



## Fast Facts

### *REBUILDING AFTER A DISASTER*

The Contractors State License Board, which operates under the umbrella of the California Department of Consumer Affairs, licenses and regulates California's 300,000 contractors, and is regarded as one of the leading consumer protection agencies in the United States.

The Contractors State License Board (CSLB) urges property owners to educate themselves about the process of rebuilding after a disaster to avoid potential problems. Always use a state-licensed contractor, verify the status of the license, ask for references from prior clients, and avoid rushing into signing any contracts.

#### **Home Improvement versus New Construction**

Generally, reconstruction in a disaster area will be classified in one of two categories: home improvement or new construction. Understanding the difference will help you when communicating with your city or county building department, your insurance company, and the other qualified professionals you select for your project.

#### Home Improvement

If there is an existing foundation, chimney, or partial walls, your project will be classified as home improvement. Contractors can ask for no more than 10% (up to \$1,000) of the project cost as a down payment. In addition, subsequent progress payments must not exceed the value of work performed.

#### New Construction (Single-Family Dwelling)

If there is nothing on your property other than bare ground, your project will be considered new construction. Contractors working on new construction are not bound by the same payment restrictions as those working on home improvement projects. CSLB recommends asking your contractor to honor the same requirements as home improvement projects located in the disaster zone.

#### **Debris**

Contact your local city or county building department about the guidelines, requirements, or permits for demolition or debris removal and disposal. Debris removal may be coordinated through the Federal Emergency Management Agency (FEMA) and/or CalRecycle or done by an appropriately CSLB-licensed contractor. For more information, see CSLB's [Fast Facts: Debris Removal & Construction Scams](#).

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[www.cslb.ca.gov](http://www.cslb.ca.gov)

[CheckTheLicenseFirst.com](http://CheckTheLicenseFirst.com)

### **Your Project**

Any reconstruction project will involve a number of steps. Take your time and avoid the tendency to want to “get this over with” or “just get back home.” Trying to speed up the rebuilding process can result in overlooking important details about your project, and may lead to structural or financial problems in the future.

### Insurance \$\$

Once you receive the loss coverage reimbursement from your insurance policy, place these funds in a safe place, such as an account provided by a financial lending institution experienced with construction accounts. A “construction escrow account” also protects your funds because the financial institution will require two signatures on a disbursement, as the agreed-upon project phases are paid for. Your contractor is not a government-insured financial institution.

You should not divulge the amount of money received from your insurance company. This will ensure that bids from contractors are based on the reconstruction project, not the amount of insurance money you received.

### Licensed Professionals

Most licensing agencies or organizations have quick-access tools, such as CSLB’s [Find My Licensed Contractor](#) and [License Check](#). These valuable links can help you find a licensed contractor, confirm that the license is in good standing, and verify an active surety bond and workers’ compensation insurance, if necessary. CSLB recommends getting at least three bids from licensed contractors.

Avoid door-to-door salespeople who offer low prices for “surplus materials” or use high-pressure sales tactics that urge you to let them work for you on-the-spot. Never rely on slick business cards, flyers, or brochures as verification of a person’s qualifications. And, watch out for construction “consultants” who want to manage your project. Consultants, like contractors, must be licensed by CSLB if they bid or contract for a project or oversee the project and workers.

### Know What You’re Buying

Familiarize yourself with the cost of projects and materials to avoid being overcharged by those who may try to take advantage in a desperate situation. Price-gouging in a state or federally declared disaster area is a crime and can result in severe fines and jail time. Typically, businesses cannot charge more than 10% above the

normal prices they charged for their goods or services immediately prior to the emergency declaration.

### Your Contract

Make sure everything is identified and written into the contract, including:

- Project start and completion dates
- Payment schedule—never pay in cash.
- All materials that will be used should be described in detail, e.g., style, brand, model, quality, quantity, weight, color, size, or any other description that may apply.
- Names of all subcontractors and material suppliers.

Both you and your contractor should sign the contract. This step is critical in assuring that your finished project is what you agreed to and expect upon completion.

All change orders also need to be in writing and signed by both parties. If you have an escrow account, the change in cost should be shared with your financial institution.

Make sure your contractor pulls all required permits from the appropriate city or county building departments. Disaster recovery is not an ideal time to list yourself as the “owner-builder” of your construction project. If anything goes wrong—from substandard work to subcontractor injury at the construction site—you, as the “owner-builder,” may be responsible for damages. Also, as an owner-builder, you employ the workers and must follow state employment and tax laws.

### **Tips for Hiring a Contractor**

- Use the [Find My Licensed Contractor](#) feature on CSLB’s website to identify licensed contractors based in your area.
- Check the contractor’s [license status](#) on CSLB’s website and confirm that the license is in good standing and that, if the contractor has employees, they have workers’ compensation coverage.

- Get bids from at least three licensed contractors. Don't necessarily take the lowest bid, especially if it's much lower than other bids. Be sure to ask to see their plastic pocket license and a photo identification.
- Get references from each bidder and view their previous work in person.
- Watch out for construction “consultants” who want to manage your project; they, too, must be CSLB-licensed if they bid or contract for a project or oversee the project and workers.
- Insist on a written contract, signed by you and the contractor. Make sure it is detailed, including the time schedule, down payment and subsequent payment schedule, scope of work, and description of materials and equipment. All change orders must be signed by both you and the contractor.
- In most cases, in a disaster area you have up to seven business days to cancel your contract without penalty.
- Ensure on-site construction materials are secured by a fence.
- Get lien releases throughout the duration of the project, signed by both the contractor and subcontractors, once work is completed and paid for. Free lien release and waiver forms are available on CSLB's website: [www.cslb.ca.gov](http://www.cslb.ca.gov).
- Try to be present when building inspectors are on site to hear if there are any problems or necessary corrections.

### Resources

- Contractors State License Board: [www.cslb.ca.gov](http://www.cslb.ca.gov) or (800) 321-CSLB (2752).
- CSLB Disaster Help Center Hotline: (800) 962-1125.
- Small Claims Court – for disputes and losses under \$10,000.
- The Consumer Division of your local district attorney's office.