

Failed Australian builder: Covid hit Kāinga Ora projects on two sites



By **Anne Gibson**

Property Editor · NZ Herald · 18 Nov, 2021 05:00 AM · 5 mins to read

A failed Australian builder who liquidated his company before it finished \$20 million of Kāinga Ora projects in Auckland says Covid hit the Government projects.

Adelaide businessman Damien Ellis put his New Zealand-registered Integrated Modular Build into liquidation before it finished two \$20m Auckland apartment buildings at Te Atatū and Northcote for Kāinga Ora.

All up, Modular worked on four Auckland projects worth \$30 million for the state house developer and owner, he said.

Public or state house multi-level Auckland apartments projects where Integrated supplied modular components from Melbourne to Auckland were:

- 12 units, Victoria Rd, Onehunga, completed;
- 18 units, Great North Rd, also completed;
- 29 units, Kervil Ave, Te Atatū, \$2m-\$3m of work unfinished;
- 24 units Tonar Rd, Northcote, \$2m-\$3m to finish.

Ellis is unhappy about how the projects went, partly due to Covid.

"I was significantly disadvantaged in my dealings with Kāinga Ora as a result of Covid and not being able to come to New Zealand," he complained.

"Two sites are to be finished. That work is worth around \$2m to \$3m in Te Atatu and Northcote," he said.

When he could travel, the jobs were going smoothly, he said.

"I came to New Zealand 26 times in 2019. I was proud of the work I was doing with Kāinga Ora building state houses, absolutely," Ellis said.

Asked how he felt leaving the state buildings unfinished by liquidating his company, he said it was mixed.

"I tried to resolve these issues for five to six months. But my stress levels and not being able to be there - I felt it was unfinished business. But because I had provided all the prefabricated components, I feel I somewhat completed my end of the bargain".

Ellis said unfinished work was not extensive at Northcote or Te Atatū.

"It's mainly internal with cladding and linings and kitchens and landscaping to finish it off," he said.

Nick Seymour, Kāinga Ora programme delivery director, said the Northcote project "has experienced some delays including Covid, then latterly by the liquidation of the head contractor, IMB.

"We are working with a build partner to progress the unfinished parts of the project and to ensure the integrity of the building with independent experts and the supplier of the off-site manufactured materials".

Ellis said problems arose when Covid hit last year.

"There have been Covid issues and I haven't been able to be in New Zealand for most of the last two years. But other contractors got preferential treatment from Kāinga Ora over me and my business got disadvantaged," he complained.

On all four projects, he said: "None of them really went well to be honest".

On Modular going into liquidation, Ellis said: "My company has provided every part of the pre-fab components of the buildings that was required and that was from Australia.

"I said to Kāinga Ora, 'you guys can finish it off with the main subcontractor in New Zealand'. But I have been having ongoing contractual disputes with the main contractor, Miles Construction. I had a significant dispute also with the prefab supplier in Melbourne.

"There were defects with the components and there's still \$1.2m in cash sitting in KO and it just became untenable for me to continue under the situation. KO offered a settlement agreement with me.

"The company went into liquidation because it was commercially untenable for me to continue working with KO on these projects."

His business was disadvantaged when KO took the side of the subcontractor Miles and TBS in Melbourne (timber building solutions) rather than siding with Ellis' business.

He acknowledged damage to the big Northcote project when the roof was due to go on.

"When sites were locked down in August when New Zealand went into alert level 4, the roof wasn't on the Tonar Rd project "so there was moisture problems but we couldn't get onsite to fix it up."

Ellis said Kāinga Ora had withheld "a significant amount of money from me because they paid the main subcontractor instead of me."

He claims the state business owes him around \$1.2m in contractual bonds and a further \$300,000 that is owed in unresolved matters at the time of liquidation.

Andrew Crosby of Universal Homes said his company had also lost money on a Kāinga Ora contract design and build job.

"But we still finished within the schedule - not a day of liquidated damages - and left the taxpayers with a quality product."

He was referring to the development of around 23 apartments in a three-level walk-up on the Dominion Rd extension.

"As a result, we are really pondering whether to tender any more Government build/ design-build projects because there must be plenty of others who can provide what is required at much cheaper rates," Crosby said.

He also questioned modular construction's success.

"I am an advocate for all types of construction that can save total development cost so this is not a dig at modular or panelisation. We are developers first and foremost and builders secondly, if we choose to build for ourselves. So I'm open to using any way or anyone including offsite - and have done so in the past, albeit every single time with problems.

"So, like many others I talk to in the industry, I am struggling to drink the Kool-Aid. Who is going to nail it?" Crosby asked of modular construction.

NZ HERALD

About NZ Herald
Meet the journalists
Newsletters
Classifieds
Help & support
Contact us
House rules
Privacy Policy
Terms of use
Competition terms & conditions
Our use of AI

SUBSCRIBER SERVICES

NZ Herald e-editions
Daily puzzles & quizzes
Manage your digital subscription
Manage your print subscription
Subscribe to the NZ Herald newspaper
Subscribe to Herald Premium
Gift a subscription
Subscriber FAQs
Subscription terms & conditions
Promotions and subscriber benefits