



The Contractors State License Board, which operates under the umbrella of the California Department of Consumer Affairs, licenses and regulates California's 285,000 contractors, and is regarded as one of the leading consumer protection agencies in the United States.

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REBUILDING AFTER A NATURAL DISASTER

Roadmap to Your Home Reconstruction Project

Avoid the Confusion

Rebuilding after any disaster can seem like an endless highway of contradicting road signs. That's why the California Contractors State License Board wants to make you aware of valuable steps to take, as well as warning signs that you may confront, during the process of rebuilding or restoring your home or other structure.

Structure Categories

Generally, reconstruction in a disaster area will be classified in one of two categories: home improvement or new construction. Understanding these categories will enable you to identify your particular damage when communicating with your city or county building department, your insurance company, and the other qualified professionals you select for your project.

Home Improvement

This category of construction is identified in California Business and Professions Code (BPC) section (§) 7159.

(The full text of this law is available at: www.leginfo.ca.gov.)

If, after the disaster, there is an existing foundation, chimney, or partial walls, your project likely will be classified as a home improvement project. This category may be less costly compared to a new construction project.

New Construction (Single-Family Dwelling)

This category of construction is identified in BPC § 7164.

(The full text of this law is available at: www.leginfo.ca.gov.)

If, after the disaster, there is nothing on your property other than earth and you will be constructing from the ground, up, your project will be classified as a new construction project.

Debris

Contact your local city or county building department to find out what the guidelines, requirements or permits are for demolition or debris removal and disposal. There may be fees associated with these steps, but many are waived in disaster situations. Debris removal and disposal is a section that you may want to include in the contract with your licensed contractor.

Your Project

You will be faced with a number of steps during your reconstruction project. It is important to take your time and avoid any anxious tendency to “get this over with” or “just get back home.” Trying to speed the process can result in overlooking important details that may present structural or financial problems later on.

Insurance \$\$

Once you complete evaluation and work with your state-licensed insurance adjuster and you receive the loss coverage reimbursement money from your insurance policy, be sure to place those funds in a safe place. In this situation, a “safe” place refers to an account provided by a financial lending institution experienced with construction accounts. Your contractor is not a government-insured financial institution.

An account that would be less vulnerable to unscrupulous individuals would be a “construction escrow account.” This type of account enables you to protect your funds because the lender will require two signatures on a disbursement, as the agreed-upon project phases are funded. The construction escrow account lender may assist in verifying plans, suppliers, materials, and appropriate contractors before releasing funds.

Licensed Professionals

Whether your reconstruction project is classified as a remodel or new construction, you will need to check qualifications of the individuals you select to conduct your project. Look for experienced architects, inspectors, insurance agents, pest control companies, builders, and landscapers who are state-licensed, and verify their qualifications with the appropriate state agency and their business record with the Better Business Bureau (www.bbb.org).

Avoid door-to-door salespeople who offer low prices for “surplus materials” or high-pressure tactics that urge you to let them work for you on-the-spot. Never rely on slick business cards, flyers, or brochures as verification of a person’s qualifications. Watch out for construction “consultants” who want to manage your project; they, too, must be CSLB-licensed if they bid or contract for a project or oversee the project and workers (BPC § 7026.1). (The construction consultant category does not apply to designers.)

Most licensing agencies or organizations have quick-access tools, such as the Contractors State License Board “Check the Status” link on its website. These valuable resources tell you whether the license is in good standing [current, active and not restricted (probation, suspension, or revoked)], and verifies an active surety bond and workers’ compensation insurance, if necessary. CSLB enables consumers to research contractors by using a state license number, a business name, or the name of the qualifying individuals or employees. Home Improvement Salespeople also are required to be registered with CSLB.

Know What You're Buying

Do your homework when it comes to knowing the cost of projects and materials. This knowledge will help you weed out business people or contractors that may try to charge you more in a desperate situation. Be savvy: price-gouging is a crime and can result in severe fines and jail time in state- or federally-declared disaster areas. Typically, businesses cannot charge more than 10% above the normal prices they charged for their goods or services immediately prior to the emergency declaration (Penal Code §396).

Your Contractor

Find at least three (3) qualified contractors and obtain three (3) bids for the work you need. Ask the contractors for professional references and visit the project sites. Compare quality over price before making your decision on which company or individual to select. Your contractors must be licensed in the classification(s) for which they intend to do work. You can conveniently check this information on the CSLB website: www.cslb.ca.gov.

Your Contract

You've probably heard this before: make sure everything is identified and written into your contract. It's true! Your project's start and completion dates, the payment schedule, all materials and plan details of your construction project, all subcontractors—you name it; everything you plan to include in your project needs to be in writing and signed by both you and your contractor. This step is critical in assuring that your finished project is what you agreed to and expect upon completion. All change orders also need to be in writing and signed by both parties. If you have an escrow account, this information is shared with your lender.

Make sure your contractor pulls all required permits from the appropriate city or county building departments. Disaster recovery is not an ideal time for you to be listed as the "owner-builder" of your construction project. If anything goes wrong—from substandard work to subcontractor injury at the construction site—you, as the "owner-builder," are responsible for damages. As an owner-builder, you also employ the contractors and workers and must follow state employment and tax laws.

Another precautionary step you can take is to have an independent source review your project's plans. There are several resources that can assist. For instance, local Builders Exchange offices may have "plan check" rooms where qualified professionals volunteer their time. The League of California Homeowners also provides helpful information at www.homeowners.org. Your escrow lender can help keep a watchful eye on the project details, as well.

Tips to Remember

- ✓ Hire only licensed contractors (www.cslb.ca.gov).
- ✓ Get three references.
- ✓ Obtain three bids.
- ✓ Agree on the terms of your project in a written contract.
- ✓ Avoid paying in cash – even for a deposit.
- ✓ Keep a journal and take photos during all project phases that are kept in a project file.
- ✓ Make sure on-site materials and supplies are secure at the jobsite with a fence or other security.
- ✓ Obtain a lien release, signed by both the contractor and subcontractor, once work is completed and paid throughout the duration of your project. Free lien release and waiver forms are available on CSLB's website.
- ✓ Stay in constant touch with your contractor and maintain current telephone numbers and other contact information.
- ✓ Try to be present when building inspectors are on site to hear, first-hand, whether there are any problems or necessary corrections.
- ✓ Stick to the payment schedule; don't let payments get ahead of the work, and keep records of all payments. Document all change orders with addendums.
- ✓ For reconstruction classified as home improvement, the state law that prohibits a contractor from asking for a down payment of more than 10 percent of the contract price or \$1,000 (whichever is less) applies when signing your initial contract. Only contractors who carry a blanket performance and payment bond that is on file with CSLB can ask for a higher down payment. Contractors can ask for more than that amount for jobs classified as "new construction." However, it is recommended that you ask your contractor to honor the same principles as home improvement projects located in the disaster zone.
- ✓ Don't make the final payment until the project has written approval from the building department and you're satisfied with the job.

Better Days Ahead

You've just survived a traumatic event. Take a moment to use these guidelines and the many resources we mentioned to help smooth your road to recovery and a new place to call home.

CSLB Hotline for Disaster Victims Only: 1-800-962-1125.

If You Have Problems

Here are other resources if you have complaints against licensed or unlicensed contractors:

- Contractors State License Board: www.cslb.ca.gov or call 1-800-321-CSLB (2752).
- Small Claims Court – for disputes and losses under \$10,000.
- The Consumer Division of your local district attorney's office.
- Your local sheriff or police department if a crime is in progress.

Additional Free CSLB Resources

"What You Should Know Before Hiring a Contractor"

"Terms of Agreement – A Consumer Guide to Home Improvement Contracts"

"Preventing Mechanics Liens"

Call 1-800-321-CSLB (2752) for brochures or print directly from our website: www.cslb.ca.gov.