Scope of Work System
Preview Of What You Will Learn

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Introduction

We absolutely cannot emphasize enough the importance of having a rock-solid Scope of Work document for each rehab project that you do. First, the Scope of Work is the foundation of your rehab project. It allows you to showcase the quality of work and level of detail you provide in your rehab projects. It is where you demonstrate that you only accept the highest standards of workmanship and materials. Your Scope of Work is concrete evidence of what was agreed upon by you and your contractor. You really don’t want to have to rely upon word-of-mouth if it comes to arbitration!

Secondly, the Scope of Work is a great way to demonstrate your credibility as an investor, both to contractors and to potential lenders. Being able to produce an outstanding Scope of Work will allow you to not only attract top-quality contractors, but get their best pricing as well. Your Scope of Work is also an essential document when you are trying to raise funds for your investment business, whether privately or through an institution. Lenders are much more likely to see you as a low risk when you can show concrete evidence of quality procedures. The more ways that you can indicate your professionalism, the more credible you will be.

In this system, we will lead you through all of the items you need to evaluate in order to create your Scope of Work, and show you a “4 Question Test” you can use to keep the scope of your projects on track and effective. We will also walk you through a sample Scope of Work so that you can see how to apply what you have learned.

“The Scope of Work is to a rehab project what a screenplay is to a movie. Every single detail from the paint color to faucet fixture needs to be called out and spelled out on your Scope of Work.”

– JD Esajian
Outlining Your Objectives

The first thing you want to do is make a list of all of your objectives for the rehab, and figure out the order in which they need to be done. Assign a time of completion and estimated costs for each object. This will give you a good idea of how long the project should take to complete, establish a schedule, and give you a ballpark cost.

Budget and Value

The first steps in developing your Scope of Work are deciding on the budget you have available for the rehab project and finding out what you can reasonably sell the home for after the rehab. These two parameters will determine whether your rehab is a “simple paint-and-new-floors” kind of job, or whether it will include major modifications. You definitely don’t want to spend a lot of money on a rehab and find that you have priced your home out of the market.

Helpful Tip!

When rehabbing a property, one of the major causes of going over budget or getting behind schedule is a lack of proper planning and definition at the beginning of the project. Be decisive and have a clear vision of what you want the end product to look like. If you don’t know what you want, your contractor won’t know either.
Property Walkthrough

Determining Property Condition

Now that you have a good idea of your budget and how much you want to spend on the rehab, it’s time to take a walk around the property. It is helpful to develop a checklist that you use for each rehab project. This checklist will be the bare bones outline for your Scope of Work and should cover the major areas that typically need attention in a rehab. For items that need work, note whether they need to be removed, repaired, renewed, or replaced and rate each improvement as Essential, Desirable, or Optional.

Make sure to take a camera, a tape measure, a sketchpad, a pencil, a calculator, and a flashlight for your walkthrough. You will need to be able to make sketches of areas that need work and determine the quantity of materials that you will need. Take pictures of all items that need attention. These will be helpful to refer to as you are preparing the scope of work and will also serve as the “before” pictures to illustrate what you’ve accomplished in the rehab.

Break your walkthrough into the same sections that you will use for your Scope of Work: exterior, demolition, general labor, bedrooms, bathrooms, and major trades (electrical, plumbing, and HVAC). This will allow you to keep the walkthrough systematic and help you avoid overlooking areas that need attention.

Start with the exterior of the house. Approach it like a potential buyer and notice everything that gives you a negative impression. Bad landscaping, peeling paint, and decrepit fencing are just some of the things that can turn off interested buyers before they ever walk in the door. Also look for items such as an outdoor seating area or new sod that can be added to increase the home’s value. Make sure all exterior lights work and test automatic garage door openers and irrigation systems if they are present.

Move to the interior of the house and start the process again. Pay attention to the first thing you notice when you walk in the house – if it is a bad impression, how can you improve it? If it is a good impression, how can you enhance it? Go through each room and take note of the work that needs to be done. Take accurate measurements so that you know exactly how much work needs to be done. You will need this information when preparing your bid.
Even though each scope of work document is specific to an individual property, the document itself can be used over and over again with only minor modifications. You definitely don't have to reinvent the wheel for each project!

Helpful Tip!

Don’t forget “invisible” items such as whether there is any lead-based paint that needs to be removed, radon issues, or asbestos tiles that will need special treatment. Based on the neighborhood and age of the house, you should have a good idea of whether or not these items will be a factor before you buy the home.
Now that you have determined your budget and done a walkthrough of the property, you are ready to actually start developing your preliminary Scope of Work!

### SCOPE OF WORK Action Items

- Download the blank SOW worksheet from the FortuneBuilders Mastery site
- Review the SOW Directory
- Fill in the Project Description and Overview
- Fill in these renovation items you noted on your walkthrough:
  - General exterior items
  - Landscaping
  - Windows and doors
  - Interior demo
  - General interior
  - Develop your color scheme
  - Kitchen
  - Master bathroom
  - Additional bathroom(s)
  - Bedrooms
  - Plumbing, Electrical, and HVAC
- Check for spelling and grammatical errors. It’s a little detail, but one that can make you look less-than-professional to potential investors.
Components of Your SOW

After your first few rehabs, you will have a good feel for what goes into a SOW and everything will become much more streamlined. To give you a head start, we’ve dissected a sample SOW and will discuss each component in more detail.

Preliminary SOW vs. Final SOW

**Preliminary SOW**
Put together a rough draft of your SOW, including everything that you noted on your walkthrough. This is where you will start selecting specific products, materials, and finishes. Once you have calculated all of your quantities, estimate a cost for each item on your list and compare the grand total to your budgeted amount. More than likely you will have to modify your preliminary SOW somewhat to match your budget. As you develop more experience with rehabs, you will need fewer iterations of this process.

**Final SOW**
When you have a preliminary SOW that matches your budget, you can put it together as an official document. Once you’ve completed your Final SOW, you can use it as a template for your future SOW documents. Include the before pictures you took of problem areas for reference, and walk through the property one more time with the Final SOW in hand to make sure you haven’t forgotten anything.

***As you gain experience with rehabs, you will develop a list of go-to appliances, fixtures, materials, and paint colors that work well with buyers in your area. Make sure to keep this list up-to-date so that you can include SKU or item numbers in your SOW.***

Project Description & Overview

The front page of the Scope of Work starts with a project introduction and overview, briefly describing the overall project as a whole. It should contain three sections: **Description, Rehab Overview, and Contractor Overview.**

The **Description** should include general information, like the year the house was built, square footage, and any other relevant information about the house.

In the **Rehab Overview**, you will summarize the major rehab issues and how they are being addressed. This helps a contractor or investor get a very quick picture of the project.

The **Contractor Overview** shows the licensed contractors that will be needed for the project.
Next, let’s take a look at the notes from your walkthrough and begin with the Exterior of the house. In this part of the scope of work, we’ll breakdown all the work that needs to be completed on the outside of the property.

Start with **General**. This section includes items that need to be repaired on the Exterior of the house. Here, you will enter all of the general items needing repairs, like the exterior finish, paint, outdoor lighting, decks or patios, sheds, and the garage. Doors, trim, and windows should also be included here.

Here is an example of what the Exterior General section in your SOW would look like:

**EXTERIOR:**

**General:**
1. Fix damaged fascia board at front of house above garage door
2. Paint any damaged wood and stucco on the exterior of the house and garage
3. Paint entire house per color scheme
4. Install new exterior lighting on doorway
5. Remove and replace the deck in the back yard
6. Replace the garage door
7. Troubleshoot and repair all pool equipment
8. Install new wood fencing
9. Install seamless rain gutters
10. Repair all termite damaged material
11. Install screens on all eave vents and roof vents
12. Demo shed in back yard
13. Pour new concrete pad
14. Build new pergola over the concrete pad
15. Install new front door
16. Stucco patch entire exterior where needed
17. Replace exterior siding with vinyl siding
18. Paint per color scheme
As you notice on the previous page, #18 has “Paint per color scheme”. Having a color scheme for painting the house eliminates confusion about what paint goes where. It is also helpful for the future homeowner to use for touchups.

Under the General exterior heading, the paint brand is specifically called out, and exact elements needed for the paint are listed including the color, exact color code, finish, and the exact location where each kind of paint should be used.

<table>
<thead>
<tr>
<th>Color</th>
<th>Location</th>
<th>Color Code</th>
<th>Finish</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valspar / Lowes Stone Manor</td>
<td>Exterior</td>
<td>6006-2A</td>
<td>Flat</td>
</tr>
<tr>
<td>Extra White (Sherman Williams)</td>
<td>Exterior Trim</td>
<td>7006</td>
<td>Flat</td>
</tr>
<tr>
<td>Black</td>
<td>Front Door / Pergola</td>
<td>Not Provided</td>
<td></td>
</tr>
<tr>
<td>Extra White (Sherman Williams)</td>
<td>All Ceilings</td>
<td>7006</td>
<td>Flat</td>
</tr>
<tr>
<td>Navajo White (Sherman Williams)</td>
<td>Bathrooms</td>
<td>SW 6126</td>
<td>Semi Gloss</td>
</tr>
<tr>
<td>Navajo White (Sherman Williams)</td>
<td>Living / Dining / Halls, Laundry,</td>
<td>SW 6126</td>
<td>Flat</td>
</tr>
<tr>
<td>Extra White (Sherman Williams)</td>
<td>Kitchen, Bedrooms</td>
<td>SW 7006</td>
<td>Semi Gloss</td>
</tr>
<tr>
<td>Extra White (Sherman Williams)</td>
<td>All Trim &amp; Doors</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The next section of the Exterior is Landscape. Landscaping includes work such as cleaning up trash, trimming trees, replacing sod, and planting flowers. It also is where you list any work that needs to be done on the irrigation system. Here is an example of what the Exterior “Landscape” section in your SOW would look like:

**Landscape:**
1. Remove weeds
2. Test and repair irrigation system as needed
3. Test pool equipment and make sure it is working appropriately
4. Plant drought tolerant plants in planters and add wood chips
5. Clean front and back yards and remove debris
6. Install draught tolerant landscape in front yard
7. Plant annuals in front yard
8. Re-sod front of home
9. Trim all trees
10. Add dark brown wood chips to all planter beds

Next, let’s move to on the Roof. In your walkthrough, you should have included a look at the general condition of the roof. If the shingles are significantly worn, or a large number of them are missing, you should consider doing a re-roof instead of just spot fixes. Here is an example of what the Exterior Roof section in your SOW would look like:

**Roof:**
1. Clean all debris off of roof.
2. Fix damaged roof and drip edge above garage door
3. Inspect and make sure all vents stacks and roof vents are sealed correctly
4. Inspect entire roof and patch were needed
5. Rip off existing roof and replace with 30 year arch shingles (Asphalt color)
6. Roller over existing roof with 30 year arch shingles
7. Repair any soffit and fascia board as needed
Next we cover the **Windows** and **Glass Doors**. Since the windows and doors penetrate the exterior of the house, they are included as part of the exterior improvements.

### Windows & Glass Doors:

1. Clean all windows and make sure they operate properly
2. Replace all damaged/missing screens on all windows
3. Clean tracks in all sliding glass doors and make sure they operate properly
4. Make sure all sliding screen doors operate properly
5. Replace all windows. Contractor to supply sample and pricing

### Interior

Next, let’s move to the **Interior** of the house. This section should include the demo, electrical, plumbing, and general areas, including the bedrooms, bathrooms, and kitchen.

We will begin with the **Demo** of the interior. Demo work is essentially the prep work that allows the rehab work to get started. It includes items such as removing carpet, taking out cabinets, and countertops, and getting rid of anything that won’t be included in the finished rehab.

Here is an example of what this section in your SOW would look like:

### Demo:

1. Kitchen counter tops, backsplash and cabinets
2. Remove kitchen appliances
3. Remove tile floor on first floor including the lower bedroom
4. Demo shower/tub surround in both bathrooms
5. Remove all toilets
6. Remove all trash in the house
7. Remove vanity in master bath
8. Remove all drywall in master bath water closet
9. Remove back splash and counter top in kitchen
10. Demo upstairs hall bath
11. Demo downstairs bath
12. Scrape popcorn ceilings
13. Remove carpet and vinyl flooring in the house
14. Demo wall dividing kitchen and dining room
15. Demo the master bath
16. Remove drywall in the den
Once you do the demo, you can move on to the General items in the interior of the house. These are repairs that need to happen throughout the house, and not just in one specific area. Once you list the general items, it is time to get more specific and address the rehab on a room-by-room basis.

**General:**
1. Patch walls and ceilings
2. Prep and paint all rooms per color scheme – All paint Sherwin Williams
3. Prep/paint all interior doors, including closets
4. Sand and refinish all existing hardwood floors
5. Frame in downstairs basement to add a bedroom and bathroom per layout
6. New hardware on all doors - satin finish
7. Install new molding where needed
8. Repair ceiling in hallway

Now we're on to the Kitchen. As you can see below, a lot of work was done in this sample kitchen to give it a fresh, updated look. You will also notice that almost all of the items in the kitchen rehab are called out VERY specifically. From the paint for the existing cabinets to the new travertine floor tiles, the contractor knows exactly what to get and where to put it.

**Kitchen:**
1. Refinish and paint existing cabinets – **paint Shoji White**
2. Install new countertops – **Sandgold granite with leathered finish**
3. Install new backsplash – **Arizona tile, 3”x6”Glossy Cream with 1”x6” Glossy Cream band to finish edges. Backsplash liner – Mission Tile West Revival Stocked Fish liner, Old Bone, Olive, Black**
4. Install new stainless steel appliances – Ferguson’s; all KitchenAid
    a. **Range** – 30” Slide In Gas Range Model #KKGSS907XSP
    b. **Hood** – 30” Canopy Hood w/400 CFM Model #KKXW2330YSS
    c. **Dishwasher** – Model #KKUDC10FXSS
    d. **Refrigerator** – French Door Model #KBFS25EWMS
5. Install new single handle faucet – **satin finish**
6. Install new tile floor – **9”x18” travertine installed subway style**
7. Paint room per color scheme
8. Install new recessed lighting per layout

***As you do more and more rehabs and develop a relationship with a contractor, you will not need to specifically call out certain items on your smaller rehabs. As a training exercise, see if you can identify which items in our sample sections should be called out in greater detail with manufacturer names and item numbers.***
A sharp **Master Bath** will add value to the home, so you will want to address the master bath separately from the other bathrooms.

**Master Bath:**
1. Install new tile shower enclosure – *Arizona Tile, 3”x6” Glossy White w/ 1”x6” Glossy White bead to finish edges*; Backsplash Liner – *Mission Tile West, Revival Stocked Chicklets Liner, Olive-Black*
2. Install new rain showerhead
3. Install new single handle shower valve – *chrome finish*
4. Install new toilet
5. Install new vanity countertop – *granite leathered finish*
6. Paint room per color scheme

**Hall Bath:**
1. Install new tub
2. Install new single handle shower valve – *chrome finish*
3. Install new pedestal sink
4. Install new toilet
5. Install tile shower surround - *Arizona Tile, 3”x6” Glossy White w/ 1”x6” Glossy Black accent stripe*
6. Install new tile floor – *Arizona Tile, Country Blend travertine 18”x18”*
7. Paint room per color scheme

The **Bedrooms** should all have similar repairs unless there are any unusual issues.

**Bedrooms:**
1. Sand and refinish existing wood flooring
2. Install new light fixtures
3. Make sure all doors are operation properly
4. Paint rooms per color scheme

Even though they may be mentioned in the general and room-specific sections, the **Plumbing** and **Electrical** work (as well as **HVAC** if there is any) should be called out again in their own sections. This allows the specialty contractors to see exactly what they will be needed for without having to search through the whole document, where they might easily miss an item.

**Plumbing:**
1. Check all plumbing and repair and replace as needed per code.
2. Remove existing hot water heater and replace it with a new tankless hot water heater
3. Check hose bibs and make sure they are working properly

**Electrical:**
1. Replace all outlets and switches
2. Upgrade all wiring as needed per code
3. Replace all light fixtures throughout the house
4. Install recessed lights per lighting plan
Completion of Final Punch List is the last item in the Scope of Work. There is no detail provided for this section because you won’t create the punch list until the project is almost entirely complete. To create a punch list, walk through the project with the Scope of Work and the contractor and look for items that were missed or are not quite finished. Itemize those items for the contractor and check them off once they have been addressed.

On a sample Scope of Work that you are using as a marketing tool, you will want to include data for the cost of the rehab as shown in the Scope of Work. This gives potential investors and future contractors a good idea of the type of projects you do, as well as how much you are willing to spend. It will also give you a ballpark budget figure when you have a similar rehab job.

<table>
<thead>
<tr>
<th>Component</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Contracting</td>
<td>$65,650</td>
</tr>
<tr>
<td>Historical Restoration, Remove siding, remodel existing bathroom, construct two story deck, add bathroom and bedroom in basement, painting, countertops, tile, demo, sheetrock, HVAC</td>
<td></td>
</tr>
<tr>
<td>Electrical</td>
<td>$4,200</td>
</tr>
<tr>
<td>Rewire panel, raise main line, rewire kitchen, wire new bed and bathroom, new fixtures, new switches and face plates, clean up existing wiring</td>
<td></td>
</tr>
<tr>
<td>Home Staging (3 Months Minimum Contract)</td>
<td>$2,500</td>
</tr>
<tr>
<td>Plumbing</td>
<td>$7,300</td>
</tr>
<tr>
<td>Added new fixtures, plumbing for new bathroom, cleaned up existing plumbing, moved existing laundry hookups, new valves, and new vanities</td>
<td></td>
</tr>
<tr>
<td>Roof</td>
<td>$1,800</td>
</tr>
<tr>
<td>Installation of new Architectural Comp Shingle roof on back half of roof</td>
<td></td>
</tr>
<tr>
<td>Flooring</td>
<td>$7,625</td>
</tr>
<tr>
<td>Sand and refinished existing hardwood floors, new wood floor and tile</td>
<td></td>
</tr>
<tr>
<td>Misc. and Permits</td>
<td>$3,750</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$89,000</strong></td>
</tr>
</tbody>
</table>
Four Question Test

We use a Four Question Test to keep us on track when developing our Scope of Work and keep us from getting stuck on any one rehabbing decision. If you are in doubt about whether or not a task should be included in your rehab, answering these four questions should give you a clear direction.

- Will it add value?
- Will it help sell the property?
- Is it cost effective?
- Is it needed?

**Four Question Test Scenario**

Let’s take a look at a brief example to illustrate how this Four Question Test works:

*Scenario:* You have single-family rehab with a SOW that includes new kitchen, new roof, paint and flooring.

*Question in debate:* Should you add a skylight in the kitchen?

*Answers:*

1. Will it add value? **YES**
2. Will it help sell the property? **YES**
3. Is it cost effective? **YES**
4. Is it needed? **NO**

In the answers to the questions in this scenario, we have three yes answers and one no; so we should add the skylight. The swing question in this scenario was “Is it cost effective?” The answer is based on the fact that since we are already adding a new roof, the additional material cost of $150 – $300 for a skylight and a professional to install it is extremely minimal compared to installing the skylight without replacing the roof. The big takeaway in using the Four Question Test is to prevent spending too much time on any one decision. Remember, time isn’t just money – time is everything! The main goal is to keep the project moving along smoothly so you can have a finished product to market and sell. If you are spending a week to decide between the light green carpet vs. the hunter green carpet, you can rest assured that you won’t be successful in buying, rehabbing, and selling properties.
#1
Outlining Your Objectives
Determine a solid budget for your rehab. Developing a process for creating your Scope of Work will make the process more efficient and easily repeatable.

#2
Property Walkthrough
A well-executed SOW will go a long way to establishing your credibility as an investor & rehabber. It all starts with a thorough walkthrough of the property.

#3
Getting Started
Use the SOW checklist to make sure you don’t forget anything.

#4
Components of Your SOW
Create a preliminary and final SOW. Having a sample to follow is very useful!

#5
Four Question Test
The ability to make decisions quickly leads to a successful career as a rehabber.

Preparing Your SOW
This information is for educational purposes. We don’t believe in push-button profits—we believe in proven business systems, education, drive and hard work. We are committed to teaching you how to reach your goals. In promoting our educational programs, we illustrate success stories. We want you to know, students are not compensated for their testimonials. However, many of our most successful students join our team as Coaches and Trainers. As stipulated by law, we cannot and do not guarantee results or offer legal advice. As with any business, your results will vary and will be based on your drive, effort, follow-through and other variables beyond our control. We believe in full transparency, and a high standard of integrity, that is why we encourage you to read our full earnings and income disclaimer by visiting www.fortunebuilders.com/earnings-income-disclaimers/