

# Owning in a body corporate FAQs



## What is a Body Corporate?

A Body Corporate is made up of all the Owners within a “unit titled” property. eg Apartments.

## WHAT DOES A BODY CORPORATE DO?

In very basic terms it's the organisation that is in charge of running the complex and handling all of the common area issues.

A body corporate:

- Maintains and manages common areas, such as any gardens around the building, entry foyer, lifts and stairwells.
- Decides on fees that individual owners pay to the body corporate so it can operate
- Makes rules for the owners and residents to follow
- Takes out building insurance
- Manages and controls body corporate assets
- Keeps records for the body corporate, including minutes of meetings, owners details, financial accounts, register of assets.

The members meet annually to elect a Body Corporate Chairperson and also a Committee who are in charge of the body corporate between General Meetings.

## HOW IS A BODY CORPORATE SET UP FOR A NEW DEVELOPMENT?

A Body Corporate is established when a developer deposits a unit plan with Land Information New Zealand. At this point, the developer owns all the units and, with the help of Crockers, the developer will finalise the Body Corporate rules, budget, insurance and “founding” contracts so things run smoothly for the new owners for the first year.

## CAN I OPT OUT OF THE BODY CORPORATE?

No. Being a member of a Body Corporate is not an optional arrangement – if you own a unit in a unit titled development, you will be a member of a Body Corporate, with all the rights and responsibilities that come with that. This is then transferred when you sell your unit.

## WHO DECIDES HOW TO SPEND THE BODY CORPORATE FUNDS?

The Body Corporate budget will be approved at the Annual General Meeting (AGM) and will determine how the funds will be spent each year. Any unexpected costs that may arise inbetween AGMs can be approved by the Body Corporate Committee. Should a major cost arise, the Body Corporate Chairperson may call an Extraordinary General Meeting (EGM), so everyone has a chance to get together and make a decision.

## SHOULD I JOIN THE BODY CORPORATE COMMITTEE? WHAT DO I HAVE TO DO?

Being a member of the Body Corporate Committee is encouraged, but you need to be aware of the commitment required. It is important for the Committee to act in the best interest of the complex and all Unit Owners. In line with the Body Corporate budget, the Committee will need to oversee the day to day running of the Body Corporate.

## HOW IS THE BUDGET SET AND HOW MUCH WILL I HAVE TO PAY?

A draft budget will be presented to all Owners prior to the AGM. The draft will take into consideration the actual expenditure from the previous year and anticipated costs for the coming year. The budget will be discussed, amendments made, and will be approved at the AGM.

Your levy is calculated by a percentage of the budget, this is called Ownership Interest (OI). The OI for your unit is determined by an expert Valuer that was appointed by the developer when the body corporate was established.

## WHAT IS A BODY CORPORATE LEVY?

A Body Corporate levy is what the owners within a Body Corporate must pay to meet maintenance and administrative costs associated with the effective running of the common areas and complex overall.

### WHAT DOES MY LEVY COVER?

Your levy includes everything outlined in the Body Corporate budget, for example, building insurance, cleaning and maintaining common areas, through to shared utilities, building works and repairs.

### WHAT COSTS ARE NOT INCLUDED IN A BODY CORPORATE LEVY?

Costs that are individual to each unit and owner such as Council rates, telephone, internet, Sky TV and personal contents insurance. Often electricity and water charges are charged separately, however if there is only one meter to the property, then this could be included in the Body Corporate budget.

### WILL BODY CORPORATE CHARGES INCREASE OVER TIME?

Inevitably there will be some movement in Body Corporate charges as costs increase overtime, for example buildings require cleaners for common areas, rubbish collectors and so on. In turn, to cover these costs, the Body Corporate needs to increase their budget which will be determined by all owners at the AGM.

The Body Corporate will also establish a Long-Term maintenance fund to anticipate some of the larger charges associated with home and building maintenance and to provide for them gradually in order to avoid sudden, unforeseen costs. These costs will fluctuate, depending on the maintenance needs of the building and what the Body Corporate decides to repair or maintain.

### WHAT DOES THE BODY CORPORATE ACCOUNT MANAGER DO?

A Body Corporate can contract professionals like Crockers to carry out some of the specific administrative functions on behalf of the Body Corporate and provide expert advice in relation to the requirements under the Unit Titles Act 2010. The scope of work can be tailored to suit individual Body Corporate needs.

### WHAT DOES THE BUILDING MANAGER DO?

A Building Manager, on-site or part time, often handles day-to-day running of the complex. This includes but not limited to:

- Keeping the development clean, tidy and in good repair
- Carrying out or organising ongoing maintenance, including obtaining quotes.
- Enforcement of the Body Corporate rules
- Managing Contractors on site
- Report to the Body Corporate Committee as frequently as may be required and at the AGM.

### DO MY LEVIES INCLUDE BUILDING INSURANCE?

Yes. All Body Corporates must insure all buildings and other improvements to their full insurable value.

It is recommended that the Occupier of each unit obtains contents insurance, or landlord insurance if the unit is tenanted, as these are not generally covered under the Body Corporate Insurance.

