

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.”

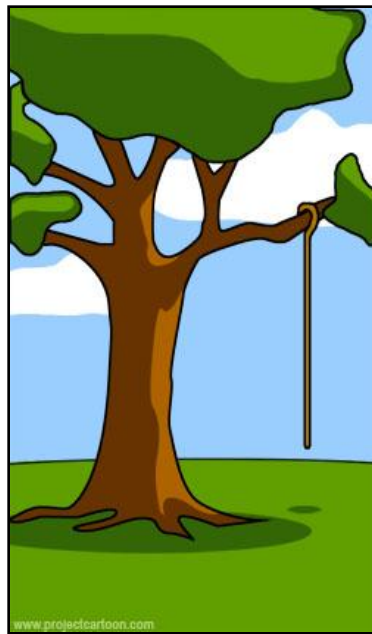
Avoid Costly Mistakes and Project Delays to Maximize your Return on Investment!

Communication + Budget + Schedule + Qualified Team = Successful Project

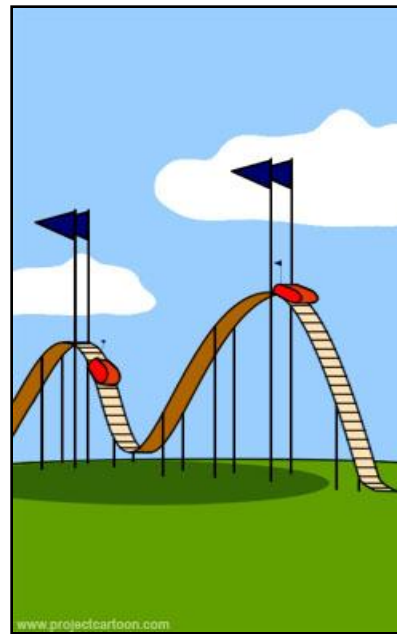
*What the Client
"Wanted"*



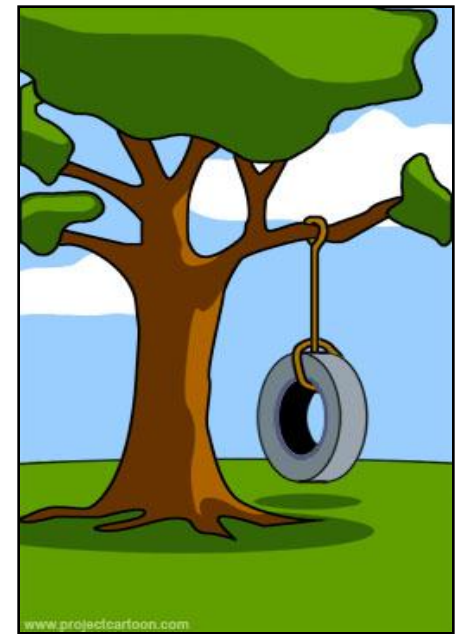
*How the Contractor
"Built it"*



*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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