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HOW DO YOU WORK WITH A BUILDER? IMPROVING YOUR CHANCES AT A HAPPY OUTCOME

You've probably heard the horror stories from friends at a party as they tell you about their construction project headaches: Budgets blown. Schedules shot. Questionable quality. And lawsuits. Oh, the joy of building. Sometimes it sounds like the only thing worse would be trying to do it yourself. But there are plenty of success stories too – they just don't make for as good a story. Here's what you need to know to improve your chances for a happy outcome.

Spend plenty of time getting to know your builder (a.k.a. "general contractor") before signing anything. Meet a few times, tour their projects, call their references, go to lunch. This is a decision with major financial and legal consequences. You need to know them and like them.

Be clear about who will actually be your project manager. Sometimes the person you're interviewing is not the person who will be running your project. The Site Supervisor is the person in charge of the actual construction. You will often not meet them during the interview unless you request it. Ask how many projects they will be supervising (if it's more than two, their attention may be overly divided, and that can lead to errors).

Most projects start with the architect. They then will often recommend one to three builders for you to interview, and can help guide you through the process of selecting and working with the builder. You can start with the builder (and they can recommend an architect), but, sequentially, you work with the architect first. It is helpful to have a builder on board during the design process; if it's a collaborative relationship, they can help successfully guide you and the architect to stay within budget as you design. Sometimes the builder will do this for free in order to have a foot in the door, and sometimes they will charge a "pre-construction services" fee.

Design/build companies are ideally set up to offer you the best of both worlds as you have both professionals working for you from the get-go.

There are different types of residential builders, but in the Boulder area most are small companies that specialize in custom homes, and provide project management and site supervision, but hire out all the sub-contracted trades (plumbing, framing, electrical, etc.).

Most construction companies have a niche where they excel. Choose a builder that has a track record of projects similar in scope, scale, and quality to your project (ex. budget kitchen remodels vs. whole new high-end homes). Note that most builders are adept in multiple architectural styles, so that is a less important criteria.

Specifications:

On a custom home/addition/remodel, if you are paying the architect for full services, they will generally guide you through the time-consuming process of selecting products for your house (tile, flooring, plumbing and lighting fixtures, mechanical systems, siding, windows, etc.). Some architects prefer to send you to an independent interior designer for interior finishes. If you have hired the architect to do only minimal services in order to keep their fee low, note that someone will still have to do the specifications, and you will have to pay for it. Unless you've built several houses yourself, do not try this at home. It usually costs "first timers" tens of thousands of dollars in mistakes, months of time, and a lot of stress. Some builders offer this service; sometimes they charge for it up front as pre-construction services, and sometimes they bury it in their general profit and overhead. The budget for most of these items are called "allowances" because the builder will create a pot of money for each type of item – then you use that dollar number as a guide when you go shopping.

Contracts:

You can either select a builder based on their qualifications (up front) or select based on cost (on the back end after the design is done). If you chose them up front, you will negotiate their fee or percent markup before signing a contract. If you are doing it based more on price, it's called a "competitive bid" as they will be simultaneously bidding against a couple of other builders. Surprisingly, there isn't an industry standard process or format for how to work with the builder from a business point of view, but here are the most common types of contracts:

Fixed fee (a.k.a. "stipulated sum") – The design and specifications must be complete and well-detailed by the architect so that the full scope of the project is clear. In that case, the builder can give you a fixed-fee contract. This offers you the most protection against cost creep, as the only time it can change is if you sign an official "change order" prior to that portion of the work being undertaken.

Cost Plus (a percent profit and overhead mark-up) (a.k.a. "time and materials") – The advantage here is that you can often start work before all design decisions have been made as you will simply pay for what the project ultimately costs. On the down side, there is no top end to the contract cost. Most builders will provide a non-binding estimate before work starts. Note that what's included in the "plus" varies from builder to builder, so if you are getting competitive bids, make sure they are apples to apples (ex. the "builder's risk" insurance).

••• **Guaranteed Maximum price** – Like cost plus with a backstop set at some percent above the estimate.

Pass through with a management fee – The builder tells you what their management fee will be up front, but the cost of the work is just the actual cost passed through to you.

One additional note: The process of estimating and bidding takes a lot of work by the builder. During busy times like these, the builder will often charge for that service as a “pre-construction” contract. In leaner times, some builders may offer some or all of that fee back when you sign a contract, or may even do it for free in hopes of winning the job. The bid typically takes three to four weeks (once the builder has all the drawings and specifications).

There are four main areas where conflicts typically arise:

Quality and completeness:

Thorough drawings, specifications, and a detailed construction contract will explicitly set expectations for these items (don’t skimp on the architectural scope/fees or it will bite you in the butt when you start working with the builder). In the interview process, talk about how you will negotiate when there is a conflict, for example about the subjective quality of a granite countertop.

Process and communication:

The builder should tell you how often you will have meetings and scheduled site visits.

Schedules:

They should provide you with a written and regularly updated schedule that you can refer back to as your benchmark so that you know if you are on track.

Cost/budget:

The contract should be clear about not just the estimated or bid cost, but how you will deal with the inevitable changes during construction.

What to do if things are going wrong:

Don’t assume you know what’s going on; ask. Buyers sometimes get extremely worried at the initial appearance of something, wondering “is the floor supposed to look like that?!” Oftentimes, it simply isn’t finished yet. Don’t assume; go ahead and ask.

Voice concerns to the builder as early as possible so that discussions are respectful rather than dramatic, and so that there’s still time for course correction. Ask them instead of telling them how they will fix the issue.

When things go wrong (which they will), make sure to give the builder permission to tell you. Most builders hope that they can “catch up” on the schedule or find additional savings later to offset unexpected costs. They might, but empower them to tell you the truth about what’s happening now.

Ask for information. You deserve to understand how the builder is doing on schedule, quality and budget. Typically, a good builder will have a clear process for periodic check-ins that allow you to stay appropriately informed.

There should be a clause in the contract about “retainage” or some mechanism where you withhold a chunk of the final payment (or progress payments) until the “punch list” is complete (and you are satisfied that the project is done).

There should also be a clause in your contract about lien-waivers that says that if you’ve paid the builder, and they fail to pay their subs, that they will protect you against liens by the subs.

My final piece of advice is: Trust your team. Micromanaging a builder is a sure-fire way to muck up the process. Don’t show up on the job site unannounced. They want to get the project done right for you, and they have developed their process over years of trial and error. Let them guide you.

About the author:

Scott Rodwin, AIA, LEED AP, is the owner of the Rodwin Architecture/ Skycastle Construction, a 13-person award-winning design/build firm specializing in high-end custom green homes in Boulder. He teaches a free course (good for two CEU’s) called “Understanding the Rules for Building in Boulder” through BARA several times a year that goes into depth on these topics.

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