**Submission No 96**

# INQUIRY INTO REGULATION OF BUILDING STANDARDS, BUILDING QUALITY AND BUILDING DISPUTES

**Name:** Name suppressed

**Date Received:** 27 July 2019

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Partially Confidential

There are a number of highly unethical practises in the building industry in Sydney, particularly with new high density apartments. One example is the stormwater treatment systems that are installed in new developments. The local council develops a hydrology plan for the area and this is presented to the developer. The developer then has to work with stormwater treatment companies to install stormwater cartridges to the building to treat the water before it gets pumped back into the towns water system. From an environmental perspective, this is a good practice as water gets treated before going back into the local area catchment.

However, there is an increasingly common practice where developers make backdoor deals with strata and the stormwater treatment companies. This is where the practice becomes unethical. The backdoor deal is where developers do not purchase or install the stormwater treatment system. They simply lease the asset from the stormwater company and pass on the cost of procuring the system to the owners corporation once the occupancy certificate for the building has been issued. This is not disclosed to home buyers at any stage of the purchase. The cost of the stormwater treatment asset can amount to anywhere between $70 000 to $120 000, and this cost is passed on to the owners once the property has been settled. What tends to happen is strata, working in collaboration with developers, use high pressure during the first AGM to force owners to sign 10 year contracts with stormwater companies and to pay for the asset across the duration of the contract. So instead of paying simply $1500 to $2000 a year for the cost of servicing the stormwater system, owners have to pay upwards of $6000 a year for 10 years to buy a system they understand they have already paid for when they paid for the home. This is similar to buying a new car, but then finding out once the car has been delivered that you do not own the tyres. You need to separately contact the tyre company and pay for the cost of the tyres across 10 years. This is also a cost that you pass on to whomever you might sell the car to in the future.

Something akin to this has been happening at the development in 387 Macquarie street, Liverpool 2170. The owners were presented with a 10 year contract during the first AGM and told that they had to sign it as this was the only option for them. The owners committee and strata are continuing to work through the issue to resolve it. Similar incidences have been reported across a number of new developments in Sydney.