



Money® article compliments of



## FINDING A CONTRACTOR WHO WORKS FOR YOU

There's no place like home--until it's ruined by a hellacious renovation. Before you start, hammer out these details.

# Money®

By: Kate Ashford, excerpted: May 2006

So you're standing in the yard of your new house--only it's missing its windows, a shower is on the front porch, and there's rainwater inside because of a hole in the roof the size of a sedan. Oh, and your contractor? Apparently he's gone into the witness protection program.

The home improvement industry gets more gripes from consumers than any other group. Among the chief grievances are contractors who abandoned projects, did shoddy work or didn't meet local building codes. There are the basic safeguards, of course: Get references from friends who've had similar work done, and don't do anything without a contract. But there are other steps that can ensure you don't wind up being the tool in this relationship.

When you call a contractor, grill him. You'd never buy a \$30,000 car without doing some research--so why would you hand over two, five, even 10 times as much to a home builder without asking some questions? Ask how long he's been in business, whether the business ever carried a different name (a warning sign) and if his company has ever been sued.

You should also visit a site where he's doing similar work. Is the homeowner happy with how things are going? Try to find a job that's been completed within the past six months too--flaws can take time to show up. Whatever you do, don't just call the first references the contractor provides. "It could be his mother-in-law's house and his cousin's house where he did the work," says R. Dodge Woodson, a general contractor for 27 years and author of *Tips & Traps for Hiring a Contractor*.

After you've done your research, it's time to take bids. The rule of thumb is to get three estimates, but try for five--and then ditch the rock-bottom bid. "That's the guy you want to run away from," Woodson says. "The typical game is to come in as low as you can so you get the job, and then add extra after extra."

Since one of the main responsibilities of a general contractor is to hire skilled subcontractors (electricians, masonry workers, plumbers), you might wonder: Can't I be my own G.C. and hire the subs myself? Sure, but also ask yourself this: Do I have a job I can walk away from at a moment's notice so I can rush home and take care of a sudden crisis? If the answer is no, you're going to need a professional to take care of things.

Whoever you pick to work on your house, a contract is essential. Every detail about your project should be included, from the brand of fixtures you want to the number of coats of paint on your walls. "Will renovate stairs" is not enough. And in all circumstances, there should be a clause allowing you to back out of the contract within three days of signing it, in case you change your mind.

You'll probably be asked to lay some money down before the job starts, but try to be stingy. "If they don't have enough money to start the job, they probably don't have enough money to finish it," Woodson says. On larger projects, however, some contractors view a deposit as an act of good faith. If that's the case, try to keep it to 10% or \$1,000 down, whichever is less. If you're dealing with a complex project that has many steps, it's normal to make payments in installments as parts of the job are completed. But hold on to some of your cash until after any inspections-- the last thing you want to do is shell out for a project that violates local building regulations.

You have to adhere to some standards too. It's important to be thorough about your wants and needs, but you also have to get along with your crew. "You've got to deal with these people; they're going to be in your house," says Tom MacGregor, a Brooklyn contractor. You can't change your mind 14 times and not expect people to get a little frustrated. If your contractor is a reputable one, your goals will be the same: a fast and smooth job that everyone walks away from satisfied.



# FINDING A CONTRACTOR WHO WORKS FOR YOU

Page 2 of 3

## The Five Things Every Contractor Must Have

1. If required by your state, a license. You can check the Web ([contractors-license.org](http://contractors-license.org)) for your state's rules. If he does have a license, take down the number and call your state or local licensing board to verify it.
2. Liability insurance. This protects your house and property in case the contractor or his employees cause damage.
3. Workers' compensation insurance. Without it you can be held responsible if someone is injured while doing work on your property.
4. Insured subcontractors. The same liability and workers' compensation insurance that your contractor has should be carried by all the specialists (plumbers, electricians and others) he hires.
5. A clean bill of health from the Better Business Bureau. How many complaints have been filed, if any? Remember that misunderstandings do and will occur, so if there was a complaint, see if it was resolved satisfactorily.

## Get It in Writing

These are the things you need in a contract to make sure everyone's on the same page:

- Brand, model, color and size of all materials used (watch out for the "or equal" clause--it could strand you with an "equal" you don't like)
- Labor to be performed
- Estimated timeline for the project, including start and finish dates
- Payment schedule for all parties--contractor, subcontractors and suppliers
- Warranty covering work and materials
- Contractor's obligation to get all required permits
- What the contractor will and won't do--including site cleanup and trash disposal
- Clause stipulating that no alterations or extra work may happen without a change order
- Mediation and arbitration clauses in case any part of the process goes awry
- Clause allowing you to back out of the contract within three days of signing it

## Where to Get Your Paperwork

It's always better to go with your own written agreement than one provided by your builder. Sample documents are available on the American Institute of Architects website ([aia.org](http://aia.org)) for under \$10. So long as you draw up a fair deal, a contractor should have no trouble signing it.

## Do You Need an Architect?

If you're moving walls, adding on or doing anything that requires detailed plans, you'll probably need an architect. Find one at [aia.org](http://aia.org) or ask friends for referrals. Like contractors, architects should be licensed and insured. If you're on a tight budget, hire an architect and then bid out the contracting. If you've got some wiggle room, consider a design/build firm that takes care of the entire project, from the first sketch to the last coat of paint.

## Renovation Glossary

- Arbitration clause: Outlines the procedures for handling a dispute, should one arise. Arbitration clauses often name a third party to be an impartial referee.
- Change order: A written order authorizing a change in the work, timeline and/or price of a project. This could happen if the tile you wanted isn't available or the builder realizes he's going to need the electrician for a week longer than planned.
- Lien waiver: A signed document that says that a supplier or contractor has been paid and waives his right to file a claim against your property. You should get this from your builder and from everyone he does business with (subs, suppliers--everyone).
- Punch list: An itemized list, compiled when the contractor is finished, of incomplete or unsatisfactory items that must be completed before final payment is made.
- Retention clause: A contract provision allowing the homeowner to hold back a portion of all payments until the project is finished (10% is common).



## FINDING A CONTRACTOR WHO WORKS FOR YOU

Page 3 of 3

### Markup Lowdown

When your contractor charges you for supplies, you should expect about a 20% markup. That doesn't mean, however, that some contractors won't try to gouge you. Spending \$100 for a light fixture that cost your contractor \$50 doesn't seem like much when tens of thousands of dollars are at play, but 100% markups have a nasty way of adding up. If you can get your chrome towel bar for \$44 and your contractor is charging you \$80, get ready to wrangle. Below are some typical deals you may encounter.

- **TOTAL RIP-OFF:**
  - Light fixtures – 75% to 100% or higher
  - Carpet and vinyl flooring – up to 75%
  
- **WORTH HAGGLING OVER:**
  - Windows and doors – up to 65%
  - Kitchen cabinets and countertops – up to 60%
  - Heating systems – up to 40%
  
- **FAIR DEAL:**
  - Plumbing fixtures – 20% to 50%
  - Lumber – 10% to 2-%