

MCHBUILDING PTY LTD

BEFORE YOU GET A QUOTE

Thinking of renovating, extending or repairing your home? Are you thinking of building your dream home? There are many things to consider such as designs, plans, materials, costs and deadlines.

Please read through this information. We hope it will be helpful in guiding you through the building/renovation process and ensure you have all that is required for us to provide you with a quotation.

The Home Building Act/Licences

The law called the Home Building Act regulates the home building industry in NSW.

All builders and tradespeople that want to work in the home building industry in NSW on jobs worth over \$1000 in labour content and all specialist contractors must be licensed with the Department of Fair Trading.

Performing residential building work over \$1000 in labour content or specialist work without an appropriate licence is against the law and open to prosecution. Also, the licence must be for the specific type of work that you want done. For example, a person holding a licence to do plumbing work cannot do building work.

Insurance

As a form of consumer protection, builders and tradespeople must also take out appropriate insurance from a private insurer to cover defective or incomplete work on any residential project costing more than \$12,000 contracted with a consumer. This is called Home Building or Home Warranty insurance. The builder must give you a certificate of home warranty insurance before starting the work.

Contracts

All work over \$1000 in labour content must have a contract in writing.

Once you decide on a quote, you should get a written contract to sign. Contracts must contain the following:

- The contract must be dated and show the name of the contractor and the consumer, the contractor's licence details (the name on the licence card and licence number), a sufficient description to which the contract relates including any plans and specifications and any relevant warranties that are required by the Home Building Act.

- The contract price must be displayed on the front page and there must be a warning if it is subject to change.
- The Contractor must give the consumer a copy of the contract within 5 working days of entering the contract.
- Have a certificate of insurance attached if the market value of the work is greater than \$12,000 and a deposit is taken.
- There can be no compulsory arbitration clause in any home contract.
- The builder must provide information about completion time, compliance with the law, materials used and that the dwelling is fit to live in.

Important questions to ask:

1. Are you licensed with the Department of Fair Trading?
2. Is your licence appropriate for the work?
3. If the market value of the work is over \$12,000, where is my home building certificate?
4. Do you have other proper forms of insurance?
5. What sort of contract will be used?
6. Who will supervise the work?
7. Where can I see examples of your work?
8. Make sure that all the trades used on your job (electricians, plumbers, carpenters etc) have current valid licences that are appropriate for the work they do and that they also carry the correct insurance for their companies.

Important things to check:

1. Does the licence name and number match with the contract?
2. Call the Department of Fair Trading and do a licence check.
3. Is the builder a member of the HIA or Master Builders Association? If so, you can contact these organizations to confirm current membership.
4. Check with your existing house insurer, in some cases if you do not inform them of impending alterations then this may void your existing cover.

PLANS >

THE ROLE OF THE: LAND SURVEYOR/DRAFTSPERSON/ARCHITECT/ENGINEER

A land surveyor takes levels over the land and locates features such as existing trees, rock ledges, adjoining buildings and anything else that may have relevance to your future house or extension (if the extension is substantial). This information is drawn to scale as a site plan and can include the contours of the land as well as the exact dimensions and angles of the boundaries.

The site plan should also show easements for drainage, rights of carriageway and position of sewer lines. The Title Deed of the land should also be checked to see if there are any restrictions as to user or covenants affecting the land, perhaps prohibiting the use of particular building materials or limiting the height of a new house in the case of a locality with water views. Council requirements may prohibit building a house with a floor level below a certain height in flood risk areas. A land surveyor has the expertise to provide this information.

A **Draftsperson** or **Architect** will complete your plans using all the above information and your design requirements. They will ensure that details such as shadowing, elevation, floor plan and roof pitch are all accurately scaled.

On completion of the external part of the building the lending authority (your bank or home loan financier) requires a final Surveyor's Report or Identification Survey. The land surveyor will certify that the requirements of the Local Government Act 1993 Building Ordinance have or have not been complied with, regarding the minimum allowable distances of walls, eaves and gutters from boundaries of the land.

Council also requires this Identification Survey when an application is made for a Building Certificate for the completed house. The council issues the Building Certificate after the house has been inspected and approved.

A **consulting engineer** is qualified to carry out an inspection & advise you on the suitability of your land for your intended needs and to advise you on the most suitable foundation and floor system to suit your block and your proposed method of construction. It is critical for the architect or plan drawer to have this information prior to preparing plans.

You will require an inspection by a qualified **STRUCTURAL Engineer** if you are building under any of the following conditions: loose sands which settle unevenly, reactive clay foundation soils which expand and shrink with change of season, poorly compacted filled sites or difficult vehicular access.

Various lending institutions often require an Engineers Certificate approving the various stages of construction before progress payments are issued. It is important to consult with your lending institution for any specific requirements they may have in regard to whom they will want to carry out the inspections.

The completed house plans, along with the engineer's report are now ready to be lodged with the Council.

JOB BRIEFS

These are essential. Now matter how small the project, you should write a job brief. It should:

- be as specific as possible
- list the brand names and models of all your fittings, tiles, appliances, etc that you require
- include everything you have in mind about the job you want done
- attach the job brief to the design plans
- indicate if you want the builder to clean the site. A good builder will always clean the site but you may want to do it yourself to save money.

*** A builder needs detailed plans and a job brief to accurately quote on the project.**

OTHER THINGS YOU SHOULD CONSIDER...

PRIME COST ITEMS

Prime Cost Items (also known as PC items) are an area where consumers often find cost over runs. A PC item is one that the consumer hasn't specifically selected at the time of the contract but the builder has made an 'allowance' for it in the total quoted price. Builders usually quote using the cost for a basic model or type on the market. (Eg taps, tiles, toilets, vanities, shower screens, the oven, cook-top and specialist kitchen, bathroom and laundry items etc). The real cost will be greater when you later choose better quality items. So, try to do your homework carefully and know exactly what PC items you will require.

VARIATIONS AND ADDITIONS TO A CONTRACT

Before you sign the contract be confident that you've thought of everything. Changing something later could blow out your budget. An addition would be something you may have thought about after signing the original contract and wish to add to the building project. A variation is a change or adjustment to what has already been agreed in the contract.

Variations tend to be expensive because they disrupt the builder's program and generate more work. If you do need to make a variation to the contract, make sure it is in writing and attached to the contract and signed by both you and the builder.

The builder may request a contract be varied because of a council requirement or unforeseen circumstances. For example, a quote may be for a certain amount and include certain work but there may be unforeseen problems, which will require extra labour or materials to be used to get the job done. Eg. There may be rock beneath the surface, which needs to be removed and additional equipment and labour will need to be hired. This is a variation.

Note: Warringah Council states the following in its 'Building & Renovating Booklet Volume 5'

"Quoted prices can vary enormously from one builder or tradesperson to another for the same work. Be cautious about quotes that seem significantly lower, they may end up costing you much more."

SITE WASTE MANAGEMENT

Waste has become a high profile issue at all levels of government. Be aware that if you are planning to demolish a home or room yourself you must consider:

- The type and quantity of the waste/recyclable material to be generated
- How the waste will be stored and treated on site
- Where it will be taken for disposal or recycling
- How will access be managed with regard to skips/bins etc

Waste removal of a demolished home can cost in the region of \$30,000+ and this is often not taken into account when you are considering the viability of renovating or rebuilding.

TERMITES

Termites or 'white ants' are one of the biggest problems facing Australian homeowners. They cause more damage each year to Australian homes than floods, fires and storms combined and one in five homes will be attacked. Termite attack is not covered by household insurance.

For these reasons building by-laws make it compulsory to install an approved termite barrier when constructing a new home or building an extension.

Ask your builder what form of termite protection he intends to use. There are two main types of methods on the market – physical and chemical. When choosing a termite barrier consider the following:

- How effective is the method?
- How long will the barrier last?
- Are re-treatments required?
- What is the ongoing cost of re-treatments?
- How good is the warranty and what does it cover?

Australian Standards strongly recommend termite inspections be carried out by a qualified inspector at least every 12 months. Full inspection should include a visual inspection in the roof cavity, under floor, all built-in wardrobes and cupboards as well as the perimeter of the house.

WHEN DO I CALL THE BUILDER FOR A QUOTE?

When you have prepared your detailed 'Job Brief', have had your plans (architectural & structural) drawn up and are ready for or have entered council for approval, this is a good time to organise for MCH Building to quote on the job required. Council approval takes between 6-9 weeks on average but has been known to take much longer.

You will need to send us copies of your plans and job brief. We can then review these and arrange a time to meet with you at the property to discuss in detail your requirements. We may need to organise for other trades to look at the property before we can give a detailed quotation (eg electrician, plumber etc).

If you are simply renovating a bathroom or kitchen, once you have an idea of what you want you can discuss the layout with MCH Building. These types of renovations do not require professional plans.

NOTE 1: Builders with a good reputation can often be fully booked with work months in advance.

NOTE 2: If you are looking to have work started toward the end of the year and completed by Christmas be aware that you will probably need to discuss this by the middle of the year.

Mike Griggs runs and supervises all MCH Building jobs personally. We use tradespeople we trust and have worked with over the past 9 years. MCH Building does not run multiple jobs at one time, preferring to provide our full attention to one or two projects.

WHAT IS AN OWNER BUILDER ALL ABOUT?

If you wish to do owner-builder work you must obtain an owner-builder permit if the work is over \$5,000 in value.

A two-day course is required before you can obtain a permit.

Some of the things you will be responsible for as an owner-builder are:

- Overseeing and supervising all tradespeople
- Ordering and delivery of materials
- Management of the building site
- Dealing with supplier delays, incorrectly supplied goods, under supplied goods, weather delays and other problems that can disrupt the building schedule and blow out the budget.
- Removal of all waste appropriately.
- Environmental protection of the site during building.
- Obtaining all necessary Council and Authority approvals for the work.
- Obtaining all necessary Council and Authority approvals for each completed stage.
- Obtaining an Occupation Certificate.
- Ensuring that the financial, taxation and insurance requirements of the building work are met, and fully ensuring compliance with all laws
- Providing a safe working environment
- Ensuring any contractor engaged is appropriately licensed to do the work contracted for
- Dealing with the electricity, gas and telephone companies
- Providing all appropriate insurance cover such as Home Warranty Insurance** , Public Liability Insurance, Builder's All-Risk Insurance, Workers Compensation insurance.
- You will need to enter into several contracts with different tradespeople rather than one contract with a licensed builder.

**Owner Builder Home Warranty Insurance

If and when an owner-builder decides to sell their home within 6 years after completing the work, the owner-builder will need to take out Home Warranty Insurance where the cost of the project (labour and materials) was more than \$12,000. The sale contract must:

- a. include a note that an owner-builder permit was issued in relation to the work and that the work done under the permit required Home Warranty Insurance.
- b. have a Home Warranty Insurance certificate attached.

If you do not arrange Home Warranty Insurance to cover the work, the purchaser can void the sale contract.

WARNING: As an owner-builder you are guaranteeing the work you undertake. This means that if you sell your home and an insurance payout is made, the insurance company may seek recovery of the claim payment from you.

BE CAREFUL of purchasing a home that has been built or renovated by an owner-builder who cannot provide proof of a Home Warranty Certificate.

BE WARY of a builder who suggests you obtain an owner-builder permit while they do all the building work for you. This may be a ploy when the builder is shirking responsibility, is unlicensed, or is unable to get insurance.

Important: Do your sums before you start and ask yourself if any saving you might make is worth the time and responsibility you must provide. History shows that generally an owner-builder will take longer than a licensed builder and although you may save on labour costs you may not be able to negotiate the bulk discounts on materials that a licensed builder can obtain, or find tradespeople at the price you want, when you want them.

A SUMMARY OF THE REFORMS OF HOME WARRANTY INSURANCE SCHEMES EFFECTIVE APRIL 2002

- The home warranty insurance policy must provide cover for the home owner of at least \$200,000 in respect of defective work.
- The period of cover for structural defects will be 6 years.
- The period of cover for all other non-structural defects will be 2 years.
- Where the claim is for incomplete work the homeowner will be covered for up to 20% over the original contract price (up to a maximum claim of \$200,000).
- All residential building work costing over \$12,000, other than high-rise, will be required to be insured.
- Owners of high-rise will have access to a last resort fund.
- Home-owners will be able to lodge a claim against their policy as a last resort, that is when their builder is insolvent, dead or has disappeared.
- Insurers liability in respect to claims for the above will be capped at \$10 million.

Can you give me an idea of general costs?

Bathroom renovations:	From \$10,000+ (including PC items) & will take 2-4 weeks
Kitchen renovations:	From \$15,000+ (including PC items) & will take about 4 weeks
2 nd Storey:	Begin at \$120,000 depending on the area size and what is included. A rough guide is to allow \$1,800 - \$2,000 per square metre + GST. Generally will take 16-24 weeks.
Extension:	Begin at \$50,000 depending on the area size and what is included. Can take 12 to 20 weeks.
Internal renovation -	stays the same
Deck:	From \$5,000+ for a 6m x 6m deck in treated pine. Hardwood is more expensive. A pergola and suntuff covering for this size deck would cost approx another \$3,000.

A GUIDE TO THE DEVELOPMENT & BUILDING APPROVALS PROCESSES – as set out by the council.

How Does the System Work?

All development, building and subdivision approvals have been issued under the one Act – the EPAA. Approval may be sought for a particular stage of development (eg subdivision) or for all stages of a project (eg. Subdivision, construction and occupation)

EXEMPT Development – no approval required provided standards in Council's Development Control Plan are met.

COMPLYING Development – approval can be obtained from Council or an accredited certifier and must be given where the development meets certain pre-determined criteria. This criteria is nominated in Council's Development Control Plan. A Complying Development Certificate may be issued by an accredited Certifier* or Council.

LOCAL Development – Council must assess the merits of the application, including any submissions, before deciding whether to approve or refuse the application.

* New legislation allows an applicant to use a private sector professional instead of Council to issue Complying Development Certificates, Construction Certificates, Compliances Certificates or Occupation Certificates. These individuals are called "Accredited Certifiers".

What is the Process of Certification?

An applicant can:

- At the time of lodging a Development Application (D.A.), request Council to issue a Construction Certificate (ie. Tick the Construction Certificate box on Council's Application Form and submit the necessary details and specifications at the time of lodgement).
- Obtain a 'Complying Development Certificate' from Council or an Accredited Certifier.
- Separately request Council to issue the Construction Certificate after receiving development consent by lodging a fresh Construction Certificate Application.
- Engage an Accredited Certifier to issue the Construction Certificate once Council's development consent has been obtained.

After receiving a Construction Certificate the applicant must then engage a Principal Certifying Authority (PCA). A PCA can be Council or an Accredited Certifier. An applicant is obliged to provide Council details of the PCA appointment at least 2 days prior to commencing construction works.

The role of the PCA is to supervise construction regarding matters such as compliance with the Building Code of Australia and the pertinent Australian Standards; issue or organise to have Compliance Certificates issued at the appropriate times; ensure that appropriate inspections are carried out and issue the Occupation or Subdivision Certificate. The PCA is the only person who can issue an Occupation Certificate or Subdivision Certificate.

All charges related to council fees & certification are the responsibility of the property owner.

SUMMARY

- All development needs a Development Consent, unless it is an 'Exempt Development' or 'Complying Development' as specified by your local Councils' *Development Control Plan*.
- 'Complying Development' requires certification by a Principal Certifying Authority (PCA) who may be from the Council or may be an independent Accredited Certifier.
- A construction Certificate will be required following Development Consent.
- Other certificates are required to certify the construction process and finalisation of the project (eg. Certificates of Compliance, Occupation etc)
- All new applications need to be submitted on Council's Application Forms.
- All applications will be subject to a fee.

Mike Griggs, Director of MCH Building Pty Ltd is a specialist in individual and private projects. MCH Building is a small, professional company and we take pride in everything we undertake. We also provide other services including 'Personal Shopper' where we source all manner of goods such as electrical, bedding, office equipment etc for our clients. Please feel free to ask us about these.

MCH Building is a member of the Housing Industry Association.

* Information in this document is provided by the Dept of Fair Trading and Local Council documentation.