



Major changes to strata laws

New strata laws will start on **30 November 2016**. They have been modernised to fit the reality of living in a strata townhouse or apartment today.

The new building defect bond scheme will start on 1 July 2017.

Currently more than a quarter of NSW's population lives in, owns or manages strata.

Many new requirements will not impact strata communities immediately. This includes allowing time for pre-appointed strata managing agents, building managers and executive committee members to continue in their roles once the law reforms start.

Some key changes include:

- strengthening the accountability of strata managers
- allowing owners to adopt modern technology to conduct meetings, vote, communicate and administer their scheme
- the need for owners to review by-laws (strata community rules) within 12 months, which can be customised to suit their lifestyle - such as whether to allow owners to keep a pet by giving notice to the owners corporation
- a process for the collective sale and renewal of a strata scheme
- a simpler, clearer process for dealing with disputes
- broadening tenant participation in meetings
- a new option to manage unauthorised parking through a commercial arrangement between a local council and a strata scheme
- a clearer and simpler three-tier renovations process, which waives approval for cosmetic renovations within the strata lot (for example, installing handrails for safety).

There are also measures to reduce red tape, such as simplifying financial statements for owners.

Use the following information to understand how the new strata laws will affect you and subscribe to our Strata update newsletter.

What you need to do now

Strata schemes have plenty of time to understand and adjust to new requirements after the reforms start.

The existing owners corporation, which all owners automatically belong to, continues to operate. Also, the previous executive committee becomes the new 'strata committee'. This means that there is no need to hold a meeting immediately after 30 November 2016, or appoint people to the strata committee until the next AGM.

Be aware that:

- decisions already made and financial contributions already levied under pre 30 November laws remain valid once the new laws start
- legal proceedings already underway will be dealt with under the former Act that was in place when proceedings began.

There are some things that the strata committee, owners and occupants can do to begin preparing for the change.

A key step for anyone who owns or lives in a strata scheme is to start looking at the model by-laws. These provide sample rules that you can use to guide your strata scheme in thinking about how to operate in the future.

Refer to the relevant heading below for some more specific things to do. Visit our website from 30 November 2016 for the full suite of information on the new strata laws.

Owners

Review the new model by-laws and consider whether these may be suitable for your scheme. The model by-laws include options for rules on permitting pets, preventing nuisance smoke and other lifestyle issues.

All schemes must review their current by-laws by 30 November 2017. If your strata scheme decides that there should be changes, you can choose to adopt some or all of the model by-laws or adapt your current by-laws to better suit your scheme's particular circumstances.

Consider how you would like to participate in meetings, such as electronically, by phone and whether your scheme should adopt electronic voting.

Landlords

Landlords must notify the owners corporation in writing of each tenancy and can provide the tenant's email address for the strata roll. This helps the strata committee to determine whether the strata scheme should have a tenant representative (where at least half of the properties are being rented).

Be part of the conversation when your by-laws are reviewed in the next 12 months and consider which changes could make it easier for you to rent out your unit, for example.

Become informed about the streamlined process for getting renovations approved. This should make it easier for you to add value to your investment. It should also make the process simpler if you decide to pursue a tenant's request for alterations.

Tenants

Tenants should be aware that where at least half of the properties in the strata scheme are tenanted, they will be invited to elect a tenant representative to the strata committee (the committee responsible for the day-to-day running of the strata scheme). This is done before the next AGM.

Tenants should check noticeboards and keep informed in case their strata scheme makes changes to current by-laws. This may happen when the strata scheme reviews its rules (by-laws) before 1 December 2017. Remember, you still have to get your landlord's approval first to do things such as keep a pet or make any alterations to the property.

Strata committees

Review any contract with your strata managing agent or caretaker or building manager entered before 30

November 2016 and be aware of these end dates on their term of appointment:

- For a strata managing agent, all current contracts will end up to 3 years after their term commenced or on 30 May 2017 (that is, 6 months after the new laws start), whichever is the later.
- For a caretaker or building manager, all current contracts will remain in force for up to 10 years after the laws commence, unless there is a shorter period in the terms of the contract.

Use your next AGM for the owners to consider the model by-laws, whether to use electronic notices and voting, and any other changes your scheme may want to adopt. Once you review your by-laws, the scheme will need to lodge a full set of all by-laws with the NSW Office of the Registrar General.

Be aware that where at least half of the properties in the strata scheme are tenanted, the owners corporation must call a tenants meeting to elect a tenant's representative. This must be done before the AGM.

Also, make sure you understand how the new laws about proxies, renovations, and a collective sale will impact on the decision making of the scheme.

Your scheme may also want to consider:

- adopting the Common Property Memorandum to clarify repair and maintenance responsibilities
- developing an internal dispute resolution process.

Strata managing agents

Be aware of the date that your contract will be terminated. Under the new laws, all current contracts will end up to 3 years after the term commenced or on 30 May 2017 (that is, 6 months after the new laws start), whichever is the later.

Be an industry leader and support your strata scheme to explore and adopt electronic communications options that make it easier for them to take part in meetings and decision making. Examples include web or phone conference calls, or an electronic voting service.

Review your processes for seeking insurance for owners corporations. Strata managing agents must now seek at least three quotes from different providers when sourcing insurance as part of the strata scheme's requirements to have certain types of insurance in place.

Stay informed - register for updates

Owners, committee members and strata managing agents can stay informed by subscribing to our Strata update newsletter. This will make sure you are notified as soon as the new *Strata living* guide is released and when we roll out our 2017 program of strata reforms information sessions.

Fair Trading has also produced strata reforms myth busters to dispel some of the most common misconceptions about the new laws.

Attend a seminar

For a full list of **free strata reforms information sessions** run by Fair Trading, visit the events register on the Fair Trading website.

Key changes are explained in the following sections. Refer also to our Frequently asked questions - strata reforms