

Managing Your Home Remodeling Project

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Builder to Manage Project

- **The homeowner will contract with a builder to oversee the entire remodeling construction.**

The builder will subcontract projects and work with suppliers to provide the materials and labor.

- **Consider your level of involvement with the builder.**

Most homeowners rely on the builder's judgment and experience in selecting subcontractors and buying materials.

A high level of participation will include your approval of subcontractors (particularly in reviewing references) and periodic review of the project plan as outlined in the construction plan and schedule.

A minimum level of participation will include an independent inspection after each sub-contract work; i.e., framing, plumbing, electrical, etc.

Never approve or make payment until the inspection has been satisfied as outlined in the project specification plan.

- **The home owner will oversee and manage the financial aspect of the project.**

This includes paying subcontractors and suppliers, obtaining all lien releases, converting the home equity credit line over to a fixed loan, if necessary, and all other financial aspects of the project.

- **Inspect before you pay**

Your most powerful tool is the cash you hold in your hand. Always have an independent inspector review the work before making payment. Once the money leaves your hand, your negotiating strength has weakened.

See our web site for Step 6 for information on inspection:

www.LetsRenovate.com/step6.html

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Owner to Manage Project

- **Some home owners may choose to become their own "contractor",**

or in other words, function as the project manager by scheduling home construction projects, hiring subcontractors, buying materials and supplies, and overseeing the entire home remodeling project.

Some owners who have other job commitments may opt as a part-time contractor by hiring a supervisor or other builder on a hourly basis. This way they can tap into their network of subcontractors.

As an owner contractor, you will need experience in project management and scheduling. And it wouldn't hurt to learn the terms used among contractors. You need to appear professional to avoid mistakes and being taken advantage.

Some key issues to consider as a self-contractor

- **Remind them who is the boss:**

You need to get people to perform the work, at the time you need the work completed, and at a fair price with quality workmanship.

You need to fair, but tough. Always maintain an alternative backup if the work is not being performed as needed.

- **Act like a builder:**

Dress, talk, and socialize like a builder. Get to know your subcontractors. Speak on their terms. Remind them that you are the builder who "pays" the bills.

- **Keep good records:**

Keeping good records is your most important task. You need a system that tracks purchase orders, invoices, paid receipts and checks, scheduling plans, contracts from subcontractors, worker's compensation records, and the like.

Have ready access to information whenever a dispute arises. And most importantly, protect yourself against liens and any injury liabilities.

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- **Keep yourself insured:**

What happens if a subcontractor falls and injures themselves? Or more likely, some neighborhood child gets injured while walking among the construction?

Make sure you carry liability insurance for workers and non-workers alike who have permission and non-permission to work or walk among the premises.

- **Provide a workers environment:**

Workers like to work in pleasing environments. Schedule your project so that inside work can be completed with heating and AC provided on days that are cold or hot.

Provide bathroom facilities, a makeshift picnic table, and every so often show up with some cold drinks and snacks. They will thank you for it.

- **Prepare for frustrations:**

Construction Rule #1: nothing will go as schedule. Bad weather, delivery delays, material shortages, labor disputes, inspection failures, and one of the most common mishaps, conflict in subcontractor scheduling, can all add to delays and cost over-runs.

Good contractors learn how to manage change. Your best strategy is to have alternative plans. If a subcontractor fails to show, have a backup subcontractor. If a supplier fails to meet schedule, find a second supplier.

Note that cash talks. Having incentives for prompt deliveries or project completion can minimize unexpected delays.

- **Know your priorities:**

Certain projects in the construction plan take priority over others as it relates to quality workmanship and cost.

The foundation must be right the first time. The framing is going to be more important than a squeaky door. Getting the plumbing inspected and working is critical before putting up the drywall.

Take the time to oversee key projects. Be there when they lay the foundation, get a sign off from an independent inspector regardless of schedule, and double check key areas. It will save you time and money down the road.

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- **Manage change:**

Learn how to manage changes. You could become your worst enemy. Working on the project day-in day-out is tempting to revise the original specifications. This could become expensive over time and delay your project.

See our Change Management discussion below.

- **Keep things moving:**

It's important to keep your construction close to schedule as possible. Delay after delay can push the construction costs up.

Important time components to remember:

schedule the construction so that inside work can be completed during the cold months

get commitments from suppliers on delivery dates and have them inform you days in advance if they expect delays

promptly schedule subcontractors far enough apart so that you can inspect and repair work if needed, make-up for days lost, and give you some extra room in the event the project is falling behind

add some variance in your original construction plan for unforeseen delays due to weather, labor, and delivery problems

keep a tight control on costs — one of the biggest delays is when money runs out

- **Inspect before you pay:**

Your most powerful tool is the cash you hold in your hand. Always have an independent inspector review the subcontractor's work before making payment. Once the money leaves your hand, your negotiating strength has weakened.

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CHANGE MANAGEMENT

- **Changes are part of every construction.**

Most of them are minor, such as adding additional wiring. Others can be expensive, like knocking out a wall.

It's critical that you manage changes within budget. Also note that structural changes may impact other parts of the house.

Recommendation for Effective Change Management

Get the project specification plan as finalized as you can. Take time to review our Home Improvement Center by room for product specifications and ideas. Getting the construction plan done right will minimize expensive changes and delays.

There are three types of changes to the construction plan. Set a tolerance level of each type:

1. Plan Changes

This is where you make changes to the project plan prior to subcontracting the work and ordering supplies. This is the least expensive change you can make. You simply revise the plan and pay the extra cost for the upgrade.

Note: review the project specification plan in detail. Take time to review product ideas and designs. It is a lot cheaper to revise the plan for an upgrade than to having something revised later on. See construction plan.

2. Changes Prior to Installation

This is where materials have arrived and you decide that you want to upgrade. Your cost will include the return of the original item undamaged and re-ordering the upgrade item.

Note: your subcontractor may charge you additional costs for the upgrade, particularly if it involves extra work. Also note that reordering may impact the construction schedule especially if your reorder takes time and the upgrade is an important piece in the construction schedule.

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3. Changes After Installation:

This is the most expensive change. The material item has been installed and you decide to take it down and replace it with an upgrade.

Note: this is the mostly costly change you can make. And you have placed yourself at the mercy of the subcontractor, who may charge a hefty change price. You can either eat the cost, make the change yourself, or forget about it.

make sure the contract states that you will be released from all liens upon payment — you will want to have a copy of all releases for your files



Problem Resolution Management

Common problems you may encounter during construction:

- **Sub-contractors are late or don't show:**
 - get time commitments from sub-contractors
 - call them 1-2 days before schedule
 - have other subs ready to go

- **Incorrect work or disagreements:**
 - review the project plan with sub-contractor and other expert
 - give the sub-contractor detailed specifications for project
 - inform sub-contractors that their work must meet inspection
 - carry a cell phone where sub-contractors can contact you if questions

- **Material delivery delays:**
 - order materials well in-advance of schedule
 - confirm delivery dates with suppliers
 - have suppliers notify you days in advance of possible delays

 - call for confirmation the day before delivery
 - provide delivery instructions

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- **Wrong materials:**
 - double check material ordering
 - use detailed description and part numbers
 - have the supplier review the order with you
 - become familiar with the supplier's exchange policy
 - have materials arrive in advance so that they can be exchanged, if needed

- **Payment disputes**
 - put payment amount and work description in writing
 - make sure that any changes to the plan is in writing
 - pay with checks so that you have an official copy
 - keep all invoices
 - use lien waivers with each payment

- **Bad weather**
 - schedule construction during good weather months
 - enclose the house quickly
 - buy plastic covering for materials



Cost Management

A good cost estimate should be within 2-3% of the actual cost. But unexpected costs and upgrades can blow the estimate by 10-15% or more.

You need a plan where you can cut corners if necessary when cost overruns begin to jeopardize your project. Some suggestions include:

1. Save money before construction:

design your project plan within budget — don't add special frills that you can't afford

add a financial variance — don't plan your project plan using 100% of your budget
— set aside a portion of your budget for variance

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shop prices aggressively — get several bids from contractors and shop materials among 1-2 suppliers that offer discount incentives

plan your renovation to minimize waste — materials come in certain dimensions, plan your dimensions so that you maximize all of the material without having to cut it in half

2. Perform the work yourself:

There are construction jobs that you may take on yourself to reduce costs

- painting
- wallpaper
- moldings
- light fixtures
- clean up
- others

3. Get the extras later:

crown moldings, special electronics, etc., are all "want-to-have's" but are not needed to complete the renovation

you can cut these items from the project plan to save money and then add them later once you have budgeted your finances

4. Downgrade:

- use regular windows instead of designer windows
- install straight-up stairways instead of oriental stairs
- lay vinyl flooring instead of tile
- others: make a list of acceptable downgrades