

PLAN *Heaven*

Why have a long-term maintenance plan (LTMP)?

It's in the legislation

Yes. It's the law. The Unit Titles Act 2010 says "a body corporate must establish and regularly maintain a long-term maintenance plan".

Why did the lawmakers include this clause in the last review? Because at the time, many unit title developments were poorly maintained, had no plan, had not set aside money for maintenance and it was obvious that some bodies corporate had no intention of carrying out even basic maintenance unless it was made compulsory.

Several years after it was introduced the new Act it seems to be working and now most bodies corporate have at least some sort of LTMP and are starting to maintain their assets.

So the first point is that it having a LTMP is mandatory and if you're the type of person who prefers to be good citizen and avoid any risk and liability that comes from not acting lawfully, you might like to encourage the body corporate to get a good maintenance plan and update it regularly.

You will be able to budget better

By having a long-term maintenance plan all of your owners will be better able to budget for the cost of maintaining all of the building elements, infrastructure and common property in your development.

On the other hand, if you don't plan, the day will come when everyone will need to pay a large one-off sum (called a special levy) and most owners find that's worse than not putting a little aside each year. Also when a special levy is struck, there are likely to be those that can't pay or won't pay and this is always a nightmare for the body corporate.

The maintenance is more likely to get done

If you have a plan, the work is more likely to get done. If you don't have a plan it's more likely to be put off. If you're the sort of person who likes to look after your assets, if the body corporate doesn't have a LTMP, it's more likely the value of your asset will not increase and could even decrease.

It should save you money

It's the old storey. "A stitch in time saves nine" and painting you weatherboards before they need a lot of preparation, or start rotting, will save you money.

Preventative maintenance by definition, is intended to prevent something worse happening.

Look after your buildings and you will be better off financially in the long-term.

Even if you're thinking of selling it's a good investment

Some owners don't want to put money in the body corporate's long-term maintenance fund because they are thinking of selling soon and they can't get their money back out.

They are right in that they can't get their money out as cash, but they do get a return on that investment. Because someone looking to buy their unit will look at the cash that's available to the body corporate for maintenance (they get this information from the Pre-Contract Disclosure Statement) and if there are healthy funds available, the prospective buyer will recognise that buying that unit is a good investment and will pay more for the unit than if the body corporate had no money in the bank.

History shows that when selling, owners are very likely to make a profit on the funds they have invested in the body corporate's bank account.

Summary

In summary, having a LTMP is a legal requirement for a body corporate but in addition, the owners will be able to budget better, putting small amounts aside each year for maintenance rather than having one-off large expenses, their buildings, infrastructure and common property will be better maintained and everyone will be better off financially in the long term. Even if they are thinking of selling in the near future.

For more information

This article is brought to you by Plan Heaven Limited, in conjunction with their partner Long-Term Maintenance Plans Best Practice.

For more information about LTMPs go to ltmpbestpractice.co.nz

For help with creating or updating your LTMP go to planheaven.co.nz

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