

Legislature sends builders back to school

Changes to contractor requirements mean a few lessons are in order

Following a push by the state Legislature to minimize construction defect claims – protecting both consumers and diligent contractors – Oregon builders will need to carry more insurance, rethink existing contracts and eventually revisit the classroom under several new laws that will change the way they'll do business. Today and tomorrow we outline the major new statutes that contractors need to know about.

The Legislature's work in 2007 means being a licensed contractor is no longer enough.

Contractors and their contracts will be more heavily regulated. House Bill 2654 changed rules governing liens, warranties, insurance, education and licensing that will affect all residential contractors.

- Jobs exceeding \$2,000 already require a written contract.

Now, however, contractors can no longer claim a lien for their work without having that contract in writing.

- A contractor must give a home's original buyer a written warranty against defects in both materials and workmanship.

Customers may refuse to sign the warranty. If a customer refuses to sign it before any written contract for the job itself is executed, the contractor may still withdraw the offer to build the home.

- Contractors must add coverage for product liability and completed operations to existing insurance requirements for public liability, personal injury and property damage. The dollar amounts of required coverage and bonding may change depending on the license classification of the contractor.

However, the surety bonds filed with the Construction Contractors Board will increase by \$5,000 for all types of contractors, developers and inspectors. This increase applies to new licenses issued beginning Jan. 1, 2008, and to renewals beginning July 1, 2009.

- Residential contractors will need to supply initial home buyers with home maintenance information, including descriptions and prevention of moisture intrusion and water damage. This applies to residences completed beginning July 1, 2008.

The Construction Contractors Board is still hammering out the rules implementing educational requirements. Contractors will need to complete classes, but they won't be mandatory for sev-



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eral years. Contractors with valid licenses won't need to meet this requirement until 2010 at the earliest.

Moreover, the board says it has not yet established the final rules or processes for continuing education. Once they're established, however, contractors won't be able to get their licenses renewed until after the education requirement has been fulfilled.

- The Construction Contractors Board now has greater power to sanction contractors, including the ability to revoke a license (rather than merely suspend or refuse one) based on indebtedness or finding that the contractor is unfit for licensure. Penalties extend to responsible managing individuals under the new law.

License, warranty rules changing

The Legislature's work in 2007 means being a licensed contractor is no longer enough.

In addition to the current licensure categories separating developers and general, limited and specialty contractors from one another, as well as divisions based on type of work performed, HB 3242 creates specific endorsement requirements. These endorsements each carry their own insurance and bonding requirements as well as experience and education prerequisites.

For example, a home builder can be endorsed and licensed as a residential general contractor, a residential specialty contractor, a residential limited contractor or a residential developer. Those building large commercial structures must hold one of five commercial endorsements, with "level 1" and "level 2" endorsements indicating the experience level of that contractor's employees. Those contractors building small commercial structures can hold any of the nine endorsement types.

Bonding and insurance requirements vary based on the endorsement level, as the Legislature attempts to reflect involved risks. For example, a "commercial general contractor

Continued from Page 1

level 1" must hold at least \$2 million in general liability insurance and a \$75,000 surety bond, but a "level 2" contractor needs only \$1 million in insurance and a \$20,000 surety bond. These requirements apply only to licenses issued or renewed beginning July 1, 2008.

New education requirements for commercial contractors will also vary with experience level; an entry-level contractor must account for 40 hours of continuing education annually, while a more experienced builder needs to have one or more key employees certify 16 hours annually. Very small contracting entities are subject to a separate formula requiring eight hours for each key employee.

Commercial general contractors will need to certify eight years' total experience among key employees, and specialty contractors will need to certify four years of experience, though

apprenticeship programs and academic degrees can substitute for as much as three years of experience.

Contractors building large commercial structures must provide a two-year warranty on the building envelope against defects. Beginning July 1, 2008, contractors must annually inspect the building envelope under the warranty.

Tomorrow, we will discuss the new laws affecting dispute resolutions, chimney sweeps, home inspections and landscape contractors.

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