

Strata Titles (WA): cost-saving measures can cost more in the end



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Strata disputes can arise for a number of reasons. This article looks at how an over-emphasis on cost saving can lead to increased costs and sources of conflict down the line.

Saving costs on by-laws

If by-laws are not sufficiently clear, this can lead to conflict. Here are a couple of examples of by-laws that illustrate this point:

Example one: *'No owner or occupier will store any items on private balconies above the height of the balcony wall.'*

Example two: *'Every owner occupier or visitor shall ensure that doors and windows are closed quietly and not slam them shut.'*

Example one is open to a dispute over a lamp or flowerpot stand that stands on the floor of the balcony but is visible above the balcony wall.

Example two is open to a dispute as to what amounts to *'quietly'*.

By-laws drafted subjectively are by-laws drafted with less thought or expertise behind them. Those in turn are likely to be the result of less professional time and are probably cheaper to obtain. The deficiencies of poorly drafted by-laws may not be detected till years later when they are challenged.

The cost of resolving the consequent dispute is invariably going to be much higher than the cost of investing in well-drafted by-laws in the first place.

Saving costs on strata managers

Another area to consider is in the engagement of strata managers.

It may be tempting to select the cheapest option. The cheapest option of all is of course to not appoint a professional strata manager.

It might seem like a good way to save money to have the council of owners manage the strata company themselves.

The strata complex is then managed by a volunteer lot owner whose best qualification for the job might be that they have more free time than the others! However, we have seen disputes escalate in the hands of volunteer strata managers. Such escalation can arise because of a lack of skill on the part of the volunteer. They can give rise to opinions that there is a lack of skill, or a bias on the part of the volunteer.

Differences of opinion can get entrenched. That can prolong a dispute and of course, the longer the dispute, the more cost is involved.

One example we have seen is where the volunteer strata manager had weak communication skills. That resulted in misunderstandings that then entrenched the differences between the parties. That dispute ultimately needed lawyers to intervene and help with resolution.



Budgeting

Some councils of owners seek the lowest cost options when making decisions that result in the budget. Yet, as with anything in private and working lives, the cheapest option can often not be the best quality option.

One example we have seen involved a roof plumber who was engaged to deliver a limited service on the gutters. This resulted in a couple of the lots suffering water damage from overflowing gutters. The consequence was substantial cost to rectify the damage and to manage the dispute between the lot owners and the strata company.

‘Make sure that cost saving is not the main or only motivator.’


The budget can also be a source of tension where different lot owners have different priorities.

For example, lot owners who are absent landlords may prefer to save on maintenance costs, in order to achieve a better return on their investment. However, lot owners living in the same complex may prefer to spend a bit more because they want to make the common property look nicer.

The same story applies here. An absent landlord may think that they are benefitting from cost-saving measures. However, the problem with saving costs on maintenance plans is that in the long run, this can have a negative impact on the value of the investment.

Conclusion

When making decisions for the strata complex, councils of owners should exercise due diligence and make sure that cost saving is not the main or only motivator.



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