



The Rehabbers Guide

Rehab Project Management (RPM)

The Success Checklist

Intro:

This guide is written as an easy read and (in a checklist format) of steps to take. This is meant to be very easy to follow and for you to be to implement these parcels as the investor, contractor, project manager and in some cases-all the above.

Let me paint a must-see picture for you. Project management in construction is a very detailed discipline and articulate game in which you have no choice but to understand the process and systems. With that said, commercial construction is different from residential construction and rehabbing is very different from a standard remodel or renovation. Knowing the basics helps you create goals as the rehab project manager for the rehab you are about to undertake. Remember, as in most construction projects; there is always a budget. However, in rehabbing your rehab budget has already been cut by 30% because of a return that is being sought. Again, knowing this tells you that this is already a very complicated challenge to get the best results possible for the lowest cost possible. It doesn't work. Flat out. As an investor, you will be forced to choose between price, quality and time. Choose wisely and manage closely. If you accept this challenge...Keep reading.



The game of real estate investing, and rehabbing is amazing and life changing; however, everyone who chooses to rehab houses must learn how the business works. I've dedicated my life to educating the investors on what contractors know and now we are going to show you how to become that most efficient Rehab Project Manager (RPM) you can be in this business. Without education and leadership, you're wasting your time and time is money.

~Ryan "Rotty" Garcilazo

Award winning Contractor and Investor



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1.

The top skills.

Are you prepared?

- A. Prepared**-Project managers focus on all phases of the rehab from production, construction to close-out. This is a must and goes hand in hand with planning. Without a plan you're not ready for rehab. You must know how to manage the day-to-day operations and have enough foresight to anticipate and be proactive for tomorrow's agenda.
- B. Delegation**-Rehabs have a variety of people who touch the project for a variety of different reasons, no one person can complete a project so delegation must be incorporated strategically to achieve successful results. Allowing others to lead during the rehab is very important to show leadership, trust, and the simple fact that you cannot manage it all. Our team and the GC you have hired will play a massive role in what tasks get done first, second and third etc.
- C. Communication**- Effective communication and correspondence will become an all day, everyday event. Your ability to speak to the level of contractors, executives, lenders, real estate agents and so forth may be taxing, so you're the voice of reason and the project representative. It's on your shoulders to be able to effectively relay messages, successes, and problems with a resolve like manner.
- D. Time**- The "golden" issue and question will always be about the time. The time to start, the time to complete and are we on time? You will be asked this daily by many people for many different reasons. You know time is important but your ability to see the big picture and fluff the long road ahead is why you're in this seat. The vision and determination to lead the team to victory while cognizant of the stringent time frames-are always dictated by the budget and loan terms. You're the advocate for your investors and in most cases, yourself.
- E. Site Visits**- Walking and watching the properties on a daily or weekly basis is your motto. You understand that you must keep your finger on the pulse of everything and show your face to the contractors and their subs. The role is predicated on your availability and scheduled or random appearances. Your teams need to see you care and make progress walks regularly. In doing so, you're able to catch issues, quality control and make decision then and there.



- F. Negotiations-** In this role you are the negotiation beast almost every step of the way. You will be challenged with contractor's needs, wants and complaints and this ultimately comes down to money. Change orders, mis bids, material selections. This all comes down to your ability to be conscious of the price, quality and time associated with the rehab you're tasked with running. The art of leading your crews in a direction of win-win will be your greatest achievement and goal on all flips. You can handle this.
- G. Contract Fundamentals-** You will be more than likely in charge of or in some form involved with the initial contract period of selecting a new contractor for your flip. Your skill set is not only in the form of hands on, but also in the administration department. Knowing what contracts, schedules, material selections, sub list, trades list and so forth are needed per project. You know what insurances and licenses are needed to achieve the results you need and more importantly what is involved with permitting process. If you don't fully know everything, you know how to be resourceful and do your research to be as up to date on policies as possible.
- H. Costs and Bids-** This is a very sacred skill set that you must acquire. You need to create very detailed budgets and scopes so that you can manage the property from a fiscal standpoint and delegate and negotiate the budgets with tradesman and subs. This is a must at the very beginning with lobbying new talent to take on your project. If you can't bid on it, how can you make sure the bids your receiving is accurate? Right? So, by running the numbers yourself to create a median budget will help you choose the right contractor at the right budget.
- I. Decision Making-** Your ability to anticipate problems and results is a key factor here. You will be forced to deal with the hard-pressing issues that most contractors try to overlook or ignore. You cannot, there is too much at stake and you must take the initiative to act swiftly and decisively. You may not garner much fanfare, but you need to gain respect. You're not running a popularity contest. You're running a construction project.
- J. Roles and Responsibility-** This is where you find out who and what people are made of. Your delegation skills will identify if they are strong and talented from the less skilled and under prepared. Placing people in positions of success and positions to help nurture and grow. This is a very important step, role and skill set you must have to make sure all team members understand their purpose and job. When to activate that job and when to



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bring someone else off the bench due to under performance by the previous contactor and knowing your people skill set will make this task easier.

- K. Quality-** Very important that you can tell good from ok. Acceptable -vs- needs more work. Rental rehabs are very different from retail flips. You can identify what can be passed and what must be repaired or touched up to be acceptable. Knowing your end buyer helps you see the quality level you need. You can install average materials and make this look like a million dollars. This goes back to the previous list of tasks. If you're prepared, your team is prepared. If your team is prepared, they will care and take more pride in their work.

- L. Leadership-**The single handed most important role you will play, and implement is leadership. Lead hire and work with people who are better than the Leaders show the way and get hands on when necessary. Leaders are authoritative and empathetic, but fair and true to the values of the situation. Leaders create more leaders. You will be forced to lead every step of the way. If you're the investor, you're in charge of your teams look to you for answers and resolve.



2

What is a successful Rehab?

Have you looked at all the angles...?

As a seasoned rehabber, let me ask you this...

1. What happens when your contractor loses or lost money from performing your rehab due to so many under prepared issue, but your project finished within your budget? Is that a successful flip to you? NO.
2. What if your contractor made his GC fee plus all the material mark ups, and still finished the job and it sold around the price point you planned for. Is this a successful flip? NO.
3. What if your project was completed on time, but some of the subs did not make money because your GC did not pay them in full? Is this a successful flip? NO.
4. What if you lost your lender from working with you on future flips because your schedule kept being pushed further and further back. Your project was still completed close to budget. Is this a successful flip? NO.
5. What if your project suffered from budgetary issues and constant conflict with your rehab teams, but you were still under budget but over schedule. Is this a successful flip? NO.

Visions of Success.

Successful rehabs are:

- a. Completed without injury
- b. Completed without violations
- c. Completed on time
- d. Completed within original budget
- e. Completed with good or great quality
- f. Completed with an accurate price point and bid
- g. Completed with the original contractor and subs
- h. Completed with a long-term team
- i. Completed with the neighborhood in mind
- j. Completed and sold within loan period
- k. Completed with the original team intact

So, is it possible to achieve all of these as a success. Probably not. However, if you can choose what each individual project needs the most, one project should not dictate the next. More than 50% of the checked off above is a successful flip. As I said before Price-



Quality-Time...you can only choose one in rehabbing. After reviewing, are you ready to deliver a successful flip?

3

Meeting the Expectation

What are doing?

What is underperforming rehab?

- Late
- Over budget
- Poor quality
- Poor contractor performance
- Poor safety measures
- City violations
- Subs quit

The General Contractor will ultimately always get the blame; however, you as the project manager, and property owner are just as responsible for not helping or aiding in corrections. Step up and ask for help.

As the project manager what can I do to achieve rehab success?

1. Make sure you have efficient project funding with at least a 10% contingency.
2. Make sure the property was purchased with the correct objectives and vision like, location, demographic and budget.
3. Make sure you have taken the time during production phase to do your pre-walk, contract period and finally pre-con before day one demo.
4. Your scope of work should match the materials and the material selection should be commensurate with your budget.
5. You and your client must have realistic expectations.
6. You should engage and hire a very competent designer for the overall look and staging.
7. Everyone involved with the project should have a contract and a clear scope of work outlining what and when they are to perform.
8. You and your client must understand the entire life cycle or process of the rehab from start to finish.
9. Take the time for permit procurement and submittal of proper paperwork first time around.
10. Contractors should always be paid on time with partial and final lien waivers with W-9's.
11. The project schedule should be adhered to weekly and challenged when necessary to achieve optimum results.
12. You must make sure utilities are on and ready for use.



13. Finally, all hands-on deck cooperation.

You need to make sure they are fully educated in the rehab process. If you are the owner/investor who is running your own flips this also applies. You must take into consideration variables and challenges that will happen. Not maybe or if, they will happen. Remember, this is redevelopment and you're trying to install something new into something old. Change orders will happen Extra costs will happen. Problems will arise. Plan to be ready.

Every flip is practice. Ask yourself. What did you do wrong on your last flip? Use your Rehab Progress Book. As a project manager, ask yourself, does every team member, including clients, have all the information they need or need to be aware of? If you're not sure, the answer is no.



4.

So, are you ready to price (BID) a rehab?

You must be as error free as possible.

The way construction works, regarding projects, is that those projects must be awarded. That's the usual term used when you as a project manager or you as the project manager awards the rehab to a certain GC. So, let's examine the bid process. This is a key area that can be challenging for most, due to lack of numbers acumen, and the time frame and excitement. Let me explain.

Someone must have what we call "front end" numbers for the rehab. Someone put the basic bidet together and made the decision that this can be a profitable property, thus a good rehab. These numbers are usually temporary and truly budgetary. Then you have a GC to provide numbers. Maybe their numbers are close to yours or maybe they simply are very far off. But why? Maybe they see things you don't. Maybe they have a better understanding of the construction needs than you do. Or maybe they don't have a clue what it means to have a budget and they see the property for what it is. A mess! If you have a rehab budget of \$50k. More than likely everyone knows the house needs more than \$50k in work, but the goal is to review what CAN BE DONE for that \$50k and hopefully with at least a 10% contingency associated with it. This is the challenge faced by everyone. Most don't get it, and some only partially. As the Project Manager this will always fall on your lap. Your numbers must be representative of your client or some in cases you the investor. You must have some sense. Often, the GC has overlooked and made pricing errors due to excitement of being awarded the job or maybe didn't read the prints through and so on. So yes, the contractor can and will make errors here. You must have the front-end numbers as accurate as possible and understand what you (as the project manager) have bid for so that you can really scrutinize the GC bids. If not, you will run into problems later.

So, let's look at this in a magnified way.

Once you receive a bid from a GC, what should you do?

1. Review that all documents submitted are completed in full.
2. Make sure you read the documents.
3. Make sure you have all insurance and license docs from GC.
4. Determine if you have been given a lumps sum, labor and material or itemized bid.
5. Remember the client or if you are the investor, remember what you need to make the right decisions.
6. Do you know who priced the bids? Was it the GC or did he have another person prepare quote?



What should I look at when I bid on the house for the first time? What is my approach?

1. Start from the front of the house and walk the perimeter. What to look at:

- a. Siding
- b. Windows
- c. Roof
- d. Foundation
- e. Gutters
- f. Decks
- g. Porches
- h. Walkways
- i. Driveways
- j. Entire garage

By this point you will have realized how much work is needed on the exterior alone. You cannot skip out on these things. You must think like your end buyer. They will have an inspection when they are lobbying your property. Think like the future inspector. What will he look for in terms of code or safety violations. Address them now or lose buyers later. This will also paint a picture for you as project manager as to how much money is already needed for exterior work before you even walk the house.

Next walk the interior. What to look at: (Is the house Winterized)

1. I like to walk in through the lowest level possible. Back doors or basement doors.
 - a. Start in the basement and look at foundation and concrete from inside
 - b. Look at the furnace and AC. Are they rusted and missing components?
 - c. Look at water heater. Is it older than 6 years?
 - d. Look at service panel for replacement or upgrade?
 - e. Does it look as though there has been flooding in the past? May need to add drain tiles to the cope and budget.

If Winterized:

When a home is winterized, it has been done so that the house is not wasting gas and water without anyone to pay costly bills. If the house has been vacant for some time, asset management companies will hire contractors to winterize a house. That means they

1. Drain the water tank and pipes in the house as 30psi in hopes of eliminating all the water from all pipes.
2. Turn off electrical breaker at panel to the house
3. Pour anti-freeze own sinks and toilets
4. Place “winterized” stickers with date on all plumbing fixtures.



So, the longer the house sits without any power and warm water, the higher the chances of further issues to address in your scope.

What to consider in your scope when your rehab has been winterized and now must be “De Winterized”.

If the mechanicals have been drained, shut down and winterized, you may want to consider having the furnace certified before assuming the entire unit needs to be replaced. Certification is roughly \$250-350 for an HVAC guy to provide detailed report.

1. Plumbing and copper costs.
2. Furnace issues.
3. Old water heater.
4. Bad wiring or old wiring that has sat and deteriorated for too long.
5. Bad drywall from no heat.
6. Poor roof with rodents and leaks.
7. Sump pump may have been turned off when the electric was shut down so could not pump out water during a flood or may in directly caused a little flood because it was not on to pump water out.
8. Clogged floor drains
9. Theft of any good or remaining copper.

These are all common items to consider due to property vacancy.

After you have reviewed the exterior main issues and the mechanical main issues, now you can walk the rest of the house and create your vision-if you have money left over in your budget. Too many investors and project managers look at the idea of what they want the house to look at while the GC looks at the house for what it is now. What it is now is your starter budget. What can be decided after you have reviewed the main components of the house and have money to do so. Be a solid project manager and look out for your client and yourself when walking house. I have walked over 5,000 homes and it's quick and easy for me to walk and bid a house. Maybe 10-15 minutes. However, I still follow my list of to “dos” in the order I just shared. If one of our client's budgets s already tight and I have walked the exterior and see that we need new garage, windows, roof, siding and concrete work-I may not even go inside. That budget has already hit 20k.

The GC Fee

The industry will always have a GC fee, this is the cost of doing business for the contractor. This is made up of insurance costs, equipment, travel, and transportation.

The industry norm for a retail remodel, like kitchen and bath remodels can allow a GC to mark-up their GC fee 20-33%. That's crazy right, but that's business. In rehabbing, you can only do 10-13% as this is a volume game. Investors want as many houses as possible, and GC want as much



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work as possible. So, a simple and effective way to determine your GC fee after they provide a bid is to multiply the bid total by 15 or 20%. That number is what they may make as a profit, so deduct that from your total bid number they gave you and make them a different offer.

Example:

- Project manager bid the rehab at \$100,000
- GC bid it at \$110,000
- You multiple the GC bid by 15% = \$16,500
- Subtract this from \$110,000 = \$93,500
- \$93,500 is your counter offer. If he accepts, then he marked it higher than 15% to begin with. If he says he can't do it for that number, chances are that the 15% is an accurate mark up. This will help you determine how to negotiate before you award.



5

The Contractor-Advocate or Adversary?

What makes a successful rehab contractor?

It is no secret that the construction industry is in dire straits in terms of quality tradesman, so many of these people tried and failed to start their own business without enough resources available to make this a marathon. Construction has become a short sprint and then a disappearing act.

Unless you're in construction you have no clue about the way construction works so you place all your trust in your contractor but all it takes is understanding the basics. It's your job to get your contractor moving along in the right direction. It's your job to reach a successful conclusion.

Communication:

From my experience, construction management is upwards of 90% communication. Used in both ways verbal and written, what you say, when you say it and how it's delivered is extremely important during your flips. Marketing, contracts, negotiations, resolutions are all part of this communication stream. Without solid communication, you will end up with more conflict and miscommunications and missed opportunities. As the project manager, you set the tone from day one! Your contractor must be a voluntarily communicator.

Production and Planning:

Planning starts before rehab begins. The plan is what's important. It goes far beyond the schedule and scope of work. It delves deep into the core of your objective as the leader. What's the mission and how to get there. Consider your plan for the road map from point A to point B. It involves constant scrutiny of the budget, architectural prints, layouts, and materials selections. All team members play a role within the production phase which is the phase prior to starting your rehab. It's the "let's get ready to rehab phase". Your contractor will be willing to participate at all levels of this phase and should be heavily engaged in the overall planning process. This isn't a secret. They need to know the plan too.

Financial Comprehension:

How well do you know your numbers and the numbers of this rehab? You need to know. You need to know because some day real soon during this project, you will be forced to negotiate prices. You cannot be effective at this if you do not have a grasp on the overall costs associated before, during and planned for after his rehab. You must know acquisition, rehab, interest holding, funding and loan terms and costs. Your contractor should have some form of financial literacy and if they don't, share with your contractor the overall



financial objectives and time constraints. They are on your team so give them enough information like budget and holding costs. Help paint the picture that no matter what, you must pay \$5,000 per month in holding costs. Help them see what your tasked with so they can adapt and share that they will be tasked with.

Contractual Understanding:

If you don't know, ask your attorney to draft and review with you. Not only do you need to understand the contract, but you need to know what's in it and why. The contract can hold many important bits of information such as money, allowances, time frames and start dates. It may discuss penalties and insurance requirements. By having this knowledge as a standard in our head, you will be more prepared and an asset not only to yourself but your client. Your contract must sign and fill out every detail in your contract without fail. Should the rehab become unsuccessful you'll need to rely back to this document. Remember, it's not what implied, it's how its written.

Risk Management:

You and your contractor will face many risks. It's inevitable. So, don't argue or pick a fight- simply prepare. Most contractors cannot see the problem coming until it costs them money. Discuss with your contactor all the risks you both are facing be open and transparent. Lay it all on the line so when some of these issues become prevalent, you can create the necessary and cost-effective detour. As a project manager your life will revolve around proactiveness.

Pricing:

So, many contractors struggle to price out a job with accuracy. It's a tough game and it takes more diligence than most are willing to put in. Therefore, I always say that as a project manager, you must be able to price and bid on your projects first to create the mean average of where you need to be with contingency. The goal is for you to take a \$65k rehab budget and award a contractor for \$55k leaving you with a contingency. Remember, not all contractors have the same GC FEE and overhead costs and that is why you get bids that are all over the place. As the project manager, you must be able to sift through the numbers and then look at the above list to find the overall player. It's like looking for an overall athlete that can play most sports competitively, but, really the best one. Use the bids and the above to determine your athlete.

If you cannot manage some or all, you will see ultimate doom for your contractor and your rehab as project manager, you must lead your contractor by taking the correct actions and show them how you wish for things to go. You don't need to be an expert on construction, you need to be an expert on communicating your plan. Then and only then have you found and developed the right contractor. Make changes!



6

Project Managers lead?

Are you leading by example?

As a former GC, I spent many years pointing the finger and setting up everyone else for success. However, in my earlier years I was grinding and performing the grunt work on the construction sites as the guy that no one talked to or engaged and looked down on me as the one and done type contractor. Through time and grade, I grew into something more and larger as we took on the role of the best general contractor in Chicago. Awards came and so did controversy. Long story short, I have not forgotten how I started and where I came from. I spent years working 24/7 to the point of chest pains by the age of 30 and then panic attacks. Fast forward and here we are. The only rehab consultants on the planet. I'm sharing this because I choose to still lead by example. If something needs to be done, I'm going to get it done no matter what even if I must do it myself.

So, ask yourself? Am I making a difference on my flips as the leader of the team?

1. Did I improve progress and quality productivity?
2. Am I watching for best practices and safe measures?
3. Am I showing empathy for my teams?
4. Does my existence produce quality?
5. Am I solving rehab issues and problems
6. Is my proactive approach helping or hindering progress?
7. Am I seen as a mentor or teacher? Or am I in the way?
8. How am I reducing costs and increasing efficiency?
9. Am I good representative and advertisement for my company?
10. Am I corresponding with my client or my teams effectively?
11. Am I looking for ways to increase my flips value in any way?
12. Am I watching the schedule?
13. Is everyone in on the objective?
14. What am I doing to improve my management skills?
15. Am I sticking to my meetings?

As rehab project manager, you do not have the luxury to say or think, "this is not my job". Everything in rehabbing is your job. Being conscientious of opportunities and efforts of others will send a message to the team and create a higher moral. This can be tough; some days the crew is hot and some days they are not.

Take time to take breaks here and there to gain a full perspective on what you are achieving and what you may be missing. An objective approach will allow you the clear vision to see what may seem redundant day in and day out. If you feel this way, chances are our crew feels the



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same thing. The outlined above actions may take just minutes of your day and have long lasting effects to the success of your rehab, Make the effort and you all will be rewarded with more better days than worse.



You better know how to manage risk!

The risks are real. The risks cost money.

How do you prepare for risk? You start by outlining the areas you feel weak as a project manager. You need to be honest with yourself or have no business flipping houses. The risk is far too great.

Dealing with risk on your rehab:

1. Determine your weakness.
2. Determine your GC weakness.
3. Determine your client's weakness.
4. Draft a pros and cons list of obvious obstacles.
5. Reflect on past mistakes on previous rehabs.

Ways to make changes or alterations to your risk:

1. Proactivity. Anticipate future miscommunication and have more meetings or make more follow up calls.
2. Follow your process. The process should look like this as project manager.
 - a. Monday morning texts to GC for updates
 - b. Meet GC twice per week.
 - c. Walk project minimum 2 times per week.
 - d. Meet with client or if you are the client, every two weeks off site for coffee. It is always good to get to know your lead GC offsite to humanize the experience and gain trust in the relationship.
 - e. Photos and phone calls daily
 - f. Encouragement and thank you's
3. Follow the **Rehab Progress Book** on every walk and make notes as this will be your journal moving forward to keep track of notes and needs that have been communicated to someone on the team.
4. Revisit the budget weekly to see where you can cut costs on material selections.
5. Discuss with the client or (you) to determine if you feel your vision is being met or expectations are being satisfied.
6. Always ask your GC if there is anything you can do to help move things along. This may be annoying at times, but it indirectly keeps you involved in the project without having to ask directly daily for updates. It's a simple strategy to get info, updates and results.



Delegation of Risk:

1. Put this back on your suppliers if material costs change. In this event, maybe you negotiate a fixed price in anticipation of material cost increases during the flip
2. Put your GC in charge of the site always. He is leading the subs and needs to be accountable so it's not always on you. Your job is to supervise and support him, his job and to manage the construction.
3. Make the specialty subs take accountability for their expectation per license. Example, electrician is responsible for quality work with passed inspections.
4. Your client assumes all the risk. If you are the investor and project managing your own flip, this cannot be completely delegated. You're in control of everything and all answers and resolutions come to and through you.

Your financial risks:

1. Budget incorrectly BID.
2. Property purchases at the wrong price point
3. Comps not as accurate as one may have thought initially.
4. Holding costs and interest rates.
5. Loan terms and default.
6. Time to sell.
7. Buyer inspections.
8. Bad punch list.

What are you doing to avoid mistakes in your rehab? Nothing, Plan for them!

Often, so many programs out there say fancy titles like "join our boot camp and learn how to avoid mistakes". It is a great gimmick and most fall victim to being taught the circulated material that is just re-wrapped. The idea is to plan for those issues and mistakes as a rehab project manager so that you can work through the inevitable.

Let's look!

1. **Not planning enough.** That is why the production phase is so important.
2. **Not pricing budget** line items accurately. Even if you're short you can make up for it somewhere else in the job, but at what costs? It may result if borrowing from the kitchen line item to cover lumber costs under rough carpentry. Eventually the well will dry, and the ultimate change order will come.
3. **Inspections** will not always go as planned and often there are re-inspections. Plan for extra time in this area. Order inspections a week prior to your team completing the actual task. Allow yourself some lead time.
4. **Permit processes** are as unpredictable as the weather. Plan for delays and re-submittals of documents. It happens.



5. **The GC subs** may not always get to job on time every time. Car issues and other jobs. Remember, they don't work for you and have more than one job going at a time. Plan for that.
6. **Ask your GC** if he has any thoughts about risks, he may be facing. Share your risks with one another. Bet on this. This will help mitigate as much risk as possible. Maybe he is not strong in drywall but an excellent framer.
7. **Deal with your architect** on a regular basis and do not assume he or she is taking the initiative to do anything. Ask them to submit, re-submit and make revision anytime you feel you need it.
8. **Time and money**, you cannot avoid it and you can only deal with it. Revisit scopes daily. Revisit budgets weekly and revisit progress every two days. The little things will keep you ahead and more importantly help you catch the things your GC has overlooked. Remember, the GC is hard at work and focused on a million tasks. You're their extra eyes and ears.

Act! with rehab problems:

1. Anticipate
2. Never procrastinate
3. Swift decisive decisions
4. Ask for help
5. Group meetings
6. Read educational material
7. Never blame others
8. Take initiative
9. Know who you can depend on
10. Communicate now
11. Correspondence with owner and clients, lenders and agents
12. Check your GC insurances to make sure they are active especially on longer projects

Huge Risk associated with rehabbing Is the SAFETY!

1. Do you have a clean worksite?
2. Do your GC have solid and true insurance: General Liability \$2mil and up? Workman's Comp, Commercial or Umbrella? You need to have this during the production phase with contracts anyway.
3. Material and tool selections and the process of proper install.
4. Security of the property and the subs associated with it. Have you hired felons, is this flipping bad part of town? Is there easy access to the property from an alley?
5. Are they disposing of garbage and debris in accordance with EPA or city standards? Is there mold or asbestos? That needs to be discarded in a more experienced and formal way with suits, bags and sealing of contaminants.



6. How is your sites clean up being handled? Is your team hauling it away themselves in a pick-up? Is there a dumpster?

There is also risk with the environment and you need to be aware of this too:

1. Clean up and removal
2. Reducing dust
3. Reducing fuel and energy
4. Waste in water
5. Noise
6. Rodent and pest control
7. Being neighborly



The Project Management Phase.

You must prepare for rehab demo day 1

Phase 1-Production

- The Acquisition (Investor/Broker)
- Hire/screening -See charts below
- The bid (GC)

Make sure all the bids have both labor and materials. Never volunteer to handle the materials as this interferes with roles, responsibilities and profitability.

- The scope of work (Investor/GC)

Your **Scope of Work** must be detailed. The vaguer it is, the higher chance of change orders that will smash your budget. Example vague scope line item: “update all plumbing where necessary”. This tells me you have no clue, and I am going to make money on this line item. Or “please make sure all bx has been removed from house”. Great, this tells me this has become an all new electrical or rewiring of the house line item. My cost went from maybe \$3500 to \$4,000 per floor.

- The subs (GC)

Make sure they understand this is rehab. Make sure they understand that there is a budget, make sure they understand that they can and will receive more work because you buy in volume. If you really do not have the volume or you are truly struggling to get properties under contract, then do not lie as if you’re balling out. Any sub will see that you’re not calling them for properties the way you made it seem. They will move on from you and charge full price. They need licensed and insurance on file prior to contract or offering of job. Also, have them sign partial lien waivers for all partial payments and of course the final lien waiver at the end.

- The budget (Investor/GC)

Your front-end work is vital to the success of being involved in real estate investing. Just like lenders have known their numbers, so do contractors and so do you. The house will dictate what the house needs. Like a sick patient, it will tell you how to make it better. You’re the doctor. Your numbers must be as accurate as possible; therefore, your team is very important. Comps must be accurate; rehab budget needs to be low and solid, and your acquisition price point needs to be as low as you can get the property for. The simple formula is $ARV \times .65\% - Rehab = Profit$

- The contract (Investor/GC)



All your contracts need to be professionally done by your attorney. This will cover your asset (the house), lawsuits, liens, and place of arbitration. There should be a new contract for every single project you hire a contractor for. In this contract, it should cover:

1. Time frames
2. Rehab budget
3. Insurance requirements
4. Draw schedule
5. Responsibilities
6. Roles and expectations
7. Indemnity clauses
8. Hold harmless
9. NDA/non-compete

- The schedule (GC/Lender/Broker)

Your schedule is important as this coincides with your draw schedule and your lender will want this info as soon as possible. This should begin to take shape upon walking around the house with your contractor with scope in hand at the property and then sharing the budget.

Steps:

1. Take scope to property with your contract
2. Discuss house and answer questions
3. Discuss budget
4. Ask for thoughts on a total project time frame.
5. Then ask if they want the project

Every contractor knows if they can take the house then and there. If not, they are lying. If you sense hesitation, bring another crew in asap. Never wait on a contractor to follow up with you. Remember, this is your house, not theirs. Once you have had the chance to do the above, then you can say in the contract docs that we will send you, we will have a blank schedule template for you to take seriously and fill out. Let them know this is important and very significant to having these milestones intact to get them paid on time every time.

- The draw system (Lender/GC/Investor)

Always disclose how the job or project is being funded. Let the contractor know that this is based on milestones. If there aren't any upfront deposits being made, make sure they understand this. Any unspoken truths or misrepresentation of the plan will lead to distrust and failure to communicate from the jump. Please share with your team and your contractor where you must be financially. Do not get emotional about it and do not put too much effort into sharing this either. Just be honest about the process and tell them they are in the driver's seat



and that you're willing to negotiate how many draws they may need. Remember that contractors are not banks and, in most cases, do not have much capital to float. You must be willing to be flexible in this process. The lenders do not own you or your contractor and you want to keep your team happy because you may only use that lender once, so why burn bridges with the team you need every time on every project.

Smart and proven ways to set up a great draw system:

1. If you use a hard money lender, allow your contractor to help you fill out the draw categories
2. Stay true to your contractors schedule that they present to you as this will need to be the same as the draw schedule you filled out
3. Make sure that the contractor fully understands that there will be a 3rd party inspector who will come out and verify said invoiced work
4. Make sure you the investor takes the time to learn your lenders process, if you don't know-no one will
5. Make sure to be on your contractor's side, when he invoices make that a priority to get over the lender for review and processing. Every day counts.

- Start and end dates (GC/Investor)

Set the tone early and set the dates as soon as possible. When you walk the house with your team, you've already discussed the scope and timeframes so always ask, "how soon can you start?". Let them tell you and then follow with "and how long do you need to complete this project?". No matter what they say, add two weeks. If they say I can get it done in 6 weeks, then give them 8. It's a simple yet effective tactic. You will eliminate pressure to deliver, you can allow them some room and flexibility because they want to impress you. This also shows that you're smart enough to know that it's not very common to get construction done on time. Things happen, and construction is a difficult venture. That's why you're reading this book as we speak. Allow them to set the start date and you set the end date. Only threaten a charge of \$50 dollars a day. Anymore and you'll have a contractor walk away. Again, it's not about penalizing or setting an angry tone upfront, it's just setting up the expectations. Ask them if they have any questions before you start construction and allow them to feel as though they can take the floor for a bit and share what's on their mind.

The Process:

You have roughly 30 days for the rehab project manager to get your project ready for construction. This is not a joke but a serious fact. You need to move.

Here is your process to be completed within 4 weeks and approached, week by week.

Pre-Walk-Week 1 after property is under contract.



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1. Walk house with 3 GC separately without scope in hand.
2. You are there to share your vision and overall plan.
3. Discuss and get your potential GC to engage you with questions, make them care.
4. Lastly, you need to get the “3 verbal commitments”.
 - a. **Verbal Commitment 1:** As you close out your walk with the GC, you need to figure out the start date. Never ask them, “when can you start”. You basically tell them when you need them to start. You say, **“Well as you know, we close on this house on (provide closing date). I need you to start the same week. Is this a problem?”** By sharing in this way, you will get the answer you’re looking for which is always a yes. Think about it, they have 4 weeks to start.
 - b. **Verbal Commitment 2:** you need to know how many weeks or months the project will take. Here is the approach to getting the answers you want. You already know that a simple way to measure how long a rehab can take can be based off \$1,000 per day. So, if your budget is \$40,000, you can see that this is 40 days-a month and a half. So, knowing this, you tell your prospective GC how long you feel the project is and get an answer from him on the spot. You say, **“I anticipate roughly a 1 and ½ month project for this house but I’ll give you 2 months to complete. Does that work for you?”** No matter if they tell you a timeframe or you provide it, always give an extra 2 weeks to the time frame. By telling him you’re still asking him, but in a more prepared and leadership type way. Your confidence will get the yes.
 - c. **Verbal Commitment 3:** Now the magic moment, you need to make the budget known but in a very positive and roundabout way. You’ve just gotten two verbal commitments you need for the contracts. Now you need to get the last yes to the budget. So, let’s say your rehab budget is \$100k. You’re not going to offer that of course. You’re going to reduce the cost of this by 20%. Why it’s your typical retail GC markup. What does retail mean? It is a world that doesn’t involve rehabbing. It’s your typical home, bath and kitchen remodels or renovation. Homeowners can be charged upwards of 20-33% on any project. Knowing this, you reduce your actual budget by 20%. You start off by saying the following. **“so, we know we are good to start and how long this will take so the budget I have allotted for the deal is \$80k. I will have all the contracts drafted and sent to you within 48 hours.”** Now you’re ready for the contract period.

Now that you have begun to think like a seasoned rehab manager and have gotten through the pre-walk. It is time to move forward onto the next phase of production which is the contract period. As a manager you must be well versed in the contract documents and process.



Contract Period-Week 2 after pre-walk

What is in your contract and what paperwork do you need from your new GC?

1. Contract

Your contract documents should be very detailed and specific. During pre-walk you received your 3 verbal commitments and now it's time to make sure you have that information placed in your contract. Also outline draws, how often with dates and milestones that match the schedule.

2. Blank schedule template

The schedule should outline week, month, and dates. I always say that if a project has a schedule that will take longer than 3 months then use a monthly calendar and more than likely one draw per month. If it is shorter than 3 months, do a weekly calendar expressing the goals and milestones to be achieved.

3. Sub list

You should always know who and what subs are on your jobsites or will be signing on to be a part of the rehab. This list is filled out and provided by your GC. It will have the sub name, company, address, license number and contact info.

4. Direct deposit or wire info

This is important for payments if you need to send money fast or if you or your client travels often or have a high volume of properties you're in charge of.

5. Scope of work

The most important part of your contract documents and the backbone of all rehabs is the scope of work (SOW). It must be detailed and specific, if not, you leave this open for higher bids and change orders later. Make sure to break down the categories by room, bath, kitchen, floor, interior and exterior. Paint a picture of what you need done to this house.

6. Material selections or comparable

Place this inside the contract documents so that the GC and everyone else can review your choices to collaborate with you to ensure the budget meets expectations and vice versa.

7. Addendum page

This blank page is set in to add changes or monies discussed during the pre-con meeting.



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All of this takes place during the second week of production. Give your GC time to review the paperwork. GC are notorious for being slow with communications so give yourself a few days in advance to get this signed and back to you. Use an online program like DocuSign so that you can control every spot within the docs that require an initial or signature.

Pre-Construction Meeting (pre-con)-Week 3 after pre-walk and contract period.

By this point you have all the necessary documents signed and in hand. You now need to schedule the pre-con meeting. In all of construction, this meeting is extremely important. It's an all hands-on deck day.

Who should be here? If the project requires, this is the list of possible attendees:

1. GC
2. Project lead or foreman
3. Real Estate Agent
4. Architect
5. Designer

What docs should be in hand for this walk:

1. Plans and prints
2. Full scope of work
3. Material selections
4. Schedule

What to discuss:

1. Overall plan and any changes made the previous two weeks since pre-walk.
2. Finish selections and overall design plan one last time.
3. Have the agent provide last-minute oversight on neighborhood comps and help in reviewing the schedule so he/she will know when they can start pre-marketing.
4. Architect and GC can discuss structural changes in full and prepare for "what-ifs".
5. Investors and/or project managers can share goals and schedules with the entire team.
6. This is the one last time to openly discuss changes and money. If a change occurs and it changes the budget this is considered your first change order and should be added to the addendum page within the contract and res sent to GC for review and signature.

Pre-con is the last meeting before demo day 1. After this phase you leave about 1 week before the agreed upon start date or demo day 1. Now and by this point, you have completely set this job up in full of trust and transparency with all team members. This is the way to start a flip. This is the way to start rehab. Now you're ready.

Finally: **MONEY WEEK is the final step!** Discuss and match up draw and work schedules



Rehab Communication?

What you don't say impacts your rehab

The ability to interact with everyone and all facets of rehab is important. You have different ages, cultures and most importantly attitudes that you will have to deal with daily.

Variables in construction:

1. Emotions
2. Experience level
3. Technology acumen
4. Age
5. Physical attributes
6. Ego

Everyone must be treated as an equal and made to feel like a contributor. Here are key steps to consider when communicating as a rehab project manager. Rehab is excruciatingly frustrating because of tighter budgets, time frames and lending terms. Work to lead and create more leaders within the team like this:

1. Every Monday morning text your GC for pics and updates
2. Be civil and polite
3. Be proactive and expect this from your GC
4. Be constant in your process
5. Do not be condescending but rather explain your unhappiness with quality, time etc....
6. Have a persuasive approach to achieving goals
7. Remember strengths and weakness

Forms of communication during a rehab:

1. Text
2. Verbal
3. Written
4. Pictures
5. Videos
6. Non-verbal

Statements or words you must say weekly to your team on a rehab:

1. Hello, good morning, good night and thank you.



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2. How can I help you? (what can you do to help and not hinder).
3. Let's discuss it together! (asking for a team consensus is a great way to make the team improve and contribute).
4. Can you elaborate to explain further? (You don't have all the answers and may not have been there when the issue arose Ask for more clarification).
5. Did we allow for this in our budget? (Often a question of covering costs for an item comes up. Always go back to the original budget and scope of work for your response).
6. NO- "Sorry we can't do that" or "how about we try it this way".
7. This looks great! Good work!

A positive attitude leads to positive communication. Your team needs to hear from you verbally and in written form. I always say that if it's not documented, it never happened.

Send emails every two and text every day at least once. Offer solutions and advice and this will come off more as if you're participating and not directing. GC hates it when some is telling them what to do, but that the way it is.



A good Rehab Schedule and Why isn't your project on time?

The scheduling will be your conflict, not anyone else's.

This is a dark area for most, including your GC. There are many conflicting elements to construction that must be accounted for in all schedules. With so many people and subs coming and going or being involved with your rehab, you must be able to anticipate time frames that you cannot control. If you cannot control it, how can your GC? The following list contains a few of the most common rehab scheduling mistakes that I experienced for years and still exist today.

A. Rehab has not been diligently resourced

You and your GC may not have allocated the right vendors with the best or suitable pricing for the rehab such as cabinets and countertops. Maybe you're using the mean average you used to using and not realizing that every budget will dictate what budget of material CAN be. If not resourced correctly, it will cost you money. When money becomes the issue, you've already lost time and will continue to lose more.

B. Lender Draw matching the GC schedule

The two are very separate but coincide heavily on being matched accurately. So, you may be using a hard money lender or a private lender who may request the schedule in the form of how you will be requesting draws for the rehab. The idea is to ask for this information from your lender during the production phase before you close. Then share this with your GC so that he can make sure that his schedule will work with the lender draw process. Over the years, my clients struggled to get this right because they didn't understand construction, thus not understand draws that are naturally associated with construction.

C. The time it takes to have material delivered to job sites.

It is often missed and considered the time to order some materials and the lead time necessary like, lumber, counters, cabinets and so on. These must be considered during the rehab process. Lead time are hard to plan for but calls to vendors will give you an idea as to how long some deliveries and orders are taking. Especially on special or custom orders, which is common, can cause a problem with a solid schedule.

D. Weather-No need to dig into this obvious one.

However, check the weather weekly for rain, snow and major storms.



E. The permit processes

Often, most people do not know how long the permit process will take and are just as often underprepared with the right documents that may or may not be needed. If you and your GC have not prepared the game will get worse fast. Delays happen before a project can even truly start.

F. Product Procurement

Keeping track of time for certain material design is a common misconception as well. Some product that need to be built or designed may have a week or two just for that part alone and then add delivery to this. Be conscious of the product you choose, or your clients choose.

G. Inspections and inspection periods

The lack of knowledge or disregard for the time it takes to order inspections and then pass inspection and maybe having to have a re-inspection, will add to the time frame of a schedule. It should be considered when you set up the schedules.

H. Architectural drawings

These take time and may take a revision or two before the final set will be submitted to the city for review. Take this into account and get working with the architect as soon as you can.

I. Schedules not updated regularly

Schedules can and will change and chances are there are change orders then there will be a shift in the schedule. This is often overlooked and then argued later by both you and the GC. You're both wrong for not revising the Schedule every time there is a change.

J. The schedule was never review from day one

When your GC provides you with the project schedule, it is up to you to review this, make notes and ask questions. If you don't, you will pay for it later. Additionally, it's common to be overlooked because of time constraints. It is ironic that you overlook the schedule but end up fighting about it later, isn't it?

When to make changes to your schedule?

- a. When there is a change order
- b. Time delay on materials
- c. Time delay on inspections
- d. Re-inspections
- e. Permit delays
- f. City meetings
- g. Contractor issues or termination
- h. Sub not showing up to jobsites



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- i. Lender and draw delays or disagreements



Setting up the Team

This is crucial, and time involved but worth every minute spent.

I. Intro

Assembling Your Rehab Team & Prescreening

II. Who should be on your team?

The Theory

- Effective Communicator
- Building Relationships/people skills
- Implementing Systems
- b. Mature, grown-up, adult responsible contractors

III. Where to find the contractors

- Home Depot/Lowes
- Supply Houses
- Other Job Sites
- Referral from Good Contractors
- Building Department
- Real Estate Investment Clubs or Associations
- Online

IV. What to look for in a Contractor

- Prescreening without asking your first question
- Years on job
- Trade experience
- Proper Tools
- Number of guys on crew
- Licensed & permitted

V. Interviewing Contractors

a. Phone conversation

- Qualify them over the phone
- Get them to quote & bid
- Ask them for past rehab address, budgets and time frames

b. Contractor Interview

- Outline on benefits for both parties
- Presentation of company expected



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- Presentation of previous jobs & work w/ pictures
- c. Assemble contractors with same traits & put them together
 - Now you will have a cohesive group working with common goal

VI. Sell them on your business –

a. Get them excited & motivated to work with you

- Benefits for them
 1. Consistent work, regular pay check
 2. Don't have to prospect for next job
 3. Grow their business with systems & knowledge from you
 4. Explain how they will fit in and work within YOUR system

VII. Examples of identifying Contractors

a. Main Sources

- Qualified pro desks
 1. “Big Box” supply stores- Home Depot, Lowes, Etc.
 2. Individual supply houses- (paint, plumbing, electrical, etc.)
 3. Pay accounts
 4. Do business well because they are always at supply house
 5. Referred by reputable source

b. Building Departments

- Pulling Permits?

c. Know inspections?

iii. Job Sites

- Able to see their worksite
- Is their worksite organized?
- Quality of contractors

iv. Referral from Contractors

- Once you work with good contractor ask him for referrals
- Good people attract good people



GC and Subcontractors?

Do you know who your GC is hiring to play ball on your flip?

As the Rehab Project Manager, you need to be highly keen and aware as to the tradesman that may be recruited to join your team on this rehab. Your GC plays a role in this as you chose him for a variety of reasons, including his reputation. With that said, who he hires says a lot about him as well. Additionally, you need to know who their supply house is and where they are located. Is it Home Depot or Jonnies Lumber in some town 2 hours away?

If the wrong GC or subs are on your job....

1. Poor performance
2. Poor quality
3. Lost time
4. Re-do work in some cases
5. Supplier loses order
6. Supplier goes out of business
7. Supplier require down payments
8. Safety may become an issue

Questions to ask your GC about their subs? Ask your subs about the GC

You can reverse who you ask because it's important to get a feel for how the subs and GC really fell about each other and predetermine issues, money flaws and delays.

1. Are your subs experienced with rehab budgets and time frames?
2. Did you add in the sub costs with your original bid and should I be expecting extra costs?
3. Are they license and can and will they be able to produce proof when asked?
4. Do they have experience and a good reputation with the city you're rehabbing in?
5. Are your subs willing to sign lien waivers for each payment you provide them?
6. Do they have a solid track record of passing inspections without violations?
7. Do they have a lot of open jobs right now?
8. Do they fully understand their scope of work and the project requirements?
9. Are they fulfilling the entire line item or trade (electric, plumbing or HVAC) are you only giving them some of the responsibility?
10. Is your GC responsible for getting materials to the jobsite for subs or the subs handling this?



How are you managing the oversight of subs?

Subs are extremely important to the success of rehab. They are almost certainly everywhere and can do most construction tasks with a specialty or preference in mind. GC and subs sometime have rocky relationships, but most have worked together in the past. The GC is usually the GC due in part to having equipment, money, resources, and the experience to oversee jobs. Whereas, subs are usually smaller tradesmen or companies that focus on painting, or drywall. They are brought in to handle certain aspects of the scope of work.

What you need to understand as the Rehab Project Manager who has subs on the flip:

1. You must understand what your GC role is with his subs.
 - a. Who is responsible for materials?
 - b. Who is responsible for what parts of the scope of work.
 - c. How those subs are being reimbursed and when.
 - d. Overall agreement and obligation to each other.
2. The sub-contractor works independently but in unison with the project schedule.
3. The sub should not be delayed or blocked by GC in terms of progress, payments, and schedule.
4. How often are meetings taking place between GC and subtrades to ensure quality and acceptance of responsibilities.
5. Your subs should have had a chance to review any plans or documents directly related to their job and role. Have access to those documents anytime they need.
6. Discussion and agreement between GC and sub should always be in writing.
7. The GC is scheduling all subs in accordance with one another.
8. Sub is at all important meetings or involved in major change prior to the execution of the original plan and contract.

Sub-Contractors role in the rehab:

1. They must be involved during the bid process
2. They need access to all prints
3. They need to be aware of the overall time frame to agree to a specific time to apply their role to this flip.
4. Fully understand the payment schedule and material order.
5. Have a clear and defined scope.
6. Contract that outlines their responsibilities and obligations such as inspections.

What is in a Subcontractors Documentation?

1. SOW
2. Pricing list



3. Material schedule
4. Contract terms and conditions
5. Prints and layouts
6. Project specifications
7. Site conditions
8. Quality expectations
9. Clarification and warranties

Ensuring Sub Contractor success on you rehab:

1. Get to know the GC and their subs weekly.
2. Add them to your phone and have their contact info- you may use them on another project independently.
3. Offer to help when needed.
4. Ask how the job is going. If the electrician has been there for a week, that is an opportunity for you to get to know him a little better.
5. Make sure your subs are making money. This is important because if they are happy, they will take more pride in your project and possibly make your project more a priority.
6. Maybe offer incentives because of a last-minute switch or inspection failure that was unforeseen.

Identify when your GC and subs are struggling:

All GC and subs are notorious for falling behind and miscalculating costs here and there. Most investors miss opportunities to save their sinking ship simply because they do not know enough. As the rehab project manager, you have accepted the role, the risk and the leadership that is necessary to achieve rehab success. Identifying when your GC and sub are in trouble.

1. As Rehab Project Manager you must share the issues with your client or if it's you, you must call the important meeting. The "come to Jesus' meeting", or its time move on.
2. Changes may have been made to the scope of work which may also have influenced a change in costs. This may not have been communicated with the important parties. You must intervene and share the changes.
3. Start preparing your replacement and go through the process. We will outline this in the next chapter.
4. Check to make sure you have all updated partial lien waivers and review the contract again for any variances on your or their behalf that you must follow first. Like a 5-day written warning or something.
5. Review the last draw and how much work has been completed up to termination date.
6. In some cases, you may want to allow the GC or sub to complete the open task at hand then make your move.



How to fire your contractor from your rehab?

Prepare for a battle that can be won together.

The days of “your fired” are far away these days. You need to have back up and need to review your paperwork before you pull the trigger on one or all your subs when house flipping. These subs are part of a litigious community that can and will place liens on your house knowing that you will have no other recourse but to entertain them as they hold up the sale of your property.

So, let’s explore proven methods I have used to terminate subs and the advice I give them to our clients.

Did you cover your bases?

A. Have your back up ready before termination

Before you terminate your contractor make sure you have a sub ready and willing to take the job “as is” from the current position. It’s important to share enough information with the new contractor to make them easy and not fearful of a problem within you as the investor.

Here the steps to take:

1. Ask 2 more GC to walk your house on a weekend or day you know your contractor will not be there.
2. Have the remaining SOW prepared and ready for his review.
3. Have the remaining budget ready and be prepared to negotiate.
4. Once he walks the house get the 3 verbal commitments you need to move forward:
 - Ask him what day he can start?
 - How long will this take you to complete from this point?
 - Tell him the budget is “X”: never ask him of the budget is ok tell him this is what it is.
5. Once you have these commitments, you can now move forward with **B-Paperwork 101**

B. Paperwork 101

1. Go back and re-read your contract with your contractor. If there are clauses that state he gets a 5 day or 7-day notice or letter, then provide this.
2. Make sure that you’re very clear and have the emails and text messages to back up your claims on behalf of the contractor’s miscommunications, lack thereof or faults based on contractual obligation and agreement.



3. Make sure all partial line waivers are up to date and verify that subs have been paid up to the date of termination consideration. How do you do this?
4. Prepare a termination letter and email him a copy and send a certified copy to the address you have on file. This is important, remember there can be legal ramifications.
5. Always “CC” your attorney so that they are in the “Know” on the email. See below:

Good afternoon _____,

It has become clear that we are not on the same page and have not been for some time. I value your experience and professionalism, but at this point we will be moving forward in a new direction with a new contractor. As a company, we must get these properties back in the green and sell them in a timely manner.

We will be changing out the lock box tomorrow am. Please remove all your tools as soon as possible. We will be reviewing the final payout and will make you a final offer for work completed to this point. At which point, we will send you our offer and you will supply a FLW.

We wish you the best in all your future ventures.

Your company names

Key Take away:

- If your contract is solid, then you have a list of his subs from day one. Call each one of them and ask them if they are owed money. All you need to explain is that you are doing your diligence and want to make sure moral is happy. Leave it at that.
- If they are owed money, then you ask how much and for how long they have been owed. You use this information for decision making later in this process. See below.
- Contract preparation is important to back up your decisions.
- Its not what is implied in your contract, it how it is written.

C. 24 Hours To-Do-List

When terminating your contractor, it is normal to feel anxious and worried that out of anger or spite they may do harm to the property. Often, this doesn't happen as they don't want to interfere with the final offering. This is why you make the offering in the first place. Sort of like a peace offering to go separate ways. Most investors have the “fuck that” attitude and there will be left holding the bag when it's all said and done so trust me when I tell you, the final payout is important for a variety of reasons.

Here's what to do after the termination email goes out:



1. Give the contractor 24 hours to remove their belongings. Be there when they arrive.
2. Change the lock box and the location.
3. If you feel uneasy, then go with your gut, Notify the neighbors, and call the police to inform them of a simple termination and that you wish for people to be aware of what is going on within the property.
4. Take pictures of the property as-is and use this when configuring the new or remaining SOW. This will also help you when reconfiguring the remaining budget.
5. Redo your paperwork for your new contractor. You want to make sure you have the SOW and budget ready to get your next GC in line with a verbal commitment to take this project for you.

D. New GC Pre-Walk

Now that you have terminated your GC, prepared new paperwork and lobby a new contractor- it's time to walk the house all over again. Here is a list of things to do in a very specific order when signing and new GC with the idea of not losing too much time in between contactors.

Lending Preparation

1. Call your lender for an inspection.
2. Invoice for work that your previous GC has completed up to the termination date.
3. When that draw comes in, be prepared to make you last GC an offer for work completed and then get the Final Lien Waiver from them in exchange for the payout.
4. Your first GC will never get the entire (original draw) that they were looking for. You need to make sure you have money ready and prepared to offer your new GC to start or at least have ready for the first week of progress.
5. Redo the schedule from the point of attack that coincides with your draw schedule. Your previous GC might have had a rhythm or way of doing things that may not work for the new guy coming in.

GC Pre-Walk

1. Now you walk the house with the SOW and payout knowledge in your arsenal. (this is your leverage)
2. You discuss what needs to be completed and answer questions.
3. At the end of the walk, you tell them the budget as is. Example: if you have \$30k left from a \$75k budget, offer them \$20k and start the negotiations from there. Every GC has different overhead.
4. At the end also ask What day can you start? How many weeks do you need to complete?
5. Finally send them the new contract and prepare for a new start date.



Take-Aways:

1. You do not need to share with your lender that you're switching GC unless necessary. Remember, they worry about their money as they should but are not involved with the day-to-day of rehabbing.
2. Make sure your paperwork is solid from day one and any addendums or changes will be swift and simple.

Make sure you have a backup plan always much like a contingency in your budgets.



What documents do I need from my contractor after we agree to work together?

As Rehab Project Manager, you need to know the details

Now that you have an agreed upon budget and scope of work, it's now time to get all your contractor's info ready and on file.

What you need to ask for?

First and foremost, you need copies of their insurances with you listed as "the additional insured". Also known as "COI".

You ask them to add you and your company to their insurance policy for to cover every house or rehab they do for you. Example:

The Rehab Depot Inc.

Address....

Vernon Hills, IL 60061

This will be located on the bottom left-hand side of the paperwork.

How much is insurance coverage for a contractor on average:

General Liability and Property Insurance (Business Owner's Policy) Quote:

\$1,000,000	General Liability per Occurrence
\$2,000,000	General Liability Annual Aggregate
\$1,000,000	Personal & Advertising Injury per Occurrence
\$2,000,000	Products Completed Operations Aggregate
\$300,000	Damage to Rented Premises

What does a contractor's insurance cover?

General Liability coverage protects your business assets. If a third party alleges bodily harm, injury, or property damage, and you don't have General Liability coverage,



you're **contracting** or construction business assets could be seized to pay the judgment. General Liability **Insurance** offers a survival plan.

What does it mean if my contractor is licensed and bonded?

Traditionally, this means the contractor must purchase a surety bond, which serves as a form of insurance to protect the contractor's customers if he or she fails to complete the job properly or fails to pay for permits, subcontractors or other financial obligations.

What type of insurance should my contractor have at minimum?

Traditionally, all you need is general liability. If you plan to have your own people or tradesman on the job site, then you will need to add Workman's comp.

Indemnity clause or hold harmless for insurance-Usually workman's comp?

Most solo contractors do not have workman's comp, so they should have zero problems in a hold harmless with you. A Hold Harmless Agreement is a contract between two parties designed to release one or both parties from legal claims. Most often, one party agrees not to sue the other party for any expenses, damages, or losses arising from a transaction or activity between the two parties.

You always need to ask for the following:

1. Copy of license and bonds on file
 2. Copies or the ability to look up his sub-contractors
 3. Insurance
 4. Full business address and TIN number or tax ID number.
3. Address of previous work. Forget about asking for references. If they give you real address, you'll find the owner.



Rehab Project Manager must have an eye for design!

As Rehab Project Manager, your vision and input set the tone

The has been inserted from our Rehab Manual:

Project managers need to create, help create or be involved in the design process so that they are aware of the complete vision for the final look. Your involvement will help when you delegate and discuss materials on the field with your teams. Having a board like this can be left at the job site or inserted into the contract documents so the GC has all the info they need from day one.

How to create my DESIGN BOARD?

1. What is a Design Board? Or Mood Board?

It's your personal choices and layouts for your rehab. You can place pictures and prints layouts into one document that can be used over and over and updated whenever necessary.

2. How to I keep track of this?

You start an actual binder with plastic sleeves. Or you can also use a word document and an app called CANVA.com. Also, you can leave these posted at all your projects. Adjust the board as you go.

3. Why do I need this?

- To help you contractor choose out materials
- To help you budget returns correctly
- To help you remain in control of the numbers
- Makes you look professional
- Helps you stay educated on current materials and details as trends change
- You can leave the design board with your next or future buyer. (it helps buyers see what was installed in their home. You do not need prices)
- You finally become uniform in your process

4. When should this be ready?

For every single house you flip. This should be proved to the contractor along with contract documents.

5. How do I get started?



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Begin by looking online at various big box store websites and furniture sites. Click on a picture of the item and save this to a file from your specific property. Then you can upload these to a word doc or in the app Canva.com

6. Do I need a Designer?

Only if you want one. You can incorporate your staging into the design boards as well.

7. How do I keep track of the money and costs?

Besides QuickBooks, you can use a separate template we have in Excel that will allow you to put in pricing, sku numbers and web links to that product for your GC.

8. Will having prints help?

Yes of course, but not always necessary. Just having prints alone suggests a renovation over a remodel and that this project is bigger than average. It would be great to include shots of certain floorplans within those prints when thinking about your bathroom, kitchen, and bedrooms. This also helps with staging.

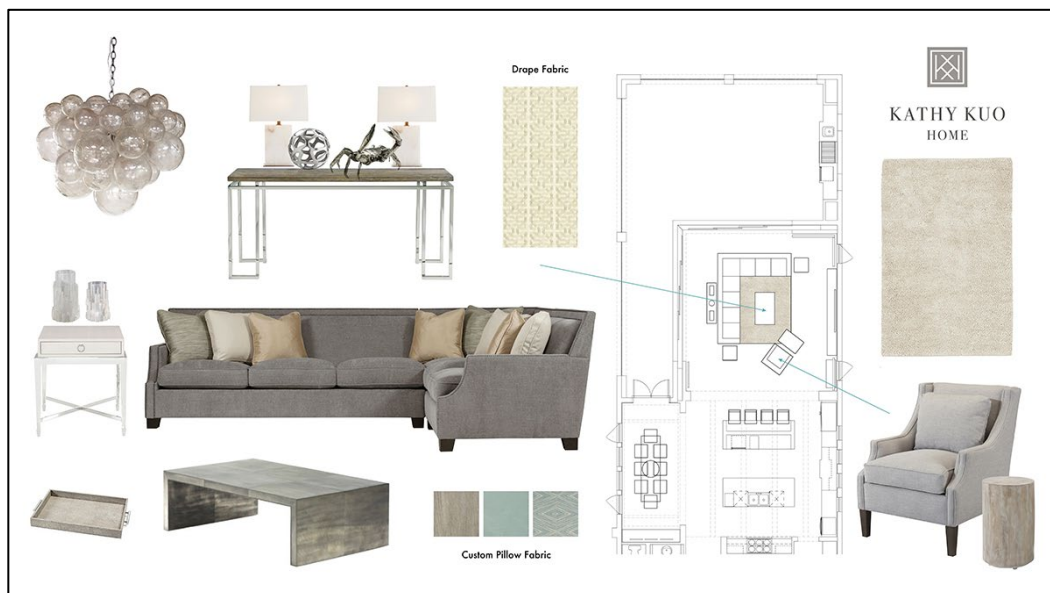
9. I am a Real Estate Agent, should I make these?

Absolutely, by creating a trend or mood book like this, you're showing current and future clients that you're in touch with current trends and materials. How can this not help. However, if you are representing an investor, this makes you look even more solid as an "investor friendly" agent. Additionally, you will become even more well versed with industry and construction changes every time you update your board.

10. Will my contractor follow this?

Yes, he will. He needs this and hopes you have this. It helps him create a more accurate bid and leaves zero miscommunications' errors since **you** have what **you** want on **your** rehab!

See example Design Boards...





THE REHAB DEPOT





Here are 7 steps to get you thinking, and succeeding, like an interior designer.

1. Ask Yourself the Right Questions. Don't walk into a room and immediately start moving things around or painting the walls. ...
2. Have a Feeling in Mind. ...
3. Dream, Sketch, Decide. ...
4. Start Hard. ...
5. Take a Risk. ...
6. Mix Styles. ...
7. Wait on the Little Details.

How to think like an interior designer

1. Determine what you want to accomplish.



Anyone who has taken on a design project knows that your original plan can escalate quickly. There are times when that is a blessing, but often, it becomes a pain — not only to those you share the space with, but also to your wallet (and sometimes even your back).

Look at your space as if you were hiring someone else to design it. Do you simply want a new color scheme, or are you looking to start over? Are major renovations of your space within your budget, or do things need to be done quickly with no monetary surprises? Plans can certainly change but start by answering those questions to save yourself a headache down the redesigning road.

2. Look at your space with fresh eyes.

We often get so comfortable in our space that we don't question whether our decor is arranged in the most aesthetic or functional manner. For example, if you are redesigning your kitchen, think about the things you use most often and where they should be placed.

Designers arrange a kitchen layout with the work triangle in mind, making it functional and easy to use. Always consider how you want the space to function and feel, drawing on past experiences to determine what you want — and don't want.

3. Consider the feeling and function of the space.

Do you dream of having a cozy living room for friends and family to sit and talk? You need to plan for how many seats that involves. Does your career call for you to host business dinners in your home? Ponder your dining area and its formality.

Think about the comfort level of your space, whether it's a home office, living room or bedroom. Being thoughtful about your requirements and how your design can best satisfy those needs will pay off as you proceed.

4. Remember that design is 90 percent inspiration.



While there is no scientific study to prove it, inspiration is the key to successful design. And you are lucky enough to be designing for someone that you know incredibly well — yourself. Spend some time thinking about the mood you want in your space and how to capture it.

Make an inspiration board (physical or electronic) to keep track of your ideas. Does the beach inspire you to think more clearly? Perhaps your office inspiration board features sea glass colors. Are you looking for an escape in your master bathroom? Look to high-end spas for that feeling of relaxed pampering.

5. Remember that inspiration can be found anywhere.

Yes, we already talked about inspiration, but it is worth mentioning again. There are so many ways to find what inspires you, including showrooms, design galleries and open houses. But don't forget those you can peruse in your pajamas — websites such as Freshmen and Pinterest offer wonderfully designed spaces that you can view at any time, no appointment (or shoes) needed.

Perhaps you saw a pillow that you adored while shopping. Jot down what you liked about it, take a picture of the color scheme, record how you felt when you looked at it. Don't buy it until you're sure that it works in your newly designed space but document the feeling that you got from it. The little details can inspire an outstanding room.

6. Keep the scale of the room in mind.

Even though you might love the coziness of an overstuffed sofa, you'll need to choose a more scale-appropriate piece if you live in a compact urban condo. Likewise, a small piece of art could be lost in a grandiose dining room.

Interior designers know how to select pieces that fit the scale of the room — and when it is acceptable to work outside of the scale. Ultimately, there is no right or wrong; if you like the way a piece feels in your space, then it is the right scale for you.



7. Keep the Rule of Three in mind.

Design rules seem to be made to be broken, but this classic is certainly worth mentioning. To think like an interior designer, start thinking in odd numbers. There is more visual interest in three pieces on a mantel than in two pieces on that same mantel. This is called the Rule of Three.

Symmetry is nice, but to make a space energized, consider sacrificing some of your symmetrical comfort and use odd numbers in your arrangements. Five picture frames grouped together is much more engaging than four; three decorative elements displayed together will draw your eye more than two. Even three colors in a design scheme will feel more vibrant than one or two.

8. Mix it up; everyone loves a complement.

Speaking of things that are more visually interesting: mix up your style. A bedroom full of one style or one color can lead to a boring space. If you have a bold headboard in your bedroom, complement it with softer nightstands. Put a vintage clock in a room with a modern sofa.

As you looked at your inspiration rooms, how many of them were filled with one type of furniture? That style may be great for sales ads, but not for a stimulating space created by an interior designer. Be brave and fight the compulsion to be matchy-matchy. Complements are so much more flattering!

9. Accessorize.

Your space is almost ready; it's time to add the finishing touches. The accessorizing step can make a huge impact on the space you have created. Did you find smaller pieces that inspired you at the beginning of this process? Perhaps it is time to add those into your new space.



Accessories let you add personal flair to your space. Be bold and display those items that speak to you.

10. Take a step back.

Step back from your space and try to look at it as an outsider. Think like an interior designer and ask yourself if you accomplished what you set out to do. Sometimes taking pictures helps in this last step, allowing you to truly see the space from a different perspective.

Is your space functional? Stylish? Reflective of both your personality and your needs? Did you follow the guidelines of interior design, or did you bend those rules and create a space that represents you?

These tips should help you start thinking like an interior designer and give you an artistic advantage on your next project, even without a designer. Who knows — you might get your own TV show someday!

<https://freshome.com/see-your-home-like-an-interior-designer/>



Managing disagreements and disputes.

As Rehab Project Manager, your word is the first and final word.

It's no secret that in construction there are disagreements and issues for a variety of reasons, but how you manage those effectively. Although they will always exist and come up there are proactive ways to try to avoid them from becoming larger problems than they should be.

What type of rejections or disputes will you get in rehabbing:

1. team members inner fighting
2. lack of direction by foreman or lead sub
3. unclear goals
4. new team members or some subs who have never worked together
5. they compete with the GC for job attention and future work
6. late payments or no payments
7. scheduling conflicts with sub trades

What can you do to ATTEMPT to avoid them?

Ensuring...

1. all contracts are filled out correctly. Not just signed but thought out and filled out correctly in its entirety.
2. all subs know what their job and roles are. When the electrician is to come in and if he will bump into the plumber's schedule. When to order cabinets and carpet? These things.
3. walk through have been performed with each sub to identify any obstacles then discussed
4. subtrades have an understanding of how they will be paid and why. Remember, this is a rehab and more than likely funded by a hard money lender who has lending terms.
5. rehab progress books are always being used and during every walk. Your rehab journal is important for timely follow up and predictability.
6. Outline the legal ramifications and make sure everyone understands. Sometimes its costlier to chase liens and change order than its worth.



7. Try to get the team to accept responsibility for mistakes right away- It's going to happen so don't cover it up. Talk about it.

8. Always consult with a highly experienced GC or rehabber when you need to. Do not overlook their advice and experience.

9. Your GC has always been a part of the scope and decision making from the start. This alleviates lost ideas and costly communication errors.

Overall, as the RPM-you must be as proactive and very engaged in the process. If not, the job will get away from you and the construction moves more efficiently when performed and funded right. There is nothing worse than a manager or investor who is always asking questions after the result has happened-vs-asking before the next event. It makes zero sense to ask your GC about tiling quality when it was completed two weeks prior and now the base and toilet have been installed. Think about it?



Equipment and Safety.

This should not need much explanation.

As you can imagine there are many different tools and equipment that can go into rehabbing your project. Basic tools like drills and saws to dig ditches and bobcats. They all come with a level of training and in some cases certifications. For example, using a forklift in a warehouse requires a certificate and more than likely a hazmat cert to operate that type of machinery. It's not so much how it works, it's more about what it can do if used improperly.

What does hazmat stand for?

Hazardous materials. Common sense. It's the proper way to handle this type of material like oil, mold, asbestos, gasoline etc.

What does the EPA Stand for?

The United States Environmental Association. These are laws passed by congress to aid in protecting human health and the environment.

What is asbestos?

They are a fiber type material that has been around for 4,000 years. It is cancerous and floats around and can cause human cardiac and respiratory issues. The removal process is very strict and must be followed when present.

Closing off rooms with tape and plastic with heap filtered vacuums is the common practice. Push clean air in and not let our the bad.

OSHA?

Occupational Safety and Health Administration. This was created for workplace safety such as clean bodies, surface and secure equipment, materials a liquid.

Why does this matter to you as the RPM? You must ensure that projects are working not only fast and furious but with safety in mind always. Insurance claims due to injury cause delays and so does an EPA review when you do not follow proper protocol. Asking your contractor to have any one of these or all these types of certifications is a major plus. It tells you they take their business serious enough to practice good environmentally friendly construction.



Equipment

Top 25 tools for your rehab:

Fundamentally you must understand the types of tools your contractors are using. There is a saying when someone tells you “Wrong tool dude”. What use may work, but it may be ineffective, slow tasking and delay causing. The right tools for the job to the job that day.

1. Safety glasses

Just about everyone agrees that it's a good idea to wear safety glasses when working with tools; far fewer do it. Please make it a habit.

Uses: protecting two irreplaceable tools.

2. Screwdrivers

You need a minimum of two sizes each of flat headed and Phillips. One good approach is to buy a driver with switchable heads; the kind that stores bits in the handle works well because you always have the right bit with you. Bits or blades with flat, rather than round, shanks can be twisted with a wrench. Quality is very important in this tool. Cheap screwdrivers quickly become useless.

Uses: Though screwdrivers can be used to do work other than installing and removing screws, given the best don't last long under such duty.

3. Hammer

For all-around use, choose a 16- to 20-ounce, rip-claw (flat-tanged) hammer with a smooth face. Only a steel or fiberglass handle will stand up to serious nail pulling.>

Uses: To hammer materials other than hardened steel; to drive and pull nails; as a crowbar; as a crude chisel on wood; as a lever; to remove bottle caps.

4. Locking Pliers

Often referred to by a brand name, Vise-Grip Locking Pliers. Look for a 10 inch pair with curved jaws.

Uses: Superior as pliers, because they don't slip; removing bolts, nuts or even screws; pulling nails with heads partly revealed; locking shafts to remove nuts; as a pipe wrench; as a clamp to secure materials to each other or to a bench; bending, crimping, or squeezing metal or other flexible material; removing bottle caps; serving as an emergency replacement for broken control levers.

5. Tape measure

If you're going to own only one, make it a 25-footer with a 1inch-wide tape. Look for a case that's an even number of inches front to back, so there's a convenient number to add for inside measurements. The 1inch-wide tape is rigid enough to extend straight out without an assistant to hold it. Thus, you can measure horizontal distance by yourself and check vertical distance by



bending the tape at the corner and reading the inside.

Uses: Mostly self-evident, but a 1-inch-wide tape also makes a tolerable straightedge, can be used to hook, and drag a tool lying just out of reach, and will serve as a crude plumb bob.

6. Shovel

Now here's a tool that's hard to get a consensus on. For one thing, what do you call all those different shapes of shovels? There's the standard digging shovel—rounded blade at an angle to the long straight handle. And the digging spade—squared blade nearly in line with the shorter D-handle. And the coal shovel—no good for digging, with its broad blade with angled sides and short D-handle, but great for heaving quantities of loose material.

Uses: Use a standard digging shovel for general digging and shoveling loose material. Use a spade for digging where a clean, straight edge is necessary. If you don't plan on digging much, but will be moving gravel and shoveling snow, consider a coal shovel.

7. Utility knife

The type with the stout, triangular blade. Blades that retract into the handle are much safer to carry and store but aren't as secure in use as fixed blades. If you use a retractable knife, be sure the handle screw is tight always. Should the razor-sharp blade slip through the joint in the case, you could be badly cut.

Uses: Cut drywall; cut asphalt shingles (from the back); cut paneling; cut fiberglass insulation; cut roofing felt, polyethylene, wallpaper and veneer; scribe along a line before cutting with a saw to get a smooth edge; trim molding; sharpen your pencil; clean your fingernails (carefully!); open packages.

8. Six-foot stepladder

That which is just out of reach on your tiptoes can often be done with ease from a ladder. A six-footer works well inside the house, and it enables a person of average height to reach gutters and low tree limbs that need trimming.

Uses: Besides the obvious, try spanning from a stairway tread to a rung on your ladder with a board to form a scaffold; use the top rung to support a piece of dry wall you're trying to get to the ceiling.

9. Four-in-hand file

Often called a horse rasp, after one version of the tool. Look for an 8-inch- to 10-inch-long item about 1-1/8 inches wide. One side should be half-round and the other flat. Most designs include round and flat rasps and medium flat file surfaces.

Uses: Reshaping, reducing or removing sharp edges from any common material other than glass.

10. Needle-nose pliers

For yeoman duty, pick out an 8-inch pair that has a wire cutter and maybe even a stripper. Insulated handles are nice for cold days and for electrical work.



Uses: Remove and install small nuts and bolts; cut, strip, form and twist small- to medium-gauge wires; insert small parts in hardtop-reach spots; remove cotter pins, locking tabs and inside snap rings; pull splinters.

11. Three-eighths-inch variable speed, reversible drill

Look for a drill with at least a 4.5-amp motor, a long cord and, if possible, roller or ball bearings. Pick up a set of high-speed bits spanning from 1/32 inches to 4 inches in 1/32 inch increments, 1/4 inch to 1 inch spade bits in 1/8 inch increments, a couple of Phillips-head screwdriver bits, and maybe even a magnetic hex-head driver for sheet metal screws.

Uses: Drill holes; use a Phillips bit to insert and remove screws; install a rotary rasp for grinding, a sanding drum for sanding, a buffer for polishing even a paint stirrer for mixing.

12. Hacksaw

There's no comparably inexpensive substitute when it comes to cutting metal. Check to see that the handle adjusts blade tension easily and prevents the blade from twisting. Blades with 18 teeth per inch work fine for most work, though a carbide rod comes in handy for very hard materials.

Uses: Cutting metal, glass or ceramic.

13. Adjustable wrench

A good 10-inch adjustable wrench will do a reasonable imitation of a set of open-end wrenches. The jaws should open to about 1-1/8 inch and should be tight even at full extension.

Uses: Remove nuts and bolts (increase leverage with a length of pipe over the handle); bend steel by cinching the jaws down on the material; turn a screwdriver by tightening the wrench's jaws on its shaft.

14. Chisels

Unless you plan to get into detailed woodworking, you don't need a full set of chisels. One-half-inch and 1-inch butt chisels with beveled blades will handle most jobs. Since you'll often be using them to "hog out" wood in a comparatively crude fashion, stout handles that can tolerate pounding with your hammer are important.

Uses: Since a chisel looks so much like a screwdriver, you may be tempted to use it for such abusive tasks as prying things apart. Don't. It won't do the job it's supposed to when the edge is dull, and it's too hard to sharpen to justify a moment's expediency. Watch out for nails, too.

15. Circular saw

The standard size carries a 7-1/4 inch-diameter blade and should have at least a 10-amp motor. Ball or roller bearings are preferable to sleeve bearings. If it doesn't come with a carbide-tooth combination blade, buy one immediately. The carbide costs twice as much and lasts four times as long as a high-speed steel blade—especially if you occasionally use it on nails.

Uses: With the proper blade, it will cut wood, plastic, plywood, aluminum, iron, steel, masonry,



ceramic and just about anything else you'll encounter; for spots you can't quite reach, carry a keyhole saw.

16. Wrecking bar

Really a variant on the time-honored crowbar, this curved piece of flat steel bar is better suited than its ancestor to removing materials without damaging them, and it also does a fine job of pulling nails without marring a surface.

Uses: Pry; lever; pull nails; lift edges of molding, trim and sheet materials; chisel; lift bottom of heavy object to get supports or hands underneath.

17. Linesman's pliers

Originally intended for heavy electrical and phone wire work, these square-jawed pliers are homestead workhorses. Buy the highest-quality 8 inch set you can find.

Uses: Crimping, cutting, twisting or stripping medium- to heavy-gauge wire; removing bolts or nuts; flattening or bending metal; pulling nails; pulling and flattening cotter pins.

18. Combination square

The 12 inch sliding square—offering 45 degree and 90 degree angles, an accurate steel rule and a built-in bubble level—is a standard for basic carpentry.

Uses: Squaring corners; marking miter and square saw cuts; measuring accurately; leveling everything from pictures to fence rails; scribing a saw cut parallel to an edge (slide the square along with the pencil at its tip); setting circular-saw cut depth or other uses as a depth gauge.

19. Pump pliers Often called arced, slip joint or groove-joint pliers, or referred to by the brand name Channel Lock, this tool is most useful when it's big. Spring for the 16-inch size.

Uses: Anything big that requires major leverage and can stand to be marred by the jaws; great for basin nuts; works as a pipe wrench; the only tool for removing wheel bearing rut covers; removing bottle caps; even working on a pump.

20. Extension ladder

A must for do-it-yourselfers who have two-story houses. The 24-foot size reaches all but the steepest gable ends. Aluminum is lighter than wood and very durable. Fiberglass is best, because it's non-conductive, but is very expensive.

Uses: Besides reaching where you otherwise couldn't, suspend it between two sawhorses, add some planks, and you've got a scaffold.

21. C-clamps

For general duty, pick out a pair of 8-inch clamps. You may find them so helpful that you'll eventually want to get other sizes as well.

Uses: Clamping materials together for gluing, sawing, drilling, etc.; clamping material to a bench to act as a vise; clamping straightedges to material for straight cuts with the circular saw;



clamping boards in place temporarily for nailing or screwing; holding together a broken part for temporary duty.

22. Maul

With one side configured as a splitting ax and the other as a sledgehammer, you get double duty. The 8-pound size works well for most people on most jobs.

Uses: Wood splitting; cutting tree roots; tearing out walls; pounding in fence posts, stakes or even splitting wedges; the last word in the "bigger hammer" theory.

23. Bow saw

A tubular steel or aluminum bow that holds a replaceable crosscut saw blade. For most situations, a 36-inch model works well.

Uses: Pruning; limited firewood cutting; sawing timbers or even boards.

24. Nut drivers

These look like screwdriver handles but have hex head sockets on the end. There are many sizes, but 1/4-inch, 3/8 inch and 7/16 inch are the most common. Steer clear of the removable socket version unless you never lose things. Color-coded handles are convenient.

Uses: Reach deep into appliances to remove nuts you couldn't touch with a wrench or pliers; much more convenient than a socket and ratchet for small repairs.

25. Posthole digger

You may not need it often, but when the time comes, it sure beats a shovel.

Uses: Digging small, deep holes for fence posts, post footings, etc.



Managing the Money.

Draws, percentages and waivers.

Every project manager in any industry knows that you must manage the money period! It may be the single most important factor in successful rehab. You must revisit the budget daily, weekly, and more often if needed.

Why is managing money important?

1. Creates safety net for financial decisions
2. Shows and proves efficacy to partners and clients
3. Displays a conscious effort to keep budget first
4. Come in under budget
5. Makes changes based on need
6. Knowing the numbers gives you the leverage to make swift decision on change orders

What failures exist with managing money?

1. Lack of business acumen leads to lack of financial literacy
2. Budget is wrong from day one
3. Making draw decision falls behind
4. Being able to adjust takes longer
5. Money is too tight, and you come in over budget
6. Material selections are at the wrong price point
7. Lenders become worried faster and get involved
8. The money dispute will add up between all parties
9. Subs may leave the project due to late or lack of payments
10. Lender sees draws a different way than you do

What are ways to be a successful and financially literate RPM?

1. Prepare and ask for help
2. Review budget at least 3 times before contracts are signed with GC
3. Review budget another 3 times before demo day 1
4. Discuss changes and ideas as a team
5. Proactively discuss lender draw process
6. Make sure the project schedule matches the draw schedule
7. List out financial goals for each rehab phase
8. Your negotiating at every turn
9. You awarded the contract 20% under the actual rehab budget
10. You review material receipts for cost savings in the future



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11. You have established your own vendor relationships and discounts



Managing the closeout.

Final inspection, punch list and final documents.

Your project is nearing its end. You're feeling pretty good but there is still much work to be done and completed as the final deadline approaches. You have 3 major events that will be taking place: Final inspections, Punch List, and closeout.

1. Final Inspections:

What are they?

This was the point when the remodel was completed and now you need to close out all permits. When you do rough in electricity you pass the rough phase first. Then the city inspector will want to come back and check on the rest of the finished product to ensure proper power to the house, fixtures, outlets and that your GC has changed nothing since the first visit. It's standard for all MEP's (mechanicals).

Why are they important?

The city will keep all initial permits open until the city inspects them one final time. This will hold up any closing or sale of your investment property. If you and your GC wait too long, and the happens to be issues-this will only add to the delay. Be proactive. Ask for a checklist from the city.

Who should be taking care of this?

Your GC should be opening and closing all permits. You can assist should you feel it necessary, but then you will assume all responsibility for that task. Not a bad idea to be involved but let your GC lead. You can always double check when your GC has ordered by going online or calling the city for final inspections dates.

Ways to make sure these get ordered on time.

- a. Ask for a checklist when your GC originally orders inspections
- b. Make sure to determine who's responsible for permits and inspections
- c. Call the city to discuss corrections same day
- d. Have the email, phone number and website if the city and contact you need so you have them on sped dial for this project
- e. Have your trades do a once over or call them to make sure they are confident of passing inspections.
- f. Ask your GC to make sure the mechanical guys are available ASAP should there be corrections, so you can plan and not wait



2. Punch List:

The ever-important punch list. Your project is complete. You now must run through it one more final time to check that all items on the SOW have been met. This is a fairly easy process if you and the RPM have been watching all along- week after week. Take blue tape and the following list to the property with you and begin going down the list.

What can be on a punch list?

- a. Quality issues
- b. Missing elements like, base or qtr round here and there or paint splashes, trim, cracked tile, caulking errors, water leaks under sinks etc....
- c. Light bulbs missing
- d. Outlets cover lasts too small
- e. Poor patch work
- f. Visually un appealing installs

What should not be on a punch list?

- a. Nothing from the original SOW
- b. Items that were not on the SOW originally

Time-frame for punch list.

1. RPM should punch list the last two days of the project
2. Give your GC 48 hours to complete
3. Have the GC sign your punch list of what he is to do
4. Have GC sign your punch list when he has completed what you have asked.
5. If you have a client, send them a copy of this as well
6. If you plan to use this GC again, save this and go over this with them to avoid future infractions

See below



FINAL WALKTHROUGH / PUNCHLIST

Kitchen

Cabinets/Countertops

- Y N Cabinet doors open and close freely
- Y N Cabinet knobs secure/in-place
- Y N Cabinet shelving in-place
- Y N Trim/moldings/end-panels in-place
- Y N Cabinets/countertops caulked
- Y N Cabinets/countertops cleaned
- Y N GFI Outlets installed/tested

Other: _____

Other: _____

Appliances

- Y N Refrigerator water supply lines hooked-up
- Y N Dishwasher tested w/ no leaks
- Y N Stove tested (if gas verify no leaks)
- Y N Range hood tested
- Y N Plastic/protective coverings removed
- Y N Timers set

Other: _____

Other: _____

Bathrooms

- Y N Bathroom vanities secure/in-place
- Y N Mirrors/accessories secure/in-place
- Y N Bathroom tile sealed/caulked
- Y N Bathroom tile sealed/caulked
- Y N Exhaust fans installed/operable
- Y N GFI Outlets installed/tested

Other: _____

Other: _____

Interior Finishes

Flooring

- Y N No loose carpet threads/seams
- Y N Transition strips in-place
- Y N No major floor squeaks/imperfections
- Y N Floor protection for carpet/hardwood
- Y N Floor vacuumed/cleaned

Other: _____

Other: _____

Painting

- Y N Interior Wall/Ceiling Paint/Touch-Up
- Y N Doors/Trim Paint/Touch-Up
- Y N Trim nail holes filled/ caulked
- Y N No scuffs/blemishes/raw wood/bare spots

Other: _____

Other: _____

Doors/Trim

- Y N Doors open and close freely/operable
- Y N Door swings correctly
- Y N All door knobs/handles/stops in-place
- Y N Handrails secure/in-place

Other: _____

Other: _____

Other

- Y N Fire place tested (gas key available)
- Y N Door bell operable
- Y N Smoke detectors installed/operable

Other: _____

Other: _____

Other Notes:



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MEP Systems

Electrical

- All outlets/switches/covers new/clean
- All outlets tested
- All fans/lights secured/tested
- No exposed wiring/junctions
- Light bulbs working

Other: _____

Other: _____

Plumbing

- No faucet leaks/drain line leaks
- Hot/Cold faucets correct for all sinks
- Shower/tub/toilet fixtures operable
- Caulking of plumbing fixtures
- HW heater discharge pipe/flue piping
- Garbage disposal operable

Other: _____

Other: _____

HVAC

- HVAC maintenance/repairs
- Furnace filter changed
- Thermostat operable/Set to comfortable ter
- Duct grilles/registers new/clean
- Ductwork cleaned/working order

Other: _____

Other: _____

Exterior Improvements

Roofing

- Roof maintenance/repair
- Chimney cap in-place/good condition
- Gutters/downspouts/splash blocks in-place

Siding

- Power washing of siding
- Siding/trim/fascia wood rot
- Exterior Painting/Touch-up

Exterior Doors/Windows

- Entry door hardware in-place/secure
- Entry doors keyed (keys in lock-box)
- Windows open and close freely/operable
- Caulking around doors/windows

Decking/Misc. Carpentry

- Decking/railings secured
- Joist hangers/ledger lag bolts

Landscaping

- Bushes/shrubs/mulch beds in-place
- Sodding/seeding in-place
- Trees/bushes trimmed back from house
- Fence in-place/good condition
- Mailbox/address #'s in place
- Shed repair/good condition
- General site debris and trash clean-up

Other Notes:



3. Final Documents

Now that the punch list and final inspection are complete, you need to make sure you have all the closing documents you need, signed, and filed. You need to know that this job has been “Closed out”. This is where all your hard work pays off and you can put this rehab on the shelf and continue with open jobs or start a new rehab.

In the corporate world, project management is very challenging work, and you must meet deadlines. In construction it is the same way, however, never forget that you will deal with multiple personalities that do not come from the corporate culture. They mostly operate on their terms to an extent and rallying the troops is a very big hurdle to overcome. Getting respect from the contractors is just as difficult as trying out for a pro team. No one cares who you are, everyone has the skills and they have heard about this mission before. Rehabbing has made it so. Investors like yourself or RPM’s have made this business of rehabbing such as a hands-off business due to their bold senseless leadership and lack of contracting knowledge that contractors really do not care about flips the way they used to. Just as the days of millions of foreclosures have sailed, so have the thousands of contractors who are willing to take your rehabs. They walk the other way when they here this is a flip or investment property. Be wise to this and adapt as need to close in on the best talent you can.

What are the final documents:

1. Final inspections signed by city
2. Punch list signed by GC, you and Client
3. Final lien waivers signed by GC and final payment made
4. Make sure all subs have been paid and you have final lien waivers
5. File all of this and move onto the next one

Congrats to you for closing out your rehab. It was long, difficult, and challenging. But you did it.



The 50 Step Rehab Process

Follow the steps and you'll know where your GC should be.

Stage 1: Pre-Construction	Stage 2: Rough Structure
1. House Secured -locksmith -board up	10. Soil, Drainage and Grading -Landscape Crew
2. Plans-Permits -Filings -Architect -Village	11. Rough Plumbing -Plumber
3. Foundation-Leveling-Repairs	12. Framing & Subfloor -Framing Carpenter
4. Pest Control -Exterminator	13. Roof Decking -Framing Carpenter
5. Temporary Requirements -Fencing -Security -Bathroom facilities	14. Exterior Doors -Framing Carpenter
6. Plumbing Pre-Demo -Plumber	15. Windows & Window Glass -Glass Co, Glazier and Carpenter
7. Electric Pre-Demo -Electrician	16. Sheathing and Siding -Carpenter
8. Demo, Disposal and Site Prep -Demo Crew -Carpenter	17. Exterior Trim -Carpenter
9. Engineering Reports -Structural Engineer	18. Roof -Roofer
21. Plumbing in Walls & Ceilings -Plumber	29. Gutters -Gutter Co. -Carpenter
22. Bathrooms and Shower Pans -Plumber	30. Unfinished Wood Floors -Floor Co.
23. Rough Electrical -Electrician	31. Cabinetry -Vendor -Carpenter
24. Masonry -Mason	32. Interior Doors, Trim ad Millwork -Trim Carpenter -Carpenter
25. BATT Insulation	33. Paint Prep
26. Concrete Work	



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-Vendor or Mason	
Stage 3: Major Systems	Stage 4: Unfinished Surfaces
19. Fireplace -Fireplace vendor	27. Sheetrock/Drywall -Drywall crew -Carpenter
20. HVAC -HVAC Technician	28. Garage Doors -Garage Door Co.
21. Plumbing in Walls & Ceilings -Plumber	29. Gutters -Gutter Co. -Carpenter
22. Bathrooms and Shower Pans -Plumber	30. Unfinished Wood Floors -Floor Co.
23. Rough Electrical -Electrician	31. Cabinetry -Vendor -Carpenter
24. Masonry -Mason	32. Interior Doors, Trim ad Millwork -Trim Carpenter -Carpenter
25. BATT Insulation	33. Paint Prep
26. Concrete Work -Vendor or Mason	

This checklist isn't gospel. However, it is a great way for you to track and make the schedule. By having at least, a small idea of how the construction tasks should move through the rehab. Some of these you will have and some you won't. Every rehab scope pf work will dictate what tasks need to be followed and this is more of a step-by-step checklist.



Bonus

REHAB PROGRESS HAND BOOK

Rehab Address: _____

Price of Rehab: _____

Start Date: _____

Contractor: _____

Rehab Progress Book

This book is meant to teach you the art of accountability. After each major phase, you must go back to the property and review how that part of the rehab went. Make notes and takes pictures. With each rehab, you will become better and better at leading at proactiveness rather than reactive.

1. Demo: Date of this report_____

- Dumpster on time? Y/N
- Removed on time? Y/N
- Crew complete in timely manner Y/N

Issues/Delays Y/N

Lender Draws? Y/N How much billed for: \$_____ How much approved: \$ _____

Notes/discussions:

2. Permitting: Date of this report_____



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- Filed on time: Y/N
 - In Window: Y/N
 - Subs Filed: Y/N
 - Architect Pull: Y/N
 - GC Pull: Y/N
- Permit approval date: _____

Issues/Delays: Y/N

Lender Draws? Y/N How much: \$ _____ How much approved: \$ _____

Notes/discussions:

3. Framing: Date of this report _____

- Materials Ordered and delivered on time Y/N
- Correct materials ordered Y/N
- Team begins framing Y/N
- Team complete Framing Y/N Date: _____
- Roof: Y/N
- Deck: Y/N

Issues/Delays: Y/N

Lender Draws? Y/N How much: \$ _____ How much approved: \$ _____

Notes/discussions:



4. Rough Electric: Date of this report _____

- Sub bring all the right materials: Y/N
- Sub work quickly and correctly: Y/N
- Did Sub pass inspection: Y/N
- Did sub perform the full scope of work or partial: Full/Partial
- Did you meet sub: Y/N?

Issues/Delays: Y/N

Lender Draws? Y/N How much: \$ _____ How much approved: \$ _____

Notes/discussions:

5. Rough Plumbing: Date of this report _____

- Sub bring all the right materials: Y/N
- Sub work quickly and correctly: Y/N
- Did Sub pass inspection: Y/N
- Did sub perform the full scope of work or partial: Full/Partial
- Did you meet sub Y/N?
- Bathrooms: Y/N
- Underground: Y/N

Issues/Delays: Y/N

Lender Draws? Y/N How much: \$ _____ How much approved: \$ _____

Notes/discussions:



6. Rough HVAC: Date of this report _____

- Sub bring all the right materials: Y/N
- Sub work quickly and correctly: Y/N
- Did Sub pass inspection: Y/N
- Did sub perform the full scope of work or partial: Full/Partial
- Did you meet sub Y/N?
- Furnace installed: Y/N
- AC Installed: Y/N
- Thermostat on and set: Y/N

Issues/Delays:

Lender Draws? Y/N How much: \$ _____ How much approved: \$ _____

Notes/discussions:

7. Inspections: Date of this report _____

- | | | | |
|---------------------------|-------|---------------------|-------|
| • Scheduled Framing: Y/N | Date: | Passed Framing: Y/N | Date: |
| • Scheduled Electric: Y/N | Date: | Passed Electric Y/N | Date: |
| • Scheduled Plumbing Y/N | Date: | Passed Plumbing Y/N | Date: |
| • Scheduled HVAC Y/N | Date: | Scheduled HVAC Y/N | Date: |

Issues/Delays:

Notes/discussions:

8. Rough Install: Date of this report: _____



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- Subfloor Installed: Y/N
- Framing Installed: Y/N
- Tubs/Pans Set: Y/N
- Doors Hung: Y/N
- Drywall Hung: Y/N
- Windows installed: Y/N
- Roof Sheathing Installed: Y/N
- Insulation Installed: Y/N
- Outlets & GFI installed: Y/N
- Concrete repaired or re pour: Y/N

- | |
|---|
| <ol style="list-style-type: none"> 1. Cabinets/Vanities Measured and Order: Y/N
Date: _____ 2. Special Items ordered (fixtures, tile, carpet, roofing materials, siding): Y/N
Date: _____ |
|---|

Issues/Delays:

Notes/discussions:

9. Finish Install: Date of this report: _____ (this phase can be over a period of several weeks)

- Cabinets/Vanities Installed: Y/N
- Toilets: Y/N
- Countertops: Y/N
- Hardwoods Installed: Y/N
- Tile/Surrounds/Backsplash: Y/N
- Light Fixtures: Y/N
- Trim/Hardware: Y/N
- Paint: Y/N
- Wallpaper: Y/N
- Crown/Wainscoting: Y/N
- Appliances: Y/N

Issues/Delays:



Notes/discussions:

10. Punch List: Get signed final lien waivers

Issues/Delays:

Date of punch list walk: _____

Re Walk after punch list completed: Date _____



Notes/discussions:

Project Notebook



A large sheet of lined paper with a vertical red margin line on the left side. The paper has three binder holes punched along the left edge. The lines are light blue, and the background is white. The paper is otherwise blank.



A blank sheet of lined paper with a vertical red margin line on the left side. The paper has three binder holes punched along the left edge. The main body of the page is filled with horizontal blue lines for writing.



A blank sheet of lined paper with a vertical red margin line on the left side. The paper has three binder holes punched along the left edge. The main body of the page is filled with horizontal blue lines for writing.



Conclusion

The Rehab Project Manager's role is often so overlooked and more often, not fully understood. You cannot manage what you no nothing about. The be an effective project manager, one must fully understand that capacity and responsibility with that role. Also, to accomplish running a successful rehab, you must understand your industry. In this case, if you have taken this role, you have a background and experience in construction real estate, investing or all the above. The business of real estate investing alone is very challenging and for someone to come in and run a rehab without ever really contracting or GC past projects will not find success. In fact, if you have no experience, you should learn how to rehab first. This guide has been written for the investors and GC who have a little experience and now can tailor their education and gals into successful flipping.

Remember this when you take on your next rehab.

People get tired, systems never do.

Contractors will fail, process' never do.

Lending will stall, systems never do.

Rehabs will fail, the process never will

RPM have all the control and the responsibility. Wil this guide you will be ready and prepared. When something goes wrong, you simply go bac to the beginning and start the process over. Regardless of time and money that may be lost, you must re start and get the train back on the tracks.

If you want to learn more. You can always join our program with The Rutty Rehab Academy

Ryangarcilazo.com