



# ALTAIR

Strata Plan 64622

## EXECUTIVE COMMITTEE MEETING

Wednesday 23 June 2010, Elan meeting room

**Attendance:** Ralf Harding (Chair), John Anderson, Richard Beck (Treasurer), Michael Meredith, Cecile Modolo, Louise Mylott, Gavin Napier, Tim Trollip (Secretary) and David Stanger (Building Manager)

**Apologies:** Deborah Moore and Eric Francis of Francis Management

**Guests:** no one

The meeting commenced at 19h00.

### **Minutes of Last Meeting:**

The meeting agreed that the following item from the previous minutes should be amended as indicated in order to correctly reflect the contents of the letter received from Adam and Beverley Beck:

“Defamation litigation Beck/certain past EC members

Letter from Adam and Beverley Beck noting that the EC have different interests and should have different agendas from those of **the lawyers of** the individuals named in the defamation. No action required.

Noted the EC is keen for the parties to resolve this litigation, but that care be taken not to compromise their efforts by any direct contact with the parties unless specifically requested by them.”

The Minutes of the last meeting were otherwise accepted.

### **Matters Arising:**

Dealt with below.

### **Correspondence:**

Andrew Balint had emailed the Building Manager regarding the possibility of a commercial strata loan from Lannock's. This had been pursued (thanks Andrew) and was part of the alternative proposals put forward by the Committee at the information meeting (presentation attached with e-mail copies and available from the Building Manager) held on 22 June 2010.

Royce Lee had emailed the Building Manager regarding bikes and storage. Royce's points and related issues were discussed at the Information Meeting. (Further dealt with under 'Building Issues' later in these minutes).

Various correspondences had been received regarding the Hampton Court renovations. This matter is ongoing.

## Update on legals

1. No further news of Australand's potential award of Mallesons costs.
2. The key issue is the different timings for the payment of Australand's court costs by us as Altair and then the payment of our Altair court costs by Australand which may be 4/5 months apart. While we expect this process to end up positively for us there will be a short term cash-flow issue.
3. The funding options are:

a) **Commercial Loan:**

Lannock's are prepared to loan us the funds on a basis of:

- i. \$500 upfront fee for 2 year loan – year one interest only – year two principal and interest.
- ii. Variable interest. Currently 12.7% but subject to change! We may be able to 'lock in' the interest rate.
- iii. We can drawdown in tranches of \$100k.
- iv. \$500 break fee to repay early.
- v. \$500 for each \$100k upfront and for each \$100k break if we use the loan in tranches.

Apparently we are not a particularly attractive proposition as a strata-managed building. Apart from Lannock's no-one is keen to lend to us and terms vary involving an upfront/application fee which could be as much as \$30k, interest of around 12-14% and we would in some instances have to start paying back both principal and interest on a monthly basis virtually immediately - after 30 days – i.e. not a lump sum of principal to be repaid at the end of the loan period.

The costs of a Lannock's loan could be estimated on the basis of our borrowing in say two tranches and repaying Lannock's early as follows:  
Say \$400k(?) for say 6 months with interest @ say 12.7% plus fees = say \$27,400.

b) **Owner loan:**

We could invite an owner or a consortium of owners to lend us the money. This has the advantage of possibly a lower, but still market-effective, interest rate (10%?) than the 'bank' in option a), no upfront application fee and a 'balloon' end payment of principal and interest but there would be some legal work to fund. If there is interest in this option we have had some indication that an owner may be prepared to effectively 'underwrite' a book build to achieve the required amount at 10% interest. Clearly any participants in such a scheme would need the flexibility to 'lock in' until any Australand payment is received and any net result washed through our books which could arguably take more than 6 months. There will always be the risk of appeal and further delay. This option could arguably:

- (i) create divergent interest groups amongst different owners; and
- (ii) while the committee is happy that there are no strings associated with the offered owners loan there could be suspicions of conditions or influences,

leading to dissention and contention.

The costs of an owner loan are estimated to be a bit less than those envisaged under a Lannock's loan as estimated above, say \$400k for say 6 months @ say 10% plus legal fees = say \$23000(?) vs a commercial loan cost of say \$27,400(?).

c) **Special levy:**

'Fronting up' this cost via special levy. In practical terms special levies are non refundable so ultimately, after payment of our costs by Australand, a special levy would end up in the sinking fund which is currently underfunded. Very roughly this special levy would translate to about 40% of your annual corporate levy.

d) **Pre-payment of future corporate levies:**

We could invite owners to pay their levies in advance. The major problem with this option is that any owner who makes any prepayment of levies is entitled to repayment of same upon demand, i.e. there is no security/certainty regarding any such advance payments as owners could demand repayment at any time.

We collect a bit over \$1million in levies each year. We are likely to need about \$400k. This means that, on average, around 40% of owners would need to pay a full year's levies in advance... in other words pay their 2011 levies now plus continue to pay their 2010 levies as they come due. We could provide a modest discount on the 2011 levies, say 5%, but this would require express approval of the owners at a general meeting. When we get paid from Australand we could refund pre-paid levies to any participating owners if requested. If they do not request repayment they benefit from the discount and the fact that the levies are at 2010 levels. This could become very complicated if for some unanticipated reason we have a budget blow-out in 2011 – we currently expect 2011 levies to be at roughly 2010 levels. If there was strong uptake this could also cause us to have to adjust the 2011 levies to compensate.

Another problem with this option is that it could create divergent interest groups amongst different owners leading to dissention and contention.

4. A hybrid or mix of options is possible, but could get very complicated for a short term bridging loan.
5. The finance sub-committee reviewed the options and it is their recommendation that we use a commercial loan to address a short term cash-flow issue.
6. The committee extensively debated the options and the recommendation of the finance subcommittee.
7. Ordinarily the committee would not favour or recommend a commercial loan as it is not the cheapest option and we do not want to create a 'habit' of resorting to commercial loans anytime that we have a funding shortfall but the situation we expect to face is unique in that:
  - 6.1 the committee is as confident as it is possible to be at this stage that we will recover the outgoings from Australand at approximately the end of the year;
  - 6.2 the loan is therefore bridging finance to address a short term need and is not to fund a long term ongoing issue;
  - 6.3 a commercial loan is transparent and while we are happy that there are no strings associated with the offered owners loan this avoids any suggestion of any conditions or influences and lessens risks of divergent interest groups amongst different owners;
  - 6.4 we now have the offer of Lannock's commercial loan which will give us flexibility of funding levels and the ability to pay interest only until we should receive payment of our costs award against Australand.

- :
- 7.0 The committee, while recognizing that there are other and hybrid solutions which are debatably fairer or slightly cheaper, was of the view that:
  - 7.1 we need a practical and efficient solution that is likely to be “simple and clean” with low levels of administration costs and time and without potentially serious complications to solve a short term problem;
  - 7.2 it important to avoid any suggestion of any conditions or influences by individual owners and risks of divergent interest groups amongst different owners leading to dissention and contention;
  - 7.3 a commercial loan will not require any direct outgoings by any owner or any dislocation of our budget as we plan to borrow enough to cover both principal and interest.
8. The committee recognized that some people have raised the very real issue of (re)building our Sinking Fund. This has been and is a major priority but it the committee’s view was that the Sinking Fund is to some extent being addressed in the current budget, that any residual from the Australand costs process will go to the Sinking Fund and that when we have finished the defects programme we will have a very clear picture of what needs to be done for the 2011 budget and beyond. It is possible that the Sinking Fund may need to be addressed via corporate levies or special levies but that it is simply too early to make that call at this time.

The committee unanimously agreed to:

- a) support covering the short term cash-flow issue using a commercial bridging loan;
- b) call an EGM to request support for this plan once the committee knows both the actual amount of costs awarded to Australand and the payment deadline.

Defamation Action: Nothing to report.

### **Finance update**

The Treasurer’s Report had been made available to the EC and is available upon request to any owner. Altair remains on effectively on budget.  
Levy arrears. Total current outstanding amounts as at 21 June 2010 were \$3,630.46  
Obviously in view of the repairs and having to bridge funding for the Australand legal costs we are running a tight budget this year and the importance of paying levies on time was stressed.

### **Update on repairs, timelines, costs, contracts, owner communication**

- 1. Cavity walls: Eastern exterior wall complete. Eastern interior wall. ‘Blue’ complete. ‘White’ ongoing – will take approximately another 2 weeks of good weather. Western exterior wall may have a leak issue but as yet unresolved re cause, impact or remedy. Western interior wall will start after exterior wall complete and will then take approx 5 weeks (depending on weather). The extra costs to date have been \$13k - may increase to about \$25k.
- 2. Spa: Membrane laid. Pour of edge/lip of spa scheduled for 29 June 2010. On schedule for August finish. There is a probability that we will have to re-surface one face (southern) of the swimming pool with the possibility that other faces may be affected. Under investigation re need, cost and timing.

3. Planterbox: Finished pending paint 'touch-up'.
4. Car Park cracks: Ongoing.
5. Car Park Louvres: On order.
6. Storeroom: Will paint 'corridor' when blocks dry and next ceiling group done.
7. Foyer/Fire doors: On order – about 4 weeks away.
8. Ceilings: 9 finished, 11 to do – done in batches for cost efficiency. Building Manager monitoring as TGJ progresses around the building. 3 categories – fix now approx 15/20%; monitor approx 20%; no action required approx 60% - to date. Average cost approx \$1000 per ceiling.
9. Balustrades and Balcony doors: On schedule. Contract finalized. Note – rollers are under warranty but any roller failure will have 'labour' costs. TGJ to provide labour cost estimate per door. We have agreed to delete Altair's right to transfer the TGJ contract without cause from the TGJ contract. Hovik covered by 'Key Man' insurance. Altair the beneficiaries. Premium \$900 – our cost. Public liability insurance increased to \$20 million – TGJ cost. Owners cooperation good in progressing TGJ' work. The EC again expressed its thanks to affected owners for their co-operation.

Buildcorp's schedule has been delayed by the rains but there are no cost implications.

TGJ are on schedule notwithstanding the rains.

Weekly meetings of the Building Manager, David Stanger, and the 3 office bearers, Ralf, Chair, Tim, Secretary and Richard, Treasurer continue to monitor progress on the building repair issues and to deal with other routine building matters.

A programme is in place to give owners/tenants notice of approximate dates of work on their apartment. Roster well organized by head concierge, Peter Gillet.

Occupiers would need to make arrangements for their pets on the days tradesmen are working on their apartments. Occupiers would be asked to be as flexible as possible regarding access arrangements and regarding timing and dates.

### **By-laws**

The Chairman and Secretary reported on ongoing discussions with other buildings regarding by-laws including renovation issues. Eric Francis had introduced us to the Chairman and Building Manager of Observatory Towers and of all by-law and renovation "systems" and regimes that we have investigated those adopted by Observatory Towers appear to be the most effective. In conjunction with the strata lawyer, Rosemary Hall, used by Observatory Towers the Chairman and Secretary recommended that we pursue generally updating and consolidating our by-laws, for instance our by-laws:

1. still have provisions relating to the Developer (superseded by Australand);
2. are confusing and possibly incorrect regarding renovations;
3. are out of date regarding dogs;
4. do not correctly address our prevailing rules and policies regarding dogs, car spaces, the gym;
5. do not adequately address common property maintenance and repairs.

Altair's by-laws, rules, codes, etc regarding a range of matters from booking lifts to emergency procedures etc have evolved over time and are often difficult to locate which has the effect of frustrating and disempowering individual owners. In the interests of ease and transparency we 'tidy' them up. The plan is ultimately to have a system of an

A5 ring binder for all residents with by-laws, procedures, rules re BBQ's etc. which can be updated by page and/or section and which would also be available on the Altair website.

We are obtaining a quotation for this work and expect it to be relatively inexpensive, say \$6/8k.

The committee asked the Chairman and Secretary to proceed with the proposed exercise. It is envisaged that proposed changes to by-laws would eventually be proposed and debated at the 2011 AGM.

### **Renovations**

Individual renovation issues continue to be unnecessarily complex given our legal advice to date and the new by-law and we intend to address them as part of the by-law exercise.

1102. Proceeded with new wooden floor without following proper protocols. EC has written to owner seeking clarification and certification of insulation standards used.

### **Building Issues**

David Stanger gave his Building Manager's report (attached).

Perspex drinks trays. Considerable damage was caused to part of the Red Snail vergola roofing by a Perspex drinks tray that apparently fell (blew off?) from an Altair balcony. Had the tray hit a person that person could have been killed. The committee agreed to **ban** perspex or other drink trays that attach to/on balconies from use at Altair.

Storage cages and bicycles. 9 residents have applied for storage cages if and when available. Agreed that the Chairman would discuss issues raised by Royce Lee both in correspondence and at the Information Meeting regarding bicycle storage and storage cages and report back to the Committee at the next meeting.

Fire Exit alarms. Now on 3 sec delay. Flashing light at concierge desk. Front door switch to be fixed with installation of foyer doors in about 4 weeks.

New shutter. Kings Cross Road rusty and noisy steel roller shutter replaced with aluminum shutter.

New format Storage cages, bicycle storage and motorbikes License Agreements (attached electronically and available from the Building Manager). These were approved by the Committee for introduction from 1 July.

1801. Members of the committee undertook to try to resolve complaints regarding noise from 1801 on an informal basis with the owner.

Parking. The committee recorded that while the concierge fulfilled a useful function in putting those who wanted to hire/let/license parking spaces in touch with each other, it should be the individuals concerned and not the concierge who concluded and administered any particular arrangements. The concierge is not a booking agent or controller of any waiting list for car parks.

**The meeting finished at 20h00. The next meeting will be held at 19h00 on Wednesday 21 July 2010.**