place followed by replacement of the membrane at the cost of the insurers under the earthquake claim. If no cracks are found then it will still need identification to how the water is getting into Apartments below that area with Apartments on both sides getting a significant amount of water. If there is any other cause which could relate to the earthquake, then it will come under that claim. If the cause is wear and tear to the membrane allowing water to get through it then it will come back on to the Body Corp to meet the cost. All Consultants and the Builder are confident that there are cracks in the concrete which are allowing the water to get through.

There are some issues to be settled with the insurers for costs involved in the course of repairs. The major one is for replacement of timber framing which assessors claim has deteriorated over the years and was not caused by the earthquake. The cost of this is \$56,500. We will continue to press the insurance company to meet this cost because when first found I advised them that we did not want the timber replaced as there was no reason for us to replace it and we would not be meeting the cost. The only reason they decided to replace it was that it would be required to get Council sign off on the complete project. On that basis it must be regarded as a cost to the insurance company. In addition to this there are three light fittings replaced because they were damaged and unable to be reinstalled with the assessors claiming that the Body Corp should meet that cost approximately \$2,500. I am claiming that they would not need replacement if they had not been upset by removal and replacement and should not be our cost or a cost to the apartment Owner.

There is a maintenance period under the contract and Holmes will attend to anything that is shown to be their responsibility and with past history they will extend this well beyond any normal maintenance period. Warranties are in place major subcontractors.

The garden and shrubs in the alley way adjacent to the Apartments are to be fully reinstated as part of the contract including all replanting. This cannot take place until the completion of the investigation and repairs to rectify the leak into the foyer. Once the leak is fixed the carpet in the foyer is to be replaced also under the same insurance arrangements as for repairs as referred to above.

INSURANCE COVER

The renewal of the insurance cover this year has been difficult. Firstly we have had no alternative but to continue with the same insurers as previously due to the ongoing insurance claim. They would normally have a valuation of the property based on the replacement value every second year but due to the works they have agreed instead to an increase of 15% in the value and have charged the same premium rate as previously but on the higher cover. They will require a valuation later in the year for the next renewal and would expect there to be a further increase in value for next years replacement insurance as building cost have increased significantly, much more than the 15%.

The Committee considered the possibility of implementing some higher excesses to reduce the premiums. However, to comply with full cover required under the Unit Titles Act and to ensure that Owners interests are fully protected have opted not to accept a reduced covers. The largest cost of the insurance premium is for Natural Disasters e.g., for earthquakes which represents 90% of the premium. Cover is now difficult to obtain in Wellington and insurance companies are charging high premiums. If we were to have opted for reduced cover, there could have been a considerable saving in premiums but to do this would have required acceptance by all Owners and the Committee considered it not appropriate to follow this course.

FINANCIALS

Financial statements for the year to 31st January 2022, show a small shortfall on Income and Expenses under Budget with a loss for the year \$1,117 greater than Budgeted for the difference being due to expenditure on Lift Repairs.

The insurance costs for the year has exceeded the Body Corp Levies received and funds from the Replacement Reserve were used to cover the total loss for the year.

For the year ahead there are no funds available to be used and therefore Body Corp Levies need to be significantly increased to provide sufficient funds to cover insurance premiums and to break even for the year. Insurance premiums are higher due to the increase in valuation but in addition as we no longer have funds available to pay in one lump sum we need financing to be able to pay on monthly instalments at an additional cost.

At this point xxx is tight because we have to pay monthly instalments for the month xxx first few months but the increase in Body Corp Levies will not take place until 1st May, 2022.

The increase in Body Corp Levies this year is 85%, a substantial increase but necessary to cover insurance premiums as well as other operating costs.

TEN YEAR MAINTENANCE PLAN

A revised Maintenance Plan is put forward for consideration. There will be no funds available this year to go into the Replacement Reserve but provision will need to be made to do so in the years ahead as expenditure will be required as shown on the enclosed plan. Expectation is that insurance premiums will be much lower by the time we need to put increased fund aside for future maintenance.

LIFTS EXPENDITURE

Damage to the lift mechanism last year that required some upgrade and restarting after the lift well was flooded incurred extra costs last year. Breakdowns caused by water in the lift well are an inconvenience to residents. It has been agreed to install an automatic pump to remove water that builds up in the lift well which should avoid future breakdowns and the cost overall will be no more than the money spent on callouts.

RECENT PROTESTS AT PARLIAMENT

The protests at Parliament have been upsetting for residents and whilst in general co-operation has been received from the Police and Grant Robertson the local MP, there are still concerns about the position going forward for security and what protections will be put in place.

Whilst questions have been raised by Owners probably little can be gained by discussion at the Annual General Meeting it is certainly an issue that the new Committee needs to consider, and it has been suggested that we consult with local MP and City Council about future security in the Parliament precinct and the effect it may have on Apartment residents. This will become a topic to discussion at the first meeting of the new Committee.

BODY CORP CHAIRMAN POSITION

I indicated at the last Annual meeting that I wanted to see through the completion of the recladding project and there have now been questions raised about succession planning should I not continue. I have been nominated for the ensuing year and I am happy to continue but the incoming Committee will need to give consideration to this role for the future should I not be available. The position has been difficult through the recladding project taking a considerable amount of my time and made more difficult by not having a live in Manager. The Committee will need to assess what their intentions are for the future. While it has been suggested that it be discussed at the Annual General Meeting, I do not see this as a matter for general discussion, but it will be the responsibility of the Committee to make sure that administration of the Body Corp is adequately covered in the future.

I thank the Committee and all Owners for their support and cooperation over the past year.

ALAN G. STEWART – BODY CORP CHAIRMAN