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BOUT YOUR HOUSE

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HIRING A CONTRACTOR

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 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 you choose. Most important, these guidelines will help you get what you want and pay for.

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, most people hire a contractor to take charge of the whole job. Many renovation

contracting companies are set up to handle both design and renovation work. Alternatively, you can hire an architect or designer, who can provide professional design services and oversee hiring a contractor and execution of the work.

Finding and choosing a contractor

Start by looking for several suitable contractors. The best source is often referrals from family, friends and neighbours who have done similar renovations. 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. You can also get names from local homebuilder and renovator associations, and you can check with building supply stores, municipal building departments, Yellow Pages™ and 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, though, is more to get to know the

contractor and the contractor's work. Do 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 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 part of the job?
- How would you handle a specific problem related to the project, for example, installing kitchen cabinets on your sloping floor?
- How will you deal with the health and energy efficiency aspects of the job?



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- 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?

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 the necessary skills. If the contractor does have the skills and equipment, that means fewer tradespeople, which may reduce costs and prevent delays.

Most important, 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 renovation as good as it can be.

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

The best proof of quality is satisfied customers. The contractors you decide to meet with should have references from at least three people they've done similar jobs for. Don't accept the references at face value. Phone them and if they'll let you, visit them to see the finished job. Their

willingness itself is usually a sign that they were reasonably satisfied.

Ask the references about their experience with the renovator and the tradespeople and about the quality of the work. Were there any problems? Did the renovator keep them informed throughout the project? Did the crew clean up after work every day? Was work done on time? Were the workers supervised? Would they hire the contractor again, or recommend the company to friends or family.

Check with your local Better Business Bureau. It records complaints about contractors in your community.

Getting estimates

It is wise to get estimates from at least three contractors.

To get estimates, especially for substantial projects, you'll need good-quality drawings and a list of specifications. You can either use an architect or designer to produce formal drawings, or you can hire a renovator who offers design services in addition to 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. Because you have paid for the drawings, they are yours and you can provide them to the other contractors who are submitting estimates.

Even with a small project, a full list of the specifications is needed. List all the materials you'll need and be as exact as you can: what type of flooring, what kind and brand of doors and windows, what kind of finishes you want.

For a big job, it can take two to three weeks for a contractor to prepare an estimate. Ask the contractors to submit them in person so you can discuss the estimates with them. Compare the

estimates carefully and make sure they all quote on the same job and use the same materials. Make sure that everything you ask for is in each estimate. The quote should include everything that the renovator will have to do to complete the job. Assume that anything not listed is not included in the price. As well, make sure the renovator is committed to the start and completion dates.

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 and 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 the 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 renovator who gives the lowest estimate. It may be unrealistically low. The renovator may not have understood the project, may be underestimating what it will take to do

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 think 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.

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 could 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.

The contract

Using your drawings and the renovator's estimate, the next step is to write a contract which is normally done by the contractor once you have accepted the estimate. The contract documents should include:

- Names, addresses and phone numbers of the parties involved.
- Business numbers (e.g., GST, Registration number), as issued by Canada Customs and Revenue Agency.
- Copies of the renovator's business license (where required by municipal or provincial government) and membership in a homebuilders' or renovators' association.
- For larger projects, drawings and specifications and a form for change orders authorizing changes to the original plan.
- For smaller projects, a detailed description of the work with drawings if necessary.
- Who is responsible for obtaining permits (building, plumbing, electrical, etc.) and arranging for required inspections.
- Total price for the job, including allowances if applicable and taxes.
- Payment and holdback (seasonal and lien) schedules.
- Hourly labour rate, for extras.
- Start and completion dates, with provisions for reasonable delays, and penalties.
- Workers Compensation number and proof of workplace and business liability insurance coverage.

- List of subcontractors to be used on the job.
- Details of contractor's warranty.
- A statement of how disputes are to be settled, with name of mediator, if appropriate.
- Termination agreement, specifying what it will cost you to void the contract at different stages of the work.
- A statement that the contractor will provide you with manufacturer's warranties for products supplied by the contractor and used in the renovation.

Do not sign the contract until:

- You have read it carefully.
- You understand what it says.
- You are satisfied that it describes exactly what you want and that it includes everything you have been promised.

If the agreement does not include everything that you want and everything the contractor has promised, ask that missing items be written into the contract and initialed. Unwritten assurances are not binding.

Although some firms use preprinted contract forms, there is no such thing as a standard contract. Each contract is a different document dealing with a specific situation. Fill in any blank spaces on a printed form with N/A (not applicable) or NIL (nothing). Strike out and initial anything you don't agree with or ask that the contract be rewritten.

A contractor will sometimes include a contingency clause allowing additional charge if there are unexpected problems, such as running into unknown solid rock when excavating a basement. This is perfectly legitimate, and better than having the contractor quote a higher price in order to cover all such possibilities.

You don't need a detailed contract for small jobs, such as roofing and painting, but you should at least have a written statement of the work to be done, the materials to be used, warranties, cost and start and completion dates, in addition to confirmation of workers' compensation and insurance coverage.

You and the renovator both sign two copies of the contract, one for each of you.

Before you sign the contract for a major renovation, have your lawyer review it.

No matter how carefully the contract has been written, some changes are almost certain to be made before the job is finished because of unforeseen problems or materials that are no longer available. You may also change your mind about what you want done after the project starts.

Whatever the reason, making changes during the job will likely cost you money. Major changes can cost you a lot of money. You can avoid major changes by discussing every aspect of the job with your renovator during planning. However, if there must be changes, sit down with your renovator as soon as possible and look for alternative solutions.

Changes to the original plan or the contract must be made using a "change order," which you and the renovator sign. Having the labour rate included in the contract allows you to make sure you are not being overcharged if extra work has to be done.

Paying for the work

A deposit may or may not be required on routine home improvement and repair work. If a deposit is required, it should be a token amount to show good faith. However, when special fixtures, materials or custom work must

be ordered, you may have to pay a larger deposit. In some cases, it may be advisable to make your cheque payable jointly to the contractor and the supplier:

Make payments to the contractor at specified milestones. Avoid progression clauses that require payment at specific times, regardless of the amount of work that has been done. It's better to schedule progress payments when a certain amount of the work is done, rather than on specified dates. Be certain that you are satisfied with the work before you make any payments.

Remember, don't give cash to anyone you don't know or who has not been properly checked out. A cheque is safer than cash and a record of payment. The contractor should give you a signed receipt when you make a payment.

Lien and seasonal holdbacks

A lien holdback is the portion of each payment you must withhold for a specified period of time in order to protect yourself against liens which can be placed on your property from suppliers or subtrades in the case where they are not paid by the contractor. The amount and length of time of the lien holdback is different in every province and territory. Check with your provincial or territorial government, lawyer or local homebuilder or renovator association. If a lien is filed on your property, don't make any more payments to the contractor until you are notified in writing that the lien has been discharged.

A seasonal holdback is the portion of the payment held back to cover any outstanding work which is not completed due to winter weather conditions. When applicable, the terms for the seasonal holdback should be included in the contract.

Completion certificate

When the job is finished, the renovator will ask you to sign a certificate of completion. Don't sign it until you have thoroughly inspected the job and you're completely satisfied that everything has been done properly. If the renovator 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.

Most reputable contractors offer a warranty on their work and should be willing to come back if something goes wrong.

Working with your contractor

Once the job is under way, you'll see a lot of your renovator and the crew. The job will go much better if there is mutual respect and you co-operate with them. Talk regularly with the renovator 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.

If a problem arises during the job, the best course is to bring it up immediately with the renovator—not the tradespeople—and discuss it calmly and reasonably. If the problem escalates and the renovator just isn't responding, send a registered letter to the renovator with a copy to your lawyer. If that doesn't work, you can try sending a letter to the local homebuilders' or renovators' association, your provincial consumer protection department, Better Business Bureau or the department that issues the contractor's license.

On the other hand, you must be reasonable. Don't overreact if something is wrong. Allow sufficient time for a response. As well, things the renovator

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. That's 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. 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.

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 renovator has workers' compensation and third-party liability insurance for all the people on the job and damage they may cause (\$2 million is standard). Don't just take the renovator's word—ask to see a certificate and check to make sure it's current. Don't accept or assume any liability for the renovator or tradespeople.

As for your liability, your homeowner's insurance policy may cover you during a project done by a renovator. However, if you're acting as your own general contractor and employing tradespeople, 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 tradespeople you hire have their own insurance.

Finally, take comfort in the fact that some day the renovation will be over, the workers will go away and you'll be left in peace to enjoy the fruits of their labour and your own labour.

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 any special permits or zoning approval is required.

Find a contractor

- Ask friends and neighbours for recommendations.
- Get names from your local home builder and renovator associations, building supply outlets, and your municipal 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.

Getting estimates

- Number of estimates: __1__2__3

Do you have:

- A complete description of the work to be done?
- Samples and literature showing different products that could be used?
- Depending on the size of the job, plans or sketches and specifications of the work to be done?

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 and telephone number. If a company name is used, the name of the company's official on-site representative should be given.
- Detailed description of the work, plans or sketches and a detailed specification of the materials (type, quality, model) to be used.
- The type of work that will be subcontracted.
- 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 ensure 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 holdback and payment schedule.

Other useful information from Canada Mortgage and Housing Corporation

Homeowner's Inspection Checklist	\$19.95 (order #62114)
Renovator's Technical Guide	\$34.95 (order #61946)
Healthy Housing Renovation Planner	\$34.95 (order #60957)

To order these publications and to find out about other CMHC publications, visit our Web site at **www.cmhc-schl.gc.ca**

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Printed in Canada
Produced by CMHC

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