



# Cheap Bid...Watch Out!

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*If it sounds too good to be true, it probably is...*

Has someone told you recently, "I can do that project for a lot less than that!" Lately it seems that homeowners are hearing this more and more. If you've heard this, or hear this in the future, BEWARE. Here are some steps you can take to avoid getting ripped off:

1) Cross check your estimates with other bids. Be sure you are comparing apples to apples when analyzing estimates. One common practice of the ethically challenged is to provide a bid that intentionally omits items that may be included in other bids so that the overall cost seems to be lower. Maybe the homeowner was vague about certain things that were desired to be in the proposal, so they were omitted, even though other proposals included them. After the project has started, these items are then added at an additional charge. In most cases, changes to contracts are added at significantly higher costs than if they had been included in the original bid. The contractor knows

he has you in a corner and you really have no choice but to accept his price. Avoid change orders. Make sure your estimate includes everything you want.

2) Check the standing of the business you are considering with the Better Business Bureau and the Contractors State Licensing Board. In addition there are various associations that may provide insight to the reputation of a company such as NARI, NKBA and BIA.

3) Most importantly, make sure you use a business that holds a current valid contractors license. The California State Law requires anyone who contracts to perform work on a project with a value of \$500 or

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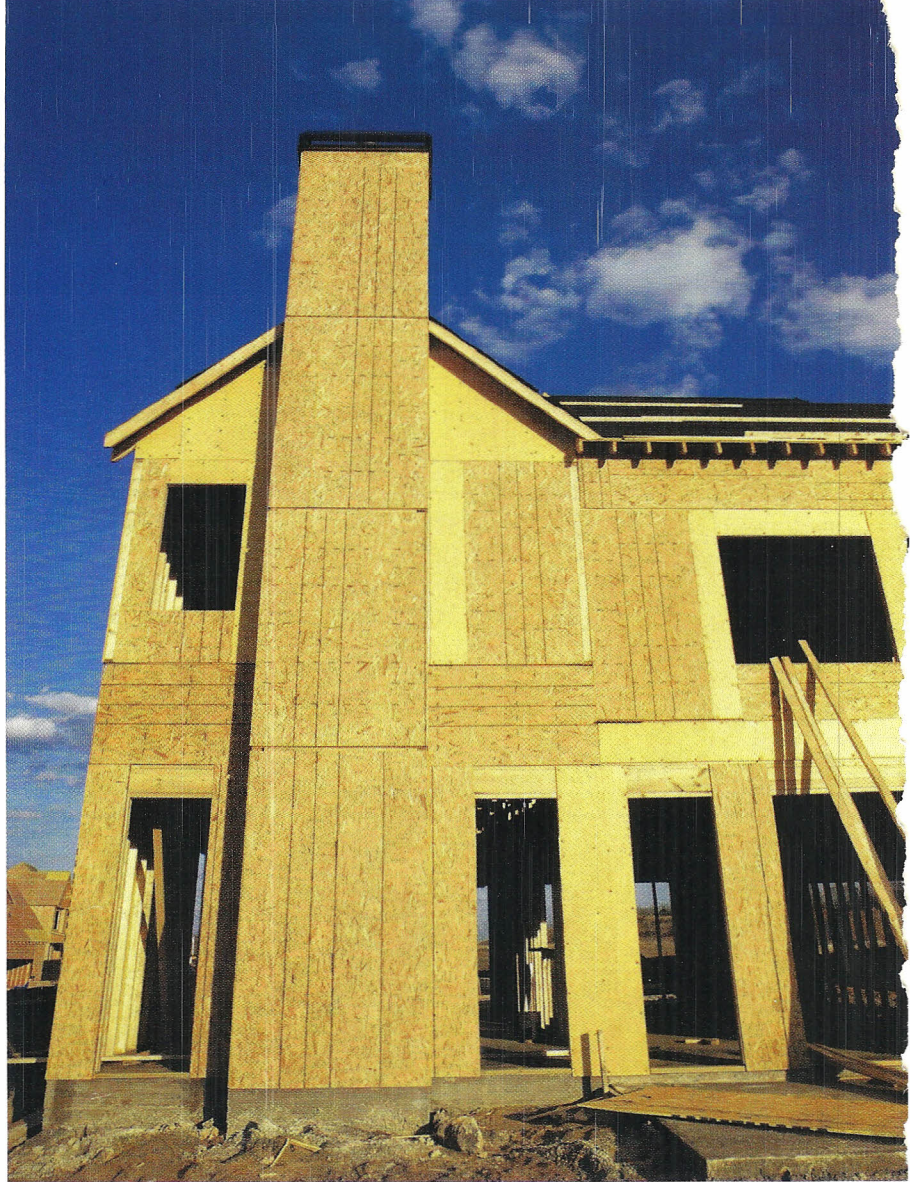


more in labor and materials must hold a valid current contractors license. If you knowingly hire someone that is not licensed, you are opening up yourself, your estate and your family to a substantial potential liability that could cost you everything you own.

If you hire an unlicensed individual you are actually hiring an employee and are subject to the same laws that an employer is subject to with his employees. In California, that is something to be concerned about. You are required to withhold the proper amount of withholdings for taxes, social security and unemployment insurance/Medicare etc. If you don't you could be liable for any taxes that go unpaid. You are also required to have workers compensation on those employees as well as certain types of liability insurance. If an unlicensed individual gets hurt on the job, you could be liable for hospital bills, rehabilitation, future lost income, or in some cases even more. Your homeowners insurance may not cover you as you were engaged in an illegal activity.

Don't fall for the line about it being OK for someone to be a consultant for you as an owner/builder. They still must be licensed. Also, the quality of an unlicensed individual is typically much lower than that of a trained and educated licensed contractor. It really is not worth any kind of savings to take on this risk.

4) If everything checks out and the estimate is significantly lower than other estimates, beware. It's not uncommon for contractors to walk off a job if they determine after they have started that the job does not have any profits, especially in a slow economy when they stretch their margins thin to win a bid. Even though this action is unethical, it still happens and you as the homeowner may be left holding the bag. It is very difficult to find a contractor to take over a job in this situation as he legally must be held liable for that first contractor's work. In many cases,



they will want to remove the work already performed at an additional expense. Even if they don't remove it, they will charge enough to cover any potential costs they may have in the future due to the unknown quality of the prior contractor's work. Bottom line, often the lowest bid is not the most inexpensive bid in the long run.

In a down economy, such as we have experienced over the last couple of years, desperate individuals will come out of the wood work, so to speak. Whether it be the professional con-man, the laid off worker looking to put food on the table, or the

unscrupulous businessman, you are prey to these perpetrators. Do your

homework before pulling the trigger. It may cost you significantly more than you may be thinking you are saving. ♦

