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How to Avoid Remodeling Disasters

By **DEBORAH M. RANKIN**

As veterans of two home remodeling projects, my husband and I approached an ambitious renovation of our latest house with some street-smart tactics. The contractor said the new kitchen could be completed in four weeks -- six weeks, tops. We doubled that estimate and started work in June, certain it would be done by the time our children returned to school in the fall.

Thanksgiving was more like it. When we asked how a four-week construction project could stretch to more than four months, the contractor had a disarmingly simple answer. "I lied," he said.

That's not all. Almost a year after work on the kitchen and other parts of the house began, there are plenty of loose ends: ceiling cracks, drawers that stick, gates that don't latch, half-painted exteriors. Perhaps worst of all, the new concrete patios and walkways do not slope properly away from the house, causing drainage problems. Now our lawyer is sparring with the contractor's lawyer over how much it will cost both to redo the substandard work and to finish the job.

In hindsight, overconfidence was our biggest failing. At least some of the problems could have been avoided. Instead of paying a few hundred dollars to have a lawyer look over our contract at the start, we will probably pay several times that amount in legal fees before the job is finished -- whenever that may be.

"People presume there's somebody looking out for them, when there isn't," said John Baker, an architect and lawyer who is a principal in Tarlow Jordan & Schrader, a Portland law firm that specializes in construction. "They enter into what is often one of the biggest business transactions of their life without being properly prepared."

With the sting still fresh and no resolution in sight, I can see several precautions we should have taken and would recommend to others embarking on a similar project.

Ask the contractor for three or four references. Find out what those clients did and didn't like about working with him and the subcontractors. Ask what were his biggest problems and weaknesses.

"Don't kid yourself," Mr. Baker said. "If past customers tell you he took forever to complete the project, didn't return phone calls and left debris all around the work site, things aren't going to change."

We inspected just one job (it looked great) and talked with only that customer. What we didn't know was that this person was a friend of the contractor. What's worse, we ignored some clear warning signs, including the customer's comment that the contractor barely finished by the scheduled date.

While you're checking references, ask if the contractor returned phone calls. "One of the most common complaints we encounter is that contractors don't return calls when something goes wrong," said Kenneth K. Keudel, administrator of the Oregon Construction Contractors Board in Salem, a state agency that licenses contractors and administers the claims resolution process against contractors. Regulations vary widely from state to state, and so do the methods of handling grievances.

Once you have settled on a contractor who seems reliable, find out if he is licensed in your state, assuming it has

such requirements. Ask the licensing body or the Better Business Bureau if any complaints or legal actions are pending against him. Ask if he is covered by liability insurance should he damage your property or a neighbor's. And ask to see the insurance certificates instead of relying on oral assurances.

If the contractor has many jobs, yours may get scant attention. Ask how many other residential jobs he has and whether he is working on any big commercial projects.

We didn't ask, but should have. He had two commercial projects, with many more zeros in the bottom line than ours. Those jobs took priority, and the fatigued crew, working at far less than peak efficiency, often came to our place after working all night at another construction site.

"The biggest cause of problems is not having a contract, or not having a good contract," Mr. Keudel said. "You'd be amazed at some of the things we see." Homeowners often show up with a one-page document containing a brief statement, such as "remodel master bath" for a set price with virtually no details. "It's more like a proposal than a contract," he said.

At the very least, a contract should have a start date and a completion date (and a few interim dates for a big job), with a detailed description of the scope of work to be done by the contractor, Mr. Baker said. It should also state the conditions under which the homeowner can terminate the contract. If the project will cost more than a few thousand dollars, it's wise to have a lawyer review the contract -- our big failing.

Payment needs to be orchestrated carefully. "Legitimate contractors are entitled to a sizable down payment," Mr. Keudel said. "But you want to make sure that the money you're giving him is used for your particular project, not to pay the contractor's old debts."

Be wary if a contractor asks for one-third down before he's done any work. This can lead to a practice called spiking, in which a contractor's representative may get you to sign, collect his commission and then disappear.

For protection, you can establish an escrow account to hold your payments, which can be released in stages after the work is completed and has passed inspection. If a bank or other lender is providing the financing for the home renovation, it may insist on such an arrangement.

Sometimes the contractor fails to pay the subcontractors, like electricians and plumbers, who then demand payment from the owner. A contract can stipulate that if these workers are not paid, the homeowner has the right to pay them out of the contractor's money, Mr. Baker said.

Another common problem is for the contractor to run out of money or lose interest when the job is three-fourths done. "You need to make sure that you have enough reserves so that you can pay somebody else to finish the job -- if you need to," Mr. Baker said.

This is just what happened to us, and it's not clear whether the money we held in reserve will be enough.

Specify in advance who will obtain the building permits to avoid a misunderstanding. "If nobody gets the permits, you could be forced to tear the work out," Mr. Keudel said. "This may occur when a neighbor says, I don't like the looks of that, and picks up the phone to check with the local authorities."

Our architect got the building permit, but our contractor was responsible for arranging interim inspections. That worked fine until he left the job, and we had to set up the final inspection. When the electrical work failed to pass muster, we had to pay the electrical subcontractor for yet another visit.

Nail down who will oversee day-to-day work as well. At the start of our project, the contractor showed up with a pickaxe and helped with the demolition, saying he wanted a feel for what was going on.

After that, he would be scarce for days at a time. And the project dragged on and on because no one was

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supervising. One day the plumber showed up and promptly left because the carpenter had not yet done his part of the work. This curious tango of disappearing dancers was repeated countless times with a cast of electricians, masons, painters drywall installers and others.

As our architect later noted, a project is hard to save if no one is minding the store.

A big source of cost increases are change orders, which are extra charges for any deviation from the plan. "They are a cause for big misunderstandings and major cost overruns," Mr. Keudel said. One rule of thumb is to allow for at least a 10 percent increase for change orders.

Some change orders are unavoidable, say to remove pipes in a wall that wasn't supposed to have any, and are perfectly legitimate. Others are made by homeowners during construction as the blueprint comes to life. You might decide you want a closet where none was planned or a window in a room that turns out to be darker than anticipated.

Before requesting such changes, find out exactly how much they will cost. And get an estimate in writing.

"You might want to change a door placement," Mr. Baker said, "and ask yourself, how hard can it be to move that door 4 inches to the right? After instructing the contractor to move it, you might discover that it's \$800 hard."

Finally, ignoring problems, whether in timing or quality of work, is nothing more than an exercise in self-deception. We called a lawyer only after the completion date for our work had lapsed by months and the drainage problem became apparent. Had we acted earlier, the problems might be corrected by now.

"If it looks like trouble is brewing," Mr. Baker said, "you probably need to write some nasty letters."

Drawing

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