

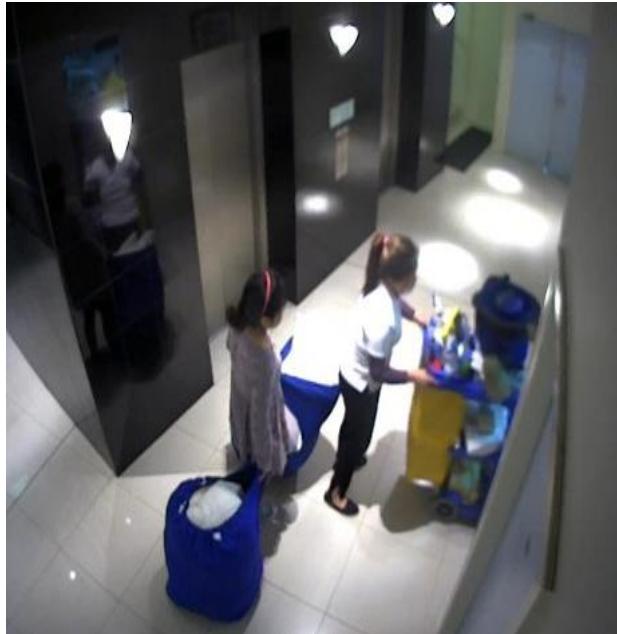


Strata Short-term Letting

CASE STUDY: Maestri Towers, Sydney City

Never Stand Still

Built Environment



CCTV footage of service operations

The Case:

Maestri Towers is a large strata scheme with 384 apartments over two buildings. When the building was built, 24 apartments were considered too small for long-term residents. These buildings became short-term serviced apartments, however over time the hotel managers began to rent out more apartments short-term, reaching around 200 apartments at its peak.

In 2011, the City Council took the hotel company to the Land and Environment Court for illegal operation of serviced apartments, with a verdict that the hotel company cease to let serviced apartments. However, the practice continued. There were also problems of illegal activities in the building, such as short-term residents taking owners' parking, theft, alcohol and drug use, a brothel masquerading as a massage parlour and overcrowding of apartments. Residents state that on many occasions when an apartment was rented out for short-term letting or overcrowded, there was damage to the building. The damages and overuse of building facilities, such as the pool, gym and lift raised upkeep costs and made levies more expensive.

Innovation: Reducing short-term letting, overcrowding and illegal activities in the building through:

1. Increase in security measures. All residents have a registered swipe pass with their photo identification and agree that only the registered user can use the pass. Security check passes against CCTV in common areas and if another person is using the pass it can be deactivated.
2. Legal challenges in the Land and Environment and Supreme Courts.

"...it just goes on and on and on, weekend after weekend after weekend...what's happening with our building? Because we thought we were coming into a residential building...it was probably 180 serviced apartments..."

Maestri Towers Resident

16/11/2015

1. Increase in security measures

Challenges	Overcoming these challenges
Costs	The increase in security measures were costly, requiring extra man hours and swipe access technology. However, the \$250 re-activation fee for non-compliance with the swipe access terms covered some of these costs.
Time	To implement the increased security measures, new by-laws had to be introduced, requiring time spent drafting and voting on these. There is also additional paperwork in applying for swipe access and to send evidence of overcrowding to real estate agents. Building management staff also search websites looking for advertisements for prohibited uses of the Maestri Towers apartments. As Maestri Towers is a large scheme, much of the time burden is on the paid security staff and building manager, whereas this might not be feasible in a smaller scheme. Owners need to be aware of this time commitment for these measures to be successful.
Support "if you don't have the votes, don't waste your time" (Committee member)	The security measures have received some opposition, with individuals breaking the handle on fire stairs to let people go up without a swipe card, but they have also received support from owners. Support was garnered by committee members speaking with owners individually about the issues. Support from new residents is also ensured by showing some leniency before issuing swipe access fines. New residents must also initial each page of the swipe agreement to ensure they are aware of the rules.
Communication	Communication between the strata manager, building manager, strata committee and residents and owners was strengthened to ensure the success of the security measures. The committee chair introduced himself to all newly registered residents and contacted investor owners. The committee created a newsletter on the scheme to provide updates, makes sure everyone received a copy of the by-laws, and provided weekly reports on the progress on limiting overcrowding and short-term accommodation.

"...on those ... weekends, they [short-term residents] would come into the lift, smash the bottle...and throw-up in the lifts. And we don't have any of that now..."

2. Legal challenges

Challenges	Overcoming these challenges
Costs	<p>The successful outcome in the Land and Environment Court meant the short-term letting provider was ordered to cease their business in the building. However this did not provide for the loss of income and damages for the owners corporation. Subsequently the owners corporation took the business to the Supreme Court to sue for damages. This was a costly exercise, only affordable because of the cost savings from the reduced building levies and upkeep from preventing short-term letting. Technically the owners corporation won the Supreme Court case, but the damages awarded were nominal and did not cover the cost of the legal case.</p>
Time	<p>Collecting data and evidence required for legal challenge is time-consuming. It is difficult to obtain information on the direct impact of short-term letting, and in this case required a private investigator to get some of the necessary information. Strata committee members submitted many e-mails to the City Council for the first legal challenge, encouraging them to prosecute, with 100 pages of evidence, and numerous hours in collecting votes from owners by proxy. The committee needs to be dedicated and willing to take on this time commitment to succeed. Even after their loss at the Land and Environment Court, the hotel business continued to operate in the building. When questioned about this by the judge in the subsequent Supreme Court case, their witness stated that a decision was made to do so to protect the profits of the business and the relationship with the owners letting out their properties.</p>
Support	<p>Maestri Towers' strata committee members received organisational and personal retaliation in response to the legal challenges. Despite this, they were able to continue through choosing a supportive lawyer, and collecting detailed and extensive evidence to provide a strong case. They garnered local council support for the initial legal challenge.</p>

Outcomes:

- Saved \$1.5 million and reduced building levies by 15.2% over a 4 year period.
- Reduced the number of people in the building by approximately 1,000.
- Legal fees paid for through cost savings from ceased short-term letting.
- Residents believe the building is quieter, gym and pool areas are less crowded and that building values have increased.
- The Strata Committee was voted back in with 100% approval at the last Annual General Meeting, with 30 people in attendance.
- The Strata Committee is helping other buildings with similar problems.



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