

HB 3385 A -A5 STAFF MEASURE SUMMARY

Senate Committee On Labor and Business

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Meeting Dates: 5/9, 5/11

WHAT THE MEASURE DOES:

Prohibits major residential contractor from collecting or retaining more than 50 percent of original contract price before substantial completion of remodel or repair of owner-occupied one- or two-family residential structure when contract price exceeds \$40,000. Permits major residential contractor to collect and retain not more than 50 percent of price increase, if property owner agrees in writing to contract changes that result in net increase in original contract of \$20,000 or more. If major residential contractor's costs of materials, supplies, and payments to subcontractors at start of remodel or repair exceed 50 percent of total contract price, major residential contractor may require property owner to make progress payments to cover costs. Specifies items that must be included in contract if major residential contractor requires progress payments. Permits major residential contractor to retain properly collected amounts after contract price decrease and to obtain payment for completed construction work from a property owner that unreasonably withholds approval and acceptance. Provides authority for Construction Contractors Board to adopt necessary rules. Defines major residential contractor as publicly traded general contractor. Applies to contracts entered on or after January 1, 2024. Takes effect on 91st day following adjournment sine die.

FISCAL: No fiscal impact

REVENUE: No revenue impact

HOUSE VOTE: Ayes, 42; Nays, 0

ISSUES DISCUSSED:

- Definition of "major residential contractor"
- Claim resolution process with major residential contractors
- Related laws in other states

EFFECT OF AMENDMENT:

-A5 Replaces the measure. 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 \$40,000 or to collect or retain more than 50 percent of original contract price before substantial completion of remodel or repair. Permits major residential contractor to collect and retain not more than 50 percent of price increase, if property owner agrees in writing to contract changes that result in net increase in original contract of \$20,000 or more. If major residential contractor's costs of materials, supplies, and payments to subcontractors at start of remodel or repair exceed 50 percent of total contract price, major residential contractor may require property owner to make progress payments to cover costs. Specifies items that must be included in contract if major residential contractor requires progress payments. Permits major residential contractor to retain properly collected amounts after contract price decrease. Permits major residential contractor to obtain payment for completed construction work from a property owner that unreasonably withholds approval and acceptance if contractor first attempts mediation through the Construction Contractors Board (CCB). Defines major residential contractor as public traded general contractor. Applies to contracts entered on or after January 1, 2024. Prohibits a business from installing, applying, repairing, or maintaining spray-on fireproofing material or a spray on fireproofing system in an essential facility unless the business has a current and valid certification from the CCB. Specifies qualifications for

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business to obtain or renew certification. Permits CCB to impose fees necessary to administer certification program and specifies amount fees may not exceed. Requires CCB to maintain and make available on its website, or in response to a request, a searchable list of certified businesses. Allows building official to require copy of certification of business as condition of issuing permit. Certification program becomes operative on July 1, 2024. Provides authority for CCB to adopt necessary rules. Takes effect on 91st day following adjournment sine die.

BACKGROUND:

Oregon law requires any person who 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 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 3385 A prohibits a major residential contractor from collecting or retaining more than 50 percent of original contract price before substantial completion of remodel or repair of owner-occupied one- or two-family residential structure when contract price exceeds \$40,000.