

The Construction Contract

On smaller projects contractors will often have the homeowner sign the bid, in which case the bid also serves as the construction contract. When the homeowner and contractor sign the bid, they are agreeing to whatever is stated in writing, and the contractor has no legal obligation to provide anything beyond what is stated. For projects that involve multiple components, or when the contractor is hiring subcontractors, a separate contract should be used. Usually, the contractor will use an AIA (American Institute of Architects) contract form.

All contracts should include the following information:

- Name, address and phone number of the contractor.
- The contractor's license number and proof of insurance.
- A complete description and/or plans for the work to be performed including the materials to be used and how the work will be done. The contract should state that the contractor is responsible for obtaining all required permits and paying the permit fees.
- The contractor's responsibility for clean up of the site during and after construction.
- Information about contractor guarantees and product warranties. The contract should

state who is responsible for completing warranty work.

- A total cost for the project and a breakdown of the cost by specific components of the project.
- A schedule of when payments will be due.
- A starting date and completion date for the project.
- A change order provision stating that any changes must be in writing signed by both the homeowner and contractor, with the costs clearly stated.
- The method for settling any disagreements between the contractor and homeowner: disagreements can be settled by mediation, arbitration or litigation.
- A statement that upon payment the contractor will provide the homeowner with lien waivers from the general contractor, all subcontractors and material suppliers.
- The contract is signed by the contractor and homeowner.

If the bid also serves as the contract, information addressing any of these items not included in the bid can be put in writing and attached to the bid. There should be a statement on the bid initialed by both parties referencing the attachments as part of the contract.

Contracts for larger projects will typically include a hold back

provision where the contractor will be paid for work completed to date minus a certain percentage, usually 10%. At the completion of the project after all work has been inspected and approved, and the homeowner has received all of the final lien waivers, the final payment will be made. The plans and specifications (The Construction Documents) should be referenced in the contract and made a part of the contract.

For projects using subcontractors, the contract should include a "Schedule of Values" or "Sworn Construction Statement" listing each component of the the project, the contractor responsible and the cost. A copy of the building permit should also be attached.

—Doug Wise, Housing Coordinator,
Seward Neighborhood Group

**south minneapolis
housing fair**



**march 10
2012**