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Adapting strata title communities for climate change

A stakeholder action list manual

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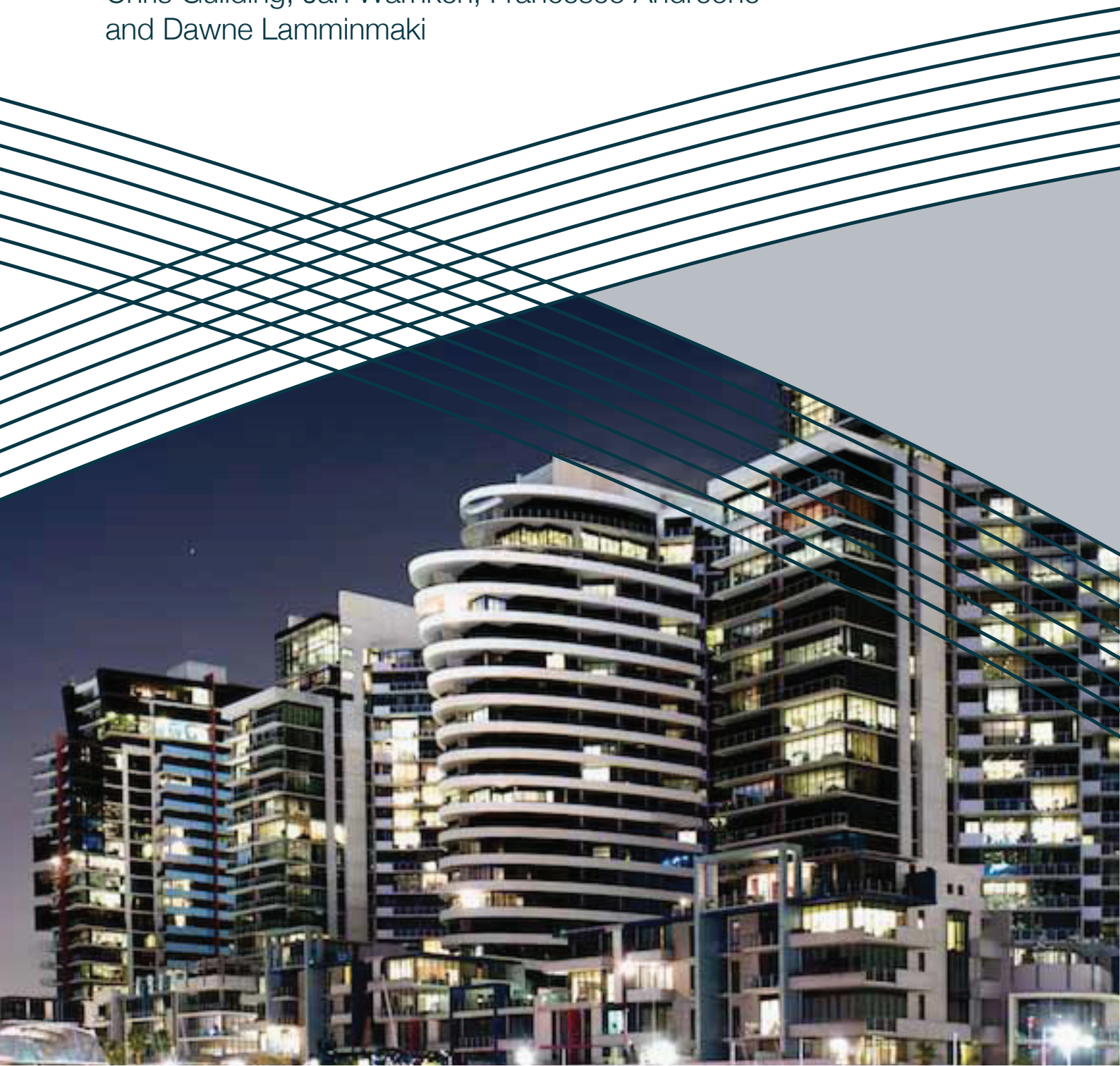
and Dawne Lamminmaki



ADAPTING STRATA TITLE COMMUNITIES FOR CLIMATE CHANGE:

A stakeholder action list manual

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The role of NCCARF is to lead the research community in a national interdisciplinary effort to generate the information needed by decision-makers in government, business and in vulnerable sectors and communities to manage the risk of climate change impacts.

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We would also like to thank those members of the strata title community who gave of their time and insights to inform the study. We thank the 11 individuals who participated in the industry reference group series of meetings that guided and informed the study's direction. We thank the 18 strata title industry representatives who participated in the study's exploratory interview phase and also the 450 individuals who completed the study's on line questionnaire survey.

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Introduction

This manual provides 25 recommendations that are directed to better preparing strata titled communities for climate change. A grant received from the *National Climate Change Adaptation Research Foundation* supplemented by a grant received from *CHU* (a specialist strata title insurance company) has enabled the conduct of research that has culminated in the preparation of a report and also this manual. The research, conducted in 2012, involved preparation of a literature review, a cross state review of pertinent strata title legislation, a series of meetings with an industry reference group, conduct of interviews with a cross-section of strata title industry experts and the administration of an on-line questionnaire survey.

For the interested reader, a detailed account of these research phases is provided in a larger companion report that is directed more to policy makers. This larger report is entitled "*Climate Change Policy Making for Strata Titled Communities: Development and Analysis of Recommendations*". Further practical guidance on preparing for climate change can also be found at the *Green Cross Australia* website www.hardenup.org. This website includes online tools designed to help households prepare for weather emergencies, while taking into account property location and unique physical features.

The purpose of this manual is to provide a succinct outline of the recommendations arising from the study and to provide a rationale for each of the recommendations advanced. The recommended actions have been grouped according to the strata title stakeholder group most clearly responsible for each recommendation's implementation. It should be noted, however, that implementation of some recommendations relates to more than one stakeholder group. Following the presentation of each recommendation, a rationale for the recommendation is provided.

Recommendations Requiring Government Action

> ***Government Recommendation 1:*** *Establish and maintain a website and related social media outlets that provide a persuasive and authoritative rationale concerning the need for strata title complexes to invest in greater building climate change resilience.*

Government Recommendation 1 Rationale: Web-based technology can be drawn on as a powerful medium to disseminate information to unit owners. This form of information delivery has a permanent accessibility quality that is not evident in printed materials. This 'permanent accessibility' factor is believed to be important as the stock of people living in strata and community title (S&CT) complexes is constantly changing as new owners and residents move in and out of buildings. Comments made during the conduct of interviews with key stakeholders suggest there is a widely-held view that strata title complex residents generally have a minimal appreciation of important issues affecting them and their building and often they do not know where to find information. So, being able to gain ready access to relevant information and resources, that are kept up to date, could greatly facilitate unit owner understanding of issues, and in particular, what climate change adaptation initiatives can be adopted in a strata title context. The interviewees also commented on the considerable challenge associated with convincing body corporates to expend on enhanced infrastructure, even when a very strong case has been prepared by a building expert. It appears a range of approaches needs to be employed to counter a widespread and pervasive "expenditure

minimisation" culture held by lot owners in bodies corporate and one potential approach is to educate via well designed web sites.

> ***Government Recommendation 2:*** *To make it easier for body corporates to pass a decision to invest in climate change related property upgrades, reduce the threshold vote required for such decisions from the current unanimous or special resolution (three quarter majority) to a simple majority decision.*

Government Recommendation 2 Rationale: Presently strata and community title complexes must repair, maintain and replace the common property which comprises most of the building structures. This responsibility is limited to existing structures and does not extend to changes or upgrades. Any changes, upgrades (or removals) require decisions by more than a majority of owners, usually a 75% majority decision, but in some states and for some things, a unanimous decision can be required. This represents a barrier to climate change adaptation implementation, as it allows 26% of owners (or less when there are lower meeting quorums) to prevent authorisation of the work. Reducing the decision threshold for climate change adaptation work will make it easier to approve and more likely to occur. A reduction to a majority decision threshold is recommended for a neutral position and a reduction to a lower level (for instance a vote of more than 33.3% of owners) will operate to proactively encourage it.

> ***Government Recommendation 3:*** *Acknowledge the reality that some strata title complexes may become uninsurable or be unable to obtain affordable complete insurance cover by creating a 'lower insurance cover' or 'uninsurable' building category, subject to appropriate decisions and disclosures.*

***Government Recommendation 3 Rationale*:** Such a provision would allow uninsurable strata title buildings to continue to operate and to comply with law. A significant benefit that would derive from implementation of this recommendation is that it would result in considerable media attention being directed to the 'uninsurability' issue and cause body corporates and unit owners to attach much greater importance to investing in greater building climatic change resilience.

> ***Government Recommendation 4:*** *Similar to the energy rating system that has been developed for buildings, to develop a building 'weather event resilience' rating system that provides an overall score based on sub-scores relating to different weather event risk exposures (e.g., 'flood resilience sub-score', 'fire resilience sub score', 'cyclone resilience sub-score', etc.).*

Government Recommendation 4 Rationale: Purchasers of strata title units can be expected to be ill-informed with respect to a building's resilience to extreme weather conditions. As a result, they may unknowingly purchase a unit in a strata title building that is particularly prone to extreme weather event damage. By creating a 'weather event resilience' rating system, demand for units in buildings that suffer from poor weather event resilience would decline, with the result that the value of such units would also decline. This value impact of a 'weather event resilience' rating system would therefore cause developers to take steps to avoid their buildings being given a low 'weather event resilience' rating.

With respect to this recommendation, it is noteworthy that the *Australian Resilience Taskforce* (an initiative of the *Insurance Council of Australia* that is intended to promote increased resilience in Australian communities), is pursuing a similar initiative. It is developing a 'Building Resilience Rating Tool' (BRRT) that is concerned with rating the ability of a building to withstand extreme weather events. The BRRT is designed to

encourage homeowners, homebuilders and property professionals to adopt improved material selection and design.[1]

> ***Government Recommendation 5:*** *Establish an emergency status designation for strata titled complexes which would signify a change in governance arrangements to deal with the changed circumstances confronted by owners, committees and managers during an emergency weather situation.*

Government Recommendation 5 Rationale: Governance procedures in strata and community title complexes are highly regulated. They involve strict and formal processes for decisions, funding, payment and variation. Adherence to such procedures can slow down decision making, as adequate notice to affected parties has to be provided. Usually, no single person can make any decisions unilaterally and/or immediately without the risk of challenge, invalidity or personal exposure. When an emergency arises, however, speedy decision making can be of the essence. Resources may not be available for meetings, owners may not be contactable, yet decisions are needed immediately. Particular powers could be assigned to a specially trained owner or a resident manager who is likely to have knowledge of the physical infrastructure, how the facility works and how things can be shut down. Defining when there is an emergency in a strata and community title complex and changing governance protocols during that time may facilitate faster and more effective decision making that can save money, preserve property, limit damage, minimise conflicts and, maybe, save lives. A key challenge that would need to be worked through is the agreed definition of what constitutes an emergency situation and which authority should have the power to invoke it.

> ***Government Recommendation 6:*** All strata title complexes above a certain size should be legally required to develop and communicate an emergency evacuation and management plan that is to be implemented immediately prior to, during and in the aftermath of a significant emergency weather event.

Government Recommendation 6 Rationale: Comments made by subjects interviewed highlighted a need for mandating a staged emergency management plan that would include the establishment of appropriate modes of communication to inform unit owners and building occupants about looming threats, possible steps/modes/time frames for evacuation, arrangements/options for alternative accommodation, etc. A potentially valuable resource that relates to this recommendation is the *Green Cross Australia* website: www.hardenup.org. This site provides information, news, interactive tools and guides for people in Queensland to better prepare for extreme weather events. Especially pertinent to the recommendation provided above is the following site that has tools that take into account location and unique property features: http://hardenup.org/prepare-yourself/harden-up-plan/what-is-a-harden-up-plan.aspx

> ***Government Recommendation 7:*** Government (national, state and/or local) and private sector organisations with vested interests (e.g., insurers and lenders) to subsidise climate change adaptation works on one or more typical strata title buildings in order to provide a model of the type of climate change adaptation works that can be undertaken and to showcase the resultant benefits.

[1] See: www.buildingresilience.org.au/building-resilience-rating-tool.

Government Recommendation 7 Rationale: Since awareness levels about climate change, climate change impacts, appropriate adaptation works and the resultant benefits appear to be low amongst S&CT stakeholders, information and examples to help them understand what adaptation works can be undertaken are particularly important. The existence of examples of what climate change adaptation works can be achieved would be a valuable resource that could be drawn upon by any climate change adaptation champions working or living in a S&CT complex. It is notable that the creation of model examples of S&CT building actions and options have already been pursued by government in connection with ecologically sustainable development and other environmentally sustainable initiatives.

> ***Government Recommendation 8:*** Government and industry based training courses directed to strata title unit owners, committee members, managers and other stakeholders to include a 'prepare your strata title building for climate change' component.

Government Recommendation 8 Rationale: As part of a wider effort to promote S&CT stakeholder education, training on climate change issues and challenges should be made available to all key stakeholders. Since the knowledge in question is largely universal to all stakeholders, a generic training module that is appropriate for owners, committee members, strata managers and resident managers could be developed.

> **Government Recommendation 9:** A pro forma disaster management plan or plans for strata title communities should be developed by government and/or non-government bodies and made available on a government and privately maintained "prepare your strata title building for climate change" website.

Government Recommendation 9 Rationale: There are already many resources concerning weather emergencies and other disasters, but in only very limited situations do S&CT buildings adopt them. It appears that even when adopted in the S&CT context, they are for limited kinds of emergencies. Yet much of the information and knowledge is universally applicable. So, developing pro-forma disaster and emergency management plans that can simply be adapted to suit individual S&CT building needs is recommended. Similarly, associated information for owners, residents and other stakeholders can be prepared to inform them of possible plans and important details. It is notable that *Green Cross Australia's* www.hardenup.org website contains pro forma information for tenants about extreme weather preparedness. This was developed in conjunction with the *Residential Tenancies Authority*. This resource would provide valuable input to the design of any government initiated pro forma disaster management plan that is tailored to the S&CT context.

Recommendations Requiring Action by Banks

> ***Banking Recommendation:*** *Banks to develop an appraisal procedure to rate a strata title complex's exposure and resilience to climate change weather events and apply the rating as part of lending criteria utilised when extending mortgage loans to strata title unit purchasers.*

Banking Recommendation Rationale: Banks (as mortgagees) have a significant interest in the physical resilience of many strata and community title complexes since a complex's physical resilience can impact on a unit owner's liability exposure and therefore their capacity to repay a loan. As a consequence, banks are also exposed to

risk when strata and community title buildings are not sufficiently resilient to the threat of climate change induced damage, so these risks should be appropriately priced into the cost of loans. Banks taking such steps will raise owners' awareness of the need to ensure their strata title complex has high climate change threat resilience. If acted upon, this recommendation would provide banks with a more informed assessment of building, owner and borrower exposure.

Recommendations Requiring Action by Sinking Fund Forecasters

> ***Sinking Fund Recommendation:*** *Include projected expenditure on climate change building adaptation measures as a clearly defined part of forecast capital works by strata title complexes in sinking fund planning and forecasting.*

Sinking Fund Recommendation Rationale: Presently, strata and community title complexes are required in most states to prepare plans for capital replacement works for common property and to develop estimates of likely costs for 5 to 10 years into the future. But such plans and estimates are limited to replacing existing structures with equivalent structures. Adaptation for climate change will usually involve changes to existing structures, upgrades to materials and additional structures or equipment. Due to their 'upgrade' nature, such expenditure is not included in this planning and forecasting process. Including it as an additional factor to assess (perhaps along with other socially or economically desirable improvements) will facilitate adaptation being considered, funded and undertaken.

Recommendations Requiring Developer Action

> ***Developer Recommendation 1:*** *Developers should be provided with information and kits about climate change and its impacts on and adaptation strategies for strata titled complexes and be required to provide this information to buyers of units in new strata title complexes.*

Developer Recommendation 1 Rationale: Owner appreciation of the potential for weather inflicted property damage can be furthered by capitalising on the initial purchase of a unit as an information dissemination opportunity. The purchase of a unit would appear to represent a time when owners are highly receptive to information about their new investment. When developers sell apartments in S&CT complexes they usually provide new owners with a range of information about their apartment and the complex. Much of this may be operational information, however there is little reason why this cannot be broadened to include climate change matters. Since new owners have paid significant amounts for their apartments and are reliant on key information provided by a developer, this may be a powerful way to promote owners thinking about climate change matters.

> ***Developer Recommendation 2:*** *New building constructions should meet heightened standards with respect to climatic event resilience. For example, to lessen potential flood damage, significant lift infrastructure should be housed above basement levels.*

Developer Recommendation 2 Rationale: Decisions taken by a developer have a long lasting impact that endures for the entirety of a building's life. Given the onset of climate change, it appears to be of paramount importance that new buildings are constructed to higher standards in a manner designed to promote climate change

resilience. It is much cheaper to engineer heightened building standards during the construction phase of a building than by conducting retrofit construction following a building's initial construction phase.

> ***Developer Recommendation 3:*** *As part of the building development and construction approval process, require that an evacuation plan and general disaster management plan be included in a scheme's original documentation prepared by developers.*

Developer Recommendation 3 Rationale: Implementation of this recommendation would result in all new S&CT buildings having an evacuation and disaster management plan. This plan should be made readily available to all owners and residents. If pro forma plans are available (as per 'Government Recommendation 9'), then developers could simply adapt them to the particular needs of each building that they develop. This practice would also focus developer attention on climate change and weather emergencies before a S&CT building is completed. Over time, this can be expected to influence the design of buildings in a manner consistent with better preparedness for climate change.

Recommendations Requiring Resident Manager Action

> ***Resident Manager Recommendation 1:*** *Provide information and training modules for resident managers about climate change and its impacts on and adaptation strategies for strata title complexes.*

Resident Manager Recommendation 1 Rationale: Resident managers are appointed to assist S&CT complexes manage the day to day operation of their buildings and therefore play an important role in identifying physical issues warranting attention and proposing specific changes in a building's infrastructure. Resident managers are strongly placed to influence such matters. Not only do they have high levels of knowledge and understanding of building structure and condition, in addition they frequently live in the building that they manage, signifying that they are highly visible to owners and residents. If a resident manager fails to develop an understanding of climate change (CC), he will not be alert to the potential impact that CC can have on a building and the opportunity to capitalise on his significant position within a strata title community will be squandered. This rationale underscores the importance of resident managers having easy access to information and training with respect to CC.

> ***Resident Manager Recommendation 2:*** Introduce a requirement that in strata title complexes above a certain size, resident managers must complete a disaster management response training course to improve their capacity and powers to co-ordinate the activities of a building (evacuation, etc.) in the event of an emergency weather event.

Resident Manager Recommendation 2 Rationale: As a resident manager is a party with considerable knowledge of a building's infrastructure, and because they are a resident of the strata title property where they work, they are well placed to coordinate activities in the event of a weather related disaster.

> ***Resident Manager Recommendation 3:*** Resident manager and strata manager contracts to include provisions covering the type and extent of their responsibilities and authorities in the event of an emergency incident.

Resident Manager Recommendation 3 Rationale: Enquiries made by the research team suggest that it is rare for current strata and resident manager contracts to contemplate weather emergencies. The absence of such provisions creates unnecessary uncertainty with respect to who is responsible for what actions, should such an emergency event occur. Emergency event management can be expected to proceed more smoothly and in a more expeditious manner should clarification be given to the obligations of managers, with specifications given with respect to what actions a manager should and should not take. If such matters are contracted for, a provision should also be made for a manager receiving appropriate remuneration for emergency event responsibilities undertaken.

Developing a set of pro-forma provisions for manager contracts is recommended. Such provisions could then be adopted or modified to suit individual S&CT building and manager situations. Such provisions should include mechanisms that would allow changes to be made to some of the more specific details of the emergency actions, in light of evolving technologies and knowledge.

Recommendations Requiring Strata Manager Action

> ***Strata Manager Recommendation 1:*** *Provide information and training modules for strata managers about climate change and its impacts on, and adaptation strategies for, strata title complexes.*

Strata Manager Recommendation 1 Rationale: Strata managers are appointed to assist strata and community title complexes manage their buildings and therefore play an important role in determining the issues those complexes consider and implement. Usually this involves planning for, implementing and recording administrative functions, organising insurance, budgeting and forward financial planning. As strata managers have a potential to influence decision making across their entire client base, it appears appropriate to direct resources to raising strata managers' awareness of climate change and also what building adaptation steps can be taken in light of climate change.

> ***Strata Manager Recommendation 2:*** *Strata managers should be encouraged to become champions of climate change awareness and adaptation for strata and community title complexes.*

Strata Manager Recommendation 2 Rationale: Since strata managers are engaged by strata and community title complexes to assist them manage their buildings and are usually contracted for extended periods, they are relied on for more than just the services they provide. Usually, strata and community title complexes rely on strata managers' experience and judgment to determine what policies and strategies should be implemented in their buildings. Many owners view strata managers as 'the strata titled property management expert'. This would appear to place the strata manager in a strong position to champion particular causes in a S&CT scheme.

> ***Strata Manager Recommendation 3:*** *See Resident Manager Recommendation 3.*

Recommendations Requiring Owners Committee Action

> ***Committee Recommendation:*** *Create climate change adaptation awareness champions within and outside strata title complexes.*

Committee Recommendation Rationale: This recommendation does not exclusively apply to owner committees, however it is important that owner responsibility for action and initiative is flagged. Comments made by subjects interviewed strongly suggest that it is nigh on impossible to get a S&CT complex to do something that is not mandatory or critical, without having one or more champions of the project in the complex. Whether the project relates to making a cosmetic upgrade, making improvements to save energy or adapting a building to better handle climate change, someone needs to organise and prepare the necessary actions, advocate for decisions with owners and at meetings, and follow up on implementation. This suggests that finding, encouraging, recognising and rewarding champions in S&CT complexes for climate change adaptation is a necessary precursor to adaptation. A champion could be an owner, resident, committee member or manager. This recommendation could be facilitated through training workshops provided by an organisation such as 'Green Strata'.

Recommendations Requiring Insurance Sector Action

> ***Insurer Recommendation 1:*** *Insurers should be required to make their insurance appraisal of a strata title complex's weather event risk exposure publicly available in a manner that the information can be easily accessed by owners and potential purchasers of lots in the building.*

Insurer Recommendation 1 Rationale: As the insurance industry appears unlikely to provide a publicly available model that would allow strata title lot owners to calculate estimates for their insurance premium, lot owners should be provided with information that will improve their awareness of the reasonable cost of mandated insurance cover for their S&CT complex. This could place bodies corporate in a much better position to identify excessive estimates for their cover and should help to increase communication between body corporate committee members (and/or their 'champions') about body corporate insurance issues.

> ***Insurer Recommendation 2:*** *Insurers should base insurance risk assessment on a building's specific characteristics, not just its geographical location. Basing insurance premiums on a building's specific characteristics, which incorporate climate change resilience, will provide unit owners with an incentive to invest in adaptation to improve a building's climate change resilience.*

Insurer Recommendation 2 Rationale: Since insurance premiums are not being based (in most cases) on specific S&CT buildings' resilience, there is a diminished incentive for owners to invest in improving such resilience. Requiring more building specific risk assessment by insurers would result in a fairer building resilience assessment, more appropriate and equitable premium allocations, as well as greater clarity for S&CT building owners with respect to how investment in building adaptation can result in decreased insurance premiums. Ideally, any building resilience investments and climate change adaptation works that reduce insurance premiums should have universal insurance sector approval, so that S&CT buildings that have undertaken such works would have the benefits recognised in premiums quoted, regardless of the insurance provider.

Challenges associated with implementing this recommendation include identifying the infrastructure characteristics that affect building resilience from an insurance risk perspective, ensuring that adaptations are universally recognised by insurers and the additional costs incurred by insurers in connection with conducting building specific insurance assessments.

The development of any new risk assessment guidelines should be made in conjunction with the work of the *Australian Resilience Taskforce*, which is an initiative of the *Insurance Council of Australia* that is intended to provide a platform for collaboration, and alignment across government, industry and non-government organizations to enable increased resilience in Australian communities (www.buildingresilience.org.au).

> ***Insurer Recommendation 3:*** *Insurance companies to provide strata title schemes with a policy option to insure for infrastructure upgrades, in the event of a claim, not simply for the cost of replacement. Such upgrades could be conducted in a manner consistent with engineering greater building climate change resilience.*

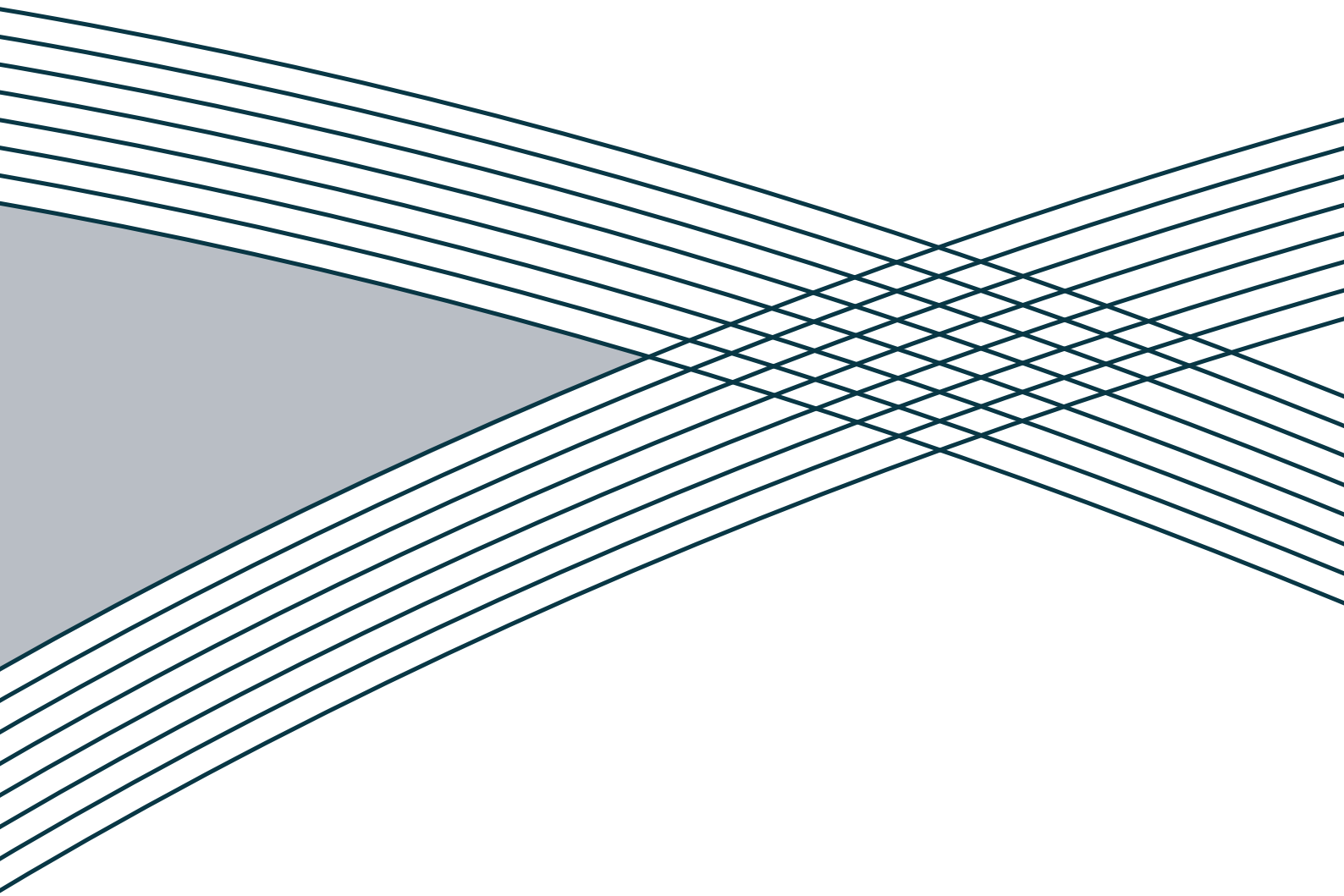
Insurer Recommendation 3 Rationale: Currently, 'like for like' replacement policies for S&CT buildings combined with strata law obligations to 'keep in good and serviceable repair' signify that buildings will almost invariably install equivalent replacement structures following weather damage. This signifies an opportunity for improvement and engineering better climate change resilience is lost. A challenge in implementing this recommendation would likely stem from an apparent widely held insurance industry culture that is opposed to 'betterment'. A second problem in implementing this recommendation concerns how 'betterment' could be handled in an insurance policy. One way of dealing with this issue could be to include a policy clause stating that the policy will fund the replacement of infrastructure with infrastructure that is (say) up to 25% more expensive than a 'like for like' replacement.

Recommendations Requiring Action from Professional Strata Title Associations

> ***Professional Association Recommendation:*** *Professional and other non-government bodies such as the Australian Residential Managers Association, Strata Community Australia and Green Strata to develop a listing of experienced consultants and/or recommended experts who can be engaged to advise owner committees that wish to undertake climate change building adaptation planning and work.*

Professional Association Recommendation Rationale: Since S&CT unit owners, strata managers and also resident managers are unlikely to have particular climate change building adaptation expertise, they will need advice and guidance. If seeking climate change advice, these key stakeholders are likely to seek information from experts in the field. This is particularly so, given that climate change advice represents a relatively new expert discipline. Since the expertise is developing as both a discrete discipline and also part of more general building technology, insurance and building management disciplines, a multiple expertise identification approach could be taken.

At the time of preparing this manual, relative to the potential demand for this type of advice, there is likely to be a shortage of experienced people. This factor further motivates this recommendation, as increased visibility given to experts in the field would likely result in more professionals seeking to develop a climate change building adaptation expertise. This signifies that in the early years in particular, the listing of experts would need to be updated regularly. In addition to providing details of appropriate consultants and experts, the listing could also provide information on the kind of experience advisors should have and also the types of questions that S&CT building executives and managers could ask potential advisors.



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