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Remodeler Beware

The best tool for any home improvement is an ironclad contract.



RICK MEYER/Los Angeles Times

Belle Mason secured a 10-page contract when her bedroom and bathroom were remodeled.

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SPECIAL TO THE TIMES

At best, remodeling is disruptive, expensive and trying.

At worst, as Mitchell Ackerman and his wife, Lenni Conrad, discovered, it can be a horror story. It began when they decided to redo a small master bathroom in their Tarzana home. No problem, they thought.

They hired Home Depot's EXPO Design Center in Monrovia last year as their general contractor, but the company didn't even start the job for six months. Ackerman recalled it was "then the circus really began."

It was 9:30 at night before materials were delivered. The tile subcontractors changed their clothes in the frontyard, used brown grout instead of white and splashed an outdoor deck. The plumber installed the hot and cold faucets backward.

The bathroom was finally finished 14 months later—and only after threats of a lawsuit. Ackerman had hired EXPO Design Center because he owned stock in Home Depot

and figured the company would offer the best service for the cheapest price. But, he said, "they didn't hire the most skilled people."

An EXPO Design Center spokeswoman, Melissa Watkins, said the company does extensive checks on potential subcontractors, including criminal-record, credit, license and insurance checks. "We should have done a better job in [Ackerman's] case. But it's an imperfect process. And we did ultimately fix the problems."

To avoid such nightmares, homeowners must know and demand their contractual rights.

Some 26,000 complaints were made against contractors last year, according to the Contractors State License Board, which licenses and regulates about 278,000 contractors in the California construction industry. Further investigation resulted in 2,360 citations, 587 license suspensions and 702 license revocations. The most common complaints were poor workmanship, job abandonment and contract violations.

An iron-clad contract may be the homeowner's best protection. Attorney Belle Mason learned this when the fireplace in her

West L.A. home cracked after the 1994 Northridge earthquake. She hired a general contractor to replace the fireplace with windows, and had him do other remodeling projects without asking for a detailed contract.

"All we had was a one-page proposal," she said. Mason lost a lawsuit when her contractor sued her for payment on the extra work, which hadn't been properly documented.

Mason went to a detailed 10-page contract on her next remodel, which stipulated that any additional projects and materials required written "change orders" signed by both parties.

The project was done by **Bill Simone**, owner of **Custom Design & Construction** in Los Angeles, whom she hired last August to redesign her bedroom, bathroom and dressing room. Their agreement included the cost and a detailed description of all materials used.

"Most people spend more time planning a one-week vacation than they do a major remodel they have to live with for years," said **Simone**, also the author of "**Six Secrets to Successful Remodeling: The Report Fly-by-Night Contractors Hope You Never Read.**"

A contract should specify a start and end date for the project, said license board spokeswoman Tracey Weatherby. It should also include a payment schedule outlining the down payment and when fees will be paid.

When comparing job estimates, if one contractor makes an unusually low bid (more than 20% below other proposals), it's often a warning that the contractor will cut corners, either by using cheap materials or abandoning the job partway through—after collecting the deposit.

According to California law, the down payment cannot be more than 10% of the entire project, or \$1,000, whichever is less. Payments are usually made in 10% to 15% increments or at such stages as framing or plumbing, when an inspection is required.

"If a contractor wants a payment of 40% or more after the first stage," said John Johnston, owner of All-Pro Remodeling in Orange, "his motivation won't be as strong to finish."

Ackerman found that out the hard way. Although his contract did not require it, he paid the entire \$13,000 for his bathroom remodel up front.

"I thought they would treat me better if I prepaid," he said. "Instead, the project dragged on, and I had no recourse because I had already paid." Homeowners should hold 5% to 10% of the payment until after a final walk-through with the contractor, advised Alan Hanbury Jr.,

head of the National Assn. of Home Builders Remodelers Council.

Homeowners should check for such last-minute work as touch-up painting, not relying on building inspectors—whose job is to focus on safety and structural integrity—to point out cosmetic details.

At completion, suggested **Simone**, owners should obtain a written lien waiver, a legal document proving payment.

Without this waiver, subcontractors or suppliers could claim they hadn't been paid by the general contractor; and owners could be forced to pay twice or risk losing their homes.

Contractors generally offer two types of payment options.

A "time and materials" agreement requires payment for actual labor and materials used, plus 10% to 50% for overhead and profit. This

arrangement might work for small remodeling jobs, but larger projects could cost far more than expected. Contractors might also use this to cover costs if they bid too low.

A more customer-friendly "fixed sum" agreement requires the contractor to perform the work for one lump sum, assuming all responsibility for completing the job. **Simone** said the contract should describe materials, colors, brands, sizes and model numbers in a detailed list.

One alternative offered by some contractors is called an allowance or overall budget.

Hanbury warned homeowners to be careful about allowances. "This is where contractors delude a client by deliberately offering a low bid and then buying cheap materials."

Homeowners need to be aware, too, of the pitfalls of the permit process.

"A reputable contractor will pull permits for every job," **Simone** said. "If you obtain the permits yourself, the liability rests on your shoulders if anything is not up to code."

Elaina Ballew and her husband wanted to get the permit themselves when they knocked out a wall to enlarge a bathroom in their Burbank home. But a city building inspector told them the contractor should do it because of the complicated rebuilding involved. Ballew said: "I now know this was for our protection."

Further safeguards in contracts include warranties and such provisions for dispute resolution as mediation or binding arbitration; lawsuits can be expensive to both parties.

Mason can attest to that: The lawsuit with her contractor lasted 31/2 years and cost her \$14,000.

Determining If a Contractor Is Qualified

Many homeowners choose a contractor based on price alone, but hiring a contractor and getting an estimate are two separate tasks.

Here are some tips for choosing and working with a contractor:

■ **Investigate the contractor's reputation and credentials first.**

Find out the status of a contractor's license by contacting the Contractors State License Board at (800) 321-2752 or <http://www.cslb.ca.gov>. All businesses or individuals who construct or alter a building in California must be licensed if the project costs \$500 or more. Licensed contractors must pass a comprehensive exam and have at least four years of experience. You can also check for

complaints against a contractor by contacting the Better Business Bureau.

■ **Ask for client references—and contact them.**

"People think that if a contractor is willing to give references, that's good enough," said **Bill Simone**, contractor, author and chairman of the Southern California chapter of the National Assn. of Home Builders Remodelers Council, a trade organization.

Talking with a former client and visiting a finished job is the best way to gain information about a contractor's workmanship and professionalism.

■ **Check for professional affiliations.**

The American Homeowners Foundation, a nonprofit consumer group, recommended

hiring a contractor who belongs to a trade organization such as the National Assn. of the Remodeling Industry or the Remodelers Council.

■ **Find out if the contractor has both workers' compensation and general liability insurance.**

The board requires licensed contractors to carry workers' compensation insurance (unless they have no employees), but not general liability. If a contractor doesn't have liability insurance, you could be held financially responsible if anything is damaged or anyone is injured on your property.

—Karen Lindell

Assistance With Complaints and Contracts

Organizations

American Homeowners Foundation, (800) 489-7776, <http://www.homeorganizer.com>

Offers a six-page sample remodeling contract (\$7.95).

Better Business Bureau, (909) 835-6077, <http://www.bbbsouthland.org>

Call or visit the Web site to check for complaints made against a contractor. Free on the Web; \$3.75 per company by phone.

Contractors State License Board, (800) 321-CSLB (2752), <http://www.cslb.ca.gov>

Call or visit the Web site to check a contractor's license or to make a complaint about a contractor (free).

The board also offers a 15-minute video, "Doing It Right: Hiring a Licensed Contractor,"

which is available at public libraries and some video stores.

National Assn. of Home Builders Remodelers Council, (800) 368-5242, <http://www.nahb.com>

National Assn. of the Remodeling Industry, (847) 298-9200, <http://www.nari.org>

These industry trade organizations make referrals to local members, and their Web sites feature remodeling tips.

Publications

"Interior Home Improvement Costs and Exterior Home Improvement Costs" (R.S. Means Co., 2000; \$19.95 each), (800) 334-3509

Each book includes estimated costs for more than 60 home-improvement projects, broken down by labor and materials costs, plus tables to

adjust costs to a particular location.

"Six Secrets to Successful Remodeling," by **Bill Simone**, (800) 853-1391. Free 17-page booklet written by a contractor.

Web Site

Remodeling Corner
<http://www.remodelingcorner.com>

Site sponsored by the United Homeowners Assn., Smart Consumer Services and the Home Improvement Lenders Assn. offers numerous articles with pro-consumer remodeling advice.

—Karen Lindell

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