

## HB 4020 -1 STAFF MEASURE SUMMARY

### House Committee On Business and Labor

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**Prepared By:** Tyler Larson, LPRO Analyst

**Meeting Dates:** 2/9, 2/14

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#### **WHAT THE MEASURE DOES:**

Defines major residential contractor as publicly traded general contractor. Prohibits major residential contractor from entering into contract to remodel or repair owner-occupied one- or two-family residential structure for contract price that exceeds \$20,000 unless the contractor jointly tours the property with the owner to identify the work to be completed and the written contract itemizes and describes in detail each of the major features of the construction work. Requires major residential contractor upon substantial completion of construction work to present property owner with listing of features of construction work itemized in contract and tour property with owner. Allows property owner to not approve and accept a construction feature by writing the specific changes necessary to bring the feature into compliance with the itemized and detailed description in the written contract. Prohibits major residential contractor from collecting or retaining more than 50 percent of the original contract price before property owner approves and accepts completed construction work. Allows major residential contractor who believes property owner has unreasonably withheld approval and acceptance of properly completed construction work to file request with the Construction Contractors Board for mediation of the dispute. Allows major residential contractor to initiate an action or suit to pursue other available remedies if the property owner refuses a board offer to mediate the dispute or the board declares after reasonable effort that the board cannot resolve the dispute by mediation. Applies to contracts entered into on or after January 1, 2023. Takes effect on 91<sup>st</sup> day after sine die.

*Minimal fiscal impact; no revenue impact*

#### **ISSUES DISCUSSED:**

- Business model of big box retailers that offer home improvement services
- Appropriate scope for measure
- Plans for interim work with agency to consider consumer protections more broadly

#### **EFFECT OF AMENDMENT:**

-1 Defines major residential contractor as publicly traded general contractor. Prohibits major residential contractor from collecting or retaining more than 50 percent of the original contract price before substantial completion of remodel or repair of owner-occupied one- or two-family residential structure with contract price that exceeds \$40,000. Allows collection of up to 50 percent of net increase if property owner agrees in writing to contract changes that result in net increase of \$20,000 or more. Clarifies that measure does not prohibit retention of collected amounts if contract price decreases or collection of payment from property owner that unreasonably withholds approval and acceptance. Allows major residential contractor who believes property owner has unreasonably withheld payment to file request with the Construction Contractors Board for mediation of the dispute. Allows major residential contractor to initiate an action or suit to pursue other available remedies if the property owner refuses a board offer to mediate the dispute or the board declares after reasonable effort that the board cannot resolve the dispute by mediation.

#### **BACKGROUND:**

Oregon law requires any person that engages in construction activity involving real property for compensation to be licensed as a construction contractor by the Construction Contractors Board (CCB). Applicants for a

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construction contractor license must: complete pre-license training; pass a licensing examination; obtain a general liability insurance policy that covers property damage or personal injury loss caused by the applicant and for which the CCB is the certificate holder; and, purchase a bond designed to compensate consumers who obtain an order against the applicant.

A property owner concerned about the performance of a licensed contractor can, within one year of project completion and 30 days after sending notice of intent by certified mail to the contractor, file a complaint with the CCB alleging breach of contract, negligence, or improper work. CCB must mediate the dispute and may recommend to the contractor appropriate actions to compensate the complainant. If the parties do not resolve or settle the complaint, the property owner can file for civil damages and recover any judgment against the contractor's bond.

House Bill 4020 with the -1 amendments prohibits publicly traded contractors performing improvements costing at least \$40,000 to owner-occupied one- and two-family dwellings from collecting or retaining more than 50 percent of the contract price before substantial completion of the work. A contractor who believes a property owner is unreasonably withholding approval may apply to the CCB for mediation of the dispute.