



## **Dream Town Builders Home Remodeling Guide**

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## #1 Dream It...

Part of the fun in remodeling your Chicago home is the visionary stage. It's when you formulate an image of what you want the new space to look like and how you want it to function. You can collect ideas from practically anywhere – a neighbor's house, magazines, home improvement websites, television shows, movies, catalogs, department store windows.

**Collect Ideas** – Create a portfolio or file to keep track of your ideas. As you see things you like, make notes or put printouts in the portfolio. Start to visualize your finished product. Think about as many details as possible, from the height of the ceiling to the hardware on the cupboard doors.

**Size It Up** – Consider the square footage you have to work with. If you're expanding, think about how much more square footage you want to add. Putting in a bigger kitchen? What new amenities can you fit in? What will the layout be? How do you want the flow of the kitchen to work?

**Draft the Design** – Start to draw on paper how you see the space in your head. Or go ahead and collaborate with your architect/builder to sketch some blueprints. Professionals will be able to tell you if there are any structural limitations or codes that need to be met with the plans. They'll also help fuzzy visions materialize into something tangible.

**City Lot Standards** – In a location like Chicago, where most residential lots are the same size, it can be convenient and cost-effective to use pre-fab designs. The designs are made to fit typical dimensions and can be superficially modified to incorporate your ideas. The plans abide by city codes and regulations, and are generally cheaper than custom blueprints because the work has already been done.

## #2 Crunch the Numbers...

One of the main concerns when remodeling a home is how much it's going to cost. For starters, you want to know you're not wasting money. And, it is also smart to think ahead to how the renovations will affect the future resale value of your home. Sometimes you have to look beyond the immediate bill to see the full return on investment.

**Return On Investment (ROI)** is important when deciding to remodel your existing home versus buying a new place or building one from scratch. It's impossible to predict whether the ROI will be positive or negative, but you can educate yourself on what to anticipate given your specific situation and remodeling goals.

### *Factors that impact ROI:*

**Renovation Type and Cost** – Is it a small project like redoing the floors or something major such as adding a room or remodeling the kitchen? Weigh the expense of the project with how much additional value it will bring your home.

**Housing Market Assessment** – Are prices in your neighborhood stable, appreciating, or depreciating? The state of the local housing market does impact your ROI and is something you should consider.

**Property Comparison** – With the new renovations, how will your home compare to other properties in the area? Does it “go” with the neighborhood aesthetics or congruency of your condo complex? Or does it make your home stand out in a way that could potentially hurt your home's selling power?

**Neighborhood Review** – Scope out your neighborhood for pluses and minuses that could indirectly affect the ROI of your renovations. Quality schools and nearby amenities are typically deemed pros, while noisy highway traffic and unattractive industrial sites are cons in the average home buyer's book.

**Future Development** – Also, bear in mind that future development (both residential and municipal) could influence your ROI later on. Check with Chicago's city planning department for upcoming projects and zoning designations or changes.

**Cost of Remodeling** is a huge variable in the renovation equation. It fluctuates depending on the contractor, market conditions, and season. The type of materials you choose, permits needed, and extent of the renovations are also factors that modify the bottom line. And we're not just talking about money – time is a factor here, too.

**30% Rule** – As a general rule of thumb, the cost of your home renovations should not exceed 30 percent of the property's value. At that point it may be better to spend the money on a new home as opposed to redoing the old one. So, if you have a \$300,000 house, your max renovation amount would be \$90,000. Of course, the decision to remodel is yours to make and depends on your individual situation.

***Shop Around to Save:***

**Contractors** – Bids can be very different from one contractor to the next. So do your homework and shop around for the price and timeframe that works best with your budget and schedule. Be wary of estimates that are substantially lower than the rest and ask every contractor for references to inquire about past jobs and client satisfaction.

**Finishes/Materials** – You can trim down the bottom line by watching for sales on materials you know you need and substituting pricey décor elements with alternates that still offer the style you want. But keep in mind the return on investment may drop if you go with appointments that are too low-end. And don't skimp on infrastructural components such as insulation, electrical, windows, plumbing, etc or you may end up paying more in the long run.

***Costs Included in the Bid:***

- Labor
- Permit Fees
- Construction Materials
- Subcontractor Payments
- Finishes and Decorative Elements
- Cleanup
- Incidental Repairs

**Borrowing Power** can greatly impact the amount of money you have available to pay for your home renovations. As a homeowner, you have the benefit of using your existing home equity to help pay for remodeling. You can borrow against your home equity (which is like cash) by establishing a line of credit with your bank, basically using your home as collateral. The line of credit acts as a checking account, allowing you to take out money whenever you need it – like for that kitchen remodeling project you want to do.

***Calculate Your Borrowing Power:***

**Home Equity** – Subtract the amount you owe on your mortgage from the current market value of your property. Your property value has probably changed since you bought the place, so the bank may require a professional appraisal. Most banks arrange for an appraisal for you, or have an in-house evaluator on staff.

**Example:** Your home is appraised at \$300,000 and you still owe \$220,000 on your mortgage.

$$\$300,000 - \$220,000 = \$80,000 \text{ (You have } \$80,000 \text{ in home equity)}$$

Banks will typically only lend you a percentage of your total home equity. This can still amount to a large portion of your home equity and is determined by the bank. Much like getting a mortgage, the lender will review your income and debts to assess your ability to repay the loan.

**Home Equity Line of Credit** – This is basically a loan that uses your home as collateral. It acts as a revolving pool of available money (line of credit) where you can take out money (up to a maximum credit limit) whenever you need it, instead of receiving a lump sum all at once.

Similar to a conventional mortgage, there are fees associated with home equity lines of credit. Expect to pay an application fee, possible appraisal fee, attorney fee, title insurance, processing fee or points. On the upside, you can deduct the interest paid on your home equity line of credit, just like you would the interest on your mortgage.

**Contact Your Bank** – To establish a home equity line of credit you'll need to contact a bank. Lenders may offer different interest rates and varying credit limits on your home equity amount, so it pays to shop around. Home equity lines of credit are very common, and the funds are available to pay for all kinds of things, from children's college education to credit card consolidation to home remodeling jobs.

### #3 Hire Professionals...

For most major Chicago home remodeling projects you'll want to bring in the pros to get the job done. Some Chicago home builders are equipped to handle the whole project from drawing up plans to putting in landscaping. In other situations you may need an architect to do the design work. Either way, Chicago home improvement starts with hiring trained professionals.

**Contractors** are an essential part of the Chicago home remodeling process. The contractor acts as a coordinator, making sure every piece of the puzzle is put in the right place, and in a timely fashion. Oftentimes, the contractor will hire subcontractors or tradesmen to perform specialized jobs such as electrical work and plumbing.

**License/Insurance** – Make sure your contractor is licensed and holds liability insurance and worker's compensation. The City of Chicago website has lists of licensed contractors broken down into specialties like masonry, plumbing, electrical, wrecking and general ([cityofchicago.org](http://cityofchicago.org)).

**Get Referrals** – Ask family members, friends, neighbors and coworkers for recommendations of contractors they've used in the past and that they liked. Get contact information of other previous clients so you can call them and inquire how their experience was with the contractor as well.

**Get It In Writing** – Draw up a contract that outlines exactly what is agreed upon with your contractor. It should state what work will be done, when it will be completed, and how much it will cost. The contract should include specifications of the remodeling plans, materials to be used, and who is responsible for clean up and debris removal. Be as detailed as possible and consider adding a payment schedule. This can encourage timely completion of project checkpoints and ensure the contractor has an incentive to get the whole job done.

**NARI** – Members of the National Association of the Remodeling Industry uphold a certain level of professionalism in home renovations. The organization has a Greater Chicagoland Chapter headquartered in Des Plaines, Illinois. Its members include annual winners of the Remodeling Excellence Award. Is your contractor a member? For more information visit [narichicago.org](http://narichicago.org)

**Architects** are often necessary for larger Chicago home improvements such as adding a room or redesigning a kitchen. There is a lot of red tape involved in home remodeling that an architect can maneuver through with ease. A good architect will act as your guide through the entire process, escorting you through every step and design decision.

**Find an Architect** – Use the Internet to research architectural firms and individual architects, or ask friends and family for referrals. If you have a contractor you're working with, they can also suggest architects with a good track record for Chicago home remodeling projects. Chicago houses the second largest chapter of the American Institute of Architects (AIA) in the country. It's a group

of over 3,000 licensed architects and associated professionals in the Chicago area (aiachicago.org).

**Check References** – As with anyone you hire, it’s smart to ask previous clients about the work the candidate did for them. Did they listen to what you wanted and create a design that suits your style? Were the original plans and any alterations produced in a timely manner? Are you pleased with the finished product?

**Discuss Fees** – Architect fees could be a set sum lumped into the contract as a portion of the whole remodeling cost, or you may be charged by the hour. Also, architects typically require a retainer upfront.

**Interview Candidates** – After you have gotten referrals from friends or found promising candidates for the job through the Internet, conduct a brief phone interview or set up a meeting in person. You want to see if you mesh well with the contractor or architect and ensure you’re comfortable with them. You can ask to see examples of their previous work and a list of references. Also, verify that they have the necessary credentials/licenses.

**Get Estimates** – Estimated cost of a Chicago home improvement project can vary greatly. So get several quotes before deciding to go with any one contractor/architect. Beware of extremely low bids. You may think you’re saving money, but quite often the work only lives up to its worth and you end of paying more for repairs later on. That doesn’t mean there aren’t great deals out there. Just be sure to thoroughly investigate why the contractor is offering such a low price.

## #4 Begin Work...

You've done your homework, hired a great contractor, and have the plans hashed out. The home remodeling process has been a lot of prep work up to now. So what's next? It's time to get started!

**Notify the Neighbors** – It's a nice courtesy to inform your immediate neighbors of your impending renovations. Give them an idea of what to expect in the coming days, weeks, months. They'll appreciate the heads up and the fact that you recognize their right to peace and quiet.

**Living Amid Renovation** – Depending on how extensive your remodeling project is, your life may be turned upside down for a period of time. Consider the disruptions and inconveniences you may experience and anticipate solutions, such as getting a hotplate to cook on while the kitchen is being redone; or making arrangements to stay somewhere else if necessary. Smaller home improvement jobs shouldn't be much bother, however, you may need to find someplace to store extra items and furniture while that section of the home is being renovated.

**Inspect As You Go** – Various subcontractors will be brought in throughout the remodeling process to do different jobs. Have an independent inspector look over their handiwork to confirm its correct completion. Write it into your contract that subcontractor fees will not be paid until your inspector signs off. Withholding pay in this manner is a good negotiating chip in case there are problems or something needs to be redone. Plus, it provides an incentive to do it right the first time.

**Expect Setbacks** – While it is possible for your home renovation to go off without a hitch, chances are there will be holdups somewhere along the line. And remember, the bigger the project the more opportunity for issues. Build a contingency fund into your budget (between 5-15% of the total cost is recommended). On top of a little backup cash, allow for extra time as well. That way minor delays or additional costs won't become a major headache.

**Be Flexible** – Your contractor will do everything in their power to make sure your Chicago home remodeling job is a smooth, trouble-free process. Unfortunately, unforeseen events are always a possibility. If a problem occurs, don't panic! Communicate with your contractor to find out exactly what's going on and how it affects the overall project. Discuss adjustments that can help compensate for the snag, such as buying less expensive fixtures or finishes in order to put more funds into another area of the project.



## #5 Chicago Home Remodeling Checklist...

There is a lot to keep track of when doing a Chicago home improvement project. Your contractor will be in charge of seeing the project through, but here's a checklist of steps to help you along the way.

- **Remodel or Buy?** Before jumping into renovation of your Chicago home, consider whether your money is best spent remodeling or moving to an upgraded home. If the cost of your home improvements is more than 30% of the home value, it could be a better investment to put that money into a purchasing a new place.
- **Visionary Stage** Think about how you'd like to change your home and what your goals are for remodeling. Do you want an updated kitchen? Bigger family room? New bathroom? Add a master suite? More open floor plan? Envision how you want the space to look and function.
- **Compile Ideas** Collect pictures from magazines/Internet and make notes of what you want the remodeling project to accomplish. This will give the contractor or architect a more vivid idea of what you're envisioning. For instance, if you're redoing the kitchen, how do you want the layout to differ from the existing plan to make it more efficient and user-friendly? What style of décor do you like? Do you want the counters to be granite, tile, polished concrete or another material?
- **Crunch the Numbers** What's the budget for your Chicago home remodeling project and how are you going to finance it? Planning on getting a home equity line of credit? Have savings to pay for it? Also, consider the return on investment for your improvements and how it will impact your resale value.
- **Contingency Fund** Home construction and renovations often end up costing more than initially approximated. For that reason it's smart to incorporate a cushion of additional funds (5 – 15% of your budget) for unforeseen expenses.
- **Recruit an Architect** Many Chicago home remodeling projects will require the expertise of an architect. Interview candidates and ask to see examples of their previous work. Get a list of references to call and discuss fees and payment before signing a contract.
- **Hire a Contractor** Get referrals from friends and family if possible. Contractors should be licensed and have a certificate of insurance. Get at least three bids from candidates and be cautious of extremely low estimates.
- **Written Contract** It's important to put everything in writing before any work takes place. Verbal agreements and discussions of what will be accomplished are not legally binding. Both you and your contractor need to sign a contract that specifically outlines work to be done, timeline and price of the job.
- **Prep Your Home** Remove furniture and clear items out of the remodeling zone. Lay cardboard down to protect floors from worker traffic and secure pets in a safe location where they can't escape as people come in and out of your home. When necessary, shield furniture, shelves and other articles from sawdust and drywall powder by placing plastic sheets overtop.
- **Plan Ahead** Depending on the extent of your Chicago home remodeling plans, your place may be in disarray for a while. This can be difficult to live with. But it will be easier to deal with inconveniences if you anticipate the challenges

beforehand and make accommodations in advance. Speak with your contractor about timeline for various stages of remodeling and how you can best prepare for each phase.

- **Begin Work** After you've hired a contractor, gotten the renovation plans drawn up, secured financing, and prepped the home, it's time start! The contractor will take the reins from here. You can still have a hand in the management by asking for daily progress reports. This will reinforce the contractor's accountability and keep you involved in the process.
- **Settle into Your New Space** When remodeling and clean up is complete, the last step is to make yourself at home. Depending on the scope of your Chicago home renovation, it may feel like a totally different residence. Introduce your personal touch back into the newly redone space and enjoy the fruits of your contractor's labor!