

Contractor 101

Taming the Beast

How to select & work with home improvement
contractors

Warren Smith, CMKBD, CAPS

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www.kitchen-restylers.com/resources/presentations

About Us

- Design/Build firm
- Specialize in kitchens & bathrooms
- Locally owned & operated
- Established 1988
- Showroom in Kennewick

About Your Presenter

- Warren Smith, CMKBD, CAPS
 - Certified Master Kitchen & Bath Designer
 - Certified Aging-in-Place Specialist
 - 30+ years experience in remodeling

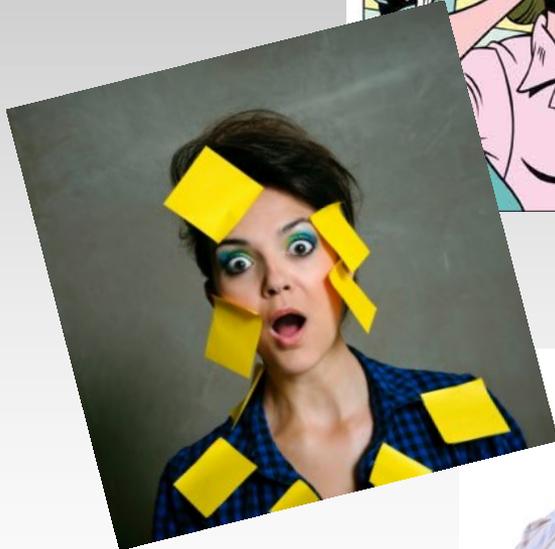
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Avoid Stress



Avoid Horror-Story Outcomes



**“Worst case scenario?
Your remodel project goes 3 years
and 2 million dollars over budget,
one of you bludgeons me to death
with my own hammer, and you
both get the electric chair.”**

LOVE Your Final Product



Interview Yourself

- What level of quality do I want?
 - a. I'm willing to compromise quality to keep the costs down.
 - b. I want a high quality outcome and I will pay more to get it.
- Am I willing & able to do some of the work?
- Am I willing & able to design this project?
- Am I willing to put up with some hassle and take longer to get a lower price?

The Purchasing Matrix

- **The three things we all want from a purchase.**
 1. High Quality
 2. Great Service
 3. Lowest Price
- **Pick any two...**
- **You can never have all three**
 - The Costco business model - 1 & 3
 - The McDonald's business model – 2 & 3
 - The Safeway business model – 1 & 2

The Preliminary Plan

- Assemble ideas – Photos & drawings
- Assess your skills & ambitions.
- Get design help if needed
- Make a preliminary floor plan
- Make a generic list of finishes
- Make a list of what work you want to perform or contract for yourself

Establish a Budget Range

- Make a realistic appraisal of the budget you are willing to commit to.
- *Remodeling Magazine's* Cost vs. Value report
- Talk to local contractors
- Agree on the scope & a realistic budget
- The average remodel client spends 20% over their original budget amount
- Factor "scope creep" into the budget



remodeling
COST vs VALUE
REPORT 2011-12

Select another year

2011-12

Select another region

Pacific

Select another regional city

Portland, OR

Portland, OR



Pacific — Midrange					2011-12 National Averages			
Job Cost	Resale Value	Cost Recouped	Project	Job Cost	Resale Value	Cost Recouped	Change vs. 2010-11	
\$48,237	\$29,747	61.7%	Bathroom Addition	\$40,096	\$20,455	51.0%	↓	
\$19,204	\$14,431	75.1%	Bathroom Remodel	\$16,552	\$10,293	62.2%	↓	
\$31,239	\$15,777	50.5%	Home Office Remodel	\$27,963	\$11,983	42.9%	↓	
\$64,209	\$48,745	75.9%	Major Kitchen Remodel	\$57,494	\$37,785	65.7%	↓	
\$127,813	\$82,764	64.8%	Master Suite Addition	\$106,196	\$62,874	59.2%	↓	
\$20,947	\$19,165	91.5%	Minor Kitchen Remodel	\$19,588	\$14,120	72.1%	↓	

Pacific — Upscale					2011-12 National Averages			
Job Cost	Resale Value	Cost Recouped	Project	Job Cost	Resale Value	Cost Recouped	Change vs. 2010-11	
\$88,771	\$54,782	61.7%	Bathroom Addition	\$76,209	\$40,061	52.6%	↓	
\$59,317	\$38,582	65.0%	Bathroom Remodel	\$52,249	\$28,972	55.5%	↓	
\$119,716	\$79,697	66.6%	Major Kitchen Remodel	\$110,938	\$63,731	57.4%	↓	



Use Specialists

- Look for a contractor who specializes in what you want done.
- Specialists are usually better than general practitioners.
- Just because they have done it and know how, doesn't mean they are any good at it.
- Jack of all trades = Mediocre at all trades.

Types of Contracting

- Different ways to get the work done:
 - Do it yourself
 - Contract it yourself
 - Hire a general contractor, non-specialized
 - Hire a general contractor, specialized
 - Hire a Design / Build Contractor

Do It Yourself

- On your own with big box store products and advice
- Takes the longest
- Stressful
- Mixed outcomes
- Least expensive - paying only for materials
- Very high hassle factor
- Warranties only available for products - many voided

Contract it Yourself

- On your own for design & selections
- Hiring an interior designer for design & selections is an option
- On your own when dealing with & coordinating sub-contractors
- Difficulties with scheduling, supervising, & quality control
- Mixed outcomes
- Least expensive option when paying for labor
- Still stressful & high hassle factor
- Mixed results with warranties - difficult to get subs back

Hire a General Contractor, Non-Specialized

- On your own for design & selections
- Usually buys products from local retail vendors
- Most contractors do not have design & decorating skills
- Will have limited expertise and less detail-oriented subs
- Years of contracting experience does not make one good at specialties such as kitchens & baths
- Mixed Outcomes
- Quotes are rarely complete: Uses allowances, vague on details, change orders likely, final price unknown
- More expensive than do-it-yourself options
- Mixed results with warranties - contractor has to be committed

Hire a General Contractor, Specialized

- Often on your own for design & selections
- Usually buys products from local retail vendors
- Most contractors do not have design & decorating skills
- Will have more expertise and more detail-oriented subs
- Quotes are more complete, but change orders likely, may use allowances, final price unknown
- Better overall outcomes
- More expensive than do-it-yourself options
- Better option for warranties: contractors more committed

Hire a Design / Build Contractor

- Integrated process: will lead you through from concept to completion
- A showroom makes for an easy, one-stop selections process
- Buys many products factory direct
- Will have more in-house expertise and more detail-oriented subs
- Quotes are more complete: change orders less likely, final price is known
- Better outcomes, smoother process: design & build is an integrated process
- More expensive than do-it-yourself options
- Best warranties: dealer-installed, showroom clout

Interviewing Contractors

- Choosing of a contractor can be the single most important decision you make.
- A contractor is on his best behavior **before** you sign an agreement.
- Ignoring red flags is a really bad idea.
- Just because someone else liked them doesn't mean you will.

Interviewing Contractors

- Beware of contractor referral & estimating websites.
 - Offer to get you a free estimate and connect you with a great contractor.
 - Service Magic runs a number of these sites.
 - Most of these sites simply refer leads to contractors for a flat fee or percentage of the job.
 - In some cases, the only thing it takes for a contractor to be “qualified” is willingness to pay their fees for the service.
 - Estimates done by entering your zip code, sq. ft of room, and a few minor details are a joke.
 - Contractors with a strong referral base rarely use these sites. The fees can be quite high, driving up the cost of every job.

Interviewing Contractors

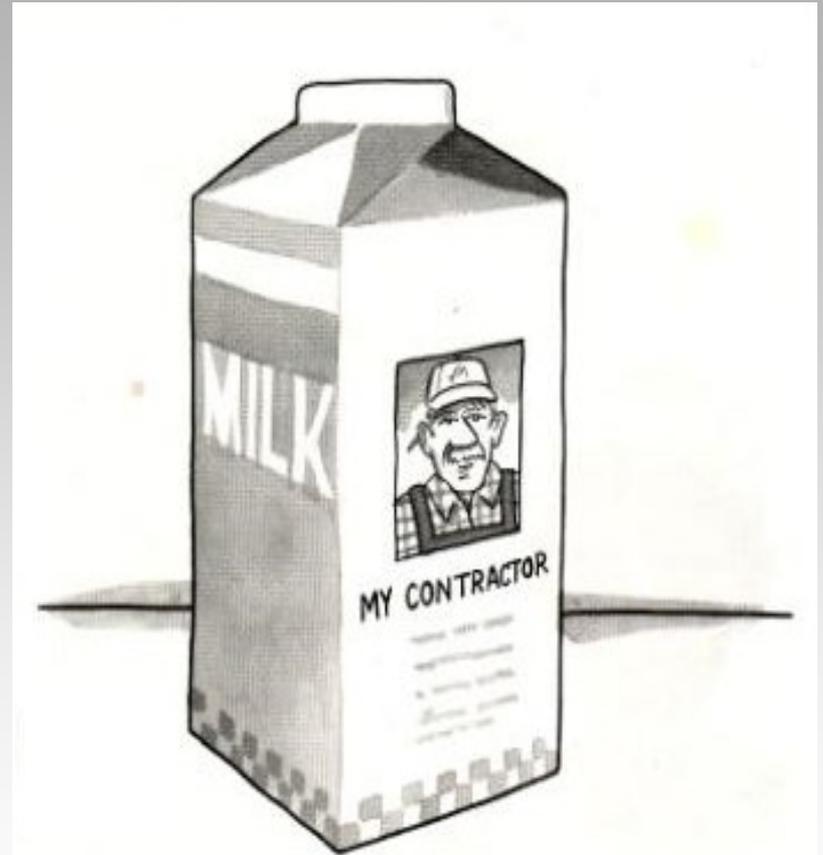
- Ask around about quality, reputation, & warranty service.
- Does he listen & take detailed notes?
- Does he ask lots of questions?
- Is he detailed and thorough?
- Are his documents detailed and professional?
- Does he insist on good plans and specs?

Interviewing Contractors

- Does he exhibit good design sense?
- Does he exhibit a passion for his work?
- Will he assist in finalizing plans & details?
- Does he use fixed-price contracts?
- Does he have a strong repeat & referral business with his customers?
- How long has he been in town?
- Does he have a showroom / office?
- Check his license & bond (go to www.lni.wa.gov)

Interviewing Contractors

- Will someone be there every day?
- Who will supervise the sub-contractors?
- Who checks the quality of the work?
- Will he work to a fixed completion date?
- Who does the final punch list?



Getting Quotes

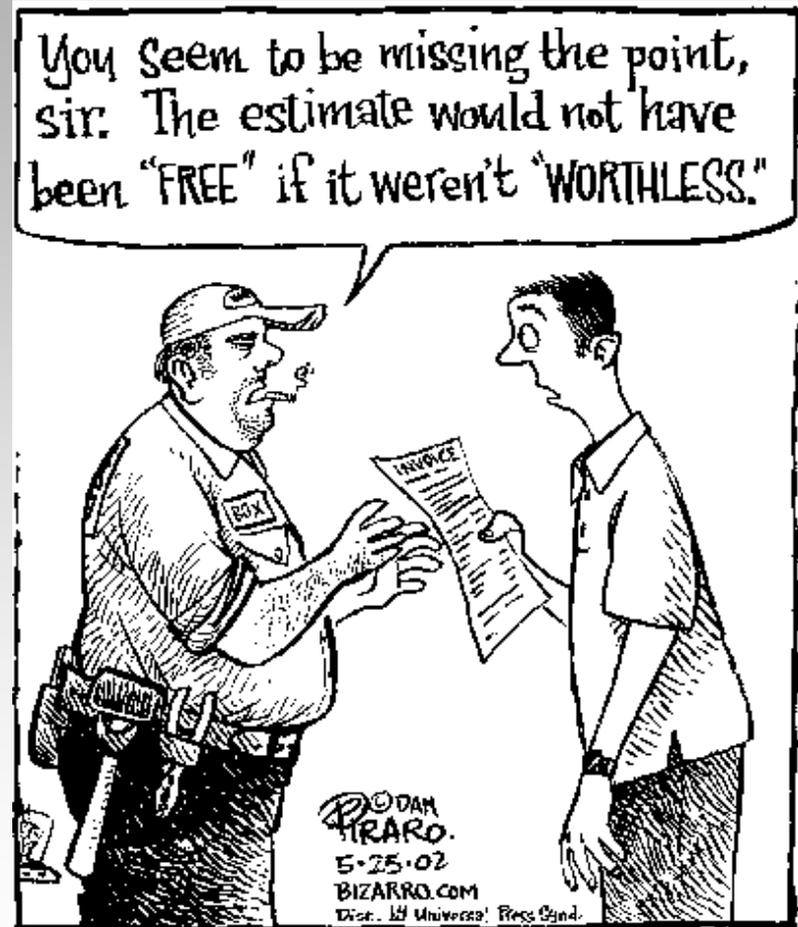
- Get written quotes based on plans and specifications you provide.
- All quotes are based on the same set of documents. Apples to Apples comparisons.
- Compare quotes for completeness and attention to detail.
- Ideally, receive quotes in person for complicated projects.

Evaluating Quotes

- Sometimes the high bidder is the best value - especially if all other signs are positive.
- The low bidder is rarely the best value - unless all other signs are positive.
- Low bidders often use low-ball allowances.
- Low bidders often deliberately leave things out.
- Low bidders often employ bait & switch tactics.
- Low bidders rarely do high quality work.
- Do your homework, then trust your gut. Chemistry is important.

Allowances

- Allows a contractor to give you a price without knowing exactly what you want
- Allows a contractor to tell you what you want to hear: low-ball estimates
- Allows a contractor to add-in items he left out of the original quote
- Allowances are usually vague
- Customer has no way of knowing if allowance covers the products they actually want
- Allowances almost always lead to change orders & extras
- Allowances on some, easily quantifiable items are Okay.



Signing a Contract

- Have your design finished and selections finalized and included in the final price.
- Insist on a detailed, fixed-price contract with drawings and specifications included.
- Make sure you understand every detail. Ask for clarifications.
- Your attention-to-detail helps the contractor get it right and puts him on notice.
- Expect to put 30-50% down.
- Set up payments based on benchmarks.

Build the Project

- Use a key box for sub-contractor access
- Designate a construction entrance
- Designate a construction worker restroom
- Designate a materials storage area
- Contractor should seal off interior construction zones
- Contractor should ventilate the interior construction zones for dust control
- Contractor should protect adjacent flooring materials, doors, trim, etc.

Building The Project

- The contractor should buy the permits & manage the inspections.
- Find out who will be leading your project & how it will be managed before it begins.
- Insist on a pre-sheetrock walk-through, especially if the project is complex.
- Take as-built photos before sheetrock is hung.
- If workers don't show up as planned, be the cheerful, friendly, squeaky wheel.
- Don't be too easy or silent. It can lead to workers taking shortcuts & being the lowest priority for getting the work finished.

Building the Project

- The final payment only occurs after the punch list is complete. 5-10% is customary as a final payment.
- Look things over daily. If something doesn't look right, ask immediately! Those who care won't mind!
- Don't allow more work to be done over a mistake or poor quality work.
- Trust but Verify



Building the Project

- Don't loiter & talk to the craftsmen. It makes the project take longer and can lead to mistakes.
- Keep kids and pets out of the construction zone.
- Don't nitpick the small details until it's punch list time – major details, yes.
- Cookies and compliments will get you a better job than suspicion & watchfulness.
- Make 1 detailed punch list after the space is cleaned. The contractor should make his own list.

Project Close-out

- Test-drive everything in your new space.
- Keep all receipts, contracts, warranties, and product information in a binder.
- Read the manuals for your new products
- Understand the proper care and maintenance of all new products.
- Call quickly if there are any issues, do not wait.
- If something is not right, give the contractor the chance to make it right, before going public.
- If you are pleased, give positive reviews on Yelp, Angie's List, Facebook, email, etc.
- Tell your contractor about the reviews; you should get excellent warranty service.

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