

# THE HOMEOWNER'S GUIDE TO REMODELING

LEARN EVERYTHING YOU NEED TO KNOW TO REMODEL  
YOUR HOME SUCCESSFULLY IN LESS THAN ONE HOUR

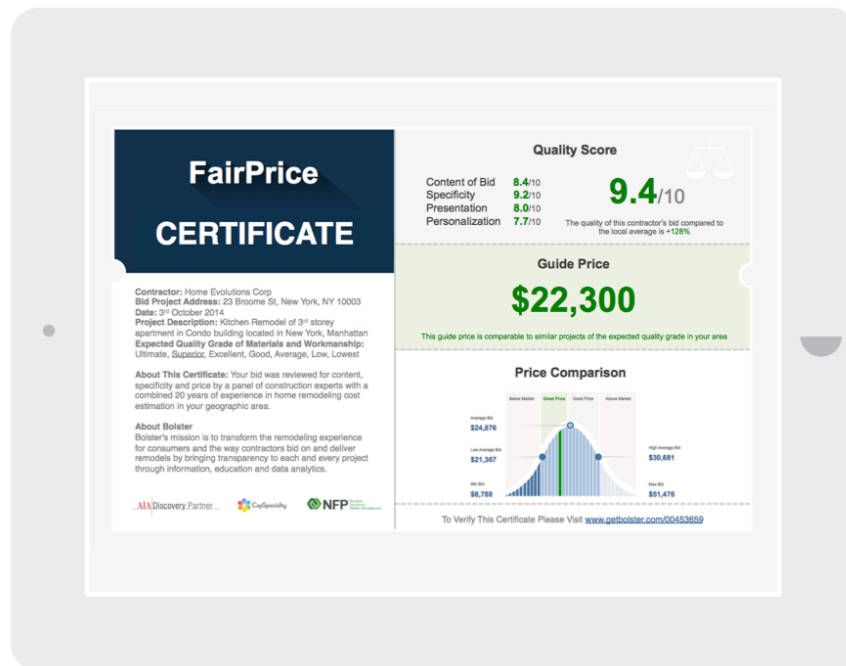


# Bolster

## Making Remodeling Easier And Fair

The bidding process on any remodel can be stressful and confusing. Not with Bolster. Our third-party experts review your contractor's bids for content, quality and price and return their professional recommendations via one simple yet powerful report. This gives you the confidence that Bolster certified contractors are honest and fair (and means you never overpay).

**100% FREE for homeowners.**



**GET A FAIR PRICE**

## About The Authors



**FRASER PATTERSON** 

Fraser is the founder and CEO of Bolster. He's been a carpenter; an award-winning general contractor; the head of a business incubator at an architecture school; and the founder and CEO of a company that helps homeowners manage their remodeling projects with finance from a mortgage giant. The U.S. media frequently asks his opinion on remodeling.



**ANNA KARP** 

Anna is responsible for Bolster's communications and press activities. Prior to co-founding Bolster, she helped design and implement Mexico's first home remodeling insurance platform and she's been a partner in remodeling firms for seven years.

## Who Is This E-book For?

Anyone planning a home renovation wants to keep his or her spouse, sanity and bank account.

## Why Read It?

You will acquire the insider knowledge needed to successfully plan and complete your project without experiencing huge delays or going over budget. You will also become conversant in the necessary terminology to look like an expert in less than one hour.

**Bolster Resources:** [The Homeowner's Guide To Remodeling](#)

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# INTRODUCTION

## **So you've decided to remodel. Congratulations!**

Nothing quite compares to the excitement of a new project, let alone one that will transform and improve your very own home.

So to make your journey all the more enjoyable, we have put together this e-booklet packed full of practical advice on how to remodel successfully.

Although the title of this guide refers to the homeowner, it's not really "pro-homeowner" (or "pro-professional" for that matter) but rather "pro-project".

This is due to the firm belief of the authors, acquired from years of hands-on remodeling experience in several markets, that placing the best interests of the project ahead of all else, is in fact, the best way to protect the interests of all of those involved.

The one bias however is that it holds nothing back on how to get the best from those responsible for delivering the homeowner's project.

So if you've been handed this guide by a contractor or architect, feel comforted by the fact that you are almost certainly in very capable hands.

Happy remodeling!

*Fraser, Anna and the Bolster Team*

## WHAT TO EXPECT, A STEP-BY-STEP GUIDE

OK, let's start with a brief summary of the typical remodeling process:

### Project team and their responsibilities

- Homeowner – responsible for articulating the desired project outcome
- Architect (if needed) – responsible for developing the scope of work, drawings and specifications and filing permits
- General Contractor – responsible for hiring sub contractors and building the project while following local building regulations
- Consultants – responsible for providing specialized design input: HVAC, engineering etc.



### IMPORTANT TIP

Remodeling is like falling in love - only fools rush in. Focus on defining your project as accurately as possible before hiring a contractor. Your pocket and sanity will thank you later.

### The Design Process

*This stage assumes you have a designer or architect on board. If you do not then start at step 3 with a general contractor*

1. Initial meeting – interviewing, and brainstorming with, designers and / or architects
2. Design contracts – agreeing who is going to do what
3. Pre-design - getting inspired, defining existing conditions, agreeing the scope of work, project goals etc.
4. Schematic design – exploring design options, discussing feasibility, pros and cons

5. Design development – producing drawings and retaining any consultants
6. Construction document phase – thoroughly documenting the scope of work, finalizing finishes through drawings and schedules
7. Permits (if required) – submitting documents to your city agency
8. Contract procurement phase – sourcing general contractors (you'd have started this at step 3 if your project doesn't have an architect), walking through the project with them, distributing project documents, analyzing bids, choosing a contractor and signing a contract with them (architect not a party to this agreement).

## **The Construction phase**

1. Kick off meeting with project team, agreeing project meetings
2. Advance payment to the contractor
3. Breaking ground, building out the project
4. Paying the team (especially the contractor) in full and on time (for progress!)
5. Approving (or reject) any change orders
6. Providing information when needed

## **Post-construction**

1. Final walk through / inspection with building or city agency
2. Doing punch list
3. Requesting project manual and warranties from contractor
4. Releasing final payments to team

## **A FEW PRECAUTIONS**

You've heard the horror stories about contractors running off with five-figure sums and new kitchens being ripped out because they didn't pass inspection. None of that will happen to you! You'll take precautions!

Sometimes however, the things we do to avoid a certain outcome simply make that outcome more likely. Here are a few things you may be doing to avoid a renovation nightmare — that may well lead you straight into one.

**Withholding funds. It seems like a sound plan at first — you don't have a guarantee that your contractor will finish the job once you've paid the balance, so you'll hold onto that last 5 percent as a guarantee.** Not entirely true. If you say, "I'll withhold 5 percent until I'm satisfied with the work," the contractor can just price everything with a 5 percent increase, so if they don't complete the project, they've still made their money. If a contractor needs to fix something at the end, he'll do it on reputation. Plus if you retain more than 5 percent, the contractor may struggle to finish your project.

**Buying the materials yourself.** "But I can shop around and make sure I get the best price!" you may be saying. Not so. Your contractor can get trade discounts and share them with you. Some will even accompany you to the store. Trying to shop yourself is just asking for a higher price quote — plus when items don't arrive, or arrive and they're wrong, the contractor loses coordination of the project, meaning pushed back schedules, late completions, and loads of mess.

**Not planning out the entire project from the beginning.** You may say, "I don't need to make my mind up about the kitchen tiles right now, I want freedom to choose later on!" Unfortunately, you're setting yourself up for serious hassle when you and your contractor get fuzzy on what was agreed upon two months later. Plus it means you'll be making decisions under stress in the middle of a renovation. It's much easier to delay the start of a project, so you can take your time making all the decisions in advance — otherwise, you'll regret it.

**Focusing on nailing down the contractor, not the project.** At the beginning, everyone focuses on the contractor - which will give me the best deal? Which one comes with the best reputation? Which one specializes in kitchens, since I want a new one but I'm not sure what kind? Mistake alert! Rather, you should be focusing all your attention on precisely what your project is, from start to



finish, down to the last detail. From there, look for the contractor who best understands your project, and only entertain bids based on what that full project is, so you have all the information you need to make an informed choice.

**Trusting a website to choose a contractor.** The Web can be a valuable resource, but the sheer number of things that can go wrong on a remodeling project are huge, and many have nothing to do with the contractor or his past performance. As such, a good or bad review on the web really has nothing to do with whether a contractor will be right for your project. Also, do you really think Joe386 knows whether his remodel was quality work? Do you trust him to tell you whether yours will be?

**Thinking you know more than your contractor.** You may think you know more than your contractor about your own home. After all, it's your home! Best to let this idea go entirely. Like any skill, construction expertise is acquired over time, with many contractors spending years in onsite training. Some are former architects, construction managers, and carpenters with decades of experience on big projects. These people know about your home. More than you do. Sometimes, much more.

**Staying in your home during the remodel (if it's a large project).** On the surface, you're saving money — after all, you don't have to pay for a temporary place to live. But here's the kicker: your contractor is charging you more if you're staying in your home. Why? Because every evening, once his team gets finished working, they have to put the place back together into a livable home.

**Thinking your renovation is just like your neighbor's renovation.** Every home starts out differently — every home. As such, every remodeling project is unique, and so every contractor's project is unique. So it's a waste of your time to tell your contractor, "I want the exact same project as the guy across the street." It won't happen that way.

**Not acquiring the necessary permits.** Yes, permits are a royal pain, and can be costly and slow a project way down. But not having them could mean disaster down the line. If your plumbing doesn't meet code, the city or county

housing department can tell you to rip out the work, with no compensation to you. So deal with the hassle, even though it may seem easier to skirt around it. And of course, be sure to close any open permits with the proper inspections. Otherwise you'll get a nasty surprise when you put your house on the market... and discover that you're unable to sell.

## THE WHO'S WHO OF YOUR PROJECT

You know there will be loads of people involved (many of whom will be in your house on a regular basis), but you may not know who they are, or what they do. Here's a quick guide to all the parties you'll be dealing with over the next few months.

**The General Contractor:** The star of the show, and the person capable of managing the entire process. Your general contractor will be responsible for the coordination of the project, including engaging the right subcontractors, and the final delivery of the work. You'll hire him/her directly.

**The Architect:** Typically responsible for the design and paperwork and can often be responsible for ongoing design management. You'll also want to hire him/her directly — unless you decide to work with a design-build firm, in which case the contractor and architect will be a package deal.



### IMPORTANT TIP

If you are renovating with a partner, negotiate what you need to in advance. You and your spouse may have identical taste in everything...but it's unlikely. Talk it over in advance and ask yourself, what are you (and aren't) willing to give up!

**The Engineer:** If you're doing a structural project, this person is crucial, for the simple reason that you don't want your builder being responsible for building a structure that affects the integrity of the building such as a load-bearing wall.

**The Suppliers:** These people will be your lifeline, the source of all your materials for the project. You may not deal with them directly – usually (once you know what you want) it's better to let your contractor interface with suppliers, since they can negotiate better prices (professional discounts and all) as well as manage late or incorrect shipments.

**The Subcontractors:** Your army of specialists, who will see to every detail of your remodel. This category includes plumbers, electricians, glazers (a.k.a. window specialists), carpenters, plasterers, painters, tilers, and home entertainment installation experts, to name a few. They will be hired and managed by your general contractor – though be sure to keep track of their names and phone numbers. You always want a record of who is entering your home (plus if they wind up in any pay disputes with your contractor, a subcontractor could put a lien on your home – if that happens, you'll want to know how to get in touch with them).

**The Interior Designer:** Chances are you already know who this person is – the aesthetics-led style maven who will help turn your newly-remodeled home into a stylish, comfortable sanctum that reflects your personality and tastes. You'll hire your interior designer directly.

**The Inspector:** This less glamorous and oft-overlooked party is nonetheless one of the most important. It's easy to forget or put off the proper inspections in the bustle of finishing a remodeling project, but you're in for a nasty surprise if an inspector finds the work isn't up to code (in some municipalities, not having the right permit could even land you in jail). Make the local building department your new friend, and be sure to have all the necessary inspections done on time, to ensure that your new electrical system or plumbing won't need to be ripped out.

**The Loan Officer:** If you're taking a home equity loan to finance your project, be sure to stay on good terms with this person. He/she will hold the key (and the source of funds) to a successful completion of your project.

## DO YOU NEED AN ARCHITECT?

The beginning of a home remodel can seem like an onslaught of questions that all have to be answered at once. One of the most important of these questions is, do I need to hire an architect? If it's a big project with lots of zeros and heavy design requirements, the answer is probably yes. Otherwise a good general contractor is likely all you need. Here are the biggest factors to consider when making this decision.

- 1) **An architect will optimize your space for the way you live.** With an architect, you'll ensure you're creating the best layout and orientation to make the most of your living space. They'll ask questions like, "do you read the paper with your morning coffee, or scramble to get the kids to school?" or, "would you like your teenage kids to be able to hang out at your place?" The answers help create a design solution that fits your lifestyle now and for the future. Architects also take into consideration the light, space proportions, energy usage, and materials necessary to create the best possible design for your remodel.
- 2) **You'll get an idea of how much it will cost you to live in your home, on an ongoing basis.** While a precise cost estimate may not always be possible, an architect can often look at your project and say, "the base cost of the project is X, but then there's also Y (electric bills, gas, etc.), which takes into account the life cycle of living with these changes."

- 3) **Your home will be designed to evolve along with your life.** One of life's only givens is change. Your family and lifestyle may look very different 5, 10 years from now, and you want your home to be beautiful and usable by everyone, regardless of their age, ability, or status in life. An architect knows this, and by using an approach known as "universal design," will work with you to ensure that your home is capable of handling changes, and that the space can adapt to whatever life brings.



## IMPORTANT RESOURCES

If you are thinking of hiring an architect, check out these resources courtesy of our partner, The American Institute of Architects:



- 4) **Any structural changes will be done safely.** Cardinal rule: Never reconfigure structures without the input of an engineer or architect. Safety really is the most important factor whenever you're making non-cosmetic changes to a home. Architects are licensed by the state to protect the safety of the public.
- 5) **Your Scope of Work is likely to be MUCH more detailed (meaning less room for human error).** In remodeling, the single biggest pitfall

is having a lack of specificity in the project. You simply must list out every last detail of what you want, or else you may not get it. An architect knows this, and they know precisely how to specify the scope of work down to the last floor tile. They also know what exactly needs to be done in every element of the project, and they'll ensure it's all there in your contract, with an extreme attention to detail. For example, while you might refer to the job of putting in new windows as, "fit windows," your architect might say, "make the opening to these dimensions, install the double-glazed window using these specifications, and then plaster the surrounding area and paint."

- 6) **Product specification will be much easier.** Architects are exposed to a range of products for the home, and they have access to catalogues and samples (such as unique kitchen tiles) to show you. This will save you an enormous amount of time and effort.
- 7) **Your architect can help you find a contractor, and compare bids.** Most architects will recommend contractors they've worked with before, ensuring that the people you're getting bids from have been vetted. Your architect can also help you compare bids – they'll hand each contractor the spec sheet, construction drawings, and the full scope of work. In return, they'll want to know the price of any materials being substituted for those they specified, and they'll help you determine if the substitute materials match the level of quality and performance you expect. Plus, since the architect has the technical knowledge to specify your project with such a degree of detail (see #5), the bids you get back are more likely to be apples to apples.
- 8) **Your architect can offer value engineering.** When embarking on a project as big as a home remodel, it's important to have an expert take into consideration all the different costs versus functions — also known as value engineering. A registered architect will know all the building codes, compliance issues, regulations, best practices, and more associated with your choices.

- 9) **Your architect can manage the design and help your contractor schedule the project, as well as figure out methods for completion.** One of the biggest hassles you can take off your plate is management of the project, including scheduling when contractors get paid for work completed. Some architects are qualified to do management tasks, as well as administer the project effectively – meaning that if things go off track, they can help bring it back on schedule and budget.

## CHOOSING YOUR CONTRACTOR

Choosing the right contractor is a critical milestone in your remodeling project. But how can you, the homeowner, be sure you're hiring the right person? Here are our guidelines for navigating the process

- 1) **Figure out exactly who you need to hire for your project.** If you're doing a smaller job – just carpentry or just electrical – then you only need to find a tradesman. But if you're doing anything that involves multiple aspects with multiple trades such as plumbing and painting – like, say, a kitchen or bathroom remodel – then you'll want a general contractor.
- 2) **Do your homework.** If you're like most people embarking on a home remodel, you're going to start asking around for contractor recommendations. Stick to friends, family, and people that you trust – and remember, just because they had a great experience doesn't mean you will too (your project is a different one, after all). When/if you head to the Web, check out sites including the National Association of the Remodeling Industry and the Better Business Bureau (don't be fooled by the name though, the BBB is not a government agency and has no official powers to help you in the event your contractor fails to perform). Both have contractor

databases that tell you whether they're licensed, whether there are any outstanding complaints against them, etc. But keep this in mind throughout your search: few people are qualified to tell you if a contractor is technically competent (some architects and realtors can). A good contractor will have technical competence, good management skills, and financial strength in his/her business. He or she will stand by their word and their contract, and deliver the project as promised even if (when) things go wrong.



### IMPORTANT QUESTIONS FOR YOUR CONTRACTOR

- Q How many projects do you have going on? Zero = no good, 10 = too many/spread too thin.
- Q How long have you been in business?
- Q Are you going to be managing the project? If not you, then who? Do you have a foreman?
- Q Can I see references? These should consist of: projects that they're doing now, customers they have now, architects, and subcontractors/suppliers that the contractor has worked with, to ask if they get paid on time.

- 3) **Communicate your vision to the contractors before you get their bids.** The key here is continuity, to ensure that the bids you get are easily comparable. If you're bringing in 2 or 3 (or more) contractors to bid, put together a scope of work for the project that you give to each one (the best way to do this: walk around the house and write down what you want, and find comparable pictures from magazines or websites and include them). Put your budget range and a material spec sheet in there as well, including the appliances, lighting, cabinetry, and any other details. Do a chart for each room – write out



the tasks (install, remove, finish, paint) and the products you want. Adding a floor plan is always helpful. NOTE: If you don't do a spec sheet, then your contractor will do one, and you'll be handing over control over the details.

- 4) **Do a walk-through with each contractor you're considering.** Schedule a *face-to-face meeting AT your home* (there's no exception to this) to review the project, and the scope of work you created. This is a key time to determine whether you're on the same page about your vision, and to let it all sink in for both you and the contractor.



### WARNING SIGNS OF A BAD CONTRACTOR

- 1) If a contractor asks for a cash-only deposit
- 2) If they don't want to use a contract
- 3) If they charge for a draft proposal (full detailed estimate is a different story, it's common for the contractor to reimburse this fee upon winning the project)
- 4) If they ask *you* to submit permits. It's their job (helps building agencies confirm the contractor is licensed)
- 5) Any version of "I was just in the neighborhood and noticed your windows weren't double-glazed..."

- 5) **Make sure the contractor you choose has the right insurances.** Checking for Workers Compensation Insurance and General Liability Insurance should be part of the "credentials check" described above – but it can never hurt to double check once you make a hire.
- 6) **If you are highly risk-averse, ask for a performance and payment bond.** If you are doing a large project (let's say \$100,000 or over) and you are just not sure about handing over large sums of money to your chosen contractor, ask them to get a performance and payment bond.

This is a financial guarantee from a surety company (normally a subsidiary of an insurance company) that your contractor will perform according to the terms of your contract while paying all subcontractors and material suppliers. Expect to pay anywhere between 3% and 7% of your construction costs.



### IMPORTANT TIP

Despite what you may read, invite no more than 3 contractors to bid on your project. More than that and you are wasting your time and crushing the enthusiasm of each contractor (a 1 in 3 chance is worth the effort, a 1 in 6 chance is a waste of time).

Oh, and don't invite more than one contractor to your home at the same time. They will either be more timid, or end up arguing over what the project should entail. Instead, take a lengthy walk-through with each contractor individually, listen to what he or she has to say, and take notes – and then add them to your plan.

## KEY DOCUMENTS

The following documents are less common on small projects however they are important for your record keeping and in some cases can have very important legal consequences.

**Payment Application:** A progress payment or partial payment of the contract amount that is periodically paid by you to the contractor. This application

should be approved by you or your architect, and paid only after you've: 1) verified that the work has been completed, and 2) received a valid lien waiver. Be sure to get a separate lien waiver with every payment application (for good measure, the payment application should be accompanied by photos of the completed work, taken by your contractor).

**Mechanic's Lien Waiver:** This is a document from a contractor, subcontractor, or supplier stating that they have received payment, and that they waive any future lien rights to your property. If your contractor is unwilling to provide you with this document, withhold payment until it is provided.

**Change Order:** This is a dated, written agreement or directive between you and your contractor that represents an addition, deletion, or revision to the contract that was unforeseen – maybe due to a latent defect, faulty wiring, poor soil conditions, or you changing your mind. All change orders should include a section identifying the change and describing the work involved.

**Punch List:** This is a list of the final items that need to be completed by the contractor before the full completion of the job. It can include details like, "When you brought in my new fridge, it gouged the wall by the door – please fix that." The key is including small details. You and your contractor should do a final walk-through before writing the punch list – if you have an architect, he or she will be there for the walk-through as well.

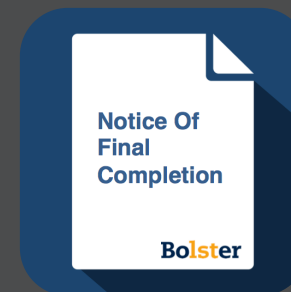
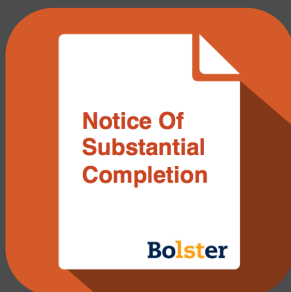
**Notice of Substantial Completion:** This is a notice from your contractor stating that you accept "use of your property for its intended purposes", even though all work is not completed. The contractor will ask you to sign this form so he / she can effectively reduce the amount of resources on your project, finish up the minor items outstanding (punch list) and move on.

**Notice of Final Completion:** This is a notice from your contractor stating "all terms of all construction contracts have been satisfied". In other words you accept that absolutely everything is in order and that everything except warranties is over.



## IMPORTANT RESOURCES

Here are sample documents from Bolster that you use for your own project (perhaps ask your contractor first if they have forms they prefer to use, seems only polite):



## PERMITS

You May Be Thinking Of Ignoring Permit Laws. Don't. Along with vetting your chosen contractor and creating your Scope of Work, there are few tasks more important at the start of a home remodel than learning whether you'll need a permit (or two, or three). Permit and building laws vary from state to state, but

one thing is guaranteed: acquiring your permits will be a complex and potentially dull process. Be prepared for the process to take months, and require extensive research on the types of permits, the materials needed to apply for them (e.g., certain drawings, energy calculations) and the filing fees. Remember submitting your school or college application? You get the idea.



## IMPORTANT TIP

“Permit expeditors” may be able to help you navigate through and speed up the paper-pushing process.

So it’s worth asking the question, why subject yourself to this hassle and frustration? Would it really be so bad to just pretend those pesky laws don’t exist (and hope that no one notices)?

Yes. It would. Why? Because doing so could lead to fines, massive costs such as having your new kitchen or addition ripped up, and possibly (depending on which state you’re in) even criminal penalties.

It makes NO sense to not get a permit.

Why do permits exist? What’s the point? As it turns out, they’re required by law for a reason: permits are a crucial tool for maintaining public health and safety by requiring that any construction work be done according to code – a code that was created to keep your house from falling down, and people from getting hurt.

When are permits necessary? In New York City, for example, if you’re doing a project that involves any plumbing, pointing (refinishing brick work), electrical work, home extensions, or swimming pools, you absolutely must get a permit. Permits are NOT required for cosmetic work (painting, plastering, flooring, replacing fixtures or a sink).

Feel free to ask your contractor whether the work requires a permit, but it's important to do the research yourself to determine what permits you need, and that they all get acquired. Remember, in New York, if your contractor fails to get the right permit, it's you that gets fined, not the contractor.

If you're really stymied as to whether something needs a permit, ask a registered engineer or architect for their opinion. If there's any gray area, don't listen to people that say, "oh I've never had to get a permit for work like this," that doesn't mean one isn't required. Even putting in a toilet or putting up a fence MAY require a permit.



### IMPORTANT TIP

Before wasting time going down to your city's building department, check to see if you can apply for permits electronically!

You may ask, how will the authorities really know if I don't have the right permits? After all, the Department of Housing doesn't have armies of staffers inspecting every home in a 10-mile radius. Unfortunately (or fortunately, depending on how you look at it), one group of people will definitely know you're remodeling: your neighbors. And a phone call is all it takes.

Plus, if you live in an apartment building, the condo or co-op board will be watching closely. And if you're in a brownstone, anyone walking down the street could notice 1) that renovations are being done; and 2) that no permits are posted. The risks are simply too high.

Even if you do get away with cheating the permit system, you'll have to pay the piper once you decide to sell. A seller's attorney will notice any still-open

permit, and an inspector could make you rip out insulation or plumbing. If the work is deemed illegal, you'll have to legalize the work before selling the home.

Plus for condo or co-op dwellers, you could wind up with continuing liability long after your project is finished – if the work done in your unit causes problems in someone else's home down the line, and you never got the proper permits, you could even wind up being sued.

When you take all of this into consideration, one thing becomes clear: you should get the right permits. And once your beautiful remodel is finished, be sure not to leave any permits open. Typically, the department of buildings will require that your work be inspected by a licensed inspector, who will close the permit if everything looks kosher.

## COMPARING BIDS

Due to communication issues, knowledge gaps and the insufficient specificity employed by contractors when drafting scopes (sorry guys but it's true), there exists a gap between briefs (what the homeowner thinks they are getting) and scopes (what the contractor is actually offering) and as such the given price (how much it costs the homeowner to receive the scope) is often not reflective of their expectations.

And that's the sad truth - bids on the exact same project can be WILDLY different from each other. Use the advice below to help standardize the bids you receive, so you can compare them accurately – and wind up with the best outcome.



## IMPORTANT TIP TO GET GREAT BIDS

You want to ensure that the bids you get are easily comparable. The best way to do this is to walk around the house and write down exactly what you want, and find comparable pictures from magazines or websites and include them). Put your budget range and a material spec sheet in there as well, including the appliances, lighting, cabinetry, and any other details. Do a chart for each room – write out the tasks (install, remove, finish, paint) and the products you want. Adding a floor plan is always helpful.

*Ultimately, your aiming to get back something that looks like this:*

**TO: Alex Homeowner**  
5 New Street, New York, NY, 10003  
Date: 1/12/14

**FROM: ACME Construction Corp**  
800 Broadway, New York, 10003  
(917) 275-5746  
[ACME@ACMEconstructioncorp.com](mailto:ACME@ACMEconstructioncorp.com)  
Home Improvement Contractor. # 1765722  
Home Improvement Salesperson. # 0909451

**Third Party Certified Bid**

**Bolster**

Dear Alex

It was a pleasure meeting with you on Friday, and thank you for the information you provided. We will produce final construction drawings to build to. As your scope of work includes structural work, and the remodeling of your kitchen and bathroom to meet building code, our architect will submit the design drawings to the NYC Department of Buildings for approval and receipt of a valid construction permit. Your building's alteration agreement also requires this.

Best, ACME Construction

**Design & Permits** – We will first produce a schematic design to give you a sense of what your project will look like. Once the approach has been agreed we will produce final construction drawings to build to. As your scope of work includes structural work, and the remodeling of your kitchen and bathroom to meet building code, our architect will submit the design drawings to the NYC Department of Buildings for approval and receipt of a valid construction permit. Your building's alteration agreement also requires this.

**Scope of works and material / product specification** – We will work with you to refine your scope of works until you are satisfied all your requirements have been addressed. Our current scope of works includes some allowances and options that need pinning down. We will help you produce a final material specification sheet so we both know exactly what products are being installed. Once all of the above has been settled to your satisfaction we will sign a contract with you.

Floor / Space	Task	Product	Option	Unit	Material Estimate	Material Allowance	Owner Supply	Labor Estimate	Total Estimate
All Property	Produce schematic design, final design and file all necessary paperwork.			1	-	-	-	1,000	1,000
Basement / Kitchen	Remove existing HVAC unit			1	-	-	-	1,000	1,000
Basement / Kitchen	Install new HVAC unit	My new HVAC unit	1	1	2,000	-	-	1,000	3,000
Basement / Kitchen	Install new grouting and silicone around rim of sink.			1	-	-	-	1,000	1,000
Basement / Kitchen	Remove all wet/moist/damp areas from the wall and shelf area			1	-	-	-	1,000	1,000
Basement / Kitchen	Install new cement board where needed			1	1,000	-	-	1,000	2,000
Basement / Kitchen	Remove existing kitchen units, appliances and island			4	-	-	-	1,000	1,000
Basement / Kitchen	Install new kitchen	My new kitchen		1	22,000	-	-	6,000	28,000
Basement / Kitchen	Remove all existing sash windows and door frames			4	-	-	-	1,000	1,000
Basement / Kitchen	Install new high-end custom pattern mahogany windows	My new mahogany windows		4	2,000	-	-	5,000	13,000
Basement / Kitchen	Install new high-end custom pattern mahogany doors	My new mahogany doors		4	3,000	-	-	5,000	17,000
Top Floor / Bathroom	Remove existing bath and shower units			4	-	-	-	1,000	1,000
Top Floor / Bathroom	Paint complete with mildew preventative paint	My choice of paint		1	2,500	-	-	4,000	6,500
Top Floor / Bathroom	Apply spot grouting to existing tiles where needed			1	500	-	-	1,000	1,500
Top Floor / Bathroom	Install new bath tub	My new bath tub		1	15,000	-	-	6,000	21,000
All Property	Contractor agrees to clean up after remodeling project is complete, remove and dispose of all debris and leave the home habitable and to the highest standard of living			n/a	-	-	-	1,000	1,000
TOTAL ESTIMATE					30	48,000	-	37,000	100,000
ADVANCE PAYMENT									20,000



## 8 CONTRACT MUST HAVES

Don't do a remodel without a written contract – period. Sorry to be firm here but it's an absolute requirement with no exception. Without a contract, you simply have no recourse if something goes wrong.

1. **Written Details:** The key is having an agreement that spells every part of the project out in as much detail as possible. It should include the job start and completion dates, and a thorough and specific scope of work, with tasks and materials itemized and priced in detail. NEVER agree to an oral contract, and don't mistake invoice payment terms as a substitute for a written contract.
2. **A Fixed Price for the Entire Project:** You must agree to the price before work starts, and it must be included in the contract – in fact, it's one of the most essential elements of the document. If your scope of work is suitably detailed (try to reduce allowances as much as you can, you don't want to be choosing tiles under pressure when you can do it upfront), having a fixed listed price shouldn't be a problem.



### IMPORTANT TIP

Here is a good rule of thumb for when to use a contract: Always, and without exception. Remember, the project may only be \$5,000, but if something gets damaged along the way, how will you verify to your insurers that you were doing a remodel?

3. **A Payment Schedule:** Figure out a payment schedule that's reasonably related to work done and materials purchased. With the exception of the advance payment, only pay for work completed and stick to the schedule

through and through— your contractor needs to be able to manage cash flow to keep its workers, subcontractors and tradesmen on the job.

4. **Change Orders:** Any change in the project should be accompanied by a written, signed change order that clearly describes the work details, any increase or decrease to the contract price, and the schedule or completion date (whichever you prefer).
5. **A Changes Clause:** This clause exists to protect your project in the event of a dispute. Say you request a minor change order or wind up in a disagreement with your contractor – a changes clause keeps your project on track by requiring the contractor to stay on the job (as long as you are not in breach of contract, of course) while you negotiate any price changes or disputed terms.
6. **A Proof of Payments Clause:** Don't pay twice for your remodel. This clause allows you to withhold final payments until your contractor provides you with mechanic's lien waivers from subs and vendors. A mechanic's lien is like a gun at a knife-fight – if an unpaid sub-contractor or vendor files one, even if it's not your fault (e.g., you paid the contractor but she failed to pay her sub-contractors), you may find yourself unable to sell your home unless you pay up (again).
7. **A Fit & Finish Warranty:** Insist on a one-year warranty against defects in workmanship. It can still be challenging getting your contractor to return, especially to fix minor issues, but a warranty is industry standard.
8. **An Arbitration Clause:** Hope for the best, but plan for the worst by including an arbitration provision. Arbitration involves hiring a neutral expert to decide on a dispute. It's a faster and cheaper alternative to lawsuits and the court system.

## THE ADVANCE PAYMENT

This is an issue of great controversy in the remodeling industry. Almost every website and resource out there, especially the various state contractor licensing boards, advocate that giving a remodeling contractor an advance payment any greater than 10% is perilous and completely unnecessary. We think that's false.

### Here are the facts:

- 1) Contractors use advance payments for 3 main reasons: paying for materials and long lead items (things that take a while to arrive from the supplier), securing the availability of important subcontractors and demonstrating that you are serious and committed to your project.
- 2) If urgent materials, long lead items and subcontractor deposits amount to more than 10% of your project then the deposit is justified. After all, why should a contractor cash flow *your* project?



### IMPORTANT TIP

The deposit should be repaid throughout the project pro-rata from every payment. It's easier on the project's cash flow this way. So, if it's a \$100,000 project and you advance the contractor \$20,000 then each subsequent payment for progress should have 20% (\$20,000/\$100,000) taken off to repay the advance payment.

### Let's shatter a couple of myths while we are here:

**Myth # 1** - The contractor has credit with suppliers, they should pay for my materials – that's fine, but you will pay the interest charge on that credit and

won't necessarily know how much you are being charged. Why pay more unnecessarily?

**Myth # 2** - I know what I want, I will just buy the finishing materials myself – If you do this you will take on the responsibility for everything arriving, coming off the truck, being stored safely and dealing with damaged goods, returns etc. Best to grant coordination responsibility to the contractor. Also, if something doesn't show up and a sub contractor has to wait, or return later, you may lose them to another job. This will no doubt slow you down and cost you more.

If you absolutely refuse to budge on releasing a larger than advised advance payment, ask the contractor to buy a performance bond from a reputable surety company. This will protect you and your advance payment up to the value of the contract in the event the contractor disappears with the monies.

You may also want to show the contractor a sanitized bank statement proving you have the funds so as to remove any doubt about your ability to pay for the project.

## YOUR RESPONSIBILITIES

Your architect or general contractor assume the bulk of the responsibilities on your project, in particular your general contractor is responsible for building your project to specification (and any applicable code and regulations), reviewing drawings, ensuring the orders, installations and inspections meet the schedule and hiring all sub contractors.

Here are your responsibilities:

- 1) **Obtaining the right permits and liaising with your building department.** It may be time consuming and requires some effort, but cutting corners on this one is not an option.
- 2) **Engaging licensed professionals.** If your contractor or subcontractors turn out to be unlicensed or unsuitable, you'll have little or no recourse down the line. Do your due diligence at the beginning, and check to make sure that your contractor is licensed and is the right fit for your project.
- 3) **Providing access to the property.** You must let your contractor be in the home whenever and for as long as he needs to be. Be sure to keep a list of the names and phone numbers of everyone entering your home.
- 4) **Swift, accurate payment for progress.** It's up to you to set your payment plan from the beginning, and then stick to it (assuming that your contractor performs on her end).
- 5) **Informing your neighbors that you're going to be remodeling.** They tend to be one of the most overlooked parties in home remodeling, but your neighbors play a crucial role. Don't neglect them.
- 6) **Managing materials (if you choose to buy them yourself).** If you've decided to buy the materials for your project on your own (rather than letting your contractor purchase them), you're responsible for their delivery and storage, as well as coordination with the contractor and subcontractor(s) who need the materials to do their jobs. Bear in mind that sometimes materials have to be returned or they are not suitable, so you may have to deal with those changes too.
- 7) **Making design decisions.** Even if you have an architect taking design coordination responsibility, you are ultimately responsible for signing off on design changes, the quality of the workmanship and the finished product itself. You cannot outsource this to anyone.

## STAYING ON BUDGET

Why do remodeling projects go over budget so often? The answer can vary case-by-case, but often it'll be due to the “upsell trap” — once you start remodeling your home, you get excited by the possibilities and sobered by the fact that you're making decisions about fixtures, tiles, etc. that you'll have to live with for years to come.

So whenever you see a slightly nicer (and pricier) backsplash tile or fixture, you wind up doing a cost-benefit analysis (if I spend another \$10 a tile, and I'll enjoy this kitchen for 10 years, then it's really less than \$10 over time...) and opting for the more expensive tile.

Unfortunately, these incremental costs add up, fast. And if you don't have a good system for managing and tracking change orders, you can easily lose track of just how far over budget you're going.

**This type of chronic over-budget-ness isn't the fault of your contractor, or of poor planning – it's more a function of how home remodeling is less of a “finished product” and more of a “manufactured product”.** If you go to buy a pair of shoes, they're there in the store, already made, and they cost what they cost. But if you were having shoes custom-made, you would likely choose to make tweaks and changes that would result in a higher price. Think of your home like a pair of custom-made shoes.

**So what can you do to combat the rising tide of extra costs?** The most obvious answer is to create a budget and **STICK TO IT** as best you can. If you don't at least have a starting point for the amount you'd like to spend, it's easy to go astronomically over budget, very fast. Think about it: in the average remodel, there are perhaps 100 items that you could custom-tweak and

improve – if you go down the “improvement” rabbit hole with even half of them, you could easily double your initial budget (or more).

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**Another key step is to manage your change orders.** A change order means more than just signing a piece of paper and paying a bit more for different tiles – if you keep changing your mind, it also means time wasted sourcing the materials, as well as money spent buying, storing, and then returning the originals. When you shop for shoes and return them, it costs you nothing. But with remodeling, there may be tearing out existing tile and ordering new materials, plus storage and administration – in other words, the actual process of changing your mind is costing you money.

**Lastly, avoid scope creep – the result of accepting a bid that isn’t properly detailed and planned out.** If you choose a bid that lacks detail and clear planning (but it was the lowest bid you got), then chances are high that you’re going to end up paying more and more as decisions get made on the fly. Because this method is so inefficient (and unnecessarily costly), it’s usually better to go with the contractor that has provided the most detailed and accurate bid, even if he handed you a higher price.

Also, keep in mind that the money you’re spending now may not guarantee you a higher resale price. If you install expensive, ultra-customized fixtures and fittings and your buyer doesn’t share your taste, you could wind up pulling out all those gorgeous fuchsia floor tiles when you sell.

## AVOIDING DISPUTES

Even the best laid plans...well, you know the rest. And when it comes to home remodeling, there's no such thing as a "dispute-proof" plan. No matter how well things start out, there's bound to be a misunderstanding or difference of opinion (or both) down the line. Here are a few guidelines for effectively and efficiently handling disputes when they pop up. When it comes to home remodeling, there's no such thing as a "dispute-proof" plan.

- 1) **At the outset, sit down with your contractor and agree how you're going to resolve disputes.** Projects almost never go as planned, so it's very likely you'll have at least one disagreement down the line. The key is having a set process for handling disputes when they come up. You DO NOT want to wind up in litigation – even if the verdict goes your way, the time and money you'll spend will be enormous. Plus there's the small matter of your house sitting there unfinished.
- 2) **Before the project starts, spend a good deal of time creating a Scope of Work document.** It's easy to agree on the big things – a staircase goes here, a kitchen island goes there. But what about the floor tiles? The type of track lighting, or brand of pipes? To keep the devil out of the details, be SPECIFIC about your project, and create a paper trail that irons out what you want –have a good scope of work and a solid project plan, keep all your forms in place, and all your change orders documented. This paper trail will be your tool for effectively resolving many disputes (since most of the time the reason you're arguing is that no one can remember what was agreed upon in the first place, or when it was agreed to).
- 3) **Supervise the project as much as possible.** If you can, visit your project as often as you can while the work is being done, or have someone you trust be there. Feel free to take pictures while the job is in progress – they could be useful resources down the line. Just be



mindful of staying on top of what the contractor should be doing, as opposed to telling him how to do it – if you want to manage everything, you may as well be your own contractor. Feel free to take pictures while the job is in progress – they could be useful resources down the line.



### IMPORTANT TIP

Motivate your contractor by proving that they will get paid. Think about it – if you know your employer may not come up with the money for your next paycheck, do you have any motivation to work? The best way to ensure great work from your contractor is to prove that you can and will pay him. Consider handing over a bank statement or other proof of available funds at the beginning.

- 4) **Stay organized!** It's critical that you keep and update a job file of important papers, including the contract, plans and specifications, warranties, bills and invoices, canceled checks (front and back), lien releases from subcontractors, correspondence, and those photos you took of the job in progress.
- 5) **Don't be pressured into signing a certificate of completion.** You should not have to sign off on your project until you're certain that all the work has been completed to your satisfaction, and to the specifications set forth in the contract. Have your initial task list ready at the end, and make sure you check off every item on the list before you sign off. If necessary, get lien waivers from subcontractors before final payment is made.
- 6) **Never ignore notices from subcontractors or suppliers about nonpayment.** These notices indicate the contractor has failed to pay his people. It may be a sign of cash-flow issues, or impending

bankruptcy. The problem will only get worse if you ignore it. If necessary, get lien waivers from subcontractors before final payment is made.



## WARNING SIGNS OF A CONTRACTOR WITH CASH FLOW PROBLEMS

- 1) They ask for a big advance that doesn't make any sense/relate to the needs of the project.
- 2) Subcontractors or suppliers start complaining about not being paid.
- 3) Materials keep arriving late.
- 4) You start to disbelieve the excuses you are being given.
- 5) Their subcontractors walk off the job.
- 6) They ask for additional funds in advance of progress.
- 7) They've been in litigation more than once in the last two years (to check this, either ask your lawyer to check federal and state databases, or contact the Better Business Bureau or your local licensing agency that oversees home remodeling and ask for any history of complaints or penalties against the contractor).

## CHANGE ORDERS

Change orders are key to making down-the-road changes that you didn't/couldn't have known about in advance. Maybe you didn't make up your

mind, or you changed your mind, or maybe the building has a hidden defect that no one could see until you knocked down a wall. Whatever the reason, you're going to have to deviate from your original plan – meaning more time, and, most likely, more money.

Here are the guidelines for making change orders as painless as possible – and for knowing the difference between change orders and changing the deal.

**Plan everything you can – right down to the smallest details – in advance.** The biggest rule of change orders is: when possible, it's best to avoid them. As we said above, they cost time and money, and create a likely source of conflict between you and your contractor (it's easy to get into fights over whether a change order comes as a result of you changing your mind, or the contractor having a different understanding of your project). The best way to avoid this situation is to plan, plan, plan.

**At the outset, be sure to get bids from up to 3 contractors.** It may seem like a lot of time spent, but meeting with a host of contractors is the best way to get as much insight into the details of your project as possible. Each contractor will bring his/her knowledge, perspective, and experience to the table. Multiple meetings means varied opinions and knowledge bases – you can learn from each one and compound the information into a comprehensive plan. Then, when you finally choose a contractor, you'll be in a good position to point out details she may have missed (plus you'll look well informed) – meaning you're less likely to end up with changes later on.

**Consider bringing in an architect and/or engineer.** If you're doing a big project that involves structural changes – say, moving a roof or adding an addition – an architect or engineer will pick up on potential problems that you and your contractor will miss. Their expertise can be invaluable – they'll be the ones who can determine exactly HOW you can get the project done.

**Also consider doing some poking around.** Unfortunately, you can't X-ray a house to determine what's behind the walls or under the floors. But you CAN drill some trial holes. It's typically carried out by surveyors and will help you figure out whether a wall can in fact be moved, or a floor opened, without

bringing down your house. Granted, it may cost you some cash up front – but consider how much it will cost if you commence building an addition only to discover poor soil conditions and have to rethink your plans mid-construction.

**Know the difference between latent defects, errors/omissions, and design changes.** Latent defects are problems in the condition of the property – they can be identified by surveys. Errors/omissions, meanwhile, are things your contractor could have told you in advance, but didn't. And design changes are when you've simply changed your mind.

These are three separate buckets, and knowing the difference between them is crucial for 1) avoiding them, and 2) resolving disputes if they do happen. For example, halfway through the project you could tell your contractor, "I didn't want the windows you've installed, I wanted these other windows." The contractor replies, "No, these are the windows you said you wanted." The first step is to go back to your scope of work and material specification sheet.

Several things could be happening. Perhaps the windows aren't the ones you'd specified, but your apartment building requires the ones installed. If you'd known this, you'd have specified the right windows in the first place. But if you didn't read your building's alteration agreement beforehand, it constitutes a design change, and you'll have to pay for it. If the contractor simply installed different windows than the ones specified in the material specification sheet, it's an error/omission.

Note: If your contractor failed to estimate a correct price, the situation falls under errors/omissions – but if the contractor stated that price and you agreed to it, then you're responsible for paying it. If, after the contract is signed, the contractor wants to renegotiate the price due to an underestimation, he'll have to swallow the cost – and if he refuses to, you have your scope of work and your contract as evidence in a dispute.

**Beware of contractor underperformance.** Alas, this is another reason for change orders. If contractors aren't optimizing resources (which is, to be fair, a complex task) then there's a chance they aren't allocating those resources in a cost-effective way. So to meet the specifications/quality of your scope of work,

they may need to throw in a change order. If you hear something like, “In order for me to finish the job, I need an additional \$10,000” then you know what you’re dealing with. If this happens, you have two options: pay them and feel you’ve been taken for a ride, or NOT pay them and jeopardize your entire project. Sophie’s choice indeed.

## FINAL WALK-THROUGH & PUNCH LIST

It may feel like forever and a day, but you will get to the point in your home remodel where the work has been substantially completed — the property is in good enough shape to use for whatever purpose it was intended for, and just a few details need finishing. Which means it’s time for your final walk-through.

**The first step in preparing for your walk-through is to create an ultra-detailed punch list.** The list should contain every item of work that you’d like finished before you declare the project complete (and release the final funds).



### IMPORTANT TIP

Take photos of your home before the contractor starts work, so you have a record of what things looked like prior to the remodel.

**How small can a punch-list item be?** A smudge on the wall is fair game, provided it wasn’t there before the remodel began. Anything and everything that you’re not happy with, put in your list.

**Once you've built out the punch list in meticulous detail, it's time to schedule your walk-through.** This consists of you inspecting the house/project area with your contractor, and pointing out every one of the items on your list. Assuming that you both agree on the outstanding items (which is where the “before” photos may come in handy, just in case there is confusion) the contractor then has a responsibility to fix every item before the project is deemed “complete.” Then, once every item on the list has been discussed, you or your contractor can simply check it off once it gets completed.

**Manage expectations at the beginning of the project by stating clearly that you will expect to do a punch list at the end.** That way, your contractor will be prepared to do the walk-through with you, and you'll be set up to get what you want. Be sure to discuss who will accompany you on the final walk through (ideally it'll be someone involved at the beginning of the project).



#### **IMPORTANT TIP**

Ask your contractor if they're planning on taking pictures of your home for marketing purposes. They ought to get your approval to use them.

**Most of the time, the punch list goes smoothly — most contractors are keen to leave your house in good condition, and show off their work.** Occasionally, whether or not something is a valid punch list item can lead to disputes. Arguments don't typically arise unless your punch list includes any add-ons — think, “Hey, while you're here, will you please hang this huge outside the scope of work, your contractor may feel taken advantage of and may be unwilling to go that extra mile.

## AFTER CARE

Congratulations! You've come to the end at last – your dream home is finally (finally!) finished. Time to sit back, arrange your living room furniture, and...be on the lookout for post-construction pitfalls. The truth is that, even once the last workman has packed up and left, things can still go wrong. Whether, and how much, things DO go wrong will vary between projects.

Here's a list of the problems that may pop up after six months, and one year, that you may have at the end of construction.

The things you may start to see the fastest:

1. Paint starting to peel
2. Wallpaper starting to peel
3. Plumbing leaks (at the first sign of rain, you may see water somewhere in the house)
4. If you've had damp proofing or weatherproofing done, test right away to make sure they work

### After Six Months

1. In this time period, you should be able to see any problems with appliances, fixtures, and fittings that involve plumbing: the new faucet, the new kitchen sink, etc. When they go wrong, it's obvious, and they usually go wrong within the first few months.
2. External work – after the first storm in your new home, do an inspection to see if any external pipes, roof tiles, or other outdoor features are damaged or pushed out of place. Also check if any gutters are working properly. Finally, check all patio doors and window frames to make sure no water is seeping in.
3. Any kind of fixture and fitting that's in frequent use – this includes things you use every day, like door handles, light switches, and basic appliances. More handling means that any problems show up faster.

4. Once you go through the first big season change, if you've laid concrete or wooden flooring, look for any warping or protruding – basically, you should look out for your floor no longer being flat. After that first winter (or possibly summer, depending on where you live) these materials can expand or contract – so if they haven't been laid properly, you'll have issues.

## **After One Year**

1. Subsidence – this is a big one. If you added an extension or changed the foundation for any reason, your foundation may not have been dug to the correct depth, or may otherwise be faulty. As a result, the part of your home on top of the new foundation will start sinking, and even start to detach at its weakest point. (This is why it's crucial to have a proper survey done with an engineer prior to beginning an extension project.)

2. Heating systems, plumbing systems, and electrical systems – these typically last a few years, so they won't conk out after 6 or 10 months unless there's a major defect. If your home has been remodeled to code, it's unlikely that any of these will fail you. But be aware that if they do, in a year or less, it's not normal.

3. Window frames – it's smart to watch for weather damage, but be aware: if you've had timber frames installed, you'll need to treat them regularly in order to keep them from being broken down by the elements. If you've used PVC, you won't have to bother treating it.

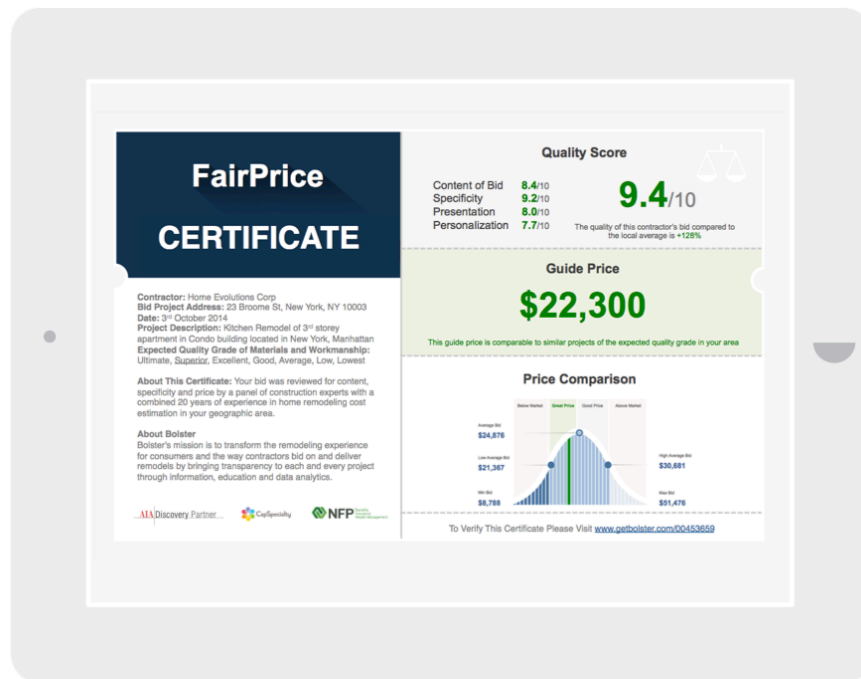


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## END NOTE

### **Thank you for reading this remodeling guide!**

We really hope it has fulfilled the role of stewarding you through the nail biting, but ultimately very rewarding, adventure of remodeling your home.

If you have any feedback or questions, please **get in touch**.

*Fraser, Anna and the Bolster Team.*