



ABOUT YOUR HOUSE

HIRING A CONTRACTOR

CE 26 a

At some time, most homeowners will hire someone for repairs or renovations. Even a homeowner experienced in home repairs may have to hire a contractor or renovator because of the size or level of difficulty of the job.

This fact sheet will help you choose a contractor and work effectively and fairly with the contractor to achieve the results you desire.

Who Do You Hire?

Once you have decided to renovate and know, or at least have a good idea of, what you want, choosing a contractor or renovator is a crucial decision. It's not something you should rush into.

The contractor you hire should have the technical, business and interpersonal skills, the tools and the experience needed to do the job you want done. Hire a contractor who has experience with projects similar to yours. This contractor will know what materials and techniques are needed for your work; and even better, about problems with similar work—and how to solve them.

For large renovation projects, you can hire a renovator to take charge of the whole job since many renovation contracting companies are set up to handle both design and renovation work. You may hire an architect, architectural technologist (depending on the size of the project) or a designer to prepare your project's plans ready for permit application and then invite contractors or renovators to submit a quotation based on these plans. These professionals may also provide their services to oversee your project which may include obtaining all necessary permits, hiring a contractor(s) and the supervision of the work.

Finding and Choosing a Contractor

Start by looking for several suitable contractors. A good source of referrals may be a family member, friend, or neighbour who has had similar work completed. They can tell you about the dependability of the contractors they worked with, the quality of the work and their overall experience with

that company. Other sources are your local home builders and renovators associations; local building supply stores; in some municipalities your local Building Department; and through the contractors websites on the Internet.

Discuss your project with a few potential contractors to get their advice and suggestions on how they would do the work. At the first meeting, some may give you a rough estimate of costs, depending on the project's scope and complexity. The first meeting is usually more to get to know the contractor and the contractor's work. Unless you have been able to check out the contractor ahead of time you should not sign anything or pay anything at this stage.

You want to find out as much as you can, so ask a lot of questions, such as:

- How long have you been in business?
- What work are you, or your subcontractors, licensed to do, e.g., electrical, plumbing?

- What kind of work do you specialize in?
- Have you done a similar job before?
- Will you use your own crew for the work or will you subcontract all or part of the job?
- How would you handle a specific problem related to this project (e.g. installing kitchen cabinets on your sloping floor)?
- How will you deal with the health and energy efficiency aspects of the job?
- How and when do you clean up, particularly fine dust?
- What work schedule will you follow?
- What kind of warranty do you offer and what does it cover?
- Do you carry workers' compensation and liability insurance?
- Will you provide a written contract?
- Will you take out all required permits (e.g., building, plumbing, electrical)?

You won't offend reputable firms with questions. If a contractor doesn't seem to know much about the technical details of the job or doesn't want to talk about them, you may have the wrong contractor.

If the contractor plans to do the whole job alone, make sure he or she has all the necessary skills and qualifications.

Most importantly, be sure you can get along with the contractor. If you cannot communicate effectively with the contractor, things can get very tense in a lengthy project. You want a contractor who will explain what's going on as the project takes shape, who will discuss problems reasonably and who will work with you to make the result as good as it can be.

You also want someone who's willing and able to help you refine your plans where possible, resulting in a more desirable and cost-effective project. A contractor who is knowledgeable about the type of work you're doing should be able to suggest ways to get what you want and meet your budget.

The best proof of quality is satisfied customers. The contractors you decide to meet with should have references from at least three previous clients who have had similar work done. Don't accept the references at face value. Phone them and ask about their experience with the contractor and their trades people and ask them if they were satisfied with the quality of the work. Were there any problems? Did the contractor keep them informed throughout the project? Did the contractor's crew keep a clean work site? Was the work done on schedule? Were there changes to the scope of the work and if so how were they handled? Would they hire the contractor again or recommend the company to friends or family?

If the previous clients are willing, visit them to see the finished job. Their willingness itself is usually a sign that they were satisfied. Check with your local Better Business Bureau. It records complaints about contractors in your community.

Getting Estimates or Proposals

How many estimates do you need? There are no hard and fast rules here. Some consumers prefer to get a number of bids before making a decision. Others find that after the interview process, there is one contractor they strongly prefer and only ask that contractor to submit a formal written estimate or proposal. What really matters is that you end up feeling that you have adequate information to make the right choice of contractor. As a general rule, with the proper drawings and specifications, three estimates will usually provide sufficient information for you to make a decision. To get estimates, especially for substantial projects, you'll need good-quality drawings and detailed specifications. You can either use an architect or designer, or you can hire a renovator who offers design services as well as renovation services. In this latter case the drawings can become part of the overall contract if you hire the renovator for the entire job. But you don't have to use the same renovator for the work. Should you choose to use the set of drawings provided by this renovator to obtain other estimates, you may be required to pay for them.

Even with a small project, a set of written specifications is needed. Be as specific as you can: what type of flooring, what kind and brand of doors and windows, what kind of finishes you want.

For a large project, it can take two to three weeks for a contractor to prepare an estimate. Ask the contractor to submit it in person so you can discuss the estimate with them. Compare the estimate carefully and make sure that everything you ask for is in the estimate. It should include everything that the contractor will have to do to complete the job. Assume that anything not listed is not included in the price. As well, make sure the contractor provides you with a construction schedule.

In some cases, a contractor will give you a “fixed price” quote. A fixed price includes all the materials, labour, equipment and fees, plus contingencies, overhead and profit. In some cases allowances are established for items which you have yet to select, e.g., flooring and light fixtures. The allowance, which is only an estimate, is later adjusted once you have made your final selection.

If it is difficult to estimate just how much the job will cost—for example, for an old house that might need extra work—you can use the “cost-plus method” for contracts.

In a cost-plus contract, you pay the contractor the actual cost for labour, materials, equipment and a percentage for overhead and profit. Cost-plus contracts leave costs open-ended, so it’s best to set a limit so costs don’t get out of hand.

Remember, renovation may uncover hidden problems, so make sure you include a contingency budget to cover unforeseen costs.

Another option is a design/build contract, in which a renovator designs and carries out the whole project. You can use either a fixed price or cost-plus contract, again with a set cost limit.

Don’t automatically choose the contractor who gives the lowest estimate. It may be unrealistically low. The contractor may not have understood the project, may be underestimating what it will take to complete the work, or simply trying to get a price advantage over the competitors. In any case, you could risk unexpected and additional costs, or you may end up with a job that leaves you unsatisfied.

Look for a fair price. Factor in any differences in what the contractors are offering and the skills they bring to the job. Then add the intangibles: reputation, willingness to make suggestions and offer advice, the likelihood of standing behind the work. Choose the contractor you feel will give you the best overall value for your money.

Get it in Writing

Do not be tempted by a contractor who doesn’t have an address, doesn’t want a written contract and offers a discount if you pay cash. This type of underground economy transaction involves many risks and pitfalls that offset any savings to the homeowner.

For example, contractors who insist on cash may be unlicensed and uninsured; and without a written contract your cash advances are unprotected. They could neglect to get the required permits or inspections. Product warranties may not be valid if a recognized contractor does not install the items.

As well, an underground contractor may do poor work and create health and safety problems. If one of the contractor’s crew is improperly trained, is injured on the job or damages your property or a neighbour’s property, your homeowner’s insurance policy might not cover you and you could be liable.

A cash deal may leave you with no legal recourse if something goes wrong or the work isn’t satisfactory, or if the contractor walks off the job without finishing it. In fact, it makes it difficult for you to prove the contractor was ever there. And after you have paid the contractor, you may find that materials haven’t been paid for or workers haven’t been paid—and you are responsible for the bills. For your own protection and peace of mind, it’s best to deal in a legal and responsible

way—always get it in writing. For more information see “*Get it in Writing!*” (Refer to the back page of this document.)

The Contract

A detailed written contract between you and the contractor you hire is essential to any renovation or home repair project, no matter its size. Even the smallest job should be put in writing. For detailed information as to what should be included in a contract, making payments and to see an example of a contract refer to the *About Your House* titled *Sample Renovation Contract*.

Completion Certificate

When the job is finished, the contractor may ask you to sign a certificate of completion. Don't sign it until you have thoroughly inspected the work. If the contractor has to return later to finish a few minor details, you should note this, and if appropriate, holdback a portion to cover the outstanding work.

Professional contractors offer a warranty on their work and will come back if something goes wrong.

Holdbacks

There are three types of holdbacks:

1. **Builders Lien Holdback**—This type of holdback is intended to provide homeowners with protection should sub-contractors or suppliers place liens against the property to secure payment for work performed, and who may not have been paid by the General Contractor, for their services. This allows a period of time, after the project is substantially completed, for them to make any required claim. At times, the general contractor will arrange for these funds to be held in trust by a lawyer. Where there are no sub-contractors or suppliers involved with the project, this requirement will not apply.

Note: The Builders Lien Holdback funds cannot be used to correct deficiencies. Each province has its own regulations regarding this type of holdback. Verify with your Provincial Authority for such rules and/or regulations in your respective area.

2. **Deficiency Holdback**—When a project is substantially complete, there will often be a number of items that are incomplete and/or which may need to be corrected. It is a standard procedure to holdback a reasonable amount of money (e.g. cost per item or a percentage of the total cost of the project) to cover the cost for these items. Once these items have been satisfactorily completed, complete payment is forwarded to your contractor.

3. **Seasonal or Delivery Holdback**— Depending on the time of the year (season) that your project is carried out, there may be items that cannot be completed (i.e. exterior painting, landscaping, etc.) and/or there may be products/material that are not readily available. In these situations, it is standard procedure to holdback payment(s) equalling the cost of the items remaining to be completed.

Working with your Contractor

Once the job is under way, you'll see a lot of your contractor and the crew. The job will go much better if there is mutual respect and you co-operate with them. Talk with the contractor, so you know what's going on and what might be needed from you—an empty driveway so the delivery van can bring in the new bathtub, for example. But don't call every five minutes. Make a list of your questions and save them for a time which you are both available.

In spite of a clear, detailed contract, disputes can, and occasionally do, arise for any number of reasons. Good communication can go a long way in settling any disagreements between you and your contractor. As a first step, you should sit down together to discuss the problem calmly and seek a solution that you both can live with comfortably. This is usually the fastest, least expensive and ultimately, most satisfactory approach.

Try to be reasonable. Don't overreact if something is wrong. Allow sufficient time for a response. As well, things the contractor can't control, like bad weather and back-ordered components, can delay the job, so leave a little leeway in your schedule for them.

If these steps have not helped, you can follow the dispute resolution method, or mediator as identified in the contract. Architects and construction arbitrators are often used to settle any disputes.

As a last resort, and in cases where things are going so badly that the project seems unworkable, you have the option of cancelling the contract. This is why it's wise to put a termination clause in the contract. You'll likely have to pay to get out of the deal, so it's best to agree on the cancellation penalty before you start.

If you think that some of the work is not up to local building standards, report it in writing to the appropriate inspection department, with a copy to your contractor. If the work doesn't meet building code requirements, the contractor should have to correct it at his or her expense.

Also, you can report poor workmanship and unsatisfactory business practices to the government department that granted the contractor a business licence, where applicable.

Consumer Protection Laws

There are several laws protecting consumers. Provincial and territorial consumer affairs or consumer relations departments usually administer consumer protection laws. They can help you resolve problems between you and your contractor. Sometimes a phone call is enough, but a letter outlining the problem (giving names, dates, addresses and details) is often required before any action can be taken.

The consumer protection authority may send a building inspector to examine the work. The inspector's report may be enough to settle the dispute. If not, the consumer protection office may provide mediation. The power of a government consumer protection office is a strong incentive for settlement. If it isn't and legal action is required, the consumer protection office will give you further advice and assistance.

The Better Business Bureau, a monitoring agency maintained by the business community, will also handle consumer complaints and mediate disputes and try to get a fair settlement.

If legal action is necessary, you may be able to take the contractor to small claims court without having to hire a lawyer or the complications and delays of a formal court case. Although small claims court is

relaxed and informal, its decisions are binding. The size of the claim you can make depends on the province or territory where you live. Your local courthouse can give you this information and direct you to the office that handles small claims cases.

About Insurance

It's important to make sure the contractor has workers' compensation and third-party liability insurance for all the people on the job and damage they may cause (\$2 million is standard, this may not be the case in rural areas). Your local Home Builders' Association is a good source of information for what is standard in your area. Don't just take the contractor's word—ask to see a certificate and check to make sure it's current. Don't accept or assume any liability for the contractor or trades people.

As for your liability, your homeowner's insurance policy may cover you during a project done by a renovator but you should always advise your insurance provider of any renovation work ahead of time. However, if you're acting as your own general contractor and employing trades people, your policy won't automatically cover you. You'll have to ask your insurance company for temporary coverage, which will likely involve a small extra premium. Again, make sure any trades people you hire have their own insurance.

Checklist—Hiring a Contractor

What to do first

- Write a description of the work you want done with as much detail, as possible.
- Check with your municipal building department to ensure that the work can be done, and if zoning approval or any special permits are required.

Find a contractor

- Ask friends and neighbours for recommendations.
- Get names from your family members, friends, local home builder and renovator associations, building supply outlets and, in some municipalities, your local building department.
- Ask contractors for their business licence number and check with the local licensing office and the firm's insurance company for public-liability and property-damage insurance and workers' compensation.
- Ask for references from past customers.
- Check with the Better Business Bureau for complaints against the contractor.

Establishing the cost: getting estimates or proposals

- Number of estimates or proposals: __1 __2 __3
Do you have:
 - A complete description of the work to be done by the selected contractor?
 - Samples and literature showing different products that could be used?
 - Depending on the size of the project, plans or sketches and specifications of the work to be completed.

The contract should contain

- Correct and complete address of the property where the work will be done.
- Your name and address.
- Contractor's name, address, telephone and GST numbers.
- Detailed description of the work, plans (or sketches) and a detailed specification of the materials (type, quality, model) to be used.
- The right to retain a lien holdback as specified in provincial law.

- A clause stating that work will conform to the requirements of all applicable codes, such as building, safety and fire codes.
- Start and completion dates.
- The price and payment schedule (keep in mind the lien and seasonal holdbacks).
- Agreement on who (homeowner or contractor) is responsible for all necessary permits, licenses, inspections and certificates.

Contractor's responsibilities include:

- Public liability insurance.
- Property damage insurance.
- Identifying any necessary permits and ensuring all legal requirements are satisfied.
- Workers' compensation for all employees of the contractor or subcontractors.
- All work carried out under the contractor, including work done by subcontractors.
- Removal of construction debris when the job is finished.
- Warranties on all contractor supplied work and materials (in addition to manufacturer's warranties) for a period of at least one year.

Homeowner's responsibilities include:

- Ensuring that all contracted work conforms to zoning bylaws.
- Ensuring adequate working space and freedom of movement for workers, and use of utilities.
- Ensuring prompt payment according to the requirements of the law and the holdback and payment schedule.

To find more About Your House fact sheets plus a wide variety of information products, visit our Web site at www.cmhc.ca. You can also reach us by telephone at 1 800 668-2642 or by fax at 1 800 245-9274.

Priced Publications

| | |
|---|------------------------|
| <i>Home care: A Guide to Repair and Maintenance</i> | <i>Order No. 61019</i> |
| <i>Homeowner's Inspection Checklist</i> | <i>Order No. 62114</i> |
| <i>Renovator's Technical Guide</i> | <i>Order No. 61946</i> |
| <i>Healthy Housing Renovation Planner</i> | <i>Order No. 60957</i> |

Free Publications

About Your House *fact sheets*

| | |
|-----------------------------------|------------------------|
| <i>Hiring a Home Inspector</i> | <i>Order No. 62839</i> |
| <i>Sample Renovation Contract</i> | <i>Order No. 62351</i> |

©2001, Canada Mortgage and Housing Corporation
Printed in Canada
Produced by CMHC
Revised 2005

28-02-05

Although this information product reflects housing experts' current knowledge, it is provided for general information purposes only. Any reliance or action taken based on the information, materials and techniques described are the responsibility of the user. Readers are advised to consult appropriate professional resources to determine what is safe and suitable in their particular case. Canada Mortgage and Housing Corporation assumes no responsibility for any consequence arising from use of the information, materials and techniques described.