

Publication Date: 02 May 2016
YSP Podcast Transcript: Episode 009. How legislative changes around urban renewal affect you as a strata owner

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Intro: Welcome to Your Strata Property. The podcast for property owners looking for reliable, accurate, and bite-sized information from an experienced and authoritative source. To access previous episodes and useful strata tips, go to www.yourstrataproperty.com.au.

Amanda Farmer: Hello and welcome. I'm Amanda Farmer and this is Your Strata Property. Today, we welcome Dr. Hazel Easthope to the show. Hazel is a senior research fellow at the University of New South Wales. Throughout her career, she has worked on numerous research projects in the housing and urban policy area. Hazel's main area of research is residential decision making and satisfaction, with a particular focus on the experiences of apartment residents and owners.

Recently, Hazel and her colleagues at the University of New South Wales conducted a study which asked an important question: how do we effectively redevelop older strata buildings to achieve the higher densities needed to accommodate population growth without leading to inequality and social disruption?

The answer to that question, together with the results of some very detailed research, was released at the end of 2015 in a form of a report. That report is called "Renewing the Compact City: Economically Viable and Socially Sustainable Approaches to Urban Redevelopment."

With this extensive research under her belt, Hazel is here today to talk us through the often anxiety-ridden topic of strata scheme redevelopment and renewal. Welcome Hazel.

Dr. Hazel Easthope: Hi.

Amanda Farmer: Lovely to have you with us today.

Dr. Hazel Easthope: It's lovely to be here as well.

Amanda Farmer: Hazel, why do you think it's so important that people living in and owning strata units are aware of and understand the concept of urban renewal?

Dr. Hazel Easthope: The reason strata residents and owners need to know about urban renewal is there has been an increasing amount of talk in Sydney about the potential to renew areas with older apartment buildings.

Basically, what urban renewal means is redeveloping land. So, there's a couple of reasons that has been more and more talk about redeveloping older strata units.

The first is we've got quite a lot of older apartment buildings that at some stage are gonna need pretty substantial major repairs or might even need to be demolished or replaced. And on the other hand, we've also got government policies that are trying to increase housing density to provide more housing and to make more efficient use of the infrastructure and the services that are in cities and older low rise and medium rise apartment blocks are often in areas with a high amenity where high rise blocks could be put.

It's also really important that strata owners know about this issues because the law has changed in New South Wales to make it easier to renew strata buildings, so to make it easier to knock them down and rebuild them. And essentially the new laws are changing the balance between valuing personal property rights on the one hand and the goals of urban renewal and high density development, by increasing density, on the other so it's pretty substantial social change.

Amanda Farmer: Yes. So, if you are living in or investing in strata or thinking about it, it's important to be across this changes.



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Dr. Hazel Easthope: Absolutely.

Amanda Farmer: So, you mentioned some changes in legislation. Can you talk us through what those changes are and how you think they might affect people in strata?

Dr. Hazel Easthope: Sure. So, at the moment, before you can knock down and redevelop an apartment building or a strata building, the strata scheme has to be terminated. And what that means is that the owners corporation has to be dissolved. And until now, making the decision to terminate a strata scheme has required a hundred percent of owners to vote to terminate the scheme. So, all owners have to agree that they want to do this before it happens. But the new legislation that's been passed through the parliament, changes that proportion to seventy five percent. And essentially what that means is the super majority of owners can vote to terminate the scheme against the wishes of a minority and then proceed to either sell the property as a whole or redevelop it themselves. So, that means you could have your apartment sold against your will.

That's the outcome of that change. Now that legislation has been passed; that law exists. It hasn't come in to affect yet because the government is working out the finer details and they are doing that through drafting the regulations that go along with the legislation. So, the latest discussion is that the new law might come in to effect around September this year but that might change.

Amanda Farmer: I think I might have heard last week that November might have been an updated date. I'm not sure where I heard that though. So, who knows?

Dr. Hazel Easthope: Yes, yes. These things change. It takes time to get this regulations right and it's a good idea to take the time...

Amanda Farmer: Yes.

Dr. Hazel Easthope: To get them right rather than bring them in when they're not perfect. So, all of that sounds pretty scary and it is a really significant change. But there are also a lot of safeguards in place in the new legislation to protect the rights of that minority. So, if you are one of the twenty five percent or the twenty percent or five percent who voted against this, there are many safeguards in the new legislation. So, some examples of those there's lots of requirements about people being given notice that something might be happening. The vote is gonna be a secret vote. So, there will be a secret ballot so your neighbours won't know which way you voted so there's less likely to be pressure to vote one or other way. The court has to ratify the decision and has to determine that it's fair and equitable. There's a requirement that you get fair value for money for your property, and there's also an appeals process.

The other thing as well to keep in mind is that this isn't gonna happen everywhere, because it won't be profitable to redevelop a lot of strata schemes that are out there at the moment and our research has indicated that the cost of knocking down and rebuilding a building is likely to make it too high to be feasible in a lot of cases.

So, the most likely scenario is where it may happen: there's two major ones. One is if you've got an existing, old and run down strata scheme that's in a expensive suburb.

Amanda Farmer: Right.

Dr. Hazel Easthope: You might be able to make a profit by rebuilding that strata scheme into, basically, a flashier building there might be a profit being made in doing that.

Amanda Farmer: And I think about Sydney's beach side eastern suburbs when you say things like that.

Dr. Hazel Easthope: Absolutely.



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Amanda Farmer: Yes.

Dr. Hazel Easthope: And the modelling we've done which you can read about it in the report if you are interested in more does indicate that the eastern suburbs is the area that we are more likely to see that kind of process.

The other time where it might be feasible is where there's an existing strata building that's not as dense as buildings are allowed to be. So, if you live in a, say, one or two-storey strata building and you are in an area that's been rezoned to allow much higher densities, then there might be a profit to be made in redeveloping, going from six units to sixty units. You can say that there might be a profit. So, essentially what that means is if you are living in a well maintained building, in an area that hasn't been rezoned, you are not likely to see much pressure for this kind of thing to happen for your building.

Amanda Farmer: It's certainly something that property developers are aware of because I know I have and I'm sure my lawyer colleagues have had some inquiries from developers and clients or potential clients interested in this new legislation wanting to understand how it works and how they might use it. But I also suspect that a lot of them don't appreciate the complexities of what's involved and that, as you say, not every building is going to be ripe for this kind of redevelopment. Developers gonna have to look at how profitable it is, what they are up against dealing with councils, and how long it's going to take too. I have a couple of developers asking me, "Amanda, how long you think this whole process will take?" And I have to say, "Look, I really have no idea" because we do have to go through that process of applying to the court and making sure that everything is just and equitable and you don't know the attitudes of the owners that you are going to be dealing with. And I think there's certainly avenues there to make it a long, drawn out process if you have unhappy owners.

Dr. Hazel Easthope: Absolutely and I mean, a lot of the safeguards in the legislation which are essential do also add time to the whole process. So, you are not talking about months you are talking about years...

Amanda Farmer: Yes.

Dr. Hazel Easthope: For this kind of a process to play out. And that's important as well in terms of, if you are an owner and you are involved in something like this, you need to keep in mind that the housing market fluctuates and that the figures that you get worked up at the beginning of talking about this might change depending on whether the housing market is on the way up or on the way down during that long drawn out process of planning for this kind of renewal.

Amanda Farmer: Yes, really good point. Okay, Hazel can I ask you to share a story about how someone living in strata might be affected, good or bad, by these reforms? I'm sure on your research you came across a few stories.

Dr. Hazel Easthope: Sure. So, because of the legislation is not in effect, I can't talk about how the changes have actually affected people. But I can share some kind of examples of issues that people we spoke to as part of the research?

Amanda Farmer: Yes. Go ahead.

Dr. Hazel Easthope: So, one woman we spoke with had been renting a unit in the eastern suburbs and she had experience being evicted from her property because that building was being demolished and rebuilt.

Amanda Farmer: Wow.

Dr. Hazel Easthope: And she was really frustrated because she was given very little notice and wasn't told that this was going to occur.

Amanda Farmer: So, she was a tenant, so obviously under the current law, there needs to be a one hundred percent approval, so all the owners in that building have approved the demolition of the building.



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Dr. Hazel Easthope: Yes.

Amanda Farmer: And she's been caught up in that as a tenant and really having no say in that decision.

Dr. Hazel Easthope: Yes and she didn't know that was on the cards until she was given the minimal notice that she was required to be given under her lease. Because she lived in the beach side suburb and she was asked to move during a time when those units were very popular she ended up having to rent a place that was quite expensive and, had she given more time it would be a better outcome for her. So, we're actually hopeful that the new laws are gonna improve that and mean that tenants will be given more notice

Amanda Farmer: Good point.

Dr. Hazel Easthope: When something like this is proposed. We are not entirely sure because a lot of this detail is gonna be worked out in the regulations but it is something that's being discussed so that might be...

Amanda Farmer: A positive.

Dr. Hazel Easthope: Yes silver lining on the cloud at least.

Amanda Farmer: Yes.

Dr. Hazel Easthope: The other issues that just kept coming up were people were concerned about elderly residents who had been living in their properties for a long time.

Amanda Farmer: Yes.

Dr. Hazel Easthope: And there were basically three big concerns that they had and they were raised a number of times. The first was about how elderly people would manage the move itself and potentially two moves. So, if they were gonna move out and then move back in to the redeveloped property, whether that was actually feasible for somebody who is frail.

The second was about making sure that people weren't taking advantage of speculative developers as a result of them not really having a full understanding of the value of their property, or of the potential uplift in the value of the land through redevelopment, and not negotiating hard enough for a good enough outcome.

Amanda Farmer: Yes.

Dr. Hazel Easthope: And the third was about whether older people who are living in more run down blocks in expensive areas would actually be able to afford to remain in the area should their building be redeveloped and making sure that the compensation they got was sufficient to be able to buy a new property in the same area because being able to stay in their local area is very important for most people.

Amanda Farmer: Yes.

Dr. Hazel Easthope: Especially as you get older in terms of community connections and access to services and those kinds of things. So the impact of this on older people in particular was the concern that was raised in pretty much in all sectors...

Amanda Farmer: Yes.

Dr. Hazel Easthope: And everyone we spoke with.

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Amanda Farmer: Okay. So there are some of the challenges you've touched on there that owners and residents might face when they are dealing with this new model. Are there any other challenges that you are expecting maybe strata managers or strata communities as a whole to face when they are dealing with a process of renewal or redevelopment?

Dr. Hazel Easthope: Yes. In terms of strata managers and executive committee members, the biggest thing is gonna be explaining the process to everyone.

Amanda Farmer: Yes.

Dr. Hazel Easthope: It is a complicated process, as you alluded to earlier. There are lots of protections in there, but it's not the easiest process to navigate.

Amanda Farmer: Yes.

Dr. Hazel Easthope: Another thing that's gonna be tricky I think is responding to people's concerns. People are gonna be emotionally invested in this issue and they should be, it's right that they are, but when people are emotionally invested in an issue it becomes more difficult to negotiate all of the complexities of working something out.

And the other thing is gonna be making sure that people are treated fairly and that they are not coerced or pressured in to acting in a particular way.

Amanda Farmer: Yes.

Dr. Hazel Easthope: There's a lot of money involved in these kinds of deals and it's gonna be essential that the law is upheld in that regard and that people aren't bullied into doing something that they are not happy doing.

Amanda Farmer: So, just thinking about some ways that strata managers, strata communities might deal with those challenges. I guess, we are thinking about things like communication and making sure those lines of communication are open and clear. And I suppose from my point of view that really comes back to education and understanding what the process is, how it works, what's involved so that you can communicate accurate information, particularly as a strata manager and your committee is relying on you most of the time to guide them. It's gonna be really important for strata managers to be up to speed on this stuff and how it works and be able to deliver some quick answers to what will probably be common questions as to what committees and communities can expect.

Dr. Hazel Easthope: Yes, absolutely and I would expect that we will be seeing a lot of fact sheets and information sheets coming out over the coming months...

Amanda Farmer: Yes.

Dr. Hazel Easthope: To explain these details to people. I think another thing that's gonna need to be worked out in the wash really is how individual owners can get the right advice and the type of advice that they can trust in order to make a decision because this hasn't been a particularly common thing to happen up till now. There aren't experts in this. So, working out who to go to to get advice on these things might be in tricky in the beginning.

Amanda Farmer: Good point. Is there anything that our listeners can do today or quickly to better understand and prepare for these changes?

Dr. Hazel Easthope: Absolutely. They can take a look at Fair Trading's fact sheets on the new legislation.

Amanda Farmer: I'll put the link to that on the show notes so, everybody knows where to find those.



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Dr. Hazel Easthope: Great. It's also a good idea to register with Fair Trading for email updates.

Amanda Farmer: Great tip.

Dr. Hazel Easthope: They can have a look at our reports.

Amanda Farmer: Yes.

Dr. Hazel Easthope: So, if you can put the link to them that will be great.

Amanda Farmer: I definitely will. Yes.

Dr. Hazel Easthope: If you just Google renewing the compact city and city futures you'll find them. Probably a good idea also to keep an eye open for information sessions and events being run by organisations like SCA and OCN.

Amanda Farmer: Yes.

Dr. Hazel Easthope: And another thing I would recommend over the longer term is to read your EC minutes and attend your AGM.

Amanda Farmer: Yes.

Dr. Hazel Easthope: See if this issue has been raised in your building and see whether it's going anywhere. Be part of the discussion from the beginning. Yes.

Amanda Farmer: Yes. It's something that we talk about a bit on the podcast: the importance of being active in your community and being involved. Reading the agenda notices, reading the minutes of meetings and if you can, go to the meeting and get involved in the discussion. It's the best way to learn and it's the best way to prepare for these kinds of changes. And, it might be a quick way to find out too whether this change even applies to you. Whether it's something that your building is even thinking about, whether your building has even been approached by potential stakeholders. Whether it's something that can happen. As you say Hazel some buildings just won't have the correct zoning and they won't be profitable for renewal or redevelopment. So, you can probably find out those things by asking questions of your committee and your fellow owners and your strata manager.

Okay, all good stuff. Hazel, I wanna ask you what books you've read that have the greatest impact on you and why?

Dr. Hazel Easthope: Okay. I'm gonna cheat a bit on this. I'm gonna talk about a book that I'm currently reading.

Amanda Farmer: Great.

Dr. Hazel Easthope: So. I haven't finished yet. It's a book called Mongrel Cities by Leonie Sandercock. And it's a book about city planning and multiculturalism but it's much more than that I think. I think it's a manifesto for bringing personal experiences into planning. So it's a very interesting read.

Amanda Farmer: Yes, sounds like it. I'll put a link to that one in the show notes so our listeners know where to find it.

Dr. Hazel Easthope: Hopefully so, yes. Absolutely.

Amanda Farmer: Excellent, well, thank you so much for spending time with us today Hazel. Before we wrap up, I wanna ask you how our listeners can find out more about you and is there anything you'd like to add before we say goodbye?

Dr. Hazel Easthope: Visit our website which is www.cityfutures.net.au and have a scroll through and look at the great research

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we've been doing. I think that's about it.

Amanda Farmer: Fabulous. Thanks so much for your time and you have always have a lot to offer this sector and you and your colleagues and academics in the area are doing some really important work keeping us all up to date on these issues and without your research, we won't have this toolkit that we now have to deal with some very important changes. So, thank you for that, and keep up the good work.

Dr. Hazel Easthope: Thanks very much.

Amanda Farmer: Bye.

Dr. Hazel Easthope: Bye.

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