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# BOUT YOUR HOUSE

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## SAMPLE RENOVATION CONTRACT

### 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 put 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 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 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 contract, or won't put anything on paper? Don't do it! The risks are simply too high.

The following sample renovation contract presents 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. The statements, terms and conditions contained in the sample contract may not be suitable for your particular circumstances.

**CMHC assumes no responsibility for any consequences arising from your use of this sample contract or from your reliance upon it. The actual form of contract presented to you by the contractor you hire may differ significantly from this sample contract. It is recommended that you consult appropriate professional resources and seek legal opinion before you sign any contract.**



HOME TO CANADIANS  
Canada

# RENOVATION CONTRACT

Between

Contractor (name of company) \_\_\_\_\_  
Address \_\_\_\_\_  
Project manager \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_ E-mail \_\_\_\_\_  
Business Number \_\_\_\_\_ Municipal Business License #, if applicable \_\_\_\_\_

and

Owner(s) \_\_\_\_\_  
Address \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_ E-mail \_\_\_\_\_  
Project address (if different from above) \_\_\_\_\_

## 1. Contract Documents

- (a) This Contract form
- (b) Drawings attached and/or referenced herein (if any)
- \_\_\_\_\_
- \_\_\_\_\_
- (c) Specifications attached and/or referenced herein (if any)
- \_\_\_\_\_
- \_\_\_\_\_
- (d) Additional documents signed by both parties during the course of this Contract. Extras and deletions to be documented on a Change Order Form and signed by both parties.
- \_\_\_\_\_
- \_\_\_\_\_
- (e) Other \_\_\_\_\_
- \_\_\_\_\_

Omissions in the Contract Documents and any work requested in variance to the Contract Documents are considered extra to the Contract and are not included in the Contract Price. Any additional work, required due to site conditions known to the Owner and not disclosed to the Contractor, or which could not be reasonably anticipated by the Contractor, are not included in the Contract Price and shall be extra to the Contract Price.

## 2. Description of Work

Unless otherwise stated, the Contractor agrees to supply all materials, labour and supervision to perform the Work as (choose one):

Described below     Described in the attached Work Schedule

- a. The Work entails the following \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

b. The Work does NOT include the following

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c. Permits

Work will be undertaken under the following permits which will be provided and paid for by the Owner or the Contractor as designated below.

	Owner	Contractor
(i) Zoning variance	_____	_____
(ii) Demolition permit	_____	_____
(iii) Building permit	_____	_____
(iv) Electrical permit	_____	_____
(v) Plumbing permit	_____	_____
(vi) Other _____	_____	_____

Any such permit obtained by the Contractor will be conveyed to the Owner within \_\_\_ days of receipt by the Contractor.

The following parties (specify Contractor or Owner) will contact the appropriate authorities for inspections:

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d. Subtrades

The Contractor will use the following subtrades during the performance of the Work as listed below (company name and service provided):

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If any subtrade listed above subsequently becomes unavailable for the Work, the Contractor will provide a suitable replacement, for Owner's approval prior to the subtrade commencing work.

Nothing contained in the Contract Documents is intended to, nor shall it, create any contractual relation between the Owner and any subtrade. The Contractor agrees that it is responsible for the enforcement of all material provisions of all subcontracts.

**3. Timing**

Work to commence on or before (date) \_\_\_\_\_

Substantial Completion on or before (date) \_\_\_\_\_

Full Completion on or before (date) \_\_\_\_\_

Substantial Completion means that the Work has been completed to such a percentage completion as is specified for substantial completion or substantial performance of such Work in the applicable legislation of the province where the Project is situated, that the Work has been completed to the point where it is ready for use for the intended purpose, and that an occupancy permit, where required, has been issued.



**5. Payment Schedule**

The Owner will make payments to the Contractor, minus a \_\_\_% holdback as required by provincial construction lien legislation, as follows:

	Gross	Payment	Holdback
Signing of Contract	\$ _____	\$ _____	\$ _____
Start-up of Work	_____	_____	_____
Upon completion of _____	_____	_____	_____
Upon completion of _____	_____	_____	_____
Upon completion of _____	_____	_____	_____
Substantial Completion	_____	_____	_____
Full Completion	_____	_____	_____
___% Holdback for ___ days after completion		_____	
<b>TOTAL</b>	_____	_____	_____

Payment is due within \_\_\_ days of invoicing. Interest of \_\_\_% per annum, or the maximum rate allowable by law, whichever is less, will be charged on unpaid invoices after the due date.

All payments are subject to applicable legislation and shall be made in accordance with provisions of this Contract and the provisions of any applicable legislation. All payments must be made to the Contractor. Any payment to a subcontractor is not deemed a payment to the Contractor.

**6. Changes in Work**

The Owner may make changes by altering, adding to, or deducting from the Work, with the Contract and Contract Price being adjusted accordingly. Changes to the Work require a written Change Order Form, signed by both the Owner and the Contractor.

a) **Extras** will be calculated in the following manner (check one):

- 1) \_\_\_ Material cost plus hourly rate of \$ \_\_\_
- 2) \_\_\_ Labour and material cost plus \_\_\_%
- 3) \_\_\_ A lump sum to be agreed on in advance by both parties.

Extras are payable upon (check one):

- 1) \_\_\_ Signing the Change Order
  - 2) \_\_\_ Invoicing pursuant to the Change Order
  - 3) \_\_\_ Completion of work specified in Change Order
- less \_\_\_% holdback in all cases.

b) **Deletions** will be calculated on a cost less \_\_\_% basis, to be deducted from the relevant or next scheduled payment.

**7. Utilities and Washroom Facilities**

The Contractor and the Owner agree that responsibility for the provision of utilities and facilities to meet work and worker requirements will be assumed in the following manner:

	Owner	Contractor
(a) Water	_____	_____
(b) Electricity	_____	_____
(c) Washroom	_____	_____
(d) Other _____	_____	_____

**8. Standards of Work**

The Contractor agrees to supply all labour, materials and supervision to complete the Work in accordance with the Contract Documents.

The Contractor agrees to undertake all Work diligently in a good and workmanlike manner, in accordance with good quality residential standards and practices, and in compliance with any applicable Building Code and all other authorities having jurisdiction.

The Owner accepts that there may be inconveniences from time to time, and the Contractor agrees to keep such inconveniences to a reasonable minimum. It is the responsibility of the Owner to take reasonable steps to provide a work area free of household obstructions, and to remove or protect household items in areas where it may be reasonably anticipated by the Owner that they may be subject to dust, damage or vibrations.

The Contractor agrees to keep the site orderly and reasonably free of debris. At the completion of the project, the Contractor shall clean the property and leave it fit for use. All equipment, materials, rubbish and similar material incidental to the project shall be removed by the Contractor.

**9. Warranty**

The Contractor shall correct, at its' own expense, any defects in the Work due to faulty materials and/or workmanship pursuant to this Contract for a period of \_\_\_ year(s) from the date of Full Completion.

The Owner shall give the Contractor written notice of such defects within a reasonable time, and in any event within the warranty period.

Special conditions limiting/affecting this warranty (if any) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The Contractor will convey to Owner any warranties by manufacturers or suppliers on individual materials, products or systems supplied by Contractor under this Contract.

The Contractor does not warrant labour and/or materials supplied by the Owner or the Owner's subcontractors.

The Contractor shall protect the Work, the Owner's property and the property of third parties from damage occasioned by the performance of its obligations under the Contract Documents.

**10. Insurance**

Prior to commencing the Work, the Contractor agrees to provide, maintain and pay for insurance during the time the Work is being performed, including commercial general liability in the minimum amount of \$1,000,000 against claims for damages for personal injury or property damage by reason of anything done or not done by the Contractor, its employees or agents, in connection with the performance of this Contract. The Contractor will also provide proof of automobile liability insurance. The Contractor is responsible for all materials on site provided by the Contractor for the Work in this Contract until installed.

**11. Compliance with Workers Compensation and Other Laws**

The Contractor agrees to provide evidence of compliance by the Contractor's own company and any of the Contractor's subcontractors with all requirements for registration and payments due under the province's workers' compensation statute.

The Contractor also agrees to comply with all laws, ordinances, rules, regulations, codes and orders in force during the performance of the Contract which relate to the preservation of public health or construction safety.

**12. Other Contractors**

Owner reserves the right to let separate contracts in connection with the Work or to do certain work by Owner's own forces as specified in Description of Work.

The Contractor shall include in his work co-ordination with Owner's separate contractors or forces, and Owner shall pay the Contractor \$ \_\_\_\_\_ for coordination of same.

**13. Dispute Resolution**

The Owner and the Contractor agree that in the event of a dispute as to the interpretation of this Contract or the extent of the Work, the issues shall be submitted to arbitration as agreed to by both parties or under the province's arbitration statute.

**14. Default by Owner**

In the event that (a) the Owner does not perform its obligations under this Contract in accordance with the terms of this Contract and has not corrected the default within \_\_\_ days of written notice by the Contractor, or (b) the Owner becomes bankrupt or makes a general assignment for the benefit of its creditors, or if a receiver of the Owner is appointed, or (c) if the Work is stopped as a result of a court order, then the Contractor may cease work and treat the contract as repudiated forthwith on the occurrence of such default. In such event, an accounting shall be made between the Owner and the Contractor, and the Contractor shall be entitled to payment for such parts of the Work as are completed at the time of default.

**15. Default by Contractor**

In the event that (a) the Contractor does not perform the Work in accordance with the terms of this Contract and has not corrected the default within \_\_\_ days of written notice by the Owner, or (b) the Contractor becomes bankrupt or makes a general assignment for the benefit of its creditors, or if a receiver of the Contractor is appointed, then the Owner may finish the Work in accordance with the plans and specifications as the Owner may deem expedient, but without undue delay or expense.

In such event, the Contractor shall not be entitled to any further payment under this Contract, but upon completion of the Work, an accounting shall be made between the Owner and the Contractor. If the unpaid balance on the Contract Price shall exceed the expense of finishing the Work, the Owner shall pay the Contractor for such parts of the work as were payable or completed at the time of the default. However, if such expense shall exceed such unpaid balance, the Contractor shall pay the difference to the Owner.

**16. Signs**

The Owner agrees to permit the Contractor to display a sign on the project site until completion.

This Contract shall not be assigned, in whole or in part, without the prior written consent of the other party, which consent will not be unreasonably withheld or delayed.

This Contract shall be governed by and construed under the laws of the Province in which the project is situated, and supercedes all prior communications and agreements. There are no other terms outside of this Contract.

The Contractor assures that there is not now any claim, action, contract, rule or other circumstance which may interfere with the Contractor's ability to perform its obligations under this contract.

_____	_____	_____
Owner	Date	Witness
_____	_____	_____
Owner	Date	Witness
_____	_____	_____
Contractor	Date	Witness

## Commentaries

### Parties to the Contract

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

A Business Number is required for all businesses that are registered for GST/HST. 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 for clarification.

### I—Contract Documents

For small projects, this contract form alone may be similar to 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.

### 2—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);
- 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 & stain).

Any work the contractor will **not** be responsible for must also be noted, for instance, landscaping or laying carpeting. 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 the permits required for the work for their clients, but responsibility for obtaining permits and requesting inspections 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 and approval of neighbours.

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?

### **3—Timing**

The dates 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, when and if this work has a direct bearing on the contractor's work. For instance, if you wish to look after plumbing or wiring 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 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.

### **4—Terms of Payment**

Contractors use several methods to determine the cost of a renovation. The all-inclusive stipulated fixed cost 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 as a percentage of the total expenses. Or the contractor may suggest billing for the cost plus a fixed fee for management and administration. Discuss with your renovator what approach might be most appropriate for your project.

### **5—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 percent 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 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 him while holding back a reasonable amount for the final details of the work. Weather and a change of seasons may 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 if this work can only be completed later.

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

## **6—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. 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.

## **7—Utilities and Washroom Facilities**

Most renovation projects require access to water and electricity. The contract should clarify if the contractor can tap into 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?

## **8—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 it? What level of daily clean-up will they do? What kind of final clean-up can you expect at the end of the project?

## **9—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 an individual manufacturer’s warranties, some extending beyond a one-year period. 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.

## **10—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 the insurance company. If you plan to vacate the house for any time during the renovation, you should tell them. If the renovations add value to your home, you may need to increase your coverage to reflect higher replacement cost of your home.

### **11—Compliance with Workers' Compensation and Other Laws**

Workers' compensation provides 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.

### **12—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 contractor.

You will need to ensure that other contractors hired by you are covered by workers' compensation and have 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.

### **13—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 live with comfortably. 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.

### **14 and 15—Default by Owner and Contractor**

The contract should spell out what happens in case of default 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.

## **16—Signs**

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

company does not want to display its sign, it could be an indication that the contractor is avoiding visibility, i.e., is working underground and doesn't want to run the risk of being caught.

## **Other relevant information from Canada Mortgage and Housing Corporation**

### **Before You Renovate... Renovation Guide and Catalogue**

Free (order #61001)

### **Healthy Housing Renovation Planner**

\$34.95 (order #60957)

### **About Your House: Hiring A Contractor** CE 26a

Free (order #62277)

To find more *About Your House* fact sheets plus a wide variety of information products, visit our Web site at **[www.cmhc-schl.gc.ca](http://www.cmhc-schl.gc.ca)**

or contact:

Your local CMHC office  
or  
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Housing Corporation  
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