

How to Achieve a Positive Outcome for Your Rehab Project



"When I said it might sell faster if you put in a new driveway, I meant if you repaved the old one."

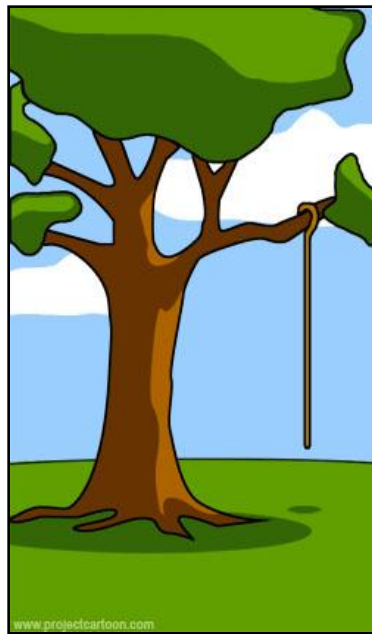
Avoid Costly Mistakes and Project Delays to Maximize your Return on Investment!

Communication + Budget + Schedule + Qualified Team = Successful Project

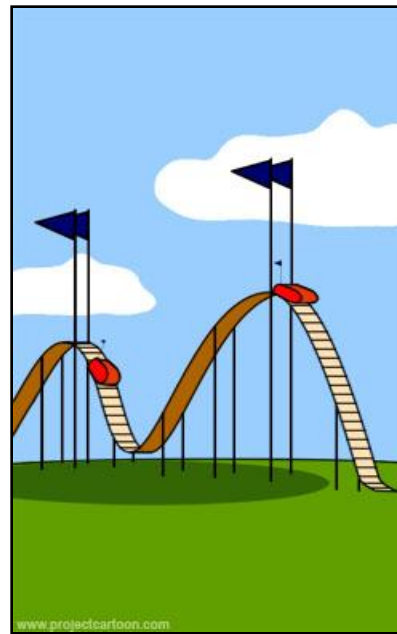
*What the Client
"Wanted"*



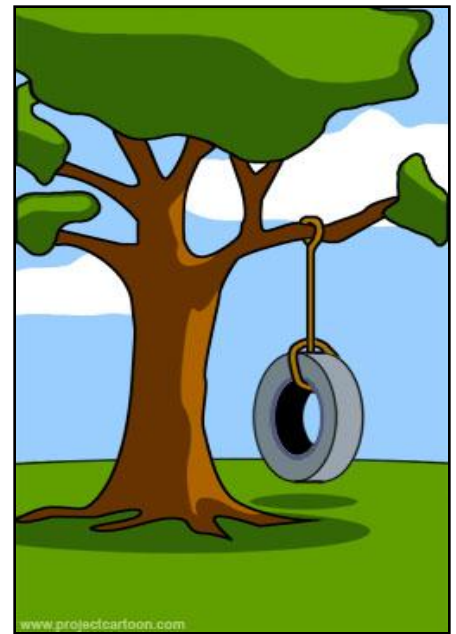
*How the Contractor
"Built it"*



*What the Client
"Paid for"*



*What the Client Really
"Needed"*



Have a Specific Outcome for your Project

- ❑ Before you purchase, know your exit strategy
 - ❑- Buy-hold for rental
 - ❑- Flip for profit
 - ❑- Wholesale to new buyer
 - ❑have a repair estimate and/or contract in place
- ❑ Establish an appropriate budget based on your exit strategy
 - ❑Are you maximizing your return on investment?
- ❑ Lock your budget in and don't spend a dime more!

Hiring a Reputable Contractor

- ❑ Only hire a licensed, bonded and insured contractor and sub contractors
- ❑ Go to www.cslb.ca.gov to check license status
- ❑ Certificate of Insurance - “Named Additional Insured” on their general liability policy
- ❑ Get a permit if the scope of work requires it. If unsure, check with Building Department.

Get Multiple References!

off the mark.com by Mark Parisi



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Essential Contract Documents

- Written Contractor/Sub Contractor Agreement
- Written Bid/Proposal from Contractor
- Payment or Draw Schedule- % of completion
- Project Timeline

Sub Contractor Agreement

- ❑ Use YOUR Agreement - he who writes the contract is in control
- ❑ “Performance Contract” - accountability with incentives
- ❑ Key contract provisions:
 - ❑ Detailed scope of work - Description of Materials. Know exactly upfront what is included and where
 - ❑ Contract price - fixed price contract with Owner contingency built in
 - ❑ Start date and completion date
 - “Time is of the essence”
 - Penalty for contractor delay - e.g. \$250 per day
 - Bonus incentive for completion ahead of schedule - e.g. \$200 per day up to max \$\$s.
 - ❑ Change orders - must be in writing and authorized by Owner

Key Contract provisions (cont.)

- ❑ Owner Inspections - weekly walk thru

- ❑ Termination of Contractor - 72 hours' written notice for failure to perform on contract or rectify any contractual deficiencies

- ❑ Warranty :
 - 1 year min. on all materials and labor
 - Latent defects - structural- 10 year warranty

- ❑ Completion - Definition
 - Owner's Final Inspection and Written Sign off
 - Building permit sign off and Certificate of Occupancy- if applicable

- ❑ Retention - hold back 5-10% of balance of funds until job is complete

Project Timeline

- ❑ Determine up front with Contractor exactly what work will be completed each week
- ❑ Create a project timeline - Microsoft Projects or Excel Spreadsheet
- ❑ Be realistic - not too generous
- ❑ Create a sense of “urgency” for your contractor
- ❑ “Time is of the Essence”
- ❑ **TIME = MONEY**

Project Timeline

Accepted by: _____
Date: _____

123 Main Street
Project Timeline

Task	duration	start date	End date	Milestones
Start Construction	63 days **	02/10/11	05/07/11	START
Demolition	3 days	02/10/11	02/11/11	
Framing and sealing studs	5 days	02/14/11	02/21/11	
Plumbing rough in	2 days	02/22/11	02/23/11	
Load roof trusses	2 days	02/24/11	02/25/11	
Roof Sheating	2 days	02/28/11	03/01/11	
Install doors/windows	2 days	03/02/11	03/03/11	
Gutter install and paint	2 days	03/02/11	03/03/11	
Finish Roof	1 day	03/04/11	03/04/11	
Plumbing Top out	2 days	03/04/11	03/07/11	
Rough Electrical	3 days	03/08/11	03/10/11	
HVAC rough in	2 days	03/11/11	03/14/11	
Stucco -lathe	1 day	03/15/11	03/15/11	
Pre-Frame Insp. Walk thru	1 day	03/16/11	03/16/11	WALK THRU
Frame Inspection	2 days	03/17/11	03/18/11	BLDG INSPECTION
Insulation	1 day	03/21/11	03/21/11	
Insulation Inspection	1 day	03/22/11	03/22/11	BLDG INSPECTION
Sheetrock - hang	2 days	03/23/11	03/24/11	
Sheetrock nail Inspection	1 day	03/25/11	03/25/11	BLDG INSPECTION
Sheetrock Tape and Texture	4 days	03/28/11	03/31/11	
Stucco - scratch coat/inspection	1 day	04/01/11	04/01/11	
Hang Interior doors	1 day	04/01/11	04/01/11	
cabinets	1 day	04/04/11	04/04/11	
Granite counters	2 days	04/05/11	04/06/11	
bath tub/shower pan	1 day	04/07/11	04/07/11	
tile -bath, fireplace	2 days	04/08/11	04/11/11	
Stucco - Brown coat	1 day	04/08/11	04/08/11	
Fireplace mantel/shelves	2 days	04/12/11	04/13/11	
Base and trim	2 days	04/14/11	04/15/11	
Interior Painting	4 days	04/18/11	04/21/11	
Stucco- Color Coat	1 day	04/13/11	04/13/11	
Plumbing Finish	2 days	04/22/11	04/25/11	
HVAC finish	1 day	04/21/11	04/21/11	
Mirrors and shower doors	1 day	04/26/11	04/26/11	
Electrical Finish	2 days	04/27/11	04/28/11	
Wood Floors	1 day	04/29/11	04/29/11	
Carpet	1 day	05/02/11	05/02/11	
Pre-final walk thru	1 day	05/03/11	05/03/11	
Punch list items	3 days	05/04/11	05/06/11	
Deck Repair and stain	2 days	04/25/11	04/26/11	
Landscaping	4 days	04/27/11	05/03/11	
Insurance Walk Thru	1 day	05/02/11	05/02/11	INSURANCE WALK THRU
Building Final Inspection	1 days	05/07/11	05/07/11	FINAL BLDG INSPECTION
Certificate of Occupany	1 days	05/07/11	05/07/11	CERT. OF OCCUPANCY

Payment Schedule

- ❑ Cost Breakdown - line item categories
- ❑ Draw schedule based on percentage of completion for each line item
- ❑ Weekly draws/payments to Contractor after walk thru sign-off
- ❑ Resolve any issues, change orders, corrections BEFORE payment
- ❑ Contractor may ask for up to 10% in advance to start job
- ❑ Deposit for materials - up to 50% of cost
 - ❑ Two party check or write the check to the supplier
- ❑ Get lien releases from subcontractors and/or suppliers BEFORE final payment

A successful Outcome?

- ❑ Communication - oral and written
- ❑ Budget - accurate, realistic, don't deviate
- ❑ Schedule - accountability plus incentives
- ❑ Qualified team - continue to build on and improve strengths of your team



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