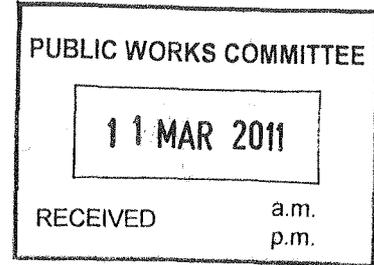


11 March 2011

Ms Janelle Saffin MP
Chair
Parliamentary Standing Committee on Public Works
Parliament House
Canberra ACT 2600



Dear Ms Saffin

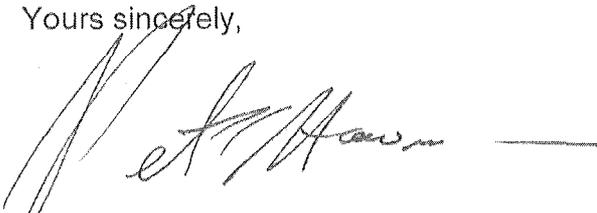
MEETING TO DISCUSS ADDITIONAL BUDGET REQUIRED FOR LARRAKEYAH BARRACKS, DARWIN, NT

As arranged with your secretariat, Ms Sue Parr of Defence and I will meet you and the Committee at 0900 on 21 March 2011 to discuss the additional budget requirements of the Larrakeyah housing project in Darwin, Northern Territory.

Attached is a detailed public brief. I will discuss financial aspects personally.

I look forward to briefing you and the committee.

Yours sincerely,



Peter Howman
Chief Operating Officer
Defence Housing Australia

Attachment:

1. DHA Update Brief on Larrakeyah Construction Budget

HEAD OFFICE



**BRIEF TO THE
PARLIAMENTARY STANDING COMMITTEE
ON PUBLIC WORKS**

**UPDATE BY DHA ON CONSTRUCTION BUDGET
FOR
HOUSING FOR DEFENCE
AT
LARRAKEYAH BARRACKS, DARWIN, NORTHERN TERRITORY**



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IDENTIFICATION OF ISSUES

1 BRIEF OBJECTIVES

- 1.1** In this submission, Defence Housing Australia (DHA) sought approval from the Parliamentary Standing Committee on Public Works (PWC) to build 97 new, modern community standard houses for the Department of Defence on the Larrakeyah base in Darwin. The PWC met in Darwin on 9 November 2009 to view the DHA proposal and subsequently recommended approval to the Parliament.
- 1.2** As a result of the tender process, and despite detailed negotiations with Defence (scope reductions) and the winning tenderer (scope and price reductions), DHA is unable to deliver the project as presented to the PWC within the budget notified. DHA therefore wrote to the Chair of the PWC notifying of the requirement to expend additional funds if the housing on Larrakeyah was to be delivered to the scope and standard required by Defence.

2 HISTORICAL BACKGROUND

- 2.1** The Larrakeyah Barracks residential precinct is part of the Larrakeyah Base, a military establishment which was commenced in 1932 as part of a government initiative to establish a military presence in the Darwin area. The base has operated continuously since that time, currently accommodating Headquarters Northern Command and HMAS Coonawarra.
- 2.2** The residential area of Larrakeyah Barracks contains 131 houses, the oldest of which were constructed in the 1970s. New houses were added to the residential precinct in the 1990s, most of which are in a townhouse development on the north-west end of the residential precinct. An aerial photograph and a map of the area are included with the Supplementary Information at Items 1 and 2.

3 PROJECT BACKGROUND

3.1 The Larrakeyah housing project has a total approved budget of \$57.6 million (including GST). This amount includes the cost of removing the current housing for reuse (phase complete, Supplementary Items 3 refers) plus a civil and construction budget of \$50.8 million (including GST).

3.2 The project comprises the removal of 61 houses in the main residential precinct of Larrakeyah, and the construction of 97 new houses on the site so created. The additional 36 houses will be achieved by:

- reducing the lot sizes to match contemporary lot sizes; and
- utilising a small amount of land that had not been previously utilised for housing.

TECHNICAL INFORMATION

4 LOCATION

4.1 The site of the proposed project is shown on the map at Supplementary Item 2. The site is part of the existing residential precinct on Larrakeyah Barracks, Darwin, Northern Territory.

5 PROJECT SCOPE

5.1 The scope of the project is as follows:

- Removal of 61 existing houses in Elliot Point Road, Nimmo Place, and Whittle, Robertson and Clowes Streets;
- Construction of 97 new houses on the cleared site;
- Extension of the south-western end of Whittle Street to facilitate improved land utilisation;
- Upgrades to stormwater and sewerage infrastructure;
- Resealing of roads and replacement of footpaths where required; and

- Landscaping and construction of a new playground.

6 HOUSING MIX

6.1 Since the original submission the desired mix of Defence housing related to the rank structure has changed, with 13 houses moving from Rent Band 2 to Rent Band 3, as represented in this revised Defence housing mix;

a) Original PWC submission: 46 x Rent Band 2, 47 x Rent Band 3, 4 x Rent Band 4,

b) Defence requested change: 33 x Rent Band 2, 60 x Rent Band 3, 4 x Rent Band 4.

7 SITE DESCRIPTION

7.1 The site is located on Larrakeyah Barracks, within the Darwin suburb of Larrakeyah. The site is within an existing residential precinct on and around Elliot Point and bounded by the coastal cliff line to the west, Allen Avenue to the north east, Steele Street to the south east and a townhouse development to the north west. Supplementary Items 1 refers.

7.2 Larrakeyah Barracks is a sought after location for Australian Defence Force (ADF) families to live, being on-base for those who work at Larrakeyah, close to Darwin city centre and beside the coastline.

8 PLANNING AND DESIGN CONCEPTS

8.1 **Structure, Materials and Finishes.** The design concept for the project is illustrated at Supplementary Items 4 and 5.

8.1.1.1 The character of the existing married quarter housing will be respected, with new dwellings harmonious with the existing built form character.

- 8.1.1.2** Roofs will be a maximum of eight metres above surrounding natural ground and constructed from powder coated metal (Colorbond), with generally no gutters and downpipes. Roof/ceiling cavities will be vented.
- 8.1.1.3** External cladding will be robust, salt resilient washable materials and not requiring frequent painting. Colours will be pale earth tones, with no highly reflective materials.
- 8.1.1.4** Passive solar design principles will be incorporated, including maximised yet protected northern orientation with reduced exposure to east and west sunlight, and 'breezeways' incorporated in the dwellings to capture prevailing breezes. New plantings of shrubs and trees will be used to shade external walls.
- 8.1.1.5** To maximise ventilation, fenestration will be predominantly louvre style windows and sliding glazed doors, with combined security and insect exclusion.
- 8.1.1.6** Fences will be lightweight mesh metal (galvanised/powder coated), maximum heights 1m to street (if required) and 1.8m to rear/side boundaries.

8.2 Home Layouts.

- 8.2.1** The new dwellings will be designed for tropical living and oriented to capture prevailing breezes. A close relationship of internal and external living spaces is to be provided through integrated multi function under cover areas. The covered outdoor area is to be fully integrated with the indoor living space and visually linked to outdoor play space. A typical home layout is included at Supplementary Item 5.

BUDGET AND PROJECT COSTS

9 PROJECT COSTS

- 9.1** The PWC approved an overall project cost of \$57.6 million (including GST) which included all demolition (house removal), construction, landscaping and civil works.
- 9.2** The PWC approved a demolition budget of \$2,013,000. Demolition works were contracted at a cost of \$2,091,092 to Halikos Pty Ltd. The additional cost of the demolition works were a direct result of the market conditions at the time of tender in Darwin. Negotiations with Halikos Pty Ltd resulted in a change in scope from demolition of 61 houses to the removal of 61 houses at no additional cost. This phase is now complete.
- 9.3** Financing for the project is being provided by DHA through equity and debt funding. The capital cost, including DHA's management fee, will be recovered from Defence through standard annuity arrangements.

10 MAIN WORKS TENDER

- 10.1** The responses to the public tender process returned prices in the range of \$68 to \$97 million for the main works (civil and construction) component. DHA negotiated strongly with the preferred tenderer and was also able to gain some concessions from Defence in an attempt to reduce the total cost down towards the PWC approved budget. Despite these efforts, a development suitable to Defence could not be arrived at within the budget.

11 ADDITIONAL FUNDING REQUESTED

The additional funding required is largely reflective of three factors:

- a) Darwin market conditions;
- b) cost uncertainties associated with architectural design; and
- b) DHA's inexperience with building high-set tropical homes.

- 11.1 Darwin Market** The additional funding required is largely reflective of current market conditions in Darwin, resulting in the higher than budgeted tender response prices. DHA has observed that, in relation to its other constructions around Darwin, the cost of labour and building is much higher than the rest of Australia.
- 11.2 Architectural Design** The design brief required that DHA provide housing sympathetic with the surrounding housing. Also, by increasing the density to 97 houses, the standard, brick lowset designs used by DHA and contracted builders in Darwin were not appropriate. As tropical designs were a possibility for the Muirhead development, the introduction of these designs in this location was appropriate but, in retrospect, costly.
- 11.3 Tropical High-Set Houses** The homes DHA builds in Darwin are single storey slab on ground homes built using traditional block construction. This type of home is in keeping with community standards in Darwin. The

majority of builders in Darwin only build homes that are slab on ground in keeping with market expectations.

In comparison, the homes on Larrakeyah are high-set, light weight, tropical designed homes that neither DHA nor the mainstream builders in the Northern Territory have the experience in constructing. It was this inexperience with a new product that contributed to the under estimation in compiling the housing budget. Tendering to the open market has confirmed that DHA's budget is not sufficient for this style of housing.

- 11.4 *Housing Mix*** The change in housing mix by Defence has resulted in an increase, however this represents only a small component of the overall cost increase. Also, the cost of this change has been compensated for by other concessions made by Defence.

12 CONCLUSION

- 12.1** DHA and Defence have worked hard to deliver the project within the initial budget. The preferred tenderer has been accommodating and reduced cost as clarifications were provided on various aspects of the project. Despite this, there exists a difference between the initial budget estimate provided and the final negotiated tender cost.
- 12.2** DHA must operate within the open market and the best value for money price has been arrived at given the market, component supply costs and labour costs in Darwin. DHA requests that the PWC approve the additional budget required to complete the Larrakeyah project. This will result in the total budget being increased from \$57.6 million to \$63.8 million including GST.

Supplementary Item 1

Site location aerial photograph



Supplementary Item 2

Area map



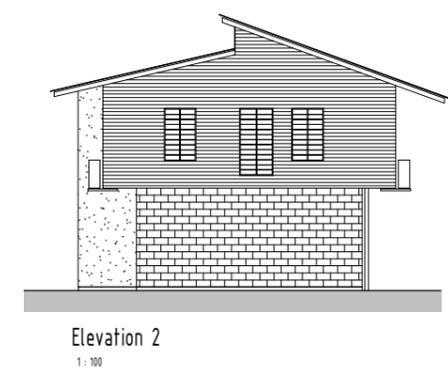
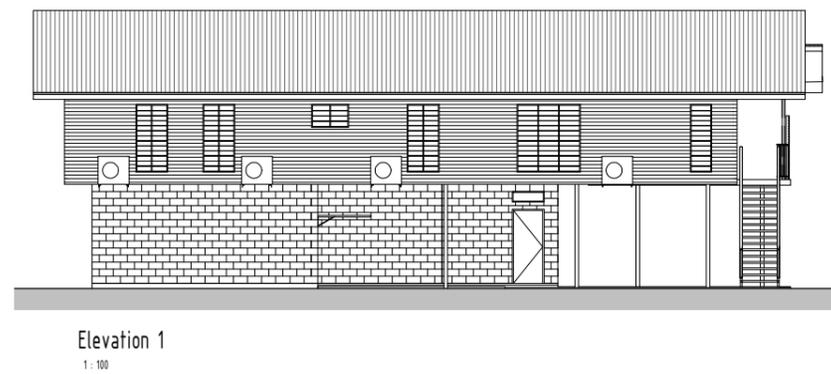
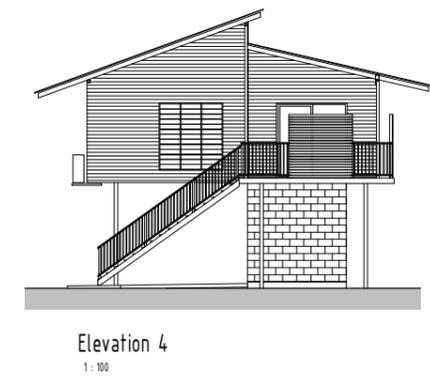
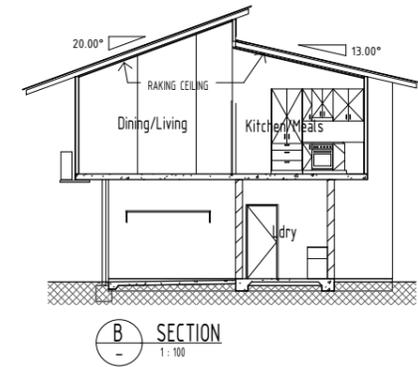
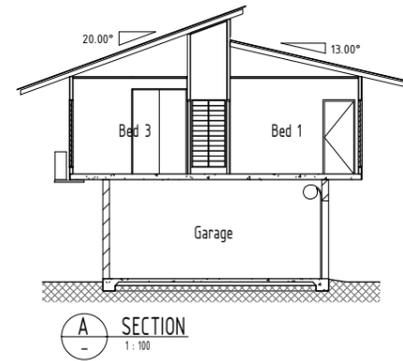
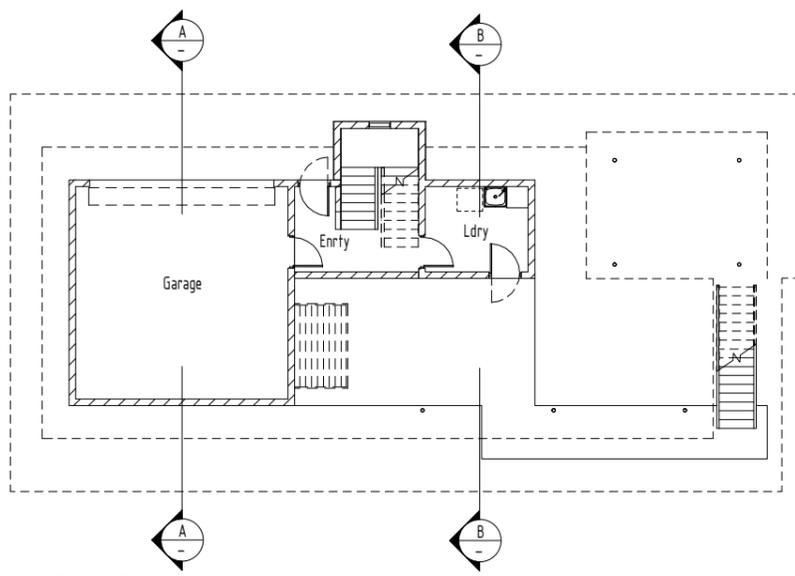
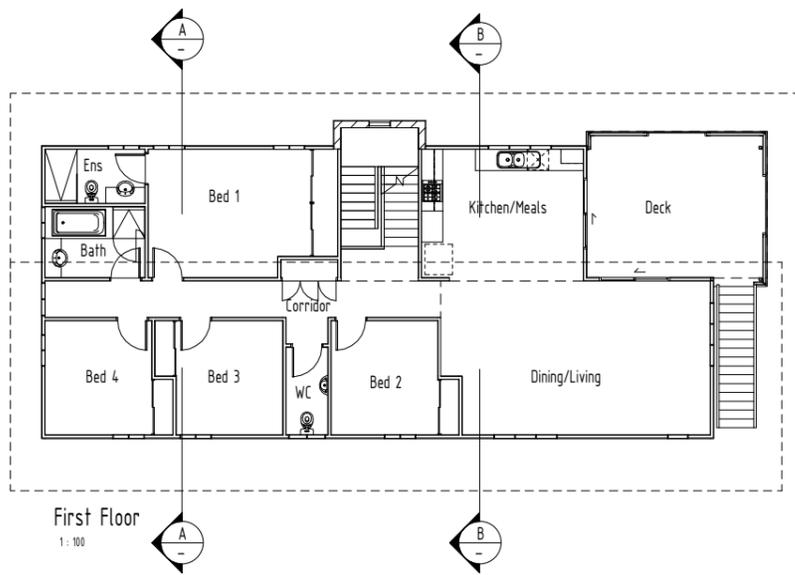
Supplementary Item 3

Demolition/Removal photographs

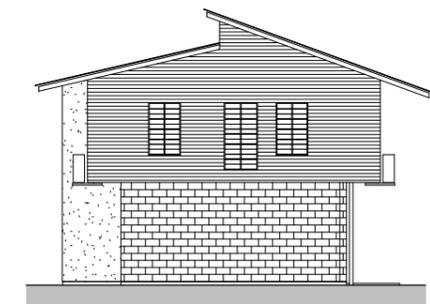
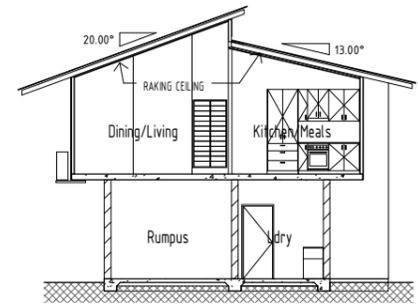
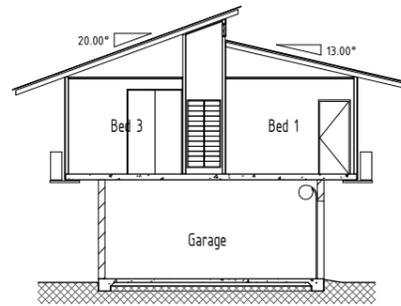
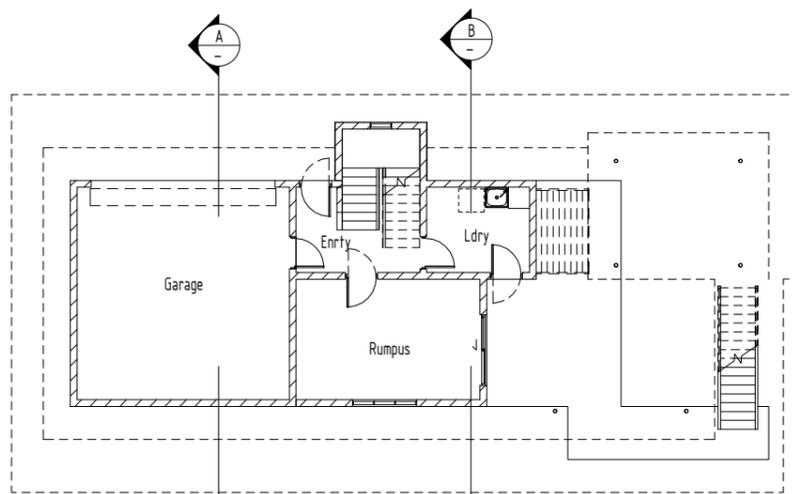
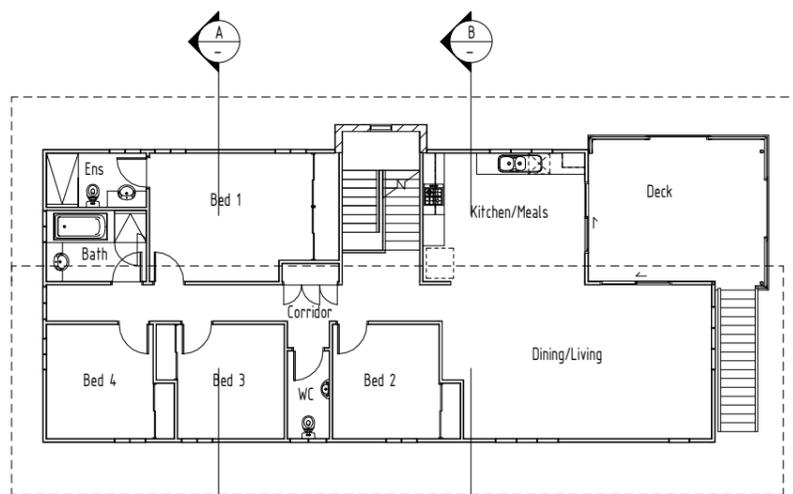


3D RENDERED STREET ELEVATIONS

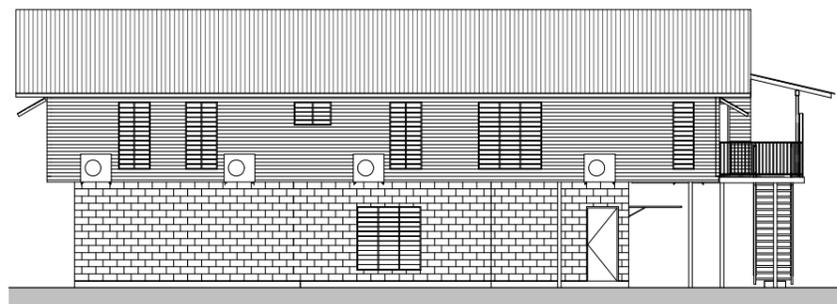
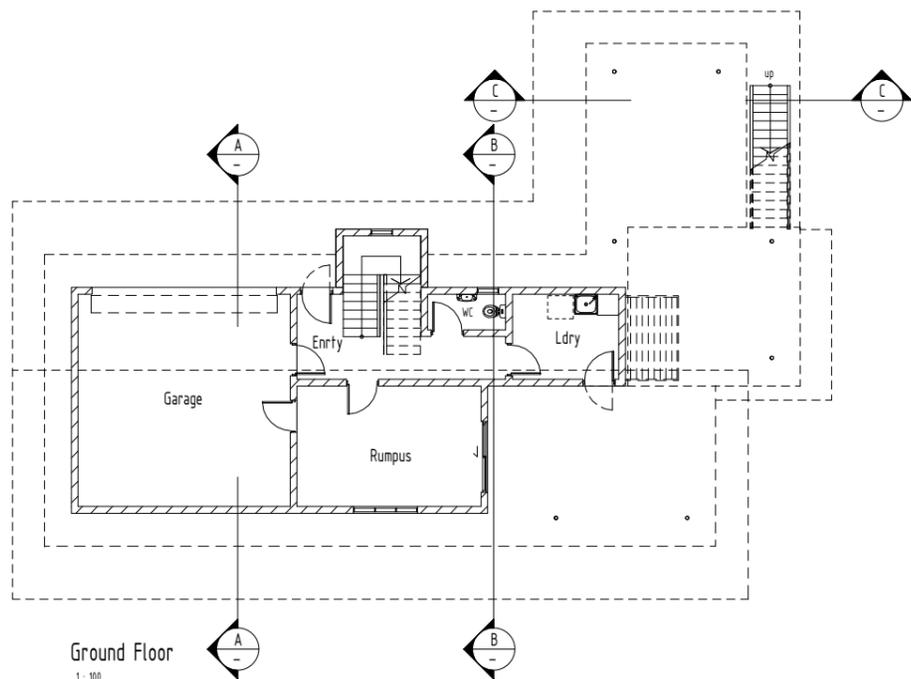
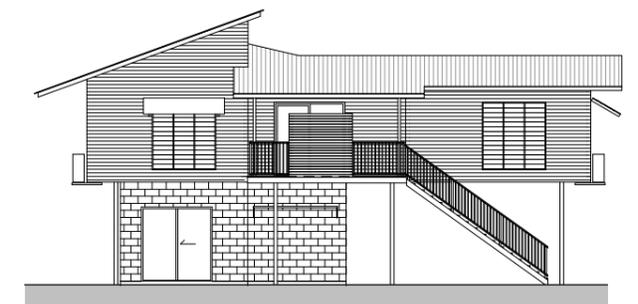
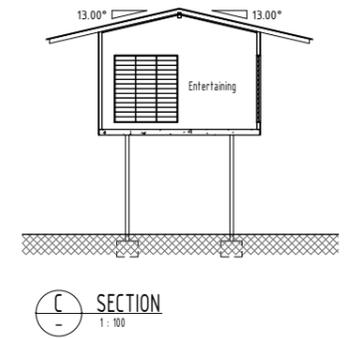
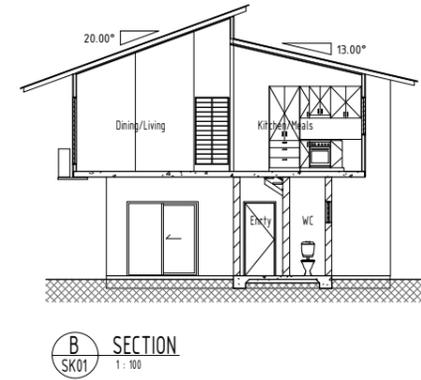
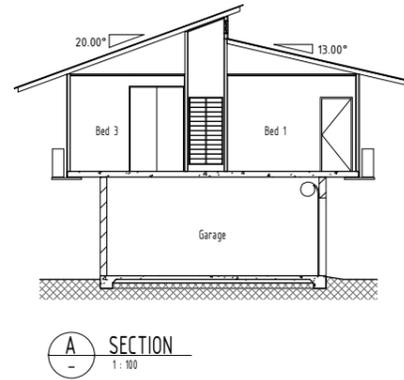
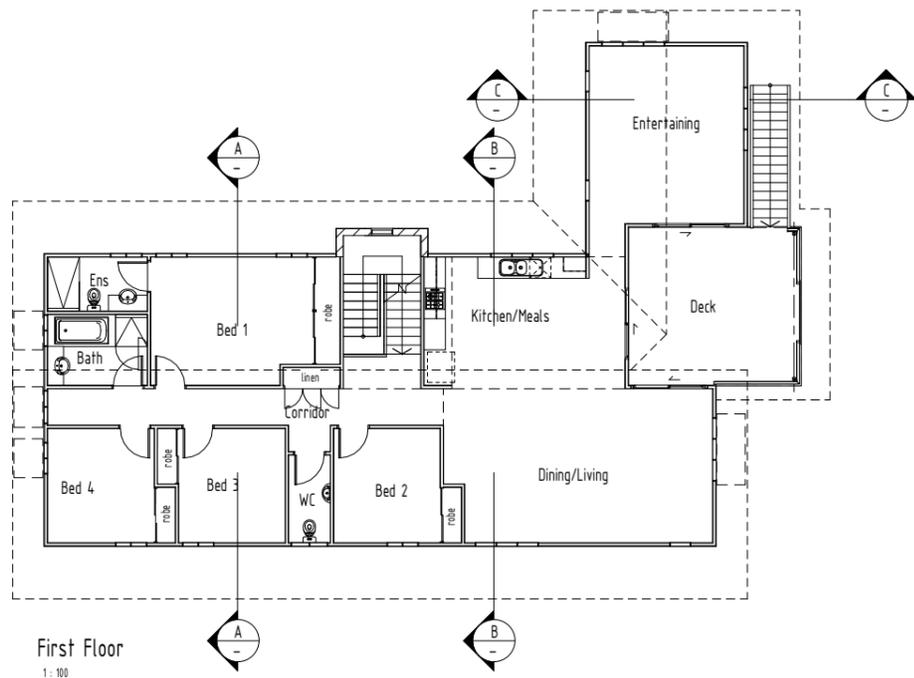




DHA LARRAKEYAH BARRACKS RESIDENTIAL REDEVELOPMENT
HOUSE TYPE RB2



DHA LARRAKEYAH BARRACKS RESIDENTIAL REDEVELOPMENT
HOUSE TYPE RB3



Ground Floor
1:100



DHA LARRAKEYAH BARRACKS RESIDENTIAL REDEVELOPMENT
HOUSE TYPE RB4A