



## Budgeting for a Remodel

First of all, forget what you've heard on HGTV and DIY networks. Typically, those TV shows give *material* costs for a project (in other words, do-it-yourself pricing). To get a realistic idea of the investment you would need to make with a professional remodeler, look at *Remodeling Magazine's* "Cost vs. Value Report". The magazine surveys real estate agents and ethical contractors in 80 U.S. cities, including Providence, to compile the data for 33 popular remodeling projects. An easy way to find it is to go to my educational web site [www.RenovationHorror.com](http://www.RenovationHorror.com) and click on the Links & Advice page. **WARNING: risk of sticker shock!**

You will see that there are two sets of numbers — "midrange" and "upscale". **You need to read the descriptions of the projects.** A minor kitchen remodel is a facelift and includes *no* new cabinets; a midrange major kitchen remodel has new mid-priced cabinets, while an upscale major kitchen remodel has all the bells and whistles. A midrange bathroom remodel is to renovate a common 5'x7' bath with standard materials; its upscale cousin triples the size of the room and adds a new shower and whirlpool tub. All have very different pricing.

Now that you have a realistic idea of how much your remodel should cost, figure out how much *you* want to invest in your home to make your house meet *your* needs and desires. **Prioritize your objectives and establish a budget.** If your budget is lower than what *Remodeling Magazine* indicates for a project, you will need to delete some of the things on your list. You will be tempted to find a contractor who will promise to do the work for what you want to spend, but this is just asking for trouble in more ways than I have space to describe. Again I point you to my web site which has many resources for homeowners.

If you cannot afford to spend as much as the lowest suggestion that *Remodeling Magazine* makes, read my article "How to Remodel on a Small Budget". If you absolutely cannot exceed a certain amount, plan to spend 10 to 20% less than that. During a project, surprises can be found in the walls, material costs may spike, but moreover you yourself may change the plan. This might include upgrades to your original choices or additions to the scope of work.

Here are four things that will make you exceed your budget and timeline:

- unforeseen conditions – inadequate framing, pipes, air ducts, wiring, mold, asbestos, pests, etc. found behind the walls or ceilings (maybe 5% of your budget)
- hiring a less than honest contractor who finds loopholes in your specifications — most contractors purposely lowball the bid to get in the door, and then charge more



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for items that are not *specifically* in the contract. Naturally, these less than ethical persons don't put many specifics in the written agreement, if there is one at all. Detailed contracts are important, but it's even more crucial to find a professional who has a track record of putting his clients' interests first. Remember, all contractors know this game better than you do, so you need to hire someone who is ethical. You'll find great advice, like "What Do You Really Get with 3 Bids?", at [RenovationHorror.com](http://RenovationHorror.com)

- choosing an unscrupulous contractor — It can be someone who skips town with your money, or he quits halfway through, or worse yet, he does a bad job and you have to hire someone else to destroy what *he* did and start anew. More often than not, he is the lowest bidder. These contractors claim to have lower overhead, but more likely they are not paying the insurance~~s~~ that protect you as a homeowner *and* they hire unqualified labor and subs. They also use cheap materials that don't last. I've heard dozens of variations on this theme in the classes that I give at public libraries. This is why it's so important to thoroughly check out a contractor before handing over your money and the keys to your home.
- asking for changes along the way – once a plan is set, it may cost time & money to deviate from it, even if those changes are deletions. Use a change order form to document such modifications, because as humans we all have fallible memories.

By the way, in the "Cost vs. Value Report", you will see a column for "Cost Recouped"; these return on investment (ROI) percentages are greatly dependent on the direction of home prices. In years past, the ROI for some improvements was more than 100%. When the housing market recovers, the investment you make today will be of much greater value than these numbers would lead you to believe. If you're selling the house in the next year or two, pay attention to this column. If you're staying for a while, disregard this extraneous data and make it *your* home.

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