

Researching The Project

One of the most important aspects to a construction project is planning the project. Before you begin, research what needs to be done, check out the best way to do the work, and verify what types and the costs of the materials needed. In some cases, you may require the services of a contractor.

Information about permits and requirements are available through handouts on the city website, at City Hall or by contacting the Building and Community Standards Department.

Selecting A Contractor

Hiring a good contractor is an important part of ensuring a successful construction project. Hire a licensed contractor, ask for references and inquire as to how long the company has been in business. The Minnesota Department of Labor and Industry (DLI) is responsible for licensing residential contractors and can assist consumers with problems or complaints. In addition, you should check the reputation and work experience of a contractor through the Better Business Bureau and through contractor references.

If you choose to do the work yourself, you are responsible for obtaining all permits, scheduling inspections, and resolving any problems that may arise. If you hire a contractor, the contractor is responsible for permits, inspections and code compliance. Verify that a contractor is licensed with the State of Minnesota before signing a contract.

Contractor Licensing

Residential building contractors must have a State of Minnesota issued license. There are exceptions such as contractors that make less than \$15,000 annually and specialty contractors that provide only one type of service. To find out if a contractor is licensed, call City Hall or call the Minnesota Department of Labor & Industry. A contractor who is not licensed, *but should be*, cannot file a mechanic's lien against your property.

Writing A Home Improvement Contract

A contractor will "bid" on your project after meeting with you. Once you have selected a contractor and chosen a bid, a contract should be written. A detailed contract will describe the kinds of materials used, the scope of work to be performed, total cost, estimated completion date, names of any subcontractors and all materials supplied. It should be written in clear, concise language and signed by both parties. Whenever possible, request specific names, colors, brands, etc. Any item not included in the contract can be considered an extra and may cost you more later. A contract can be revised, but only after both the homeowner and contractor sign it. If the project involves a large amount of money, it is a good idea to have an attorney review the contract.

Definitions

Building Permits – The person/company doing the work is responsible for obtaining all necessary permits and scheduling inspections.

Start/Completion Dates – Delays can occur. A general statement allowing for reasonable delays is a good idea.

Change Order Clause – An agreement that the contract cannot be modified without the written consent of both parties. Contractors may charge homeowners for changes to plans or additional work.

Schedule of Payments – A down payment is customary but should not be more than a modest percentage of the total job. Any contractor who insists on a large down payment should be avoided. Set up a payment schedule that reflects work done to date.

Holdback Clause – Allows you to withhold final payment until the job is complete and inspected. If there are problems, it serves as an incentive for the contractor to remedy the and allow time to have the City inspect the work.

Clean Up – Should be considered if a large amount of debris will be generated.

A contract should include:

Building Permit Fees
Start and Completion Dates
Change Order Clause
Schedule of Payments
Holdback Clause
Clean Up

Mechanic's Liens

Any contractor, subcontractor or material supplier for a building project can go to court and try to take possession of your property if he or she is not paid. This is called a Mechanic's Lien. Understanding the Minnesota Mechanic's Lien Law will save you time, money and frustration.

There are a number of things to be aware of in order to avoid liens or to determine if a lien is valid or enforceable. State law allows you to pay a subcontractor directly and deduct that amount from the total contract price. Another option would be to withhold the amount needed to pay the subcontractor for up to 120 days after the project has been completed unless the contractor has given you waivers signed by the subcontractors that give up their right to file a lien against your property.

Your contractor must give you written notice of intent to file a lien if the contractor is not paid. This notice is required whenever subcontractors or material suppliers are employed and must be included in the written contract or delivered separately to you within 10 days after the work is agreed upon. This contractor's notice must be given properly for the contractor to have the right to a lien against your property.

To protect yourself from having liens filed against your property, have the contractor list in the contract the names of all subcontractors and material suppliers. Before making final payment, be sure you receive signed lien waivers from each contractor.

Problems or Complaints

If you have a dispute with a residential contractor, contact the Department of Labor & Industry (MN DLI). They will discuss the situation and offer a resolution, or ask that you submit a written complaint to initiate a formal investigation.

A written complaint should detail the dispute, be written in your own words, include copies of the contract and other relevant documents and include your phone number and address.

Mail or Email the complaint to:

Minnesota Department of Labor and Industry
Residential Building Contractors
443 Lafayette Road N.
St. Paul, MN 55155
dli.contractor@state.mn.us

A copy of your complaint may be sent to the contractor in order to elicit a clear response. MN DLI does not have the authority to order a contractor to pay damages, refund money or correct the work, but they can take administrative disciplinary action against the contractor's license if it is determined that violations of the licensing laws and rules has occurred.

Contractor's Recovery Fund

Hiring a licensed contractor provides you access to the Contractor's Recovery Fund, which reimburses consumers who suffer losses. Even with a written contract, you could end up dissatisfied with the contractor's work or his inability to complete the work, which could result in taking legal action to obtain a judgment against the contractor. You can seek compensation by doing the following:

- Take legal action against the contractor and obtain a judgment in your favor.
- Search for assets to pay your judgment. If the contractor has none, you can apply to the Recovery Fund within one year of your judgment.
- The next steps will depend on the amount of damages you are seeking.

MN DLI may support or oppose your request, but the Court will make the decision.

There is a limit to the amount that can be paid out of the Recovery Fund against any one licensed contractor. It is, therefore, possible that you will not be able to recover your full judgment amount if other claims have been made against the same contractor.

To better protect your investment, ask your contractor to obtain a performance bond for your project, which would provide a specific level of protection.

Consumer Protection

Minnesota law requires contractors to warrant that home improvement projects are:

- Free of major construction defects for ten years. Major construction defect means damage affecting the stability and safety of the dwelling.
- Free for two years from mechanical defects caused by faulty installation of plumbing, electrical, heating and cooling systems.
- Free for one year from defects caused by faulty workmanship and defective materials.

This statutory warranty is in addition to any other warranty you may have with your contractor. The State has no authority to enforce this warranty. However, if the

contractor fails to meet the warranty, the homeowner has the right to pursue private, civil action to seek damages necessary to remedy the defect.

Resources

Minnesota Department of Labor & Industry

- Contractor Complaints
- Contractor Recovery Fund
- Residential Building Contractor License Lookup

651-284-5069 or 1-800-342-5354

www.dli.mn.gov/cclld/rbc.asp

City of Brooklyn Center

Building and Community Standards Dept.

- Code and ordinance questions
- Permit questions and inspections

763-569-3330

www.CityofBrooklynCenter.org

Minnesota Better Business Bureau

651-699-111 or 1-800-646-6222

www.minnesota.bbb.org

Minnesota Attorney General's Office

651-296-3353 or 1-800-657-3787

www.ag.state.mn.us

Contact Us

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This brochure contains general information and is intended as a guide. Other regulations and requirements may apply. City codes, handouts and additional information are available on the City website.

Hiring a Residential Contractor Revised 08142010

Hiring a Residential Contractor

A Consumer's Guide



Community Development