

20 January 2023

Safer Buildings Taskforce
Building Policy, Public Works
Department of Energy and Public Works
Level 15, 53 Albert St
BRISBANE QLD 4000

By email: SBTaskforce@epw.qld.gov.au

Rectification of Combustible Cladding

Thank you for the opportunity to provide feedback to the Safer Buildings Taskforce in relation to the rectification of combustible cladding.

We would like to commend the Government on its excellent leadership in managing this process which has seen broad industry consultation and a staged and considered delivery program, all of which has given great confidence to the industry and broader community. We further applaud the approach not to identify and reveal the locations of impacted buildings publicly, which would have alarmed the community and likely derailed the delivery program.

As you are aware, our members play an important role in ensuring the quality and safety of our built environment and are committed to working with the Safer Buildings Taskforce. To that end, since the amendments in 2018 to the Building Regulation Checklist 2006 our members have proactively set out to identify and rectify any impacted buildings, with the safety of users being of the utmost importance.

The Safer Buildings Taskforce's stakeholder briefing paper states that out of 19,963 buildings built between 1994-2018 registered for combustible cladding assessment in 2021, 925 buildings have an identified cladding fire risk. The Property Council understands that some of these buildings have already been rectified and acknowledges that although the presence of cladding fire risk within the remaining buildings is a very serious issue, it is not widespread.

Given the small number of impacted buildings, the Property Council cautions against extensive review and broad stroke reform, and instead believes that market-based incentives such as the impacts on valuations and the ability to insure assets, provide a big enough motivation for owners to rectify issues. Resources should instead be focused on removing the barriers to rectification, i.e., the ability to access finance, being faced by the owners of the remaining buildings.

Much discussion at the stakeholder workshop on 7 December 2022 was focused on the impacted apartment buildings managed by bodies corporate and the inability of these bodies

corporate to pay for the required rectification due to a lack of available capital in sinking funds, and legislative limitations impacting the capacity to borrow funds.

The briefing paper acknowledges that 'undoubtedly there will be some owners who cannot afford the costs [of rectification]' and further references that 'market-based funding' is an option for 'financially distressed owners', however, current legislation governing body corporate borrowing limits is causing difficulties for bodies corporate in obtaining the required funds to rectify combustible cladding.

Under the *Body Corporate and Community Management (Standard Module) Regulation 2020*, a single dissenting owner can prevent a body corporate from borrowing more than \$250 multiplied by the number of lots in the scheme, thus prohibiting the body corporate from being able to fund the critical rectifications.

This legislation further impinges the capacity of the owners to redevelop these apartment buildings. Currently, the regulations mean that a single apartment owner can prevent the majority from redeveloping a unit complex into a newer, safer building that can accommodate more residents in high amenity areas. The relaxation of these thresholds would offer flexibility to those owners seeking to sell the apartment block for development and avoiding costly rectification.

Challenges accessing capital is not limited to bodies corporate, but also individual building owners, who may through no fault of their own be unable to secure finance. Given the relatively small number of impacted buildings, we urge Government to consider the implementation of interest free loans over a ten-year payback period, as seen in states such as New South Wales, or low interest loans as seen in the Australian Capital Territory and South Australia.

Given the clear market-based incentives, such as increased safety and value to properties, the implementation of such a loan structure along with the adjustment to restrictive body corporate legislation would likely see the bulk of the remaining buildings rectified, leaving a very small number left outstanding which could be easily managed on a case-by-case basis.

In addition to allowing flexibility to owners through strata reform and Government funding models, the Property Council cautions against mandatory timeframes for rectification. The current market conditions, soaring construction costs, crippling supply chain challenges, natural disaster recovery and a well-documented skills shortages are culminating in a rare combination of conditions set to impact the industry for the foreseeable future, likely resulting in considerable delays in being able to secure rectification works.

The Property Council would welcome the opportunity to discuss this submission in further detail. Please do not hesitate to contact me on 0499 181 366 or jcaire@propertycouncil.com.au if you have any further questions.

Yours sincerely

A handwritten signature in black ink that reads "Jess Caire". The script is fluid and cursive, with the first letters of each word being capitalized and prominent.

Jess Caire
Queensland Deputy Executive Director