



Hiring a Builder in BC: A Consumer Protection Guide

February 2025



BC HOUSING

About This Guide

This guide helps consumers in British Columbia make informed decisions about hiring a builder to build a custom home.

About BC Housing

BC Housing, through its Licensing and Consumer Services Department, aims to enhance the quality of residential construction and strengthen consumer protection for buyers of new homes.

Licensing and Consumer Services is responsible for:

- Licensing residential builders and building envelope renovators, and administering Owner Builder Authorizations;
- Ensuring that new homes are covered by home warranty insurance;
- Monitoring the provision of third-party home warranty insurance; and
- Carrying out research and education to benefit the residential construction industry and consumers.

BC Housing does not provide home warranty insurance, nor does it mediate or otherwise adjudicate disputes between home buyers and builders or home warranty providers.



We welcome your questions and comments. You can reach us at:

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Land Acknowledgement

BC Housing gratefully acknowledges that we live and work on the unceded traditional and ancestral homelands of hundreds of Indigenous Peoples and Nations across British Columbia, each with their own unique traditions, history and culture. We are committed to strong Indigenous partnerships and relationships based on principles of Reconciliation.

Disclaimer

This guide is intended to provide readers with general information only. The purchase and sale of real estate and the condition of homes and their construction are complicated issues. Readers are urged not to rely simply on the contents of this guide, but to consult with appropriate and reputable professionals and construction specialists, including lawyers, notaries, accountants, architects, engineers and building inspectors, as appropriate. The authors, contributors, funders and publishers assume no liability for the accuracy, or the statements made or for any damage, loss, injury or expense that may be incurred or suffered as a result of the use of or reliance on this guide. The views expressed herein do not necessarily represent those of individual contributors or BC Housing.



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Introduction

This guide is for homeowners who want to hire a builder to build a custom home.

Building a custom home can be an exciting experience. For many, it's about building a home that suits their needs and preferences – whether it's about a floorplan that makes sense for a multigenerational home, a passive home that minimizes environmental impact, or a home where the homeowners can age in place – building a custom home is about making dreams a reality.

Building a custom home is also a very serious decision. For most people, a home is their single largest investment, so it's important for the homeowner to find a builder they feel comfortable and confident working with.

Building a custom home requires not only significant financial investment, but also a large investment of time and energy. In fact, the process can last at least twelve months or more, depending on the size and complexity of the project. During this period, homeowners can expect to devote significant time to the project, often upwards of several hours per week.

A homeowner's relationship with a builder is a long and important one. Builders have a lot of knowledge and experience and are a great resource for advice and input into a project.

Unfortunately, sometimes the relationship between a homeowner and a builder can break down, causing stress, lost time and financial consequences. Relationships often fail due to different expectations around quality, prices and timing. That's why it's important for homeowners to choose a builder they can work with in the long term.

This guide is meant to help homeowners learn what to look for when they're choosing a builder. The guide begins by outlining roles and responsibilities and then discusses the requirements to become a Licensed Residential Builder in B.C. The guide then provides an overview about home warranty insurance.

The guide helps homeowners learn where they can look for a builder and shares tips for doing important background research. The guide also provides tips about how to interview builders and how to check their references and then provides general information about understanding construction budgets, financing and cost estimates.

It's vital for both parties to set clear expectations and put their agreements in writing before a project begins, so this guide provides an overview of construction contracts. Finally, this guide includes resources for resolving disputes and provides links to other helpful tools.

Hiring a Builder



Who's Involved?

The Builder

Under the *Homeowner Protection Act*, every new home in B.C. must be constructed by a Licensed Residential Builder. The requirements for becoming a Licensed Residential Builder are discussed in the next section, **Who Can Build a Custom Home in B.C.**

Builders work with homeowners to:

- Establish a realistic budget for the home;
- Obtain building permits required by the jurisdiction;
- Hire and manage subcontractors;
- Monitor costs throughout construction;
- Ensure subcontractors complete work as specified in the home design;
- Order, accept and inspect materials;
- Resolve potential issues with suppliers;
- Ensure compliance with building codes and regulations; and
- Liaise with municipal inspectors.

The *Act* requires all new homes to be covered by home warranty insurance unless specifically excluded by the *Act* or its regulations. Home warranty insurance protects new homes in British Columbia against construction defects such as materials and labour, building envelope and structural defects. Builders are responsible for arranging home warranty insurance on the homes they sell or build under contract with an owner.

The Homeowner

Homeowners should be prepared to devote significant time to their project over several months. Homeowners should provide clear instructions to the builder and promptly answer any questions they may have. They should use written communication as much as possible to avoid misunderstandings.

After completion, homeowners should familiarize themselves with their home warranty insurance policy and carry out maintenance in accordance with maintenance information from the warranty provider or builder. If a suspected defect arises, homeowners should address it immediately and take steps to minimize further damage.

To make a claim for defects not addressed by the builder, the homeowner must report the problem in writing to the warranty provider and the builder **before** the warranty coverage expires.

Licensing and Consumer Services

BC Housing's Licensing and Consumer Services Department administers the *Homeowner Protection Act*. The purposes of the *Act* are to strengthen consumer protection for buyers of new homes, improve the quality of residential construction, and support research and education related to residential construction in British Columbia.

BC Housing's Licensing and Consumer Services Department is responsible for licensing and regulating residential builders. This includes ensuring that builders arrange for all new homes constructed in B.C. to be covered by mandatory third-party home warranty insurance, as required by the *Act*, or that there is an applicable exemption.

The Warranty Provider

The warranty provider issues a home warranty insurance policy to the homeowner when a home is completed or occupied. Only insurance companies authorized by BC Financial Services Authority are permitted to provide mandatory home warranty insurance in B.C.

The warranty provider is responsible for responding to claims related to construction defects covered by the home warranty insurance policy and ensuring necessary repairs are made. In many cases, the original builder will have a contractual obligation with the warranty provider to carry out warranty repairs.



Who Can Build a Custom Home in B.C.?

The *Homeowner Protection Act* defines a residential builder as a person who engages in, arranges for or manages, all, or substantially all, of the construction of a new home or agrees to do any of those things, and includes a developer and a general contractor.

Only Licensed Residential Builders with a general contractor licence type can build a custom home for you. Throughout this guide, we use the term **builder** to refer to Licensed Residential Builders with a general contractor licence type.

To become a builder, an applicant must provide proof of 24 months of experience managing or supervising residential construction, all gained within the past five years.

An applicant must also demonstrate competency in seven core areas, including relevant enactments, construction management and supervision, construction technology, customer service and home warranty insurance, financial planning and budget management, legal issues, and business planning, management and administration.

Builders must also complete several hours of Continuing Professional Development each year to keep their licence. This enhances professionalism in the construction sector and gives homeowners confidence that their home is being built by a qualified builder with up-to-date skills and training.

All Licensed Residential Builders are registered on the **Public Registry of Licensed Residential Builders**. You can search the registry by licence number, company name or the name of the person responsible for the company. Otherwise, you can search by location to see all the Licensed Residential Builders in your area.

By checking the registry, you can make sure you're working with a builder that has the required general contractor licence type. You will also be able to make sure that their licence is in good standing and that the name on the contract matches the name on the licence.

Some homeowners who build their own homes themselves are called owner-builders. To be classified as an owner-builder, the owner must manage all, or substantially all, of their home's construction and must obtain an Owner Builder Authorization. This guide is not meant for owner-builders, however, more information for owner-builders is available at bchousing.org/licensing-consumer-services/owner-builder.



What's Home Warranty Insurance?

Builders must be licensed and arrange for third-party home warranty insurance before obtaining a building permit or starting construction on a new home.

Home warranty insurance protects homeowners from a range of construction defects for designated periods of time. At a minimum, home warranty insurance coverage includes:

- **Two years¹ on labour and materials (some limits apply)**, including, for example, defects in material and labour supplied for electrical, plumbing and heating.
- **Five years on the building envelope**, including the components that separate the indoors from the outdoors, such as exterior walls, the foundation, roof, windows and doors.
- **10 years on the structure of the home**, including defects that cause overall structural damage to the home.

The requirement for a minimum 2-5-10 warranty insurance policy cannot be waived by any separate contract between the owner and the builder.

Under the [*Homeowner Protection Act Regulation*](#), certain exclusions are permitted to the home warranty insurance coverage. Homeowners should carefully review their home warranty insurance policy documents to understand the specific coverage details, what is excluded and under what conditions you risk limiting coverage.

Although builders arrange for home warranty insurance prior to starting construction, the coverage does not take effect until the policy has commenced. It is important to emphasize that for a custom-built home (built on land owned by the

homeowner), the home warranty insurance policy does not commence until the date an occupancy permit is granted, the date the home is occupied, or the date the home was completed and ready to be occupied – whichever of these dates comes first. Homeowners cannot file a warranty claim for a construction defect until the policy is active. If the owner and the builder part ways before the policy has commenced, the commitment from the warranty provider to provide home warranty insurance coverage for the home may be cancelled. This is called a de-enrollment.

If a de-enrollment occurs, there is no home warranty insurance coverage, and construction cannot proceed. If the homeowner is unable to resolve the issue with the original builder, they may need to find a new builder to complete the project and re-register the home for home warranty insurance coverage. This process can be particularly challenging if the construction is already well advanced, as finding a builder willing to take on the incomplete work of another builder can be difficult. Additionally, the original builder will not be obligated under the warranty policy to address any defects, which may leave homeowners with no choice but to pursue legal action if the builder refuses to repair the defects.

De-enrollments cause stress, uncertainty and financial hardship for everyone. That's why it is essential for homeowners to find a builder they can work with.

¹ Covers any defect in materials and labour or violation of the Building Code for 12 months for all new homes, other than the common property of a strata corporation, and 15 months for the common property of strata corporations. Also covers defects in materials and labour supplied for the electrical, plumbing, heating, ventilation and air conditioning delivery systems, as well as for the exterior cladding, caulking, windows and doors, that may lead to detachment or material damage to the new home and violation of the Building Code for 24 months for all new homes, including the common property of strata corporations.



For general information about home warranty insurance, see BC Housing's **Guide to Home Warranty Insurance in British Columbia**.

For more information about de-enrollments, see BC Housing's **Regulatory Bulletin 10 – De-enrolling Homes from Home Warranty Insurance and the Homeowner Protection Act**.

For information about options for resolving disputes see BC Housing's **Options For Resolving Residential Construction Disputes**.

Finding a Builder

Finding a builder might seem like a difficult task, so we've included some suggestions in this section.

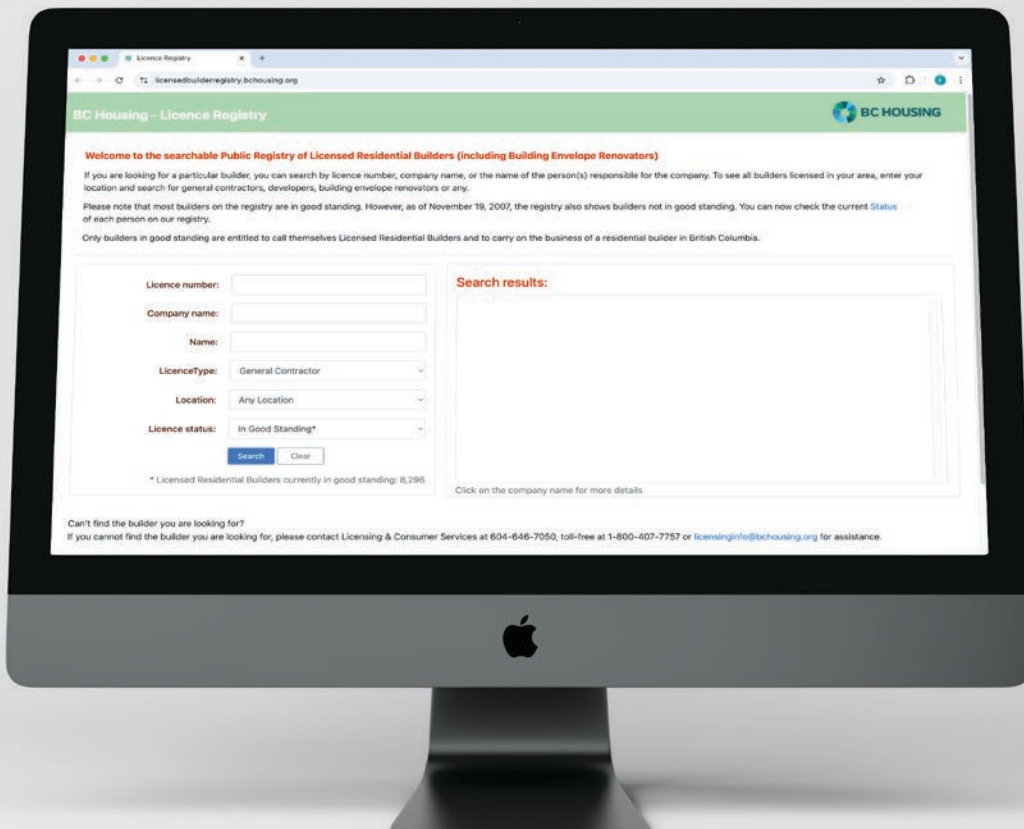
All Licensed Residential Builders are registered on the **Public Registry of Licensed Residential Builders**. The registry is searchable by licence number, company name or the name of the person responsible for the company. You can also search by location to see all the Licensed Residential Builders in your area. If a builder is not licensed or does not have the required general contractor licence type, you should not work with that builder.

Other resources for finding a builder include:

- Websites for local, provincial and national homebuilders' associations;

- Recommendations from friends, family and neighbours;
- Social media and online community forums;
- Builders' signage at recently completed projects;
- Recommendations from local suppliers and hardware stores; and
- Online search engines, like Google.

We've included the websites for several homebuilder associations in the **Resources** section at the end of this guide.





Doing Your Research

Once you've found several builders in your area, it's a good idea to do some background research. If the builders are recommended from friends and family, you'll want to ask them some key questions. Recommended questions for references are included in the **Checking References** section of this guide.

We recommend the following tools for conducting background research on potential builders:

- Double-check the builder's licence type and status on the **Public Registry of Licensed Residential Builders** to ensure they have a general contractor licence type and that their licence is in good standing.
- Read online reviews and check for comments on the builder's social media accounts.
- Review the builder's website, and make sure any project photos showcase their actual work rather than stock images.
- Search BC Housing's online **Enforcement Registry** for any compliance orders, monetary penalties or Crown counsel convictions.
- Check **Court Services Online** to see if the builder has been involved in any litigation.
- Check the **Better Business Bureau** for customer reviews or complaints.
- Search **WorkSafeBC** for any decisions that might involve the builder.
- Check registries and databases in other provinces to see if the builder has been subject to any regulatory or legal decisions elsewhere.
- Check if they belong to any construction industry associations as that can indicate a commitment to standards and professionalism.

Interviewing Builders

Once you've found several builders and completed your background research, you should narrow it down to a few builders to interview. You should not settle for the first builder you meet. Interview several builders to compare their approaches, communication styles and pricing. We've included some key questions below to help guide your interviews.

About the Builder

1. How long have you been in business?

Experience can make a significant difference. A builder who has been in business for a long time is likely to have established strong relationships with subcontractors and should have an excellent understanding of supply chains and local permitting regimes. They'll be able to give you a reliable estimate and make informed suggestions to improve your project.

If a builder has recently opened their business, it's important to ask about their prior experience in the field. Many new builders bring valuable skills and insights from previous roles, which can be just as beneficial. Don't discount them solely based on their business duration; their background could provide a fresh perspective and innovative solutions for your custom home.

2. Do you specialize in a type of home? Have you built homes that are similar to my project?

Each home is unique, and you will benefit from hiring a builder who has experience with similar types of homes. For example, if you want to build a passive home, you will want a builder who is familiar with the latest passive home technology. In this case, you may want to ask the builder if they hold any passive home credentials and training.

3. Have you built homes in my area? What's your experience like with municipal permitting timelines? Do you have long-term or repeat relationships with trades and suppliers? How do you vet them?

Building conditions and supply availability differ depending on location, and hiring a builder with local knowledge is invaluable. Long-term relationships between the builder and local suppliers can be a sign that the builder is reliable and has strong professional relationships. Experienced local builders can also provide important insight into local permitting regimes and timelines.

4. Do you typically build one home at a time or several?

The builder's answer to this question should give you an idea of their workload, and whether they will have enough time to devote sufficient attention to your project. For example, if the builder is working on several projects at once, you'll want to know if there will be a construction manager on site at least every couple of days.

5. What is your design approach for custom homes, and do you typically work with an integrated design-build process or follow a more traditional design-build model?

By clarifying the design approach, you will gain insight into how the project will be managed and executed. This allows you to consider what method best fits your personal preferences during the custom home building process.

You can learn more about different design processes in the **Budgets, Financing and Estimates** section.

6. Do you have a commercial general liability insurance policy? What is the limit of the policy?

A commercial general liability policy protects the builder against claims from third parties that might arise during construction. For example, if the builder damaged a neighbour's property, or if a visitor was injured at the construction site. If a builder has a commercial general liability policy, it shows that the builder takes risk mitigation seriously.

7. Can you provide a WorkSafeBC clearance letter?

All employers – including builders – are legally required to have WorkSafeBC coverage unless the employer is exempt. If you hire a builder who is not making required payments to WorkSafeBC, you could be taking on a serious financial risk.

A clearance letter will confirm that the builder is registered with WorkSafeBC and is up to date with its payroll reporting and payments.

8. Have there been any home warranty claims on any of your projects? If so, how did you handle them?

No project is perfect, and sometimes, home warranty claims arise. Asking this question helps you understand the builder's experience with addressing defects and their commitment to resolving issues.

9. Tell me about a time you had a disagreement or a conflict during a new build. How did you deal with the conflict?

How a builder answers this question will tell you a lot about their communication style. For instance, if it seems that the builder made a mistake on a previous project, it's important to know that they took responsibility for it. You might also find out how the builder dealt with a previous client who may have been difficult or unreasonable.

10. Do you have a few references?

You should ask for a few references from each builder you interview so that you can visit their projects in person and speak with their references directly. You can ask references about key topics, like whether the project was on time and on budget, or whether there were any surprises. Builders should anticipate this question, and if they're reluctant to provide references you should consider it a warning not to work with that builder.

If the builder provides you with a list of projects they have built, you should look up the addresses on BC Housing's **New Home Registry** to make sure the homes are registered and that the builder you are interviewing is the builder listed on the registry.

We've included more information about interviewing references under **Checking References**.

About the Project

1. Do you have any suggestions for my project? Do you anticipate any problems with my project?

An experienced builder will likely have suggestions for your project that you might not have thought of. Asking for suggestions about your project will enable you to gauge the builder's interest. You should be concerned if the builder doesn't have any questions for you.

2. Can you tell me a bit about your estimating process? What's included in the estimate, and how do you make sure your budgets are accurate? How long does it take for you to produce an estimate for my home?

It's important that the builder is extremely thorough with their process for estimates. A thorough process makes surprises less likely later on. While an initial estimate will likely be based on their previous prices and current market pricing, their detailed estimates will likely be based on bids from subcontractors as well as requirements from the permitting municipality. Additionally, it's important to ask about what's included in the estimate and to be aware of any potential hidden costs. Understanding these details upfront can help you avoid unexpected expenses.

We've included more information about estimates under **Budgets, Financing and Estimates**.

3. What are your expectations of me during construction? How will my questions and concerns be addressed? How do you communicate updates during construction?

An owner should expect to be very involved in the process from design to completion, so you'll want to make sure the builder has a communication style that works for you. For example, the builder might suggest setting up a regular meeting. Some builders also use construction management platforms, like CoConstruct. A builder's answer to this question should show that the builder is organized and values communication and accountability.

4. Who will be assigned to my project, and how often will my project be under direct supervision?

It's important to know who would be your main point of contact with the builder and establish a direct line of communication with them. You'll also want to ensure that the project will be under direct supervision by a construction manager at least every other day.

5. How do you deal with site clean up?

How a builder deals with site clean up tells you a lot about their organizational skills. They should be able to tell you about their system for keeping the construction site clean throughout construction. If they have any projects under construction, it's worth going to see them to check how organized the sites are.

6. How do you deal with changes after construction begins?

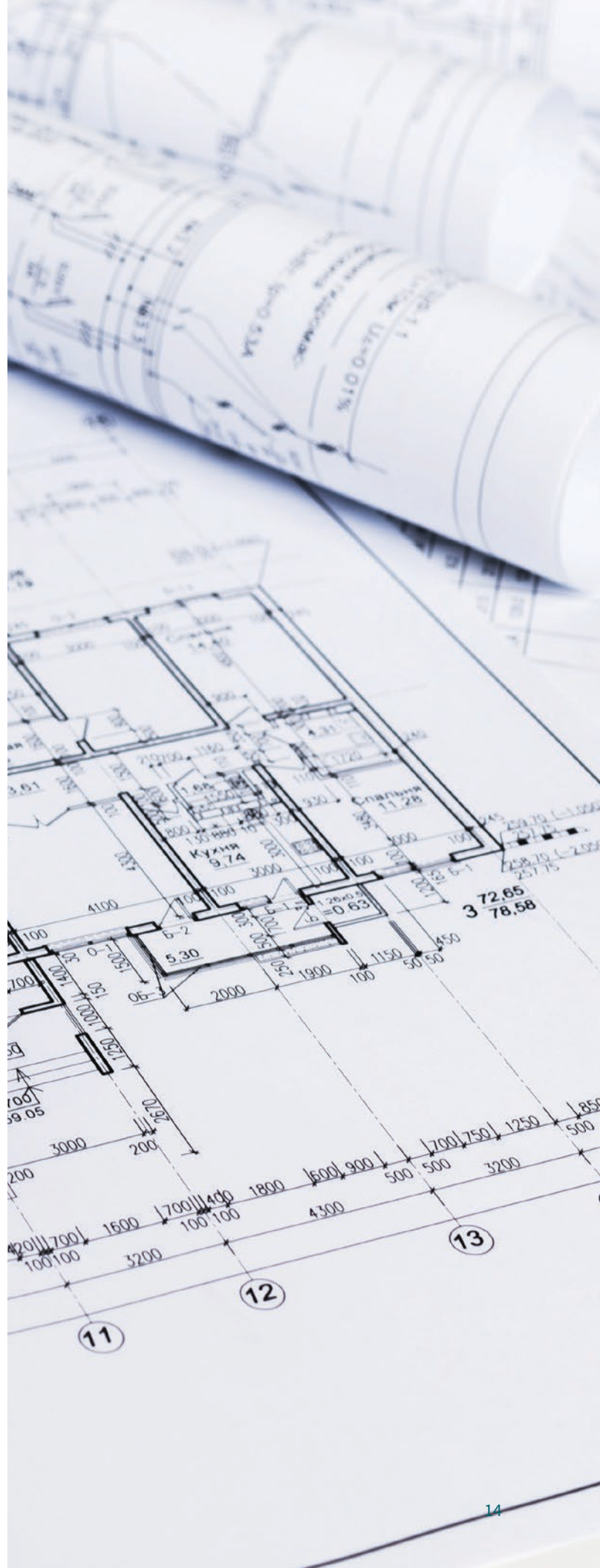
With any custom home, you will likely want to make changes at some point before the project completes. Changes after a contract is signed are called change orders. The builder should have a clear system in place for documenting, costing and approving changes. Change orders are discussed in more detail under **Legal and Contracts**.

7. How long do you anticipate the construction of this project will take? How do you mitigate challenges to stay on schedule during construction?

The project construction time will depend largely on the complexity of the home. However, the timeline will also depend on the builder's experience, workload and how proactively they anticipate problems and mitigate them.

8. Can I see some sample documents, like a contract, schedule or invoice?

Organization is key to a successful construction project, and a builder's documents will tell you a lot about how organized they are. These documents will also help you understand what a builder will be needing from you. For example, you'll be able to see how often you'll be receiving invoices.



9. What are your post-construction follow-up procedures?

Asking about post-construction follow-up procedures is crucial because it ensures that the builder is committed to addressing any issues that arise after you move into your new home. A thorough walk-through inspection, also known as a new home orientation or pre-delivery inspection, allows you to verify that all contract terms have been met and that major systems are in working order. This inspection is your first opportunity to identify any incomplete or deficient work, which should be documented and scheduled for repair. Additionally, understanding the builder's follow-up procedures helps you know that they will provide essential information, such as a home maintenance manual, detailing how to operate and maintain various systems in your home. This ongoing support and clear communication are vital for ensuring the longevity and functionality of your home.

You can learn a lot by interviewing a builder, and we've included a worksheet on the next page to help you get the most out of your interviews.



Warnings to Watch Out For

Your interviews will give you a lot of important information, but there are a few things to watch out for. It's probably a concern if the builder:



Seems evasive or won't provide references



Doesn't seem curious about your project



Gives you a price that seems too good to be true



Provides a price based on little information



Won't discuss holdbacks (see **Legal and Contracts** section for more information about holdbacks)



Has poor reviews or testimonials



Has poor communication or seems unresponsive during initial stages



Has a negative attitude toward past clients or projects



Is unwilling to provide documents such as sample contracts, schedules or invoices

As with any major decision, it is important to feel comfortable and always trust your instincts.

Worksheet: Interviewing a Builder

Builder's Business Info

Company Name: _____

Company Contact: _____

Business Number: _____

Website: _____

Licence Number: _____

Industry Memberships: _____

Questions for the Builder

About the Builder

1. How long have you been in business?

2. Do you specialize in a type of home? Have you built homes that are similar to my project?

3. Have you built homes in my area? What's your experience like with municipal permitting timelines? Do you have long-term or repeat relationships with trades and suppliers? How do you vet them?

4. Do you typically build one home at a time or several?

5. What is your design approach for custom homes, and do you typically work with an integrated design-build process or follow a more traditional design-build model?

6. Do you have a commercial general liability insurance policy? What is the limit of the policy?

7. Can you provide a WorkSafeBC clearance letter?

8. Have there been any home warranty claims on any of your projects? If so, how did you handle them?

9. Tell me about a time you had a disagreement or a conflict during a new build. How did you deal with the conflict?

10. Do you have a few references?

About the Project

1. Do you have any suggestions for my project? Do you anticipate any problems with my project?

2. Can you tell me a bit about your estimating process? What's included in the estimate, and how do you make sure your budgets are accurate? How long does it take for you to produce an estimate for my home?

3. What are your expectations of me during construction? How will my questions and concerns be addressed? How do you communicate updates during construction?

4. Who will be assigned to my project, and how often will my project be under direct supervision?

5. How do you deal with site clean up?

6. How do you deal with changes after construction begins?

7. How long do you anticipate the construction of this project will take? How do you mitigate challenges to stay on schedule during construction?

8. Can I see some sample documents, like a contract, schedule or invoice?

9. What are your post-construction follow-up procedures?

Checking References

Each builder you interviewed should be able to give you a few references. For those builders who have built a lot of homes, you may want to get contact information for their most recent customers – not just their best projects.

It's a good idea to view their projects in person. It's also important to speak with their references directly. We've provided key questions to ask the references below.

1. Would you hire the builder again? Did you have any disagreements with the builder or their subcontractors or suppliers? If so, how did the builder deal with those challenges?

If the reference had problems with the builder, you should ask them for more information. Understanding the context of any issues can provide a clearer picture of the builder's performance and how they manage challenges.

2. Did the builder keep you informed? Were there any surprises?

You will probably have a lot of questions for the builder throughout the process. References will be able to tell you if the builder answered questions promptly.

3. How did the builder handle any changes you requested?

It is common for owners to want to make changes to the project before the project completes. References will be able to tell you if they felt that the builder had a clear system in place for documenting, costing and approving changes.

4. Did the builder work well with your neighbours?

A good relationship with your neighbours is important, and a builder's interactions with your neighbours can affect that relationship. References can tell you whether the builder and their suppliers were respectful toward their neighbours.

5. How was the site during construction? Did the site seem clean and safe?

A clean, organized construction site is key to ensuring a project goes smoothly and safely. References will be able to confirm whether the builder kept the site clean and organized during construction.

6. Was the project on time and on budget?

It's common for construction projects to be delayed, but it's important to know that the builder has a track record of completing projects close to the scheduled timeframe. If there were any significant delays, you should ask what caused them.

Similarly, budget estimates are not always perfectly accurate, but they should be close to the final cost. As discussed in **Budgets, Financing and Estimates**, many builders provide rough estimates at first, more detailed estimates when the builder has the building plans, and a final estimate once the building permit has been issued.

7. Did the builder's commitments meet the results?

References can tell you whether the overall quality of their project met the builder's promises. They can also tell you if the builder provided the level of customer service they promised.

8. What's the builder's post-construction service like?

After you move in, you might still have questions, and you'll want to know that the builder is available to answer them.

References should be able to tell you about the builder's post-construction services, including walk-through inspections, documentation, such as owner's manuals, and whether the builder was available for follow-up questions. This should provide insight into how responsive and reliable the builder will be once you move into your new home.

You can learn a lot by speaking with the builder's references, and we've included a worksheet on the next page to use in your reference interviews.



Worksheet: Checking References

Reference Info

Reference Name: _____

Reference Number: _____

Reference Email: _____

Reference For

Builder Name: _____

Reference Questions

1. Would you hire the builder again? Did you have any disagreements with the builder or their subcontractors or suppliers? If so, how did the builder deal with those challenges?

2. Did the builder keep you informed? Were there any surprises?

3. How did the builder handle any changes you requested?

4. Did the builder work well with your neighbours?

5. How was the site during construction? Did the site seem clean and safe?

6. Was the project on time and on budget?

7. Did the builder's commitments meet the results?

8. What's the builder's post-construction service like?



Budgets, Financing and Estimates

Start with a Budget

Budget overruns can lead to a contractual breakdown and possibly even a de-enrollment. Among other things, budget overruns can result from inaccurate estimates, expensive design changes and fluctuations in material and labour costs.

A thoughtfully developed budget can help avoid these challenges. When you're thinking about your construction budget, you should break it down into project components, including land costs, site preparation, design fees, construction costs and finishing costs.

Owners often underestimate the costs of permits and regulatory fees, and this can also contribute to cost overruns. Also, owners sometimes overlook the fact that costs can fluctuate depending on location, materials, labour and design complexity.

A budget should include a contingency fund for unexpected costs or changes. If your budget lacks a contingency fund, you may be forced to choose between scaling back on your plans or overextending your finances. The specific amount will vary but it is recommended to set aside a contingency fund of 10-20 per cent of the total project budget.

Understand Construction Mortgages

Many owners will rely on a construction mortgage to help pay for their new home. Construction mortgages are short-term loans that owners use to finance the construction of a new home.

Whereas traditional mortgages provide all the funding up front to purchase an existing home, a construction mortgage provides the funding in installments as certain construction milestones are reached. These instalments are known as mortgage draws or construction draws. Often a construction draw is paid once a particular milestone is reached,

such as when the foundation has been poured or the roof has been finished. Some lenders pay construction draws based on the overall percentage of project completion.

The lender usually requires an inspection prior to disbursing each installment to confirm that construction is proceeding as planned. Keep in mind that the builder may be expecting to pay subtrades sooner than a construction draw may be disbursed by the lender, so you will need to be sure that you have enough money available to pay the builder.

Most lenders will require detailed construction plans, a project timeline and a thorough budget before approving a construction mortgage. However, before applying for the construction mortgage itself, it can be helpful to seek pre-approval on a construction mortgage. Pre-approval can help give you a sense of how much a lender would be willing to lend you, and this will give you a better sense of how much you can afford overall.

It is important to note that not all construction mortgages are alike, and many lenders have different terms. Some lenders put their clients into a variable rate construction loan until the home is complete, allowing the homeowner to lock in a fixed rate at or near completion. Others may offer the option to choose a fixed rate up front or a variable rate. Additionally, some lenders charge a premium or fees for the interest rate, so it is crucial for homeowners to do their research.

Ask for an Estimate

After you've drafted a budget and narrowed it down to your top potential builders, you should ask them to provide an estimate. You'll need a detailed design for a proper estimate, and many homeowners will seek a full-service builder that provides both design and construction services.

Many builders provide rough estimates at first, more detailed estimates when the builder has the building plans, and a final estimate once the building permit has been issued.

While builders structure their estimates differently, estimates can be broken down into costs associated with the main project phases outlined below:

Pre-construction

- Home design
- Site preparation
- Land surveying
- Excavation
- Trucking and dumping
- Fill and gravel
- Permit acquisition
- Connection to electrical grid, water and sewer

Construction

- Foundation
- Framing
- Insulation
- Drywall
- Sprinklers
- Doors
- Building systems (ex: plumbing, electrical and HVAC)
- Exterior finishes (ex: siding, roofing and windows)

Interior

- Cabinets
- Countertops
- Flooring
- Paint
- Lighting
- Appliances
- Interior doors

Estimates should account for the materials, labour, equipment and taxes associated with the project phases outlined above. Estimates should also account for the cost of professional services, such as engineering services, and should include an amount for contingencies.

It's important to be as specific as possible when you're sharing your ideas with a potential builder, especially when you have specific brands and standards in mind. These have a huge impact on the cost.

Many other factors can influence project costs including fluctuations in the price of labour and raw materials. Supply chain issues can also have a large impact, and prices can vary based on location.

One-page quotes do not provide enough information to make an informed decision. Of course, the lowest price isn't always the best option, and making an informed, thoughtful choice will help you avoid potential disagreements later.



Understanding Design Approaches and Their Impact on Your Budget

With the traditional design-bid-build method, an architect or designer creates the home's plans first, and builders are selected through a bidding process based on those designs. This approach gives you the flexibility to choose your builder from multiple options and can allow for more competitive pricing since multiple builders can bid on the project. However, it can also lead to potential challenges with budget accuracy, as design and construction teams may not be closely aligned from the start.

An integrated design approach (IDP) is a collaborative process that engages key stakeholders – including the builder, architect/designer, structural and mechanical engineer, plumber, electrician and more – early in the design phase. By involving these stakeholders earlier, they can work together to find ways to optimize costs and energy performance. Having these stakeholders involved earlier also helps achieve more accurate estimates, reducing the likelihood of budget challenges later in the construction process. It can also make your new home more energy efficient, leading to additional cost savings in the long term.

Watch this video by the Homebuilders Association of Vancouver about IDP to learn more about the process: **BC Energy Step Code Compliance with IDP - HAVAN**

Rebates may be available to support the use of IDP, energy efficient construction and more. Check online for rebate opportunities from FortisBC, BC Hydro and more.





Legal and Contracts

Building a custom home is a large investment and a handshake is not enough to finalize the deal. While verbal agreements may seem convenient, they can lead to misunderstandings and disputes. You'll need to put your agreement in writing.

A contract is a legal agreement that sets out the roles and responsibilities for the owner and the builder. It protects both parties and makes sure everyone agrees on expectations. This clarity is crucial, as it helps prevent misunderstandings that could lead to disputes. Without a contract, homeowners may find themselves vulnerable to unexpected costs or incomplete work.

When reviewing a construction contract, it's important for consumers to recognize several key topics that are typically included. Understanding these elements can help ensure a smoother construction process and protect your interests. Here are some common components to look for:

1. Parties

All relevant parties must be included in the contract. That includes those on title for the property where the home is being built, the builder, and anyone approved to provide instructions to the builder. For example, if there are two spouses who will be providing

instructions to the builder this should be explicitly mentioned in the contract. If both or either spouse must approve change orders, this should also be explicitly mentioned.

You should verify that the builder is licensed appropriately by checking the **Public Registry of Licensed Residential Builders**. You should also make sure the person signing the contract for the builder is authorized by the builder to do so.

2. Subject Matter

This section should clearly define the scope of the work to be provided by the builder. It should include details about the design, materials and finishings so there is a mutual understanding of the expectations. Design plans should be incorporated into the contract to be used as a reference point throughout the project as this will make it easier to address any changes or issues that arise.

3. Termination

This section discusses the circumstances under which either party can terminate the contract. It addresses the consequences of terminating the contract and outlines the obligations each party would have to each other if the contract were terminated.

4. Timing

This section provides an anticipated timeframe for project completion and outlines anticipated timelines for key project milestones. It also addresses delays due to factors like permitting issues, weather and delays due to potential changes in project scope. This section provides a mechanism for notifying parties about delays and navigating those delays.

5. Payment

Construction contracts typically include payment terms, including the total cost, payment schedule, and any holdbacks. This financial framework helps homeowners manage their budgets effectively and ensures that funds are released at appropriate stages of the project. Holdbacks, in particular, can protect homeowners by withholding a portion of the payment until the work is completed satisfactorily.

Typically, homebuilding contracts are fixed-price contracts, cost-plus contracts or a construction manager-type contract. Your contract should clearly outline what type of contract it is.

Fixed-price contracts set out the price for everything all at once, and are usually only used for very small, simple projects. In this case, the quality standards should be very well defined so that the pricing can be adequately predicted.

Cost-plus contracts are typically used for more complex projects. In a cost-plus contract, the builder will charge for materials, labour and other expenses plus an additional fee for managing the project. That fee is often calculated as a percentage of the total cost. In this case, the contract should very clearly outline what constitutes a “cost.”

For example, an owner might originally agree that the builder will purchase the light fixtures, but the owner might later decide to purchase their own light fixtures directly to reduce the total cost of materials that the management fees are based on. However, the management fee may still be charged as if the builder had purchased the light fixtures because the builder will likely continue to be involved in construction management related to the light fixtures.

Sometimes an owner hires a builder as a construction manager on an hourly or other basis to oversee all the trades directly. Owners should make sure they understand the responsibilities and risks of this type of contract.

Owners using a construction mortgage should familiarize themselves with the schedule of the construction draws and make sure they have enough funds available to make any payments owed. For more information about construction mortgages, see **Budgets, Financing and Estimates**.

6. Change Orders

Change orders are a method for agreeing on costs and procedures for changes the owner might want to make after the contract has been signed. This section outlines those costs and procedures and addresses scenarios in which the builder may refuse to make certain changes. Owners should keep in mind that change orders often add to the timeline of your project. Contracts should clearly specify who may approve change orders.

7. Holdbacks

Custom homebuilding contracts must comply with the *Builders Lien Act*. The *Builders Lien Act* requires each party that is paying out to a company to retain, or “hold back” ten per cent of the amount owing until the work is substantially completed and the holdback period has expired, ensuring that no liens have been filed against the property.

8. Deficiencies

This section defines quality standards and outlines procedures to fix deficiencies should they arise.

9. Delays

This section outlines provisions for handling delays and establishes clear communication channels for addressing timing issues promptly.

Understanding the types of custom homebuilding contracts and their terms is essential for ensuring a smooth and successful building process. By carefully reviewing contracts, clarifying expectations, and addressing potential issues upfront, homeowners can mitigate risks and achieve their dream home with confidence.

The Canadian Homebuilders Association of British Columbia has a variety of sample contracts that you can order at chbabbc.org/order-contracts/. You can also contact the Canadian Homebuilders Association of British Columbia directly at info@chbabbc.org to order contracts.

For more information on safely hiring a contractor and ensuring you have a proper written contract that protects you, refer to CHBA’s **Get it in Writing toolkit**.

We highly recommend that you consult with legal professionals specializing in construction law before signing a homebuilding contract.



What’s a Change Order?

It’s almost impossible for the homeowner or the builder to anticipate all aspects of a project from the very beginning. Homebuilding contracts include change order provisions for this reason.

A change order is an amendment to a construction contract that changes the builder’s scope of work. For example, the homeowner might want to add something that wasn’t included in the original designs, like an extra window or a more expensive finishing. A change order provision should establish very clear procedures for making these types of changes. For example, this provision should clearly state who is responsible for approving change orders.

Most construction contracts explicitly state that a change order must be made in writing and be agreed to by both parties.





Resolving Disputes

Choosing a builder carefully and getting your agreement in writing are huge steps toward avoiding disputes. Clear, consistent communication is a powerful tool to avoid these challenges. Unfortunately, disputes can still occur.

If a disagreement arises, you should start by doing the following:

- **Review your contract:** Carefully review your contract to understand the agreed-upon terms, including the scope of work, timelines, payment schedules, and any dispute resolution clauses.
- **Document everything:** Make sure you document everything and keep detailed records of all communications, agreements, and any issues that arise. This documentation can be crucial if the dispute escalates.
- **Give notice:** If the issue persists, provide formal written notice to the builder outlining the problem and requesting a resolution.

If a dispute cannot be avoided, further steps will need to be taken to resolve the dispute. Options include negotiation, mediation, arbitration and litigation. Each option is described below:

- **Negotiation:** Negotiating directly with the other party is the least formal – and often the least stressful and the least expensive – way to resolve disputes. Essentially, parties try to talk it out and resolve their differences between themselves.

- **Mediation:** If negotiation doesn't work, parties can hire an independent mediator to help work things out.
- **Arbitration:** Arbitration is when an impartial third party is appointed to make a final, binding decision about the dispute.
- **Litigation:** Parties can seek a solution by litigating the dispute through the court process. This is often the most expensive, lengthy and stressful option.

BC Housing does not get involved in disputes between homeowners and builders. If the dispute cannot be resolved through direct communication or mediation, you should consult with a construction lawyer. A construction lawyer can provide guidance on your legal options and help you understand your rights.

For more information about resolving disputes, see BC Housing's guide, [**Options for Resolving Residential Construction Disputes**](#).



Resources

BC Housing

<https://www.bchousing.org/>

BC Housing Enforcement Registry

<https://www.bchousing.org/licensing-consumer-services/legal/enforcement-registry>

BC Housing New Home Registry

<https://newhomesregistry.bchousing.org/>

BC Housing Public Registry of Licensed Residential Builders

<https://licensedbuilderregistry.bchousing.org/>

BC Housing Consumer Guides

<https://www.bchousing.org/licensing-consumer-services/publications>

Better Business Bureau

<https://www.bbb.org/>

**Canadian Home Builders Association
(Get it in Writing! Toolkit)**

<https://www.chba.ca/get-it-in-writing-toolkit/>

**Canadian Home Builders Association
(British Columbia)**

<https://chbabbc.org/>

Court Services Online

<https://justice.gov.bc.ca/cso/index.do>

Energy Step Code

<https://energystepcode.ca/>

Homebuilders Association of Vancouver

<https://havan.ca/>

Victoria Residential Builders Association

<https://www.vrba.ca/>

WorkSafeBC

<https://www.worksafebc.com/en>

