

How to Avoid Home Improvement Nightmares

Tips for Wealthy Texas Homeowners on Finding the Ideal Professional Contractor

Unscrupulous or unprofessional contractors can break the hearts and budgets of the unwary homeowner, and the wealthy are particularly vulnerable. Hiring unqualified contractors can put more than just your project investment at risk...you can become a target for lawsuits. In Texas, where home improvement contractors are not required to be licensed, anyone with a pickup truck and a set of tools can call themselves “home improvement specialists.” However, that doesn’t mean they are qualified to work on your home—and worse, you’re gambling with increased liability exposure. How does the homeowner with a substantial home investment protect himself and his assets?

When seeking home renovation companies, “due diligence” can seem challenging. A print advertisement doesn’t tell you whether a contractor is competent or trustworthy. You can’t even be sure of the word-of-mouth recommendation, especially when shopping price. What seems like a bargain can turn into a nightmare when contractors abandon jobs or cause serious damage that must be repaired. Unfortunately, many people find this out the hard way.

In such an unprofessional environment, where can homeowners go to find skilled, professional contractors that provide a consistently high-level of service? Is there a way to screen home improvement contractors to eliminate those more likely to cause problems?

Fortunately, finding highly qualified and competent home remodeling professionals doesn’t have to be a roll of the dice. This paper outlines the steps you need to take to protect your home and investment, and provides industry-specific tips for finding the best contractor for your needs.

Today’s Trends Driving Home Improvement Risk

Several industry and economic trends have contributed to the headaches experienced by homeowners seeking renovation contractors. Two of the largest factors in South Texas have been the

rough economy and the fact that Texas doesn't require home improvement contractors to be licensed.



The economy has driven many skilled tradesmen into self-employment, but many are ill equipped to run a business, translating into higher home improvement business failures that leave customers at risk

With the housing market in a shambles from recession, many builders were forced to lay off workers, move to other areas or shut their doors completely. Since licensing isn't required, many of these out-of-work crew members set up their own home improvement businesses. For homeowners looking to remodel, this increase in the number of available contractors might seem like a benefit. However, many of these "new" contractors have little or no experience running a business. Consequently, a large percentage of them fail.

According to the Bureau of Labor Statistics, the failure rate of all contractors is highest in the first few years.¹ A high failure rate increases risk for the homeowner. At the very least, they have a greater likelihood of choosing a contractor that may not be around to honor warranties. At worst, they can become victims of ineptitude or even fraud.

Another trend that influences the South Texas market is increased regulation. Wind code building requirements for each district are set by municipalities, and any renovation work must be permitted and comply with those regulations. Siding, roofing, covered patios and window installation must meet these codes, which vary depending on proximity to the coast. If the correct permits are not obtained to document wind code compliance, storm damage claims involving those improvements will not be paid by the homeowner's insurance company.

The EPA also recently mandated that contractors must become certified by a government-approved trainer² in lead testing and removal before working on homes built prior to 1978. However, the government has been slow to train enough firms in government-approved techniques for handling lead-contaminated materials. This leaves many contractors unqualified to work on homes where risk of lead contamination is high (over 40% of the current market), which can result in fines or legal action against the homeowner.

These economic and industry market trends have created situations where the homeowner is more vulnerable than ever before. He is much more likely to encounter unprofessionalism, poor workmanship or bad business practices in this environment, which often translates into increased risk exposure and much higher costs.

¹ <http://www.bls.gov>

² S. Power; The Wall Street Journal; Rule on Lead Dust Sets off Scramble; March 2010

Challenges in Home Improvement

There are four major problems that affluent homeowners face when dealing with contractors for renovations and improvements:

Many homeowners find it difficult to screen home improvement contractors due to lack of knowledge regarding industry standards and best practices

1. Lack of Screening Criteria

Perhaps you're the CEO of a large company, a successful attorney, or an entrepreneur juggling several small businesses. When you've reached this level of success, you understand professionalism and seek it from your employees, colleagues and vendors. Naturally, you would like to see it in the people you hire around your home as well.



Locating a quality home improvement contractor can be a frustrating experience

However, this is often difficult to find in the construction trades—especially in home improvement—which traditionally leads to a high dissatisfaction rate.

Unlike professional service industries, such as accounting and insurance, there really isn't an internal regulatory body in the home improvement industry that sets standards for best practices. There are no certification tests to pass—no professional education requirements—which makes finding a company with experience and business acumen a challenge. However, by refining the screening process, homeowners can avoid common pitfalls in comparing and selecting contractors.

Most homeowners don't want to be their own project manager. Unfortunately, when coordination and communication becomes a problem, that's exactly what happens

2. Poor Communication, Coordination and Execution

A 2007 survey conducted by the Consumer Protection Board of the State of New York³ found that 76% of homeowners surveyed reported they had a dispute with their contractor, and 66% required intervention. Often when disputes are analyzed, the root cause is poor communication and execution.

Inexperienced or unprofessional contractors don't usually offer a high level of communication with the homeowner. It's often difficult to obtain daily updates (or any updates) to find out when the workmen will be there, or how the project is progressing. Inexperienced or unprofessional contractors don't usually offer a high level of communication with the homeowner. It's often difficult to obtain daily updates (or any updates) to find out when the workmen will be there, or how the project is progressing.

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State of NY, Consumer Protection Board; 2007 Home Improvement Initiative Survey

If you are at the office or away from home, not being able to communicate with the contractor leaves you with a high level of uncertainty. Who is at the house now? What did they get done? Will there be a mess when you get home? How do you know they did any work at all?

Poor communication often leads to sloppy coordination. No one seems to know what is happening next, when the next phase will be started, or when and where materials will be delivered.

In addition, poorly coordinated work results in inconsistency and an unsafe work environment. The work site may not be kept clean, and cluttered passage ways may be unsafe for family members.

Most homeowners don't want to be their own project manager. Unfortunately, when coordination and communication becomes a problem, that's exactly what happens. This leads to mistrust, dissatisfaction and in many cases, legal disputes.

3. Contractors Who Walk Off the Job

Unfortunately, contractors walk away from jobs all too often in home renovation. This is especially true in high-end renovations. Why? The biggest reason is inexperience. Less experienced contractors who take on jobs beyond their capacity may make mistakes that compound until they find themselves in over their heads. Rather than absorbing the costs of re-doing the work, they disappear.

In almost every case the homeowner loses all recourse and is faced with finding another contractor to finish the job. Even worse, when the workmanship is badly done it has to be removed before the project can be completed—adding considerable time and expense. Below are two examples of this problem faced by Houston area homeowners:

Home addition

A contractor was hired by a homeowner to put a small addition on the back of the home. He poured the foundation and began framing the structure, then abandoned the project. Not only did the homeowner lose his original deposit, but a second contractor was hired to fix the problem. The original foundation was not sufficient and could not be used. All work by the first contractor had to be removed, adding thousands of dollars to the finished project.

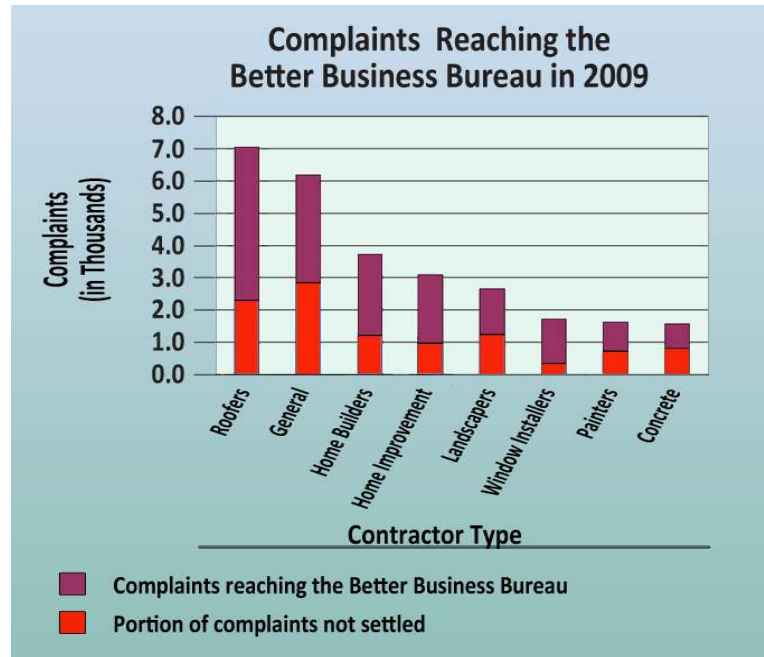
HardiPlank® siding

The owner of a historic house hired a contractor to install HardiPlank® fiber cement siding. Most of the siding was applied slightly “out of square” due to improper starting measurements. The homeowner did not notice this mistake

Inexperienced contractors can get in over their heads on a complex job—costing the property owner much more than he bargained for

until the project was almost complete. After already paying close to \$30,000 for the job, a second contractor had to be hired to remove the original material and start over, incurring an additional cost of \$60,000.

The above examples illustrate how costly it can be to hire an inexperienced, ill-equipped contractor. Many small contractors do not have the financial wherewithal to guarantee large jobs. When there's a problem, the homeowner is left having to track the contractor down or complain to the Better Business Bureau to attempt to get his money back. This often ends unhappily. The chart below shows the number of complaints made to the Bureau in 2009 across several home improvement sectors. Between 30 and 50 percent of these cases were not resolved.



4. Lack of Knowledge

In addition to the problems above, homeowners can also become victims simply through lack of knowledge; for example, not understanding the importance of liability insurance. They are at greater risk of exposure if their contractor:

- Has less than \$1 million in coverage
- Does not name the homeowner as “additional insured”
- Does not have Workman’s Compensation insurance

While many savvy homeowners ask contractors if they carry liability insurance (and may even ask to see the policy), few take it a step further and insist on being listed as an “additional insured” on the



policy. Many assume their homeowner's policy will protect them, but it may not in some cases. Also, if workmen get hurt on the homeowner's property and the contractor is not covered by Workman's Compensation Insurance, the homeowner can be sued. Most homeowner liability policies have inadequate medical coverage to address this.

Zoning permits often become a trouble spot for homeowners unfamiliar with their municipality's requirements

Another source of contractor-homeowner conflict is zoning. Knowing what construction permits are required for a district's zoning regulations is ultimately the property owner's responsibility. This also applies to the community homeowner's association regulations. Some contractors will offer to secure permits—others won't—but as with insurance, many people run into unexpected trouble in this area.

Fortunately all of the major challenges South Texas homeowners face in contracting out home improvement projects can be addressed early on. By educating yourself on what you need to protect against, it can be easier to find an ideal contractor—one who offers a high level of detail across all aspects of your relationship.

What Does the Ideal Home Improvement Contractor Look Like?

By asking for proof of systemization and documentation, homeowners can avoid the pitfalls associated with choosing a qualified contractor

From quoting a job to managing a project and following up on warranty issues, the ideal home improvement professional acts as a "comprehensive solution contractor," and has systems in place to cover every detail.

These systems often include:

- A digitized customer relationship management system
- Documented training systems for employees and subcontractors
- Written procedures for sales calls, customer communication, job execution and quality control

Also, a well-established contractor will have an informative, professional-looking website that is simple to navigate and easy to use.

Looking for evidence of a high level of systemization and training will narrow your search considerably. Companies that are serious about providing exemplary service will offer this information freely. Such a company demonstrates a higher degree of organization and will likely provide a superior renovation process.

How the Process Should Work

The following is a scenario of how an ideal renovation project should be carried out.

Sales presentation: After an appointment is made, the sales representative calls on the homeowner promptly and is prepared with a book of detail and style samples, a laptop computer and a printer. The representative answers all questions regarding the company background, goes over options available and price guarantees, takes accurate measurements and inputs the measurements to the company software. A multi-page, detailed bid is provided and gone over in detail with the homeowner, and a contract is left with them in anticipation of their decision.

Pre-construction meeting: Within 24 hours of the homeowner calling the representative and sending in the contract, he receives a call from the office to schedule a pre-construction meeting. This meeting should include the sales representative, construction manager and team leaders of the project. Every detail of the contract is explained to the homeowner's satisfaction and defined in stages with start and finish dates.

Construction phase: Project starts on the committed start date, and daily update phone calls and emails are sent from the construction manager to the homeowner. These communications outline all conversations with the homeowner and include detailed explanations of all work completed and any problems encountered—as well as crew arrival and departure times. Rain dates should also be communicated, so the homeowner is aware of when the construction crew will not be at the residence.



Final walk-through: After conclusion of the project, the office staff calls to schedule a final walk-through. This meeting is similar to the pre-construction meeting, and all parties are present. The contract is gone over in detail with a checklist for completion and quality control. Any quality control problems are addressed immediately.

Documentation: At the final walk-through, a professional folder is given to the homeowner containing all quotes, contracts, invoices and manufacturers warranties. These are gone over with the homeowner

in detail. Also included are special instructions on what to do should a problem arise, including contact phone numbers and emails.

Benefits of Using a Comprehensive Solution Contractor:

Detailed, daily communication with the homeowner is perhaps one of the biggest benefits of selecting a comprehensive contractor

The benefits of doing business with a professionally-run company with years of home renovation experience and expertise cannot be overstated. For busy, professional homeowners with a substantial investment, it can mean a world of difference. Here are just a few of the benefits this level of professionalism provides:

- **Relieves stress:** Knowing that your contractor insists on a high level of detail in every aspect of the project gives you peace of mind and builds a level of trust—and trust is essential in any business relationship. You can go about your day comfortably, without worrying about the job.
- **Better communication keeps you in the loop:** Detail-oriented businesspeople know the value of communication—and respect your time and your investment. Using a contractor who has documented systems in place on which all employees and sub-contractors are trained keeps you on top of your project when you're at home, at the office, or away on vacation. When everyone's on the same page, there are few surprises, loose ends or unforeseen scheduling problems.
- **Gives you a voice:** A professional contractor invites your input at each level, and your initial sales person stays in touch with you throughout the project. Active collaboration sets expectations at a very high level and increases your comfort with the entire process.
- **Saves time:** A high level of communication and attention to detail relieves the owner of having to supervise the job, and allows him to spend his time the way he wants to spend it.
- **Highest value for investment:** Saving money isn't just about getting the lowest initial bid—it's about getting the job done right while eliminating potential collateral damage issues. Hiring a comprehensive solution contractor gives you more confidence that your work will be done correctly, and will enhance the value of your home.

What to Look for in a Solution Provider

Now that we've reviewed what the ideal contractor and process should look like, here is a list of criteria you can use in selecting the company most likely to deliver the best value:

Looking past the lowest bid and using a quality check-list when seeking a contractor will protect your investment and add value (rather than additional costs) to your home improvement project

Look for a contractor that has been in business at least 10 years under the same business name: Be wary of contractors who give you a cumulative total by adding up the years of experience of their team—rather than years in business. A company that has been in business at least 10 years, has created procedures and processes, and has a healthy profile is more likely to be around for warranty issues.

Experience with work similar to your project: Ask for examples of projects that are as close to yours as possible. How many projects like yours do they complete a year?

Choose a contractor with hundreds of references: Nobody wants to be a guinea pig. A contractor with the level of experience you require should have several hundred references or more—ranging from photos to drive-by examples and written testimonials. A contractor with documented procedures and systems is more likely to have these references at their fingertips and will be more than willing to offer them to you.

Look for a contractor who obtains all necessary permits: Seek a contractor familiar with getting project permits successfully passed within the local city or various municipal zones. Make sure they are familiar with your particular permit requirements.

Seek a bonded contractor with at least \$1 million in liability insurance coverage: Many contractors short-cut this to avoid costs. However, if policy limits are too low—insurance companies will not defend the claim. Also, make sure you are listed as “additional insured” for the duration of the project, and the contractor has Workman's Compensation Insurance to further protect you from liability.

Check BBB listings: The best contractors have a BBB listing of A or A+. The BBB has specific guidelines and deadlines for responding to complaints and for offering solutions. This rating indicates that the contractor strives to resolve issues.

Look for contractors with a written construction and communication process: Contractors should be willing and able to show you written documentation of their processes and communication.

Does the contractor have written warranty documentation? If they don't—avoid them. You should know in advance if they are prepared to handle any issues that could come up.

The All-Tex Services Advantage



All-Tex Services, LLC is a home renovation company with a 19-year history in Texas, serving over 10,000 customers in the Greater Houston, Austin and San Antonio areas. A full-service and licensed comprehensive solution contractor, All-Tex is one of the largest installers of HardiPlank® siding in the nation. Widely recognized in the state of Texas for premium service in providing end-to-end solutions in all areas of home improvement, All-Tex meets all the criteria outlined in this paper.

All-Tex Services has thousands of repeat customers and referrals—a testament to their standing in the community and exemplary customer service. The majority of their clients are successful business owners themselves, and appreciate the company's attention to detail in providing a home remodeling solution ideally tailored to their needs.

An "A+" rated member of the Better Business Bureau and active in local and national trade associations, All-Tex is committed to improving the home improvement industry, starting at the grass-roots level.

To help educate homeowners on what to look for when seeking a contractor, All-Tex has designed a series of Quality Contractor Checklists. No matter what type of home contractor you're looking for, these checklists can narrow your search, and make it easier to avoid potential problems. Visit www.AllTexServices.com to view their selection, or give them a call at **877-525-5839**.

All-Tex Services, LLC
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