

## ***Tips for New Home Builders***

If you are planning on building your own dream home, here are a few tips. They are based upon my own preferences to a point, but are learned from experts, other appraisers, and, largely, from looking at lots of new houses over the years.

### **The Most Common Mistakes**

Site Selection. Poor site selection is becoming more common as land becomes more expensive. While a person may get used to the railroad running next door; when you go to sell the property, the new buyer may not be so nonchalant about it. Overall, houses near industrial sites, poultry barns, dairy barns, busy roads, railroads or other noisy activity, will suffer an “external” obsolescence. Likewise, the site can be poor in terms of the topography or view. Sites near bluffs or on steep hillsides may be susceptible to ground movement and insurance does not cover such defects. Flood zones should be avoided. Siting of septic leach fields within flood zones is problematic, not to mention not good for the environment. Road access affects market value. Good roads are a plus. A bad driveway or easement entryway is not desirable. Easements are simply a problem waiting to bite you. Sooner or later, these easements cause a problem for one party or the other.

Underestimating the cost. Many people think they can do part of the work themselves, but find time is against them. They lack time, equipment, and skill to do a substantial part of the work unless very motivated. Before underestimating the cost plan on paying for everything and using a more typical bid. Take the highest bid to the bank. It is better to borrow more than needed than to build less. Each year I appraise partially built homes that have gone into default. The reason is almost always lack of having proper financing in place. Assume interest rates will be higher when you lock in your permanent financing at the end of your construction loan, when calculating the future monthly payments. Allow one year for construction. Six months construction loans are almost always optimistic except for builders who do this for a living.

Relying on poor plans. Spec plans available on the Internet or through home building books are generally well planned and engineered. Why invest \$100,000 or more in a home if you are unwilling to invest \$300-1000 in a set of plans? Time and again, I have been given a sketch from the Internet and told that the borrower will be building this home....No, the borrower will be building something similar but without a full set of plans, he is not building the home in the sketch. Further, if ordering the plans remember to buy extra copies. Your appraiser is required by law to keep a set of plans for five years when appraising property to plans and specs. Don't be annoyed when he invites you to fill out an extensive form that spells out exactly what you are building. The appraiser relies upon facts and is not a magician who can read your mind and visualize the house you imagine you are building.

Making changes after construction begins. Once bid, take a vacation. No, you really need to supervise the construction by making sure the plans and specs are being followed, but the idea is that if you go to the site every day and decide on the spot that the garage needs to be larger or the porch shifted over, or the utility room expanded, you will end up paying twice as much to get into your home. I watched a neighbor build a home for his daughter. Every time the girl set foot on the place she wanted to change something. The builder presented change orders amounting to \$75,000 [roughly one-third the cost of the house] and the lawsuit was on. In the end neither won. The builder did not have properly signed change orders and ended up filing bankruptcy. The homeowner still has material and other liens pending against the property should it sell.

Planning for the future. I see many very nice homes that have no planning for a future none of us really want to contemplate – being handicapped. Whether a trauma injury or merely old age, none of us want to think of ourselves as being handicapped. But will your house be handicap friendly?

A lot of people think a handicap friendly house will look (and cost) something like homes featured on Extreme Makeover – Home Edition. Handicap readiness does not have to be that way.

The first thing is the most obvious, and most overlooked. A high wood foundation requires steps, often four or more steps to access the porch or entry. People often claim wood floors are warmer, softer, etc. However, the modern concrete slab foundation can be (and should be) insulated [more on that later.] Carpet, under floor coverings, etc. can soften the feel. But the lower profile of the concrete slab can make a house accessible. Entry porches should be low and a concrete ramp on one end makes for easy wheelchair access at a low angle. Likewise, no door should be less than 36” wide, not into the home, nor any room in the home. 42” or even 48” might even be better. Lever-style doorknobs are usually easier to manipulate. One bathroom should have an easy entry shower with a sit down ledge, low controls, and handrails next to the toilet and shower. These minor modifications add only a few dollars to the cost of a home, but could prevent a suddenly disabled person from being forced to sell or spend money they might not have to make the house livable.

Likewise, the multi-story home or basement is no-man’s land to the handicapped. Older people should think twice about anything with stairs. Today’s aches and pains might be tomorrow’s knee replacement surgery.

Safety. If you live in tornado alley, storm safety is a must. The basement or a storm cellar is recommended, but perhaps the best idea is to incorporate a “safe room” into the house. The properly designed safe room can also double as a safe with the addition of fireproofing and locking door, but quick access needs to take precedence

over security. There are a variety of plans for safe rooms, but all involve a well-anchored room that is encased in metal or solid wood panels for maximum protection from a direct hit of a tornado.

Lack of energy efficiency. Cheap energy in the past 15 years has caused a lack of concern on homeowners for energy costs. Builders for the market could not see the benefit of expensive insulation and high efficiency appliances. But today the average homeowner has seen utility costs skyrocket. High efficiency water heaters and air conditioning systems are available and the energy efficiency rating of every appliance should be examined. Your local electric company usually has consultants available to recommend high efficiency appliances. Many of the most expensive have lifetime warranties. Gas heat is preferable to some people but from a safety point and a cost point, gas hot water may be less efficient than electrical heat. Most carbon monoxide poisoning comes from faulty gas heaters.

Biomass is the second most common source of home heating energy in America after gas. You probably know it better as firewood... Nevertheless, an alternative to using firewood exists in the form of high efficiency pellet or coal stoves. These supplemental systems are thermostatically controlled and reduce heating costs by a multiple during high gas cost periods. The long-term outlook is for gas prices to remain high for the foreseeable future.

Super-insulate the foundation. Use solid (not blown) cellulose or foam insulation. The standard "pink panther" insulation is pretty much worthless. Use 6" or thicker walls. Wrap all pipes, insulate the floor. Use triple glaze windows and/or vinyl frame windows. Look for energy costs to become a factor in selecting homes. A large home with equally large utility bills may become more difficult to sell as the cost of ownership zooms upward.

## Comments

Architectural services for custom homes are not as expensive in the long run as some may believe. Architects best handle complex house construction. Simple ranch or Prairie style homes can be readily sketched and calculated by a good carpenter/builder.

Once you settle on a style or plan and select a qualified carpenter and lock in the unit cost, do not make changes. Your builder will still charge you for what he said he would plus the cost to tear out what you don't like and put in what you do like. That amounts to tripling the cost of a changed item. Before construction begins is the time to decide what to build.

Build more closets and storage. I am holding up my own hand now. Closets are far too small for my house and I am single. We just accumulate more than we think we

will. Utility rooms need to be placed near the closets, not on the other end of the house. Why cart dirty clothes from one end to the other just to wash? Site the utility room with easy access to the closets and bathrooms. Fewer, larger rooms are better than too many small rooms. Tall ceilings look good but add to energy costs. Great rooms add looks, but not utility and function. It is a trade off that rarely pays off in the market place. The added market appeal is offset by the smaller usable square footage.

Common sense and careful planning are required. Stay within your budget. If you must scale down the scope of your dream home, put some extra thought into designing the house for easy remodeling into a larger house. It is no pleasure to go to sleep in your new home wondering how you are going to pay for it.