

## How do you bargain with contractors?

You can almost always hammer a contractor for a lower price. And it's *not* always wise to do so. The first question is, how big is the job? If it's tiny – fixing a leak, repairing an appliance, installing a lock – just krunch. You don't have time to get estimates, and the contractor isn't making much money on the work anyway.

If the job is small or entirely straightforward – replacing a sink, building a fence or a simple deck, painting a room, refinishing a hardwood floor – negotiate assertively, pick the lowest competent contractor, and define the work carefully in the contract so that nothing can be avoided.

If the work is more elaborate – new construction, an addition, remodeling – greater discretion in bargaining is called for. While it's unlikely you'd have a "payback" problem from too-aggressive negotiating with lawyers or doctors (can you imagine a plastic surgeon's revenge?) home contractors are a different story. On larger jobs, contractors have an overwhelming number of ways to cut costs and add extras. The more mistreated or financially squeezed they feel, the more inclined they will be to do so. Concentrate on finding a contractor who will do your job right. Getting the work done for a reasonable price is an important but secondary goal. Set aside all thoughts of vanquishing the contractor. If you get what you've paid for, you've scored a resounding triumph. Remember that bad construction is like a bad haircut: the discomfort continues long after the work is done.

Always get at least three quotes on anything more than a small repair. Some contractors have begun charging for estimates, so determine beforehand if there's a fee. Don't look for contractors in the Yellow Pages; referrals are the best source. Ask neighbors and friends who have had similar work done and were pleased with the outcome.

Have the most prestigious contractor bid first. With this contractor's assistance, define the specifications of the job in detail. Be sure each subsequent contractor bids on the same specifications.

Insist that each contractor itemize his bid. The more detail provided in each estimate, the better the job is likely to turn out – and the more negotiating power you'll have. If you're only given a price for the total job, you can't do much more than a simple auction among bidders followed by some krunching. Itemization reveals the soft spots in each bid. With itemized prices you can better compare each contractor's appreciation of the difficulty of each element of the work. You'll know the quality of the materials each plans to use. You'll be able to spot potential misunderstandings and corner-cutting. If you decide to take on some of the work yourself – e.g., painting – you'll know how much to deduct.

The bids you receive may vary dramatically. Larger outfits tend to charge more because of higher overhead. Individuals and family firms may not have to pay workmen's compensation insurance, so they can bid lower. If you live in a better

neighborhood or have an expensive car out front, you'll be charged more. If you're friendly, you may be charged less. A very common reason for a low bid is that the contractor has a gap in his schedule. If he has no work for his crew, he can't pay them and they'll leave. He may bid a job at cost just to keep his crew together. A surprising amount of pricing is plain guesswork.

Once you've got your bids, it's time to negotiate. Never simply choose the low or middle bidder. The lowest estimate is rarely the best deal. The workmanship or materials may be inferior. The bid may be a lowball on which the contractor plans to profit through expensive "change orders" after the work starts.

Start with a little cherry-picking. Compare the bids on a task-by-task basis, and have the higher bidders either justify or reduce their price for each task. A contractor who refuses to reduce a bid may have figured it scientifically – even by computer. On the other hand, a contractor who bids on the spot or concedes too quickly may just be pulling numbers out of the air.

At this stage many homeowners, suddenly confronted by bids bigger than budgets, start thinking about doing some of the work themselves. If you have the time and the competence, it is possible to save some money this way. However, choose your tasks carefully. It's tempting to try to economize by buying materials yourself, but it rarely pans out. Contractors mark up the prices of their materials, but they usually buy them cheaper than you can. They also find them, select them, get them delivered, inspect them, and pay for them. For example, you can probably save a few bucks buying the lumber yourself, but unless you're prepared to learn not just the different types of wood but the different grades of the different types, be able to recognize them on sight, and be present to inspect each delivery and reject any inferior lumber, you'd be much better off leaving it to the builder. Painting, on the other hand, is often a good choice. So is cleanup. Rather than having the crew periodically stop work to drive small loads of job debris to the dump, it may be considerably less expensive for you to rent a dumpster from a carting company and have it picked up when the work is done. If you're interested in doing some of the work yourself, don't hesitate to ask the contractors for their suggestions.

When you've finished your rounds of negotiating with the bidders, discard bids that are radically high or low. From the bids that are fairly close, pick the most competent contractor. If you have not already done so, check the contractor's references. Ask about timeliness and attention to detail. Find out if the price increased during the job and if so, why. How has the work held up? If the references check out, call the local consumer affairs office to confirm the contractor's license and check on any complaints filed against him. Touch base with the Better Business Bureau as well. Before any work is done, have the contractor's insurer give you a certificate of liability and workmen's compensation insurance coverage.

Your negotiations are by no means over. Now it's time to negotiate the contract. Good contracts make for successful projects; never turn over any money until you have a signed contract. Get everything in writing, and include as much detail as you can. Not just the color of paint, but also the brand, sprayed or brushed, and how many coats. Identify manufacturers, model numbers, grades, etc. Define the contractor's responsibilities at each step of the project. Don't be embarrassed about what seems like nit-picking. A little nit-picking at this stage will help establish a conscientious tone for the entire job, and may avoid big hassles later. If the contractor's agreement is too skimpy, many office and legal-supply stores sell contracting forms to help you beef it

up. There are also a number of software programs for managing remodeling and construction jobs.

The payment schedule set forth in the contract may be a subject of negotiation. Building projects generally call for partial payments as the work progresses. Be sure your agreement specifies exactly when payments are due; tie each payment to the completion of a specific, easily identifiable milestone. Don't let the payments get ahead of the work. Remember that each payment you make reduces your leverage. Retain at least 10 to 15 percent of the total price as a final payment, due when all work is complete. Never pay for work that isn't done, no matter what sob story the contractor gives you, and resist pressure to pay for tasks early – "almost" done isn't sufficient. On the other hand, deserved progress payments should be made immediately.

Even with a detailed, signed contract, a few bumps in the road to a successful project must often be negotiated: changes and extras. These are the source of some of the most serious disagreements between contractors and their clients. There are two black-letter rules applicable to changes. One, the contractor must supply all labor and materials necessary to complete the job in a "workmanlike manner." That means he must fulfill the plans to the letter, furnishing everything – hardware, fixtures, trim, whatever – unless specified otherwise in the contract. Second, any changes to the plans must be approved by you, in writing, before being undertaken. That would seem to cover all the bases, but it doesn't. Murphy was undoubtedly thinking of home improvement work when he propounded his famous law, "Anything that can go wrong will go wrong." What happens when rotten studs are discovered under sound drywall? Or granite is encountered instead of the expected alluvial soil? Or any one of a thousand other significant, unanticipated problems crops up that wasn't specifically provided for in the contract? Is it fair for the contractor to eat the whole cost? Sure, you could demand that he do so. And you could throw him off the job if he refuses, hire a lawyer, and file suit. You may even win. There's even the tiniest chance you may actually collect some money before the next Ice Age. This may give you some satisfaction, but it won't get your work done.

If the matter is unambiguously covered by the contract, firmly but diplomatically insist that the contractor perform as agreed. Maybe you could offer some trivial but face-saving accommodation. But if it's in a gray area, negotiate. Keep your eyes on the prize. Is the issue important enough to cause the whole project to collapse? A concession from you – perhaps in exchange for some additional low- or no-cost work by the contractor – may keep things together. If necessary, offer to pay half. Or more. Try to get quid pro quos for whatever you give, but don't let the job bog down.

Here are a few more contracting tidbits you may find interesting:

1. Never hire a contractor selling door to door.
2. There actually isn't much real gouging in home repair, but it happens more often on siding, window replacement, driveway sealing, and basement waterproofing jobs.
3. Roofing jobs produce the widest range in bids. That's because in roofing work the decision to repair or replace is very subjective. Surprises often lurk under old shingles. Repairing is initially less expensive than replacing, but can be more expensive if the repairs only last a year. Give extra weight to a roofer's reputation.

4. Your zip code will show up in your bids. Contractors bid jobs higher in better neighborhoods. The affluent pay more, but also tend to be harder to work for and quicker to sue. If you live in an especially nice house, try to get a preliminary quote over the phone – before the contractor visits. If you have one, put your Mercedes in the garage. Leave your kid's junker in the driveway.
5. Clear the work area before you get bids. Contractors love access. Inside or out, spruce up the job site.
6. Budget for contingencies. Include an extra 5 to 10 percent in your budget for the project, especially with renovations. Until the walls are torn out, the final cost is only an educated guess. Don't tell the contractor about this contingency fund.
7. Get the subs to sign a lien release. If your contractor will be using subcontractors, make sure each sub signs a waiver of mechanic's lien rights. Try to get the principal suppliers (e.g., the lumberyard) to sign waivers also. If they don't, and your contractor doesn't pay them, they can slap a lien on your house and go after you for the money they're owed. You won't be able to sell your house until their liens are released. It doesn't matter that you've already paid your contractor; the unpaid sub can make you pay again. Don't laugh; it happened to me.
8. If you're nicer, things will go better.

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