

# Working with Builders

Selecting the right people



# Introduction

Working with the right builders is crucial to the success of your construction project. The general contractor is in charge of the entire building process. Some homeowners act as their own general contractor and hire builders and trades directly. Others hire a general contractor to look after the project.

Once this choice has been made then you or your general contractor can proceed to select the other builders and trades needed to complete the project. All builders and trades involved in your project should have the technical and physical resources required to do the required work and be able to meet defined written contractual obligations. Remember that it is ultimately your responsibility as the homeowner to either find a competent general contractor or if you are acting in this capacity to select individual builders and trades that you feel confident can finish your project.

The cost to complete your home will depend on the size, location, complexity and desired timeframe of the project. The decision to hire one builder over another shouldn't be based solely on price. A more experienced builder may charge more on an hourly basis, but take fewer hours to complete the work. You should consider experience and availability as well as your ability to work comfortably with the individuals.

You can only compare quotes of builders based on identical work to be done (the scope of work), the construction method employed, product specifications and quality of materials. This is why it is dangerous to work with builders who quote average per square foot prices without taking project specifics into account. Such builders rarely include the price of foundations, basements, loft space, covered porches, garages, decks, site work, services or landscaping in their initial per square foot price.

In order to get a realistic price quote for a custom home you need to fully consider the site conditions, the type of design, features and the quality level of finishing you want throughout your home. You will also want to make all the necessary changes to your design so you can finalize your blueprints before asking for price quotes. Making changes during construction will alter the scope of work and the terms of the construction contract. This can be costly in both time and money.

Having a meaningful written contract with your builder is essential. The key elements are scope of work, procedures for changes, payment terms and provisions for sign off at the time of completion. The construction contract should also address responsibility for work-related injuries, damages to third parties and property damage (builder's risk insurance).

There are many things to consider before you hire a general contractor or builders and trades. If you are diligent in hiring qualified people things will go more smoothly. Otherwise you may put yourself in the unpleasant position of spending time and money to solve problems that could have been easily avoided.

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# 1 Roles In Construction

## Builder

Almost any person working on your project can be referred to as a builder. The term builder is used very loosely in the industry but most commonly refers to the general contractor or framing contractor. However a variety of other contractors may also be referred to as builders.

## General Contractor

In any residential construction, someone needs to take on the role and responsibility of the general contractor (GC). Depending on the jurisdiction and applicable laws, this person can be yourself or an independent professional. It is important to understand that the GC is the builder in charge and assumes all responsibilities for completing the construction project according to regulations. This is usually pursuant to a primary construction contract with the property owner. The GC may use his own employees or hire subcontractors and trades to perform on this contract. Responsibilities include but are not limited to hiring all people needed to complete the project, coordinating their schedules, overseeing their work

and paying their invoices for work completed. The GC also has an array of other responsibilities and duties that require special expertise:

- Helps navigate the permitting process that must be completed prior to beginning construction of a new home.
- Requests competitive bids for each construction phase from a number of subcontractors and trades
- Knows which subcontractors and trades to hire
- Understands how to develop a work schedule that meets projected construction timelines
- Has the technical ability to construct the house in compliance with local building codes
- Arranges for inspections and approvals
- Has the necessary personal injury and project liability insurance to cover common work place injuries or site problems. Obtaining construction property insurance (builder's risk) is usually the responsibility of the homeowner

A hired general contractor will take on most of the construction liability and is typically responsible for the project from start to finish. This is why the contract price of a professional, experienced GC reflects the responsibilities, tasks and associated risk taken.

## Project Manager

A project manager has many of the responsibilities of the general contractor. Generally, project management is distinguished from general contracting by the advisory services offered, tasks to be performed and limited liability for the whole project. All can vary depending on the level of involvement required and subsequent contract signed. Payment for work performed is made direct to the contractors by the property owner and a corresponding fee is paid to the project manager.

Project management focuses on directing and coordinating human and material resources throughout the life of a project. It has predetermined objectives of scope, cost, time, quality control and customer satisfaction. Subsequently, the functions of project management for construction generally include the following:

- Carrying out project objectives and plans including scope of work, budgeting, scheduling, setting performance requirements and selecting the right project participants.
- Maximization of efficient resource utilization through procurement of labor, materials and equipment as specified in a contract
- Implementation of various operations through proper coordination and control of planning, estimating, sub-contracting and construction in the entire process.
- Development of effective communications to make the project go smoothly
- Implementation of the terms of individual contracts as applicable

A main advantage of project management is that it allows the homeowner to choose the level of involvement that is consistent with their available time and expertise. Because the homeowner is more involved and assumes more risk, they are able to save a significant amount of money.

## Framing Contractor

The framing contractor is generally responsible for building the home to the “lock-up” stage once foundations are in place. Lock-up means that the home is weatherproof and secure. The definition of lock-up may vary from region to region and builder to builder. The homeowner should clearly understand what work is included in the contract.



Framing activities usually include construction of floors, exterior & interior walls, sheathing, and the installation of windows & exterior doors. They may also include installation of roofing and siding. The framing contractor may also be responsible for organizing rough-in services such as electrical and plumbing. Some of these jobs may be subcontracted to independent contractors or trades.

## Trades

Qualified trades are vital to the success of a building project. This is particularly true for custom homes which tend to be larger and more complex to build. Trades are generally specialists and carry out a specific task of a construction project. Here are some of the trades that may be required to complete a home to occupancy:

Cabinet Installers	Gas Fitters
Carpet Layers	Gutter Installers
Cement Finishers	HVAC
Drywall	Insulators
Electricians	Landscapers
Engineers	Masonry
Excavators	Painters
Fire Suppression	Paving
Fireplace Installers	Plumbers
Finishing Carpenters	Roofers
Flooring Installers	Septic
Framers	Surveyors
Geo-technicians	Tile Workers

Trades do not usually have the capacity act as a general contractor. They are mostly specialists with limited areas of expertise.

## The Homeowner

The key role of the homeowner is to take the responsibility for selecting and hiring the right people to construct their home. This is a process of diligent research and analysis based on getting detailed information. This is standard procedure for anyone hiring a person to work for them whether in business or privately.

There are many sources for finding builders. Linwood for example has a large network of builders and trades consisting of hundreds of people. Most have many years of experience in building custom homes.

Linwood provides the names of these independent contractors as a convenience to customers only and has no involvement of any kind in their business or the construction process. The homeowner needs to conduct their own due diligence and then contract directly with these independent builders and trades.

We recommend that homeowners obtain several competitive quotes from a number of qualified builders.





Buying a design and material package from Linwood guarantees the price of this package for an extended period. The homeowner will need to get estimates directly from a variety of other trades and suppliers to complete the budget. Linwood personnel may be able to provide some assistance in this process, but cannot directly solicit or approve quotes. This is the responsibility of the homeowner.

Obtaining construction property insurance (builder's risk) is the responsibility of the homeowner. We recommend that the homeowner provides their insurers with a copy of their GC's or primary builder's insurance policies to make sure that there is adequate insurance coverage for their project.

Homeowners will normally provide builders with a commitment fee or deposit at the time when the initial contract is signed. This fee should not be excessive in relation to the total contract value. Once the contract has commenced the homeowner should only pay for work that has been completed with holdbacks where appropriate. The commitment fee or deposit is normally applied against the first payment.

The general rule is that the builder or trades complete satisfactory work prior to payment. For larger projects draws may be required. It is the homeowner's responsibility to pay promptly to ensure that people remain committed to the project.



# 2 Find Out Who Your Builder Is

## General

Start by looking for local builders who are familiar with your type of construction. Also explore the general building conditions and the potential impact of weather on the project. This is important due to the nature and timing of construction, variations in building code and ease of hiring qualified subcontractors and trades.

Next you'll need to verify that the builder has a solid reputation, technical competency and satisfied clients. You may want to look at some of the homes recently built. Talk to past clients and ask specific questions on how the builder performed on the job. Building a custom home can sometimes be challenging. This is why it is important to find out how well your personalities match and that you are able to communicate in a meaningful way. The better your ability to get along with your builder, the easier it will be to deal with him.

## Reputation & Stability

The building contractor you select should have a proven track record. This means they should have satisfied customers as well as good relationships with their suppliers and subcontractors. Make sure you take the time to verify references and keep these specific questions in mind:

- Do past clients feel their builder treated them fairly?
- Do they feel they obtained the best value for their investment?
- If follow-up work was needed, was it carried out to satisfaction?
- Were the trades and subcontractors fairly treated and paid on time?
- What do suppliers say about the builder?

Your builder should not only have an established presence in the community, but also have the financial strength to finish the project and the capability to deal with deficiencies promptly. Reputable and stable builders are more likely to see your project to a successful outcome and remedy any deficiencies more promptly.

## Technical Expertise

Because custom home building is more complex, your builder needs to understand the important issues of custom projects. Post & beam, timber-frame, log or combinations all take different skill sets. The more familiar a builder is with your type of home, the better equipped they should be to deal with challenges.



A builder who is competent in your type of construction will also be able to give you a better cost estimate than others.

You can verify the technical expertise of a builder through customers, suppliers and even trades. Another good way to validate competency is to ask the builder what construction challenges arose on other projects and how he solved them.

Questions you may ask on expertise:

- How much experience does the builder have in your type of construction?
- Does he understand your specific blueprints?
- Can he deal with challenges if they arise?
- Is your builder up to date in the use and application of the right materials?
- Does he understand what you want to achieve in terms of look and quality?

## Relationship

An important consideration in making the building process go smoothly is to determine how well you can get along with your builder. There should be a personal connection that shows the ability to move forward in mutual trust and respect. Your builder should show some enthusiasm and answer your questions and concerns in a professional manner.

The builder you select should demonstrate an ability to offer good customer service. He should be friendly, professional and open to your requests. However, please understand that constant changes once construction has commenced can cause problems for the remainder of the project.

Previous customers can give you an indication of how:

- Easy was the builder to get along with?
- Did the builder give advice to the benefit of the customer?
- Was he able to deal with concerns?
- Did he focus on helping the customer build value?



## Communication

One of the greatest challenges in home building is effective communication. Communication needs to be clear between all people who are involved in the process.

Good communication starts with an understanding of the scope of the project and what is included. Ask your builder to explain the aspects of construction and what you can expect during the process. Also get details on when and how regular communication will keep you updated on the progress of your project. An established communications protocol will take away the worries of how your project is coming along while the builder can focus on his job without interruptions.

Basic routine communication:

- Regular updates on job progress
- When building inspections are completed
- Invoicing procedure and receipt of payments
- The impact of weather and other delays beyond control
- When customer decisions are required

Your timely involvement will be needed at certain stages during the project. During the lock-up stage this will relate to the selection, installation and placement of electrical, plumbing and other fixtures. During the finishing stage many items will also need to be selected on a timely basis so that installation can be properly scheduled.

Key stages and milestones where your involvement or site visits may be required:

- Once foundations have been poured
- When lock-up is complete

- Selection of finishing items
- Scheduled site visits as agreed with your builder
- Final walk through

Questions you may want to ask from past customers in regards to communication:

- Was the builder easy to reach?
- Did he provide regular and meaningful updates?
- Were reasonable expectations met during the building process?

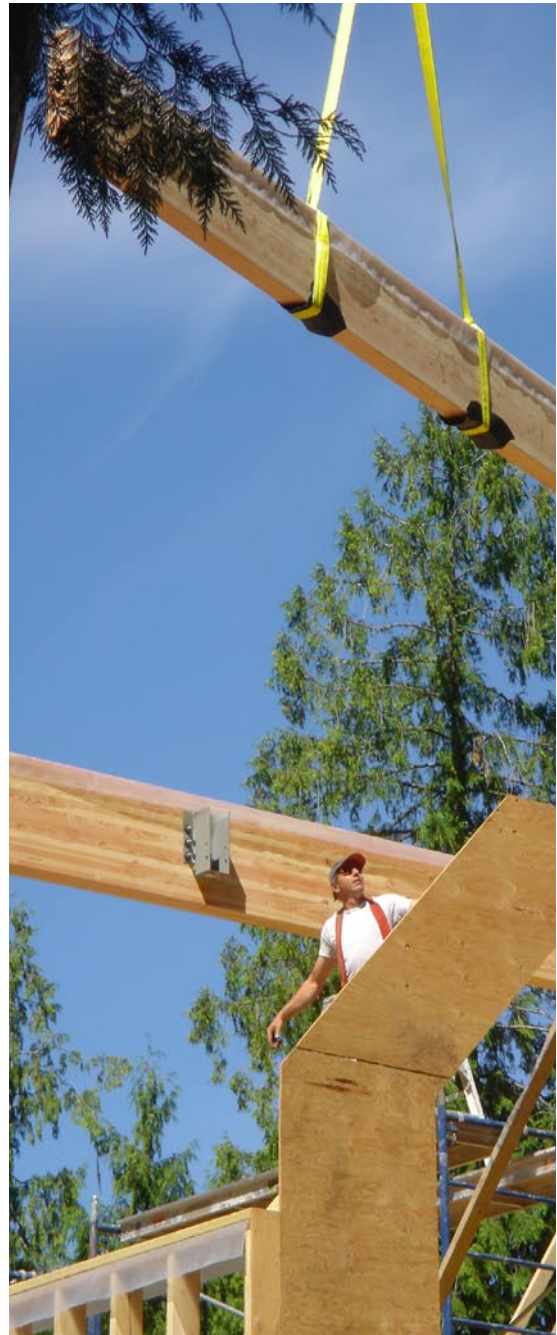


## Checking References

Many people make the mistake of just reading the references a builder supplies. You should always check the references by asking specific questions to get the information you need to make a decision. Get three customer and two trade references.

- Customers within the past twelve months
- Customers within the past three years
- A supplier of building materials
- A subcontractor or tradesman

You can also check with government offices, the municipality and the better business bureau to find out if the builder has been named in any lawsuits and how well his work and warranty hold up.



# 3 Protect Yourself From Risks

## Evaluating Quotes

As a general rule three quotes will provide sufficient information for you to make a decision. Do not automatically choose the contractor with the lowest price quote.

If builders quote too low by mistake, they may be forced to abandon your project and could even leave you with liabilities to trades and suppliers. Others may promise a “good deal” and intentionally quote low to secure the work. Some may offer you a cash deal without a written contract which presents a lot of risk. Homeowners often find themselves in situations where a builder will ask for more money to complete the job half way during construction – and there is very little they can do about it.

Look for a fair price based on researching the building cost of a similar project in your area. Factor in any difference in the scope of work to be completed and the skills and reputation the builder brings to the job. Then remember that you only get what you pay for and there are no shortcuts in building a quality home.

## Liability Insurance

Contractors who are not properly insured automatically transfer the risk of injury and damage related lawsuits to the homeowner.

A contractor’s business liability insurance can protect you if your home is damaged by the contractor or his employees or if he causes damage or injury to third parties. Contractors are required by law to have workers compensation coverage in most jurisdictions. Contractors who do not have this coverage again expose you to potential risk of injury claims. For example, if an uninsured workman falls off the roof on your property, you become liable to pay compensation for injuries.

Make sure you clearly understand the type of liability insurances your contractor carries, what it will protect you from and what additional insurances you need to be fully covered. Then check the validity of the appropriate policies or documents.





## Business Status

A legitimate business is either a registered proprietorship or limited company with business number issued by a government agent. You can confirm that the contractor has this in place through various government sources.

## Building Start Date

Your builder must be available when you need him. Ask your builder if he can start your project to meet your timeline. Delays in getting construction started may seriously jeopardize your desired occupancy date.

## New Home Warranty

In some jurisdictions residential construction must be covered by a new home warranty. To offer a new home warranty, builders must register with an approved provider and meet financial criteria as well as pass independent warranty inspections. The person or company obtaining new home warranty is liable for all work carried out to meet occupancy requirements.

Should you want to take an active role in the finishing of your home you will need the agreement of your builder. Your builder will need to ensure that all work carried out under your direction meets building codes and new home warranty requirements. New home warranty commences upon occupancy.

# 4 Insist On Written Contracts

## General

Written contracts between you and your builders are essential. Beware of a builder who doesn't want a written contract and offers a discount if you pay cash. This involves more risks and pitfalls than any potential savings.

The construction contract is the written summary of what has been verbally negotiated in respect to your project. It should include the scope of work, description of materials, terms of payment and procedures for making changes during construction.

Payments are generally based on construction milestones which usually consist of inspections and approvals by qualified building inspectors. This maintains a fair balance of payments made in return for work completed.

Once the job is in progress you may wish to make changes to your project. Include the scope and cost of additional work and materials. Any changes to the contract are known as "amendments". They need to be in writing and signed off by you and your builder.

## Scope of Work

Insist on a clear, detailed written contract that includes specific descriptions of the scope of work. Contracts that are not specific usually result in disputes.

Generally people will hire a contractor to build their home to lock-up or turnkey. In any case, make sure you plainly understand what work is included in your contract price. Work that you may want to get done later is clearly not part of the contract. Verify that the costs are realistic and the quality of materials matches your expectations before you enter into an agreement.

Due to the nature of custom home building actual completion dates will be usually be projected on a best efforts basis.





## Allowances

Building any home involves some degree of uncertainty mainly due to site specific and interior finishing issues. This is why allowances are used to estimate the material and labor of various items involved in these stages. Allowances must be specified in the desired levels of quality and based on realistic pricing.

When you use realistic allowances you can come relatively close to your estimated price. If you decide to spend more than the allowances specified in the contract then an amendment must be issued prior to upgrading specifications and proceeding with additional work.

## Amendments

Any change to the building contract must be agreed by you and your builder. These changes should be amended in writing. Contract amendments should specify the scope of additional work, the amount involved and when payments will be made.

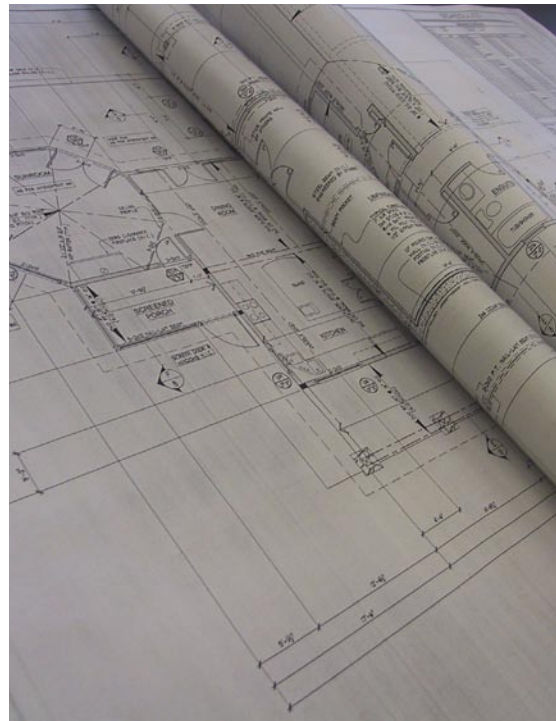
An excessive number of changes may result in scheduling problems for your builder. Fundamental changes may jeopardize your contract or cause substantial delay. Good planning will keep amendments to a minimum.

## Payment Schedule

The total price of the contract is generally made up of a series of progress payments based on specific milestones at various stages of the building process.

- Upon signing the contract
- Progress payments
- Upon deemed completion
- Release of any holdback

The general principle is that when work is satisfactorily completed, the appropriate payment is then made on a timely basis. Special arrangements may need to be made if bank financing is involved.



## Release Provisions

When a project is basically finished or substantially completed, there may be a number of small items that are incomplete or need to be corrected. It is common procedure to holdback a reasonable amount of money to cover the cost for these items. The holdback amount needs to be put into trust with clear release provisions and administrated by an independent third party.

Typically these holdbacks will not be for structural issues as regular building inspection approvals will have been received during the course of the project. Once the work has been satisfactorily completed, final payment must be released to your builder in accordance with the contract.

Each Province and State has varying laws on release provisions. To learn more about deficiency holdbacks and lien holdbacks please contact the appropriate government offices in your area.

## Dispute Resolution

Resolving residential construction disputes can be a costly and time consuming process involving many parties. In Canada the Homeowners Protection Office and the Attorney General's Dispute Resolution Office have recently developed the "Notice to Mediate Regulations" for residential construction. These regulations permit any party to a residential construction dispute to compel the other parties to participate in a structured mediated session.

There are of course other methods for resolving construction disputes. Notice to Mediate is recommended by government sources because this type of mediation is often a more cost effective and rapid method for solving residential construction disputes when compared to the court system.



# 5 Tips On The Selection Process

## Key Selection Criteria

The builder should be:

- Available when needed
- Experienced in your type of construction
- Easy to communicate with
- Able to supply satisfactory references
- Licensed where applicable
- Properly insured
- Providing written quotes
- Providing written a construction contract
- Defining the scope of work in the contract
- Making amendments to the scope of work in writing
- Providing new home warranty certification if applicable

## Basis Of Selection

Expertise and the project experience mainly based on references and some on conversation should make up about 75% of your decision on who will be your builder.

Another 15% of your decision should be based on how well you can communicate and get along with your builder.

The last 10% should be based on cost.



# 6 Disclaimer

## Disclaimer Of Liability

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