House Bill 2109

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SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Divides content of existing construction contractor statute into smaller statutes. Adjusts statutory references to existing statute. Makes regulatory limitation for other political subdivisions same as limitation for cities and counties.

1

A BILL FOR AN ACT

2 Relating to construction contractors; creating new provisions; and amending ORS 279C.465, 701.055,

3 701.060, 701.135, 701.138 and 701.590.

4 Be It Enacted by the People of the State of Oregon:

5 <u>SECTION 1.</u> Sections 2 to 7 of this 2007 Act are added to and made a part of ORS chapter 6 701.

5 701

7 SECTION 2. (1) If a person is required under this chapter to be licensed as a contractor, 8 a city, county or state agency may not issue the person a building permit unless the person 9 has a current, valid contractor license. A city, county or state agency that requires the is-10 suance of a permit for the construction, alteration, improvement, demolition, movement or 11 repair of a building, structure or appurtenances to a structure shall, as a condition for is-12suing the permit, require the applicant for a permit to file a written statement signed by the applicant. The statement must affirm that the applicant is licensed under this chapter, give 13 14 the license number and state that the license is in full force and effect, or, if the applicant is exempt from licensing under this chapter, list the basis for the exemption. The city, 1516 county or state agency shall list the contractor's license number on the permit issued to that 17 contractor.

(2) If the applicant for a building permit is exempt from licensure under ORS 701.010 (6),
the city, county or state agency shall supply the applicant with an Information Notice to
Property Owners About Construction Responsibilities. The city, county or state agency may
not issue a building permit for a residential structure to the applicant until the applicant
signs a statement in substantially the following form:

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(a) I have read and understand the Information Notice to Property Owners About Con struction Responsibilities; and

(b) I own, reside in or will reside in the completed dwelling. My general contractor is
_______, Construction Contractors Board license no. ______, license expiration date______. I will instruct my general contractor that all subcontractors who
work on this dwelling must be licensed with the Construction Contractors Board; or

(c) I am performing work on property I own, a residence that I reside in or a residence 1 2 that I will reside in. 3 (d) I will be my own general contractor and, if I hire subcontractors, I will hire only subcontractors licensed with the Construction Contractors Board. 4 (e) If I change my mind and do hire a general contractor, I will contract with a general 5 contractor who is licensed with the Construction Contractors Board and I will immediately 6 notify the office issuing this building permit of the name of the general contractor 7 8 9 10 (3) The Construction Contractors Board shall adopt by rule a form titled "Information 11 12Notice to Property Owners About Construction Responsibilities" that clearly describes in everyday language the responsibilities property owners are undertaking by acting as their 13 own general contractor and the problems that could develop. The responsibilities described 14 15 in the form shall include, but not be limited to: 16(a) Compliance with state and federal laws regarding Social Security tax, income tax and unemployment tax. 17 18 (b) Workers' compensation insurance on workers. (c) Liability and property damage insurance. 19 (4) The board shall develop and furnish to city, county and state building permit offices, 20at no cost to the offices, the Information Notice to Property Owners About Construction 2122Responsibilities and the statement to be signed by the permit applicant. 23(5) A city or county that requires a business license for engaging in a business subject to regulation under this chapter shall require that the licensee or applicant for issuance or 24 renewal of the business license file, or have on file, with the city or county, a signed state-25ment that the licensee or applicant is licensed under this chapter. 2627(6) The provisions of this chapter are exclusive and a city, county or other political subdivision may not require or issue any registrations, licenses or surety bonds, nor charge any 28fee for the regulatory or surety registration of any contractor licensed with the board. This 2930 subsection does not affect the authority of a city, county or political subdivision to: 31 (a) License and levy and collect a general and nondiscriminatory license fee levied upon all businesses or upon business conducted by any firm within the city, county or political 32subdivision; 33 34 (b) Require a contractor to pay a fee, post a bond or require insurance when the city, 35 county or political subdivision is contracting for the services of the contractor; or (c) Regulate a contractor that is not required to be licensed under this chapter. 36 37 SECTION 3. (1) It is prima facie evidence that a person is doing business as a contractor 38 if: (a) The person for that person's own use performs, employs others to perform, or for 39 compensation and with the intent to sell the structure arranges to have performed, work 40 described in ORS 701.005 (3); and 41 (b) Within any 36-month period the person offers for sale two or more newly built 42structures on which work described in paragraph (a) of this subsection was performed. 43 (2) Licensure under this chapter is prima facie evidence that the licensee conducts a 44 separate, independent business. 45

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1 <u>SECTION 4.</u> (1) A contractor shall maintain a list that includes the names, addresses and 2 license numbers for all subcontractors or other contractors performing work on a project 3 for that contractor.

4 (2) The contractor must deliver the list referred to in subsection (1) of this section to the 5 Construction Contractors Board within 72 hours after a board request made during reason-6 able working hours.

SECTION 5. (1) The Construction Contractors Board shall prepare, and provide at no cost 7 to all licensed contractors, a consumer notification form designed to specifically inform 8 9 property owners what the property owners should do to protect themselves in a residential repair, remodel or construction project. The form shall include an explanation of the mean-10 ing of licensure, including a statement that licensure is not an endorsement of a contractor's 11 12 work, and an explanation of the bond and insurance levels required of contractors for the benefit of property owners. The form must not be larger than one side of a sheet of paper 13 that is 8-1/2 inches by 11 inches. 14

(2) A contractor shall deliver the consumer notification form to the property owner when
 the contractor submits a bid or proposal for work on a residential structure. The contractor
 may reproduce the form on the contractor's bid proposal.

<u>SECTION 6.</u> A contractor may not perform work subject to this chapter for an owner of a residential structure without a written contract if the aggregate contract price exceeds \$2,000. If the price of a contract was initially less than \$2,000, but during the course of performance the contract exceeds that amount, the contractor shall mail or otherwise deliver a written contract to the owner not later than five days after the contractor knows or should reasonably know that the contract price will exceed \$2,000. Failure to have a written contract does not void the contract.

25 <u>SECTION 7.</u> A partnership or corporation licensed under this chapter shall notify the 26 Construction Contractors Board immediately upon any change in licensed partners or cor-27 porate officers. If a partnership no longer has a licensed partner, the partnership may not 28 conduct activities that require a license under this chapter.

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SECTION 8. ORS 701.055 is amended to read:

30 701.055. (1) A person or joint venture may not undertake, offer to undertake or submit a bid 31 to do work as a contractor unless that person or joint venture has a current, valid license issued under this chapter by the Construction Contractors Board. [A partnership, corporation or joint 32venture may not undertake, offer to undertake or submit a bid to do work as a contractor unless that 33 partnership, corporation or joint venture is licensed under this chapter.] A partnership or joint venture 34 35 is licensed for the purpose of offering to undertake work as a contractor on a structure if any of the partners or joint venturers whose name appears in the business name of the partnership or joint 36 37 venture is licensed under this chapter.

[(2) A licensed partnership or corporation shall notify the board immediately upon any change in
 licensed partners or corporate officers. If a partnership no longer has a licensed partner, the partner ship may not conduct activities that require a license under this chapter.]

[(3) A city, county or the State of Oregon may not issue a building permit to any person required to be licensed under this chapter that does not have a current, valid license. A county, city or state agency that requires the issuance of a permit as a condition precedent to construction, alteration, improvement, demolition, movement or repair of any building or structure or the appurtenances to the structure shall, as a condition for issuing the permit, require that the applicant for a permit file a

written statement, subscribed by the applicant. The statement must affirm that the applicant is licensed 1 2 under this chapter, give the license number and state that the license is in full force and effect, or, if the applicant is exempt from licensing under this chapter, list the basis for the exemption. The city, 3 county or state agency shall list the contractor's license number on the permit obtained by that con-4 tractor.] $\mathbf{5}$ [(4) If the applicant for a building permit is exempt from licensure under ORS 701.010 (6), the city, 6 county or state shall supply the applicant with an Information Notice to Property Owners About Con-7 struction Responsibilities. The city, county or state may not issue a building permit for a residential 8 9 structure to the applicant until the applicant signs a statement in substantially the following form:] [____ 10 _] 11 12(a) I have read and understand the Information Notice to Property Owners About Construction 13Responsibilities; and (b) I own, reside in or will reside in the completed dwelling. My general contractor is 14 15 __, Construction Contractors Board license no. _____, license expiration date 16- I will instruct my general contractor that all subcontractors who work on this dwelling must be licensed with the Construction Contractors Board; or 1718 (c) I am performing work on property I own, a residence that I reside in or a residence that I will reside in. 19 (d) I will be my own general contractor and, if I hire subcontractors, I will hire only subcontrac-20tors licensed with the Construction Contractors Board. 2122(e) If I change my mind and do hire a general contractor, I will contract with a general contractor who is licensed with the Construction Contractors Board and I will immediately notify the office issu-23ing this building permit of the name of the general contractor ____ 2425Γ 1 2627[(5) The board shall adopt by rule a form entitled "Information Notice to Property Owners About Construction Responsibilities" that shall describe, in nontechnical language and in a 2829clear and coherent manner using words in their common and everyday meaning, the responsibilities 30 property owners are undertaking by acting as their own general contractor and the problems that could 31 develop. The responsibilities described in the form shall include, but not be limited to:] [(a) Compliance with state and federal laws regarding Social Security tax, income tax and unem-32ployment tax.] 33 34 [(b) Workers' compensation insurance on workers.] 35 [(c) Liability and property damage insurance.] [(6) The board shall develop and furnish to city, county and state building permit offices, at no cost 36 to the offices, the Information Notice to Property Owners About Construction Responsibilities and the 37 38 statement to be signed by the permit applicant.] [(7) A city or county that requires a business license for engaging in a business subject to regu-39 lation under this chapter shall require that the licensee or applicant for issuance or renewal of the 40 business license file, or have on file, with the city or county, a signed statement that the licensee or 41 applicant is licensed under this chapter.] 42[(8) It is prima facie evidence of doing business as a contractor if a person for that person's own 43 use performs, employs others to perform, or for compensation and with the intent to sell the structure, 44 arranges to have performed any work described in ORS 701.005 (3) if within any 36-month period that 45

1 person offers for sale two or more newly built structures on which that work was performed.]

2 [(9) Licensure under this chapter is prima facie evidence that the licensee conducts a separate, in-3 dependent business.]

4 [(10) The provisions of this chapter are exclusive and a city, county or other political subdivision 5 may not require or issue any registrations, licenses or surety bonds, nor charge any fee for the regu-6 latory or surety registration of any contractor licensed with the board. This subsection does not limit 7 or abridge the authority of any city or county to:]

8 [(a) License and levy and collect a general and nondiscriminatory license fee levied upon all busi9 nesses or upon business conducted by any firm within the city or county;]

10 [(b) Require a contractor to pay a fee, post a bond or require insurance when the city, county or 11 political subdivision is contracting for the service of the contractor; or]

12 [(c) Regulate a contractor that is not required to be licensed under this chapter.]

[(11)(a) A contractor shall maintain a list that includes the following information about all sub contractors or other contractors performing work on a project for that contractor:]

15 [(A) Names and addresses.]

16 [(B) License numbers.]

17 [(b) The contractor must deliver the list referred to in paragraph (a) of this subsection to the board 18 within 72 hours after a board request made during reasonable working hours.]

[(12)] (2) A contractor may not hire any subcontractor or other contractor to perform work
 unless the subcontractor or contractor is licensed under this chapter or exempt from licensure under
 ORS 701.010.

22[(13) A consumer notification form designed to specifically inform a property owner what the property owner should do to protect themselves in a residential repair, remodel or construction project 23shall be prepared by the board and provided at no cost to all licensed contractors. The contractor shall 24deliver the form to the property owner when the contractor submits a bid or proposal for work on a 25residential structure. The form shall include an explanation of the meaning of licensure, including a 2627statement that licensure is not an endorsement of a contractor's work, and an explanation of the bond and insurance levels required of contractors for the benefit of property owners. The form must not be 28larger than one side of a sheet of paper that is 8-1/2 inches by 11 inches. The contractor may reproduce 2930 the form on the contractor's bid proposal.]

[(14) A contractor may not perform work subject to this section for an owner of a residential structure without a written contract if the aggregate contract price exceeds \$2,000. If the price of a contract was initially less than \$2,000, but during the course of performance the contract exceeds that amount, the contractor shall mail or otherwise deliver a written contract to the owner not later than five days after the contractor knows or should reasonably know that the contract price will exceed \$2,000. Failure to have a written contract will not void the contract.]

[(15)] (3) Except as provided in ORS 671.540, a contractor that is not licensed under ORS 671.560
 shall hire a person licensed under ORS 671.560 to perform landscaping work.

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SECTION 9. ORS 279C.465 is amended to read:

40 279C.465. (1) Any person that loses a competitive bid or proposal for a contract involving the 41 construction, repair, remodeling, alteration, conversion, modernization, improvement, rehabilitation, 42 replacement or renovation of a building or structure may bring an action for damages against an-43 other person [*who*] **that** is awarded the contract for which the bid or proposal was made if the 44 person making the losing bid or proposal can establish that the other person knowingly violated 45 ORS 279C.840, 656.017, 657.505 or 701.055 or section 4 or 7 of this 2007 Act while performing the

work under the contract[,] or knowingly failed to pay to the Department of Revenue all sums withheld from employees under ORS 316.167.

3 (2) A person bringing an action under this section must establish a violation of ORS 279C.840,
316.167, 656.017, 657.505 or 701.055 or section 4 or 7 of this 2007 Act by a preponderance of the
evidence.

6 (3) Upon establishing that the violation occurred, the person shall recover, as liquidated dam-7 ages, 10 percent of the total amount of the contract or \$5,000, whichever is greater.

8 (4) In any action under this section, the prevailing party is entitled to an award of reasonable9 attorney fees.

10 (5) An action under this section must be commenced within two years of the substantial com-11 pletion of the construction, repair, remodeling, alteration, conversion, modernization, improvement, 12 rehabilitation, replacement or renovation. For the purposes of this subsection, "substantial com-13 pletion" has the meaning given that term in ORS 12.135.

(6) A person may not recover any amounts under this section if the defendant in the action es tablishes by a preponderance of the evidence that the plaintiff:

(a) Was in violation of ORS 701.055 or section 7 of this 2007 Act at the time of making the
 bid or proposal on the contract;

(b) Was in violation of ORS 316.167, 656.017 or 657.505 with respect to any employees of the
 plaintiff as of the time of making the bid or proposal on the contract; or

20 (c) Was in violation of ORS 279C.840 with respect to any contract performed by the plaintiff 21 within one year before making the bid or proposal on the contract at issue in the action.

22 SECTION 10. ORS 701.060 is amended to read:

701.060. (1) Any contractor licensed under this chapter may at any time apply for a license in
another category. The Construction Contractors Board may charge a transfer fee not to exceed \$20
for each additional license.

(2) If a contractor applies for a license pursuant to subsection (1) of this section, all construction, alteration, improvement, moving over public highways, roads or streets, demolition or repair performed by that contractor on buildings of all types shall be subject to the provisions of this chapter and to regulation by the board. [Such] Licensure under subsection (1) of this section shall be exclusive as provided in [ORS 701.055 (10)] section 2 (6) of this 2007 Act.

31 **SECTION 11.** ORS 701.135 is amended to read:

701.135. (1) The Construction Contractors Board may revoke, suspend or refuse to issue or re issue a license and the board may assess a civil penalty as provided in ORS 701.992 if the board
 determines after notice and opportunity for hearing:

(a) That the licensee or applicant has violated ORS 701.055 or 701.078 or section 4, 5, 6 or 7
 of this 2007 Act.

37 (b) That the licensee has violated a rule or order of the board.

(c) That the licensee has knowingly assisted an unlicensed person to act in violation of thischapter.

(d) That a lien was filed on a structure under ORS 87.010 to 87.060 and 87.075 to 87.093 because
the licensee or applicant wrongfully failed to perform a contractual duty to pay money to the person
claiming the lien.

43 (e) That the licensee has knowingly provided false information to the board.

44 (f) That the licensee has worked without a construction permit where a permit is required and 45 the work resulted in a claim being filed with the board. For purposes of this paragraph, "con-

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struction permit" includes a building permit, electrical permit, mechanical permit or plumbing per-

2	mit.
3	(g) That the number of licensed contractors working together on the same task on the same job
4	site, where one of the contractors is licensed as exempt under ORS 701.035 (2)(b), exceeded the fol-
5	lowing:
6	(A) Two sole proprietors;
7	(B) One partnership;
8	(C) One corporation; or
9	(D) One limited liability company.
10	(h) Consistent with the provisions of ORS 670.280, that the licensee or applicant has been con-
11	victed of one of the following crimes:
12	(A) Murder;
13	(B) Assault in the first degree;
14	(C) Kidnapping;
15	(D) Rape, sodomy or unlawful sexual penetration;
16	(E) Sexual abuse;
17	(F) Arson in the first degree;
18	(G) Robbery in the first degree;
19	(H) Theft in the first degree; or
20	(I) Theft by extortion.
21	(i) That the licensee or applicant has not, within 90 days after the date when payment was re-
22	ceived from the public contracting agency, or contractor in the case of a subcontractor, made pay-
23	ment to any person for supplying labor or materials contracted for with a public contract for a
24	public improvement plus the amount of interest due.
25	(j) That the licensee or applicant has repeatedly reported bad faith or false claims of nonpay-
26	ment against contractors or subcontractors.
27	(k) That the licensee or applicant has engaged in conduct as a contractor that is dishonest or
28	fraudulent and that the board finds injurious to the welfare of the public.
29	(2)(a) The administrator of the board, in accordance with administrative rules adopted by the
30	board and after setting forth specific reasons for the findings, may suspend or refuse to renew a li-
31	cense without hearing in any case where the administrator finds a serious danger to the public
32	welfare, including but not limited to:
33	(A) Lack of a surety bond required by ORS 701.085;
34	(B) Lack of liability insurance required by ORS 701.105;
35	(C) Hiring employees while licensed as exempt under ORS 701.035; or
36	(D) Conduct as a construction contractor that is dishonest or fraudulent.
37	(b) If the licensee or applicant demands a hearing within 90 days after the date of notice to the
38	licensee or applicant of the suspension or refusal to renew, then a hearing must be granted to the
39	licensee or applicant as soon as practicable after the demand, and the administrator shall issue an
40	order pursuant to the hearing as required by ORS chapter 183 confirming, altering or revoking the
41	administrator's earlier order. Notwithstanding ORS 670.325, a hearing need not be held where the
42	order of suspension or refusal to renew is accompanied by or is pursuant to a citation for violation
43	that is subject to judicial determination in any court of this state, and the order by its terms will
44	terminate in case of final judgment in favor of the licensee or applicant.
45	(3) In addition to all other remedies, if it appears to the board that a person has engaged in,
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or is engaging in, any act, practice or transaction that violates the provisions of this chapter, the 1 board may direct the Attorney General or the district attorney of the county in which the act, 2 practice or transaction occurs, to apply to the court for an injunction restraining the person from 3 violating the provisions of this chapter. An injunction may not issue for failure to maintain the list 4 provided for in [ORS 701.055 (11)] section 4 of this 2007 Act unless the court determines that the 5 failure is intentional. 6

 $\mathbf{7}$ (4) A certified copy of the record of conviction shall be conclusive evidence of a conviction under subsection (1)(h) of this section. 8

9 (5) If the board suspends or revokes the license of an individual contractor or contractor business for a violation of subsection (1)(g) of this section, the board may not restore or reissue the li-10 cense unless the individual contractor or a responsible managing individual, as defined in ORS 11 12 701.078, for the contractor business has successfully completed the training and testing described in ORS 701.072. 13

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SECTION 12. ORS 701.138 is amended to read:

15 701.138. (1) Every person offering to undertake or undertaking construction of building sewer piping shall comply with the requirements of ORS chapter 701. 16

(2) Every person submitting a bid or a written estimate of the costs to construct building sewer 17 18 piping shall provide to potential customers, prior to an agreement to perform, the following:

19 (a) The person's Construction Contractors Board license number and category;

(b) The applicable bonding and liability coverage; and 20

(c) The statement described in [ORS 701.055 (3)] section 2 (1) of this 2007 Act. 21

22(3) Any person licensed under ORS 701.055 may install a building sewer after obtaining a permit for plumbing inspection under ORS 447.095. 23

(4) As used in this section, "building sewer" means that part of the system of drainage piping 24that conveys sewage into a septic tank, cesspool or other treatment unit that begins five feet outside 25the building or structure within which the sewage originates. 26

27SECTION 13. ORS 701.590 is amended to read:

701.590. (1) A contractor shall deliver a notice of the procedure contained in ORS 701.565 to 28701.580 to an owner along with the consumer notification form required to be delivered to an owner 2930 under [ORS 701.055 (13)] section 5 of this 2007 Act. The notice must be conspicuous and may be 31 included as part of the underlying contract.

(2) The notice required by subsection (1) of this section must be in substantially the following 32form: 33

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OREGON LAW CONTAINS IMPORTANT REQUIREMENTS YOU MUST FOLLOW BEFORE 36 37 YOU MAY COMMENCE ARBITRATION OR A COURT ACTION AGAINST ANY CONTRACTOR, SUBCONTRACTOR OR SUPPLIER FOR CONSTRUCTION DEFECTS. 38 BEFORE YOU COM-MENCE ARBITRATION OR A COURT ACTION YOU MUST DELIVER A WRITTEN NOTICE OF 39 40 ANY CONDITIONS YOU ALLEGE ARE DEFECTIVE TO THE CONTRACTOR, SUBCONTRAC-41 TOR OR SUPPLIER YOU BELIEVE IS RESPONSIBLE FOR THE ALLEGED DEFECT AND PRO-42 VIDE THE CONTRACTOR, SUBCONTRACTOR OR SUPPLIER THE OPPORTUNITY TO MAKE AN OFFER TO REPAIR OR PAY FOR THE DEFECTS. YOU ARE NOT OBLIGATED TO ACCEPT 43 ANY OFFER MADE BY THE CONTRACTOR, SUBCONTRACTOR OR SUPPLIER. THERE ARE 44 STRICT DEADLINES AND PROCEDURES UNDER STATE LAW. FAILURE TO MEET THOSE 45

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1	DEADLINES OR FOLLOW THOSE PROCEDURES WILL AFFECT YOUR ABILITY TO COM-
2	MENCE ARBITRATION OR A COURT ACTION.
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5	SECTION 14. The amendments to ORS 701.055, 701.138 and 701.590 by sections 8, 12 and
6	13 of this 2007 Act do not:
6 7	13 of this 2007 Act do not: (1) Invalidate or impair any act done prior to the effective date of this 2007 Act.
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7	(1) Invalidate or impair any act done prior to the effective date of this 2007 Act.