

A-Engrossed
House Bill 3385

Ordered by the House April 7
Including House Amendments dated April 7

Sponsored by Representative SMITH G; Representative EVANS

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.

[Requires certain residential general contractors proposing remodel or repair project of more than \$20,000 in value to tour residential structure with property owner and provide property owner with itemized and detailed description for each feature of proposed construction work. Limits amount contractor may collect before completion and before property owner's approval and acceptance of itemized and described construction features.Requires contractor to request mediation by Construction Contractors Board before bringing action or suit or pursuing other remedies to collect payment from property owner that unreasonably withholds approval and acceptance.]

Prohibits major residential contractor from collecting or retaining more than 50 percent of original contract price before substantial completion of remodeling or repair of owner-occupied one-family or two-family residential structure if original contract price exceeds \$40,000. Permits major residential contractor to collect not more than 50 percent of increase in contract price if property owner agrees in writing to changes that increase contract price by \$20,000 or more. Permits major residential contractor to require property owner to make progress payments solely to cover costs of materials, supplies and payments to subcontractors. Specifies required contents of contract. Specifies exceptions to requirements.

Applies to contracts entered into on or after January 1, 2024.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

Relating to construction contractors; and prescribing an effective date.

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

SECTION 1. Section 2 of this 2023 Act is added to and made a part of ORS chapter 701.

SECTION 2. (1) As used in this section, "major residential contractor" means a residential contractor that is:

(a) A general contractor; and

(b) A company that offers securities registered with the United States Securities and Exchange Commission for sale to the general public.

(2)(a) A major residential contractor may not, in a contract to remodel or repair an owner-occupied one-family or two-family residential structure with a contract price that exceeds \$40,000, collect or retain more than 50 percent of the original contract price before substantial completion of the remodeling or repair.

(b) If a property owner agrees in writing to contract changes that result in a net increase in the original contract price of \$20,000 or more, the major residential contractor may collect and retain not more than 50 percent of the contract price increase.

(3) If a major residential contractor's costs of materials, supplies and payments to subcontractors at the commencement of the remodel or repair exceeds 50 percent of the total contract price, the major residential contractor may require the property owner to make

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 progress payments solely to cover the costs of materials, supplies and payments to subcon-
2 tractors. If the major residential contractor requires progress payments, the contract must
3 include:

4 (a) An itemized list of all materials, supplies and payments to subcontractors;

5 (b) A schedule of progress payments due that is linked to specific items of work com-
6 pleted or a specific completed percentage of the total work specified in the contract; and

7 (c) A specification of the progress the major residential contractor must make on the
8 renovation or repair before each progress payment is due.

9 (4) This section does not prohibit a major residential contractor from retaining properly
10 collected amounts after a contract price decrease. This section does not prevent a major
11 residential contractor from obtaining payment for completed construction work from a
12 property owner that unreasonably withholds approval and acceptance.

13 (5) The Construction Contractors Board may adopt rules to implement the provisions of
14 this section.

15 **SECTION 3.** Section 2 of this 2023 Act applies to contracts into which a major residential
16 contractor and a property owner enter on or after January 1, 2024.

17 **SECTION 4.** This 2023 Act takes effect on the 91st day after the date on which the 2023
18 regular session of the Eighty-second Legislative Assembly adjourns sine die.

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