

MELTON TOOLBOX

Priced for Problems: How low-bid pricing can derail your project



Getting a fair price from a remodeler for your project is important. But what if the price you get seems almost too good to be true? A remodeling industry expert once observed that *"remodeling horror stories often start with a great price."* Why is that? Unlike purchasing mass-produced, brand-name products, which are identical to each other regardless of the price you pay, comparing the pricing of one remodeling firm to another is rarely the best indicator of the value you'll receive.

PRICING FACTORS

Products

There are many factors that affect the remodeler's costs when pricing a project. In order to present you with a lower price, they can estimate based on using a lower quality lumber, cabinets, flooring, windows, doors, plumbing fixtures and other materials. You won't know this until a few years after the project is finished and things start to warp, fade, crack, jam, leak, or squeak. They can skim on things like the thickness of the sub flooring, the actual amount of insulation they use, or the quality of the light fixtures they use. They can use "allowances" for products you will need to pick out after you sign the contract that are based on the lowest cost products in line with the quality of your home or the quality you are expecting the remodeler to provide. When you select the type of product you expected to be covered you could find out that the allowance only covers a small part of what you select and you will need to pay extra for what you thought was already included in the price.

Craftsmanship

Highly skilled carpenters, project managers, and specialty tradesmen command higher salaries than those with lesser skills. A well trained and coordinated production team works better and runs your jobs smoother than a crew that uses low cost, inexperienced labor. A project that is run smoothly, on-budget, and on-time requires more time, skill, planning, effort, and cost than low-priced remodelers allow for.

Nothing about any of the above practices are illegal, but they can affect the price of any given project by 30%, 50%, or sometimes much more. Of course without quality materials, skilled craftsmen, and professional project management, a remodeling project can become a nightmare. So can a project where the remodeler so under-prices the project that they can't finish it and you're stuck with a half-finished project.

Insurance

Some remodelers go even further to cut costs. They don't carry workers comp insurance on their workers, meaning you can be responsible for medical expenses should their workers be injured on your job. They may not carry general liability insurance, or they may 'save you money' by not pulling a permit or getting inspections. If they take these illegal shortcuts, they may take other short cuts when constructing your project. Some remodelers may suggest you take out the permit in your name so you will save money. True, you might save some money, but the person whose name is on the permit is legally and financially responsible for the project and it meeting code. Your remodeler knows this, but likely won't tell you. Do you want the responsibility? Or do you want the remodeler to be responsible for their work?

When comparing construction contracts, a low priced contract could look very similar to a reasonably and honestly priced contract. On the surface, they may both describe the same project, but as you now know, the devil can be in the details.