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Before You Hire a Contractor

There is always something you would change about your home: painting a room, making an addition, or remodeling your kitchen. If you are too busy (like most of us) or lacking in construction/remodeling skills (like some of us), you will need to hire a contractor. The following are some critical tips for interviewing prospective contractors and understanding the remodeling process.

The Money

Almost all construction projects end up costing more money than originally planned. Problems are discovered midway through the project and/or plans change to the final design. It is imperative that you develop a hard budget with your contractor before the project begins. Once the project has begun, both the homeowner and the contractor must agree to any changes that will require a budget increase and document those changes prior to the work being completed.

It is very important that you understand how contractors calculate their bids for projects. Contractors typically charge 20-25% of the job cost (labor + materials) as their management fee. About half of all contractors will use the following model in creating their bids. If a given project will have a material costs of \$2,000 and labor costs of \$6,000, the contractor will place his 25% fee on top of this amount: $25\% \times (\$2,000 + \$6,000) = \$2,000$. So the total project cost is \$10,000 total (\$8,000 for labor and materials and \$2,000 for management). Other contractors will roll their fee (20-25%) into the material and labor cost numbers and not show a management fee in the bid.

Never pay a contractor in advance. It does not matter how many references he has, if you go to church with him, or if he is your brother-in-law. The best-case scenario in paying in advance is that he gets tied up on another job; the worst case is that he never shows up. In either case you are delayed and upset. If the contractor requires a significant amount of the money in advance, fire him and find another contractor. It is best to spell out in the contract a payment plan for how the contract will be paid. There should be set milestones in the contract where payments are made after certain items are completed and/or installed. The last payment of 10-20% should be held back until a punch list of items has been completed to your satisfaction.

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This Guy is Cheaper

For every project you should obtain at least three bids from different remodeling/construction companies. Ensure that each bid contains all the work requested, is priced for the materials you desire, and is scheduled to begin and end when you want. If this is true for each bid, then the bids can be compared apples-to-apples. When one bid is very high, ask the contractor if he has added additional things to the bid that were above your request. You can even imply that his bid is higher than your other bids and ask why that could be. Ask the lowest bidder why his bid was so much lower. Where is he cutting costs from the job? It is possible to award the job to the lowest bidder and in the end be very satisfied with the project, but more often than not you get what you pay for. The guy with the middle bid could be the best bid.

Insurance/License/Background Check

It is imperative that you check out three things on your contractor: whether he is insured, whether he has a license (if required), and whether he has a negative credit history or a criminal background. If a contractor or one of his subs is injured while working on your property, he can and will file on your homeowner's insurance. To avoid any issues, make sure he is properly insured before going under contract. Also, in many states, general contractors are required to be licensed. This is not the case in Texas as there are only a few trade groups that the state requires to hold licenses. The following is a sample list of the subcontractors licensed by the State of Texas that might need to complete work at a residence: electricians, plumbers, HVAC techs, boiler techs, elevator techs, well drillers, and septic tank techs. Finally, it is well worth spending the \$35-\$75 to perform a background and credit check on your contractor. This individual, along with his subs, will have access to your home. You need to have a level of comfort in allowing these people into your home and near your family. The credit check is suggested to determine whether he pays his bills. If he does not pay his subcontractors, they could file liens against your home for the work they have completed. It is also a good idea to receive a copy of a lien release for any subcontractors the contractor uses on your property.

As you have read in the previous paragraphs, all of the above are high-level insights for completing your improvements successfully. These tips will help you in your updating projects. But remember: the keys to getting your home improvements completed satisfactorily is in doing your research, making a plan, and sticking to it. If you ever need any help or advice, do not hesitate to give us a call.