

## If You Want:

Accurate Projection of Cost and Expenses

Timely Project Completion With Quality Rehab Work

Reasonable Value Estimates

Protection from Loss Liability

Legitimate Investors

## You Could:

- ☞ Verify projected cost of materials at local warehouses
- ☞ Document expected materials and anticipated labor hours

- ☞ Have the property independently appraised
- ☞ Set up a contingency fund to cover overruns, with the dealmaker responsible for exceeding the contingency

- ☞ Anticipate potential problems
- ☞ Communicate

- ☞ Have builder's risk insurance, not RDP (Rental Dwelling Policy) if a fixer-upper

- ☞ Set up profit sharing based on a certain timetable
- ☞ Check references, credit and financial statement
- ☞ Follow a rehab schedule

- ☞ Communicate
- ☞ 50/50 split if in three months, 60/40 if in six months, 70/30 if in a year, or other formula

- ☞ Obtain full computer printout of sold comparables and days on the market

- ☞ Have the property independently appraised
- ☞ Get previous job and partner references
- ☞ Practice due diligence

- ☞ Have proper insurance to cover loss, fire and theft
- ☞ Avoid legal liability for a worker through workman's compensation

- ☞ Builder's risk insurance, not RDP if a fixer-upper

- ☞ Check partner's references, credit and financial

statement

- ☞ Place all of the money into a dual signature escrow account
- ☞ Have a back up money person

Certain, Available Rehab Money

- ☞ Place all of the money into a dual signature escrow account
- ☞ Maintain a 20% operating cushion
- ☞ Check investor's references and credit and authenticate financial statement with an accountant
- ☞ Structure the deal with clauses stipulating dates money is due and noncompliance consequences
- ☞ Rehabbers knows availability of money man
- ☞ Have a backup money person

Constant Deal Objectives

- ☞ Make the partner the mortgage holder, responsible for the property lien
- ☞ Make one partner the trustee and the other the beneficiary so neither can walk away from the deal
- ☞ Give yourself an option
- ☞ Secure a potential back up partner or source of money

Security from a Buyout

- ☞ Have a written joint venture agreement
- ☞ Stipulate partner liability from any damages as a result of a buyout
- ☞ Assess a 10-15% replacement penalty to the partner

Specific Partner Roles

- ☞ State in the agreement what each of the partner's roles is
- ☞ Add a noninterference clause to the agreement
- ☞ Set up a communication schedule
- ☞ Anticipate potential problems

## Protection from Cost Padding

- ☞ Partner gets a copy and review of expenses
- ☞ Ask for three different bids whenever a new partner