

# The Landlord

For Landlords and Sectional Title Owners



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## SOLAR PV ELECTRICITY SUPPLY CAN KEEP YOUR BUILDING FULL!

If you run a business and install a PV system or wind generators, you could write off the full cost of the installation in year one! While this is only available to businesses that are paying tax (making a profit) there are ways in which it could be introduced into a non-business sectional title schemes. Creating your own electricity could mean that your owners and tenants pay only 50% for the electricity they use – what an attractive option for a tenant looking at letting property. The payoff period (without the tax incentive) could be as soon as six years after which the income subsidies the levy. At say R200 to R400 per month for a moderate property it is a great reason to have your own solar generator. Three installations are up and running here already and on request we can show you how they are performing. Within the next two weeks the first solar tracking system will be installed at our offices. Tracking the sun gives you an additional 50% power. These systems are far stronger than what is currently available and can run air-conditioning, boil kettles etc. Contact [mike@platinumglobal.co.za](mailto:mike@platinumglobal.co.za)

## Managing Agents – Do They Do It for You?

Is your managing agent doing it for you or not? Different managing agents view their responsibilities differently some are pro-active (they carry on with the normal management aspects without direct supervision of the Trustees) while others are re-active (they basically only do what they are told – if they are told to do nothing they will do just that!). What sort of managing agent have you employed? Chances are that if your managing agents are employed on a small fee then they are the reactive type of managing agent. Neither style is right or wrong but there is a massive difference in the style and quality of management that you can realistically expect.

Let's take the simple example of a bad burst pipe. With the reactive manager once they are notified about the burst pipe they will phone the Chairman of the Trustees and ask for instructions on what to do. If they cannot get hold of the Chairman, they will leave a message and wait for a reply. No instructions – no solution. With a proactive managing agent, they would simply call the plumber and have the problem solved. If it was a section of rusted pipe that was the problem, they would arrange with the plumber for the entire length to be replaced to avoid the same problem reoccurring. They would then phone the Chairman and explain what had happened and what they had done about it. Most importantly they are prepared to make a decision to fix the problem. This obviously makes life much easier for Trustees if there is this professional relationship. More importantly the good proactive managing agent will not only keep the Trustees up to date with what is happening at their building but will automatically arrange for things to happen when they should. For example, they will ensure that the accounts are kept in such a way that they are always fully up to date and are sent to the Auditors immediately after the end of the financial year. Platinum Global is able to send these accounts to the auditors within 2 weeks of the year end and have the audited accounts back by the end of the first month. This means that notices for AGMs can be sent out late in month one or early in month two for meetings to be held during month two after year end. Can your managing agent do this or are you still waiting for the notice of the AGM after the end of month four by which time the meeting should already have been held?

Managing Agents manage sectional title schemes for profit and smaller buildings are not as profitable as larger ones. Thus some more established managers will not manage smaller schemes or will set a fee for a larger building as a standard. Large schemes on the other hand can cost more to manage if they have a need for large meeting venues and after hour services and more. It is for you to decide whether you would prefer to have a cheaper managing agent that does less or whether you want your scheme to be well managed by a proactive managing agent. There is no right answer but sometimes cheap does mean that your scheme is not as well managed as you would like.

## Insurance Excess Must Be Paid First

The collection of outstanding fees and insurance excess payments is very time consuming and costly for managing agents and takes up much of the managing agents time.

An insurance excess is the first amount that must be paid by the owner of a unit when they make an insurance claim. This would be for claims for damage inside the unit or for which the owner is responsible including the hot water system. So for example if the roof leaked and caused damage inside the unit this would not normally be something that was payable by the owner except when this claim was as a result of a leak that previously not reported and caused the damage to occur. Say for example the washing machine flooded the unit and caused the damage and the insurance company accepted the claim with an excess of R2500. In that case the owner of the unit would be responsible for this amount.

The problem arises where the contractor is given the go ahead to fix the problem but when his account is presented the amount paid to the contractor by the insurance company will be R2500 short. This then has to be recovered by the managing agents from the owner of the unit who may not even be aware of the claim especially if the unit is let out and managed by a separate letting agent. Recovering this amount can be drawn out and long term if the owner is not happy about receiving the excess account. Sometimes this is to the extent that they refuse to pay the account.

From a managing agents point of view, it makes life very difficult for them and takes a lot of unnecessary time and effort. To avoid this happening it is easier to insist on the excess being paid before the job order can be given out. More importantly the managing agent does not actually have the funds to order the job to be done unless the excess has already been received, as he will only receive the balance from the insurance company. Having the managing agent insist on the owner paying the excess up front reduces the amount of time and effort required in recovering the excess but also means that the body corporate does not have to pay the excess to the contractor in the meantime.

While requesting the excess to be paid first normally solves the problem it will not always totally solve the problem especially in an emergency situation where urgent repairs have to be made whether the excess has been paid or not. Your managing agent will have to treat each case on merit.

## Think About Xmas Security

Xmas is just around the corner and before you know it owners and tenants will be leaving on their annual holidays – leaving behind a quiet and unoccupied complex – vulnerable to break ins and disturbances. What to do about it?

Many complexes decide to employ security over the holiday period though this can be quite expensive – did you remember to allow for security in your annual budget?

Some complexes have installed CCTV cameras and boundary security watched by a security company. Either way only reasonable steps can be taken by the body corporate and each owner must make sure that take whatever steps they need to ensure security for their own unit. This would include high quality locks – not those cheap ones supplied by developers, good burglar proofing and their own personal alarm system.

It is surprising that while some schemes seem to have constant break-ins others never have this problem. Part of this could be the position of the scheme in a high crime area or next to a building site or open area but often the problem is rather the people who stay in the building not being as careful about security as they should.

How many times have you seen people in your complex drive away without waiting for the gates to close or allowing a car behind them to drive into the complex? Most break-ins occur not as a result of anyone jumping over the walls but from people who simply walk in or drive in unopposed.

Be aware of people trying to enter your complex and NEVER allow anyone in who you don't know. If the owner or tenant is not there to let them in, then visitors should not be allowed inside the complex. Confront anyone that you find inside the complex knocking from door to door. Never allow anyone into the complex to smose goods. If you see anyone trying to sell fertilizer or ant spraying these are invariably con artists.

Security is everyone's problem and everyone's solution. Don't complain when Mr Nobody allows these people into the complex!

## Garden Services or Workers?

Managing Agents are usually not well equipped to look after staff at sectional title complexes. While they usually able to source new workers and do the physical hiring and firing they are not personnel specialists. A body corporate cannot expect them to be experts in selection of new staff or undertaking security or back ground checks on them. That is the work of employment agencies.

The range of staff at a complex will vary from complex to complex with part time cleaners and gardeners at smaller complexes to full time on site managers with security and specialised staff at others. Managing Agents would not normally be required to look after these personnel in detail, such as supervising gardeners with their day to day work. This would normally be undertaken by one of the trustees.

In larger schemes garden services have been tried. This has the advantage that staff do not need to be supervised, that the work will always be done, whether staff turn up or not, and that the garden services is responsible for all the gardening equipment including the servicing of such as mowers – which always seem to be breaking down or running out of petrol!

The disadvantage of garden services seems to be generally one of cost and of getting one that can do what is offered without constant supervision or reminders of what needs to be done. In reality there are very few garden services worth their salt and those that are frequently continue to take on more work until they cannot cope with the contracts that they have been awarded.

What usually seems to happen is that after a period the Trustees decide to go back to having their own gardening staff.

To avoid unhappiness from owners and tenants it is vitally important that everyone understands exactly what is on offer. Does the gardening staff/service, only do, the common property or do they also do individual gardens? If the latter is this only for grass cutting and edging or is more offered, if so what? Few owners understand the real cost of high level gardening services and are not prepared to pay for them. There may well be a conflict of interest with some owners who are passionate about gardening wanting to do their own gardens while landlords letting out their units want to have the full service to make it easier to let out their units. Perhaps the basic service should be offered as standard within the levies but that the full service is an optional extra

The time to talk about what services owners want should be at the Budget meeting that should be held in the month before the end of the financial year. That way the majority can decide what is going to be offered and how this will affect the amount of the levy that will be charged to cover it.



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Contact Ben Miller 081 430 3076



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