

COMMUNITY SCHEMES OMBUD SERVICE (CSOS) & SECTIONAL TITLE SCHEMES MANAGEMENT ACT (STSMA)

12 October 2016

Dear Property Owner

On Friday, 7 October 2016, the new Sectional Title Schemes Management Act (STSMA) and the Community Schemes Ombud Service Act came into effect. Please be mindful that these sets of legislation will impact all forms of community, i.e. body corporate, sectional title, HOA (Home Owner's Association), enclosed areas (security villages), etc.. It will be a while before the full scope and effects become clear but for now we'll highlight the main areas which are going to immediately impact you to some degree;

- Requirements to register documents
- Compulsory levy contributions
- 10 year maintenance plan & reserve fund
- Dispute resolution and collection of arrear levies

Requirements to register

The act enforces compulsory registration of various documents, such as financial statements, rules etc.. In addition the STSMA also imposes, registration of the 10 year maintenance plan and confirmation of the reserve fund.

Compulsory levy contributions

Understandably, there is a requirement to fund the various executive aspects of the act. You will therefore notice an immediate debit on your levy invoice, noted as CSOS Government Levy. The CSOS levy is 2% of you normal monthly levy less R500 (or the maximum of R40.00) whichever is the smallest.

10 year maintenance plan & reserve fund

A new aspect, specifically championed by the STSMA, which we believe will be welcomed, is the establishment of proper 10 year maintenance, repair & replacement plan for the common property as well as building's exterior. For this purpose the community is required to establish a separate fund (which may not be used for running expenses), and which must remain at a minimum of 25% of the annual income. It is a further requirement that these funds be held in a separate investment account. HOA's may well consider adopting this strategy.

Dispute resolution and collection of arrear levies

The Community Schemes Ombud Service (CSOS) will be assisting with overseeing the governance of communities. Any owner may apply to the CSOS Office for assistance in dispute resolutions (once internal avenues have been exhausted). The CSOS Office will also be able to refer matters to conciliation and adjudication services. The applicable fees are available on the CSOS website.

The collection of arrear levies will now go through the CSOS Office instead of the magistrate's courts (or the High Court, where large amounts are involved). This should assist vastly in reducing the time wasted in waiting on proper resolution through our courts. Time will tell to what extent this service will work towards faster collection of levies.

More information on the CSOS Act is available at www.csos.org.za and any queries or concerns can be discussed with your portfolio manager.

Yours faithfully

Coleman Properties