

TALES FROM THE TRENCHES™

BY BARRY C. MCGUIRE

November 2020

“RENOVATION HEARTBREAK.”

Dishonest, fly-by-night, or even inexperienced renovators can leave a trail of heartbreak. Buyers happily move into their newly-purchased, freshly-renovated home, but problems often don't show up till later. Here are three recent scenarios from my [real estate law practice in Edmonton, Alberta](#). First, I'll discuss the problems, then I'll talk about how best to avoid them.

Three Renovation Disasters

1. Slapdash Basement

One year after closing, minor flooding in the basement. Two months later with a heavy rain, major flooding occurred. Removal of drywall shows badly repaired horizontal cracks, most likely a do-it-yourself job. Now, exposed wiring is revealed to be improperly installed. Studs on 24-inch centres instead of required 16-inch centres. The plumbing and the HVAC also had numerous deficiencies, and the house was developing mould. After much consultation, it appeared that the whole basement would have to be torn out and done again—after the foundation cracks were repaired. Two repair estimates at \$90,000 and \$100,000.

2. Piping Problems

Sinks aren't draining properly and there is occasional odor of sewer gas. Three different plumbers can't locate the problem. Finally, drywall is removed and the new piping and venting has not been done according to code, numerous mistakes. Replace piping, drywall, painting and some new carpet \$20,000–\$25,000.

3. Dumpy Sump Pump

Buyer notices dampness in one corner of the basement. It turns out the sump pump is leaking. Further inspection shows that the new sump pump is undersized, improperly installed, and in the wrong location. Our buyer is still getting estimates for repairs, but it won't be cheap.

The common thread is that each property had a nicely done, completely renovated basement. These are all previously owned homes where the seller supplied a current RPR and compliance, no issues shown. There were no secondary suites, just family rooms, bedrooms, bathrooms, and storage. Our first two examples had a property inspection. The third one didn't.

TALES FROM THE TRENCHES™

BY BARRY C. MCGUIRE

November 2020

Renovations and Municipal Permits

After the problems revealed themselves post-closing, further investigation showed that none of the properties had permits. And, of course, no permit means no final approved inspection by the City.

Now, all these problems occurred in Edmonton, Alberta, where I have my law practice. The City of Edmonton has its own rules around renovations and permits. I'm pretty sure that every municipality and county all across Canada and in the US have their own requirements. Make sure you investigate your own local requirements if you are planning renovations or if you are trying to recover from a bad renovation.

According to the City, a finished basement requires a development permit, a building permit, and separate permits for HVAC, plumbing, and electrical. In some circumstances they might issue a home improvement permit, which fulfils the function of the development permit and the building permit.

From the [City of Edmonton's website](#) (accessed 11 Nov 2020):

Do I Need A Permit?

Permits are required for common renovation projects such as:

- Changing the exterior finish material of a house
- Adding or changing the size of a window or exterior door
- Building or finishing a living/recreation room, bedroom or bathroom
- Repairs due to fire or flood damage
- Structural changes

Important Information About Permits

Inspections may be required at various stages of your project. Review your building permit conditions to understand when to request inspections.

Projects may require both a development permit and a building permit. Separate permits are required for [heating and ventilation](#), [plumbing](#), [gas](#), and [electrical](#) work.

How to Deal with Permits—or Lack Thereof— When Buying Real Estate

Now, back to our three scenarios. If a home inspection doesn't reveal problems (maybe it should have in the third scenario), what should buyers do? What might help but may

TALES FROM THE TRENCHES™

BY BARRY C. MCGUIRE

November 2020

not be a final solution is for any buyer and the real estate professional assisting them to recognize the potential problem.

My conclusion is if you as a buyer or a realtor see or know about a finished basement, especially a recently finished basement, the only potential way to protect yourself is to start the conversation about permits. Ask for copies of permits and final inspections. Show these to the home inspector before they do their inspection.

Copies of permits or not, tell the home inspector to carefully consider what they can say about the state of the finished basement. Sometimes inspectors can't really say anything because they can't see anything. If your inspector always does non-destructive testing, is there anything else they can do on the non-destructive side? What about minor destructive testing that can be repaired? Ask the inspector what they would do if they were concerned about permits and inspections?

If the seller doesn't have permits or doesn't know if permits have been obtained, then you seriously have to consider whether to insist that a term or condition in the offer to purchase such as:

Condition: "Subject to seller providing all permits required for basement development along with final, approved City inspection on or before, (pick a date well before completion date)", or

Term: "Seller will provide copies of all permits required for basement development along with final approved City inspection three business days before the completion date"

If after going through this kind of review and negotiation, it turns out there are no permits or the seller refuses to provide permits, are you going to take the chance? It's wishful thinking to believe permits were not required, and that the work was properly done, and there will never be any blowback or problems for you to face. Even if the seller seems like a decent person, it's wise to trust but verify.

And, one last thing, the City of Edmonton is much more aggressive about following up on permits and permit issues lately. If permits were applied for but a final inspection was never done, I've had clients tell me the city has banged on their door five years after they purchased the property wanting to do the final inspection. That will be the subject of another post.

TALES FROM THE TRENCHES™

BY BARRY C. MCGUIRE

November 2020

Lessons Learned:

1. No matter where you live, there are many fly-by-night renovators who don't follow the rules.
2. For any renovation, get your home inspector to specify what can be certified in terms of the development being properly done and what can't.
3. Without the proper permits and a final inspection approved by the City, be very careful about purchasing a property.

**LET US HELP YOU
BUY & SELL REAL ESTATE IN ALBERTA!**

Barry C. McGuire (BA, LLB)
Field Law
Enbridge Centre
2500 – 10175 101 St. NW
Edmonton, AB, Canada

Phone: 1-780-423-9594
Fax: 1-780-428-9329
Toll Free: 1-800-222-6479
bmcguire@fieldlaw.com

*Questions about real estate?
Email me, and I'll get back to you promptly.*