Reviewing a Contractor Quote & Contract Checklist

Reviewing a quote or contract from a contractor for a renovation can be complicated. However, knowing what to look for and questions to ask can make the process smoother and less stressful. As you grow your property portfolio you will likely review a number of contractor quotes and contracts for renovations, updates, and general property maintenance.

Before signing the dotted line, Keyspire would recommend reviewing your contractor's document to ensure they include the following information.

Note – This checklist is a guideline only and is not a substitute for seeking advice from trained professionals. All information should be reviewed and amended to suit your personal investing situation.

Due Diligence on your Contractor & the Work Being Quoted

- [x] Check the following as you complete each
- [ ] Print off and review this checklist
- [ ] Have you received quote from more than one contractor for this job?
- [ ] Is the contractor part of the Better Business Bureau (BBB)? What is their BBB rating?
- [ ] Have you seen examples of past work, read reviews, or contacted references for the contractor?
- [ ] Has the contractor demonstrated proof of licensing/certification?
- [ ] Is the contractor able to show proof of liability insurance?
- [ ] Have you consulted with the City or municipality to confirm which renovations require permits?

Reviewing the Quote/Contract

Before agreeing to and signing a contractor quote or contract consider the following:

- [ ] Is the contract in writing? Verbal agreements can result in a he said/she said in the case of a dispute or legal proceeding.
- [ ] Fixed-Price or Time plus Materials contract?
    - A **Fixed-Price** contract spells out exactly how much a project will cost including all permits, building materials and labor. This type of contract locks the overall cost into place, preventing the general contractor from raising the price once all parties sign off. It can benefit the homeowner because the general contractor will have to pay for any price increases, or additional times it takes to complete the project.
    - A **Time plus Materials** contract bills the homeowner by the hour for the labor and materials involved in a remodeling project. A time and materials contract is subject to change so any additional costs that arise during the project will be paid for by the homeowner.

- [ ] Explains all required building permits and inspections required
- [ ] Outlines whether it is the homeowner's responsibility or the contractor's to obtain permits and schedule inspections.
- [ ] Overall project timeline including project milestones that are measurable.
- [ ] Detailed payment structure.
  - Multiple payments structured to align with detailed work milestones completed, not calendar dates.
  - Keyspire recommends holding back at least 10% of the total project cost until the job is completed to your satisfaction. If there are still deficiencies, do not make final payment until they are fixed or the contractor has no incentive to continue.
- [ ] Building materials and finishes to be used clearly outlined in detail
- [ ] Procedure for material cost overages or material substitutions.
- [ ] Whether materials are paid by contractor or homeowner directly and timeline for these required pay outs.
- [ ] Who is responsible for which tasks and duties. This should include what work will be complete by the contractor directly and what will be subcontracted out to other trades.
- [ ] Detailed site drawings/renderings of kitchen, bathroom, and structural layouts that are signed off on by you as the homeowner.
- [ ] A clause that states any and all changes to the scope of work or materials being used must be put in writing and signed off on by you as the homeowner.
- [ ] Contractor's warranty on work completed.
- [ ] Details on any exclusions or anything not covered by the contractor's work.
- [ ] Termination clause. Under what terms can the contract be terminated if the business relationship fails or cannot continue due to unforeseen circumstances.

Once you have completed your review of the quote or contract and feel confident in your contractor you are ready to proceed.

Remember, as an investor you want to build a solid team of trained professionals so ask questions, obtain answers in writing wherever possible, and don't focus on choosing what appears to be the cheapest or easiest.

By completing the proper due diligence, you will experience less stress and have more time to focus on your 'Why.'