

NAIL IT: HOW TO TEAM UP WITH YOUR CONTRACTOR

(FOR HOMEOWNERS, PROPERTY MANAGERS
& CONDOMINIUM BOARD MEMBERS)

FROM NATIONAL BUILDING EXPERT &
INTERNATIONAL BEST-SELLING AUTHOR

DON'T TAKE NO B.S. (BUILDER STUPIDITY)



LANCE LUKE, CCC, CCI, CCPM

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"The Word According to Luke" Series

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Before You Begin

Consumers spend billions of dollars on construction and home remodeling projects each year.

Many homeowners have discovered that improving their current home with an updated kitchen, an additional bathroom, new windows, or a new roof can be a more prudent investment than purchasing a new home.

However, adding a room or updating a kitchen can cost more than a new car, and consumers should take some time and care in planning a costly home improvement project.

Unfortunately, most consumers spend less time choosing a contractor than they do in choosing a car.

This book provides advice for consumers on steps to take to:

- Select a reputable and qualified contractor;
- Negotiate a contract;
- Prevent disputes between the consumer and the contractor when they arise.



This book, written by Lance Luke of Construction Management Inspection, LLC, is a brief summary of some of the things you as a homeowner or property manager can do to avoid costly mistakes and misunderstandings in dealing with your contractor.

CHAPTER I

Caveat Emptor

The Buyer Beware



Most contractors are competent, honest, hardworking and financially responsible. However, contractors are in business to make money.

A responsible and informed consumer knows that “the buyer beware” principle can help prevent frustration and disappointment when preparing to make a major purchase decision.

By carefully considering what you want done to your property, what it will realistically take to do the job, and what kind of professional should be brought in to do the job, you may avoid many of the headaches often associated with remodeling.

Almost everyone knows someone who has a nightmare story to tell about his or her remodeling job—the length of time it took; the inconvenience of the noise, dust, and absence of such essentials as plumbing, electricity, and air conditioning; lack of privacy during the job; or the cost-overruns associated with a remodeling job.

These are common complaints that can be heard in virtually any conversation with a homeowner who has had to live through what they described as “the trauma” and frustration of even the smallest remodeling job. Sometimes daydreams turn into nightmares.

In order to minimize the chances that you will be the one with such a complaint, you should understand that planning is the first step in the process. Before you do anything else, ask the question:

"What do I want done?"



A silly question? Not at all.

Plan carefully exactly what you want done, what you want it to look like when finished, and how much you have to spend.

Thoughtful and carefully prepared plans and specifications will be helpful in getting accurate bids from contractors. You may wish to seek the advice of an architect or construction consultant.

Remember that, in general, if something you want is not shown on the plans, you won't get it.

CHAPTER II

Planning for Energy Conservation

When planning your project, be sure to consider energy efficiency. An energy-efficient home or building costs less to cool, is quieter and more comfortable, and will sell faster and at a higher price.

New laws require new and remodeled buildings to meet or exceed certain energy efficiency standards. Aiming for optimal energy efficiency can have significant financial benefits, such as:

- Rebates or low-interest loans from utility companies.
- Rebates from the manufacturers of energy-efficient products and appliances.
- Energy-efficient type mortgages and other advantageous financing incentives from lending institutions.

Energy-efficient type mortgages and other advantageous financing incentives from lending institutions.

Additional information on energy efficiency standards is available from your local utility company.

CHAPTER III

Paying for Your Project



When remodeling your home, you may wish to obtain financing for the project through a personal loan, a home equity loan, a credit union, an insurance policy, a bank, or a savings and loan company.

Your contractor may be able to help you secure financing, but it is important for you to investigate different sources of funding to compare the amount, interest rate, terms, and tax considerations.

Banks and lending institutions may offer several types of loans for home improvements. The lender may approve the contractor but does not guarantee the work of the contractor. Beware of anyone who tells you that the lender approves the contractor's work or endorses the contractor.

If you cannot pay for a project without a loan, it is a good idea to add a clause to your contract stating that it is valid only if you obtain financing at a particular rate.

If your project is the result of damage covered by your insurance, check with your insurance company to determine the extent of coverage before signing a contract.

When deciding among the various loan sources, you should ask about possible prepayment penalties.

Because lenders frequently package their loans to consumers to allow for interest earnings over the life of the loan, they sometimes provide for prepayment penalties that enable them to capture a portion of those earnings and the expenses of paperwork involved if the life of the loan is shortened by an early payoff.

For example, with a prepayment penalty clause in your loan agreement, if you sell your property before the loan is due, you could be required to pay the loan in full, including the prepayment penalty.

In some home improvement loans, this penalty can be very high and should be a consideration.

CHAPTER IV

Selecting a Contractor

What Kind do you Need?



There are approximately 70 different types of contractors, each may require a separate specialty contractor's license.

For example, if you want only roofing or plumbing work, you should hire a contractor licensed in the specialty.

A general building contractor may also contract for the specialty work but will need to have a licensed specialty contractor do the work. If the job requires more than two types of work on a building, then a licensed general building contractor should coordinate the work.

For example, if your kitchen remodeling will involve plumbing, electrical, and carpentry work, a licensed general building contractor should be hired.

A “B” general building contractor may perform “C” specialty trades.

One of the best ways to select a contractor is to seek out personal recommendations from friends, relatives, or business associates who recently had work of the type they had completed. Or consult with a construction manager.

If the work you are considering is of a certain value or requires a building permit, a valid Contractor's License is required for the license category in which the contractor is going to be working.

If you contract with someone who does not have a license, the Contractors Board may not be able to assist you with a complaint.

A remedy in a complaint against an unlicensed contractor may only be available in civil court. This is one more good reason to work only with licensed contractors. The licensing laws vary from state to state.

Check the Contractor's License

Is the contractor properly licensed? In Hawaii, any job that costs \$10,000 or more for material and labor must be completed by a licensed contractor who holds a current, valid license from the State Contractors License Board in the specialty for which he or she is contracting. Check with your specific state for details.

Ask to see the contractor's license and some additional form of identification. The name on the license should be the same as the name of the contractor or the business name under which the contractor is working.

It is illegal for one contractor to use another contractor's license, just as it is illegal for you to use another's driver's license.

When you establish that the contractor's or company's name matches what appears on the license issued by the State Contractors License Board, call the Board, and ask if the license is valid.

Also, make sure that the contractor carries the requisite liability and workmen's compensation insurance.

Finally, if the contractor is operating with a valid license, you should also want to find out whether the person you are considering working with is a member of a professional or trade association that has a code of ethics or standards for their trade.

Find out if members of the association have pledged to arbitrate disputes. You may want to contact the local chapter of the association to see whether it will function as an intermediary in case of disputes or arrange for an impartial arbitrator.

If you want an arbitration clause in your contract, make sure the contractor you are considering will agree to arbitrate any disputes that arise out of the contract. (See a later chapter in this book for additional discussion of arbitration.)

Check the Contractor's References

Ask the contractor for local references and call them to see if they were satisfied with the contractor's work.



Skilled contractors will be proud to take credit for their work. If possible, go out and look at finished projects.

Some consumers even try to find jobs in progress to see how the contractor works and to speak with the homeowner about work habits, inconveniences, and the sensitivity of the contractor to the living needs of the homeowner.

Remember, the person you hire to work in your home will be a part of your home life until the job is completed.

When speaking to the contractor's customers, ask such questions as:

- Did the contractor keep to the schedule and the contract terms?
- Were you pleased with the work and the way it was done?
- Did the contractor listen to you when you had a problem, and seem concerned about resolving it?
- If you were not happy with a certain portion of the work area, did the contractor willingly make any necessary corrections?

In addition to talking with customer references, obtain references from material suppliers, subcontractors, and financial institutions, to determine whether the contractor is financially responsible.

Ask the contractor for the address of his or her business location and business telephone number and verify them.

A contractor who operates a business out of the back of a pickup truck with a cellular telephone may be difficult to find to complete a job or fix something that has gone wrong after the last bill is paid.

You may also wish to check the contractor out with your local building department, trade association or union, local consumer protection agency, and the Better Business Bureau.

Call these organizations to see if they have information about the contractor you are considering. Ask how long the company has been in business and find out if there are any complaints about the firm or other relevant file information.

Don't be fooled by a smooth-talking salesperson. Take the time and effort to make sure that the person or business doing your home improvement is going to perform in a professional manner.

Make Sure the Contractor has Workers' Compensation and Liability Insurance Coverage

Ask the contractor if the company is insured against claims covering workers' compensation, property damage, and personal liability in case of accidents. Ask to see a copy of the certificate of insurance or ask for the name of the contractor's insurance carrier and agency to verify that the contractor has this insurance. Most states require workers' compensation insurance coverage for contractors.

This is important for you as a homeowner. If a worker is injured working on your property and the contractor does not have insurance, you are the one who will have to pick up the bill for an injured worker's injuries and rehabilitation, if necessary.

Do not let your homeowner's insurance policy become your contractor's liability coverage!

Check the Status of the Contractor's Bond

Some bonds are designed to protect you against substandard work that does not comply with local building codes. Bonds do not assure the financial or professional integrity or competency of a contractor.

For example, the bond may not cover situations such as a contractor who leaves for Las Vegas after doing only half the job.

Bonding is generally required for large jobs financed by institutional lenders such as savings and loans, insurance companies, or commercial banks. In addition, many owners, and lenders as well as other contractors require bonding.

Bonds can be obtained from bonding companies for a percentage of the contract price. This should be recognized as a cost of doing business when a bid is submitted.

Bonds may be classified as:

Contractor 's License Bond

A bond with a surety company or a cash deposit may be required of all licensed contractors. This bond is not a guarantee of performance or competence or financial responsibility for the contractor.

Performance Bonds

This kind of bond guarantees the project's completion according to the building plans and specifications. If the job is abandoned or the work is unacceptable, the bonding company has the option of hiring another contractor to complete the work or settling for damages.

Payment Bonds

A payment bond assures the owner that no liens for labor and material will be filed against the property.

Contract Bonds

A contract bond guarantees both job completion and payment of all labor and materials.

In general, the bonding company will not have to pay more than the face amount of the bond.

Consumers should realize that bonding requirements may keep a new contracting business from bidding on desired jobs.

Bonding companies will not take a risk without verifying the technical and resource capabilities of the contractor. For a contracting business to qualify for bonding, it must practice sound business techniques.

Funding Control of your Project

Even if your lender does not require one, you may want to consider using a joint control company to disburse contract payments.

A joint control company is a licensed escrow company that specializes in handling funds for construction jobs. Instead of giving the money to your contractor, you give it to the joint control company, which then makes payments to your contractor, subcontractors, or other companies that supplied labor or materials for your job.

However, using a joint control company is no substitute for a payment bond.

CAUTION:

Joint control companies are not required to inspect your job to see if it has been completed or had the materials supplied. They generally provide vouchers for the borrower to complete and present to the joint control company as authorization to pay the contractor based on bills from the contractor.

The homeowner should be careful not to authorize payment to the contractor in advance of any work to be performed. The vouchers should be guarded as if they were checks used for paying bills and only signed and used as each phase of the project is completed.

For additional protection, you should make certain that the joint control company you hire uses an *Addendum to Control Agreement Escrow! Instructions*. This addendum is in writing and must be signed by you, your contractor, and a representative of the joint control company.

In the addendum, the joint control company agrees to a method of making payments on your project best designed to protect your money and property. Under the terms of this addendum the company generally makes on-site inspections as its means of guaranteeing that any work or materials it pays for have been provided.

In looking for a joint control escrow company, check with your lender or your contractor for recommendations. For a small percentage of the contract price, a reputable joint control company will probably eliminate or reduce many of the financial problems that may arise on your construction project.

If you want a completion bond or joint control company, or both, make sure you clearly state this in the contract. If you need further information regarding bonds, contact your attorney.

CHAPTER V

Licensing



Licensed contractors are subject to laws designed to protect the consumer.

Unlicensed contractors are a danger to your financial affairs because they expose you to significant financial harm in the event of injury or property damage. Few unlicensed contractors have adequate bonding or insurance.

Although an unlicensed contractor may give you a low bid, the risks of possible financial and legal consequences you may face probably outweigh any benefits a lower bid may seem to offer.

Please note: A license number on a bid or contract does not necessarily mean the contractor's license is valid. Before you sign anything, call the Contractors License Board to make sure the contractor is properly licensed in the class for which work is to be performed and the license is in good standing. You should also ask about the contractor's complaint history and any prior legal actions that may have been taken against the contractor.

Complaint information about a licensee will be disclosed after it has been fully investigated and a decision made to refer the complaint for legal action.

CHAPTER VI

The Owner/Builder

Anyone who talks you into being your own general contractor, or “owner/builder” may be doing you no favor.

“Owner/builder” describes a situation in which the homeowner becomes the general contractor.

As an owner/builder, *you*, not the contractor you hire, assume responsibility for the overall job, which may include such things as state and federal taxes, workers compensation, and other legal liabilities.



Unless you are very experienced in construction, it is best to leave these matters to your contractor.

CHAPTER VII

Bids

A bid is an offer to do work.

It is advisable to get at least three written bids using identical plans and specifications so you can compare prices and contractors.



Get Competitive Bids for the Project

Solicit at least three bids for the work you need; do not automatically accept the lowest.

Make sure all bids are based on the same set of specifications. Discuss the bids in detail with each contractor and make sure you understand the reasons for any variations in price.

Sometimes a higher price may be worth it, if the materials to be used are of higher quality or the work is more extensive.

For example, if you are having your kitchen remodeled, and one bid is based on installing prefabricated cabinets in standard sizes and another bid is based on installing custom-made cabinets, the prices will not be comparable.

Beware of any bid substantially lower than the others. It probably indicates that the contractor has made a mistake or is not including all the work quoted by his or her competitors. You may be headed for a dispute with your contractor if you accept an abnormally low bid.

Don't forget the old adage, "If the offer sounds too good to be true, it probably is!" Hire the "best value" contractor.

CHAPTER VIII

The Contract

Make Sure Everything is in Writing. Assume Nothing!

Although you might assume that a “contract” should look like a contract, a contractor as authorization to go forward with your project could use anything you sign. This means that any bid you sign may become the contract.



Do not sign anything until you completely understand what you are signing and agree to all the terms.

Be sure to ask questions until you fully understand the contract and what the work will look like. Before signing anything, you may wish to discuss the proposed contract, plans, and specifications with an attorney.

Get it in Writing

The contract binds you and the contractor to the project. Since a written contract protects both you and the contractor, all agreements should be put in writing. It should include everything you have agreed upon and the extent of the work to be done.

Get all oral promises in writing and spell out exactly what the contractor will and will not do. If you intend to do some of the work yourself or hire another contractor to do it, this should also be written into the contract.

Never sign a blank or partially blank contract. Get a copy of the contract as soon as you sign it and keep it for your records. Both you and the contractor are bound by everything set down in the contract, so read it carefully before you sign. If you have any questions or don't understand something, ask before you sign.

Be sure the financial terms of the contract are clear. The contract should include the total price, when payments will be made, and whether there is a cancellation penalty. On any home improvement job you should expect to make a down payment.

After you have signed the contract, and even after work has already begun, your contractor may offer suggestions that will change your original ideas for the work.

The contract should clearly state your final agreement and accurately reflect everything involved in the work being done by your contractor.

If you have discussed added work, substitutions of materials or equipment, or changes in completion date, make sure that a clearly worded and signed, “change order,” reflects this.

The Three-day Cancellation Period

The law requires a contractor to give you written notice of your right to cancel a contract within three business days of signing it, provided that it was solicited at some place other than the contractor’s place of business or appropriate trade premises (your home, for instance).

Use those three days to review the contract again. If something bothers you, don’t be afraid to cancel the contract. If you do cancel, by all means call the contractor; then make sure your cancellation is in writing.

Sending the cancellation to the contractor by registered mail will give you a record of its mailing date and of its receipt by the contractor.

Thereafter, you can work out the problem with your contractor and sign a new contract, or you can get a different contractor if you prefer.

If you have any concerns, see an attorney right away. Make sure all the contract terms are in writing and that you understand and agree to everything in the contract.

Make Sure Everything You Are Paying for is in the Contract

The contract should specify all materials to be used, such as the quality, quantity, weight, color, size, or brand name as it may apply.

For example, the contract should say, “install koa kitchen cabinets, manufactured by Company Aloha Koa, model 1973C, as per the plan;” not just, “install kitchen cabinets.”

Make sure your contract includes everything you feel is important to the job, including complete cleanup and removal of debris and materials, and special requests like saving excess lumber and paint, or saving certain materials or appliances.

Also give instructions regarding pets, children, or areas where materials may not be stored.

Warranties

Be sure to get any warranty offered by the contractor for labor and materials in writing. It should specify which parts of the work are covered and the duration of the warranty.

You should also request any written warranties offered by the manufacturers of materials or appliances installed by the contractor.

For patent or readily observable defects, in many states, the law limits the period within which a complaint may be filed against a contractor. This statute of limitations may be extended if there is an express, written warranty issued by the contractor.

If the contractor has breached such a warranty, the Contractor's License Board authority to act on a complaint.

However, the Board has no authority to enforce a warranty given by a manufacturer or material supplier.

An eight to ten-year statute of limitations exists for certain latent defects in the construction. Laws differ from state to state.

Scheduling the Work

Your contract should specify an approximate starting date and completion date for your project. However, external factors such as the weather or the availability of supplies might cause delays.

Scheduling the Payments

Make sure the payment schedule is based on the contractor's performance. Never let your payments get ahead of the contractor's work, and make sure the contract provides for a "retention."

A "retention" is a percentage of each payment or of the total job, ordinarily 10 percent, which you retain until the job is completed.

Never sign a completion certificate until all the work called for in the contract has been properly completed. Lenders usually require a signed completion certificate before they will release the last payment.

CHAPTER IX

During Construction

Permits, Plans and Specifications



Your contract should call for the work to be performed in accordance with all applicable building codes.

Keep in mind that building codes only set minimum safety standards for construction; they do not protect you against poor quality work.

As a general rule, a building permit is required whenever structural work is involved or when the basic living area of a home is to be changed.

For example, if you have a home with a lanai, and would like to enclose it for a family room with a bathroom, you would need to have changed the basic amount of living space in your house by converting non-livable space to “livable” space.

In some cases, separate permits for electrical, and plumbing work may be required.

The contractor should obtain the necessary building permits. This should be spelled out in your contract; otherwise, you may be held legally responsible for failure to obtain the required permits.

Zoning regulations differ from location to location, so if you are planning any alterations or additions to your home, your contractor should check with the zoning authorities to determine what permits or permission you need to proceed with your project.

Make sure that you have copies of the signed contract and plans and specifications for your project.

Resist the temptation to make any changes to the contract or plans and specifications verbally. Make sure all changes are in writing.

The permit for your job, must be posted on the job site before the work begins. Check to make sure that it is.

Inspections

The building department that issues a permit for home improvement work will inspect the work when it has reached a certain stage and when it is completed to make sure it complies with various codes and regulations.

The contractor is responsible for arranging for these inspections. These inspections are not made to determine good work quality.

You should, if at all possible, be present when inspections are made, ask questions, and make frequent inspections yourself. And also hire your own inspector.

When a project is completed, the building department will make a final inspection. Make sure you also make a final inspection, or “walk through,” with your contractor to be certain there is nothing you or the contractor have overlooked.

Inconveniences

In most cases you will be living in your home while work is being done on it. You should be aware of the many inconveniences that may occur.

Exterior walls may be taken down, water and or power shut off, or bathroom and kitchen facilities temporarily disconnected. Dust and debris might also damage your furniture or other personal possessions.

Before work begins, ask your contractor what inconveniences will occur, then plan for them. That way, both you and your contractor can avoid conflicts when inconveniences do occur.

Keep a Job File

You should keep a file of all papers relating to your project. It should include:

- The contract and any change orders
- Plans and specifications
- Bills and invoices
- Canceled checks
- Lien releases from subcontractors and material suppliers
- Letters, notes, and email and text correspondence with your contractor

It is also a good idea to keep a record of each subcontractor who works on your project, the work performed, and length of time on the job.

When material suppliers make a delivery, write down the name of the company, the date, and a general description of what they delivered.

When you receive lien releases from subcontractors or suppliers, check them against your list. That way you will have a record of who has and has not been paid.

CHAPTER X

Legal Considerations...Liens

For a large remodeling job that involves many subcontractors and a substantial financial commitment, you should protect yourself from liens against your home in the event the contractor does not pay subcontractors or suppliers.



You should add a release of lien clause to your contract requiring the contractor or subcontractors and suppliers to furnish a certificate of a waiver of lien.

If you are financing your project, the bank or lending institution may require that the contractor, subcontractors, and suppliers verify that they have been paid before releasing funds for subsequent phases of the project.

Mechanic's Lien

The law provides that anyone who furnishes labor or materials to your home can record a "Claim of Lien" or "Mechanic's Lien" against your home if they are not paid.

Even if you have paid your general contractor in accordance with the contract, if he or she fails to pay any subcontractor or materials supplier who performed work or supplied materials in connection with your project, you still run the risk of having a Mechanic's Lien filed against your home. You could be required to pay a bill twice to keep from losing your home.

This risk is greatly reduced by protecting yourself with a payment and performance bond. Therefore, it is a good practice to specify in the contract that the contractor is responsible for obtaining lien releases from each of the subcontractors and material suppliers.

Arbitration

Some contracts contain an arbitration clause to settle disputes. Inserting an arbitration clause in your contract is a reasonable precaution and could enable you to resolve disputes more quickly and enforce your warranty without litigation.

However, if you pursue legal action against your contractor - before attempting to work out your differences through arbitration, your right to arbitrate may be nullified, regardless of the outcome of the legal action.

CHAPTER XI

Avoiding Complaints and Problems

Some warning signs of possible trouble ahead are the following:

- You can't verify the name, address, and telephone number or credentials of the contractor.
- The salesperson tries to pressure you into signing a contract by using scare tactics, intimidation, or threats.
- The company or salesperson says your home will be used for advertising purposes (as a model job, or showhouse, or by display of their sign), and that you will be given a special low price.
- The contractor tells you this is a special price available only if you sign the contract today.

- The contractor doesn't comply with your request for references, or the references have some reservations about the contractor's work.
- You are unable to verify that the contractor is licensed, insured, and/or bonded when required.
- You are asked to pay for the entire job in advance, or to pay cash to a salesperson instead of by check or money order to the company itself.
- You are asked to sign a completion certificate for the job by appeal, threat, or trick, before the job is properly completed.



The best way to avoid problems is to follow the steps outlined in this book and cover all details about the job in your contract.

CHAPTER XII

What if Problems Occur?

In spite of all the precautions you have taken, problems will sometimes occur with the work that was done on your home. If problems do occur, either during construction or afterward, contact your contractor. Usually, he or she will make corrections willingly, if they are a reputable and responsible contractor.



Be sure to address all problems or complaints directly to the contractor in writing so that you both have a record.

Should the contractor refuse to make corrections, you can file a complaint in writing with the RICO and your local Better Business Bureau (BBB). If necessary, consult an attorney.

What Happens to a Consumer Complaint?

Every complaint filed with the Contractor's License Board against a license contractor is logged, reviewed, and assigned to a staff person for handling based on the nature of the complaint as described in the complaint form.

In most cases, the staff will attempt to negotiate (mediate) a settlement as soon as possible. If staff is unable to arrive at a settlement, the Board may take legal action, but there is no assurance that action will result in restitution.

Some Things to Consider

DOs:

1. Plan your project carefully.
2. Shop around before hiring a contractor.
3. Get at least three written bids on your project.
4. Provide contractors from whom you request bids with accurate plans for drawings that will enable them to determine the scope and cost of the work.
5. Check with the Contractors License Board to see if a contractor is properly licensed.
6. Check out contractors with your local building department, trade associations or unions, consumer protection agency, and the Better Business Bureau.
7. Look at work contractor has completed.
8. Ask your contractor to furnish a completion or contract bond.
9. Consult with more than one lending institution regarding the type of loan to obtain.
10. Ask your lender to recommend a funding control escrow company.

11. Make sure your contract provides for retention.
12. Make sure everything you and your contractor have agreed to is included in your contract.
13. Ask your contractor about inconveniences that may occur, and plan accordingly.
14. Keep a job file.
15. Make sure you receive lien releases from subcontractors and material suppliers.
16. Make frequent inspections of the work, including a final walk-through.
17. Consult an attorney if needed.
18. If problems or disagreements occur, try first to negotiate with the contractor.

DON'Ts:

1. Hire an unlicensed contractor.
2. Hire a contractor without first shopping around.
3. Act as an owner/builder unless you are very experienced in construction.
4. Sign anything until you completely understand it and agree to the terms.
5. Make agreements with subcontractors or workers without consulting the prime contractor.

6. Never pay cash, without a proper receipt.
7. Make a down payment without checking with your lender or a construction consultant.
8. Let your payments get ahead of the percentage of contractor's completed work.
9. Hesitate to ask questions of the contractor.
10. Make the final payment until you are satisfied with the job.

BE SURE YOUR CONTRACT INCLUDES:

1. The contractor's name, address, and license number, and the name and registration number of any salesperson who solicited or negotiated the contract.
2. The approximate dates (not number of working days) when the work will begin and be substantially completed.
3. A description of the work to be done, a description of the materials and equipment to be used or installed, and the price for the work.

4. A schedule of payments showing the amount of each payment in dollars and cents.
5. If the payment schedule contained in the contract provides for a down payment, it should not exceed 20 percent of the contract price.
6. A Notice To Owner regarding the disclosures, lien laws, and the rights and responsibilities of an owner of property.
7. A description of what constitutes substantial completion of work.

Finally...

Before you begin your project with a contractor, you may wish to consult additional information resources.

The Consumers Resource Handbook put out by the federal government offers general information on making purchases and resolving complaints. To obtain free single copies, write to: Handbook, the Consumer information Center, Pueblo, CO 81009

For more information about contractors, license status, disciplinary actions against contractors, and the Contractors State License Board, contact your State Consumer Protection Office.

Disclaimer

This publication is meant to be instructional to provide information to assist the consumer in dealing with building contractors and Hawaii Contractors License Board. The information in this publication is believed to be accurate at the time of its production. Lance Luke and Construction Management Inspection, LLC, assume no responsibility for any damage that arises from any action that is based on information found in this publication. As indicated in this publication, questions regarding civil law and the civil courts system should be addressed to an attorney.

END

ABOUT THE AUTHOR



CURRICULUM VITAE

of

LANCE LUKE, CCC, CCI, CCPM

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SUMMARY/OVERVIEW

Lance Luke has been in the construction and real estate industry for over 42 years. He is a former general contractor and worked as a construction and project manager for real estate development companies. Currently he owns an independent construction consulting company, Construction Management Inspection, LLC. He has experience in design, engineering, construction inspections, construction management, reserve studies, real estate development, property management and condo association management.

His specialty is in inspection and construction management for condo association buildings and commercial properties. Various types of projects worked on include concrete spalling repair, painting, roofing, waterproofing, asphalt resurfacing, plumbing re-piping, electrical retrofit and structural wood repair. He provides construction oversight and progress inspections for residential and commercial projects. He

has 42 years managing capital improvement projects for condominium associations.

Lance Luke serves as an expert witness on construction and real estate litigation cases. He was formally an Advisory Board Member for the State of Hawaii Regulated Industries Complaints Office, as an expert consultant (for over 15 years). His expertise was in helping to resolve complaints filed with the Contractors' License Board. He was also selected in 2017 by Honolulu Assistant Fire Chief to serve on the RFSAC (Residential Fire Safety Advisory Committee) Building Code Subcommittee to prepare the Fire Life Safety Evaluation criteria.

He has written numerous articles on construction and inspection, which have published in both local and national media. He conducts up to 30 presentations a year to the construction, real estate and property management industry including educational webinars and construction seminars.

Two-time Best-Selling Author on subjects of construction management and building safety. Numerous articles published in national construction, design, and building management publications.

Featured guest on national media shows such as Times Square Today and Hollywood Live which were broadcast on national media outlets such as ABC, CNBC, CNN, NBC, Fox Affiliates, A&E, and Bravo.

Mr. Luke is a qualified insurance inspector and an approved Federal HUD Construction Inspector. HUD projects included "from the ground up" assisted living

facilities such as Plaza at Moanalua (2012), Plaza at Pearl City (2014) and Ilima at Leihano (2016) He is also listed as one of America's Premier Experts and Marquis Who's Who in America 70th Anniversary Edition. And is an instructor for National Seminar Providers such as Lorman Education Services, Compliance Prime, and Half Moon Education Seminars.

Lance Luke is a former member of the Structural Engineers Association of Hawaii and the American Bar Association serving on the Real Property/Probate Law Division and the Forum for the Construction Industry and a former member of the following Professional Associations:

PROFESSIONAL ASSOCIATIONS

- ❑ Construction Management Association of America (CMAA)
- ❑ Certified Home Inspector 1990 (American Inspectors Association)
- ❑ The Construction Specifications Institute (CSI)
- ❑ Hawaii Building Association (HBA)
- ❑ International Code Council (ICC)
- ❑ International Concrete Repair Institute (ICRI)
- ❑ National Institute of Building Sciences (NIBS)
- ❑ Roofing Consultant Institute (RCI)
- ❑ Structural Engineers Association of Hawaii (SEAH)
- ❑ Association of Construction Inspectors (ACI)
- ❑ American Association of Cost Engineers (AACE)
- ❑ InterNACHI (National Association of Certified Home Inspectors)

LICENSING/CERTIFICATIONS

- Real Estate License 1980 (currently licensed)
- Certified Real Estate Appraiser 1987 (National Association of Real Estate Appraisers)
- Registered Home Inspector 1996 (Housing Inspection Institute)
- Senior Certified Valuer 1996 (International Real Estate Institute)
- Registered Property Manager 1996 (International Real Estate Institute)
- Mortgage Solicitor/Designated Mortgage Broker 1996-2010
- General Residential Contractor (Oregon 1998-2000)
- Certified Construction Project Manager 2007 (Association of Construction Inspectors)
- Certified Construction Consultant 2007 (Association of Construction Inspectors)
- Certified Construction Inspector 2007 (Association of Construction Inspectors)
- Certified Environmental Inspector (2009)
- Certified Environmental Manager (2009)
- Certified Environmental Specialist (2009)
- Certified Environmental Consultant (2009)
- Certified Mold Inspector (2009)
- Certified Mold Specialist (2009)
- Certified Testing Specialist (2009)
- Certified Remediation Specialist (2009)
- Certified Air Quality Specialist (2009)
- Certified Environmental Records Specialist (2009)

- OSHA Certifications:
 - NFPA 70-E
 - Scaffolding Competent Person
 - Fall Protection Competent Person
 - Revised Hazard Communication
 - Standard (HCS) Globally Harmonized System
 - Aerial Lifts
 - Powered Industrial Truck Certification (Class VII Rough Terrain Telehandler Forklift)
 - Respirable Crystalline Silica
 - NFPA 70E Arc Flash Safety
 - Trenching & Excavation Safety

EXPERIENCE: REAL ESTATE DEVELOPMENT, CONSTRUCTION MANAGEMENT, CONSTRUCTION ENGINEERING

- Central Pacific Development Corporation (Hawaii Headquarters) 1979-1990
- Capital Pacific Development Corporation (Mainland Branch) 1980-1990
- Building Inspection Consultants 1989-2000
- Lance Luke, Construction Consultant 2000-2007
- Construction Management Inspection LLC. 2008-current
- Served as construction manager on hundreds of capital improvement projects for condo and commercial buildings from 1990 to the current date.

EXPERIENCE: REAL ESTATE CONDO ASSOCIATION MANAGEMENT, CONDO BOARDS

- Certified Properties Inc. 1978-1984
- First American Realty & Management Corp. 1981-1986
- First American Real Estate Services Inc. 1986-1989
- Certified Management Inc./Associa Hawaii 2007-2011
- Certified Association Services Inc 2007-2012
- Certified Real Estate Services Inc. 2007-2012
- Certified Reserve Studies 2007-2012
- Certified Maintenance 2007-2012
- Served on various condo boards from 1979 to 1984, and 2017 to current. Currently on three condo association boards serving as Vice President, Secretary and Treasurer respectively.
- In addition to serving as corporate and consulting manager, Mr. Luke also trained many condo association property, resident and site managers from 1990 to the current date.

REAL ESTATE DEVELOPMENT PROJECTS (Served as Construction Manager for the following projects)

1. Makiki Plaza: 131 units, 25 stories, 1980
2. Tradewinds Plaza: 80 units, 11 stories, 1979
3. Punahou Surf: 7 units, 2 stories, 1980
4. Emerson Plaza: 12 units, 4 stories, 1979
5. Atkinson Plaza: 127 units, 18 stories, 1979
6. Plaza at Century Court: 94 units, 20 stories 1987

7. Century Park Plaza: 600 units, 40 story twin towers.1984
8. Makiki Colony: 56 units, 9 stories, 1980
9. Kuulei Hale: 16 units, 4 stories. 1984
10. Castle Hills: 130 single family subdivision, 1982
11. Nuuanu Palms: 7 unit single family cluster, 1988
12. Executive Plaza/Starts International: 7 story office building, 1990
13. Iolani Palms: 31 units, 6 stories, 1989
14. Fountains at Makiki: 72 units, 5 stories, 1991
15. Lani Hale: 15 units, 2 stories, 4 buildings, 2011
16. Leialoha Parkside, 10 units, 3 stories, 2011
17. Parkway Plaza: Residential Highrise Building, San Antonio, Texas 1984
18. Centre Plaza: Residential Highrise Building, Orlando Florida, 1984
19. Capital Pacific Business Plaza: Commercial Highrise Office Building, San Diego California, 1984

2021 WEBINARS

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| Construction Defects-The Bad & Ugly | 01/26 |
| Senior Safety in the Home- Kupuna Edition | 02/09 |
| Building Safety - Covid19 Protocol | 02/23 |
| Concrete Spalling Repair Guide | 03/09 |
| Warranties in Construction | 03/23 |
| Cast Iron Drain Piping-Replace Now/Later | 04/13 |
| Air Conditioning - Fresh Air Fact | 04/27 |
| Railing Failure Issues | 05/04 |
| Hurricane Ties - Don't Be Blown Away | 05/08 |
| Roofing - Facts to Be on Top | 06/08 |
| Premises Liability - Avoid the Lawsuits | 06/22 |
| Painting - Primer to the Rest of the Story | 07/13 |
| Reserve Studies - Faults & Pitfalls | 07/27 |
| FIRE/LIFE SAFETY IN HIGH-RISE BUILDINGS | 08/24 |
| BUILDING SAFETY | 09/14 |
| Building Codes & Permits - 2021 | 09/28 |
| Asphalt Reconstruction 101/102 | 10/26 |
| WOOD REPAIR-METHODS TO THE MADNESS | 11/09 |
| Flooring & Sound Transmission Issues | 11/23 |

For additional publications on building and construction topics, go to askbuildingexpert.now.site/publications

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| Developer Transition - Broken Promises | 03/08 |
| Top Ten OSHA Violations | 03/22 |
| Building Envelope - It's a Wrap | 04/12 |
| Lot/Grade Drainage - The Correct Flow | 04/26 |
| Plumbing - Let It Flow | 05/05 |
| The Millennium Story - The Sinking Building | 05/24 |
| HOA Design Review - The AOA Protocol | 06/14 |
| After a Flood - Do This, Not That | 06/28 |
| Contractor Bidding - Avoid the Rip-off | 07/12 |
| The Termite Story - They're Always Hungry | 07/26 |
| Window Safety - Hazards & Lawsuits | 08/09 |
| Grenfell Tower Fire - The Real Story | 08/23 |
| Hazardous Building Materials - Be Aware | 09/13 |
| Special Inspections - Code Requirements | 09/27 |
| Construction Inspections - How Important? | 10/11 |
| Problems in the Construction Industry | 10/25 |
| Defective Building Materials - How to Identify | 11/22 |

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| DPP- Why Is My Building Permit Taking So Long? | 03/21 |
| Emergency Generators | 04/04 |
| Climate Change & Global Warming. Real Or Fake News? | 04/18 |
| Condo Board Errors | 05/02 |
| Condo Lawsuits- There's Trouble in Paradise | 05/16 |
| The 7 Stages of Construction | 06/13 |
| 14 Types of Building Structure Components | 06/27 |
| Aloha Stadium: From Rust to Dust | 07/11 |
| The Real Estate Development Process | 07/25 |
| Water Damage/Flood Remediation | 08/08 |
| Construction Defect Litigation Cases | 08/22 |
| Renovation Is No Vacation | 09/05 |
| Real Estate Seller Disclosure | 09/19 |
| International Residential Code | 10/03 |
| Cliff Dwelling Construction | 10/17 |
| The Rail: The Big, Bad and The Ugly) | 11/14 |
| Red Hill: The Big Navy Blunder | 11/28 |
| Why Hire a Construction Manager | 12/05 |

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The National Building Expert Lance Luke shares his tips on Building Safety for Buildings large and small. He shares his 43 years of experience in the construction industry.

His webinars on building and construction topics draws audiences not only from the Unites States but from all over the world.

Sign up for a future webinar or two, or watch a few on demand at askbuildingexpert.now.site



CONDO'S, CONTRACTORS & CONSTRUCTION

Avoid the "Woulda, Coulda, Shoulda" Syndrome

BUILDING PERMITS: Who needs one? Who gets it? The \$1000 and licensed contractor rule.

CONTRACTORS: Check licensing status (Verify current license and GL & WC insurance) Verify specific license for the specific type of work. (tree trimming license cannot build rock walls) Select the "best value" contractor and not the cheapest or lowest bid contractor. Lowest bid may = cheap \$10/hour unskilled labor, no foreman/management supervision, inferior building materials and unexpected change orders, disappearing act at punch list time.

CONSTRUCTION CONTRACTS: Make sure the contract contains the total cost for the work, the exact description of the work (including products by brand name and model #), a complete project schedule to include start and completion date, payment schedule (how payments will be made to include deposit and by milestone and percentage of completion). Include allowances and unit costs for projected unknown work to prevent rip off change orders. Specify reference standards for how the work is to be completed. This one sentence will save you \$\$\$ and protect your assets.

"All work will conform to all current governmental codes/standards, building product manufacturer's specifications, CSI and NAHB guidelines and follow industry standards for the type of work being completed".

CHANGE ORDERS: Who approves? How does it happen? How is the cost of extra work calculated? Be aware of unknown and hidden extra costs that may show up like a Zombie.

PUNCH LISTS: make sure you have one done with all parties in attendance. And prepare a written document with reference photos. Have the contractor confirm a completion date for the outstanding and unfinished items.

WARRANTIES: ask for and review warranty documents and maintenance instructions BEFORE you sign the contract. Verify the warranty periods and coverage both the labor and the various building product warranties

BE AWARE OF UNKNOWN AND UNEXPECTED EXTRA COSTS

WOOD REPAIR- Rotted siding and trim boards. Older townhouse buildings may not have been constructed with a vapor barrier (felt or house wrap), Z flashing or roof flashing. Plan for replacement of rotted lanai decking planks and loose or rotted railing pickets. Structural Termite Damage- wall studs, sill plate, header, beam etc. hidden behind the siding.



ROOFING- Damaged flashing, corroded plumbing & exhaust vents, rotted roof decking and fascia boards, damaged attic screen vents, damaged and leaking gutters.

PAINT- peeling paint or too many layers of paint. Specify that the contractor take adhesion tests before starting the job.

CONCRETE SPALLING REPAIR- need unit costs for each type of work by repair location such as leading edge, vertical, horizontal, overhead, CMU wall etc. Also add in line items for repair of cracks, caulking, window repair, railing repair, lanai floor covering removal such as ceramic tile, outdoor carpet and glue etc. And specify allowances to cover environmental issues such as testing and abatement for lead paint and asbestos.

CAST IRON PIPE REPLACEMENT- need costs for not only the removal of cabinets, sink, toilet, shower wall, light fixture but also adding or replacing water supply shut off valves, repairing illegal electrical work, repairing unit owner components (tub drain, shut off valves, supply pipes), fire blocking, corrosive metal connections, environmental issues such as testing and abatement for lead paint, asbestos (popcorn ceiling, drywall tape/mud, asbestos floor tile/mastic, roofing etc. Also waterproofing of parking deck slab plumbing penetrations and repair of roof plumbing, vent and rain leader penetrations.

EQUIPMENT- need contractor's price to include all tools and equipment needed to complete the job such as ladders, scaffolds, swing stages, boom and scissors lift, cherry picker, POD, Porta-potty etc.

Lance Luke, 422-2132

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