

Strata Plan 64622
June 2018

Owner's Newsletter

Power Supply &
Air-Conditioning in Altair

Should we proceed with Plan B?

**Possible Special Levy
of \$400k-\$500k**

Background

Altair was commissioned in 2001 and in 2002 was awarded as 'The best residential housing scheme in the world' by an international architectural congress. This was, in part, because of the use of a system of 'cross-flow' ventilation.

The two penthouse apartments have fully ducted A/C. The eight sub-penthouses have limited ducted A/C (in the dining/lounge area only). The remaining approximately 130 apartments, mainly one and two bed apartments, do not have A/C and are specifically prevented from installing A/C through a long-standing by-law.

The retail lot has a limited agreement to allow A/C which has technically expired (in January 2017) but has been allowed to roll-over temporarily as this issue is investigated for the entire building.

At the 2017 AGM it was agreed that the SC would conduct research into the practicalities, logistics and broad costs of possibly allowing A/C in Altair (Plan B).

At the 2018 AGM the Owners asked the SC to advance research into engineering, regulation and more precise costs necessary to allow the use of air-conditioning in Altair.

Ultimately any decision to proceed would require a Special Resolution, which in simple terms needs 75% approval by the Owners at a General Meeting.

Research

Your SC has conducted research from a completely impartial standpoint.

Your SC has no position on this issue. The matter is entirely for the Owners to decide.

The research has been conducted by consultation with appropriate experts;

- Electrical Engineers - Shelmerdines
- Grace Lawyers
- Our Strata Management company - Strata Choice
- Our Building Management company - Francis Management
- City of Sydney Council Planning
- An Independent Certified Town Planner
- An architectural practice
- Altair's original construction electricians - CESA
- Real estate agents making recent sales in Altair.

Our research has spanned 18 months but is not totally definitive. There are ongoing variables that will probably not be finalized until after we obtain approval from the Owners to proceed such as City of Sydney Council requirements, architectural drawings, engineering issues etc.

We believe, however, that we now understand the issues and costs sufficiently well to ask the Owners to vote on whether to proceed with this matter.

Power Supply

Altair employed consultants, Northrop in 2011 and Shelmerdines in 2017, to report on the status of our power supply. These reports are on our website. Both consultants have confirmed that Altair does not have sufficient power supply to allow unlimited universal A/C.

Accessing sufficient power to do this would involve installing a dedicated sub-station in the Altair carpark. This option has been researched and abandoned for cost, logistical and legal reasons...at this stage.

Depending on issues such as Electric Vehicle Charging [EVC], this may eventually be forced on us and we have taken this possibility into account with Plan B. All work and costs associated with Plan B are both required for Plan B but would also contribute towards installing a sub-station if necessary, without wastage or duplicate costs.

Currently, Altair is supplied with 400amps of power [across 3 phases] from a sub-station in the basement of the Elan building. We are advised that we can be given access to a maximum additional amount of 380amps from this source.

To access this additional supply, we will require an upgrade to our electrical infrastructure [mains wiring, main sub-board and sub-mains risers].

This additional extra power, however, is still not sufficient to allow unrestricted universal air conditioning and therefore each apartment would have to be limited by allocation of additional amps for A/C.

More detailed issues surrounding power supply are covered in a newsletter to Owners dated November 2017 which is on our website.

Air-Conditioning

Altair was designed and constructed as a 'non-air-conditioned' building. It has no universal A/C infrastructure. There are no existing ducts for over 90% of apartments. Most apartments have no, or very limited, ceiling or underfloor space. Altair walls do not have A/C usable cavities. It is not practical to retro-fit A/C ducting into Altair.

Any new A/C would have to be on a per apartment basis, with wall-mounted split system units and condensers on the balconies.

As there will be limited access to extra power, the size of any A/C units would be limited by 'extra' amps allocated to each apartment.

Electrical

CESA, the electrical company who installed the original Altair wiring, have quoted on upgrading the switchboards, wiring etc. Our electrical engineering consultants, Shelmerdines, have reviewed the CESA specifications and costings and advise that they are appropriate.

Installation would take approx. 12 weeks with minor interruptions to power.

Amperage Allocation

Shelmerdines have been retained to recommend the most effective and fair system of allocating the available extra amps. This process considers:

- a. Apartment footprint. We have 27 different footprints.
- b. The measured exposure to the exterior walls and the construction materials of those walls.
- c. The aspect of each apartment – mainly north-east or north-west.

- d. Heating and cooling coefficients.
- e. The size of each apartment with specific reference to 'air-condition-able' space in each apartment – discounting laundries, cupboards and bathrooms etc.
- f. Entitlements of existing air-conditioned apartments which currently comprise a mixture of three-phase and single-phase power.

The inputs have been applied in accordance with an industry standard to calculate each lot's allocation.

The rationale for amp allocation recommended by Shelmerdines for each apartment is on our website. The allocation by apartment is attached.

Shelmerdines believe that in all cases this will lead to meaningful A/C service but note that some footprints are challenging and that the result might be A/C zones rather than an overall effect across the apartment. For example, bathrooms, laundries and hallways have been discounted as air-condition-able areas.

Owners are responsible for any further research regarding the A/C effect of this allocation. As a reference point we are advised that very rough ballpark figures for installation of A/C in apartments might be

One bed	\$5-10k
Two bed	\$10-20k
Three bed	\$20-30k (TBC)

NB. These costs are owner costs and are additional to any Special Levy.

Shelmerdines will offer a design and certification service to individual apartment owners to ensure the most effective results, quality of workmanship and certification to CoSC standards. This service will be a direct cost to individual owners.

It is strongly recommended that owners use this service to gain both a professional result and required certification. We may consider mandating this via by-law.

City of Sydney Council

CoSC will require a DA for this work. They will require, at least, a Statement of Environmental Effects from a certified town planner including

- a. Detailed architectural and engineering drawings of every level and site affected.
- b. Appropriate processes ensuring that DA conditions covering location, noise, vibration, drainage and aesthetics of any equipment on common property (balconies) are met by a qualified certifier.

We are advised that CoSC are not certain to approve such a DA; and that we might be required to 'ameliorate' the environmental impact of A/C by installing solar panels. to succeed in gaining DA approval.

It may be that Altair could be issued an over-arching DA; but every apartment wishing to install A/C will also need an individual DA, perhaps under the Altair 'umbrella'.

Solar

We have reviewed solar panels on the roof several times over the past 10 years and the overall equations have not 'stacked up'. This is a complex issue and is constantly evolving with changing government and energy company policies and rapidly developing technology.

With the possibility that we may be required to install solar panels to attain a DA we have retained Shelmerdines to review solar panels.

The business (cost efficiency) case for solar remains weak. Nevertheless, we continue to research avenues which could show a benefit to the building, particularly in relation to pool heating.

Solar will not provide enough additional power to allow any substantive change in our position re A/C. It will not increase our power supply enough to allow unlimited universal A/C.

Architectural Drawings

The strong advice of our Town Planner is that we hire a 'name' architect to produce the drawings required by CoSC as this issue may require advocacy.

The original architect for Altair, Ian Moore, has declined to be involved in this exercise and has expressed strong opposition to further A/C being allowed. He recommends ceiling fans.

On the advice of our Town Planner we have consulted with a 'name' architectural practice for preliminary advice. They advise that this is quite a big draughting job and will likely require architectural (and possibly mechanical) drawings for every affected balcony.

They estimate a cost of approx. \$45k-\$55k; but this could be more depending on the degree of mechanical drawings required.

Legal Requirements

We will require appropriate by-laws covering both the change to the Power Supply and the change to allow A/C in some lots. Grace Lawyers confirm that these actions will need Special Resolution(s).

We will probably need by-laws that strictly proscribe approval processes including design of system. Installation processes covering

- Noise
- Vibration
- Amp limits
- Unit limits
- Drainage
- Location
- Aesthetics
- Inspection procedures
- CoSC Certification procedures

The by-laws might also create a right for each lot to allocated amps whether used now or held unused for possible later usage (by a new owner?).

We do not propose to draft these by-laws until we get a 75% approval from the Owners at a General Meeting to proceed in principle and if required the detailed by-laws would likely be put to the owners at a subsequent General Meeting (2019 AGM?).

Sales Impact

Eight apartments have sold in Altair in roughly the last six months. We have consulted the seven real estate agents involved in these sales to gauge buyer feedback re A/C. NB. **This is a small sample - and does not purport to be a scientific survey** - but there was consistency in the agents' feedback with one notable exception.

- a. The market is 'down' and difficult. Buyers are much reduced in number and can afford to be picky.
- b. There are virtually no buyers seeking non-A/C apartments.
- c. A/C is always a selling positive; but not always critical.
- d. There is, however, a market that will not buy without A/C.
- e. Buyers assume that a premium building like Altair will automatically have A/C. "I can't believe that a building like Altair doesn't have A/C"
- f. Noise can sometimes be an issue at Open for Inspections as the doors have to be left open to let the breeze in.
- g. Lack of A/C varies as an issue, but if it is an issue; it is a huge issue...and usually cannot be overcome.
- h. "These are expensive, premium apartments and people expect the bells and whistles".
- i. Agents note that it is impossible to put a definitive value on A/C, but some speculated that it could be worth between \$50k-\$100k to the right buyer.
- j. They also note that lack of A/C narrows the market and inhibits competition which reduces pricing tension.
- k. It may not be necessary to install A/C, but the right to be able to install A/C would be a strong counter to the lack of A/C.
- l. One agent advised that in their experience buyers interested in Altair knew there was no A/C and therefore it simply was not an issue.

Lack of A/C may not be a defining issue for all buyers, but it **eliminates some buyers** (who expect A/C "at those prices") and reduces pricing tension.

Lack of A/C was generally seen as a negative in a buyers' market.

Costs

All cost estimates follow discussion with our consultants. We believe that these costs are realistically indicative but are not finalized, formal quotes. Costs do not include GST.

Electrical Upgrade	\$290k
Engineering project design and management	\$25k
Architectural and engineering drawings	\$55k
Town Planner	\$10k
Legal Costs	\$10k
Solar Installation (if required)	\$63k
Costs already incurred	\$35k
Total	\$488k

Funding

We can fund Plan B two ways.

1. SPECIAL LEVY

The final cost is likely to be between \$400k and \$500k plus GST. We could fund this amount in two tranches.

Tranche A

- Possibly effective 1 October in line with the normal levy cycle.
- Known fixed costs - \$375k – which is the same as the current quarterly levy.
- Thus, when the first tranche is payable [October?] the average apartment in Altair with a quarterly levy of roughly \$2750.00 would pay \$2750.00 [standard levy] plus 2,750.00 [special levy] = \$5,500.00

Tranche B

- Possibly effective 1 April after all costs are finalized.
- Tranche B would be the balance of the total cost less Tranche A. Probably somewhere between \$25k and \$125k

2. COST AMORTIZATION

We could pay the \$500k for Plan B in 2019 out of the Lift Fund which is essentially Altair's bank.

We have budgeted for about \$1.5m in 2026 to fund the major refurbishment of our lifts.

Accordingly, we would have to make restitution of the \$500k to the Lift Fund to ensure that the fund has the required \$1.5m by 2026

Our normal levies are scheduled to increase by 2% - 3% per annum.

We have modelled paying for Plan B out of the Lift Fund and calculated what would be required to maintain our normal spending plans (including inflation) plus restore the Lift Fund to \$1.5m by 2026.

This would require moving our annual levy increases by an extra 1% from the projected 2-3% to possibly **4% - from 2019 to 2025**. The actual levy would be determined each year by the owners at the AGM.

This method would remove the need for a Special Levy and spread the cost over seven years. It may also have tax advantages for investors.

Your SC believes that Plan B is now a reasonable scheme and a viable option.

It is, of course, a matter for the owners whether they wish to proceed.

Next Steps

- a. We propose an information meeting at **6.30pm on Monday July 16 at the Holiday Inn** where owners can ask questions regarding any aspect of Plan B. There will be no voting at that meeting.
- b. After owners have time to consider their position we will hold an EGM (August?). Owners will vote by entitlements on whether they wish to proceed with Plan B.
- c. There will be a binding over-arching motion to proceed, which will be a Special Resolution.
- d. There will also be a motion on whether to fund Plan B by Special Levy or Cost Amortization.
- e. If we decide to proceed then we will have detailed by-laws drawn up which will require owner approval at a General Meeting (probably the 2019 AGM).

Your Strata Committee

MECHANICAL SERVICES APARTMENT AIR CONDITIONING REVIEW



Shelmerdines
Consulting Engineers

6910 - ALTAIR APARTMENTS

3 Kings Cross Rd, Rushcutters Bay NSW 2011

Additional Available Capacity	1140 Amps (1 Phase)
Existing capacity serving level 17 - 19	296 Amps (1 Phase) -98.7 Amps 3 Phase
Total	1436 Amps (1 Phase)
Diversity	64% (80% occupied running at 80% capacity)
Diversified Capacity	2244 Amps (1 Phase)

APARTMENT NUMBERS	APT TYPE	NO. OF APTS	NO. OF BED-ROOMS	ORIENTATION	AREA (m ²)	TOTAL COOLING (kW)	TOTAL HEATING (kW)	COOLING (W/m ²)	HEATING (W/m ²)	PRORATA AMPS AVAILABLE (1 PHASE)	ALLOCATED DIVERSIFIED AMPS AVAIL (1 PHASE)
101, 102,103	I	3	1	N	74	7.4	4.5	100	61	8.6	13.4
401W, 501W, 601W, 701W	U,P	4	1	NW	58	9.3	6.5	160	112	10.7	16.8
403W, 406E, 503W, 506E, 603W, 607E, 703W, 707E	X,R	8	1	N	42	4.7	3.8	112	90	5.4	8.5
404W, 409E, 504W, 509E, 604W, 611E, 704W, 711E	Y,S	8	1	S	47	4.1	3.9	87	83	4.7	7.4
405W, 505W, 605W, 705W	V,Q	4	1	SW	58	9.0	6.5	155	112	10.4	16.3
402W, 502W, 602W, 702W	W,T	4	1.5	N	63	5.6	4.8	89	76	6.5	10.1
407E, 507E, 608E, 708E	Z,K	4	1.5	N	64	5.2	4.4	81	69	6.0	9.4
605W, 610E, 705W, 710E, 805W, 810E, 905W, 910E, 1005W, 1005E, 1105W, 1110E, 1205W, 1210E, 1304W, 1308E, 1404W, 1408E, 1504W, 1508E, 1604W, 1608E, 1703W, 1706E, 1803W, 1806E	L	26	1.5	WSE	56	7.6	6.4	136	114	8.8	13.7
802W, 803W, 807E, 808E, 902W, 903W, 907E, 908E, 1002W, 1003W, 1007E, 1008E, 1102W, 1103W, 1107E, 1108E, 1202W, 1203W, 1207E, 1208E	M	20	1.5	N	48	4.1	3.5	85	73	4.7	7.4
1302W, 1306E, 1402W, 1406E, 1502W, 1506E, 1602W, 1606E	K	8	1.5	N	72	5.6	4.9	78	68	6.5	10.1
801W, 901W, 1001W, 1101W, 1201W	H	5	2	NWS	74	14.0	9.7	189	131	16.2	25.3
809E, 909E, 1009E, 1109E, 1209E	H	5	2	NES	74	11.7	9.7	158	131	13.5	21.1
804W, 806E, 904W, 906E, 1004W, 1006E, 1104W, 1106E, 1204W, 1206E	J	10	2	NS	86	6.7	6.9	78	80	7.7	12.1
508E, 609E	F	2	2.5	NES	92	12.5	10.8	136	117	14.4	22.6
1303W, 1305E, 1405E, 1503W, 1505E, 1603W	G	6	2.5	NS	110	8.2	8.3	75	75	9.5	14.8
408E, 709E	N,D	2	3	NES	92	12.5	10.8	136	117	14.4	22.6
1301W, 1401W, 1501W, 1601W	D	4	3	NWS	100	15.5	11.3	155	113	17.9	28.0
1307E, 1407E, 1507E, 1607E	D	4	3	NES	100	12.9	11.3	129	113	14.9	23.3
1403W, 1605E	E	2	3	NS	110	8.2	8.3	75	75	9.5	14.8
1701W, 1801W	B	2	3	NWS	150	19.2	14.8	128	99	11.0*	17.2*
1705E, 1805E	B	2	3	NES	150	15.9	14.8	106	99	11.0*	17.2*
1702W, 1704E, 1802W, 1804E	C	4	3	NS	140	10.0	10.2	71	73	18.0	28.1
1901W	A	1	3	NSW	190	23.9	23.4	126	123	20.8*	32.5*
1902E	A	1	3	NES	190	20.4	23.4	107	123	20.8	32.5*
TOTAL - APARTMENTS		139								1436.0	2341.3

TOTAL - RETAIL

1

240

70.0**

NOTES

- The cooling & heating loads noted above are for comparison purposes only.
- The cooling and heating loads of individual apartments should be reviewed in detail to determine actual air conditioning cooling & heating requirements.
- The available amps nominated for each apartment type have been prorated based on the nominal cooling capacity.
- All amp ratings calculated above are quoted as single phase amps, except when noted (* - 3 phase)
- Apartment air conditioning unit Full Load Amps Ratings shall not exceed the single phase Allocated Diversified Amps Available noted above.
- Note air conditioning unit minimum circuit amps rating will be greater than the rated Full Load Amps
- ** - Allocated (single phase) amps for Retail is based on current AC systems installed & is not included in, or impacted by, the proposed additional power supply