

Close Enough For Gov't Work

by Michael Lennon



The high cost of land in most metropolitan areas is making the no-frills starter home go the way of the six-ounce Coke. More and more, affordable housing in metro areas will mean "fixer-uppers," in many cases subsidized by a governmental agency.

A number of subsidized rehab programs use private-sector contractors to do repair work for the owner/occupants of rundown houses. The owners qualify for grants or low-interest loans because of their low-income status.

My personal experience with these programs comes from consulting with cities, writing their guidelines and specifications, and conducting seminars on the topic. I found that most contractors who got involved with public-sector rehab were in for a number of surprises.

Several factors set these grant and loan programs apart from normal remodeling work. First, the contractors and homeowners were not used to dealing with each other. The contractors were used to clients more familiar with paperwork, specifications, and change orders. The homeowners, on the other hand, were mostly do-it-yourselfers, or were used to hiring amateur help. Consequently, many problems arose in the areas of administration and communications.

New Wiring or New Kitchen?

The bureaucrats who administered these programs often took a rigid "code-enforcement" approach to the loan and grant funds. They wanted to concentrate on expensive but relatively invisible things such as total house rewiring, lead paint, or asbestos removal. When the owner/occupants

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realized that they weren't going to get their remodeling dreams fulfilled due to these other priorities, their enthusiasm for the projects cooled considerably.

Adding to the misunderstanding was the fact that these homeowners were not used to paying the rates charged by professional tradespeople with skilled workers and overhead. Conse-

quently, they had false expectations about what their money could buy. Thinking the contractor was making a huge profit, they often tried to extract some of the things they originally wanted from the contractor—such as central air conditioning, a new range, or wall-to-wall carpeting. One person wanted a new color tv—by withholding payment or approvals. This soured the relationship quickly.

Too Many Cooks

Signing the original contract did not necessarily mean that the owners of the homes understood or accepted what was specified. They were, in a sense, sold the job by the government representative, called a "rehab specialist." Even after signing and accepting contracts, some owners were convinced that they would still be able to get more work out of the contractors.

With the involvement of the rehab specialist, there were almost always three parties to the contract, rather than the usual two. And the rehab specialist—bound by strict compliance rules—often had more to say about the particulars of the job than the owner did. This often set up resentment on the part of the owners who were prone to express this resentment by making the completion of the job more difficult. For example, people would withhold payments and would

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come up with all sorts of excuses. On many items, however, the specs were often vague, and left the door open to misunderstandings that ranged from the comic to the tragic. In one case, the interior door selection was not pinned down and the job progressed through the framing stage. The contractor lost his lunch when the owner selected pocket doors. In another case, the contract read "brick to match." Naturally the bricks were close but not perfect. The owner sued and won a judgement to remove and redo it. Finally, there was the owner who selected the bath hardware to be—you guessed it—gold. When there are three parties to a contract, the communications are more difficult and so the opportunities for failure are multiplied.

Inexperience All Round

Many of the third-party administrators and renovation specialists were young, poorly paid, and inexperienced in remodeling work. Some were idealistic and naive and did not understand that contractors must make a profit on a job. Also, few could tear themselves away from the temptation of low bids, resulting in many contracts written with inexperienced contractors. The inexperience and low bids left many jobs underfunded when problems arose, as they nearly always do in remodeling jobs. At this point, the rehab specialist

would look to the contractor to absorb the cost of "contingencies" and bail out the job. The contractor now realized just how low his bid truly was. Some of the tradesmen were more experienced in new construction than remodeling. These workers were prone to frustration and impatience with the slower and more tedious nature of renovation work, particularly when the houses were occupied. Likewise, the quality standards were often different than what they were used to.

Finally, many of the participating contractors and tradesmen had certain feelings about this kind of "freebie" program. Some took the rundown neighborhood environment as a signal that a lower quality of work would do. This sentiment quickly generated negative energy between the tradespeople and the owners. Often the result was that the execution of work and payment for it became a battle of wills.

Advice for Contractors

Contractors considering this type of work should contemplate the following before getting involved:

- Check out the program to make sure you can make a profit (and will be allowed to). Review past successful contracts and visit the sites to see what level of workmanship is expected. Make sure you know how the unexpected expense items will be handled.
- Always have a pre-construction conference with the homeowners and the rehab specialist present. Always ask if there are any other expectations that are not down in writing. Tape-record the conference and take Polaroid photos of the inside and outside portions of the house that will likely be affected by the work. Do a room-by-room pre-construction punch list to document existing defects and problems, and get the owners to sign the list. Make sure everyone knows that changes will be put in writing, must be signed, and will add to cost.
- Find out from the appropriate code authorities what they expect regarding health and safety issues such as: lead paint, lead plumbing, asbestos, ureaformaldehyde insulation, aluminum branch wiring.
- Meet the code officials to find out how flexible they will be in general, since most code issues are subject to their interpretation.
- Don't begin work without owner selections being made, and do not accept selections that are not in stock locally.
- Check out your spec writing skills. Pin down the choices to a specific date and time in the contract. Limit any open selections to those that fit with existing work or selections. Write "matching-type" specs with the words "to match closely from locally available materials." ■

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