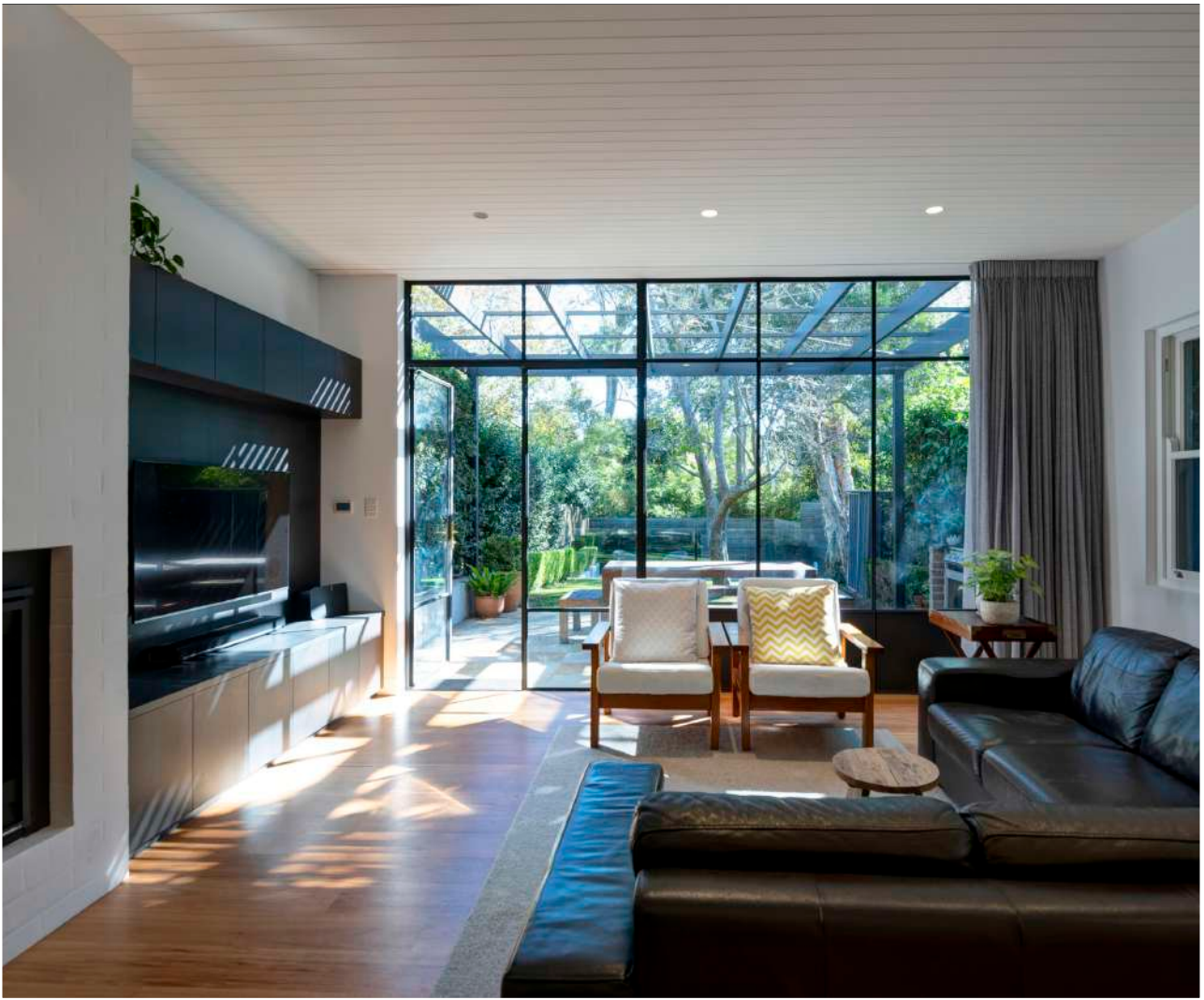


COST SAVING >

# COUNCIL APPROVALS

5 COSTLY MISTAKES TO AVOID...





## » 5 COSTLY MISTAKES TO AVOID...

For most people, the family home will be their single most important financial asset and therefore embarking on a large-scale building or renovation project requires careful consideration to ensure optimal investment with minimal risk. A well-designed alteration should add much more than the equivalent cost to your homes' resale value, so why all the horror stories of money wasted on expensive designs that never eventuate, or budgets that double? We receive numerous phone calls from distraught homeowners, who have invested significant time and money to obtain a Development Application, only to discover their expected renovation cost is double what their design professional had anticipated. Living in a premium address and in arguably the best part of Sydney does not preclude you from budget stress, so here are our 5 top tips to avoiding budget blowouts, both prior and during construction.

## STEP 1 >

# BE UPFRONT & REALISTIC ABOUT YOUR BUDGET

Nobody likes to talk about money, but it is a conversation that you must have even on your 'first date' when discussing your project with prospective design professionals and builder contractors. Despite what clients may think, we need to know your budget to ascertain whether we can meet your expectations, not because we want to spend every dollar you have. People who don't like to talk about money are often the ones disappointed, so knowing your budget upfront is essential to avoiding disappointment later.

Research your budget to understand whether what you wish to spend is what your building project will realistically cost, independent of prospective design professionals or builders. You can start by speaking with colleagues about their own projects and experiences, renovations are always a hot topic and akin to childbirth, with most homeowners relishing the opportunity to share their horror stories.

Mosman Council's 2018 Development Application Form quotes estimates for building costs within Mosman area as \$5200m<sup>2</sup> for residential alterations and \$2600m<sup>2</sup> for swimming pool and landscaping areas. These figures are considered by Mosman Council to be minimum 'conservative' estimates, but are a helpful starting guide for budget planning purposes.



“\$5200M<sup>2</sup> FOR RESIDENTIAL ALTERATIONS & \$2600M<sup>2</sup> FOR SWIMMING POOL & LANDSCAPING AREAS...”

## STEP 2 >

# BEWARE OF CHEAP PROMISES

Most clients will generally interview more than one design professional, often with varying opinions on how best to maximise your home's potential and anticipated budget. It is important to stress that whilst a design professional can give an opinion of probable cost based on previous projects of similar size and scale, ultimately the construction cost comes down to the projects size, complexity and materiality, not because one designer can ingeniously design your project 'cheaper' with the same size and luxury inclusions.

Some design professionals and building contractors fees are calculated on a percentage of your projects final building cost, rather than a fixed cost, therefore making provision to increase their fee proportionally with your budget blowout. Therefore, what may seem like a cheap fee initially may rise exponentially, so be sure to ask the question how design and construction fees will be calculated if your budget suddenly increases beyond your control.

Instead of basing your hiring decision on fees, seek out the expertise of design professionals and building contractors who have local experience and have delivered projects with a similar budget expectation and scope to your own. Local experience counts and your renovation project should receive the careful consideration it deserves to ensure optimal investment, rather than wasting money on cheap promises.



“ULTIMATELY THE CONSTRUCTION COST COMES DOWN TO THE PROJECTS SIZE, COMPLEXITY AND MATERIALITY...”

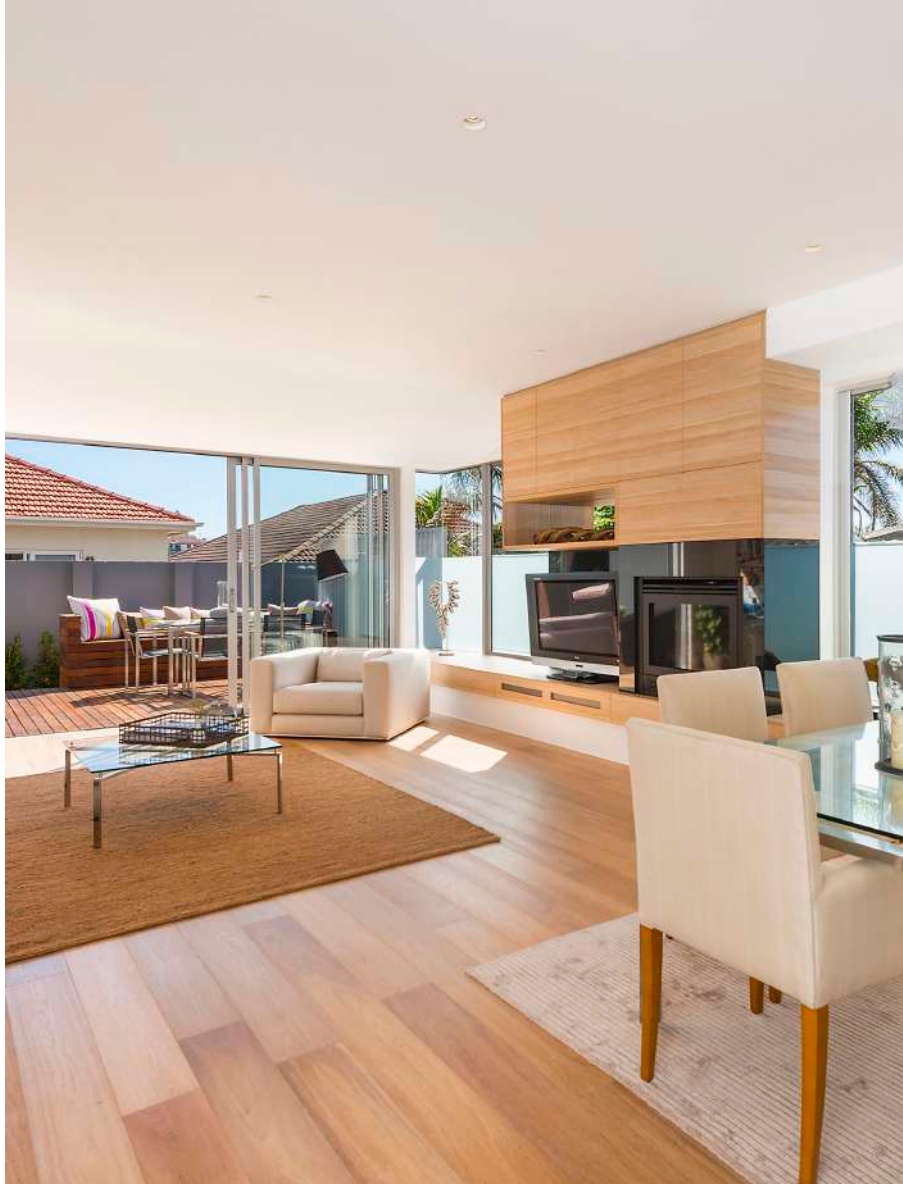
### STEP 3 >

## VERIFY YOUR BUDGET BEFORE LODGING YOUR DA

A significant number of budget blowouts occur even before construction has commenced, as can be evidenced with the volume of phone calls we receive from disgruntled homeowners. It is disappointing to invest significant time and money to obtain a building approval, to have to go through the whole exercise again to modify your development consent into something more feasible.

Whilst it is difficult to verify your budget with a building contractor with a set of preliminary plans, since most builders are not interesting in quoting without a full set of Tender Documents, you can engage the services of a Quantity Surveyor. These professionals are heavily underutilised as most homeowners pursue free quote options rather than paying for a Cost Summary Report, however going for the 'free' option may cost more money in the long run, particularly when you consider the cost of modifying your development.

It is entirely possible to engage the services of a QS as early as the Concept Design phase, allowing you to verify your budget and ensure you are happy with the anticipated build cost, prior to lodging your Development Application with Council. Spending \$1,500 for a Cost Summary Report makes more sense than \$40,000 on a Development Application that is not feasible.



“\$1,500 FOR A COST SUMMARY MAKES MORE SENSE THAN \$40,000 FOR AN UNFEASIBLE DA..”

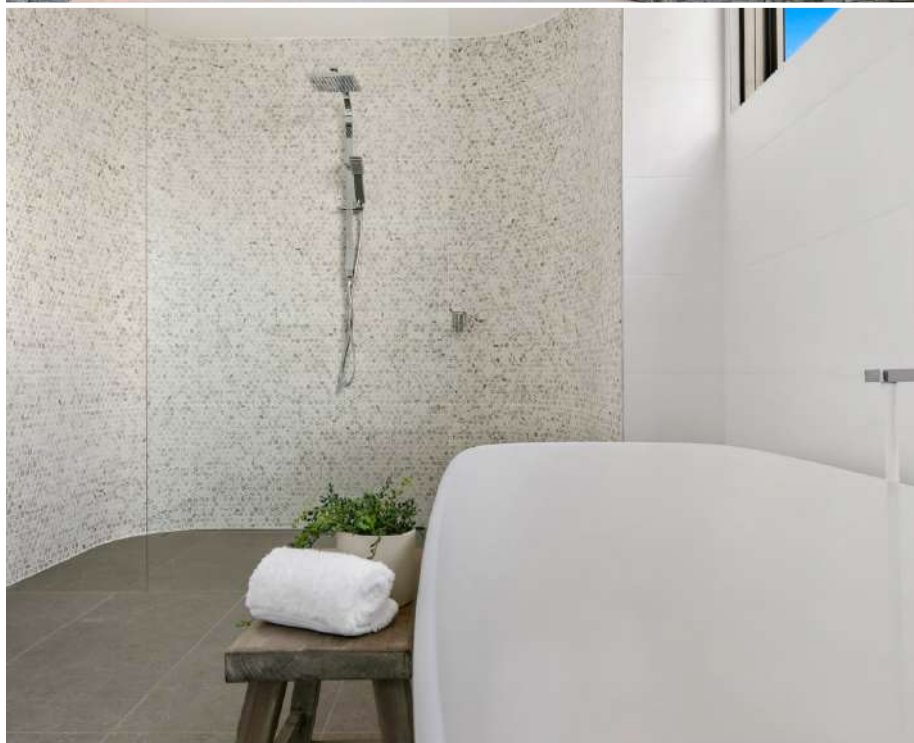
## STEP 4 >

# DOCUMENTATION & TENDERING

Development Application plans are intended purely for that purpose, not to be used also as construction drawings, since they contain different information. However many homeowners try to save money on further design fees, only to find their budget blowing out mid-construction, due to insufficient drawings and documentation. Trying to save money at this stage of your project is a false economy, you cannot compare building quotes accurately on DA drawings and insufficient information equates to costly and timely delays on site.

This stage clearly defines how your design actually works when all the critical elements are put together. Ensure all your desired inclusions are well documented before letting your Construction Tender and definitely before you break ground, regardless of whether you are contemplating a Fixed Price or Cost Plus Building Contract. Don't leave the construction of your most important financial asset to chance or risk costly site delays due to insufficient information.

A good QS will include builders' margins and consultants' fees within their Cost Summary Report, but often they just include the physical material costs without any allowance for the management of your project. If not, your Tender pricing may be in the vicinity of 20% more than your initial QS estimate, once provision for builders' margins and additional consultants is taken into consideration.



“ENSURE YOUR DESIRED INCLUSIONS ARE WELL DOCUMENTED BEFORE LETTING YOUR CONSTRUCTION TENDER & DEFINITELY BEFORE YOU BREAK GROUND...”

## STEP 5 >

# REALISTIC CONTINGENCY

From our experience most budget blow-outs during construction occur either due to insufficient drawings and documentation, or when clients decide to increase inclusions or add back in previously excluded items. So many times things are taken out of the budget, only to be added in at a later stage once construction is underway and the 'emotional pull' of seeing your dream home comes to fruition.

Items in particular to watch out for are those 'to die for' PC (Provisional Cost) items such as lights, door hardware, plumbing fixtures and kitchen appliances. If this sounds like you then make sure you budget for this anticipated extra spend and put in at least a 10% contingency sum for last minute spends.

A contingency sum is especially important on alterations and additions when working with existing old structures, as quite often you realise how tired your existing home looks when compared to your new addition and warrants an upgrade on items you initially thought you could live with.

Finally, it is also not uncommon with alterations and additions for some additional remedial work to need to be undertaken on the existing building, such as replacement of existing ceiling and floor joists, that only becomes apparent during construction. Having a contingency set aside will allow for necessary remedial work to be undertaken if required, without sacrificing your luxury inclusions.



“SO MANY TIMES THINGS ARE TAKEN OUT OF THE BUDGET, ONLY TO BE ADDED IN AT A LATER STAGE.”

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