



## City of Ann Arbor

### PLANNING & DEVELOPMENT SERVICES — CONSTRUCTION SERVICES

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#### HOW TO SELECT A CONTRACTOR

Here are some guidelines on how to choose a contractor for your dream project so that it doesn't become a nightmare.

##### Get Contractors Names from:

- Friends or neighbors who have had satisfactory work done.
- People at home improvement centers, builders' shows or open homes.
- The local Yellow Pages list of licensed builders who do business in the community.
- The local homebuilders association.

##### Look for the License

A Residential Builder's license allows a contractor to build a complete structure and also do maintenance or remodeling work. If the contractor cannot show you a license, call the Department of Consumer and Industry Services License and Verification Unit at (517) 241-9254.

All contractors offering to do work that totals \$600 or more for labor and materials must have a state license.

##### Get References

Get current references from the contractors you are considering.

Ask for names and addresses of previous customers. Check with those people who have had work done and ask if it was satisfactory.

Be sure the contractor has a permanent business location and telephone number.

Check the contractor's credit reputation with local banks and suppliers.

##### Get Estimates

Get estimates from at least three different contractors to compare prices. Remember, the cost of materials and quality will affect the bid. A low bid based on inferior materials may not be any bargain, so consider more than one price.

Be sure the estimate specifies the total price, the terms of payment, the kinds of materials to be used and the expected time it will take to complete the job.

Be wary of special prices because of leftover materials from another job, other jobs in the neighborhood or discounts if you agree to get other customers for similar projects. They are often gimmicks to get you to sign the agreement.

##### Get it in Writing

When you have selected a contractor, get all agreements in writing. A written agreement will ensure that there are no misunderstandings about the work or the terms of the contract. Make sure that you read all documents carefully. While it is not required, it is often a good idea to have an attorney review the contract and any other forms before you sign them, especially if large sums of money are involved.

## **Get a Contract**

The written contract should include:

- The company name, address, phone number and the full name and license number of the builder / contractor and the salesperson.
- Detailed job specifications that include a description (brand names, colors, grades, styles and / or model numbers) of materials, a list of all costs spelled out clearly, and any architect's or engineer's drawings that are required. Often selections are made after the contracts are written. Make sure you know the dollar allowances for these items. Note: if the scope of work increases after the original contract is signed, be sure you and the contractor are in agreement to the cost and schedule for completion of extra work.
- Start and completion dates. These should allow for any reasonable delays, but may include a clause allowing you to withhold payment if work slows down for no apparent reason.
- A statement that the contractor will obtain all required building permits and variances before work is begun. The building permit is for your protection: an inspector will make sure the finished job meets all codes and safety standards, and the permit makes the contractor responsible for any corrections.
- Obtain a certificate of insurance to validate that the contractor carries liability insurance and has Worker's Compensation coverage in case of accidents on the job.
- A statement of warranty on the work. Be sure it tells if labor and materials are guaranteed and for how long. A statement that cleanup and disposal of excess materials will be done by the contractor should be included (unless the homeowner wants to do it). State of Michigan licensees are committed to a one year warrantee.
- A provision for credits if there are large amounts of materials left over. You should also be prepared to pay for extra materials if there are hidden problems or concealed conditions. Your builder should provide you written descriptions of these extra costs, so that there are no surprises on your bill.
- The terms of payment should be clearly stated in the contract. • A "right to cancel" clause. If you are solicited and sign the contract in your home, you have three (3) days in which to cancel the contract if you change your mind. You must send the contractor a registered letter stating you wish to cancel.
- If everything in the agreements satisfactory, both the contractor and the homeowner must sign and date the contract. Any later changes or revisions must be dated and initialed by both parties and should be accompanied with a written change order describing work to be performed and associated costs. Be sure that the contractor gives you a copy of the contract, with any changes noted.

## **Paying the Contractor**

Never pay for the entire job in advance.

Make a deposit when work begins to cover materials and startup costs. Pay by check to the company name and always get a receipt.

Make scheduled payments as work progresses. Refer to the Construction Lien Recovery Fund Consumer Guide for more information. A copy may be found at [www.cis.state.mi.us/bcs/builders/home.htm](http://www.cis.state.mi.us/bcs/builders/home.htm).

Before making final payment, be sure that any work that requires a final inspection has been made and approved by the applicable inspector. This would include building, plumbing, mechanical, electrical and grading. In the case of a new house, a Certificate of Occupancy will be issued, certifying that the structure has passed all inspections and is legally able to be occupied.

## **Resolving Problems**

If you have problems, try to resolve them with the contractor before making the final payment. You may contact the building department for assistance in resolving workmanship and code violations.

Your contractor may offer arbitration. Contact the Home Builders association for further information.

If your efforts to resolve the matter fail, or if you feel you have been the victim of fraud or deceit, contact the Department of Consumer & Industry Services, Commercial Enforcement Division, to file a complaint (517) 241-9241.