

Special Edition

31<sup>st</sup> March 2013

Dear Owners and Investors,

Before I start on today's topic, I have just received the latest Herron Todd White report. The link is

<http://www.cairnswatch.com.au/uploads/uploads/201303fullreport.pdf>

The vacancy rate is slightly higher at 2.2% but I think this has more to do with the fact that we were in the wet season, and it is traditionally quiet between mid January and Easter. We were starting to see signs of people returning and looking for rental properties. I really think 2013 is the turning point for Cairns.

Today I am going to talk about WATER! This is a subject I have been meaning to write about for some time and today is the day. Below is the link for the RTA website, specifically about charging water usage to tenants

<http://www.rta.qld.gov.au/Resources/Fact-Sheets/General-tenancy-fact-sheets/Water-charging-fact-sheet.aspx>

I know that I see things differently to lots of land lords and other property managers. This is how I see the water issue, and I will try to explain my logic. Here in Queensland, we had a change in legislation some years ago that sees the land lord able to pass on the full cost of water usage to the tenants. There are some criteria that have to be met for this to be possible.

The rental premises are individually metered

The rental premises are water efficient

The tenancy agreement states the tenant must pay for water consumption

Firstly, I will look at all the units. There is one main meter to the property, and this is what the council comes to read and bases our usage on. Inside each of the units, there is a main water turn off valve but there is no meter. I will use Keith Street as the example - these are 16 one bedroom townhouses, each with the turn off valve outside the kitchen window. The council will come and take the meter reading and then dividing the usage evenly between 16. Each owner is then sent a bill for the water usage. There is no way of telling who used the water, if it was used in the common areas or pool - so it has been deemed that the fairest system is that each owner pays an equal share. As there is no meter, we can't pass this charge onto the tenant as we can't show they used this amount of water. I believe there is talk about changing this, but to my knowledge this hasn't happened as yet.

Next we will look at duplex pairs. Most duplexes that we look after have one meter at the front for both duplexes. Just like the units, there will be a isolator valve to each unit but no meter. When the council comes they read the meter and charge the owner of the duplex the full amount of usage for both properties. As we can't show who used what water, we can't charge this on either. You can "bluff" and give the tenants the bill for water usage for half each, but if one does question it and take you to the RTA you need to explain why as you haven't met the first criteria.

Houses on the other hand do have a single meter for each property and it will be possible to meet the first criteria above. I am not a plumber but I will try my best to let you know how I see the second condition - of course if you see it differently please let me know.

The legislation does say you have to be able to demonstrate the presence of water efficient devices by either

A plumbing report

Receipts

Packaging

Warranties or instruction manuals for taps etc

For this email I am going to use a house that was built in the 1990's. It is a four bedroom, two bathroom house with a double lock up garage, a swimming pool and gardens. It seems that most water fixtures made after 2005 should be 3 WELS star rated, but in this case much of the house is original.

For the property to be water efficient I need to have the following fitted with water saving devices

The two toilets with dual flush that does not exceed 6.5 litres on full flush and 3.5 litres on half flush. It then goes on to say "and a maximum average flush volume of four litres (based on the average of one full flush and four half flushes)" - ok they lost me at this point so I can't explain that bit.

The two vanities need to also be water efficient. The configuration of the vanity taps is one middle faucet with a hot water tap and then a cold water tap. These don't have any flow restriction at the moment and the faucet doesn't have an aerator - you turn on the tap and it pours out.

The shower seems to be the easiest to resolve as you can simply buy a new shower head, install it and that will comply.

The kitchen tap is the same configuration as the vanity - one faucet, one hot water tap and one cold water tap and when you open the tap it runs fast.

The laundry tap is the same as the kitchen - again with no aerator on the end of the tap.

There are some taps that don't need to comply. The bath taps - I guess their logic is that you are going to fill the bath up to a certain level, and it really doesn't matter how long it takes to fill it to that level. The dishwasher taps, the outside taps for gardens and also the washing machine taps are also exempt.

For me to make this house compliant, I am going to have to ask the owner to change two toilet cisterns, two shower heads, the kitchen tap, two vanity taps and then the laundry tap as well. Buying the fittings may be the cheap part of it - then you have to get someone to install it. We recently took over a house from another agency. The house would have been built in the early 2000 era, and they decided to get the house upgraded so all the water could be passed on to the tenants. I have the invoice to make the house "compliant" and it was over \$800 for the plumber to replace taps etc.

I believe there is the ability to put a reducer or water limiter into some of the taps and this will then reduce the water flow to comply. What happens if the tenant takes this out, moves out and the new tenant questions the flow? I will then have to get an audit done by a plumber - this is \$77 but to get the certificate he will have to check all the water fixtures. I am not a plumber and I don't know with the cheaper taps how long they stay water efficient.

If the house isn't water efficient, you can still get the tenant to pay for water. The owner must give them a "reasonable usage allowance" and although it isn't clear what is deemed to be reasonable usage, everyone I have spoken to uses a figure of 0.55 kl per day or 550 litres.

In all our leases that we have for properties that are individually metered we have a clause to say the owner will pay a reasonable usage allowance, but any usage over this the tenant is liable for. The cost per kilolitre at the moment is \$1.05, so if my maths is right the maximum the owner will be liable for will be

$365 \text{ days} \times 0.55 \text{ kilolitres at } \$1.09 \text{ per kilolitre} = \$218.82 \text{ per year}$

Each investor and property manager will have different opinions. I personally think that if you are going to be charging all the water usage to the tenant, and not giving them an allowance they will not look after the property as well externally.

Let's go back to the house. You have a pool at the property and we have had an exceptional run of hot weather with no rain. The water from the pool will start to evaporate quickly and it is up to the tenant to put the hose into the pool and fill it up so that the water level to the pump doesn't drop below the inlet. If it does and the pump runs, it will run dry and before you know it there is damage to the pump. I bet if this happened, the tenant would put the hose in the pool to fill it and then call me to say there was a problem and they have no idea what is wrong with the pump. There is no way of proving the pump ran dry and this is the cause of the problem - the owner will have to pay for the pump to be fixed and this can be expensive.

The gardens and grounds are a key asset to the property. Tenants are not the best gardeners in the world, so by not giving them an allowance there will be few that will go out there and water your grass and garden to keep it alive in the summer months - especially if they know that they have to pay for all the water. There will be exceptions to this rule, but generally with people being tight on money it is probable most tenants won't water your garden.

The paths and general appearance of the outside of the property are also important to look after. We have some great tenants that gurney the outside of the property and have the houses shining - but if we have to get them to pay for the water - again I think that some will this twice about doing this.

The next issue is if we have any leaks or the fittings aren't working correctly. I can't count how many toilets leak very slowly - we try to keep on top of this but it happens constantly. As the properties get older we do get leaks and burst pipes - when this happens it is questionable if you can pass on the cost of the water.

I generally have great tenants, but there are always some that are difficult. If you have a house that you have upgraded the fixtures so they are water efficient, and lets say that was three years ago. The latest bill comes in and I go to pass it to the tenant to pay in full. They can dispute this and we could find ourselves at QCAT. The Magistrates will be asking us to prove the property is water efficient. This link is for a case that did go to QCAT and as the toilet was leaking the tenants didn't have to pay for the water usage in full

<http://archive.sclqld.org.au/qjudgment/2010/QCATA10-118.pdf>

For those of you with a house, you will be wondering how on earth you will know if the tenant has used 0.55 kilo litres per day. On the back of your Water Notice there is a column that says ADC - average daily consumption. If this figure is over 0.55 then we can charge the tenants the extra portion. If you could scan the front and back of the water bill and email it to me. I will not pass on the personal information, but require the front to show the address of the property. The back has the actual figures, so I need to be able to show the tenant both of these pages.

For those of us with units, I am going to do some more home work on the ability to put in a single meter to each individual unit. This meter will not be read by the Council and this is not what the bill will be based upon. For this exercise I will use a complex Ramon and I have at Grafton Street.

There are four units in the complex. The main water tap is at the front near the foot path, and this is where the meter is located. This is what the council will read and base their water usage bill on. From this main meter, the main water pipe runs down the left side of the boundary and as it gets to each unit there is a T piece that leads off to each unit. At this point and just before it goes into the unit, there is a main turn off valve for each unit. I am looking at putting in a "water meter" to each unit. This will show me the water usage to each unit and that unit only. If we then go inside and upgrade the kitchen tap, vanity tap, shower and toilet - then the unit will have compliant fixtures for the whole unit.

When the council comes and reads the meter, as the owner we will still be paying for all the water, but we may have a chance of collecting some of it back. The tenants will only be charged for what they consume within their unit and I can show that there is a meter and the fixtures are compliant. It may be bluff but it worth following up on - I cringe each time the water bill comes in. If you have any questions on your specific property, please let me know and we can decide on what to do with the water.

To finish off, it isn't a tenant story but a life story or two. Today would have been my Grandfathers birthday. He has been gone for a very long time now but it was like yesterday that he was here. Way back in the Mission Beach days, when we were as poor as you would ever want to be we found out that he had Cancer. My family is in Perth and living in Mission Beach was about as far as you can in Australia from them. We really had no money or income during this period of time. There are times in your life that you have to say to yourself if I don't do this now, I will never be able to go and do it again. This was one of those times. Thank goodness for Frequent Flyer points - I managed to get enough of these together and got a one way flight over - will worry about how to get home later.

Watching someone die is one of the most difficult things to do, but along the way there are the funny times. I remember when the morphine was starting to be given we thought he was going a bit doo lally and talking about something in the past - sure enough when our Aunt came it was exactly as he was talking about. Late one night we thought for sure he was going, so we made the calls - my Aunt and Uncle were well into the 70's at this stage and they came over. Around 4am my Aunt stood up and said he isn't going anywhere so I am going home to sleep. It was long six weeks that were so very difficult, but I am so pleased that I could be there for the whole time. You can't go back in time to do these things, no matter how much money you have later.

Just this month another one of those moments in our lives came up. You all know Bob who we take to the Anzac Day Dawn Service - flights are already booked for this years' service. It was his 90th birthday in March. I can't tell you how busy each and every day is, as I finish one thing another ten come up - it really is never ending. I know that I can push lots of it away like some other agents would but then that wouldn't be me!

This year I am really trying to make some changes, I now turn the phone to silent at night and put it in the spare room. I am learning to take time to go to lunch and dinner and spend time with friends and family. We could just have send some flowers or present, but there are times in life worth celebrating - and turning 90 should be one of them.

Ramon and I booked the flights down for the night before his birthday. On the day we drove over as we knew they were having lunch with some friends at their house. I made the call from the car park and was wishing Bob a happy birthday - at that point Ramon is walking to the front door and rang the bell. I could hear it in the back ground, there was a bit of silence when he walked in but the conversation carried on. I then walked in - and just like the Master Card commercial - flights, car hire, accommodation - ah but the look on his face PRICELESS.

Bob made a poem for his birthday and I would like to share it with you

Yiperty yiperty yay  
I'm 90 years old today  
I don't need the key to the door  
Cause I don't go out at night any more  
I now have a walker  
I've sold the car  
So I'm not going very far  
Cause  
Yiperty yiperty yay  
I'm 90 years old today

Life stories should come in threes, so here is the last one. On Tuesday of this week, I know you won't believe it as I can hardly believe it myself - Ramon and I celebrated our 20th Wedding Anniversary. It feels like we have time warped and it was like we were married just yesterday, but then when we list all the things we have done along the way we wonder how we squeezed it all in. Here is a little known fact about us - did you know that the Singapore Government paid us to come and be part of their Fringe Festival? That was in the artistic days when we were face painters. Yes, it is been 20 years and never a cross word has been spoken - and if you believe that you will also believe that Elvis, Santa and the Easter Bunny were at our house on Tuesday.

I hope you are all happy and well in your world and are having a safe Easter break.

Linda