



## Whole Home Renovation - Design, Budgeting & Staging

So you have been doing your homework and have decided that it's time to make some major improvements to your home. It starts with you focused on your wish list for the kitchen. You have prepared a list of products, collected your photo images and developed a budget. You have also defined your ideas of the home design theme, but want to have the design pros weigh in during concept design collaboration. The next thing you know is during design you have moved some walls to accommodate the space you have envisioned and now the renovation has spread to multiple rooms.

This is a very common development that occurs when homeowners are considering a home restoration project. This scenario happens fairly naturally due to some fundamental principles of good design practices and clearly defining your home design goals. If these goals are to modify the existing design theme and transition your home into a new design concept, it can almost be expected that the adjoining rooms will be impacted by your new design theme. For example, if your home is a traditional design theme, as many of the homes are in Houston, you will have some challenges moving to an open modern design theme without modifying the adjoining rooms. This is known as *transitional design* needs.

### Design

As with most design projects the process begins with indentifying a design theme of the specific area of the home. As you develop the design theme you will begin to realize the impact that your immediate project is going to have on other adjoining spaces of the home. At this time you must be acutely aware that if your design theme is starkly in contrast with the transitional adjoining spaces, that you will need to account for modifications to these areas in your renovation budget and home improvement plans.

Although I am an advocate of defining budgets that fit your financial feasibility, if there is ever a time to seriously evaluate the financial impact of a whole home renovation, it is during this phase of the renovation process. The cost of design changes during construction are much more expensive then changes that are planned through design drawings. The cost of a complete design is substantially less than any one cost of a material change during remodeling.



One of the additional benefits of planning a comprehensive home renovation design is that you can also design for future improvements required in the homes infrastructure. For instance if there is a good possibility that you may build on an addition you can make arrangements to increase the size of the HVAC system, electrical panel upgrades and include water supply and waist lines for future needs. This will frequently negate the need to disrupt the newly finished renovated areas.

Designing your total home modifications in advance provides the opportunity to prepare a construction road map and a comprehensive financial plan on your terms. Ultimately optimizing the value of your future home improvements and empowering your cash flow plans.

### **Financial Feasibility**

Armed with a complete design plan your general contractor can prepare a comprehensive financial feasibility study and complete phased budgets for staging phased home improvements. The value of the feasibility study is that you can evaluate the complete financial impact of your whole home renovation on the future value of your property. This provides you with a financial scenario for determining your return of the renovation investments.

The financial feasibility is composed of immediate market values derived from comparable properties that reflect your home improvements impact on the present value and future value of your properties market valuation. Your construction budget is added to the purchase price of your home to arrive at a total capital invested amount. This total amount is then compared to comparable sold properties current market value. This present value is then adjusted for appreciation for a projected 5 years and calculated to determine the projected return on the renovation investment and the overall return on the total property investment.

In most cases in metro Houston's finer neighborhoods, the returns will more than rival the returns on the stock market. The financial feasibility becomes the economic instrument for the financial decision making about the viability of a whole home renovation.



## Budget

The term budget gets used in many different applications during a remodeling project. During the early design stage the design team will request from the owners a *conceptual budget* amount. Although this is a very real number to the owners, the design team often uses a dollar per square foot as a benchmark representing a standard of quality to incorporate into the project. An example of this is when you are shopping for a car. If you have a predetermined amount you are willing to spend and that represents a Buick, there is little reason to spend your time test driving a Lamborghini. Although this could be fun, the time used kicking the tires of a Lamborghini provides little utility for your design team.

The second most common reference when using the term budget is when the design team develops a schedule of itemized values known as the *construction budget*. This budget is much different in the methods of formulation and detailed content. The proposed construction budget is more than a best guess effort of what you will spend to complete your renovation. It is based on compiling detailed material take-offs and subcontractor bids from the design drawings. The construction budget consist of the total direct cost and indirect cost to build out your renovation project.

A central component of the construction budget is product selections chose's. Each renovation project is different and moves at its own speed. It is fairly common that all the product selections will not be selected when it is time to complete the final construction budget. In these cases your builder will prepare an *allowance schedule*. The allowance schedule should consist of the material unit cost and the required square footage of the product that will be required. The product material unit cost used should reflect the types of product quality the owner has shown an interest in purchasing.

The product selections and the details of the actual design can always be adjusted to fit different financial scenario's. One of the benefits of approaching the whole home design process is that different spaces can be renovated during different phases. This allows you to make the budget work with your available cash flow funding.

The **budget** also serves several additional purposes. First it provides a working financial framework for you and your general contractor to financially communicate. As you and your general contractor evaluate different products and design ideas the budget provides an inherent behavioral limitation of preventing the budget from ballooning. This helps both parties be accountable to the budget and reduces the need for change orders.



Secondly the budget is a sanity test for the owner clearly defining a balance between the owners wish list, final design drawings and product specifications. Balance is obtained when the owner is pleased with the design plans and the product specifications, while reflecting the targeted budget.

Lastly the budget can be separated to reflect different phases of construction and funding requirements. This provides the owner with a higher degree of confidence that they can indeed effectively plan and execute the home improvements they desire.

### **Phase Staging**

The staging of different phases of a renovation project may be required or desired for multiple reasons. These can be financially related motives, time sensitive reasons or design complexities. The phase staging allows the owner to address the whole home renovation in bite sizes. The benefits to the owner may be as simple as not wanting to be displaced from their home for the entire time duration of a major project. We see this when an owner has children that are in school and they do not want to leave the district for part of the school year. So we commence with the kitchen and or bathroom renovation during the summer months so the family can return to a fairly normal routine as other parts of the home are under renovation.

When a phased approach to a major renovation is used, there are special requirements that are implemented during construction to isolate the project work areas from the living areas. This is required for security reasons as well as to isolate the dust and debris from the unaffected parts of the home. Dust walls and rerouting of the homes ventilation systems are required to keep the living area from looking like a construction zone. We will often create a dedicated service entry for access to the home in these cases as well. Private entries reduce possible interruptions to the family during working hours.

The construction phase staging is often utilized as a strategy to finance a series of major home improvement projects instead of a whole home renovation. This works well for owners that are motivated to revitalize their home and do not want to take on more debt. So they finance their construction improvements through cash flow. This requires the owners to carefully plan their current project requirements and balance them with their financial resources, so not to bite off more than they can chew.



## **Conclusion**

Preparing and planning a whole home renovation is a major project in itself. It requires a trusted team of advisers and patient owners to achieve the desired results. Although when these results are achieved the financial rewards and personal gratifications can be outstanding.

The construction phasing concept is a strategy to achieve the whole home renovation when faced with the many challenges that come with a major home renovation. So if you are being held back from commencing a revitalization of your current home and moving is not an attractive answer, then you might consider using this strategy to achieve your remodeling goals.