

# Planning Your Cash Requirements



When planning for your new home, it is important to plan your cash flow requirements.

As a self-builder, there are expenses that must be covered up front. We recommend, as a general rule, that you have \$40,000 to \$50,000 of funds available, either in the form of cash or a line of credit, in order to get your project off on the right foot.

Bank lines of credit are usually rolled into your new mortgage once construction is completed, and during the construction process you can expect progress payments from your lender at key stages such as foundation, lock-up and occupancy. But you will still require funds to get you to that first disbursement!

These funds will be used to cover the following expenses. Please note that these are sample costs and will vary from region to region.

#### Soil Test

This is a test that is done by a septic engineer to identify the type of septic system that should be installed, and where best to localize it. Costs are usually around \$1500 dollars.

#### Septic Engineering

Septic systems must be engineered, and follow a rigorous inspection process. Engineering and inspections can cost about \$1400.

#### Surveying

The land will require a site survey, localization plan and sometimes a grading plan that identifies where the home will be situated on the property. As a rule of thumb, figure about \$1,200 to \$1400 for this.

#### Insurance Costs

Builder's risk insurance must be put in place prior to breaking ground, but need not be done until you have plans, permits, a solid build schedule, and are ready to start on site. Builder's risk insurance covers you against theft on-site, and site-related liabilities. A rule of thumb is \$800 - \$1,200 for builder's risk insurance.

#### Building Permit/Development Fees

This varies greatly from region to region. In some instances, a simple building permit is all that will be required, and in out of town regions this fee may be as little as \$500. However, if you plan on building on a serviced city lot, permits and development fees can be several thousand dollars.

#### Excavation

The first step in building is site excavation. This consists of clearing the land, building access roads, and excavating for the foundation. As this will occur well before any construction can begin, expect this expense to occur prior to any bank disbursements. Excavation costs vary greatly. They average about \$5-10,000

#### Site Servicing

In order to conserve cash, items such as well, septic and hydro can generally be done later on in the project. In other instances, it may be necessary to implement the well and septic systems well before construction begins due to site conditions. Well and septic can cost \$15-20,000

#### Other Deposits

In some cases deposits may be required to secure trades at the best price and according to your build schedule. Set aside about \$10,000K for this, but it will be well worth it.

The key with any successful project is to control cash outlays, reduce costs, and reduce the credit risk/interest risk by ensuring a smooth running project with no delays, such that loans can be converted into a conventional mortgage quickly. That is what your PM will be there for. The objective is to get you in your home as quickly and as economically as possible from the time we break ground, without compromise!