

Contract smarts

Get it all in writing

Recent bouts of severe weather have taken their toll on homeowners and business property in Virginia, DC and surrounding areas. Repairs and refurbishing projects won't wait til spring when there's a tree intruding through your roof or sea water has invaded your business storefront. In such situations, you may be forced to implement a crisis repair/replacement plan immediately. But so often, a very important element in the process is overlooked in the haste of making repairs or even doing routine remodeling projects. A contract, with enforceable conditions, should be a major part of the process.

Horror stories occur every day, and the cause in many cases, is the homeowner failing to get a properly executed contract for the services that a contractor is offering.

"A signed contract with your licensed contractor is the best protection against possible disaster."

One California resident tells a story of signing a \$100,000 contract for home remodeling and paying a \$30,000 initial fee to the contractor. Now, three years later, and after another \$30,000 payment, the job still isn't finished. From the very start of this project, things went badly – from a carbon monoxide leak when the builder tore off the vent to a gas hot water heater to the builder misreading the plans and framing the addition 18 inches higher than the city codes allowed.

"We signed a bad contract that had too few specifics about

what we expected from the project and how we would be protected if it didn't work out the way we wanted," the homeowner lamented. Experts tell us that people will sign very expensive contracts without ever consulting an attorney. A few hundred dollars in attorney fees can save a world of grief later if the project fails to live up to expectations.



Avoid questionable would-be contractors who cruise storm-damaged neighborhoods promising quick repairs for cash payments in advance. Always use a licensed contractor. Your local home builders association will have a list of reputable firms in your area.

Contract Checklist

Here are some basic guidelines that may help prevent financial catastrophe. They do not take the place of consulting with an attorney.

Scope of Work

- Contractor name, license number, addresses, phone, fax numbers and e-mail.
- Start & completion dates with provisions for dealing with undue delays.
- Detailed plans – technical enough to show precisely what you want the contractor to do. Make sure language states that all work will be performed according to state and local building codes.

Payment schedule

- Overall cost with itemized list specifying each phase of the job, and materials to be

used, including manufacturers and models.

- Payment schedule with each installment contingent upon proper completion of each job phase. Check state consumer laws to determine a proper initial deposit. Many jurisdictions restrict the amount of advance payment a contractor may request.

Insurance

- Ask your contractor to attach certificates of insurance to the contract. Be sure the contract is clear on who provides property coverage for the project. Make sure contract includes a release of responsibility for any litigation or judgments against the homeowner arising from the work.
- A guarantee section should cover defects in materials and workmanship for at least one year after completion.
- Change order procedure – should be very specific on approval of additional work and its cost.
- Contract dispute resolution mechanism.
- Misc: work times, schedule of written progress reports, debris removal, building permits, and anything else you feel is important.

Homeowners Insurance Cost Increase

It is estimated that the costs of new construction and remodeling, as well as expensive natural disasters, are expected to push the cost of homeowners insurance up again in 2004.

Part of the increasing homeowners premiums nationwide can be attributed to lower interest rates, causing people to buy larger, more expensive homes and to invest extensively in remodeling of their existing homes.