

THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON THE COSTS OF HOUSING, BUILDING AND CONSTRUCTION IN TASMANIA MET IN COMMITTEE ROOM 3, PARLIAMENT HOUSE, HOBART, ON WEDNESDAY 28 SEPTEMBER 2011.

Ms BERNADETTE JAGO, DIRECTOR, HOUSING TASMANIA, AND **Mr GLENN HARDWICK**, MANAGER, COMPLIANCE AND CORPORATE SUPPORT, HOUSING TASMANIA, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Hidding) - Welcome. You are both experienced in the public sector so I will not read the document that I normally read that points out that we are being recorded and it will be on *Hansard*. Having been sworn in, that gives you full protection.

We have a reasonable handle on what drives building costs in Tasmania. Housing Tasmania has recently constructed a number of very smart-looking dwellings, at St Leonards - which I inspected - and in the south. I thought this would be a great opportunity for the committee to understand how the construction process went for you. You were given a pretty clean path, in terms of planning, by the Parliament - it may not have made much difference in terms of dollars. A few members of parliament tried to trip you up in the process, but we are keen to understand how these projects went for you, and what we can learn as a parliament about this type of construction.

Ms JAGO - I have prepared a presentation for you - an overview, because the costs of housing have tripled, and it is a significant issue in Tasmania. Slide 3 basically talks about how Housing Tasmania accesses funding through core construction and also assistance into the sector. I have also picked up the First Homeowners Scheme and things such as that. That is a mix of Commonwealth and State funding. In terms of affordability, the issue is then is, how do people get into new housing. Under home ownership, they are the products that Housing Tasmania administers and has access through the housing fund to assist low-income Tasmanians into affordable housing. You can see in 2009 that 93 families have taken up the HomeShare option - that is not a high uptake. In almost 10 years approximately 1 100 families have taken up the Streets Ahead option.

I then switch back to the programs that have delivered the funding and the quantum of funding going into construction and land.

Mr BOOTH - You said 93 families have gone into HomeShare but that's not very much of a take-up. Do you have any reasons that wasn't taken up? Were they too expensive?

Ms JAGO - The stock that we offer is stock that has gone through a process of deciding whether it should be retained by Housing for future rental, or offered for sale and that decision is based mainly on the asset value of the stock. It may be that the stock is not so attractive, but we offer a shared equity scheme under HomeShare, which we are currently looking at enhancing - and I will ask Glenn to talk about that.

Mr HARDWICK - One of the real struggles with HomeShare is getting new constructions, with design input by the occupant. The real issue is eligibility - being able to borrow sufficient funds. Even with the HomeShare assistance, their eligibility to borrow from banks is limited.

CHAIR - As things get tougher, the banks make it harder, and it gets further and further apart.

Mr BOOTH - With the old ones you're selling, do you offer vendor finance or do they have to go to the bank each time?

Mr HARDWICK - That's where HomeShare comes in. Under that arrangement Housing Tasmania or the director will continue to hold up to 25 per cent of the equity in the property. So they borrow less, which means that their income can be lower in respect to the borrowing they require from the banks.

Mr BOOTH - But Housing keeps it forever, basically?

Ms JAGO - No, after 15 years they have the option to take up the additional 25 per cent.

Mr BOOTH - Is that based on today's price or in 15 years' time?

Mr HARDWICK - In 15 years' time - the value as determined by the Valuer General at the time they decide to buy out the director's equity.

CHAIR - So the people of Tasmania retain the genuine equity?

Mr HARDWICK - Yes.

Mr BOOTH - I suppose you could say the Crown gets the advantage of the improvements if the house is improved beyond the normal increase in value.

Mr HARDWICK - Correct, but they also get the detriment of any lack of maintenance which might not be undertaken by the occupier during the term so it is a risk strategy.

Ms JAGO - So the policy work we are doing at the moment is whether we need to change that ratio to make it, say, 40:60 or something just to provide people with better access to reflect the current environment.

Mr BOOTH - How competitive would those houses be if you put them on the market today? Would they achieve the market price the same as the total HomeShare price would be? Would they be taken up quickly? Are they cheap houses on the market in that sense? Competitively priced?

Mr HARDWICK - I would not say they were cheap. Take the example of a subdivision that was recently completed out in Chigwell on the old Chigwell Primary School site - a lot of those blocks of land have been sold under this arrangement where people such as Wilson Homes and Cunic Constructions and a few other builders have taken this on board as an opportunity to assist people into home ownership. Some of those blocks were purchased and constructed by the purchasers out of their own sources without

any HomeShare assistance, whereas others have exactly the same house that has been built with HomeShare assistance so they are just like any other house on the market.

Mr BOOTH - The same block price?

Mr HARDWICK - Yes.

Ms JAGO - The other barrier, of course, might just be the bank's requirements that they have in the illustration of savings and those sorts of things because although they might be able to service a loan they won't qualify the first hurdle. Is that what you are encountering as well?

Mr HARDWICK - Correct, and in that situation normally we refer those individuals to the Streets Ahead package, which provides some deposit assistance.

Ms JAGO - Yes.

Mr HARDWICK - But you can't have double dip. You can't have Streets Ahead as well as HomeShare. It is one or the other.

Mr BEST - I notice Tassie Home Loans had some forms they have been advertising on television about people considering first home ownership. I am not sure, I do not know how the forms were structured or how they provided assistance. I had a lady come into the office here a few years back and she went to purchase a house in William Street in Devonport under a program from the 1980s.

They deferred the interest and apparently this was some sort of scheme where, if you were a Housing tenant you would buy in and there was some - I do not know what happened, something must have happened to the stock exchange or interest just shot through the roof and most people could not afford it - so they actually entered into this arrangement where they forewent the interest payments. You must be a bit familiar with that one but -

Ms JAGO - Yes, I am a little bit familiar with that one.

Mr BEST - Yes, it was a bit of a messy, no-one's fault in particular but the scheme itself was -

Ms JAGO - I think that was always worked on the premise that the market would reflect the gap.

Mr BEST - That is right, the value of the house.

Ms JAGO - The properties in the 1980s were selling for about \$25 000 and if the woman went to sell today in CBD Devonport, you might expect at least \$250 000 so that was always factored and it was very reliant on the market staying ahead, yes.

CHAIR - We need to move on.

Mr BEST - We talk about housing affordability in the context of how much it costs to field but then it is also the ability for people, what sort of finance arrangements. I am interested to know what you could do there.

Mr HARDWICK - Other than the assistance packages we have already referred to?

Mr BEST - Yes.

Mr HARDWICK - It is up to the banks. They are the ones that have the funding.

Mr BEST - Yes, which is what you have said.

Mr HARDWICK - There is not any government package which funds the total purchase price by way of an equity loan.

Ms JAGO - The next page, investment, is just the fund. So that is really just to demonstrate the quantum of funding going in, which I think is what you were saying you were interested in as well.

CHAIR - Yes, but also the cost of the product.

Ms JAGO - Yes, okay. Then the next one, because we thought the committee might be interested, was a bit of a breakdown by LGA in terms of where some of the developments have gone on by the funding type. I am sorry you have only got the acronyms there, which is really difficult and I apologise for that. They are on mine, obviously, my notes but not yours.

Ms ARCHER - Did you want to say what they are, for the purpose of *Hansard* perhaps?

Ms JAGO - Yes, okay, do you want me to run through that now?

CHAIR - Yes.

Ms JAGO - I will start at the top in terms of the investment in Tasmania. HF is Housing Fund; TAHL is Tasmanian Affordable Housing Limited; NRAS, Commonwealth-funded, is the National Rental Affordability Scheme; the CIP is the Capital Investment Program; the SHNP is the Social Housing National Partnership and then the next one is the Nation Building Economic Stimulus Plan; APTCH, A Place to Call Home; and the next one is the National Partnership Agreement on Remote Indigenous Housing. So I do apologise for that. But again, via the LGA areas, you will note that the green certainly is the take-up by Nation Building.

Ms ARCHER - Right, because there are two different greens but they are very similar, aren't they.

Mr BOOTH - They are the same policy.

Ms JAGO - Well, it would only be the Indigenous Housing.

CHAIR - You've got to be quick today, Ms Jago. They are quick. Right, so we have the three LGA areas.

Ms JAGO - And now I think this is what you will be very interested in, and this is that big injection of cash under Nation Building where Tasmania picked up \$135 million, I guess with some requirements from the Commonwealth in terms of how the money was rolled out. It was through an open bidding process in Tasmania, but the Commonwealth did in fact have some rules, and that was around the value for money in terms that premises had to be under \$300 000. That was the ceiling and there were some requirements in terms of the amenity and six-star ratings and things like that.

Mr BOOTH - So with that you say per single dwelling set. What does that mean?

CHAIR - A ceiling was set.

Mr BOOTH - Yes, but what is a single dwelling set? Oh, I see what you mean. So a single dwelling, is that a three-bedroom dwelling?

Ms JAGO - Yes, it was. And so the average was less than that. I think the overall average for Tasmania was about \$257 000, which when you pick up the multi-dwelling facilities and things like that was a balancing act. But again, that is a feature of the rollout of the fund, what the not-for-profits brought to the table in terms of the leverage, which I can talk to next.

Mr BOOTH - You might raise this, so I don't want to cut you off at the pass, but what I am interested in here is to have some breakdowns on examples of individual dwelling units, whether they be one-, two- or three-bedroom dwellings, not including the land, the actual all-up developed cost of the thing per square and what they actually provide.

Ms JAGO - Okay. I have some of that detail. I don't think I have a per-square detail, but I can bring some of that to the committee. So to pick up, though, the Commonwealth Government had some requirements, but obviously the State Government realised too that with the Commonwealth Government saying the States couldn't roll the money out then the money would be taken back. Hence there was the pressure to make some changes at a State level, which was introducing the planning changes and the procurement changes which, from my perspective, did in fact make a significant difference -

CHAIR - It did?

Ms JAGO - Oh, absolutely, to the ability -

CHAIR - Planning or both?

Ms JAGO - Both. To the ability to roll the program out quickly.

CHAIR - Okay. Let us stop for a moment then. We know about the planning thing that came through this place. What were the procurement changes?

Ms JAGO - Under the Treasurer's Instruction they just made some changes in terms of requirements of the builders, provided you had reached -

CHAIR - The pre-qualified, all that stuff.

Ms JAGO - Yes.

CHAIR - So you would go to a genuine market.

Ms JAGO - Yes.

Mr BOOTH - Did you have any problems then with builders who weren't pre-qualified? Was there any difference?

Ms JAGO - No. The other thing is, we were competing in an environment with Education as well, so when you cobbled the two programs of BER, then it was almost self-selective with some of the builders, and for us we were targeting the local building firms and that again was one of the requirements of the Commonwealth. We had to demonstrate that there was a percentage going to rural communities, and also that local people were engaged in some part of the rollout.

Mr HARDWICK - And also, employment is to the builder but also to the consultant, particularly architects in respect of the earlier stages of the developments.

CHAIR - Good, so both of those were useful to you, the planning and the procurement?

Ms JAGO - Oh, absolutely.

CHAIR - When you started off you were expected to do 420?

Ms JAGO - Yes, and with the leverage from the not-for-profits, and that was part of the tender process that obviously it was weighted in terms of 'what can you bring and what can you add to the process?' We then were able to get the additional 110.

CHAIR - Can you explain that briefly? What did they do?

Ms JAGO - I will use an example of, say, Centacare where they accessed \$55 million under Nation Building, but they provided land for all of their developments, so their contribution was the land component and some additional stock.

CHAIR - So, were they all built for Centacare?

Ms JAGO - Yes. Through the tender process, there was a split. I will go back a step. The Commonwealth, under reforms in the social housing space, are growing the not-for-profit sector, so they used this opportunity under Nation Building to start bringing not-for-profits into this space and building up capacity in the not-for-profits. All jurisdictions had to give a percentage of their stock to the not-for-profits to roll out. Ours was about 50:50 in terms of the not-for-profits that were assisted, and then just builders in the market.

CHAIR - Centacare were then presumably able to do what they wished with the developed land? They could on-sell or -

Ms JAGO - No, the funding requires that the property be retained for housing assistance.

CHAIR - Oh, I see.

Ms JAGO - Oh, yes. It is tied up and -

CHAIR - Why would Centacare provide all this land?

Ms JAGO - Because I think a lot of organisations see it as an entrée into a future growth area - providing housing.

Ms ARCHER - Managing the housing.

Ms JAGO - Yes. And some of the other organisations - not just Centacare - are in that space as well. Uniting Aged Care is a big player.

Mr BEST - Can I ask about cost per square metre?

CHAIR - We are going to get to that.

Mr BEST - Are we?

CHAIR - Kim asked about that a moment ago.

Mr BEST - Yes, I know.

CHAIR - It is on the back pages, from what I can see.

Mr BEST - So, we will save the best bit till last?

CHAIR - All right, so that was that. Cost/benefit?

Ms JAGO - The cost examples?

CHAIR - Cost examples, yes.

Ms JAGO - Yes, so that is the breakdown of the not-for-profits with no land component - we did some developments ourselves, and there were private off-the-plan developments using local builders, and then there is the final delivery.

CHAIR - The overall performance.

Ms ARCHER - Are we just talking about the dwelling cost on all of these?

Mr BEST - That is how much they got, I think.

Ms JAGO - Yes.

Ms ARCHER - This is no land, so it is purely the dwelling.

CHAIR - The first two, there is no land component, but the second two do not say that.

Ms JAGO - The third one is off the plan. It does include land, and the other one was an overall performance.

Mr BOOTH - So, the not-for-profit, no land component - that is an average cost per unit of \$152 227, not including land? Correct?

Ms JAGO - Yes.

Mr BOOTH - Were they all identical? How do we get a breakdown on that? Were they two-bedroom units, three-bedroom -

Ms JAGO - Right. I have some examples at the back, and I have also brought some other plans.

Mr BOOTH - What I am trying to understand is - the first category is not-for-profit, no land component, the next category is developments on Director of Housing land -

CHAIR - That is also no land.

Ms JAGO - Yes, that was our contribution.

Mr BOOTH - And then you go to the private off-the-plan, and the average cost - there is \$100 000 difference there. Presumably that is the land cost, is it, between the not-for-profit no land component and private off-the-plan?

Ms JAGO - Yes, and can I add that a lot of the not-for-profits were multi-dwelling developments, where off-the-plans may have been two or three on a suburban block, so it is a totally different profile of stock, and that would explain the variation.

Mr BOOTH - It is pretty hard to figure out what this means without that breakdown but, interestingly, the developments in the Director of Housing, no land component category, seem to be expensive compared to the not-for-profit category. They must have been a different type of house, were they?

Mr HARDWICK - A different type of development. A lot of the developments on the not-for-profits' land were multiple units on a single parcel of land, whereas developments on the Director's land was more two, three or four units.

Mr BOOTH - But, even so, if there is no land component it should not make much difference, other than a bit of common trench work or common driveways, or something like that.

Mr HARDWICK - You get the efficiencies of building four units at the same time compared to twenty units at the same time, on the same piece of land.

Mr BOOTH - Well, yes, granted there would be some efficiencies, but you are looking at -

CHAIR - Look at this first one - 214 York Street.

Mr BOOTH - \$83 000.

CHAIR - 214 York Street - 30 units in there.

Mr BOOTH - Yes, but that is a refit, it is not a new house. That is the problem really. Have you got some information in here that compares apples with apples, so to speak?

Ms JAGO - Yes. We probably may have to submit it to the committee in a bit more detail, more refined detail, yes.

CHAIR - Perhaps if you lead us through the kind of projects you have featured here.

Ms JAGO - Okay. The next slide shows the process we go through for a non-capital investment program. The York Street development, as Mr Booth said, is a refurbishment of an existing building. But, there are some new developments at the back. Although it was not included in the Nation Building cost, that facility was bought from the Education department.

Mr BOOTH - Yes, it was a fine furniture school.

Ms JAGO - Yes. That was a combination of Nation Building and the Housing Fund paying for the land component.

Mr BOOTH - So, the average cost per unit for that one - \$187 000 - included all of the costs - the land purchase and the development costs?

Ms JAGO - Yes, and consultant costs.

Mr BOOTH - Yes, all up. Were those units all the same? You said that some were refurbished, and some are new. How would we get some idea what that \$187 000 -

Ms JAGO - That would be the average cost. I could not tell you. For example, the units in the tower required a lot of additional expense to keep some of the features - the beams and the flooring and the exposed brick - but at the back a cheaper modern unit could be constructed.

Mr BOOTH - Yes. Were they all one-bedroom?

Ms JAGO - There is a mix, and there are some that are highly modified for people with disabilities, and that also adds to a variation in the cost. Could I also add that there are facilities in the main part of this particular building? There is a commercial kitchen and office space and things like that. It is based on a model of supporting the people in that environment, particularly the younger people. It is purpose-built to reflect that.

CHAIR - Caroline Street, East Devonport?

Ms JAGO - That was included to show a different mix of product - that was five on a block.

Ms WHITE - How many bedrooms in each of those homes?

Ms JAGO - They would be twos.

Ms WHITE - Two-bedroom?

Ms JAGO - Yes.

Mr BOOTH - That includes the land, presumably? That is off-the-plan purchase?

Ms JAGO - Yes.

Mr BOOTH - So, \$201 000 for a two-bedroom unit, including land?

Ms JAGO - Yes.

CHAIR - Pretty good value.

Ms JAGO - Yes.

CHAIR - It is only five units. It is not as though they built a hundred of them.

Ms JAGO - The next one is at St Leonards. The committee may remember at the time that it was subject to some community angst, but it has delivered 20 units and the average cost is noted, but again, that is a fairly big site.

Ms ARCHER - That is finished now, is it?

Ms JAGO - Yes.

Mr BOOTH - How many bedrooms are those, and are they all identical?

Ms JAGO - They are twos and yes, they are. There is some variation of the floor plan, but the basic configurations are the same.

CHAIR - They are twos and threes, are they, mixed up?

Ms JAGO - No, they are just twos.

Mr BOOTH - All two-bedroom. Can you give us an indication why, with no land, it is \$222 000 at St Leonards, but with land in East Devonport it is \$201 000, for the same two-bedroom units?

Ms JAGO - There were civil costs involved with the St Leonards development, because that was just a paddock at the start. So again that added to the costs with the infrastructure that needed to go in and that is reported in the net cost.

Ms ARCHER - So it was not serviced, is that what you mean?

Ms JAGO - No, it was just an open, quite significant civil works because it is a fairly big site.

Ms ARCHER - We have had evidence before about that, haven't we?

Ms JAGO - Yes.

Ms ARCHER - The cost of that.

Mr BOOTH - Would it be difficult for you to give us a breakdown then of the actual building costs to build the units on Caroline Street, East Devonport and the St Leonards Road one so that we can get a direct comparison between the actual costs of building them?

Mr HARDWICK - Caroline Street was purchased off the plan. That might not be available to us because they were purchased direct as compared to product.

Mr BOOTH - Don't they normally have on the purchase a land price and a -

Mr HARDWICK - It depends on the agreement.

Mr BOOTH - Yes, that is right. Okay, well if that is going to be difficult - what I am trying to get to, I suppose, if it is possible for you to provide it, it does seem odd that notwithstanding the fact that you have development costs, all land has development costs whether you buy it off the plan with the land or whether you develop it yourself, you are going to have infrastructure costs - roads, sewerage, that sort of thing and both contain those things.

CHAIR - Not in this case. If you look over the page, they have had to build a road in, the actual civil works on this block where the other blocks were already ready to build blocks.

Ms JAGO - Serviced.

Mr BOOTH - Yes, but they both include land price.

Ms JAGO - No, the Centacare does not include the land price.

Mr BOOTH - If Centacare does not include the land price then it still costs a lot more. The point I am making I suppose is that, if we are looking at value for money, you would think that buying off the plan is a hell of a lot cheaper than developing yourself in this case because five units cost \$201 419 each at Caroline Street. At St Leonards there is 20 units so you have got a higher critical mass, it should be an efficient development., Without the land it cost \$222 955 so it is \$21 000 more without the land.

Mr HARDWICK - But you have got to add, as I said earlier, building infrastructure costs and take that into account but also buying off the plan at a time when the market was depressed, as it was at that point in time; there were builders at that point in time very keen to have a project.

Mr BOOTH - Distressed sales almost.

Mr HARDWICK - Yes.

Mr BOOTH - Were they built off the plan for you or you just went in and bought five units that somebody had developed? The ones in Caroline Street?

Ms JAGO - No. All the stock that we acquired under Nation Building was acquired through quite a lengthy tender process, so that was the other area. Even the private builders were submitting in areas that we had identified as demand areas and to stock to a certain requirement.

CHAIR - With the Caroline Street one, was that one developer who said I will build you five at this price?

Ms JAGO - Yes.

Mr BOOTH - Should not that then be the same as the St Leonards one because it was also built -

Ms JAGO - The twist in that though is that then, where the not for profits were involved, the Government in the Centacare case gave Centacare, say, \$55 million and they delivered a number of projects so government I guess is at arm's length from those developments except for the oversight of through the contract of what they delivered and to the requirements.

CHAIR - Who put up the plans for this St Leonards one?

Ms JAGO - Centacare.

CHAIR - That was Centacare's own thing?

Ms JAGO - Yes.

CHAIR - They used steel framing, and builders around here will tell you that they are absolutely marginal if there is any saving at all, plus we do not make it in Tasmania, it has all got to be shipped from Newcastle or wherever, and we use steel framing. We have all this pine, standing timber that we could use. I know that the builders on site could not understand why there was all this steel framing in this and I suspect it was just Centacare saying, 'Oh well, that's how we built them in Sydney and then we want to build them like that in Tasmania'. I do not know. I suppose from your point of view you did not care what they used.

Mr BEST - Which place are you talking about? Sydney?

Ms JAGO - No. All of the Centacare developments were steel-framed and they used one particular supplier.

Mr BEST - It is interesting because what they found, not that it applies here, but with the New Zealand earthquake I think there was a university that did a bit of research where they put up timber-framed dwellings and they find that they withstand -

CHAIR - Better.

Mr BEST - Yes. Not that we have got an earthquake problem but I am just saying there are different -

Ms ARCHER - Better up where I live - then you do not get blown away.

Mr BEST - Than St Leonards? It is windy out there.

CHAIR - That is what I wanted to learn today - what control you had over it. I suppose Centacare put the price in and said this is what we will build you.

Ms JAGO - Yes, to the standard of requirements that we had in terms of six-star - the amenity, the -

CHAIR - So they all had to be six-star?

Ms JAGO - Yes.

Mr BOOTH - All of these ones that were built are six-star?

Ms JAGO - Yes. Everything, all developments under Nation Building were six-star.

CHAIR - Does Housing Tasmania - I will ask this question because it is brewing in my colleague's mind just now - have a process of instructing or educating its tenants how to live in a six-star home given that mostly the star rating stuff is about minimising heating or cooling costs and the way to do that is to stop air flow? You know - no leaks, no cool air coming in and all that sort of thing - but given that so many of the products in a home exude gas, gas off, and then they have got heating still inside and the quickest way for them to get warm is to keep the house hermitically sealed, basically that is not the healthiest way to live. Do you have an education program on how to live in a six-star home healthily?

Mr HARDWICK - The short answer is yes. We have a program of educating tenants in respect to how to conserve energy.

CHAIR - *Hansard* will not show that you were shaking your head when you say that.

Laughter.

CHAIR - It will now.

Mr HARDWICK - Perhaps we are educating each other. We have a program of educating our tenants with respect to how to conserve energy, not necessarily just in six-star properties. The six-star properties tend to be more self-sufficient in respect to energy consumption. Most of our stock is 30 years old and built 30 years ago where a lot of this

draught-proofing, which is consuming energy, trying to keep the house warm, is causing the problem but taking your point when tenants lock the house up to conserve heat they then create a mould problem because of lack of circulation. We have a constant problem, particularly over winter, about heating costs versus mould problems versus air circulation.

Mr BOOTH - You would not have mould problems in new houses, would you?

Mr HARDWICK - Not as much, no, but even so there are many tenants who tend to occupy the properties a lot more frequently than a working person may, so when they are sitting in the house 24/7 -

CHAIR - More average hours per day.

Mr HARDWICK - All locked up, no air circulation, tend to use clothes dryers more so than open clothes lines, for example. Shower rooms - forget to turn the exhaust fans on et cetera. It is a constant problem so what we do is try to educate the tenants in respect of how to improve the energy use of their property but also make sure there is air circulation at the same time - during the day open the blinds, open the windows, et cetera. We often distribute a document produced by the CSIRO about issues or tenant habitation issues which cause problems with mould and therefore do not have any mould in bedrooms, on curtains, on windows and condensation but also health issues as a consequence.

Ms ARCHER - It is a fine balance at the moment, though, is it not, because they are trying to save money on energy costs.

Mr HARDWICK - Absolutely.

Ms ARCHER - They do not necessarily fit.

Mr HARDWICK - Yes. In Sydney we have a policy - and I may be straying away from the topic a little bit - of removing wood heaters and that creates a different problem when they then move to electric heating even though they might be heat pumps, which are as efficient as we can make them, they are used to a certain ambience in their property.

CHAIR - They crank them up.

Mr HARDWICK - They do indeed.

CHAIR - Thank you for that. That is a separate area of interest that we had and we took advantage of you while you were here to ask that question. That has answered my questions on St Leonards and the average cost per unit.

Ms ARCHER - When is Hopkins Street due to be completed?

Ms JAGO - It is about a month away.

CHAIR - They are coming in at \$230 000. How are they being sold? Are these stratum titled?

Ms JAGO - They will be. Hopkins Street will be retained by the Director of Housing but the tenancy management will be by a not-for-profit organisation.

Ms ARCHER - That will go out to tender?

Ms JAGO - That has already been out to tender, yes. Because it is being constructed under Nation Building, Housing Choices Tasmania have 138 dwellings that they will take over the tenancy management of. It is one of that cluster.

CHAIR - All right, that is Hopkins Street. Kingston?

Mr BOOTH - All of these units are two-bedroom again?

Ms JAGO - Yes.

Mr BOOTH - Do you find that the ideal is two bedrooms?

Ms JAGO - That is the demand profile for housing stock at the moment - they are older singles or smaller families. The balance of our stock is mainly three-bedroom, so when we are developing new stock we try to give some weight to two-bedrooms to try to get a bit more diversity in the broader stock.

Ms ARCHER - With all your new developments, do you have any one-bedroom units just for single people to keep the cost down for them as far as rent is concerned?

Ms JAGO - Well, some of the bigger developments are ones. The York Street development in Launceston is mainly ones, and then Campbell Street and Liverpool Street and Brisbane Street will be a mix of one and two bedrooms - some of the bigger developments.

Ms ARCHER - That is spread around the State by the sounds of it.

Ms JAGO - Yes.

CHAIR - So, Kingston is well up per unit compared to the first one we looked at?

Ms JAGO - Yes, and again that is off the plan, and that is a very high amenity development in terms of the standard of the accommodation. It was one of those in an area of high demand, and we had to pay a premium, but that reflected the market at the time.

CHAIR - Does this include Hobart?

Ms JAGO - That is one where just the earthworks have started, and that will be -

CHAIR - Where is it? Up on the hill, is it?

Ms JAGO - No, it is across from Honda, down this way.

CHAIR - Oh, yes.

Ms JAGO - The one when you drive down the Brooker -

CHAIR - I thought that was going to be a private hospital or something.

Ms JAGO - It was looked at for that as well - as a satellite campus for the hospital. So the other main one is when you drive down the Brooker in Campbell Street, near the Polytech. That is one of them.

CHAIR - Oh, is that one too?

Ms JAGO - Yes.

The last page is a land initiative out at Clarendon Vale, to demonstrate that we are doing some work with land as well.

CHAIR - This is interesting. So you managed to get 12 lots at 9 Mockridge in at \$30 000 a piece, \$29 000 a piece?

Ms JAGO - This is just the civil works to open the land.

CHAIR - Yes, but are they ready to build after this?

Ms JAGO - Yes.

CHAIR - That's pretty good.

Mr BOOTH - Yes, but they owned the land already.

Ms JAGO - This is just the civil works. I know it is straying off the issue, but a block of land up the road about half a kilometre is worth about \$120 000. Now that we have done the work on them, the government valuation is anything between \$35 000 and \$50 000. It just reflects the location.

CHAIR - It does.

Mr BOOTH - So if you put them on the market and sold them, that cost would be realistic - the government valuation?

Ms JAGO - Yes. There is opportunity for house and land packages and things like that.

Mr BOOTH - You mentioned a price of \$120 000 half a mile up the road. Is that because it is a different location?

Ms JAGO - This is in a broadacre, so it reflects -

Mr BOOTH - So, \$35 000 reflects what they would sell for today, if you did put them for sale.

Ms JAGO - Yes.

Mr BOOTH - It is amazing the difference, isn't it, just half a kilometre or a kilometre.

Ms JAGO - Yes.

CHAIR - I think that is terrific. From my point of view - I am not sure about other members - I think I have the picture in terms of per square metre pricing. I think we could drill down a little further, if you like, but they seem to come out at around \$200 and \$250, per two-bedroom allotment.

Mr BEST - What you call 'accessible housing', is that more expensive than standard housing?

Ms JAGO - Yes, because of the fit-out. Normally the footprint is bigger, because of the wider frames, and the bathrooms are larger.

Ms WHITE - There is a typo on this page; it is not 52, it is 25. It can't be 52 because the costs are lower and there are 15 units - 15 lots and not 12 lots, so it has to be less.

Ms ARCHER - Yes, you are right.

Ms WHITE - It seems quite a lot.

CHAIR - We are still talking per lot. You have done the numbers, have you?

Ms WHITE - It is not 52, it is 25.

CHAIR - Which page?

Ms JAGO - The last page - for land tax.

CHAIR - Director Jago put that in there to see if any of us were awake.

Laughter.

CHAIR - And you passed the test.

Mr BOOTH - Which one was that?

Ms WHITE - It is 151 Mockridge -

Mr BOOTH - How much per block?

Ms WHITE - It is approximately \$25 000.

CHAIR - That is a very good briefing. Any questions?

Ms WHITE - I have a question about the design work that is undertaken when you are putting together these plans. The department is dependent on advice from your architects, is that right?

Ms JAGO - Consultant architects.

Ms WHITE - Yes, and then you put those plans out for tender. I raise this question because I know of an instance where there was work done on Housing Tasmania properties - three units - and you were just fulfilling obligations for the contractor who had gone out there. The architect had drawn quite elaborate concreting plans surrounding the building using six different types of finish on the concrete, which might have looked quite beautiful, but the builders working on that project told me it added thousands of dollars to the project cost unnecessarily, when you could have just had a single finish on the concrete. It would still look good, and be more affordable for the taxpayer. Can you look at the design work and say, 'We can see that we can gain efficiencies here, or this is a little bit too elaborate for what we are looking to achieve'? At what stage of the project do you influence the design?

Mr HARDWICK - Pretty well at any stage. We put out a brief initially to the consulting architect as to what we want - two-bedroom, three-bedroom, accessible, non-accessible, et cetera. We get the plans back and we have to sign those off. Details such as the one you mentioned must have just got through the net, but right up to the stage of a variation during construction work we can still amend the design. We have the ultimate hand in all of that. The situation you referred to is one that perhaps should have been pulled up on, unless there was a reason for having that sort of feature in the facility, but generally at any stage we can pull it up and withdraw it.

Ms WHITE - So you are not bound to keep going with a design?

Mr HARDWICK - Absolutely, not.

Ms JAGO - No, and we do have quality surveyors look at the projects, for value-for-money.

Mr HARDWICK - Quite often in the tender process we ask tenderers to offer advice as to how the cost of a development, as drawn and tendered, could be reduced and that is taken into account as part of the tender evaluation process.

Ms WHITE - How often do they provide advice about how they can reduce costs?

Mr HARDWICK - Quite often.

Ms JAGO - There is quite a variation between an architect's and a builder's proposals.

CHAIR - It was always builders going on about architects.

Mr BOOTH - Why do you necessarily use architects? You mentioned you found that by relaxing the tendering requirements for builders, you got a wider range of choice - that you saved money. What sort of percentage savings, do you think? How effective is that in driving down the building costs?

Mr HARDWICK - I don't think anybody has done that work. It is not only driving down the price, but also improving efficiency - getting the project under construction in a quicker

time period. But, to my knowledge, nobody has done the work to see what the cost reduction might be.

Ms JAGO - No.

Mr BOOTH - So, those builders who successfully carried out works for you - now that the Nation Building exercise has finished, are they no longer be eligible to apply for future works, because they are not a preferred tenderer?

Mr HARDWICK - If they are registered with Treasury, they still can.

Mr BOOTH - Yes, but if they weren't, if they -

Ms JAGO - Those rules only applied for Nation Building.

Mr BOOTH - Yes. There would be builders who performed perfectly satisfactorily, who are no longer are allowed to work for the Housing Department, unless they have complied with Treasury's rules?

Ms WHITE - The Treasurer's Instructions have been amended in the last couple of weeks to address the way builders can tender for government contracts. So we should probably get hold that Treasurer's advice to make sure they are fully up to speed with that.

Mr BOOTH - It would be interesting. I am wondering how much it is driving up the cost by gating the pool of people that you are able to access. That would be one thing and we could get that information. But if you do not have a comment at this stage, you are not aware of -

Mr HARDWICK - The procurement process of government does drive up the price, there is no question about that, both by having to be registered but also to carry all the necessary precautions in respect to insurance coverage, OH&S conditions, quality standards et cetera.

CHAIR - There is a reason that the rules are there.

Mr BOOTH - Whether it is justifiable or not is another reason.

Mr HARDWICK - It is value for money. There is also the issue of employing apprentices and all those issues, which some builders do not, they go straight to subcontractors and do not employ apprentices, which is not good for the future of the State.

Mr BOOTH - Whether the Housing budget should be delivering State policy or whatever, is another thing I guess.

The other thing is, have you looked or do you use any of the prefabricated types of houses that are built?

Mr HARDWICK - We have looked at them. The quality and robustness of the property to suit our tenant mix is often a challenge, but we have gone down that pathway and explored and have purchased some and monitored their performance, and there are some

doubts and questions about the ability of those properties to withstand the wear and tear they get from our tenants.

Mr BOOTH - Does that mean they have to be brick or something?

Mr HARDWICK - Do not have to be brick but they have to be robust enough to withstand some of the -

Ms ARCHER - Structurally, do you mean?

Mr HARDWICK - Mainly structurally, but also internal fit-out.

CHAIR - Some of the special attention they receive.

Mr BOOTH - I would have to say, that does seem a bit odd, having built that sort of stuff before and I do declare an interest that my son builds transportables. We have built buildings for the Education department and in my experience, in those days, the buildings that we built were half the price of the ones that the Education department were building at the time. We built them at Meander school and they are regarded by the Education department people as the best school buildings in terms of amenity that they ever had in the State as opposed to the standard of a range of builders that they used. Looking at these prices, a couple of hundred thousand bucks in some cases for a two-bedroom unit, I am pretty sure you could get them for half that price if you looked at quality transportable stuff.

Mr HARDWICK - There was a program run and Bernadette could speak to it better than I can, But we went for some quick builds, as they were called at the time. There were difficulties in selling those properties and whether that was because of the actual construction process or whether that was because of the location of the land we had available at the time, I suppose, is debatable.

Mr BOOTH - I absolutely have no doubt that some of the stuff that you have looked at is no good but it is like any type of housing, some spec homes are no good and some are extremely good and I think it applies across the board with fixed houses or transportables. If you could halve your housing cost, would that be attractive to the Housing department? If you could do units for half the price you are currently spending but they were just as good in terms of amenity?

Ms JAGO - Absolutely.

Mr HARDWICK - Subject to the whole-of-life consideration, which includes the maintenance, yes.

Ms ARCHER - Prior to the ceiling requirement of \$300 000, so putting aside Nation Building, when Housing Tasmania was building its own developments, did you ever go beyond that type of figure that you are aware of or can you provide that information? Did the unit price ever exceed the \$300 000 mark?

Mr HARDWICK - I would have to say, yes, and Walford Terraces, in Harrington Street, comes to mind, which is a bit of demonstration -

Ms ARCHER - Yes, that is the one I am thinking of.

Mr HARDWICK - There are times when it is exceeded by decisions made at the time by the government of the day, and in respect to that case it was energy efficiency measures.

Ms ARCHER - Was that known or was it a cost blowout to the development? Are you aware of the detail on that? Would there have been a ceiling attached to that one?

Mr HARDWICK - Before my time, so I cannot really respond but, from my knowledge, I do not think there is was ceiling fixed on it but there was an acknowledgement at the time they were going to cost more than the standard, whatever the standard might mean because of the extra features built into that development.

Ms ARCHER - Moving forward, do you have a requirement that there be a ceiling?

Mr HARDWICK - More value for money.

Ms JAGO - We are probably a little bit more cognisant of the need now in terms of that.

Mr HARDWICK - But also we need to set an example or take a lead in the community in respect to building properties to a new standard, and they are currently six star. Solar, for example, is something that is attractive but not all new developments have them.

Ms JAGO - A lot of the recent capital developments have been, apart from Nation Building, in response to clients with disability - homes or group homes and things like that - so they are not the profile of your normal development.

Ms ARCHER - Was Harrington Street around about \$500 000 to 600 000?

Mr HARDWICK - I would have to check.

Ms WHITE - I wanted to ask, particularly because we have had this under a national scheme, whether you have done any comparisons between Tasmanian and other jurisdictions on our cost efficiencies? Essentially what we are trying to determine is whether Tasmanians pay more to build their homes and construct buildings than other jurisdictions and where those costs are incurred, whether it is concrete, timber, iron? Can you share any details there?

Ms JAGO - Nationally all the jurisdictions have just signed up to have a review of Nation Building and the rollout of Nation Building and it covers particularly that, but also the gains under the planning procurement and value for money and all those sort of things. I could submit to the committee the terms of reference for that national evaluation of the rollout of Nation Building.

Ms WHITE - Is there a time frame for that report?

Ms JAGO - I will put a qualifier around that, it has to now go to Housing ministers for endorsement but I am sure that I could share that.

CHAIR - The timing might work for us. See how we go.

Mr BOOTH - A couple of final questions there. One is going back to what Rene was saying in regard to teaching people to live in a six- star house or something without a lot of air exchange happening. Do you have a policy with regard to healthy building materials like not using particle board and composites with urea-formaldehyde glues and so forth in them?

Mr HARDWICK - The short answer would be no, not a policy per se but there is a requirement for us to build to national standards and Australian standards. But in respect to material within, not that I am aware of, no.

Mr BOOTH - It might be worth having a look at that because it is a significant health hazard. As the houses become better insulated, or not so much better insulated but having less air exchange, the concentration of some of these things does increase and some people are highly allergic to that sort of stuff.

What is your life cycle design? Do you have design criteria there, or when you buy a house do you look at it and say we are looking at this as a 25-year life span?

Mr HARDWICK - The ideal life span for a property's kitchen is 20 years, for a bathroom it is 15 years. Because of funding requirements we are never able to really turn over those elements or replace those elements within those life cycles. Hence the problem we have now with the deferred maintenance liability that we are currently trying to address. In respect to new constructs, they are built for robustness and longevity but there is not a life cycle requirement placed upon them.

Mr BOOTH - So when Housing buys something off the plan, does that mean that you go along, look up the paper and you see something that is completed and you go and buy it, or do you get somebody to build it and construct it? Say you buy it off the plan, then you insert certain special requirements, not talking about, say, equal access stuff but in terms of the quality of the fittings or the durability of the kitchen, for example.

Mr HARDWICK - They do vary a lot. When you buy off the plan you are buying -

Mr BOOTH - What somebody else has constructed.

Mr HARDWICK - A completed construction, you are buying from the market. Again, we take what we can get.

Mr BOOTH - Yes, but if you get something constructed then do you say I want this kitchen to last 20 years?

Mr HARDWICK - We have qualified tradesman as part of our employ, we send them out to look at some properties we are going to purchase and/or the plans of the ones that we are going to buy off the plan. We talk about the products and what is in them - what is cheap and nasty and will not do the distance and those that may be over-specified and provide, for example, dishwashers. If we are buying off the plan or completed properties we do not supply dishwashers but we have bought some properties with dishwashers already included. If you leave them in there then at the end of their economic life we do not

replace them. The tenant is put on notice that at the end of their economic life we will not be replacing the dishwasher because it is not our policy.

Mr BOOTH - Before you purchase you send out a qualified person who gives a report and in some cases the report might say the kitchen is rubbish, the shower fittings are crude and cheap and do not buy that property. So then you do not proceed - is that what happens?

Mr HARDWICK - Correct, yes.

Mr BOOTH - Is that a common thing, that you don't buy?

Mr HARDWICK - No, it is not common. Quite often we would go in and have an inspection. It is really things that we would require to our policy which are not provided in the property we are intending to purchase. A classic example is fencing, for example, or enclosed backyards for children and pets and what have you. These are elements we add into the property after we have purchased it and things as simple as letterboxes, clotheslines, a pathway to the clothesline.

Mr BOOTH - Generally, you only use the Building Code of Australia as your benchmark, effectively, which means that theoretically the council or a private surveyor has ticked off on it and then that is okay?

Mr HARDWICK - Correct.

CHAIR - Thank you for your expert assistance with this matter.

THE WITNESSES WITHDREW.