
WORKING WITH OWNER LABOR

Owners can contribute useful work if you treat them like subs

by Peter VanderTuin



This two-story cape was built in a resort area in southern Vermont for less than \$60,000. Although owner labor was used to keep the house affordable, professionals did the more difficult work, such as laying and finishing the oak flooring in the dining room.

I build low-cost single-family homes on the Mt. Snow valley of southern Vermont. Since 1977, I have been involved in the construction of about 60 homes, both as a sole proprietor and as a founder and partner in a workers' cooperative. I presently work with one other carpenter to erect the equivalent of four homes in a nine-month building season each year. In 90 percent of these cases, we use some amount of owner labor to help keep costs down. These homes are custom designed and stick-built, and they are all contracted by clients, before start, in a \$55,000 to \$65,000 price range (not including land). Almost all projects are funded by the Farmers Home Administration (FmHA) or the Vermont Housing Finance Agency (VHFA): To qualify for these programs, total house and land value may not exceed \$80,000. I have never built a "spec" house, or dealt with a real estate agent, developer, or middleperson.

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To give you an idea of what I build, I recently completed a 1,200 square-foot, two-story cape for \$59,500. It measured 28x30 feet, and included full basement, three bedrooms, two baths, kitchen, dining and living rooms. First-floor ceilings were exposed structural oak beams covered with V-match 2x6-inch spruce decking. Walls and second-floor ceilings were gypsum. We covered the 14x16-foot dining-room floor with strip oak and all other floors with high-end carpet or vinyl. Factory oak cabinets were installed in the kitchen and baths and covered with laminate tops. Cedar clapboard went on the exterior and fiberglass shingles on top. Sitework included a 200-foot well allowance, \$4,000 septic allowance, and a 100-foot driveway (this particular house already had sewer and water on site, so the owners received a \$5,600 estimate credit).

My clients are required to provide labor (I supply materials) for all finish raking, seeding, mulching, and landscaping

work, and for all painting, staining, sanding, and sealing of finishes inside and out. Since some clients are more capable than others, we try to be flexible with the scope of their work. Those who are elderly or handicapped either find friends or relatives to help, or have subs built into their contract cost. We have allowed some clients to insulate, side, or roof, but then we make it our responsibility to check their job for quality control. Since it's our name that goes on the house we feel it's important to keep the quality up to our

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standards. We haven't experienced any major problems with this approach. In fact, out of the 40 houses we've built this way in the last four or five years, we've had problems with only two or three houses—and that was early on. Basically, we learned from our early mistakes to carefully rate the owners' capabilities, to restrict the types of work they could contribute, and to anticipate the kinds of problems that come up with this type of arrangement. To control quality, we sub out the more difficult work or do it ourselves. We generally sub out roofing and floor finishing, for example. We do much of the trim sanding ourselves.

I treat working clients just like subs; their work is scheduled from the start, and they must meet deadlines and quality standards. I avoid conflicts between hired subs and working clients; I try to keep them out of each others' way. I don't schedule a painter or sub-contractor if the client is going to perform that work himself. All painting, staining, and sealing is greatly simplified because we have materials delivered early, and we sort, rough-cut, and the owner finishes prior to installation. Final touch-up is usually done by the client after occupancy. The oft-heard rule of business is especially critical here; you are not going to pull any of this off without maintaining an excellent relationship with your customer.

The homes I build are very energy efficient: A project completed earlier this summer earned the highest rating available from "Energy Rated Homes of Vermont," an energy rating service recognized by local lenders. Besides the obvious benefit of increased comfort, there are financial benefits: immediately, in terms of easier credit terms from participating banks, and over the long term, in lower utility bills.

Start Out Right

Because I use owner labor in most of my homes (except those with buyers who are physically unable), it's even more important than usual to have good and clear communications, right from the start.

The building process begins with a one-hour meeting with a prospective client. The client gives me a quick description of the house he or she wants (often similar to one of mine they have seen), and I do a fast, on-the-spot, 40-category estimate to see if we are within the price range. If the client does not yet own land, I postpone all



Modest proportions dominate this 1,200 square-foot cape recently completed by the author and his client, but an open plan and lots of natural light prevent a crowded feeling.

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further design and monetary discussion until a site is found. Site acquisition is the single major obstacle for me in building low-cost housing; over 60 percent of my contacts disappear at this point. Competition for lots that will perc is fierce and land values have been driven sky-high by out-of-state second-home buyers. Typical costs for lots in this area (one to two acres) are \$20,000 to \$30,000, but after a long and arduous search my clients generally find a lot for \$12,000.

My involvement with land purchase is strictly limited to site feasibility reviews with the client. I offer no financing, but I have worked enough with FmHA and VHFA to be able to provide considerable advice on those programs.

If and when the client returns with land deed in hand, we meet twice more to design the house and prepare the package for the lender. After re-designs and spec adjustments to meet the price ceiling, I provide the client and lender with a contract proposal, payment schedule, house specs, floorplans, elevations, cross-section, a window-door schedule, and a 50- to 60-item estimate breakdown.

Being An "Affordable Builder"

A typical \$65,000 house provides me with \$5,000 profit. My labor costs are \$9,000 (I pay my carpenter at market rate). The question begs as to whether this could be done on a large scale; it worked for a workers co-op I belonged to. As to whether it would work for a large conventional firm, I would hazard a qualified "yes." The pros and cons should balance out; the higher cost of overhead, management, and the inevitable waste of time and material would be offset by dealing in volume for materials and subs, and by the benefits of mass production. Again, efficient production, competent people

(including capable owner labor), and sound business practices would be crucial to success. But to assure success with jobs using owner labor, we have found that it's important to consider each job separately, and to evaluate carefully all aspects of a given project.

There are some strange ironies involved in being a successful "affordable" builder. Not only do I have no competition, but many people think I am a fool for selling homes at half their market value in a resort area. I tend to beat clients away from my door, I have never advertised, and my business name has no phone listing. I have never joined the traditional business/development world of Realtors, bankers, and chamber-of-commerce members. My homes consistently appraise for far more than the allowable VHFA ceiling (something I probably shouldn't advertise in print). Let me warn anyone who wants to try it: you have to carefully screen your customers to weed out potential speculators.

Why do I do it? Well, it isn't just my personal version of the Peace Corp. I make a respectable living for this region: \$35,000 net. My highly efficient approach allows me to average a reasonable 42-hour work week. But I am tremendously challenged, and I derive a great deal of satisfaction from building a quality product for a neglected clientele.

My total cost outlay at this stage runs \$500 to \$800 (a \$24/hr for consultation) and I lose fewer than 10 percent of the clients who make it this far. Jobs are run on a six- or seven-payment basis; generally I receive payment from the lender within seven days of submission of my last billing. Changes and extras are all documented by change orders and must be paid for by the time the house is complete. Clients and lenders are usually very easy to deal with (my wife might disagree); the client's appreciation of a "good deal" translates into a trusting, hands-off attitude, and lenders have seen enough of my work to eliminate inspection and payment hassles.

Bringing It in on a Budget

Obviously, I need help bringing one of these houses in on this budget at 1988 prices: First, using owner labor

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results in a \$5,000 to \$8,000 savings off the conventional cost. Additional savings come from the fact that I have cultivated long-term loyalties with subs and suppliers. (I've had the same plumber since 1976). Although I've never asked them to, they seem to set their sights lower to accommodate a worthy idea, and charge a lower rate. I also save by using a highly efficient two-person approach—I totally identified with the two fanatical framers described in the April 1988 article "How Two Guys, in Two Weeks, Build Custom Shells."

The fact that houses of equal value consistently sell for twice the price in the same town makes it pretty clear that I have made a strong ethical commitment to my work. We don't sacrifice quality, but I believe that the economics of what I do have become more important than the physical end product. Our houses do not have the costly amenities (such as hot tubs) that many builders now regularly throw into the pot. Yet our houses have a lot of character, and won't be confused with tract houses. We offer affordable simplicity. Finally, I don't believe that owner labor alone, or the efforts of individual builders, is going to solve the problem of affordability. The future of low-cost housing remains bleak unless the dilemma of dwindling land availability is addressed by state and local regulatory involvement and the implementation of such alternative growth controls as developer taxes, PUDs, clustered housing, and land trust neighborhoods. ■

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