



“Experience the Difference”

BUILDING SUCCESS 101

Q: How are allowances structured?

A: An allowance assigns a budget to choices that still haven't been made at the time of contract signing. One example is the homeowners who need time to decide what cabinets they want but don't want to hold up the start date. The allowance would set a deadline for the selection and define the budget for those cabinets. A good allowance takes into account the homeowner's tastes as well as the value of the home and the other products they have selected.



Forward to Friend

Change Management

Post-contract changes need not be a problem, but they absolutely need a well thought-through process

Professionals who build fantastic homes for satisfied customers share some important traits. Two of these are an obsession with details and with clearly communicating those details to the homeowners. Great builders are great communicators, and part of being a great communicator is documenting every part of the job.

It takes a lot of work to craft detailed construction documents, but that work pays off by showing the homeowners exactly what they're getting and by helping the builder understand exactly what the homeowners want. They keep everyone working from the same set of expectations and ensure a smoother, more enjoyable build process.

Critical documents include the contract, the plans and the specs. They also include change orders.

The usual definition of a change order is anything that alters the scope, schedule, or cost of the work after the homeowner has signed the final contract. Professional builders strive to minimize these by supporting clients to make product selections before work starts, and by writing detailed specs (product descriptions) for the homeowners to review and approve.

But while this effort can minimize changes, it can't eliminate all of them. The building inspector may require a heavier (and more expensive) beam for that big wall opening; the excavator may encounter unforeseen ledge (bedrock) that requires blasting; the homeowners may decide after the drywall has been installed that they *really* want an additional window.

Such changes need to be carefully managed. That's where good change order documents earns their keep.

Know What You're Getting

It's hard to overstate the importance of detail here. Vague change orders are notorious for generating bad feelings; lots of homeowners have complained about contractors who

present them with a bill for extra work they either didn't know about or didn't think was going to raise costs.

To be fair, most of these contractors don't intentionally mislead homeowners; they simply lack the needed management and communication skills. Take the example of homeowners who want a different master bathroom tile than the one originally specified. If the contractor orders the tile but doesn't tally the cost until after installation, if it adds an extra \$500 the homeowners may feel like they've been gouged, even if that wasn't the intent.

The professionally managed company doesn't make such mistakes. It quantifies the cost of that tile, as well as its effect on the project timetable, presents the numbers to the homeowners on a standard change order form, and doesn't order the tile until the homeowners have signed off on it.

Most professional builders also add an administrative fee to change orders. This covers the time required for staff to research products and prices, complete the paperwork, and call subcontractors to determine the effect on the schedule. If, for instance, that new tile will take an extra two weeks to get, the builder's staff will have to work with the plumber on rescheduling the toilet installation. If the homeowner cancels the change after the contractor's staff has done this work, in most cases they will still have to pay the administrative fee.

By the way, misunderstandings about products and specs can arise on even the best-managed job with the most detailed documentation. Fortunately, these are usually minor. The homeowners may have expected three coats of exterior paint on that new siding when industry standards call for two, or perhaps they assumed a tile baseboard in the bath, even though it wasn't in the specs. The sheer number of products and decisions that go into a custom home make it impossible to foresee every detail.

These issues are easily resolved if there's mutual trust between the homeowner and the builder, which is why it's so important to hire a trustworthy pro in the first place. And one trait of such a pro is great communication systems.

Warm Regards,

Todd

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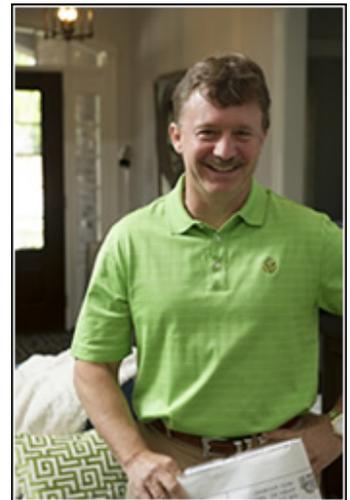
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