

Canadian
Home Builders'
Association



A HOMEOWNER GUIDE TO RENOVATION CONTRACTS

This publication has been developed by the Canadian Renovators' Council of the Canadian Home Builders' Association for the benefit of homeowners.

The content of the document is presented for information purposes only and does not constitute legal advice. For large home renovation projects, homeowners may want to consult with their legal advisor on the specific content of any home renovation contract(s).

Cover Image: Empire Custom Homes, Calgary, AB



TABLE OF CONTENTS

Introduction	1
Parties to the Contract	2
Contract Documents	2
Description of Work	4
Timing	6
Terms of Payment	7
Payment Schedule	8
Changes in Work	10
Utilities, Washroom Facilities and Materials Storage	11
Standards of Work	11
Warranty	11
Insurance	12
Compliance with Workers' Compensation and Other Laws	13
Other Contractors	14
Dispute Resolution	14
Default by Owner or Contractor	15
Signs	15
Privacy Policy	15
What is RenoMark™?	16
What to Expect During a Renovation	17
Planning Resources	17





INTRODUCTION

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 documented in writing.

Why? To begin with, a written contract constitutes a binding legal agreement between you and your contractor. It spells out the responsibilities and rights of both parties and ensures there is a clear record of the agreement between you and the contractor.

A proper contract also reduces your risk. It helps safeguard you from financial loss or personal liability in case of damage, accidents or injuries during the project.

Finally, a contract establishes the foundation for a good working relationship between you and your contractor. A detailed and clearly written contract reduces confusion and misunderstandings, and helps you both see the work the same way.

Should you feel awkward about asking for a written contract? Absolutely not! Professional contractors run a business and know that a written contract is an indispensable part of good business practices. It protects them as well as their customers.

But what if a contractor suggests that you go ahead without a written contract, or won't put anything on paper? Don't do it! The risks are simply too high.

This document explains some of the terms and conditions that could be used in a written contract for home renovations and repairs. It is presented for illustrative purposes only to demonstrate what a contract can cover and why such content would be included. Project elements, site-specific details and other factors affecting your renovation may vary.

PARTIES TO THE CONTRACT

Renovation companies range from one-person operations to sizeable organizations with salespeople, administrative staff and on-site personnel. The contract is between you and the renovation company. It should also specify the key individual from the company who will be performing or managing the work and who will be your primary contact.

A Business Number is required for all businesses that are registered for GST/HST and should be listed on the contract. By comparison, only a few municipalities across the country require a business license. A few provinces also require renovation contractors to be bonded. If in doubt, contact the appropriate authority in your town/province for clarification.

CONTRACT DOCUMENTS

For small projects, a one-page contract alone may be sufficient to form the full contract between you and your contractor. Larger projects may require additional documents, such as drawings and plans which should be attached and become part of the contract.

Specifications describe the materials and products that will be used in the work. Specifications should be detailed and include as appropriate: brand name, dimensions, model, product number, colour (number and/or specific name), performance characteristics and so on. On a small job using few different products, specifications may be written directly into the Description of Work on the contract form.



DESCRIPTION OF WORK

The key word for this section is detail. It should give a thorough description of the work and what is to be done, step by step. That way, nothing is left to chance or left out by mistake, and both you and your contractor have a clear understanding of what the work entails. Typically, some of the things that should be listed are:

- Preparatory work (e.g. tearing down walls, removing old shingles)
- Items to be salvaged for reuse (e.g. bathroom fixtures, moulding). It should be understood that, unless otherwise specified, removed items will belong to the Contractor.
- Waste disposal (e.g. hauling to landfill site; special treatment of classified or hazardous wastes)
- Structural details (e.g. framing, sheathing, insulation, sub-floors, ductwork, hook-up for plumbing and electrical services)
- Brand-name, style and other product information (e.g. furnace, windows, fixtures, siding, roofing)-can refer to specification list, if any
- Size and location (e.g. windows, doors, closets)-can refer to drawings, if any
- Finishing work (e.g. number of coats of paint or stain)

Any work the contractor will **not** be responsible for must also be noted, for instance, landscaping or laying carpeting, if this is the case. Also, will you provide some of the materials yourself? Will you be doing some of the work yourself? Or hire others to do it? This should be specified in the description of work.

The contractor should be able to tell you what permits are required for your renovation. It is normal practice for the contractor to get any permits and inspections required for the work on behalf of their clients. If so, this should be specified in the contract. Be aware though, that responsibility for complying with prevailing permit requirements ultimately rests with the owner of a property. If you have any questions, call your municipality. Also find out if a security deposit is needed to cover any damage and repair to municipal property or utilities resulting from your work.

A zoning variance may be needed for a number of reasons (e.g. if you want to extend the existing building beyond the set-back allowances on the property or add a second story to your home). Getting a variance can be a lengthy process that includes the formal notification of neighbours and approval of the authorities.

For larger or more complex renovations, a thorough description of work can run several pages in length and can be attached to the contract as a separate document, to be signed by both parties. One way to decide if the description is detailed enough is to think of it as a set of instructions. Would two people using this description end up with the same result, or are there gaps in the information or a need for clarification?



TIMING

The dates included in a contract represent the contractor's best estimate of when work can begin and how long it will take to complete. For longer projects, or those involving distinct stages, the contractor might estimate completion dates for each stage.

The contractor should schedule the work carefully to ensure an efficient and logical progression. This is particularly critical if a number of subcontractors are involved and must be slotted in at the right time. The schedule also needs to consider any work that you want to undertake yourself or hire others directly to do, especially if this work has a direct bearing on the contractor's work. For instance, if you wish to look after contracting with the licensed plumber or licensed electrician yourself, the schedule should allow a reasonable time for this task. At the same time, you need to make sure that this job is done within the given time, or the contractor may not be able to complete your project on schedule.

If you want to make any changes once work is underway, you should speak directly with the contractor or the appointed project manager, not the subcontractors or workers on site.

Discuss the work schedule with the contractor. If there are certain hours or days when you don't want work to take place, the contractor needs to plan around these restrictions. These times and dates should be specified in the contract.

In the event of cancellation of the contract prior to start-up, the contractor may charge you for the preparation of plans and other working documents. This cost will be deducted from the refund given to you by the contractor, and the plans and other documents will be handed over to you. Similarly, the contractor will deduct the cost of any upfront special-order purchases, such as customized windows.



TERMS OF PAYMENT

Contractors use several methods to determine the cost of a renovation. The all-inclusive stipulated **fixed cost** contract is used most commonly. In a **cost-plus** contract, used primarily in larger projects requiring a higher level of management and administration, the contractor will charge for all expenses incurred in the course of the work (materials, labour, rentals, etc.) plus an additional fee for project management, calculated either as a percentage of the total expenses, or as a fixed fee.

Discuss with your renovator what approach might be most appropriate for your project.



PAYMENT SCHEDULE

There is no single standard model for payment-the payment schedule depends on the contractor and the work. A clear schedule and an upfront discussion before you sign the contract will help to prevent misunderstandings and conflicts down the road.

It is common practice to pay a deposit upon signing of the contract. The size of the deposit can vary significantly, from 5 to 15 per cent of the value of the contract. If your project requires custom-made products, such as windows or doors, the contractor may ask for a non-refundable payment when the products are ordered.

In larger renovations, the contractor may want you to make progress payments at specific milestones, e.g. after pouring the foundation for an addition and again when the frame has been enclosed with exterior walls and a roof. Progress payments enable the contractor to pay subtrades and suppliers for work done early in the project.

Construction lien legislation requires that you hold back a certain percentage of every payment you make, for a certain length of time. This legislation is designed to protect you, the homeowner, in case the



RND Construction
Ottawa, ON

contractor does not pay the subtrades and suppliers involved in your project. If not paid, these people have the right to place a lien against your property within a specified length of time (typically 45 to 60 days). Lien legislation is under provincial jurisdiction, and the specific requirements vary from one province to another. You can contact the authorities in your province for more information.

“Completion” can happen in phases. Substantial completion means that the project is ready to use. Final completion means that everything is done, down to the last item. Occasionally, lengthy delays may occur because of late delivery of small items, such as door knobs. You and your contractor can work out a final completion holdback, that allows you to pay the contractor for work already done by the contractor while holding back a reasonable amount for the final details of the work. Weather can also cause a delay in the completion of the work, and you and your contractor may need to work out a “seasonal holdback,” so that certain work is paid for later, after it has been completed once the weather improves.

Holdbacks are often placed in trust with a lawyer until the release date.



Archadeck of Nova Scotia
Halifax, NS

CHANGES IN WORK

If you change your mind and want to add or delete something to the work, contractors are usually able and willing to accommodate you. Extras are supplementary to the contract, and payment is likewise outside the scope of the original contract. A 'Change Order' should be drawn up to cover any such work, and this should be signed by both you and the contractor. You may have to pay a premium for extras, especially if they disrupt work that has already been done or cause a delay in planned work. If you want to scale the work back, you may have to pay a penalty for the same reasons. The contractor may charge you a percentage of the value of the cancelled work.

UTILITIES, WASHROOM FACILITIES AND MATERIALS STORAGE

Most renovation projects require access to water and electricity. The contract should clarify if the contractor can use your utilities or has to make alternative arrangements. Heavy-duty equipment may require more power than your home can provide, and the contractor may have to bring a generator on site. Contractors appreciate being able to use your washroom facilities, but you are under no obligation to allow this.

This is also a good time to discuss the logistics of material delivery and storage. Where can suppliers' trucks pull in to unload? What's the best place to store materials, as close to the work site as possible and with as little inconvenience to you as possible? Or where to put a bin or container for waste materials?

STANDARDS OF WORK

Most renovation work entails some degree of disruption and inconvenience to your household, however, the definition of this can be fairly subjective. The best approach is to discuss your concerns and expectations openly with the contractor.

- What impact will the work have on the household routine?
- What will the contractor do to minimize this disruption?
- What level of daily clean-up will they do?
- What kind of final clean-up can you expect at the end of the project?

WARRANTY

The contractor should guarantee all workmanship and materials for at least one year after completion of the project. Many products (e.g. windows, furnace, roofing shingles) come with individual manufacturer's warranties, some extending beyond a one-year period. The contractor should provide you with any such manufacturer's warranty. In the case of defects in these warranted products, the contractor may assume responsibility for dealing with the manufacturers as a matter of professional courtesy; however, it is a good idea to clarify the process with the contractor.

INSURANCE

The contractor should carry third-party liability insurance, not only to protect your property, home and family, but also adjacent properties as well as neighbours and anyone else who might come onto your property. As a minimum, the contractor should carry \$1,000,000 in coverage, and many carry \$2,000,000 or more. The larger the renovation project, the greater the coverage needed to ensure full protection in case of accident or injury. It is also a good idea to verify that the contractor is insured against theft of any materials on-site that the contractor is responsible for under the contract, until the materials or products have been installed. Note that the contractor's insurance will not cover materials provided by you.



To be on the safe side, contact your insurance company before work begins. A small renovation will likely not affect your own homeowner's insurance. However, a major project may turn your home into a construction site which in turn may affect the conditions of your agreement with your insurance company. If you plan to vacate the house for any time during the renovation, you should tell your insurer. If the renovations add value to your home, you may need to increase your coverage to reflect higher replacement cost of your home.



COMPLIANCE WITH WORKERS' COMPENSATION AND OTHER LAWS

Workers' compensation programs provide insurance for workers in case of workplace injuries. It is legislated provincially under various names (e.g., *Workers' Compensation Act* or *Workplace Safety and Insurance Act*); details of the programs vary from one province to another.

As a homeowner, you need to protect yourself and make sure that you are not liable for injury and/or loss of income, if someone gets hurt while working on your renovation. By law, your contractor must register the company's employees for workers' compensation. Your contractor should also verify that any subcontractors working on your project are covered. Ask your contractor for proof of registration; in some provinces, homeowners can request a "letter of clearance" by fax or e-mail directly from the program.

Sole or independent operators, who run their own company, are by definition not "employees"; however, they can still subscribe to workers' compensation. To protect yourself, you should demand that a sole-operator contractor is either covered by worker's compensation or by personal disability insurance in case of an accident on your project.

Be aware that if you hire someone who is not covered by workers' compensation, you could end up being identified as the employer and therefore liable for injuries and/or loss of income.

If you have any questions or concerns, contact the appropriate workers' compensation program in your province.

OTHER CONTRACTORS

You may want to contract out a specific job (such as bricklaying or electrical) to someone other than the contractor. Some administrative time may be required to coordinate this work with the rest of the work that is being handled by your contractor, and you may be charged for this administration. Bear in mind that work done by others cannot be warranted by the primary contractor.

You will need to ensure that other contractors hired by you are also covered by workers' compensation and have business liability insurance. Also be aware that even having friends and family giving you a helping hand on your renovations entails a potential liability in case of injury. You might want to talk with your insurance company to get a clear understanding of your position in such circumstances.

DISPUTE RESOLUTION

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 accept. This is usually the fastest, least expensive and ultimately, most satisfactory approach.

It is a good idea, however, to agree in advance on a process to deal with possible disagreements down the road. Some contracts may provide for the appointment of a third party (or parties) to arbitrate, specifying how third parties are selected and whether their decision would be binding on you and your contractor. Depending on the problem, the arbitrator might be a certified home inspector, an engineer or anyone else with the required expertise and neutrality.

Alternatively, the contract may refer to provincial legislation which provides for a formal arbitration process to help you resolve your dispute. Agreeing to consider arbitration does not limit your rights to make a formal application to a court in order to resolve the matter.

DEFAULT BY OWNER OR CONTRACTOR

The contract should spell out what happens in case of default (abandonment to the project or unwillingness to proceed) by either the owner or the contractor. This is a fall-back provision to be used when all else fails; in practice, good communication between you and your contractor, and a willingness to work things out, often make it possible to find alternative approaches.

SIGNS

This is common practice. Most renovation contractors welcome, and ask for, the opportunity to promote their services to your neighbours and passers-by.

PRIVACY POLICY

This is a statement that the contractor will protect your privacy in keeping with the laws of Canada.



WHAT IS RENOMARK™?

RenoMark™ was established to identify professional contractors who have agreed to abide by a renovation-specific Code of Conduct. The RenoMark™ program is endorsed by the Canadian Home Builders' Association.



When you hire a RenoMark professional contractor, you're hiring someone who is committed to their industry and to their business, and is willing to pay annual dues to keep informed and to help educate consumers. RenoMark contractors are the first to know about changes in building codes, municipal requirements, health and safety regulations and more through our courses, information sessions, and communications program. Local Renovator Councils meet regularly for industry updates and information exchange sessions.

Not only are you hiring a professional who can take care of all the details for you, but you'll have the piece of mind that RenoMark members are required to provide written contracts, have a business license, and offer a two-year warranty. They also have applicable insurance, licenses, and permits.

For more information about RenoMark, visit renomark.ca.

CODE OF CONDUCT

- Be a member in good standing of the local Canadian Home Builders' Association.
- Abide by the Association's Code of Ethics.
- Provide a detailed, written **contract** (including scope of work) for all jobs.
- Offer a minimum two-year **warranty** on all work (excludes minor home repair).
- Carry a minimum of \$2 million liability **insurance**.
- Have coverage for workplace safety and employers' liability and/or work only with subcontractors who carry such coverage.
- Carry applicable **licenses** and **permits**.
- Have access to information, education, training and professional development through membership in the Association.
- Maintain a safe and organized worksite.
- Return phone calls within two business days.

WHAT TO EXPECT DURING A RENOVATION

Wondering how it all comes together, from before the work starts until after it's finished?

Visit the “Renovating” section of www.chba.ca for information on everything from how to hire a contractor, getting price quotes, the stages of a renovation, making changes mid-project, and what to expect after the project is complete.

PLANNING RESOURCES

Professional renovation contractors can often offer design and technical advice to achieve designs you may not have thought possible. But before they can help you, you'll want to have thought about what your priorities are and what hopes you have for your soon-to-be renovated space.

Visit www.chba.ca/renovating for information on planning a renovation.