

THE FARM BUILDING CONTRACT

Next to the purchase of a farm, the cost to construct farm buildings is likely to be the greatest expenditure a producer must make. What are the consequences of poor planning, inadequate structural design or lack of clear understanding between owner and contractor?

Poor planning can result in costly buildings that are in the wrong location and fail to perform to the owner's expectations.

Inadequate structural design can result in anxiety, poor building performance and, at worst, a building failure. In some cases, insurance companies have refused to indemnify owners since it could be discovered that buildings were not designed nor constructed to withstand expected loads.

A lack of understanding between owner and contractor can result in animosity or a legal suit in which no party really wins. Owners wishing to avoid these pitfalls should be sure to follow these steps:

Plan thoroughly. Plan your new buildings on paper first. Fit new structures into the farmstead plan carefully in relation to existing buildings and leave avenues open for future expansion. Be sure to spend time to visit other farms with similar buildings and obtain expert advice to help you. Think carefully about all aspects of the design including building services, flow of traffic, materials handling, manure handling and work routines. Ensure that the proposal complies with municipal by-laws and other regulations.

Obtain structural plans. Secure a set of drawings that are properly designed and drafted by a structural engineer. Plans are required for several reasons:

- The drawings make it possible to obtain accurate bids from contractors. All bidders will be giving quotes for precisely the same building and the same specifications.
- The drawings form part of a contract between you and the builder. Dimensions and specifications are clear which reduces the potential for misunderstanding.
- Engineered plans assure a safe building that is properly designed to withstand all loads. This gives you and your family security.
- Plans provide a record for future reference that can be used as an overall planning tool and will help in the design of future expansions or structural modifications.
- It will make it possible to obtain a building permit. Municipalities now require engineered drawings of major farm structures before a building permit will be issued.

Obtain bids. Select reputable contractors who have good experience. (A list is available from the Resource Management Branch). Supply the bidders with the structural drawings, site plan and specifications.

Treat your bidders with the respect they deserve for the work they do for you in preparing a bid.

Inform them of your purpose if you just need prices for your own information or for the bank.

Prepare a proper contract. Too many costly building projects are undertaken on the basis of a simple, non-specific contract. Here is an example:

We propose to furnish all material and labour to complete all work described below:

50' x 40' manure storage pit with roof and 4' safety fence	
20' suspended ramp in pit and steel gate at ramp	\$20,000.00

With this type of agreement, both parties rely a great deal on trust and communication. Such an agreement is next to useless when disagreements arise over specifications, workmanship, changes and payment schedules. It is not dishonesty but misunderstanding that leads to most disputes. It is advisable to have your contract checked with your lawyer prior to signing to ensure your protection.

The following clauses should be considered in a contract:

- Full names and addresses of owner and contractor.
- Complete details of all the work to be done by the contractor such as obtaining permits, surveys, excavation, clean-up, services, etc.
- List complete details of quantity and quality (and brand name if possible) of materials to be supplied.
- Detail relevant specifications and note any plans that form part of the specifications.

- Date the work is to commence.
- Completion date. Specify penalties for late completion or bonuses for early completion.
- Specify procedures to terminate the contract.
- Full and complete costs of the work to be done. Schedule of any down payment or advance payments to be made to the contractor should be specified. Schedule of payments upon completion of stages of construction should be noted. A 15% holdback is permitted for 45 days after the completion of the contracted work and this may be noted.
- Provisions for changes or extras during the course of construction. Specify that no extras or changes or substitutions should be made without written agreement.
- The warranty and the terms and duration should be noted. Warranties for different components and equipment and responsibilities for service should be noted.
- The contractor's responsibility to carry insurance and Worker's Compensation for his crew should be noted.
- The owner's responsibilities to supply utilities and equipment to the contractor during construction should be noted.

A detailed contract is intended to protect both the owner and the contractor and it is designed to alleviate conflicts during and after construction of the building. A sample contract form and specification sheet can be used as a guide for the detailing of a building contract are available at the Resource Management Branch, Ministry of Agriculture and Food. Remember, it is simply good business management procedure to have a detailed written contract to cover important transactions.

FOR FURTHER INFORMATION, CONTACT

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