

Leaky building requires massive mop-up

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The massive job of fixing one of Wellington's largest leaky apartment buildings is now expected to take up to two years because of the discovery of more rotten timber under the cladding.

Stadium Gardens body corporate chairman John Weiss Jr said work started in April and was originally expected to take 19 months.

"We're looking at the end of the year and a couple of months into next year, so there's a still long way to go.

"It's coming along a little slower than originally anticipated because the damage beneath the outer cladding is worse than anticipated.

"We have found the timber to be in worse shape than we expected. We've had to replace 100 per cent on Davis St and halfway down the side on Thorndon Quay."

The development was essentially three buildings tied together, with two floors added on top.

The face of the building was partly concrete but there was cladding on top covering various infills where the timber now had to be replaced before a new cladding was put on.

The work was commissioned after a \$12.7 million leaky-building claim was settled confidentially in March 2010, after three rounds of mediation and just two days before it was set down for a 10-week High Court hearing.

The body corporate, representing 85 owners, made the claim against the developer, Edgewater Apartments (in liquidation), Holmes Construction Wellington, Peddle Thorp & Montgomery architects, Wellington City Council, James Hardie (building product supplier), K Road No 1 (exterior coating application) and Omega Windows.

Repair costs were estimated to be \$11m and \$1m was claimed for legal fees and other costs.

Weiss said the settlement barred him for disclosing how much was being paid out and he was uncertain whether it would cover everything.

"We're not going to know the real answer to that till we've taken all the cladding off and decided all the work that has to be done. We've hit some contingencies but we're hoping it is going to be without further costs to the owners.

"It has been a terrible stress on the owners personally and financially," said Weiss, a former IBM executive and a Corporate Cab owner who moved in early in 2003 just as the development was completed.

"At that time there were some leaks and I guess that was expected of a new building, but by 2005 we were trying to do a long-term maintenance plan so we decided to get an outside consultant to tell us what should be in it.

"As part of that we found some rather serious problems and the body corporate decided to involve an expert in watertightness problems.

"It was expensive report and we made a decision that we would go full tilt and get the best experts so we had the best outcome for the owners. It was a long process of gathering evidence and there were numerous levies to support the expert and legal costs.

"The vast majority of the owners banded together and stayed together."

In some cases people had been forced to move out because they could not afford to meet the costs and some had moved out to cheaper accommodation and rented their apartments to subsidise the levies, while others had to borrow.

But all had experienced a loss of value, around \$100,000 per apartment, which they hoped to ultimately regain once the remediation work was completed.

They have also had to put up with the noise and inconvenience of living in a construction zone.

Because they could not afford to move out for the duration, residents had to put up with the noise of jackhammers and a temporary loss of space - many rooms have had about a metre of space partitioned off temporarily to provide a corridor for the contractors.

"What's fortunate is that we've had a very strong body corporate committee and a very strong project control group. The owners pulled together with the exception of two or three, one of whom was a defendant in the case."

He recalled the meeting in August 2010 where they were levied \$1m for the costs of the 10-week trial which was fortunately averted.

Weiss said legal experts had advised the best way would have been to do the remediation work first, get all the bills and then take a case when they had all the information.

"But we couldn't afford to do that. The owners here don't have the wherewithall."

So they did the next best thing. They hired the best experts they could find to gather the evidence and give them a good feel for what it was likely to cost and took it from there.

"Our legal advisers basically advised us we needed a really strong case, which we had from the experts, and a strong affirmation of the costs."

In the end they settled the case, rather than taking the risk of losing in court or winning and then facing the risk of appeals and further delay.

But the settlement was just the first step - "it was the first time we had good news but we were only halfway there because we've got to fix it, manage the budget and make sure its done right."

He said the goal all along was just to get the building fixed so that it wasn't a leaky building

A key to managing everything was communication, ensuring all the unit owners knew what was going, understood what needed to be done and pulled together.

That remained critical now as the work was under way and, to help keep everybody informed, a liaison officer had been hired to be a point of contact for all.

"We had expert attorneys Dan Parker and associate, the best of evidence gathering with Thomas Wutzler of Helfen, an expert on leak detection and remediation, and Greg O'Sullivan of Prendos, a surveyor with expertise in remediation and the construction work is now being done by Naylor Love."

Weiss said they were also fortunate to have people in the body corporate and its committee who had useful business expertise, a big advantage over other leaky- home claimants.

"My greatest sympathy goes out to an individual homeowner. I don't know how they do it. They don't have support of other owners and they're out there against some deep-pocketed people."

As for advice for other body corporates with similar problems, he suggested they start by assuming the worst "because otherwise you get halfway down the track and realise you should have done something and it's going to cost you an extra million".

"The other thing is communication - you've got to keep your owners advised and at one point we had to go public that we were in a leaky building. We knew it was going to hit the value of our property but we were filing a court case, it was going to become public knowledge, so we didn't try and hide it."

Problems with the building reduced the value of apartments by around \$100,000 each but Weiss believed they would come back strongly as the work was completed because would-be buyers would have a level of assurance that the problems had been fixed.