

HOMEOWNER'S ENHANCEMENT GUIDE

Chapter 11: Organizing Your Project: Planning, Funding, and Working with Contractors



## PLANNING YOUR PROJECT

Taking the time to plan your project can save both money and time once the project gets underway. Depending upon how involved your project is, there are a numbers of resources available. You may want to start with the home project section at your local library or bookstore. Local home improvement stores also have a great selection of publications and offer free seminars.

Kitchen and bath designers can be valuable resources if your project includes either of these rooms. Those designers with the most training have either CKD (kitchen) or CBD (bath) certification.

If you are thinking about an addition, you may want to consider consulting an architect (AIA) to help you expand your living space in a creative and environmentally sensitive way. Those with special training in green building practices have LEED after their names.

Architects can also help you with specifications for your project. This means helping you to pick out (specify) all the materials at the beginning rather than selecting them as you go or having your contractor making the design decisions for you because he didn't have enough guidance.

### 1 Have a plan.

Write down everything your project includes - be specific. Design professionals can help you with this task.

The National Association of Homebuilders (NAHB) suggests the following sources for ideas when planning a project:

- TV shows
- websites, books, magazines
- friends and family
- remodeling professionals
- manufacturers and suppliers
- walking/driving around the neighborhood

The NAHB has many useful pages and links on their website and you can sign up for their free e-newsletter for homeowners at <http://www.nahb.org>

To find an architect that fits your project:

<http://architectfinder.aia.org/>

To find a certified kitchen or bath designer, tips and inspiration:

<http://www.nkba.org/>



## WHAT DO THE CONTRACTORS SAY?

A questionnaire was sent to home improvement contractors working in Henrico County to find out more about the projects in which most homeowners are interested. The response from approximately 75 contractors shows that over half complete at least ten projects a year and that two-thirds of their clients are likely to ask about energy efficient products. Of course, these results only highlight the larger projects for which a contractor is often needed. There are many smaller projects that homeowners can undertake themselves including exterior and interior painting and new plantings to name a few.

### 2 Consider what projects are popular and why.

This survey can help make you aware of the types of projects that are popular in Henrico County, what they cost, and the return you may see on your investment.

### REMODELING

Kitchen and bath remodeling projects are the most common in Henrico County according to local home improvement contractors. Not only are these the most popular projects but they also will usually result in a return on your investment of 70 to 80% – as long as you don't over-improve. Almost three-quarter of the remodeling projects completed by Henrico area contractors cost less than \$50,000. Other popular remodeling projects include removing walls to combine rooms into new spaces, enclosing porches, finishing attic spaces, and converting a garage to living space. The payback for these projects is variable and often depends on the market in individual neighborhoods.

### EXTERIOR ENHANCEMENT

Henrico County homeowners wishing to enhance the exterior of their house most frequently hire a contractor to replace old siding, windows, and doors. These projects typically have a payback percentage of over 80% making them amongst the most cost-efficient exterior enhancement projects. Adding dormers or a porch may result in a payback of 70-80%.

### ADDITIONS

In general, additions are more costly than remodeling projects. Contractors surveyed reported that 59% of their projects cost between \$25,000 and \$75,000. The most popular additions include kitchen expansions, family rooms, decks and master suites. These projects all have similar payback of between 70% (master suite) and 80% (kitchen). Other common additions include rear or side porches, garage additions or conversions, home office additions, workshops or storage additions, and raising the roof to add an additional story. Among these, the highest return on investment (70-75%) is often the addition of a garage, deck, or second story.

Return on investment ranges were figured based on the Hanley-Wood Remodeling Cost vs. Value Report 2008-2009.



## WHERE'S THE MONEY?

### 3 Identify possible project funding sources.

There are a variety of private lending sources, government funded programs, and even a partial Henrico County real estate tax abatement.

One of the most important considerations for any home improvement project is financing. The simplest method of financing, of course, is cash. Otherwise, you'll want to check with local banks, credit unions, and your current lender to see what types of loans they offer. The most common financing options are a rehabilitation loan, home improvement loan, a home equity line of credit, a home equity loan (second mortgage), and a cash-out refinancing of your current mortgage.

#### Cash

If you have cash in savings to pay for your remodeling project, this may be the best way to finance your home improvements. But be sure to consider the fact that, by paying in cash, you tie up money that could be earning interest in other investments. In other words, you need to look at the interest rate that you would be charged by financing the project and compare this to the interest you could earn by investing these funds.

Also, remember that interest payments on a home improvement loan may be tax-deductible, while you can't write off the expenses of a remodeling project paid for in cash. Crunch the numbers and meet with a financial advisor to determine whether paying in cash will really pay off in the long run.

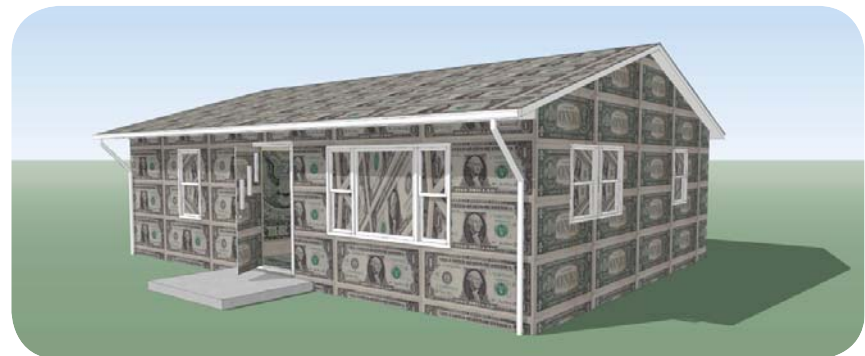
#### Conventional Rehabilitation Loans

Rehabilitation loans are available for prospective homebuyers that want to use one loan to purchase and fix up an existing property. The paperwork for this type of loan takes much longer to complete than a conventional home loan but if you are willing to wait you can often secure a lower interest rate and more affordable closing costs. The first step is to check with local lenders to see if they offer rehabilitation loans, find out if you qualify, and the requirements that need to be met.

#### Home Improvement Loans/Mortgages

Two special loans administered through the Federal Housing Administration (FHA) are the Title I and Section 203(k) programs. A Title I loan allows you to borrow up to \$25,000 for improvements to a single-family home. These are fixed-rate loans that FHA insures against the risk of default. Loans must be made by an approved Title I lender.

The 203(k) program is not as well known, but if you are looking to purchase a fixer-upper, it is a terrific opportunity. It allows homeowners to receive a single, long-term, fixed or adjustable rate loan that covers both the acquisition and rehabilitation of the property. To obtain a loan under the 203(k) program, you must use an FHA-approved lending institution. Most mortgage lenders are approved to make loans through this program.



## HOME EQUITY LOANS AND LINES OF CREDIT

Using these methods, you are borrowing against the equity in your house. It is best not to borrow more than seventy-five percent of the home's value minus what you owe on the mortgage.

● Current home value	\$250,000
● 75% of that value	187,500
● Size of mortgage	150,000
● Amount of loan	37,500

A good rule is to use a loan if you need the funds for a single project and a line-of-credit if you have a number of projects to be completed over time.

### Home Equity Line of Credit

A home equity line of credit is a form of revolving credit in which your home serves as collateral. This allows you to tap into these funds whenever you need it. The credit line is usually set at 75 to 80 percent of the appraised value of your home minus the balance of the first mortgage. Your credit history and ability to pay may also be considered in determining the amount of credit available.

Home equity lines of credit usually carry a variable interest rate that is figured by adding a margin to the current prime rate or some other index. Other costs associated with setting up a line of credit may also apply and will vary from lender to lender.

### Second Mortgage

If you are not comfortable with the open-ended nature of a line of credit (which requires discipline to ensure that you don't go way over budget), a home equity loan, or second mortgage, may be right for you. This is a fixed-rate, fixed-term loan based on the equity in your house that is paid back in equal monthly installments over a specific period of time.

### Cash-Out Refinancing

If interest rates today are significantly less than when you first purchased your house, refinancing your mortgage may be a wise move. This refinancing alternative allows you to use the accumulated equity in your home to take out a new loan to pay off your existing mortgage and then use the remaining funds for your remodeling project.

Make sure you factor in the length of time you plan to live in the house and the number of years left on your current mortgage before you decide to refinance.

Credit: National Association of Homebuilders, Fannie Mae



## WHERE'S THE MONEY?, continued

A number of programs are available to qualifying Henrico County residents in addition to the funding sources covered on the previous pages.

- **Partial Real Estate Tax Abatement**

Henrico County has a residential tax abatement program. If you are planning an addition or renovation, you may qualify for this tax abatement program. For more information and a rehabilitated structure tax exemption application, contact the Henrico County Finance Department or visit their website at:  
[www.henrico.us/departments/finance/divisions/real-estate-division/#reinvest](http://www.henrico.us/departments/finance/divisions/real-estate-division/#reinvest)

- **Elder-Homes Rehabilitation Program**

This program offers up to \$30,000 for rehabilitation of a house to bring it into compliance with Minimum Housing Quality Standards. This program is limited to income eligible elderly (62+) or disabled owners.

To see if you qualify, contact:  
[www.henrico.us/departments/revit/](http://www.henrico.us/departments/revit/)

- **Elder-Homes Emergency Repairs Program**

Offers up to \$7,500 for repairs for low-income eligible property owners.

To see if you qualify, contact:  
[www.henrico.us/departments/revit/](http://www.henrico.us/departments/revit/)

- **Henrico County Maintenance Program**

Volunteers are available on a limited basis for exterior painting, removing trash and debris and replacing roofs for low-income elderly and/or disabled county residents.  
[www.henrico.us/maint/volassist.html](http://www.henrico.us/maint/volassist.html)

## KEEPING YOUR BUDGET IN LINE

- Once you've decided how much you can afford to spend fulfilling your remodeling dreams, the real challenge is making sure you stick to this budget. So, how can you prevent your expenses from spiraling out of control?
- Plan on spending only 80 percent of what you can afford. Put the additional 20 percent in reserve to cover changes, unforeseen problems, and miscellaneous charges.
- Remember that anything not included in the original contract will cost extra. It's very easy to start tacking on hundreds and even thousands of dollars in change orders that will break both your budget and your timeline.
- Stay focused on the task at hand. Stick to the project you have planned rather than deciding that now is the time to overhaul the rest of the house.

### HOUSING AND URBAN DEVELOPMENT PROGRAMS

For more information on the programs mentioned on this page and others visit the Housing and Urban Development Department's Home Improvement page at:

[http://portal.hud.gov/portal/page/portal/HUD/topics/home\\_improvements](http://portal.hud.gov/portal/page/portal/HUD/topics/home_improvements)



## VISITING THE PERMIT CENTER

### The PERMIT CENTER

#### PERMIT CENTERS LOCATIONS:

- Western Government Center  
4301 East Parham Road  
Henrico VA 23228  
(804) 501-7280
- Eastern Government Center  
3820 Nine Mile Road  
Henrico, VA 23223  
(804) 652-3147

#### PERMIT CENTER WEBSITE

[www.henrico.us/permitcenter/](http://www.henrico.us/permitcenter/)

#### 4 Check with the Permit Center early in the design stages and definitely before work begins

By discussing your project with them, you can find out if you need a permit and if your project meets the requirements of the building code and county zoning. Even if your project falls under this list where a permit is not needed, it is best to check with the Permit Center because setback requirements still must be met.

#### What to bring on your first visit?

- A plat of your property. (If you don't have one, the Permit Center staff can assist you in obtaining one.)
- A sketch of your proposed project. It does not need to be professionally drawn.

#### When is a permit needed?

- Proposed new construction
- Proposed demolition
- Fire damage
- Adding new walls, removing walls, changing stairs, doorways, or window openings
- Replacement of more than 100 square feet of roof sheathing
- All additions
- New electrical wiring
- New plumbing
- Constructing or enclosing decks or porches
- Any accessory structure over 150 square feet
- Replacement of oil- or gas-fueled appliances
- New heat and air conditioning systems
- Removal or disruption of asbestos-containing materials

- Swimming pools over 24 inches deep or over 150 square feet and 5,000 gallons in capacity
- Retaining walls equal or greater than two feet in height (contact Permit center staff for more details)

#### When is a permit not needed?

- New siding or roof shingles
- Replacement windows and doors
- Accessory structures less than 150 square feet such as: tool and storage sheds, playhouses, and detached prefabricated structures that house the equipment of a publicly regulated utility
- Fences and privacy walls no more than six feet tall. Zoning allows fences of up to 7 feet in rear and side yards and 3½ feet in front yards
- Pools with a surface area of under 150 square feet, less than 24 inches deep and with a capacity of less than 5,000 gallons
- Replacement cabinetry, light fixtures, plumbing fixtures, and flooring
- Fire and smoke detection and alarms, if battery-powered
- Ceiling fans
- Painting/wallpapering/wall finishes



**VISITING THE PERMIT CENTER,** continued

*Zoning by District (dwellings only)*

Zoning District	Maximum Height (feet)	MINIMUM LOT AREA			MINIMUM SIDE YARD		
		Total (square feet)	Min. Lot Width (feet)	Min. Front Yard (feet)	Least Yard (feet)	Sum of Yards (feet)	Min. Rear Yard Depth (feet)
<b>R-0</b>	40	1 acre	200	50	20	50	50
<b>R-0A</b>	40	35,000	175	50	20	50	50
<b>R-1</b>	40	25,000	150	50	20	50	50
<b>R-1A</b>	40	21,500	125	45	15	40	45
<b>R-2</b>	40	18,000	100	45	15	35	45
<b>R-2A</b>	40	13,500	80	45	12	30	45
<b>R-3</b>	40	11,000	80	40	12	30	40
<b>R-3A</b>	40	9,500	70	35	10	25	35
<b>R-4</b>	40	8,000	65	35	10	25	35
<b>R-4A</b>	40	7,750	60	35	8	20	35



This chart shows the zoning districts in which most of Henrico County's mid-century homes are located. By **checking with the Permit Center**, you can find out the zoning for your neighborhood and the setbacks, which can vary by the type of improvement you are proposing. This will help you to start making plans for your project.





## WORKING WITH CONTRACTORS

### QUESTIONS TO ASK YOUR CONTRACTOR FOR A GREEN PROJECT

- What is your experience with green remodeling?
- Do you have any special areas of expertise?
- Will you use local materials/recycled content materials?
- How do you dispose of construction waste? Are there any opportunities for reuse or recycling?

#### CHECK OUT YOUR CONTRACTOR:

Better Business Bureau  
[www.richmond.bbb.org](http://www.richmond.bbb.org)

Virginia Board for Contractors  
[www.dpor.virginia.gov](http://www.dpor.virginia.gov)

Virginia Office of Consumer Affairs  
[www.vdacs.virginia.gov/consumers](http://www.vdacs.virginia.gov/consumers)

#### 5 Set up appointments with 2-3 contractors.

Provide a handout to explain the project and your budget.

Ask that they provide you with a written estimate that defines:

- Materials to be used (expect a 10% upcharge)
- Labor charges
- Start and end dates
- Total cost

#### 6 Ask the contractor a few important questions.

How long has he/she been in business?

How many projects similar to yours does the contractor complete in a year?

Ask to see proof that the contractor is licensed, bonded, and insured for workmen's compensation and liability.

#### 7 Ask around and check references.

Check with neighbors, business associates, family and friends who have recently completed projects.

Are they satisfied with the work, the price, and duration of the job? Would they hire the same contractor again?

Understand that the contractor may also wish to run a credit check on you!

- Do not:

Hire a contractor that knocks on your door and offers you an unbelievably good price but cannot provide any references.



## WORKING WITH CONTRACTORS, continued

### 8 Pick a contractor.

Make sure you feel comfortable with the contractor. You will be working closely together during the duration of the project.

- Do not:
  - Treat your contractor rudely.
  - Think that your contractor knows your tastes.

### 9 Negotiate a contract.

Make sure all the details are written down and that you read the fine print.

- What is and what is not included in the price
- A payment schedule
- How changes will be handled

Get an attorney to look over the contract.

Get a copy of everything you sign.

- Do not:
  - Accept a boilerplate/standard contract.
  - Leave the warranty of materials out of the contract.
  - Sign the contract if there are any blank spaces or if there is anything you don't understand.

### 10 Establish payment terms.

Require itemized bills that correspond to the contract.

Agree to pay at the completion of each phase.

Are you being billed for the same as the bid price? If not, ask why.

Before you make final payment to the contractor:

Ask the contractor for written proof that all subcontractors and suppliers have been paid (lien release form).





The receptionist at the Permit Center will help familiarize you with the services offered there.

**11** Make sure you have the right permits.

Check with the Permit Center to find out zoning requirements and what permits are needed for your project.

Make sure that necessary periodic code inspections are completed. If building inspections are needed, ensure that they have been completed and that the project has passed before making final payment.

**12** Locate utilities, and other underground features.

No matter how small the project, if you need a shovel you need to call Miss Utility (just dial 811) at least three days before you dig.

Also, make sure you know the location of any wells, septic fields, underground storage tanks, and any easements that may impact the location of your proposed improvements.



To find out what inspections are needed, follow this link to the County's Building Inspections Department:

[www.henrico.us/departments/bldg/residential-building-information/](http://www.henrico.us/departments/bldg/residential-building-information/)



The National Association of the Remodeling Industry offers remodeling tips, a budget worksheet, and help locating a professional remodeler in the Henrico area.

[www.nari.org](http://www.nari.org)



## WORKING TOGETHER

### WHAT CAN YOU DO FOR YOUR CONTRACTOR?

- **SET UP** a daily schedule so everyone is clear about work hours and days, and clean-up intervals.
- **MOVE** your vehicles to allow space for convenient contractor parking.
- **CLEAR** the path between the parking area and the house entrance the contractor will be using.
- **MOVE OR COVER** your household items so that the contractor has an easy place in which to work.
- **ASK** if the contractor will need space for a dumpster, material storage, hose, and outside electrical access.



At this house, in the east end of Henrico County, contractors were able to park their work truck in the driveway and were given ample outdoor workspace.

