

How to Choose the Right Builder to Build Your New Home

Probably the most important choice you'll make during the planning stage of building your new home is the choice of your builder. For a period of time ranging from 6 months to a year you will be working with your builder as closely as you do with many of your co-workers at your job. But few co-workers have the ability to affect your future happiness, comfort and finances as much as your builder will. So it would be difficult to overestimate the importance of this early decision.

That being said, let's look at some suggestions I have for you based on years of experience in the industry and dealing with literally hundreds of builders and their clients. First I'll suggest a process for making the right choice, and then I'll give you some specifics to help you make the process work.

THE PROCESS:

1. Make a long list of potential builders.
2. Narrow the list to a short list of 3 potential builders.
3. Ask for a detailed bid for building your new home.
4. Make a decision.

STEP-BY-STEP SPECIFICS:

1. Make your long list of potential builders.
Do some homework. Get names of local builders from advertisements and signs at construction sites. Ask family and friends who have built within the last few years for their recommendations. Then go to each builder's website or ask for a company brochure or portfolio to see how that builder presents his business. Also, most builders have a reputation in the community for being high-end or low-end builders in terms of both quality and price. Check out their reputations. Eliminate any builders that you believe is not a good fit for whatever reason. Only list the ones that you would seriously consider for building the home you're going to live in. This should get you a long list of 6 to 10 names of builders you might consider.
2. Narrow the field to 3 potential builders.
 - A) Call each builder on your long list for an appointment. And if you call and leave a message take note of how long it takes to get a call back. If a businessman does not return a call within 24-48 hours he is either so busy he doesn't need the work or he's just not interested enough in his business. Now

- don't be unreasonable. Builders have families and weekend plans just like you. But if you don't get a call back within 48 hours or the next business day following a weekend, mark that builder off the list.
- B) When you meet, it should only be for a short time to make introductions and to get some initial, but very important information. Ask the builder for names, addresses and telephone numbers of several people he has built for- one whose home is under construction now, one who's just moved in and one who has been in their home for 2 or 3 years. If a builder cannot or will not give you names and numbers, mark that builder off the list. And remember, after you're in your new home, be willing to talk to other prospective homeowners to give a reference for your builder (positive or negative).
- C) Now it's time to go to work. Drive past each of the homes the builder refers you too. Do they look like the quality of home you're looking for? Walk through at least one he is currently building. See if, in your opinion, the site looks like it is the worksite of a group of professionals. If the site is strewn with trash and gives the impression that those who work there are not concerned with safety or quality of work, mark that builder off the list too. Then be sure to talk to each of the references each builder gives you. Ask them how that builder was to work with. Where there any problems with getting in touch when needed? Where there quality issues? Cost overruns? Long delays without explanation? Did problems appear after a year or two? And did the builder correct problems as a matter of professionalism and personal pride, or did he have to be threatened before taking action? Most importantly, does the builder do what he says he will do?

If you perform this due diligence at this point, you'll never be sorry. Avoid the temptation to cut corners. Don't fail to make the necessary calls and visits. You may spend a number of hours over several weeks to narrow your list to 3 builders. But the 3 left on your short list should all be builders you can trust equally and that you feel you can work with closely and comfortably. Once you get to this point, it's time for the builders to get to work

3. Ask for a detailed bid for building your new home.

One reason I asked you to narrow your list to only 3 potential builders is for your own sanity. There will be so many variables to consider in your final decision that it would be almost impossible to make a fair comparison between more than 3. The other reason is that creating a reliable bid takes a lot of work for numerous people. Since only one builder will get the job, it's a bit unfair to ask ten different builders to spend all the time required just to give you a bid.

Ok, don't tell me you didn't expect this. Here's where I tell you that you must have a complete set of plans to get the process started. A builder cannot give

*you an accurate and reliable bid using a guess based on an estimated square footage. And a plan sketched on a napkin while you drink coffee just before going to meet the builder is not any better. The shape of the house, the contour and pitch of the roof, the number of windows and cabinets and many other factors can drastically affect the cost of construction. If a builder can give you a price and wants you to sign a contract without seeing a complete plan and taking time to make a detailed estimate of construction cost, you probably better go see another builder. And of course you want the best plan and the best value. And you need go no further. Search our website or contact us about a custom plan at **BETTER BY DESIGN LLC** because **'We plan to make your dream home a reality!'***

Now that the commercial is finished, let's get back to the point. You'll **almost certainly** have to meet with each builder at this point. It will kind of be like he's interviewing you to find out what type of construction you want and the kinds of finishes and fixtures you would like him to bid. The builder will likely have his subcontractors look at your plans and give him bids for their part of the work. Then the builder adds in all his labor and all the materials, etc., including his intended profit. If done correctly, he'll build your house on paper and you should receive a bid listing what each element of the construction will cost. Many builders will list the floor coverings, fixtures and finishes they recommend in their bid along with the cost for each. This is called the 'allowance.' Once you've chosen your builder, you'll go to his suppliers and choose the actual floor coverings, cabinets, and fixtures, etc. If you choose something different than what he has allowed, there will be a change order and the cost to build will go up or down accordingly.

You should allow at least 2 weeks for the builders to get back to you with a final bid. In some cases they may need even longer to get a quote on materials or labor from their subcontractors. The more complex the home, the more work and time is involved. So even 3-4 weeks is a realistic time to wait.

4. **Make a decision.**

Now that you have bids from all 3 builders on your short list the ball is back in your court. Now it's time to make comparisons, interview the individuals and make your choice of builders. So here are my suggestions on how to proceed:

A) First compare the bids at a glance. You may notice big differences. If one bid is highly detailed and another is only a couple of lines, go back and ask for more information. Tell the builder what specific information is missing from his bid and that you will need that information if you are going to consider his company to build your new home. Let him know that the other bids included this information and that you must have it to make a fair comparison and choice. For example, if the other bids have line item prices for bath fixtures

and one bid has none, then ask for the information you need. Without complete information you cannot make a reasonable decision. If a builder simply will not give you the information you need, you may need to drop him from your short list and ask another builder for a competitive bid. Once you have three bids that are comparable it's time to get down to specifics.

- B) Take a look at the bottom lines of each competitive bid. The bottom line price should not be the deciding factor, but it's a good place to begin comparisons. Most builders will give you a 'cost plus' bid. That means that they will show you what each element of the construction costs them. Then at the bottom they will add their profit as a percentage of the costs. If there is a large difference between your bids check their profit first. One builder might be using an 18% markup while another builder uses 12%. If this is the case, talk to the builders to find out how they arrived at their markup. And there may be room for negotiation.

You may notice a big difference in certain line items. For example, one builder may just assume you will use standard bath fixtures. But another builder may have asked you and found that you are expecting brass fixtures. This could create a significant difference in the bids. And there are dozens of items where this same scenario could play out. So it is partly your responsibility to be sure you give all the builders the same information.

Next I recommend you make a chart with three columns. At the top of each column write the total bid each builder gave you. Then compare each element of construction individually. For instance, one builder lists his cost for a certain brand and grade of windows for your home to be \$7000. Another builder lists \$4500 and the third \$7300. This could be that 2 builders asked you about the size and style of windows you want, and the other just assumed you wanted the smallest and cheapest. So you gotta be willing to do your homework on this. Get online and go look at the window manufacturer's websites to see what the differences are. Then make notes in each column to remind yourself what the plusses and minuses are. Do this for each element of the construction- cabinets, bath fixtures, flooring, roof material, copper or synthetic plumbing, deck material, and so on, and so on, and so on. Yeah, it's a big job. But you should be aware of what elements will make up the new home you're going to live in. And you owe it to yourself to make a fair comparison between the builders. You may need to go back to the builder that assumed what you wanted and tell him to update his bid.

Now you have to look at the chart you've made and decide which home will best fit your needs and your budget. At this point you may have a feel for which builder is giving you the best deal. But don't just go sign a contract. You have more work to do!

- C) Your next job is to have another meeting with each of the 3 builders you are considering. This is your final interview with them. You'll want to cover all of the following points as well as any you think of on your own.
- First ask about anything you still need to know about the bid for comparison.
 - Ask about his policy for change orders.
 - Ask how long it usually takes for him to call you back if you need to talk to him. (You too must make yourself available to him so you do not hold up construction. You MUST work as a team!)
 - Ask each builder for the names and contact information for several of his main subcontractors. Then follow up by calling them to get a recommendation as well as to make certain they are acceptable subcontractors for your job. If a sub tells you the builder schedules work but doesn't have the jobsite ready, that might indicate a lack of good management skills. And a builder having bad credit with subs will almost surely cause delays and possibly liens being placed on your property. This is unacceptable.
- D) And finally it's time to weigh your options and decide. If you've completed your due diligence, there is probably a nearly obvious choice at this point. That is not to say that one builder will stick out as a good builder and the other two will seem bad in some respect. It is only to say that when you learn so much about a person, his company and his style of doing business, one of them will just seem to fit. Price and workmanship are very important. But personality, communication skills and availability are of equal importance. Remember, you MUST work as a team to successfully build a good quality home without huge cost overruns and long delays. So don't leave those personal traits out of your decision process.

Well, that's about all I can do for you. The work and the decision is all yours! I wish you all the best as you go through this exciting and sometimes stressful process.

Bob Linnert, Owner

Better By Design LLC

Just one more thing. *If you already know you're going to use a certain builder, please don't ask other builders to bid the job just so you can use their bid to*

apply pressure to your chosen builder hoping he'll lower his price. And if you intend to act as your own general contractor, don't ask for bids from builders just to get the names and prices of their subcontractors. These things are not acceptable business practices. You expect your builder to deal with you with honesty and integrity. You should be willing to do the same. And if you're considering being your own general contractor please read my article, 'The Seven Most Common Mistakes People Make When Building a House.' Believe me, you're fooling yourself if you think you will save money that way!