A REMODELER TAKES ON New Construction

Avoid these seven pitfalls when taking on new construction for the first time

by Paul Winans

As a teenager learning construction, I worked for a builder who did both remodeling and new construction. The crew were skilled in a variety of tasks and did quality work, but the company was never as successful as it could have been had the contractor concentrated on one type of construction or the other. Years later, after my wife and I started our own general contracting company, we faced the same dilemma — to preserve the success we had achieved working exclusively as a remodeling company or risk expanding into new construction.

It's easy to see the common threads that run through these two types of work. Both use many of the same technologies and products, although remodeling is easier to get into, because the projects can be small. New construction is not constrained by an existing structure, but it lacks the built-in point of reference remodeling enjoys.

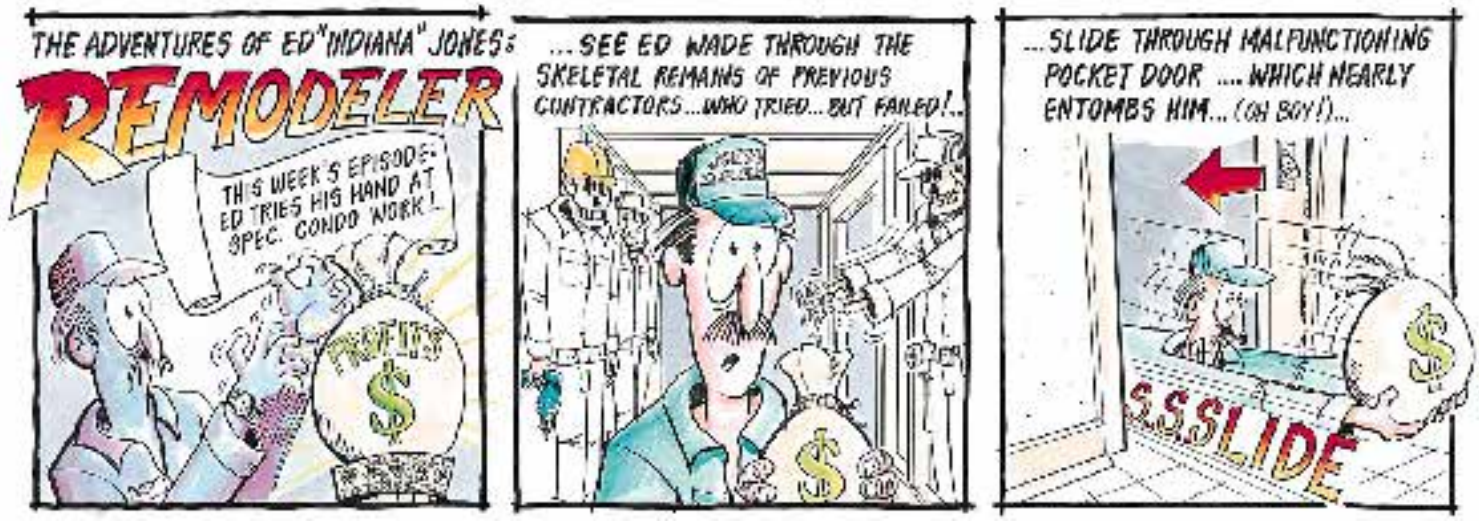
After making a successful transition from remodeling to new construction, however, it's obvious to me that there is also one big difference between them: New construction is riskier. Over the years, my experience has taught me that limiting and managing that risk is the key to success. Here are some of the more important lessons I learned along the way.

Unfamiliar Territory

For several years in the mid- to late 1970s, I did side jobs as a carpenter before becoming a full-time remodeler. The San Francisco Bay Area at that time was filled with people who wanted to try new things and take chances, and I enjoyed the people I worked for and the variety of projects I was faced with. In 1978, a happy remodeling client referred me to a new construction project for a couple I'll call Tom and Mary.

Tom and Mary had hired an architect who designed "deconstructed" buildings. By "deconstructed," I mean a building whose structure was not always covered by finishes (but, as I found out, was still expensive to finish). I had never built a new house before, but I figured it was worth the risk, because I had always wanted to expand my business to new construction. The clients and the architect were decent people, and I thought the job would be a dream come true.

Forming the foundation adjusted my dream to reality. I had never done so much concrete work before. I designed a foundation forming system that kept all wood out of the footing and allowed me to pour the foundation wall and footing together. Unfortunately, I built and braced both sides of the forms before realizing that I hadn't installed the reinforcing steel. I worked 14 days straight,



leaning into the 3-foot-deep forms to tie about a mile of steel, and going way over my cost and time estimate.

Lesson #1: Hire others to do what you don't know how to do. The foundation turned out remarkably well considering it was my first, but it would have been done better and with less risk to my company if I had hired an experienced concrete sub. Plus, I would have been able to run the project with less stress. Being a slow learner, this was not the last time I tried to do concrete work on such a large scale, but each time, I would have been better off if I had subbed it out.

What's missing? After the foundation, everything went well until the final inspection, when the building inspector couldn't find any "combustion air" ducts in the heating system. He explained that to keep the "free" air in the house from being burned, the building code required high and low air ducts running from the furnace to the exterior. It was a fine time to learn this, and I couldn't help wondering why the inspector hadn't brought it up during the rough inspection when it would have been much easier to deal with. What kept running through my mind was that the HVAC was in a closet far from the exterior wall, and that all the finishes were in place. After much head-scratching with the architect, we came up with a way to build an unobtrusive ducting soffit. Needless to say, we did the extra work for free.

Lesson #2: If you've never done it before, plan on missing something. In preparing my estimate for Tom and Mary's job, I tried to anticipate all the costs. The combustion air experience pointed out, however, the need to incorporate a contingency. Even though new construction is supposedly more predictable than remodeling, I've learned that you can't anticipate everything. My new construction estimates now include a contingency of between 2.5% and 5% of direct costs, depending on what I can sell my client.

Sub Supervision

In 1986, we built a home for an architect and her husband, Ellen and Bill. Ellen's dad, Ed, was the construction manager. Ed had helped all of his children build their own homes, and he knew how to get things done as efficiently as possible. If material was needed in a hurry, for example, Ed saved construction time by picking it up in his Pinto. (It turns out that a whole house can be delivered with a Pinto.)

I contracted to provide the labor for the foundation and the rough structure. Ed, in conjunction with Ellen and Bill, supplied all the materials and secured all the subcontracts. Ed worked hard at getting as many bids as possible for every phase of the project. He used his considerable experience to sign on subs and suppliers who could provide a reasonable product at a reasonable price.

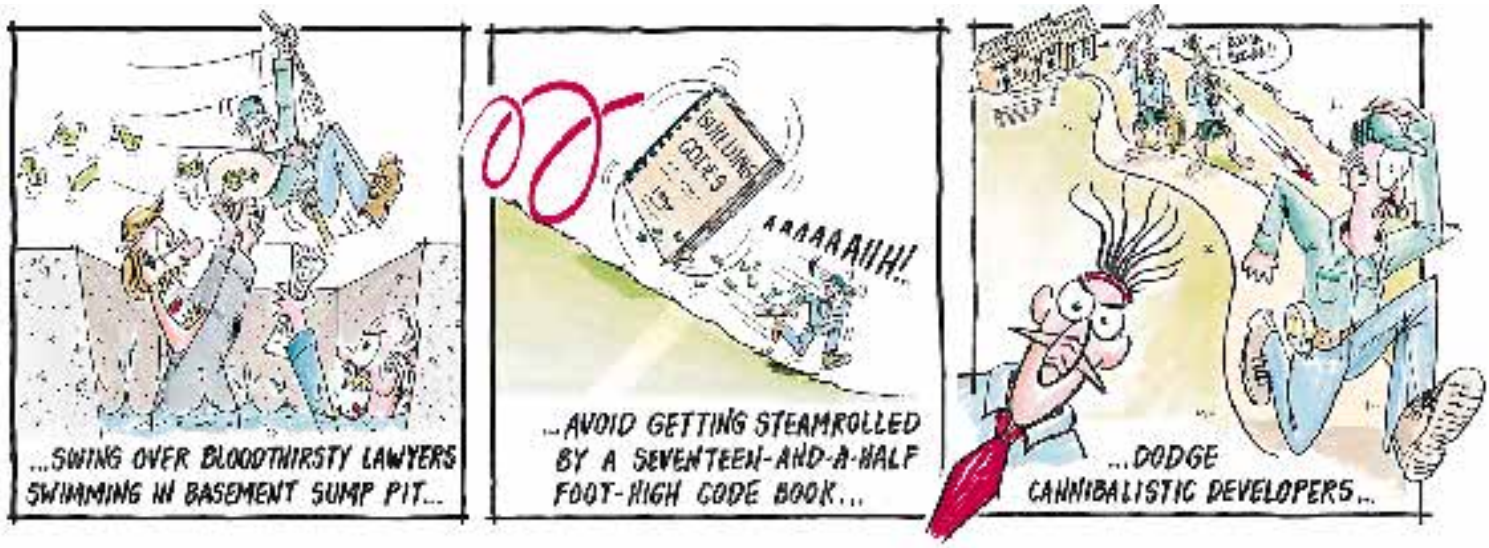
Lesson #3: Shop all bids. Working with Ed taught me how important it was to bid the work seriously. By carefully comparing sub's bids, he was able to lower costs without risking the "health" of the project. This was different from the comfortable approach I was familiar with in our remodeling work, where I worked regularly with a proven team of subs.

Lesson #4: Supervise so it gets done right the first time. I also saw that to work successfully with many new subs required an exceptional amount of supervision time on the part of the general contractor, or the equivalent of Ed. "Subbing it all out" worked only because Ed was around the job a lot. When Ed wasn't picking up supplies in his Pinto, he was at the job answering questions and making sure the subs were there and doing the job right the first time. I call the technique he used "managing by walking around." His availability made it more likely that the problems that are an inevitable part of new working relationships could be identified and resolved as soon as possible.

I recommend that you include four hours per day for coordination and supervision on a detail-oriented custom home. Based on our new construction experiences, we also include two hours per day supervision time for our remodeling projects.

Regulations Rule

In 1988, we contracted to build a new home for a couple we knew from a previous commercial job. The commercial remodel had gone very well; the new house went differently. For starters, the realtor who sold the property to our client also sold it to another party. That took a while to settle. In the meantime,



Developing a Company Memory

We continually use the knowledge we gain doing new construction to run our remodeling work more profitably. Many of the lessons we learned while making the transition from a company that did strictly remodeling to one that also did new construction have been distilled into templates and paper forms that our project managers use regularly in the course of their work. Here is a description of some of the most important forms we use.

Subcontractor Bid Solicitation Form. This form allows us to make apples-to-apples comparisons of bids.

Subcontractor Bid Sheet. We use this form to record all of the subs and suppliers who have been invited to bid on a project, as well as the status of their involvement.

Subcontractor Expectations List. This no-nonsense list spells out what we expect from our subs. It covers everything from liability and workers comp insurance to job-site dress codes.

Checklist of Checklists. We developed a series of checklists to monitor the work of our subs. The Checklist of Checklists enables our own project manager to obtain a complete set of the forms needed for any given project.

Inspection checklists. These seven individual inspection forms are used on every job. They include foundation, backfill, insulation, framing, drywall, finish, and final.

Meeting Notes. Our experience has taught us that a project is more likely to go well if communication is good. To avoid misunderstandings, we hold a weekly meeting with the client and architect throughout the entire project. Our project manager uses a standard form to document the minutes of the meeting; afterwards, we clean up the notes with a word processor and mail or fax them to everyone involved.

—P. W.

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Meeting Notes

Job Name: _____ Job Address: _____
Prepared By: _____ Date of Meeting: _____
Attended By: _____ Location of Meeting: _____
_____ Date Notes Published: _____

Agenda Item: _____
Discussion: _____

Resolution/Further Action: _____

Agenda Item: _____
Discussion: _____

Resolution/Further Action: _____

Agenda Item: _____
Discussion: _____

Resolution/Further Action: _____

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The Inspection Prior to Backfill checklist (right) is one of seven standard forms the author's company uses to manage new construction projects. The Meeting Notes form (above) is filled out by the job supervisor during weekly meetings with the client. A summary is prepared using a word processor, then faxed or mailed to all involved parties.

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Inspection Prior to Backfill

READ BEFORE DOING WORK

Job Name: _____
Job Address: _____
_____
Job Supervisor: _____
Date: _____

Initial

____ Foundation honeycomb, if any, patched and sealed watertight
____ Tie broken off and all tie holes filled with black plastic cement
____ Seam between foundation and footing sealed watertight
____ Foundation waterproofing complete according to quality standards
____ Footing drains installed properly according to plans where appropriate
____ All debris and garbage removed from trenches
____ Check drainage of slabs
____ Check floor drains:
☐ Location
☐ Elevation
____ Other _____
_____
____ Other _____
_____
____ Other _____
_____

_____
Signature

____ Read next checklist before beginning next phase.

the contract and cost negotiations grew long and arduous. The attitude of the owners was different now that we were doing new construction.

When we were about half done with the demolition of the existing house, a building inspector ordered us to stop because someone had filed an appeal. San Francisco had just passed a new measure severely limiting demolition of residential property, and this was the first building to be demolished under the new law. After waiting weeks to get on the calendar of the permit appeals board, all the commissioners visited the site. They determined that the appellant had a history of filing frivolous appeals and had never even seen the building. The commissioners allowed the demolition to proceed.

By the time we started the foundation it was the rainy season. It rained so much that the excavating equipment got stuck. And then things got worse.

Lesson #5: Check the regulations. One of the risks in remodeling is not knowing what lies behind a wall or under a slab, but in new construction there are more regulatory pitfalls. I recommend that you visit your local building department and ask them point blank, "What am I going to learn later that I will wish I'd known before I started?" This question might seem a bit too cute, but it is exactly what you are trying to find out. You can also save yourself a lot of grief by speaking to the inspector for your area. Be courteous and engaging, but find out what his or her "hot buttons" are. Finally, review the inspection documents to see if there is an appeal period, then do the math carefully: We began demolition 17 calendar days after the permit was issued, but the requirement was for 15 *business* days. Be clear and be careful.

Lesson #6: Don't misread your client's motivation. I believed that because we had worked well together once, the house project would go even more smoothly. But there were major differences between a commercial remodel and new house construction. For instance, this time we were spending the clients' money, not their business's money. Plus, the house was a statement about them personally, where the previous work had been simply an office build-out.

Who's On First?

In 1989, a first-time developer named Ted asked us to build six detached townhouses on two adjoining lots. These were to be built as two groups of three, the goal being to achieve economies in construction costs and time.

While we had never built multiple units, we had successfully rehabbed condo complexes built by others. That work included correcting waterproofing details, rebuilding improperly constructed decks, and in many cases simply completing unfinished work. This experience, plus the belief that we were good builders who could succeed where other builders had failed, convinced us to take the job.

Ted was not easy to work for. He had very definite ideas about what our contractor's fees should be, for instance, and even though he had never built a project before, he felt he knew a lot about the process. He began to bring his own subcontractors and suppliers into the project, and he insisted on having control over many aspects of the work. He even began to take an active hand in day-to-day management of the project. At times I wondered why we were even involved.

Lesson #7: Control of the project is essential. From this experience we learned to work only with people who will give us the ability to control the project. In the years that followed, this insight has saved our company a lot of grief.

Be sure to have a contract that clearly defines who is responsible for what. The clearer you and your client are in establishing expectations, the more likely it is that the project will succeed. We've also learned to document all our communications, not only while the project is underway, but before it starts.

Some of the warning signs to look for include a client who can't take time during the week to meet, a customer who uses a different contractor for every project, or a client who has incomplete plans that they do not want to pay to have finished.

Success at Last

Ironically, our most successful new construction projects grew out of a terrible tragedy. On the weekend of October 20, 1991, 2,700 houses in the Berkeley Hills section of Oakland were turned into charred ground in a firestorm that burned for more than two days. People's lives were turned upside down, and among the many challenges they faced in the aftermath was deciding whether or not to rebuild. Stories of disappointment and misplaced expectations were common over the next few years for many of the firestorm victims. They were faced with arduous insurance negotiations, nonperforming architects and contractors, and builders who had never built a new home before or who came into the area simply to take advantage of the situation.

Between 1992 and 1995, we built four detailed custom homes using three different architects and subcontracting everything except for project management and some finish carpentry. All of the clients were wonderful people to work with and they are all pleased with the work we did. During that period, we tracked our new construction and remodeling work as two separate profit centers so that we could have an accurate idea of how each branch of our small company was performing. Both made money.

The success of the four Oakland Hills projects represented the culmination of all our years of experience. Our system, boiled down over time to a set of forms and processes (see "Developing a Company Memory"), enabled us to have two custom homes underway at once, while maintaining the production schedules and exceptional quality levels. And both our remodeling clients and our new construction clients feel well cared for throughout the entire building experience.

Paul Winans *and his wife,* ***Nina****, both NARI Certified Remodelers (CR), own and operate Winans Construction in Oakland, Calif.*