

From the Executive Committee

UP3488 – Town Hall meeting Wednesday 9 October – Additional information

Dear Owners

The Town Hall meeting to be held on Wednesday 9 October 2024 presents an opportunity for owners to learn more about the NewActon South hail damage insurance claim and combustible cladding replacement project.

While our insurers will fund the replacement of hail damaged combustible cladding, the Owners Corporation (OC) is liable for funding the replacement of the remaining undamaged combustible cladding. The current estimate of the OC's liability is \$1,718,491.00 including GST. A representative from our project manager Build& will provide a presentation on the overall project, followed by a Q&A session.

Owners are particularly encouraged to attend the meeting to gain an understanding of the funding options available to pay for the OC's portion of the overall cladding replacement project. Motions for the funding options will be presented for consideration at the Annual General Meeting on 26 November 2024. Additional information on the options will also be shared with owners after the Town Hall meeting as it becomes available.

Three options are available to fund the OC's liability: an unsecured strata loan in the name of the Owners Corporation; or a special levy; or an updated sinking fund plan to include the cladding project with levies increased accordingly. At the AGM, one funding option motion must be agreed and carried.

Representatives from the ACT Government will present on the combustible cladding concessional loan scheme. If a loan under that scheme is granted, it would allow the OC to draw on a strata loan administered by Lannock Strata Finance at a concessional interest rate (currently 4.2%) to fund the OCs cladding replacement liability.

Representatives from Lannock Strata Finance will complement the ACT Government presentation to outline the loan requirements, repayment terms and other mandatory requirements (such as AGM motions) to support the OC as borrower. A strata loan would require all owners as members of the OC to participate in the loan funding model.

A strata loan is also possibly the most complicated funding option for the OC and owners to consider and administer, so it is important that owners read the supporting documents and guides supplied by Grady Strata at: [New Acton South Cladding Fact Sheets Major Projects](#) and participate in the Q&A sessions.

The second option is a special levy, to be paid within the OC's financial year 1 October 2024 to 30 September 2025 to fund the OC's liability. The special levy is determined by lot entitlement and would be paid in three instalments in addition to standard administrative and sinking fund levies due.

The third option is to incorporate and fund the OC's cladding liability within an updated sinking fund plan. This would require a consequential increase in sinking fund levies spread over several years to cover the project expenditure, at the same time preserving sufficient funds within the overall sinking fund to meet the OC's primary legal obligations to maintain our building, while also accounting for other capital expenditure requirements and rising costs.

An updated and combined maintenance and sinking fund plan has been commissioned in two versions: one to incorporate the cladding project funding along with revised costings to account for contemporary plant and equipment maintenance and replacement costs; and one without the cladding funding but retaining revised costings to account for contemporary plant and equipment maintenance and replacement costs. Further information on this possible option will be provided when available.

Additional documents are attached to further assist your preparation for the Town Hall meeting:

- (1) Circular prepared by Build& outlining the cladding project.
- (2) Building elevation diagrams showing the combustible cladding elements to be replaced under the project. Combustible cedar panelling located on the interior of balcony walls will also be replaced.
- (3) A simple loan calculator provided by Lannock Strata Finance, amended by the Executive Committee, to show indicative loan repayments over 5- and 10-year terms at the concessional rate of 4.2% according to lot entitlement.

While the loan calculator shows monthly repayments, the OC would bill owners in three instalments over the financial year in addition to the standard administrative and sinking fund levy liabilities. Initially, owners would be liable for interest-only payments until the completion of the project, at which time combined principal and interest repayments would commence.

- (4) A schedule showing the Special Levy according to lot entitlement, to be paid in three instalments over the financial year 1 October 2024 to 30 September 2025 in addition to standard levy liabilities.
- (5) A table compiled by the Executive Committee to illustrate and compare indicative payments for the special levy and annualised and total repayments for the 5- and 10-year loan terms.

The loan calculator and special levy and comparison tables are for illustrative purposes only and subject to validation.

4 October 2024