

June 2013

YOUR FINANCES ...YOUR FUTURE

Staying Connected

For the Alumni of the ECCB
Savings and Investments Course

YOUR FINANCIAL
NEWS

TIDBITS OF FINANCIAL WISDOM

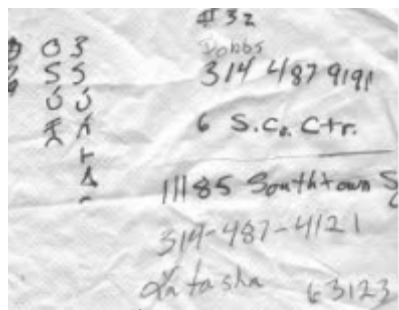
SIMPLE STEPS TO ENABLE YOU TO HARNESS YOUR FINANCIAL POWER

PAY ATTENTION TO EVERY PENNY-IT ADDS UP
BE AWARE OF ALL FEES RELATED TO YOUR BANK ACCOUNTS-COMPARE AND CONTRAST THE COSTS AND THE BENEFITS
ACT LIKE YOU ARE POOR THINK LIKE YOU ARE RICH
USE YOUR MONEY TO MAKE MORE
GO WINDOW SHOPPING FOR THE ASSETS YOU WANT TO OWN IN TWO TO THREE YEARS
LEARN AND DO SOMETHING NEW EACH DAY - YOUR DAYS ARE TOO PRECIOUS TO HAVE EACH ONE BE A MERE CLONE OF THE DAY BEFORE
CONFRONT YOUR FINANCIAL FEARS-TAKE INFORMED CHANCES
REDUCE YOUR LIABILITIES
INCREASE YOUR ASSETS
GET AGGRESSIVE ABOUT FINDING NEW WAYS TO GENERATE INCOME
CONSIDER A SIDE HUSTLE AND CASH IN ON YOUR TALENTS

Visit us at www.eccb-centralbank.org

EC MATTER\$

Did you know that little notes and reminders to self should be etched anywhere else BUT on your EC currency unless you have no problem handing over a lot of cash if convicted of unlawfully mutilating the currency? “Any person who without lawful authority or excuse, mutilates currency issued by the Bank whether by cutting, tearing, defacing, perforating, writing, printing, drawing, or stamping thereon or by attaching or affixing thereto anything in the nature of an advertisement or other notice, shall be guilty of an offence and liable on summary conviction to a fine of two thousand dollars or to imprisonment for twelve months.” (The Eastern Caribbean Central Bank Agreement Act 1983)



or a napkin to write your ‘must record now’ numbers, notes and messages. Or better yet, why not go digital and use your cell phone? There you will find a memo pad, and a formatted directory template to record everything on the spot that is important to you.

Over the years the ECCB has observed a reduction in defaced notes redeemed which means less notes need to be sent to the shredder. The increase in “Know Your Money” seminars hosted by the ECCB and other public awareness programmes may have contributed to this. So what’s the message? Handle your notes in a manner that ensures they are not defaced and you will save the life of a note. :) Editor’s Note, SLW

IT’S FIXED

In July 2013, the Eastern Caribbean currency celebrates thirty seven years of being pegged to the US dollar at a fixed exchange rate of EC\$2.70 to US\$1.00.

The maintenance of the fixed exchange rate provides a strong degree of stability for and confidence in the EC currency.

P LANNING YOUR



RESIDENTIAL HOME

Dennis Cornwall, Manager, Research and Marketing, Eastern Caribbean Home Mortgage Bank shows you how to avoid many common pitfalls when planning for the home of your dreams.

Introduction

This Article is intended to give prospective homeowners a detailed illustration on how best to plan for the construction of their residential home.

In planning your residential home, it is critical that all the necessary factors are taken on board to avoid the many pitfalls that could occur. There are so many examples to demonstrate that something has definitely gone wrong with

the home construction as we travel across the Caribbean. The following are just some of the examples:-

- Construction has started and has been halted by the Land Development Control Authority, or the Development Control Authority due to lack of proper approval;
- Construction has started and there are ongoing disputes before the Court between the contractor and the owner;
- Construction has started and there are problems with the foundation and the house starts slipping and huge cracks develop;
- Contractor has encroached on someone else's property and was

forced to stop the construction;

- Construction has started and stopped because of insufficient funds. Budget was insufficient or a prospective homeowner was over ambitious.

These examples/situations referred to above are not uncommon, so it is extremely important to plan your residential home at every step of the way.

Building a home just may be the biggest investment that one would undertake in his or her lifetime. There are four (4) main points that must be considered at all times:-

- Plan your project very carefully;
- Select a good team of professionals – architect,

contractor, engineer, financier, draughtsman, quantity surveyor, valuer, project manager etc.,

- Apply strict financial planning;
- Monitor your project from start to finish.

Factors in Choosing Your Land

In building a home **one of the most critical factors is the land** on which the house is to be constructed. We will now examine the **factors in choosing your land.**

Below are some of the main factors that should be taken onboard when choosing your land. They are:-

- Price, and size of the land;
- Configuration of the land;
- Topography of the land;
- Location of the land;
- Covenants to the land;
- Flood risk factors;
- Immediate surroundings;

- Market Value;
- Physical features;
- Other risk factors

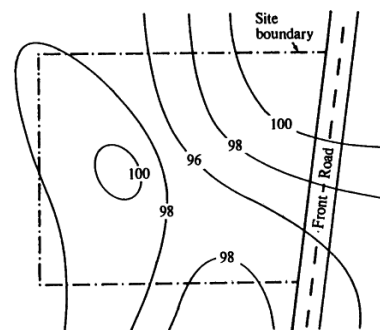
Depending on the **price and size of the land**, the prospective homeowner may or may not be able to afford to buy the land. There are times, someone may buy land in a particular location or neighborhood and may not be able to build on that land due to planning restrictions and other covenants or social and economical restrictions or considerations.

The **configuration of the land** will eventually determine what kind of building can be erected on the land. If the land is very narrow or very irregular in shape it could pose difficulties for setback that are required by physical planning regulations.

The **Topography of the land** refers to the slope of the land. Not every

piece of land is adequate for building, in spite of the fact that persons may feel that they should be able to build wherever they own land. The steeper the gradient or the slope of the land, the more challenging or difficult it would be to build. The cost associated with building may make it prohibited or uneconomical.

The **location of the land** is also most critical. In choosing your location it must be borne in mind a numbers of issues such as amenities, services, infrastructure and access. For instance, if you build a house but cannot get to work due to the lack of major roadways or too many traffic jams your problems may be compounded.



A **covenant on the land** refers to restrictions placed on the land by

former owners or the State. In some land subdivisions, it may be prohibited to build more than a two storey house. There may be right-of-way/access to other properties that must be respected. Over head power lines may be prohibited in that area and may preclude you making connections over head.

Flood risk factors refers to lands that are located in gullies, valleys, known waterway, floodplains, or may be affected by high tides in the event of storms or hurricanes. Always do your research or investigations and avoid those areas. These areas may appear to be attractive for building but they come with inherent risk and cost associated with them. Insurance companies may also shy away from providing you with risk coverage.

Immediate surroundings refer mainly to the type of

economic and social activities that may be taking place in the neighbourhood. Building close to major airports may seem attractive but you may have to settle for constant loud noises from aircrafts. The area might be close to dumpsites or areas that may have contaminants. Buildings close to factories and power plants have similar implications. A very common occurrence in the Caribbean is related to mechanical garages placed within housing settlements. These garages are generally associated with derelicts and rodents such as rats.

Market Value is related to the price at which the property may sell provided that there is a willing buyer and the transaction is done at arm's length. One should not confuse price or expenditure incurred to be the market value. Someone may incur \$1,000,000 to build a house but that house may only have a market value of

\$450,000. There are several factors that can influence the market value.

The physical features of the land may impact negatively on the cost of construction. Generally land with huge trees, stones or rocky conditions may cost thousands to arrive at a foundation. Land that are prone to slippages or land slide may require expensive retaining walls. Always investigate the cost for ensuring the proper foundation vs. the size or comfort of the house. One may affect the other.

Other risk factors refer to possible risk factors not included above. For instance, avoid building close to certain toxic materials or waste materials deposits or other known risky environments.

Selecting Your Architect

In one of our previous Articles, we would have

advised you to ensure that you engage a group of competent professionals when you are planning to build or buy your dream home. Let us now examine what a prospective homeowner should look for in an architect. The following should be taken into consideration:-

- Look for professionalism;
- Look for approachability;
- Look for affordability;
- Look for accuracy and knowledge of the OECS Building Codes and Guidelines specific to your country;
- Look for timeliness in delivery of projects;
- Look for honesty;
- Ensure that you have clear terms of engagement with the Architect;
- Ensure that you have a clear payment plan.

Always bear in mind that not all architects have the same level of competence or

experience.

Therefore, in choosing your architect, it is advisable to do your home work. Speak to persons who have already built. Speak to the available architects. Remember, cheaper does not always mean better. All of the above factors are very important.

Working Session with Your Architect

It is important that once you have selected your architect, you work along with the architect to ensure you get the results that you need or want.

Below are some of the issues that should be addressed:-

- Develop the Scope of Work;
- Develop Initial Project Budget;
- Match Project Budget to Scope of Work;
- “Marry” the Budget to the Scope of Work;
- Make revisions as

required or deem necessary;

- Analyze clients affordability ;
- Analyze client’s ability to service the loan.

In developing the Scope of Work with your architect, it is important to be as realistic as possible to take on board the reality of your individual situation. You will need to indicate the size of the house, including room size, number of baths and toilets, living room, study, pantry, living room, kitchen size and amenities, number of floors, types of materials and finishes. In doing so, always be mindful that this must be seen in context of a Budget. It is very important to marry your Scope of Work to your Budget.

Your Budget must be related to your affordability taking into consideration your income, saving, net worth, ability to raise financing, among other

related fees and cost.

A good Architect should be able to guide the homeowner through this process taking onboard the issues mentioned above.

At the end of the day, feel free to ask your architect all the questions needed to provide you with what you are looking for. It is not about what the architect wants but what you want with the restrictions that you have to work with. Take full advantage of this stage with the architect. Make as many changes as you want. Please ensure that you and the architect have a common agreement at the end of this process before he/she starts designing. Please do not rush into the other phases if you have not settled things at this initial stage and sign off to move on to the other stage.

Project Stages

In planning your residential home, there are a number of

stages that the Architect takes into consideration before he or she delivers the drawings of the house that you intend to build. Hereunder are the most important stages:-

- Scheduling;
- Site Analysis;
- Design Concept;
- Design Review;
- Project Cost;
- Working Drafts;
- Project Financing;
- Working Documents/ Drawings;
- Project Approval;
- Tendering Process;
- Selecting Your Contractor;
- Negotiations;
- Contract Types;
- Pre-Construction Issues;
- Supervision;
- General Considerations.

In the **scheduling stage** of the project it is important for the architect to place timelines on all the activities, review those timelines regularly, set achievable

milestones and indicate the persons responsible for each activity.

In doing the **Site Analysis** of the land it is always recommended *to do a Topographic Plan* to determine the contours or the slope of the land, especially when the land is not a flat surface. A Topographic Plan may cost a few thousand dollars or less, but it makes a big difference. By not having it done may cost you thousands of dollars that you could ill afford. During this stage, it is advisable to visit the Site as many times as possible and analyze size, slope, soils, view and the wind direction. Also maximize on the natural conditions of the land, and the possible positioning of the building.

In the **Design Concept** stage the architect will look at showing the spatial relations, the sizes of the rooms and how the

furniture should relate to the spaces, how will the building be fitted on the land and the overall initial Budget.

In the **Design Review** stage the architect normally takes the client through the drawings. It is at this stage the client should critique the drawings and make all the changes he or she wants. Thereafter, he or she must give approval to move on to the next stage.

In the **Project Costing** stage, the architect normally estimates the building cost based on the type of components, finishes, design, structure, use of energy saving devices. It also takes into consideration site cost, survey and topographic plan, utilities, bank charges, contract cost and contingencies. At that stage he also needs to ascertain the client's affordability.

In the **Working Drafts** stage the architect presents the client with a draft of the floor plan, elevations, and

roof and electrical. The client is expected to review the working draft carefully and ask as many questions before giving approval to move on to the next stage.

The **Project Financing** stage involves the client speaking to the bank or lender to get approval in principle for the loan. It is advisable that the client shop around to get the best financing deal. It's a buyer's market and it is worth it shopping around for the best deal.

The **Working Documents** stage is where the architect ensures the drawings are as complete as possible, to avoid any misinterpretation on the contractor's part. The Drawings need to be precise and to have specification where it is necessary. The more detailed and precise are the drawings, the better it will be for the client. The less accurate the drawings are, the greater the extra cost would be.

Project Approval - The architect needs to be knowledgeable of the existing Building Codes and Guidelines that govern the development of land in that country. The Drawings must be prepared in a manner that allow for speedy approval by the Land Development Control Authority (LDCA) or the Development Control Authority (DCA).

In the **Tendering Process** stage the architect should assist the client in preparing the invitation to bidders, by giving full details or description of the Scope of Work and by giving full terms of reference. He should provide full drawings and specify a time for submission of completed Bids. He should also assist in analyzing return bids by examining cost, time and unit rates.

Selecting Your Contractor

During the selection of your Contractor, the following issues must be taken into consideration:-

- Management skills;
- His price;
- His honesty;
- Track record and present work load;
- Approachability;
- Timeliness of delivery;
- Experience with similar projects;
- Reliability;

In the **Project Negotiations** stage cost is negotiated, type of contract, time frame, special conditions and the **Units Rates** are set or established.

It is important to note that there can be several **Contract Types**. These are:

- Labour only;
- Labour and some material;
- Labour and all material;
- Labour with Nominated Contractor;
- Fixed Price Contract.

At this stage the payment stages are also agreed upon.

In this stage, there may be issues not addressed above known as **Pre-Construction Issues**. These may include:

- Temporary supply of water and electricity;
- Site shed;
- Owner supplied materials on Site;
- Mobilization payment.

Supervision Stage – It is very important that the client engage someone with the required knowledge to monitor the development on Site. The person should be knowledgeable and be responsible for work planning, resource planning, giving approval for each critical stage and to prepare monthly progress report on the development of the project.

Under **Construction Challenges**, the following are some of the issues that are to be taken into consideration: -

- Contractor Payments;
- Change Orders;
- Time Extension;
- Termination of Contract
- Dispute Resolutions

General Considerations - it is advisable to use durable materials, low maintenance materials, and the use of energy reduction/saving devices such as solar panels, and solar lighting.

One final advice on Planning Your Residential Home we would like to leave with you is: **Always remember, if you fail to plan, then you plan to fail. Proper planning prevents poor performance.** Therefore:-

- Introduce proper planning;
- Become familiar with you project;
- Choose a good architect;
- Choose a good contractor;
- Adhere to your Budget.



EXTRACT

“To search for best practices is to study what other companies have accomplished, to adapt their processes to your business situation, and to hear and learn about your customers’ experiences with your products and services. In doing so, you should search not only for local wisdom but also for insights from across the street and around the globe. Finally, it is to share this information with people throughout your organisation and with your customers and suppliers. Your search for best practice is likely to lead to a refining of products to meet your customers’ changing needs and wants. The best way to learn what they need, of course, is to share what you have learned with them.”

BOOK
CLUB

NATIONAL
BESTSELLER

BEST
PRACTICES

BUILDING YOUR
BUSINESS
with
CUSTOMER-FOCUSED
SOLUTIONS



ARTHUR
ANDERSEN

ROBERT HIEBELER, THOMAS B. KELLY,
AND CHARLES KETTEMAN