

RESIDENTIAL CONSTRUCTION CONTRACT

(For New Residential Construction Only Does Not Comply with Home Improvement Laws)

THE AGREEMENT IS BETWEEN:

RE PROJECT

AND

_____ (Direct Contractor's Name)			_____ (Owner's Name)		
_____ (Direct Contractor's License Number)			_____ (Owner's Address)		
_____ (Direct Contractor's Address)			_____ (City)	_____ (State)	_____ (Zip)
_____ (City)	_____ (State)	_____ (Zip)	_____ (Project Address)		
_____ (Direct Contractor's Telephone)		_____ (Direct Contractor's Fax)	_____ (City)	_____ (State)	_____ (Zip)
Email _____ (Direct Contractor's)			Email _____ (Property Owner's)		

CONSTRUCTION LENDER: Name and address of construction fund holder is: _____

(Name and Branch Address of Bank, Savings and Loan Assn., Escrow Agent, Joint Control or Other)

SCOPE OF WORK: Direct Contractor provide all labor, materials, supplies, equipment, services, machines and tools required for the prompt and efficient execution of the work described herein, and to perform the work necessary to complete the following: _____

TIME FOR STARTING & COMPLETION: The work to be performed by Direct Contractor pursuant to this Agreement shall be commenced within _____ days from this date or approximately on _____.
(Date)
shall be substantially completed within _____ days or approximately on _____.
(Date)

PAYMENT: Owner agrees to pay Direct Contractor a total cash price of \$ _____

DOWNPAYMENT (if any): \$ _____ Payment schedule as follows:

1. \$ _____	_____	_____
2. \$ _____	_____	_____
3. \$ _____	_____	_____
4. \$ _____	_____	_____

(Work or Services to be Performed) (Date)

INTEREST: Overdue payments will bear interest at the rate of 1½% per month.

ALLOWANCES: The following items or specific prices as indicated are included in the contract price as allowances. The contract price will be adjusted upward or downward on actual amounts rather than estimated amounts herein: _____

CONTRACTORS ARE REQUIRED BY LAW TO BE LICENSED AND REGULATED BY THE CONTRACTORS' STATE LICENSE BOARD WHICH HAS JURISDICTION TO INVESTIGATE COMPLAINTS AGAINST CONTRACTORS IF A COMPLAINT REGARDING A PATENT ACT OR OMISSION IS FILED WITHIN FOUR YEARS OF THE DATE OF THE ALLEGED VIOLATION. A COMPLAINT REGARDING A LATENT ACT OR OMISSION PERTAINING TO STRUCTURAL DEFECTS MUST BE FILED WITHIN 10 YEARS OF THE DATE OF THE ALLEGED VIOLATION. ANY QUESTIONS CONCERNING A CONTRACTOR MAY BE REFERRED TO THE REGISTRAR, CONTRACTORS' STATE LICENSE BOARD, P.O. BOX 26000, SACRAMENTO, CALIFORNIA 95826.

YOU, THE HOMEOWNER (BUYER) OR TENANT HAVE THE RIGHT TO REQUIRE THE CONTRACTOR TO FURNISH YOU WITH A PERFORMANCE AND PAYMENT BOND, HOWEVER THE CONTRACTOR CAN REQUIRE YOU TO PAY FOR THAT BOND.

☐ **NOTICE TO OWNER:** IF YOU AGREE TO ARBITRATION, REVIEW THE "ARBITRATION OF DISPUTES" SECTION ON THE REVERSE SIDE OF THIS PAGE (PROVISION 14) AND PLACE YOUR INITIALS ON EACH COPY OF THIS CONTRACT.

TERMS & CONDITIONS: The terms and conditions on the reverse side are expressly incorporated into this Agreement. Owner acknowledges receipt of an Insurance Disclosure provided by the Contractors' State License Board.

X _____ (Owner's Signature)	_____ (Date)	_____ (Direct Contractor's Firm Name)
X _____ (If More than One Owner, Please Sign Here)	_____ (Date)	_____ (Direct Contractor's or Agent's Signature)
		_____ (Date)



TERMS AND CONDITIONS

1. Changes in the Work. Should the Owner, construction lender, or any public body or inspector direct any modification or addition to the work covered by this contract, the contract price shall be adjusted accordingly. Modification or addition to the work shall be executed only when a Contract Change Order has been signed by both the Owner and the Contractor. The change in the Contract Price caused by such Contract Change Order shall be as agreed to in writing, or if the parties are not in agreement as to the change in Contract Price, the Contractor's actual cost of all labor, equipment, subcontracts and materials, plus a contractor's fee of ____% shall be the change in Contract Price. The Change Order may also increase the time within which the contract is to be completed.

Contractor shall promptly notify the Owner of (a) latent physical conditions at the site differing materially from those indicated in the contract, or (b) unknown physical conditions differing materially from those ordinarily encountered and generally recognized as inherent in work of the character provided for in this contract. Any expense incurred due to such conditions shall be paid for by the Owner as added work.

No extra or change order work shall be required to be performed without prior written authorization of the person contracting for the construction of the home improvement. Any Additional Work Authorization forms for changes or extra work shall be incorporated in, and become a part of the contract. However, in the event that the building department or other governing body requires a change or modification then Contractor may make that change prior to receiving written authorization and thereafter negotiate the effect of that change with the Owner.

2. Owner's Responsibilities. Owner agrees to allow and provide Contractor and his/her equipment access to the property.

3. Delays. Contractor agrees to start and diligently pursue work through to completion, but shall not be responsible for delays for any of the following reasons: failure of the issuance of all necessary building permits within a reasonable length of time, funding of loans, disbursement of funds into control or escrow, acts of neglect or omission of Owner or Owner's employees or Owner's agent, acts of God, stormy or inclement weather, strikes, lockouts, boycotts or other labor union activities, extra work ordered by Owner, acts of public enemy, riots or civil commotion, inability to secure material through regular recognized channels, imposition of Government priority or allocation of materials, failure of Owner to make payments when due, or delays caused by inspection or changes ordered by the inspectors of authorized Governmental bodies, or for acts of other contractors, or holidays, or other causes beyond Contractor's reasonable control.

4. Subcontracts. The Contractor may subcontract portions of this work to properly licensed and qualified subcontractors.

5. Taxes and Assessments. Taxes and assessments of all descriptions will be paid for by Owner.

6. Insurance and Deposits. Contractor shall carry Worker's Compensation Insurance for the protection of Contractor's employees during the progress of the work. Contractor shall carry liability insurance to cover any damages to Owner's property resulting out of the acts of Contractor. Owner shall obtain and pay for insurance against injury to his own employees and persons under Owner's direction and person on the job site at Owner's invitation.

Owner shall also procure at own expense and before the commencement of work hereunder "all risk" insurance with course of construction, theft, vandalism and malicious mischief endorsements attached, the insurance to be in a sum at least equal to the contract price. The insurance will name the Contractor and its Subcontractors as additional insurance and will be written to protect Owner, Contractor and Subcontractors as their interests may appear. Should Owner fail to procure such insurance, Contractor may do so at the expense of Owner, but is not required to do so. Owner and Contractor waive rights of subrogation against each other to the extent that any loss is covered by valid and collectible insurance. If the project is destroyed or damaged by accident, disaster, or calamity, such as fire, storm, flood, landslide, subsidence or earthquake, work done by Contractor in rebuilding or restoring the project shall be paid for by the Owner as extra work.

7. Rights to Stop Work. Contractor shall have the right to stop work if any payment shall not be made, when due, to Contractor under this Agreement; Contractor may keep the job idle until all payments due are received. Failure to make payment, within five (5) days of the date due, is a material breach of this Agreement and will entitle Contractor to cease any further work.

8. Clean Up. Contractor will remove from Owner's property debris and surplus material created by his operation and leave it in a neat and broom clean condition.

9. Compliance with Laws. In connection with the performance by Contractor of his/her duties pursuant to this Agreement, Contractor shall obtain and pay for all permits and comply with all federal, state, county and local laws, ordinances and regulations.

10. Limited Warranty. Contractor hereby warrants its work for a period of ____ years after completion against any defects in workmanship or material. This limited warranty is in lieu of any other warranty express or implied.

11. Increase in Material Costs. While Contractor believes that it can complete the Project without any increases in costs, to the extent that material costs increase by more than 10% from the costs of said materials on the date this Agreement was signed, Contractor shall be entitled to an increase in the contract price equal to the increased costs above the 10% increase in material cost. To the extent material costs increase due to delay caused by Owner, Owner's agents or separate contractors, Contractor shall be entitled to all cost increases incurred as a result, in addition to any extended field and home office expenses. There shall be no additional markup for overhead or profit on the increased cost, except as otherwise indicated.

12. Asbestos and Hazardous Waste. Unless the contract specifically calls for the removal, disturbance, or transportation of asbestos or other hazardous substances, the parties acknowledge that such work requires special procedures, precautions and/or licenses. Therefore, unless the contract specifically calls for same, if Contractor encounters such substances, Contractor shall immediately stop work and allow the Owner to obtain a duly qualified asbestos and/or hazardous material contractor to perform the work or do the work himself at Contractor's option. Said work will be treated as an extra under this contract.

13. Right to Cure. In the event that owner alleges that some of the work is not or has not been done correctly or timely, owner shall give Contractor a notice that Contractor shall commence to cure the condition that owner has alleged is insufficient within ten (10) days.

14. ARBITRATION OF DISPUTES: ANY CONTROVERSY OR CLAIM ARISING OUT OF OR RELATED TO THIS CONTRACT, OR THE BREACH THEREOF, SHALL BE SETTLED BY BINDING ARBITRATION IN ACCORDANCE WITH THE CONSTRUCTION INDUSTRY ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION, AND JUDGMENT UPON THE AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. CLAIMS WITHIN THE MONETARY LIMIT OF THE SMALL CLAIMS COURT SHALL BE LITIGATED IN SUCH COURT AT THE REQUEST OF EITHER PARTY, SO LONG AS BOTH PARTIES LIMIT THEIR RIGHT TO RECOVERY TO THE JURISDICTION OF THE SMALL CLAIMS COURT.

ANY CLAIM FILED IN SMALL CLAIMS COURT SHALL NOT BE DEEMED TO BE A WAIVER OF THE RIGHT TO ARBITRATE, AND IF A COUNTER CLAIM IN EXCESS OF THE JURISDICTION OF THE SMALL CLAIMS COURT IS FILED IN THE MUNICIPAL OR SUPERIOR COURT, THEN THE PARTY FILING IN SMALL CLAIMS COURT MAY DEMAND ARBITRATION PURSUANT TO THIS PARAGRAPH.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE BUSINESS AND PROFESSIONS CODE OR OTHER APPLICABLE LAWS. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. I (WE) AGREE TO ARBITRATION.

(Owner's Initials)

(Owner's Initials)

(Contractor's Initials)

15. Special Provisions.



NOTICE TO OWNER REGARDING MECHANICS LIEN LAW

(COMPLIES WITH CALIFORNIA CIVIL CODE)

MECHANICS LIEN WARNING

(HOME IMPROVEMENT CONTRACT MECHANICS LIEN WARNING)

HOME IMPROVEMENT MECHANICS LIEN WARNING. Anyone who helps improve your property, but who is not paid, may record what is called a mechanics lien on your property. A mechanics lien is a claim, like a mortgage or home equity loan, made against your property and recorded with the county recorder.

Even if you pay your contractor in full, unpaid subcontractors, suppliers, and laborers who helped to improve your property may record mechanics liens and sue you in court to foreclose the lien. If a court finds the lien is valid, you could be forced to pay twice or have a court officer sell your home to pay the lien. Liens can also affect your credit.

To preserve their right to record a lien, each subcontractor and material supplier must provide you with a document called a 'Preliminary Notice'. This notice is not a lien. The purpose of the notice is to let you know that the person who sends you the notice has the right to record a lien on your property if he or she is not paid.

BE CAREFUL. The Preliminary Notice can be sent up to 20 days after the subcontractor starts work or the supplier provides material. This can be a big problem if you pay your contractor before you have received the Preliminary Notices.

You will not get Preliminary Notices from your prime/direct contractor or from laborers who work on your project. The law assumes that you already know they are improving your property.

PROTECT YOURSELF FROM LIENS. You can protect yourself from liens by getting a list from your contractor of all the subcontractors and material suppliers that work on your project. Find out from your contractor when these subcontractors started work and when these suppliers delivered goods or materials. Then wait 20 days, paying attention to the Preliminary Notices you receive.

PAY WITH JOINT CHECKS. One way to protect yourself is to pay with a joint check. When your contractor tells you it is time to pay for the work of a subcontractor or supplier who has provided you with a Preliminary Notice, write a joint check payable to both the contractor and the subcontractor or material supplier.

**For other ways to prevent liens,
visit CSLB's Web site at www.cslb.ca.gov or
call CSLB at 800-321-CSLB (2752).**

REMEMBER, IF YOU DO NOTHING, YOU RISK HAVING A LIEN PLACED ON YOUR HOME.
This can mean that you may have to pay twice, or face the forced sale of your home to pay what you owe.

