

**HB 3385 A STAFF MEASURE SUMMARY**

Carrier: Rep. Smith G

**House Committee On Business and Labor****Action Date:** 04/03/23**Action:** Do pass with amendments. (Printed A-Eng.)**Vote:** 9-2-0-0**Yeas:** 9 - Elmer, Grayber, Holvey, Hudson, Nelson, Nosse, Osborne, Owens, Sosa**Nays:** 2 - Boshart Davis, Scharf**Fiscal:** No fiscal impact**Revenue:** No revenue impact**Prepared By:** Erin Seiler, LPRO Analyst**Meeting Dates:** 3/20, 4/3**WHAT THE MEASURE DOES:**

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 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 into on or after January 1, 2024. Takes effect on 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

- Consumer protection for house owners remodeling or repairing their homes
- Construction Contractors Board mediation program
- Experience with major residential contractor
- Previous versions of measure

**EFFECT OF AMENDMENT:**

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, 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. If major residential contractor requires progress payments, contract must include: itemized list of materials, supplies and payments to subcontractor; schedule of progress of payments linked to specific items of work; and specification of progress that major residential contractor must make before each progress payment. 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 Construction Contractors Board with rulemaking authority.

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### **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 entering into contract to remodel or repair owner-occupied one- or two-family residential structure for a 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.