

*“
Building &
Renovating
A Guide for
Consumers
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BUILDING AND RENOVATING A GUIDE FOR CONSUMERS

Prepared by Consumer Affairs Victoria

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Consumer Affairs Victoria Publications

A range of topics are covered by other Consumer Affairs Victoria publications. These are available on the website or by calling 1300 55 81 81.

- Buying and selling a home
- Buying a car
- Computers and the internet
- Credit and debt
- Product safety
- Renting a home
- Shopping and shopping services

Disclaimer

The information contained in the Consumer Affairs Victoria Building and Renovating Guide is of a general nature only. Do not regard this publication as a substitute for professional advice and reference to the actual legislation. Although the information contained in this guide has been researched and presented with due care and attention, Consumer Affairs Victoria accepts no responsibility for any errors or omissions which may have accidentally occurred within the publication.

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“ Foreword ”



Every year thousands of Victorians build or renovate their homes. Most home owners working with Victoria's domestic building industry have very positive experiences. In the minority of cases where things go wrong, Consumer Affairs Victoria provides help.

The Bracks Government is committed to improving protection for consumers and making sure they have access to the information they need to make sound decisions.

That is why Consumer Affairs Victoria has developed this guide to building and renovating.

I believe being well informed is the best protection you can have against potential problems with a domestic building contract, including time delays or disputes over the quality of work.

If you've decided it's time to undertake your own building project, this guide will help you avoid many of the possible pitfalls through careful planning and sticking closely to domestic building laws and regulations.

It also provides you with hints to assist you through each stage of your building project, whether you are building a new home, renovating or have decided to become an owner builder.

I urge you to take the time to understand the rules and regulations and, most importantly, your rights and responsibilities. Also, make use of the handy checklists, contacts and tools for budgeting that you will find in the publication.

This guide will be an essential reference tool for you when making decisions about your home and managing your building project.

I encourage you to use Building and Renovating: A Guide for Consumers from the early stages of your home building project. If you need any further advice call Building Advice and Conciliation Victoria at Consumer Affairs Victoria on 1300 55 75 59.

A handwritten signature in black ink that reads "Marsha Thomson". The signature is fluid and cursive.

MARSHA THOMSON MP
Minister for Consumer Affairs

“ Contents ”



- 01 Make your vision a reality
- 02 Builders warranty insurance
- 08 The rules and regulations of domestic building
- 24 Choosing a builder
- 28 Costing and financing your building project
- 36 Building a new home
- 48 Renovating
- 52 Renovation checklist
- 56 Becoming an owner builder
- 62 Fences
- 64 Maintaining your new home or renovation
- 68 Building checklist
- 70 BACV helping to avoid or resolve building disputes
- 76 Building definitions
- 84 Useful contacts



“ Make your vision a reality ”

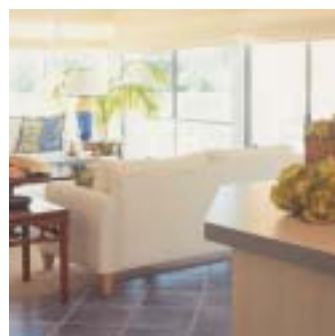
“
*The time has come
to build or renovate.
Whatever your
inspiration, be it
magazines, television
shows, friends’
houses or your own
designs, you have a
vision for the home
you want to create.*



You can picture yourself in your new kitchen, lounge, bathroom or bedroom. Maybe you can envisage entertaining friends or enjoying a family evening.

The journey from here will undoubtedly be exciting. Regardless of whether you engage a builder to construct your new home or renovation, or decide to become an owner builder, the risks are high for those who embark on a building project unprepared.

At Consumer Affairs Victoria we sometimes see what can happen when building projects go wrong. It can be a costly affair with much heartache. The good news is that by far the majority of problems can be avoided with good planning, research, organisational skills and time commitment.



The first sections of this guide provide important information and advice for all home building situations. Whether you are building new, renovating or becoming an owner builder, you should read these sections before you start your project so that you fully understand:

- builders warranty insurance and how to avoid building disputes
- preliminary agreements for assessment of your site
- building and planning permits
- budget planning
- choosing a builder or tradesperson
- using a major domestic building contract
- how to resolve a domestic building dispute
- regulations covering fences

- maintenance of your home once works are complete.

At the end of the guide a comprehensive list of building definitions is included, plus a directory of experts who can provide you with a range of technical building advice.

There are also special sections within the guide with specific advice for readers who are building new, renovating or becoming an owner builder.



*“
Builder’s warranty
insurance
”*



“
*On 1 July 2002,
changes were made
to builders warranty
insurance following
the collapse of HIH
Insurance.*
”

Home owners can now only make claims for defects and incomplete work on a builder's warranty insurance in cases where the builder:

- has died
- is insolvent
- has disappeared.

The bottom line is that in all other cases if you are unhappy with the quality of work or the progress of your building project, you must negotiate with the builder to gain a satisfactory outcome.

It is now more important than ever that you and your builder maintain clear and regular communication and ensure that your domestic building contract covers all possibilities.

The new builders warranty insurance in action

When a building company with more than 40 contracts was placed in receivership, Consumer Affairs Victoria worked quickly with insurers to ensure that homeowners would not be left high and dry.

Because the company was insolvent, homeowners with incomplete buildings or identified defects could make a claim under the builder's warranty insurance.

Consumer Affairs contacted the insurer and explained the gravity of the situation. Many homeowners were anxiously awaiting the completion of their houses, some were renting alternative accommodation and in one case a couple were living in a caravan until their house was built.

The insurer fast tracked the claims and had assessors on the building sites within seven days. On each of the approved claims, the insurer agreed to pay up to 20 per cent of the contract price. The insurer even helped owners make contact with new builders who could complete their projects and avoid further delays.



Changes to builder's warranty insurance

From 1 July 2002

- Builders must take out insurance for most home building or renovating over \$12,000.
 - Builders must be registered with the Building Practitioners Board for most work over \$5000.
 - Claims on policies issued after 30 June 2002 may be made only when the builder is dead, insolvent or has disappeared, unless the policy is varied to include greater cover.
 - Insurance now covers:
 - non-completion of building work and structural defects for up to six years; and
 - non-structural defects for up to two years.
 - The minimum amount of insurance cover is now \$200,000.
- A policy may limit claims for non-completion to 20 per cent of the original building contract amount.
 - From 10 April 2002 residential buildings over three storeys high, containing two or more separate dwellings no longer require builders warranty insurance. If you buy one of these homes, make sure your purchase contract has defect liability inclusions.
 - If you are buying a home off the plan and are not directly contracted to the builder you are unprotected. Make sure defects liability is included in your contract.

Before July 2002

Building contracts signed before 1 July 2002 are covered by the previous insurance arrangements.

What cover is the builder required to have?

A registered builder must take out builders warranty insurance for all works exceeding \$12,000 in value and provide you with a certificate as evidence of the insurance.

This certificate identifies the building owner, the builder and the insurer and gives the address and a description of the building works. It is presented as a form specified by Schedule 2 of the current Ministerial Insurance Order which is published in the Government Gazette and is available to the public from Information Victoria on 1300 36 63 56.



“A registered builder must take out builders warranty insurance for the homeowner’s benefit.”



A builder may obtain an annual building warranty insurance policy or provide a 'job specific' policy for work on your home.

A copy of your builder's warranty insurance will only be provided after you have entered into your contract. Check and agree with your builder on what insurance coverage you are being offered. Most insurers only offer a minimum cover.

For more information regarding builders' insurance requirements contact the Building Practitioners Board on 1300 36 03 20.

Check your builder's insurance

Before you sign a domestic building contract, ask to see and note the builder's intended warranty insurance. You need to be sure the builder will have current cover that is relevant to the work that will be carried out on your site. Consumer Affairs Victoria has seen cases where homeowners have sighted up-to-date insurance only to discover, when it's too late, that the cover was specific to another location. You can also ring the listed insurer to check the policy is for work at your address.

Making a claim

If your builder is dead, insolvent or has disappeared, you may make a claim for defects or incomplete work to the insurer.

In all other situations, you must negotiate with your builder to complete work or fix defects.





Avoiding claims

You need to be extremely careful when entering into a domestic building contract. It is important to monitor the construction carefully and ensure that the builder is delivering the service described in the contract.

As soon as any contractual or technical problems occur you should consult Building Advice and Conciliation Victoria (BACV) on 1300 55 75 59 and work with the builder to resolve the dispute. Details on how to do this are included in the BACV section of this guide.

Exempt tradespeople

Tradespeople carrying out the following specialised domestic building work as a single trade only, are exempt from registration with the Building Practitioners Board and builders warranty insurance:

- Electrical
- Draining
- Glazing
- Painting
- Plastering
- Plumbing
- Gas fitting
- Insulation
- Tiling (wall and floor)
- Attachment of external fixtures (awnings, security and insect screens, balustrades)
- Installation of floor coverings
- Erecting a chain wire fence to enclose a tennis court
- Erecting a mast, pole, antenna, aerial or similar structure.

However, if more than one trade is carried out by the same tradesperson on a domestic building project worth more than \$5000 (for example, the plasterer also does the painting) they will be required to be registered and enter into a major domestic building contract. For works over \$12,000, they must also provide builders warranty insurance cover.

If a carpenter, concreter, cabinet maker, roof tiler or bricklayer performs work worth over \$5000 they must be registered with the Building Practitioners Board and take out the required builder's warranty insurance.

Contract insurance

Registered builders should also have contract insurance to cover fire, theft and public liability during the course of the construction period.

Insurance for owner builders

Detailed information for owner builders, including insurance, is covered in the Owner Builder section of this guide.



You need to be extremely careful when entering into a domestic building contract.



***“The rules and regulations
of domestic building”***





If there is one golden rule in building, it is 'Don't take shortcuts'. The rules and regulations that govern domestic building might at first appear overwhelming.



However, understanding your rights and obligations, and those of your builder before you sign a contract could save you considerable time, money and stress.

Before you start the contractual process, take the time to understand the rules and regulations set out in domestic building legislation as outlined in this section of the guide.

The *Domestic Building Contracts Act 1995* provides a framework in which to complete domestic building work and deal with any disputes that may arise.

Consumer Affairs Victoria is responsible for administering the *Domestic Building Contracts Act 1995*, as well as the *Fair Trading Act 1999*. Building practitioners can be investigated and prosecuted by Consumer Affairs Victoria when sufficient evidence is provided that these laws have been broken.

The Building Commission is responsible for administration of the *Building Act 1993*.

Consumer Affairs Victoria and the Building Commission operate a joint information, advice and conciliation service that helps homeowners and builders to avoid or gain early voluntary resolution of building disputes. This service is called Building Advice and Conciliation Victoria (BACV).

Assessing your site – The Preliminary Building Agreement

Before you complete the final design of your home or renovation and usually before signing a domestic building contract, you may be asked to sign and pay for a Preliminary Building Agreement.

This agreement can include soil tests and site surveys, at your expense, which are needed before you can plan a suitable design for your block of land. This should be done even before you get formal quotes from builders, as the soil tests and surveys of the land can reveal hidden expenses and restrictions on the possible design of your home.

The information gained from the results of soil tests is called foundation data. The report issued by a geotechnical engineer will tell you the depth of stumps or type of slab needed and whether excavations are required to remove rock.

Often homeowners will end up engaging the builder who organised the foundation data to build or renovate their home.

However, when plans issued by a builder under the Preliminary Agreement are subject to copyright you will not be able to keep these plans for use by a different builder, despite paying for the service. Payment for a Preliminary Agreement is usually not refundable and quite separate from payments made under a major domestic building contract.

The price of changing your mind

After getting a number of quotes to build a new home on their existing property, Mr and Mrs Wimsey signed a preliminary agreement with one of the builders. The preliminary works to be carried out included a site inspection, pre-planning meetings, planning permit and site survey. The agreement also covered a soil test, design development, working drawings and specifications, building and planning permits and additional consultants.

The couple paid a \$1000 deposit to execute the agreement. However, after re-evaluating their financial position, they changed their minds and decided to buy an established home instead. They told the builder to cancel the preliminary agreement and asked for their deposit back.

The builder had already completed many of the preliminary works including site evaluation, soil testing and had held nine meetings to discuss pre-planning and working drawings and specifications. He quite rightly demanded the remaining \$3000 outstanding that was owed to him.

Permits

Before starting to build or renovate you must find out whether you need a planning permit, a building permit or both.

Planning permits are provided by local councils and relate to the zoning of your land according to its use. Contact your local council to find out if you need a planning permit. If so, you must obtain one before you can be issued with a building permit.

Other permits will be needed if Special Building Overlays (SBOs) apply to your property, for example heritage, flooding, termite or bushfire overlays.

A building permit is written approval from a registered building surveyor that shows your plans fit in with the building regulations. You must have this before you are allowed to build. A local council or private building surveyor can issue you or your builder with a building permit.

You will also need a permit for demolition if you need to demolish an existing home prior to building your new home or extension.

To obtain a building permit for work worth more than \$5000 you will need to provide evidence that your builder is registered with the Building Practitioners Board. If the work is worth more than \$12,000 you will also need to show evidence that your builder has current builders warranty insurance.

Sometimes a building permit is needed even when the value of the work is less than \$5000. These works include renovations such as restumping, or removing internal load-bearing walls, or installation of 'bay' or 'picture' type windows where structural alterations are required. A building inspector will visit the site during construction to ensure building regulations are being met.

Talk to a building surveyor

Building surveyors can be located at local councils or they can operate privately. Private building surveyors are listed in the Yellow Pages telephone directory, or can be contacted through the Australian Institute of Building Surveyors on (03) 9326 7100.

A building surveyor will help you find out your local government requirements. Every council has rules about the size and height of houses, how they can be built and where they can be located on the block. The Building Code of Australia and the Victorian planning provisions, ResCode, may also affect the design of the building.

You or the builder can be responsible for contacting the surveyor to obtain permits. This choice will be shown in your building contract. If the builder obtains the permit for you they must have your written permission to do so.

“ Before starting to build or renovate you must find out whether you need a planning permit, a building permit or both. ”

The building surveyor who issued the permit will visit the site at Base, Frame and Final Stages to ensure building regulations are being met. It is therefore important to establish and maintain contact with the building surveyor throughout the project. The surveyor can provide explanations and advice on the progress and quality of the building.

Permit warnings

- Do not sign a blank document authorising the builder to lodge all documents for you. Be sure to read the permit applications and only sign them if you agree.
- Do not allow a builder to name you as an owner builder on a building permit unless you have given your permission

to do so and intend to take full legal responsibility for building your home. Builders who are unregistered and uninsured may try to talk you into doing this by telling you it will save you money. Don't be fooled by this. In the long run it could cost you a great deal of money.

When is a building permit required?

Always check with your building surveyor to determine whether a building permit is required. Table 1.6 of the Building Regulations (*Building Act 1993*) specifies those buildings and building work that do not require permits. The table on the following page specifies some examples and is a guide only. Changes may be made

to these regulations during 2004. Your building surveyor should check for possible changes and provide you with updated requirements.

The cost of ignoring the laws and regulations

If you fail to obtain a building permit before you start building, you will have no building inspections by a surveyor and no way of knowing if your builder has followed building regulations. Brian complained to his local council when his builder refused to complete major renovations to his apartment. The council discovered that Brian had no building permit and sent in a building surveyor to inspect the premises. The building surveyor reported that over \$40,000 worth of work was needed to make the

renovation fit with building regulations, or the work had to be demolished. The builder still refused to fix and complete the work, so Brian contacted BACV for help. The Consumer Affairs conciliator found that Brian and his builder had no domestic building contract and although the builder was registered, had no builders warranty insurance. Fortunately the conciliator helped resolve the case. Work was finally completed at the builder's expense, but with no warranty insurance Brian has no possibility of compensation for any future problems. Always set up and manage your home building project according to the laws and regulations. If you don't, you run a high risk of losing valuable time and money and creating unnecessary stress.



Type of building work	Permit required
Additions or extensions to your home	Yes
Alterations to your home	
<input type="checkbox"/> Structural	Yes
<input type="checkbox"/> Removal or alteration of a load-bearing wall	Yes
Carpports	
<input type="checkbox"/> Free standing, costing less than \$5000	No
<input type="checkbox"/> Attached to another building and costing less than \$5000	Yes
<input type="checkbox"/> Set back less than the minimum required by the regulations or extends beyond the street alignment	Yes
<input type="checkbox"/> Constructed over an easement	Yes
Change of use of a building	
<input type="checkbox"/> For example, change from a warehouse to a dwelling	Yes
Demolition	
<input type="checkbox"/> All demolition work, except for some minor work	Yes
Fences	
<input type="checkbox"/> All fences not exceeding 1.2 metres	No
<input type="checkbox"/> Timber front fence up to 2 metres high	No
<input type="checkbox"/> Chain wire tennis court fence	No
<input type="checkbox"/> Boundary fence less than 2 metres	No
<input type="checkbox"/> Timber front fence over 2 metres high	Yes
<input type="checkbox"/> Brick fence over 1.2 metres high	Yes
<input type="checkbox"/> Fence over 1.2 metres high within 9 metres of a street corner	Yes
<input type="checkbox"/> Brick fences over 1.2 metres high within 3 metres of the street frontage	Yes
Garages	Yes
Masts/antennas	
<input type="checkbox"/> 3 metres or more above the highest point of the building	Yes
<input type="checkbox"/> More than 8 metres above the ground	Yes

Things you may need when applying for a building permit

1. A fully completed application form.
2. A copy of certificate of title for allotment.
3. A re-establishment land survey, especially when building on the boundary.
4. Evidence of ownership or evidence that a contract has been entered into according to section 9AA of the *Sale of Land Act 1962*.
5. Three fully dimensioned sets of working drawings. With alterations to an existing building, colours are used to show the difference between proposed and unaltered parts.
6. Three copies of an allotment plan. The scale should be not less than 1:500.
7. Three copies of specifications.
8. Timber frame and bracing design under Australian Standard (AS) 1684 – 1999.
9. Three copies of truss computations and layouts.
10. Three copies of computations for structural members.
11. Three copies of a full engineer's report of existing conditions for footing system and structural frame elements supported by engineer's computations for any second storey addition.
12. Full details of services in the easement.

Type of building work	Permit required
New building	Yes
Pergolas An open structure, unroofed, may have covering of open weave <input type="checkbox"/> Unroofed and connected to house or garage <input type="checkbox"/> Unroofed pergola associated with any other building	Maybe No
Reblocking <input type="checkbox"/> Reblocking or restumping of an existing building	Yes
Retaining walls <input type="checkbox"/> Built on or near boundaries <input type="checkbox"/> One metre or more high required for the construction of your home	Yes Yes
Roofing <input type="checkbox"/> Replacement of corrugated iron roofing with concrete or terracotta tiles <input type="checkbox"/> Replacement of corrugated iron roofing with 'colourbond' or other pre-finished sheets	Yes No
Second Storey Additions	Yes
Sheds <input type="checkbox"/> Less than 10 metres square in area <input type="checkbox"/> More than 10 metres square in area and costing over \$5000	No Yes
Swimming pools and spas <input type="checkbox"/> In ground, 300mm or greater depth or over 15 cubic metres <input type="checkbox"/> Construction of new or replacement swimming pool fencing	Yes Yes
Verandahs <input type="checkbox"/> Construction of a roofed verandah attached to any building	Yes
Windows <input type="checkbox"/> Replacement of windows with similar type windows where no structural alteration is needed <input type="checkbox"/> Installation of 'bay' or 'corner' type windows where structural alterations are needed	No Yes

13. Three copies of a soil report.
14. A copy of any approval issued by a relevant authority for works on the property, for example, heritage, ResCode, siting dispensation or over easement etc.
15. Town Planning Permit.
16. Smoke alarm location to be indicated on floor plan as per AS 3786 – 1990.
17. Thermal insulation details as required by the Building Code of Australia on the drawings.
18. Details of any proposed barriers for protection of property and the public.



Fees

- **Building fee**
This may or may not include the cost of mandatory building inspections.
- **Lodgement fee**
This is paid to the council for recording purposes.
- **Crossing deposit**
This is sometimes known as an 'asset protection' fee. The fee is refundable at the end of the building project if no damage has occurred to council property.
- **Inspection fee**
This is a non-refundable fee paid to the council for the cost of their inspection of council assets.

- **Government levy**
Once the contracted cost of your building is over \$10,000 you will be charged these three levies based on the total cost of your building. This also applies to owner builders.
 - State Government levy charged at 64 cents for every \$1000
 - HIH levy charged at 32 cents for every \$1000
 - BACV levy charged at 64 cents for every \$1000

GST

The Federal Government 10 per cent tax rate applies to many goods and services. GST does not apply to levies and some council statutory charges. GST may not apply if you are buying a service directly from the council, but will apply if you employ a private building surveyor to buy a service on your behalf.

Other charges

Other charges can apply for items such as extra inspections or service of notices. These charges are not usually included as upfront fees. It is best to ensure your builder follows permit documentation for all fees paid.

If using a private building surveyor, some fees must be paid directly to the local council.

The major Domestic Building Contract

Several different types of building contracts are available for a range of domestic building works. Examples include contracts for minor or small works or for kitchen, bathroom and laundry supply.

Builders and consumers are required by law to have a formal written **major Domestic Building Contract** for most domestic building work over \$5000, including:

- construction of a home and associated landscaping, paving, retaining structures, driveways, fencing, provision of lighting, heating, air conditioning, water supply or sewerage
- renovations, alterations, extensions and repairs to a home
- work associated with the renovation, alteration, extension or repair of a home, such as landscaping, paving, retaining structures, driveways, fencing, garages, workshops, swimming pools or spas



Total cost of building work	State levy 64 cents per \$1000	HIH levy 32 cents per \$1000	BACV levy 64 cents per \$1000	Total
\$100,000	\$64.00	\$32.00	\$64.00	\$160.00
\$200,000	\$128.00	\$64.00	\$128.00	\$320.00

- preparation of plans or specifications for the work
- demolition or removal of a home
- any work associated with the construction or erection of a building on land zoned for residential purposes and for which a building permit is required.

The major Domestic Building Contract is a legally binding agreement you make with your builder to carry out, arrange or manage your building project. The contract needs to be accurate, detailed and as watertight as possible so that there is no uncertainty.

Misunderstandings about domestic building contracts are common and account for most of the enquiries and complaints received by BACV at Consumer Affairs Victoria.

To avoid these disputes you will need to include all aspects of your building requirements in the drawings and specifications that are included in your contract.

The specifications should include details of materials, quantities, colours and appliances, including make, model number and manufacturer/supplier. If the term 'the builder's range' or similar is used in the contract, the contract specifications should accurately describe what that range is.

A solicitor, not one acting for the builder, or qualified independent expert in domestic building matters should examine the contract with you before you sign. If a disagreement arises, the contract will be the primary source of clarification and settlement.

What your building contract should include

Under the *Domestic Building Contracts Act 1995*, a major Domestic Building Contract must be written in plain English and contain the following:

- Full details of the terms of the contract.
- A detailed description of the work.
- Plans and specifications of the work.
- Names and addresses of the parties to the contract.
- The builder's registration number with the Building Practitioners Board.
- The date when work is to start, or how that date is to be determined.



- A statement that the builder will do everything that is reasonably possible to start work as soon as possible if the start date is not known.
- A finish date, or the number of days required to finish the work if the start date is not known.
- Penalty rates or liquidated damages to be paid by the builder if construction is not finished by the stated date.
- The contract price, the date of the contract and details of builder's warranty insurance cover.
- A Notice of your right to a five day cooling-off period.
- A section including definitions of words used in the contract.
- An approved checklist.
- The implied warranties in the contract.

Implied warranties by the builder include the standard of workmanship, materials to be used, compliance with all laws and legal requirements, preparing the dwelling so that it is suitable for occupation, and completion within the stated timeframe. Warranties under the *Domestic Building Contracts Act 1995* will carry on to any subsequent owner for the relevant period.

You can never be too careful

You need to read every detail of your contract carefully before signing it. Ensure everything you want is clearly stated in the plans and specifications. The builder is not legally required to undertake work if it is not written in the contract.

You should also cross out all blank sections in the contract and make sure you have your own copy of the contract, plans and specifications.

What your Domestic Building Contract should NOT include

- A compulsory arbitration clause.
- A caveat (a warning of some right or interest on the land title) on the building site land. The builder may wish to ensure appropriate security for payment by creating a caveatable interest in a separate document, so consider carefully before you assign a caveatable interest in the builder's favour.
- A waiver or negation of implied statutory warranties, such as those applying to fair and reasonable standard of work, unreasonable time delays and price increases. These cannot be set aside by any agreement unless the breach of implied warranty was known or should have been known at the time of the contract.

“Builders and consumers are required by law to have a formal written major Domestic Building Contract for most home building work over \$5000.”

- A cost escalation or rise and fall clause unless the contract price exceeds \$500,000. The onus is on the builder to calculate into the contract price any likely rise in costs caused by inflation, wage increases, and the like. If the builder wants to include a cost escalation clause the Director of Consumer Affairs Victoria must approve it.
- The expression 'practical completion' is now obsolete. If you find it in your contract, delete it and insert 'complete in accordance with the plans and specifications'.

Cooling-off period

After receiving a signed copy of the contract, you have five clear business days to withdraw from the agreement. However, you must give the builder notice in writing and you cannot withdraw if you had independent legal advice before signing the contract. If you withdraw, the builder can retain \$100 plus agreed out-of-pocket expenses. To avoid any misunderstandings, send your letter to cancel the contract by registered mail and keep the mailing record.

If your building contract does not contain a cooling-off period, you are entitled to withdraw from the contract within seven days of becoming aware that you were not provided with a cooling-off period. If this occurs you may have to pay the builder all reasonable expenses for works completed before you terminated the contract.

Payments

The deposit

Once the builder starts work described in your contract, a deposit is required which cannot be more than:

- 10 per cent if the contract price is less than \$20,000
- 5 per cent if the contract price is \$20,000 or more.

Ensure that you do not pay more than the amount required by law. Avoid cash payments and always get a dated receipt.

Never pay a deposit for building works before the contract is signed, and work has commenced.

Stage payments

The main stages of house building are Base, Frame, Lock-up and Fixing. Your Domestic Building Contract should include the stages of payment set out in the *Domestic Building Contracts Act 1995*, as stated in the table below.



Stages of building included in your contract	Percentage of total contract price you are required to pay	Stage of building when payment is made
Contract to build to Lock-up stage	20 per cent 25 per cent	Base stage Frame stage
Contract to build to Fixing stage	12 per cent 18 per cent 40 per cent	Base stage Frame stage Lock-up stage
Contract to build all stages	10 per cent 15 per cent 35 per cent 25 per cent	Base stage Frame stage Lock-up stage Fixing stage

You and the builder may agree to a different payment schedule according to the manner set out in regulations. If your builder does suggest a different payment schedule, be sure to examine your financial situation carefully. Do not agree to a different payment schedule if you cannot afford to make those payments. Once you sign a contract that includes a different schedule to the one listed on the previous page, you are obliged to make the payments as set out in your contract.

Do not make advance payments

Do not pay in advance for stages of building, even if the builder sends you an invoice before a building stage is complete. You should stick strictly to the schedule listed in your contract. If you pay for stages before they are complete it may be difficult to obtain a partial refund for or get the builder to fix any defects that occurred at that stage of building. Also, if you have paid for a stage of building before it is complete, then discover problems and make a claim on your builder's warranty insurance because the builder has become insolvent, has disappeared or died, the insurance company may refuse to compensate you.

Prime cost items

A prime cost is a reasonable estimate of the cost of supply and delivery of a fitting or fixture, such as a stove, because the actual item has not been selected or the price is not known at the time of the signing of the contract.

If the cost turns out to be more than the estimate, then the owner pays the difference plus the builder's profit margin. If the cost turns out to be less, the owner is entitled to be credited the difference. The exception is where you, the building owner, supply the item or specify the sum.

Implicit within this definition is the warranty that the cost estimate will be fair, reasonable and not less than the current market price.

Provisional sums

A provisional sum is an estimate of labour costs, such as those associated with foundation works when rock or landfill is discovered, plus the builder's cost (after making all reasonable enquiries) of supplying any materials needed for the work. The same conditions and implied warranties apply to provisional sums as to prime costs.

In a major Domestic Building Contract, prime cost items and provisional sums must be set out in a separate schedule for each item or sum in the contract. For contracts up to \$5000, the builder must give you written details of each item or sum before they enter into the contract.

Where possible, it is advised to negotiate a fixed price contract with minimal, if any prime costs and provisional sums.

Example of prime cost items

Estimated cost	Item	Actual cost
\$600	Range hood	\$650 + builder's profit margin
\$30 per sq m	Terracotta kitchen floor tiles	\$40 per sq m + builder's profit margin

Start and finish dates

It is preferable to include actual start and finish dates in your Domestic Building Contract. If the builder is unable to nominate an exact starting date because, for example, a building permit has been delayed, the contract must state how that date is to be determined. The builder must also do everything reasonably possible to ensure that the work will start as soon as possible.

If the starting date is not known, the number of days required to finish the work must be stated in the contract. To ensure accuracy, a builder must allow for bad weather, weekends, public holidays and any other reasonable hold-ups within the time estimate, as well as showing how many days are allowed for in each of those categories. In the case of delays which the builder cannot accurately estimate, the likely causes for delays must be identified and explained in the contract.

Variations

Once both parties have signed the contract and building has commenced, you or the builder may suggest changes to the specifications or plans which can cost more and extend the time of the project. These changes are called variations and must be made in writing, itemising the work to be done, the time it will take and the cost.

All variations must be signed by both you and the builder and be attached to your original contract before you instruct the builder to make them. This makes the changes legal and enables you to refer to the contract if a dispute arises about costs, details of building and finishes or time delays. If you have no written agreement about variations and a dispute arises as a result, it is very difficult to resolve the problem. Avoid verbal agreements and always put variations in writing before they are implemented.

Builder's variation

A builder who wishes to make a variation once work has commenced must give the building owner written notice that states:

- details of the variation the builder wishes to make
- why the builder wishes to make the variation
- what effect the variation will have on the entire work being carried out under the contract and whether any changes to permits will be needed
- whether the variation will result in any delays and if so, a reasonable estimate of how long those delays will be
- the cost of the variation and the effect it will have on the contract price.

The builder cannot carry out the variation unless the building owner agrees and provides a signed consent to the variation attached to a copy of the builder's original written notice of variation.



The only situation when written consent by the owner may not be needed is when all of the circumstances listed below apply.

- The variation was needed because the builder ran into problems no one knew of when the contract was signed (for example, discovering white ants, or rock during plumbing excavations).
- An appropriate authority such as a building surveyor has given written approval for the variation to occur if it affects your building permit.
- The builder had provided you with a copy of the authorised written direction for the variation but you have failed to advise the builder of your decision within five business days.

The builder is only entitled to recover the cost of carrying out such a variation plus a reasonable profit when all the conditions listed above have been followed and the circumstances causing the variation were not reasonably foreseeable.

The Victorian Civil and Administrative Tribunal (VCAT) can decide that you are liable for the cost of a builder's variation if a finding is made that the builder would otherwise suffer exceptional hardship and that it is reasonable for you to pay.

Owner's variations

A building owner who wishes to make a variation must give the builder a written notice outlining the variation. The builder may agree to carry out the variation when it does not affect any permit, won't cause delay and does not increase the contract price by more than two per cent. All details of the variation must be made in writing and signed by both parties before the builder makes changes.

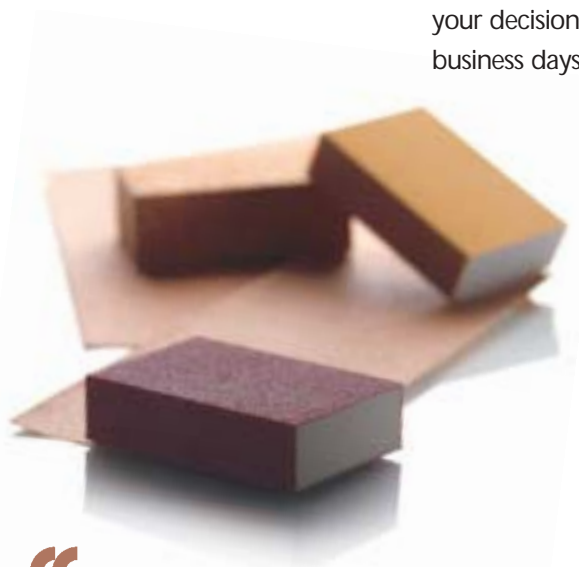
A builder who refuses to or cannot carry out the proposed variation must state the reasons in a written explanation to the building owner.

On the right footing

In the past, variation clauses allowing for extra cost for footings were common in Domestic Building Contracts. The onus is now on the builder to identify any problems and extra costs regarding proposed construction, or alteration to a building which may adversely affect the footings.

As explained in the Preliminary Agreement section of this guide, foundation data should be obtained before getting quotes. After payment for this service copies of the Foundation Data Report should be given to the owner.

This report should include results of surveys and soil tests, plans and a geotechnical report which enables the builder to prepare a proper footings design and a reasonable estimate of the cost of those footings.



“All variations must be signed by both you and the builder and be attached to your original contract.”



Where possible your contract should include an agreement about any costs for excavation and extra depth of footings required for your building beyond the standard minimum allowance of 400 millimetres.

This requirement of the *Domestic Building Contracts Act 1995* is to ensure that builders bear the risk of deliberate, careless or unreasonable underquoting.

You'll pay the price if it's not in writing

Colleen and Allan had done everything by the book when building an extension on the back of their Californian Bungalow.

Being an accountant, Allan had made sure all dealings with the builder had been in writing. He had negotiated hard for a fixed price contract and by the time the project was close to completion, he and Colleen were proud they had stayed within their budget.



Allan and Colleen had developed a good rapport with their builder. He was a "great bloke". He worked hard and solved problems without complication. So when the couple decided they would like to add an outside deck to the contract, they simply put the request in writing, but failed to negotiate and add the details of how long the extra work would take and exactly how much it would cost.

By law, if a variation amounts to less than two per cent of the overall contract, the builder can go ahead and complete it without providing a quote.

So when the builder sent his bill of \$7000 for the completed decking, (that Colleen and Allan thought might cost \$600) they were astonished but had no recourse.

The couple had let down their guard and forgotten that no matter how good the relationship seems, building or renovating is still a business deal. Every detail of construction and finish should always be clearly discussed and understood, made in writing, signed by both parties and be part of or added to the contract before any work commences.

Termination of a contract

There are two situations where, as the building owner, you may end a major Domestic Building Contract.

1. When there is a price rise of 15 per cent or more in the contract price that the builder could not foresee at the time of signing the contract.
2. When there have been particular delays in completing construction according to the time stated in your contract and the builder could not foresee these delays at the time of signing the contract. You can only terminate the contract if construction is not completed within one and a half times the period stated in the contract. For example, if work was to be completed in 90 days, the time after which it is possible for you to terminate the contract is $90 + 90 + 45 = 225$ days.

If you experience either of these situations and wish to end the contract, you must give the builder a signed notice stating your reasons. If you don't know where you stand, speak to an experienced building solicitor. Once the contract is terminated, the builder must be paid a reasonable price for the work completed. It is not a simple or cheap matter to end a contract and can become a lengthy process if parties are in dispute.

Completion and final payment

A builder cannot demand your final payment unless all work is finished according to the plans and specifications drawn up in the contract. When your building is complete and safe for occupation you must be given a copy of one of two certificates:

- an Occupancy Permit for a new dwelling or
- a Certificate of Final Inspection for a renovation.

The builder should also supply you with trade certificates for plumbing, glazing, electrical, insulation and termite inspection and treatment. Do not make your final payment until work is completed and the builder has provided you with all certificates.

If you pay the builder without strictly adhering to the above conditions, any subsequent claim on the builder's warranty insurance may be denied.

Penalty rates or liquidated damages

If the builder has gone past the stated date for completion of the building you may be able to deduct penalty rates from your final payment. This will depend on the conditions stated in your contract under liquidated damages. When negotiating penalty rates ensure they match the true cost to you of any delays. This should include price increases for materials and labour that occur over time that are charged to you by the builder and the extra cost of rent you have to pay as a result of not being able to move into the home. Appropriate penalty rates act as an incentive for the builder to complete the project on time.



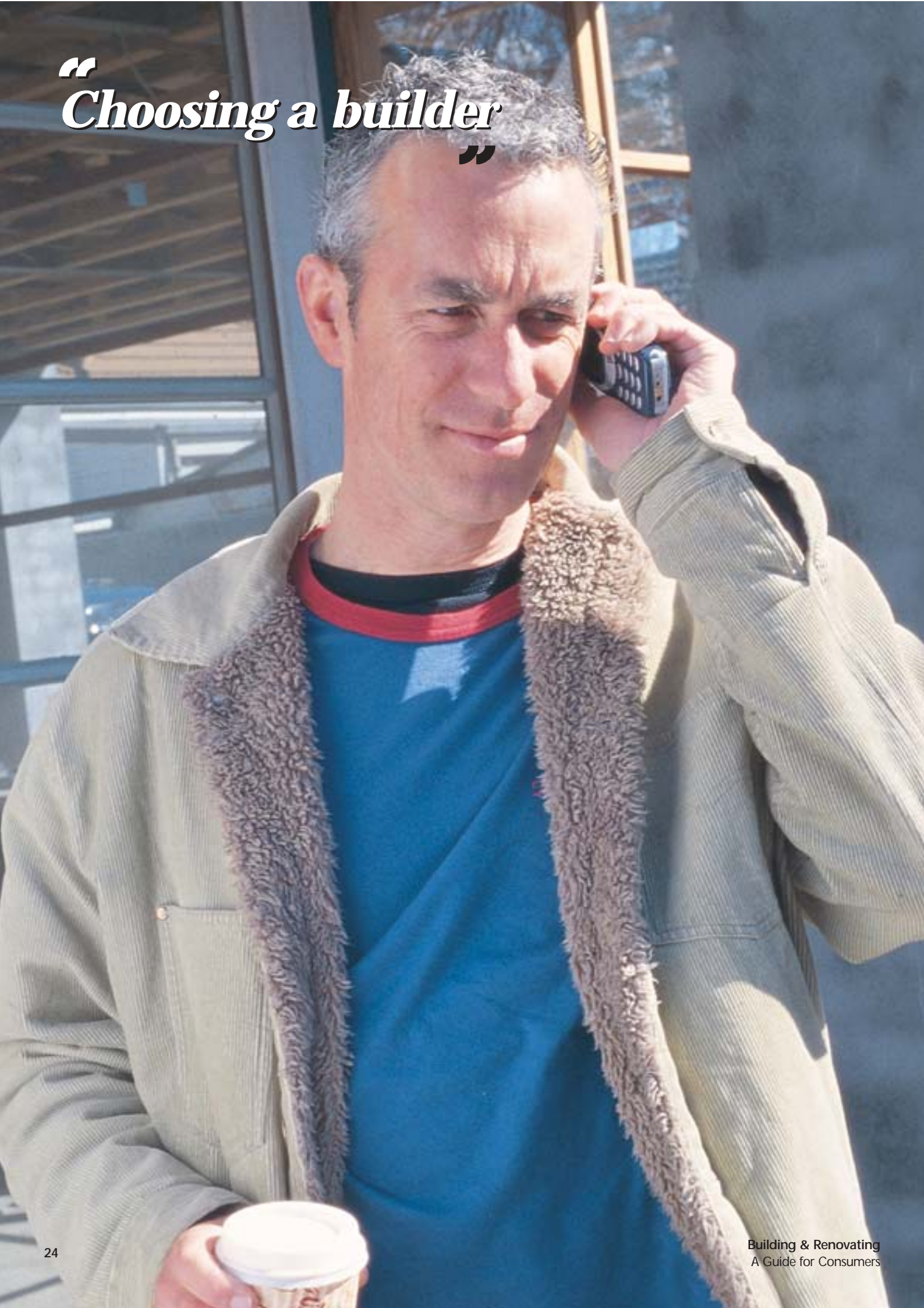
“ A builder cannot demand your final payment unless all work is finished according to the plans and specifications in the contract even if certificates have been issued. ”

The Domestic Building Contract checklist

Check this list and make sure you can tick the 'yes' column for every answer before signing your building contract.

Item to check	Yes	No
Is the builder registered with the Building Practitioners Board?		
Does your builder have the correct registration to do the work required on your property?		
Does the contract include insurance and warranty details?		
Have you checked that the intended warranty insurance is current and applies to the work required on your property?		
Has the builder carried out tests to assess the site to see that it is suitable for the proposed works before signing the contract?		
Have you obtained approved finance for the building works?		
Have you had the contract for long enough to read it thoroughly and have it checked by independent experts?		
Have you or the builder obtained required building permits and/or planning permits from a private building surveyor and/or the local council?		
Are the price and progress payments clearly stated in the contract and in accordance with the law?		
Do you understand how the price is calculated and may be varied?		
Is the deposit within the legal limit? <input type="checkbox"/> 10 per cent if the price is less than \$20,000 <input type="checkbox"/> five per cent if the price is \$20,000 or more		
Is the work shown and clearly described in the contract, plans or specifications and any other relevant documents such as engineering computations or soil report?		
Have you included all special requirements and finishes in your plans and specifications?		
If your home is based on a display model, are the plans and specifications for the actual display home you want, including customised items and all requested variations in design, materials, finishes and costs clearly described and illustrated in your contract?		
Are the start and finish dates clearly stated?		
Are penalty payments for exceeding the time for construction (liquidated damages) adequate and clearly stated?		
Is the procedure for delays and extensions of time clearly stated?		
Are provisional sum or prime cost items clearly stated in schedules?		
Is the procedure for variations of plans and specifications clearly stated?		
Are the circumstances in which the builder or owner can end the contract clearly stated and understood?		
Is the clause containing the five-day cooling-off period included?		

**“
Choosing a builder
”**



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Builders in Victoria must be registered for all contracts above \$5000 in value. Once the contract for building or renovating is above \$12,000 the builder must also have current builders warranty insurance for the particular work to be completed.
 ”

The only time when the builder does not have to be qualified or registered is when the work to be completed is valued at less than \$5000.

The Building Practitioners Board

The Building Practitioners Board (BPB) is an independent statutory body administered by the Building Commission. It is responsible for registering Victorian builders and building professionals and supervising and monitoring their conduct and ability to practice.

To be registered with the BPB, building practitioners must have the required qualifications, knowledge, expertise and carry builder's warranty insurance.

Building practitioners include building surveyors, building inspectors, quantity surveyors, engineers engaged in the building industry, draftspeople commercial and domestic builders, demolishers, and persons who erect temporary structures.

All plumbers, gasfitters and drainers must be registered with the Plumbing Industry Commission and must carry an identification card. Similarly, electricians are licensed by the Office of the Chief Electrical Inspector. Architects may be referred to as building practitioners if they are registered with the Architects Registration Board and carry appropriate insurance.

Owner builders, people who do not carry on the business of building, are not required to be registered as building practitioners.

Tradespeople that do not require registration for one-off contracts

- Floor and wall tilers
- Glaziers
- Painters
- Plasterers

If any of these tradespeople use a combination of trades to complete work that exceeds \$5000, then they will need to be registered.

Building practitioner	Registration authority
Bathroom renovators Bricklayers Builders Building inspectors Building surveyors Cabinet makers/kitchen companies Carpenters Concreters Civil engineers Demolishers Draftspeople Geotechnical engineers (soil) Hydraulic engineers (storm water) Mechanical engineers Quantity surveyors Re-roofers Restumpers	The Building Practitioners Board 1300 36 03 20 Offers three types of registration: <ul style="list-style-type: none"> <input type="checkbox"/> Limited registration, which allows the person to only do work listed on their certificate of registration. <input type="checkbox"/> Unlimited registration, which allows the person to complete any building works. <input type="checkbox"/> Manager registration, which allows the person to arrange the carrying out of building works.
Architects	Royal Australian Institute of Architects – (03) 9654 8066
Electricians	Office of the Chief Electrical Inspector – (03) 9203 9700
Plumbers	Plumbing Industry Commission – (03) 9889 2211

Maintaining a good working relationship

A good working relationship between client and builder is fundamental to the success of a domestic building project. Make sure you are able to communicate clearly, verbally and in writing, with your potential builder. Ensure that you will be able to meet regularly and that you can visit the site to check progress and quality.

10 rules for choosing your builder

1. Ask your family or friends if they have recently used a registered builder and been happy with the work.
2. Check if builders you are considering are registered with the Building Practitioners Board. Telephone 1300 36 03 20 or visit www.buildingcommission.com.au. Domestic builders doing work worth more than \$5000 must be registered.
3. Check recent projects completed by builders you are considering, especially jobs similar to yours. If possible, ask the clients their opinion of the workmanship.
4. Ask for references from current clients and visit the builders' current building sites to check the quality of their work and management skills.
5. Find out how long the builders have been in business and whether they have always traded under the same name. You can do this by contacting the Australian Securities and Investment Commission (ASIC). Telephone (03) 5177 3988 or www.asic.gov.au.
6. Check the Domestic Building List of the Victorian Civil and Administrative Tribunal (VCAT) to see whether a builder you are considering employing has been a party to any recent domestic building dispute.

Details are listed on the VCAT website at www.vcat.vic.gov.au. Consumer Affairs Victoria's Annual Report lists major breaches of domestic building laws and regulations by builders. Details of enforceable undertakings and prosecutions by Consumer Affairs are listed on the website at www.consumer.vic.gov.au



7. If you have employed an architect, building designer or a draftsman, ensure that the scope of works, or what and how you want to build, is clearly defined and properly conveyed to the builder. This should include plans and specifications.
8. If the builder is in charge of the design of the project, the scope of the works should be clearly defined in the written quotation showing wherever possible, type, make and model number of items and accurately estimated quantities. The Master Builders Association of Victoria supplies a project specification document which includes these details.
9. Analyse quotes thoroughly. The lowest priced quote for your project may not be the best choice. It could be that certain items have been missed out which are included in a more expensive but properly detailed quote. A cheap quote may result in poor management of the project.
10. If you have doubts about whether you can get along with a potential home builder, keep looking. Your ongoing relationship will dictate the success or otherwise of the project.

“Check if builders you are considering are registered with the Building Practitioners Board.”

”



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***Costing and financing
your building project***
”



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Quotes are estimates by builders or building companies of the cost of a building project. They are not binding contracts. Get at least three quotes and make sure they contain a GST component.”

Quotes

Sometimes quotes are only valid for 30 days. After this time, if you have not entered into a contract, the builder may increase the original price.

Before you approach builders, make sure your plans and specifications are complete and clear. You may wish to consult a quantity surveyor to cost the project for you so you know what to expect. The quotes you receive from builders should cover exactly the same plans and specifications. This way each builder is quoting on exactly the same job. Study the quotes carefully to ensure all the same items are covered.

Unless the quote says otherwise, you can assume the cost of fixtures and fittings, such as lighting, stoves and bathroom suites, shown in the plans and specifications are included in the price. You are only entitled to get what you have paid for according

to the details in a quote that are then included in your building contract. Remember that a cheap quote may indicate that the builder is inexperienced, has left out certain items or may result in a lower quality of work or poor management.

The final cost of your project will not only depend on the builder you've selected but your choice of materials, construction method and the finishes and fixtures you choose. Accessibility to the site will also affect the price. Archicentre produces a renovation cost guide of prices which you can use as a general reference when estimating your initial costs. Archicentre can be contacted on 1300 13 45 13.

Handy Tip

Make sure your builder allows for site access requirements when quoting and include this in the contract. For example, hiring a concrete pump may be necessary if a concrete truck can't access your property.

Allowable price rises

It is wise to allow for at least 15 per cent extra in your budget to cover the cost of allowable price rises that can occur over time. Remember to make sure that your loan can be increased to cover any changes.



“
Before approaching builders, make sure your plans and specifications are complete and clear.”

Once you have chosen your builder, the full details of your quote will be included in the plans and specifications of your major Domestic Building Contract. It is preferable to make this a fixed priced contract.

Even fixed price contracts can still result in legal price increases. Items such as white goods, carpets and labour can go up in price over the time of your building project.

Possible reasons for changes in original quoted prices

- Prime costs.
- Provisional sum costs.
- Variations or changes initiated by you or the builder and agreed to by both parties throughout the project.
- Deeper footings.

Detailed explanations of these reasons are provided under the major Domestic Building Contract section of this guide.

Setting a budget

Building and renovating are major life events. They require significant emotional commitment and they require you to be financially realistic and disciplined.

It is important to establish how you spend your money and if you can actually afford to go through with your building plans.

Choose a budgeting method that suits your lifestyle and your plans. Remember, an unrealistic plan will minimise your chance of success.

Planning and controlling your money

There are two important steps in planning and controlling your money: first, work out your income and expenses; secondly organise your finances. The annual and fortnightly plans explained here will help you work out your regular expenditure and what you have left over to put towards your building project.

The annual plan method

Use the annual plan on the following page to work out how much money you can save towards a home, and what you can afford to spend on repayments.



“
It is important to establish how you spend your money and if you can actually afford to go through with your building plans.
”





Annual financial planner

Type of expense	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Housing													
Mortgage/rent													
Land rates													
Maintenance													
Insurance													
House													
Contents													
Car/s													
Life insurance													
Other													
Medical													
Health insurance													
Doctor													
Dentist													
Optometrist													
Specialists													
Other													
Car													
Licence													
Registration													
Maintenance													
Education													
Kindergarten													
School fees													
Books													
Excursions													
School clothes													
Creche													
After/before care													
Credit													
Personal loan													
Credit cards													
Store cards													
Other													
Utilities													
Water													
Gas													
Electricity													
Telephone													
Mobile phone													
Internet													
Pay TV													

Type of expense	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Gifts													
Birthdays													
Christmas													
Donations													
Holidays													
Travel/accomm.													
Other													
Pets													
Vet fees													
Registration													
Medication													
Boarding													
Savings													
General savings													
Long term													
Emergency savings													
Food													
Groceries													
Lunches													
Other													
Clothing													
Clothes													
Shoes													
Other													
Personal													
Alcohol													
Cigarettes													
Haircare													
Chemist													
Papers													
Other													
Transport													
Petrol/Oil													
Fares													
Parking													
Entertainment													
Movies													
Sport													
Dining out													
Other													
Sub-Total:													
Add 10% margin:													
TOTAL:													

Work out your own annual plan

- Enter expenses such as gas bills and rent under each month. If you only know the annual amount of your car insurance premium, for example, and you're not sure when it's due, enter an average amount under each month.
- Add any items to the plan relevant to your lifestyle that are not listed, such as a gym membership.
- Keep records of regular and variable expenditures such as food and petrol for a few weeks. For other variable expenses such as telephone or electricity bills, make an estimate by referring to records of all bills and expenses for the past 12 months.

- Check your credit card statements, as these may show types of expenses you may forget, such as emergencies and gifts.

The results

Add all columns. Once you have done this, allow for a safety margin by adding 10 per cent to the final amount. The total amount is your annual expenditure.

Now subtract the total annual expenditure from your annual income. The money left over is the amount you can save towards a mortgage. If your expenses are greater than your income, you will need to look carefully at your expenditure to see what can be reduced so you can start saving for your home building project.

Fortnightly plan method

To calculate your fortnightly expenses, use the same list of expenses as in the annual plan shown on the previous pages.

The fortnightly plan method is useful for calculating income and expenses to match your pay period. This can also be done on a weekly or monthly basis, whichever is appropriate.

To calculate your approximate expenses on a fortnightly basis, round out all figures and:

- divide **annual expenses** by 26 – for example, if the car insurance is \$700 a year, divide by 26 to get a fortnightly figure of \$27.



- multiply **monthly expenses** by 12 and divide by 26 – for example, if your monthly mobile phone bill is \$50, multiply by 12 (\$600), then divide by 26 to get a fortnightly figure of \$23.
- multiply **quarterly expenses** by 4 and divide by 26 – for example, if your home telephone bill is \$200 a quarter, multiply by 4 (\$800) and divide by 26 to get a fortnightly figure of \$31.

There are other ways of working out your income and expenses such as using a computer program to design your own spreadsheet. Banks, credit unions and building societies often have budgeting guides and there are many books available on money management.



Obtaining finance

Having worked out your budget, you will be a step ahead when you seek finance from a bank or other lending institution. Finance products are now many and varied and some will cater specifically for building projects.

The most common products are variable rate loans and home equity loans. The interest rate on variable loans can change depending on the economic climate and the official interest rate set by the Reserve Bank.

When you are considering fixed term loans such as variable rate loans, banks and other credit providers are now required to provide you with a comparison rate that takes into account additional fees and charges. The comparison rate will help you accurately compare the different deals being offered to you.

Home equity loans are a revolving line of credit where you pay all of your income into a loan account, then access funds when necessary. Interest is usually set higher than for standard variable loans and there are monthly service fees. You can use a credit card attached to the loan to pay for day-to-day expenses, and then pay it off monthly via the loan account. Meanwhile your salary is used to pay off the loan. The danger with home equity loans is that it is tempting to overuse the credit facility.

You may be given the option of making a direct debit payment at the end of each building stage or authorising each payment individually. The second option allows you more control and allows you to ensure that work is done to your satisfaction before payment is made.

Some lending institutions may require you to meet certain obligations such as providing proof of a building stage being complete, before the payments can be released.

“Having worked out your budget, you will be a step ahead when seeking finance from a bank or other lending institution.”



*“
Building a new home
”*



“
Once you've made the decision to build a new home from scratch, brace yourself for a whirlwind ride of decision-making.
”

At every stage there will be a multitude of options available to you. The process can be overwhelming, so it's important to remain focused on your vision, stay organised and maintain good communication with your contractors.

There are several approaches to building a new home from scratch.

VicUrban and the Office Of Housing (Department of Human Services) have alternatives to assist people with affordable home ownership.

You may also purchase a house and land package, contract a volume builder to construct a display model home on your land or contract an independent builder to erect a home according to your own plans and specifications drawn up by an architect or draftsman.

It also common today for people to buy a home off-the-plan from a developer.

VicUrban

VicUrban is the Victorian Government's new sustainable urban development agency. It was formed through the merger of the Docklands Authority and the Urban and Regional Land Corporation and operates throughout Victoria.

VicUrban is committed to well-designed, affordable, environmentally-friendly developments where communities can thrive and prosper.

Within the metropolitan area, VicUrban developments include Lynbrook in the south-east, Roxburgh Park in the north, Jacksons Hill in the north-west and The Boardwalk in the south-west. VicUrban has undertaken work in regional Victoria at Horsham and is developing Tower Hill at Swan Hill.

VicUrban's largest project is the Melbourne Docklands redevelopment. Docklands is designed as a place to live, work and visit for an expected 20,000 residents, 25,000 workers and an average of 55,000 visitors a day. Features of Docklands include waterfront access, convenience to the CBD and a myriad of public transport options.

In its 25 years of operation, VicUrban has developed and sold around 31,000 residential lots, to more than 100,000 Victorians.

VicUrban aims to develop communities rather than just housing estates by ensuring that all the necessary services and facilities are in place to support the growth and success of all types of families. They include generous open spaces, educational facilities and opportunities for residents to take an active part in their local community.



VicUrban developments protect and enhance the natural environment with retention of trees, stormwater collection, treatment and reuse systems, and protection of endangered native flora and fauna and heritage.

For more information about VicUrban and its estates call 131 852 or visit the website at www.vicurban.com.au

Group Self Build

Group Self Build is a unique Victorian Government home ownership initiative managed by the Office of Housing (Department of Human Services) that allows people to buy a vacant block of land without having to put down a deposit.

Groups of 10 to 12 families become owner builders and assist each other to build their own homes. The time and effort spent working on houses for your group replaces a cash deposit.

Each group member is required to put in a minimum of 20 hours labour each week building each others' homes. This means a commitment of all your spare time for between six and nine months.

Once all homes in the group are completed and Occupancy Permits have been issued, group members may move into their homes.

The Director of Housing can provide you with a bridging loan to pay for the land, building materials and establishment costs. This has to be repaid when your home is completed, so you must arrange a long-term loan from a bank, credit union or other lender in order to qualify to be a Self Build owner builder.

Since the program is made to help people become homeowners, you cannot join a Self Build group if you already own a home.

You do not need building skills to qualify because on-the-spot training is provided.

For more details of the scheme call the Group Self Build Customer Service Centre toll free hotline on 1800 13 48 72.

Buying a house and land package

The idea of a brand new dream home is an attractive proposition. And for many people a house and land package represents the best prospect for achieving that dream. These days developers of new estates usually work closely with local councils to ensure that services such as parks, schools and community centres are also provided.

Today the new house and land market caters not only for the first homebuyer, but the second, third and fourth homebuyer with companies customising designs to cater for individual needs.

If you choose to buy a house and land package, the design of your home will depend on much more than just your individual taste. It will also be influenced by the land you choose, your present and future family needs, your budget and the Victorian Government planning provisions, ResCode.

“
The building process can be overwhelming, so it's important to remain focused!
”

Fixed price package

Buying a package deal means signing a fixed price contract so you know exactly how much is to be paid, when payments are due and what you get for your money. Regardless of how good the deal sounds, it is still best to do your homework. Ensure that the choices you make in your house and land package include everything you want and can afford. These customised details must be written into your plans and contract – not made in a verbal agreement. It is wise to avoid quick decision-making that does not allow you to read the fine print, as this could prove costly later.

Display villages can be found all around metropolitan Melbourne and in some regional Victorian centres. You can check locations in the real estate guides in your metropolitan and local newspapers. Prepare to devote many weekends to visiting land sites and display villages so you can compare prices, styles and services operating in the area.

Visiting display homes gives you a chance to inspect the builders' work and to see what you are buying. Building companies must display full sets of plans and specifications for clients to view at display centres. Any variations to displayed plans that you request in your package must be included in your contract and be provided to the builders, by the marketing agents.

Be aware that display home designs are covered by copyright, so usually cannot be legally copied by another builder.

Handy Tip

Display homes you visit are often the top of the range of a product that comes in several different versions – a basic, lower cost model, a middle range model and a top model.

Don't assume that the quote you receive from the salesperson is for a home that is identical to the display home you have visited.

Look closely at the plans, materials and appliances used in each model. Check the differences in price before you decide which model suits you. There will be extras which cost more and must be listed in your plans and contract if you want them.

Before building commences on your display model home, check that the builder is working off exactly the same plans as those that are included in your contract.

The block first, or the house?

Not all display home companies offer package deals that include your land. Some building companies offer to just build your home based on a display model and provide an optional additional service to help you buy a block, if necessary.

Many people like to choose the house first. Once that has been chosen and the cost established, then the block of land is selected. Others like to choose the area, and then find the house to suit the block.



Choosing your block

So you have made the decision to build your own home. Before you make another move or think about employing a builder, you must carefully assess your block of land. You may have set your heart on a particular house design, but the design you are able to build will depend to a large extent on the features of the land described in the Foundation Data Report you receive from your Preliminary Agreement, explained on page 9.

You also need to consider whether services such as gas, electricity, water, sewerage and the telephone are connected. Other factors such as easements or covenants, the boundaries and fences, any trees and buildings and associated structures such as foundations and septic tanks that may need to

be removed to allow for building should be considered.

As with buying a house, your choice of land will also be influenced by your budget, and whether you need to be near work, public transport, schools or other facilities.

It is vital you visit the local council to find out whether the allotment you are thinking of buying, or currently own, is affected by any conditions or restrictions that may limit the choice or increase the cost of house construction.

Contact your local council to check the original subdivision construction plan for easements (Engineer's Department), planning requirements and special building overlays (Town Planning Department) and designated bushfire, termite, flood prone, landslip

and snowload areas (Building Department). Find out from each relevant department if there are any changes on the way.

Handy Tip

When buying a block, have an expert conduct representative soil tests in the location of the proposed dwelling to determine the type of excavation work or foundations that will be needed when you're ready to build. Consumer Affairs Victoria has received numerous calls from consumers who discovered rocks or landfill under the soil, after the building had begun. The cost of removing the obstructions added, on average, \$1000 to \$6000 to their contract price. In some cases the costs were as high as \$20,000.



Save energy by choosing the right block

To save energy, try to choose a block that allows clear access to the north. This is called solar access. Ideally, it should not be overshadowed in winter by buildings, big trees, fences or other obstructions to the north.

The more sunshine you get into the house in winter, the better. To achieve this it is important to build a house that is oriented towards the north as during winter north-facing windows receive double the amount of solar radiation as other windows. However, in the hotter parts of the state you will need to ensure that north facing windows can be effectively shaded in summer using eaves, blinds or a combination of both.

By facing windows to the north, you can take advantage of the winter sun to provide natural warmth and light, reducing your winter heating bills by up to 25 per cent. During summer, the sun is much higher in the sky than in winter so that north-facing windows are easily shaded with an eave or pergola to keep the home cool.

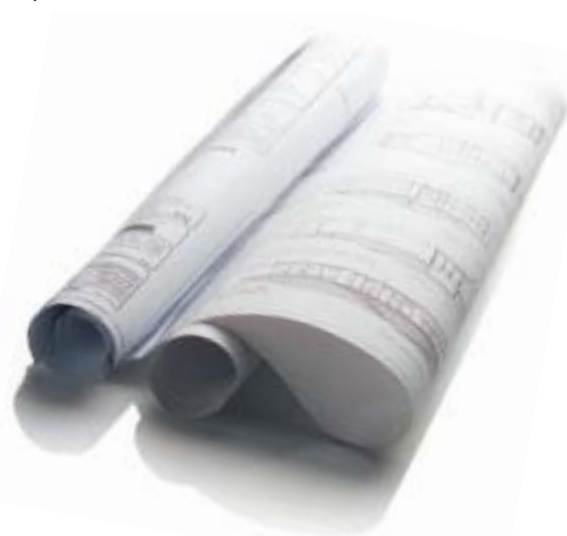
If the boundaries of the lot do not line up with north, a new house may be skewed on the block to provide north windows. Ideally, glazing should be concentrated on the north wall and all daytime rooms should be on that side. All the evening areas, such as bedrooms should be on the south side to provide better night time summer comfort.

If you have already bought a block of land, ensure the design you have chosen gives you adequate distance between your north windows and your northern neighbour's lot.

To make the most of the sunshine and reduce energy costs, look for:

- large blocks which provide the best opportunity to site the home facing north
- rectangular blocks with long boundaries running north-south or east-west, especially if the blocks are less than 500 square metres

- north-south running blocks wider than 11 metres (less if you have a two storey house and can use north windows on the upper floor as well)
- east-west running blocks wider than 12.5 metres, except where a street or parkland is to the north, in which case blocks can be narrower and still provide good solar access
- blocks that allow the north windows to daytime living spaces to be placed 4.5 metres or more from a single storey house to the north, or 8.5 metres or more from a double storey house to the north
- blocks that slope down to the north
- north-south or east-west blocks which face onto free open space to the north, such as a street, backyard or parkland.



“ Visit the local council to find out whether the allotment is affected by any conditions or restrictions. ”

Is your block prone to bushfires?

Check with your local council to see if your land is in a designated bushfire prone area or if you need to obtain wild fire management overlay planning permits. If so, you may be required to use special construction techniques when building your home. Design and maintenance measures to prevent destruction by bushfires can be taken. Contact the Country Fire Authority (CFA) for detailed information on (03) 9262 8444 or visit the website at www.cfa.vic.gov.au.

Choosing a block checklist

- Do you have a Foundation Data Report as part of a Preliminary Agreement or Condition of Sale that shows the soil test and survey results and their impact on design, construction and costs listed in your contract?
- Have you checked the block is suitable for the type of home you intend to build?
- Can you get satisfactory building access to the block?
- Is the block well drained in regard to potential surface or sub-surface run-off?
- Are there any large trees located where you intend to build, or at a distance from it that is less than 1.5 times the tree's height?
- Do you have a copy of the subdivision construction plan for the block from the local council? If so, does any cut and/or filling exist?
- Were there any natural features altered when subdivision occurred?
- Have you reviewed the natural and finished levels of the block and the crossing and stormwater information?
- Are there any special town planning requirements for the site, such as height restrictions or heritage listings?
- Is the block located in a known termite, bushfire, flood-prone, landslip or snowload area?
- Is a legal stormwater discharge point available directly to the allotment?
- Have you checked the certificate of title for restrictions for building envelopes, easements, covenants and rights of access?
- Have you checked with relevant service providers about availability and costs of having services connected?
- Does the block and your subsequent plan provide for privacy, safe entry and exit, an energy efficient aspect and room for all your needs?



“
To save energy, try to choose a block that allows clear access to the north.
”



Victoria's 5 Star standard

Victoria's new 5 Star energy rating for residential homes is a key feature of the Victorian Government's environmental policy to help save our limited energy and water resources.

All new homes and apartments built from July 2004 will include a greater range of energy efficient and water saving features to improve comfort and reduce the cost of energy bills.

All apartments will need to achieve an average 5 Star rating, with no apartment rating less than 3 Stars.

The 5 Star rating does not apply to existing homes or renovations.

Features of 5 Star homes

- Good design, which maximises natural heat and light.
- Improved quality of windows (standard aluminium frames perform particularly poorly and many manufacturers are offering improved frames which can cut heat loss by 20 per cent).

- Better insulation: R3.5 in roofs and R2.0 in walls.
- Where single glazing is used keep total window area to a modest size (not more than 25 per cent of area of house).
- Good draught proofing (weatherstrips to doors and windows) and good cross ventilation in summer.
- AAA rated showerheads and taps.
- A solar hot water system or rainwater tank.
- Five per cent warmer in winter.
- 10 degrees cooler in summer.
- Average savings on gas and electricity bills of around \$200 per year.
- Average savings on water bills of around \$50 per year.

All new 5 Star homes must be formally certified by a House Energy Rater, accredited by the Sustainable Energy Authority of Victoria (SEAV). Your Energy Rater will complete a computer assessment of your home plans and provide advice on any improvements needed to ensure your home reaches the required 5 Star standard.

The new rating is flexible and provides builders and designers with choices on how to achieve 5 Stars. Options to improve energy and water efficiency can include a combination of orientation of your home on the block, sustainable design and use of materials such as insulation, window glazing and weather stripping. Information on 5 Star standard building regulations can be obtained from the Building Commission on 1300 36 03 80.

The SEAV estimates that within five years, energy efficient homes will save Victoria more than 200,000 tonnes of greenhouse gases annually. This is equivalent to removing 45,000 cars from our roads, or planting 750,000 trees.

Precious water supplies will also be protected and there will be a significant reduction in 65 per cent of water currently consumed in household kitchens, laundries and bathrooms. Further information on how to save water can be obtained from the Plumbing Industry Commission on 1800 01 51 29.

For more information about energy efficient home design and home modification contact the SEAV at Ground Floor, 215 Spring Street, Melbourne 3000 or on 1300 36 37 44.

“All new homes and apartments built from July 2004 will include a greater range of energy efficient and water saving features.”

Buying off the plan

Pros and cons

Buying off-the-plan means that you buy a project home, apartment, or in some cases, sub-divided vacant land, which is offered for sale before any building has begun or before it is finished. In other words, you make your purchase before the plan has been certified by the local council and registered at Land Victoria, formerly the Land Titles Office.

Purchasing a property is always a complex decision with many pitfalls for the unwary, but the risk is greater if you cannot even inspect the property you are buying. This is one of the problems faced when buying off-the-plan.

When buying off-the-plan you will sign a contract with the developer and pay a deposit, then pay the balance when the property is completed. A purchaser may end a contract if the plan of subdivision has not been registered 18 months from the date of the Contract of Sale. But some contracts may specify a longer time allowance for registration, so read the contract carefully.

If you decide to buy off-the-plan you will have to rely on an artist's impressions of your home, a floor plan and on the builder's reputation to make sure you get what you are paying for.

Off-the-plan developments are also usually large, which means they may offer a choice of layouts, aspect and finishes, such as taps, tiles, appliances, floor coverings and paint colours.

Sometimes you can negotiate and choose finishes that are not in the schedule.

However, your choice of unit or apartment depends on what is still available, so make sure you know which properties have been sold before you sign up. You must also trust that the developer has enough money to finish the project.

If your contract is with the developer and not the actual builder, the *Domestic Building Contracts Act 1995* does not apply to you and you are therefore offered no protection in the form of builders warranty insurance.

If your contract is with the builder, but the property is more than three storeys and contains more than two dwellings, the builder is not required to have builders warranty insurance. If this is the case, make sure warranty and maintenance provisions are included in your building contract or Contract of Sale.



So why take the risk? Stamp duty is payable on the value of the land and building at the date of the Contract of Sale. If construction or refurbishment hadn't started at the date of sale, the amount of stamp duty payable is less than on an existing property or refurbished building. Stamp duty applies to the GST-inclusive price of property sold off-the-plan (but remember, the tax can be charged only if the seller is registered for GST).

In a market where prices are rising, buying off-the-plan may offer a financial advantage as you can save on stamp duty and the purchase price of the property is fixed when the contract is signed. By the time you move in, a comparable property may be much less affordable.

Minimising the risks

Find out who your contract will be with. Check that the developer and/or builder are reputable and registered with the Building Practitioners Board.

Take a copy of the contract to your solicitor as soon as possible. Check the completion date and any provisions that favour the developer, such as requiring you to pay the developer's share of any financial institution's duty. Also check the Contract of Sale for building approvals and financing arrangements authorising the developer to conduct the project.

See if you have the right to resell the property before you complete the purchase and whether you have the right to a pre-settlement inspection. Ensure warranty and maintenance provisions are included in your building contract or Contract of Sale.

Visit any other projects the developer may be involved with to find out if they are on schedule and if the quality of the work is good. Compare the price with recent sales of similar properties in the area and try negotiating the price with the developer.



Obtain a copy of the plan of the property you are buying and check the measurements against the plan of subdivision. The plan should include the internal layout and any garage or car spaces on your title. Check other amenities in the complex, such as a swimming pool, gym, sauna, elevators and parking. An independent architect, builder or building consultant should examine the plans and specifications to ensure your expectations will be met when the building is complete.

Ask for the schedule of finishes and inclusions. These may be in the contract and they should specify the brand, colour and type of carpets, light fittings and blinds and the like.

If the apartment block is to be administered by a body corporate, check the strata levies. The body corporate will manage the building and its common areas and collect levies from each owner to maintain it. These will vary depending on whether the building has high maintenance services such as swimming pools, security systems and elevators.

To find out how new real estate laws could affect your off-the-plan purchase, obtain a free copy of the Consumer Affairs Victoria publication, *Real Estate: A guide for buyers and sellers* from real estate agents or download it from the website at www.consumer.vic.gov.au

If you are thinking of renting out the property, get an independent appraisal of it as a rental proposition to make sure you are making a financially sound investment.

