

How to control spending with a Building Allowance

by Lauri Lane, Laurel-Lane Interiors, Inc.

Lauri Lane helps you maintain your budget and your sanity during the home building process. A little budget work at the beginning of the project works wonders for staying on track!

One of the most common questions clients ask of interior designers when building a new home, is “Will my allowance be enough?”

Whether selecting cabinets, appliances, lighting or floor coverings, the question is still the same from customer to customer.

BUILDING ALLOWANCES

Building allowances are dollar amounts assigned to specific materials that you will select during the building process. Sometimes the buyer writes the allowances in the construction contract, but for the most part the builder or financial lender supplies the dollar amounts. Because not all builders propose the same dollar amount for allowances, you should specifically ask the builder this question during the interview process, before signing a contract.

Allowances are commonly derived using job costing and budgeting estimates to ensure that the home can be constructed for a specified sales price. The builder will give you a “starting point” to stay within the home’s budget. Even the most accomplished builder will generally specify allowances at the minimum price to cover the job. In doing so, it allows you the opportunity to select higher-quality products or choose from a larger variety of materials, and then pay the difference.

For example, a fair plumbing allowance should allow you to purchase plumbing fixtures for areas specified on the house plan. If the contract specifies that chrome fixtures are the builder’s standard, then the allowance should cover chrome plumbing fixtures throughout the specified areas without going over budget.

There are several items that you may have to select during the building process using your builder’s allowances. Big-ticket items include cabinetry, appliances, lighting and floor coverings, and in choosing these items you could easily go over your allowance.

When starting the selection process, you should make an appointment with each material supplier or vendor. Usually the builder will provide a list of preferred vendors and contact information. Whether you or an interior designer make the initial appointments, it is best to stick with the suppliers and sub-contractors with whom the builder has built rapport. Trying to find less expensive materials or services from other resources could result in scheduling dilemmas and unwanted warranty issues. You should always take the allowance information and/or the purchase contract to each appointment.

CABINETRY

Cabinetry is usually selected in the early stages of the building process. Because the kitchen holds more cabinets than any other room in the home, you should start there with selections. Upon the first visit to the cabinetry showroom, you should ask to see what the builder has allowed as his standard cabinet selections. If the standard does not meet your expectations, then ask to see a different style, color or finish that is within the allowance. If you are still not satisfied, then you may want to ask the vendor to quote prices for a specific cabinet that meets your style and needs. If you must spend more money than allowed by the builder, spend the overage on “permanent” fixtures. Because



most people do not change their cabinets within a few years to accommodate new styles and color trends, cabinets traditionally fall under this category.

LIGHTING

Lighting, on the other hand, can be changed more easily. The builder's allowances usually accommodate lighting fixtures that please everyone. However, if it doesn't satisfy your needs and you don't want to upgrade now, most lighting fixtures can be changed with little effort at a later date. Fixtures that hang in two-story foyers or ceiling fans mounted on a cathedral ceiling will present challenges for the do-it-yourselfer. You may decide to invest in upgrading fixtures in difficult-to-reach areas even though they are not considered "permanent" fixtures.

Though you may only think of selecting decorative lighting during the building process, keep in mind that the builder's allowance may also include recessed lighting, bathroom fan kits, ceiling fans and spotlights. Many buyers are surprised to find that their lighting budget can include the doorbell, smoke alarms and a

powder-room mirror. When you visit the lighting vendor, make sure a lighting material take-off has been prepared before arriving for the selection appointment. This will ensure that every light fixture has been accounted for, and the appointment should consist of filling in the blanks with choices instead of guessing where the light fixtures are located.

APPLIANCES

The appliance budget will generally cover the dishwasher, stove, hood, oven and microwave. Typically the refrigerator, clothes washer and dryer and freezer are not in the standard allowance. Before signing the contract, research the builder's preferred brand to make sure the line accommodates your function and style needs. Special features like down draft venting and finishes like stainless steel may be more expensive than standard options and cause allowance overages.

Choosing cabinetry first is recommended because the kitchen appliances are usually selected in coordination with the cabinetry and around the appliance's specifications and sizes. It is easy to go over your allowance

Because lighting and wall colors can be changed easily and are not considered permanent fixtures, you may elect to upgrade at a later date.



in the kitchen, with upgrades such as a wine cooler, trash compactor or any other non-standard appliance. Talk with your builder about your selections and additions so there are no budget surprises.

FLOOR COVERINGS

By the time you are ready to select floor coverings, many of the big-ticket items should have already been selected. Unfortunately, buyers tend to spend above the allowance early in the building process on non-permanent items such as paint, lighting and wallpaper, leaving little extra for more permanent items such as ceramic tile, hardwood floors and carpet. Though all floor covering can be changed, it is much easier and more cost-effective to re-paint a room when color trends change, than to re-carpet a room when the flooring starts to crush and mat.

With the increasing popularity of ceramic tile versus sheet-vinyl flooring, affordable tile is readily available. Since tile is considered a permanent fixture, concentrate on neutral colors in tiles that will coordinate with any style as trends change.



A bright tile with hand-painted goldfish may be cute for a young child, but they will outgrow the style, and the cost to replace the ceramic will be less than cute. Expensive decorative tiles, borders and accents are not typically included in a builder's tile allowance. Also, be aware that installing tile in diagonal, brick-joint or pin-wheel patterns may cost more than the standard straight patterns.

When it comes to hardwood floors, oak is a common floor covering in new construction. Check the contract for specifications as to whether the builder budgets "site-finished" or "pre-finished" hardwood. Site-finished is defined as hardwood flooring that is laid in an un-finished state, then sanded and finished on the job site. Pre-finished hardwood is finished by the manufacturer, and then installed on the job site. While both sides give good arguments as to why one is better than the other, it is best to have the builder's input as to what type of wood he has specified and feels is best suited and affordable for the job. Exotic woods such as Brazilian cherry, bamboo and teak used in flooring are not classic contractor standards and can quickly overrun the budget.

Carpeting is usually budgeted using a price-per-square-yard that includes material, pad, tax, freight and labor. This type of pricing is referred to as "turn key." Watch out for retailers that price carpet material only by the square yard and then add installation afterward. Also be cautious of those that advertise a low turn key price of only \$3.99 per square foot. Multiply that "low" price by nine to realize the price per square yard isn't quite so low. The builder's vendor will offer guidance as to what type of carpeting, fiber and pad will serve best.

Though you do not have to become an expert on all products used in construction, you should at least ensure that your goals can be achieved within the allowance. Even though many people expect to find themselves over budget in some areas, with good pre-planning, overages do not have to happen. Remember that the builder offers a "starting point," and it is up to you to research the allowances prior to contract. If you need a higher allowance for a specific item than the builder contracts, then negotiate a higher allowance amount for the item or add the difference to the sales price. Understanding the allowances used in the building process is a must before signing a contract with a builder.

Because kitchens have more cabinets than any other room, start here when you begin the selection process.

Stainless-steel appliances are often an upgrade but give a modern feel to any kitchen.

Some types of hardwood floors are standard in allowances, and area rugs can preserve the life of the floor.