

Construction Contract

Case Number: _____ Date: _____
Borrower Name(s): _____
Phone #: _____ Phone #: _____

THIS IS A MODEL DOCUMENT FOR USE IN RENOVATION OR CONSTRUCTION LOAN TRANSACTIONS. THIS FORM IS PROVIDED AS AN EXAMPLE AND IS NOT VALID AND ENFORCEABLE IN ALL JURISDICTIONS. LENDERS SHOULD CONSULT WITH LEGAL COUNSEL TO ENSURE THAT ALL FORMS USED TO ORIGINATE RENOVATION OR CONSTRUCTION MORTGAGES ARE APPROPRIATE, AND THAT ALL LEGAL INSTRUMENTS ARE COMPLETED CORRECTLY AND IN COMPLIANCE WITH APPLICABLE LAW.

THIS CONSTRUCTION CONTRACT (“Contract”) dated as of _____, _____ by and between _____ (“Owner”) and _____ (“Contractor”).

Owner and Contractor, in executing this Construction Contract, agree as follows:

1. Work.

Contractor shall build the items identified in Exhibit “A” (“Work”) in accordance with the specifications in the Contract Documents, as identified in Article 8 of this Contract, on property which is located at _____ (“Property”).

2. Contract Time.

The Work will be completed on or before _____ (“Completion Date”), subject to modifications in approved Change Orders. The Completion Date shall be the date when the Work is sufficiently complete in accordance with the Contract Documents so that Owner can occupy or utilize the Property for its intended use (“Substantial Completion”). If Owner will pay Contractor for all or part of the Work with funds advanced by a lender, Substantial Completion shall be the date as defined by the loan documents. Before starting the Work, Contractor shall submit an estimated project schedule indicating the starting and completion dates of various stages of the Work for review by the Owner.

3. Price.

Owner shall pay to Contractor \$ _____ (“Contract Price”) for completion of the Work.

4. Change Orders.

Any increase or decrease in the Contract Price, change in the Work or change in the Contract Time must be set forth in a change order signed by Owner and Contractor and approved by the lender (“Change Order”).

5. Payment Procedures

a)Progress Payments. Contractor shall submit to Owner a request for payment in a form agreed to by Owner and Contractor and approved by lender (“Request for Advance”) which shall cover a period of at least _____ calendar days.

Within _____ calendar days after a Request for Advance is presented, Owner shall notify Contractor if Owner has any concerns about the Request for Advance that Owner believes should be resolved before Owner pays the amounts specified in the Request for Advance, and, in this event, Owner and Contractor shall promptly meet to address such concerns. Owner shall pay Contractor ____ percent (___%) of the full amount covered by the Request for Advance within _____ calendar days from the day it was presented while retaining _____ percent (___%) thereof (“Holdback”) to be paid simultaneously with the final payment. Payment may be withheld for: (1) failure to perform the Work in accordance with the Contract Documents; (2) defective Work that is not corrected; or (3) failure of the Contractor to pay subcontractors or to pay for labor, materials or equipment when due.

b)Final Payment. Final payment of the balance of the Contract Price including the Holdback shall be made in accordance with the following procedures:

- i) When Contractor considers the Work substantially complete, Contractor shall notify Owner in writing. Within a reasonable time thereafter, Owner and Contractor shall inspect the Work. Promptly after such inspection, Owner shall deliver to Contractor a written punch list of the items that must be completed in order for the Work to reach final completion (“Final Completion”). Alternatively, Owner shall deliver to Contractor a written statement that Final Completion has been reached because no punch list items remain to be completed.
- ii) If Owner delivers a written punch list to Contractor, then Contractor shall deliver to Owner a written notice that the Work is finally complete when Contractor believes that the punch list items have been completed. Then Owner and Contractor shall promptly inspect the punch list items. Promptly after such inspection, Owner shall deliver to Contractor either (i) a written statement that Final Completion has been reached or (ii) another written punch list of the items that still must be completed in order for the Work to reach Final Completion in which event the punch list procedure described above shall be repeated until all punch list items have been completed.
- iii) When Final Completion has been reached and after Contractor has delivered to Owner all maintenance and operating instructions, schedules, guarantees,

certificates of inspection, marked up record documents and other documents, Contractor may request final payment following the procedure for progress payments. The final Request for Advance shall be accompanied by all documentation required by the Contract Documents, together with complete and legally effective releases or waivers (approved by Owner and lender) of all potential liens arising out of or filed in connection with the Work.

6. Interest.

Payments due and unpaid to Contractor shall bear interest at the rate of _____ percent (___%) per annum or the maximum rate allowed by law at the place of the Work, whichever is lower.

7. Contractor's Representation.

In order to induce Owner to enter into this Contract, Contractor affirms that Contractor has reviewed and is familiar with the nature and extent of the Contract Documents, Work site, locality, and all local conditions and laws and regulations that may affect cost, progress, performance or furnishing of the Work. Contractor is duly licensed to perform the Work as required by local laws and regulations.

8. Contract Documents.

The Contract Documents which comprise the entire Contract between Owner and Contractor concerning the Work consist of this Contract, Exhibit "A," the Plans and Specifications, all Change Orders and _____.

9. Contractor's Responsibilities.

- a) **Performance.** Contractor shall perform the Work in accordance with the Contract Documents, and shall be solely responsible for the means, methods, techniques, sequences and procedures of construction.
- b) **Personnel.** Contractor shall provide competent, suitable personnel to survey and lay out the Work and perform construction as required by the Contract Documents. Contractor shall at all times maintain good discipline and order at the Property.
- c) **Furnished Items.** Contractor shall supply and take full responsibility for all materials, equipment, labor, transportation, construction equipment and machinery, tools, appliances, fuel, power, light, heat, telephone, water sanitary facilities, temporary facilities and all other facilities and incidentals necessary for the furnishing, performance, testing, start-up and completion of the Work.
- d) **Materials.** All materials and equipment shall be new and of good quality, unless otherwise specified in the Contract Documents. All materials and equipment shall be applied, installed, connected, erected, used, cleaned and conditioned according to the instructions and advice furnished by the applicable supplier.

e) **Subcontractors.** Contractor shall be fully responsible to Owner for all acts and omissions of its subcontractors, suppliers and other persons and organizations performing or furnishing any of the Work under a direct or indirect contract with Contractor to the same extent that Contractor is responsible for Contractor's own acts and omissions. Nothing in the Contract Documents shall constitute any contractual relationship between Owner and any such subcontractor, supplier or other person or organization, nor shall it create any lien on the Owner or any obligation on the part of Owner to pay any such subcontractor, supplier or other person or organization except as may otherwise be required by laws and regulations.

(f) **Permits; Inspections.** Contractor shall apply for, obtain and pay for all construction permits and licenses. Whenever necessary and in a timely manner, Owner shall assist Contractor, in obtaining such permits and licenses. Contractor shall pay all governmental charges and inspection fees necessary for the accomplishment of the Work. Contractor shall give all notices and comply with all laws and regulations applicable to furnishing and performance of the Work.

(g) **Taxes.** Contractor shall pay all applicable sales, consumer, use and other similar taxes required to be paid by Contractor in accordance with the laws and regulations of the place where the Work is being performed.

(h) **Use of Premises.** Contractor shall confine construction equipment, the storage of materials and equipment and the operations of workers to the Property, and shall not unreasonably encumber the Property with materials or equipment. Contractor shall be fully responsible for any damage to the Property or contiguous areas resulting from the performance of the Work. During the progress of the Work, Contractor shall prevent accumulations of waste materials, rubbish and other debris resulting from the Work. When the Work is completed, Contractor shall remove all waste materials, rubbish and debris from and about the Property as well as all surplus materials, tools, appliances, construction equipment and machinery, and shall leave the Property clean and ready for occupancy by Owner.

(i) **Record Documents.** Contractor shall maintain in a safe place at the Property one record copy of all drawings, specifications, addenda, written amendments, Change Orders, and the like in good order and annotated to show all changes made during construction which will be delivered to Owner.

(j) **Safety.** Contractor shall be responsible to initiate, maintain and supervise all safety precautions and programs in connection with the Work. Contractor shall comply with all applicable laws and regulations relating to the safety of persons or property.

(k) **Continuing the Work.** Contractor shall carry on the Work and adhere to the progress schedule during all disputes or disagreements with Owner.

(l) **Damage to the Work.** Contractor shall repair or replace, at Contractor's sole expense, every portion of the Work that is damaged or destroyed prior to Final Completion and caused in whole or in part by the acts or omissions of Contractor. Notwithstanding the foregoing, Owner shall

bear the cost of such repair or replacement if the sole cause of the damage or destruction of the Work was Owner's negligence.

(m) **Warranty.** Contractor warrants and guarantees to Owner that all Work will be in accordance with the Contract Documents and will not be defective. If within one year after the date of Final Completion or such longer period of time as may be prescribed by laws or regulations or by the terms of any specific provision or applicable special guarantee in the Contract Documents, any Work is found to be defective, Contractor shall promptly, without cost to Owner and in accordance with Owner's written instructions, either correct the defective Work, or if the Owner has rejected it, remove it from the Property and replace it with non-defective Work. If Contractor does not promptly comply with the terms of the Owner's instructions, or in a situation where delay would result in serious risk of loss or damage, Owner may have the defective Work corrected or the rejected Work removed and replaced. All direct and indirect costs associated with such removal and replacement (including but not limited to fees and charges of engineers, architects, attorneys and other professionals) will be paid by Contractor.

(n) **Indemnify and Hold Harmless.** Contractor shall indemnify and hold harmless Owner against all loss, liability, cost expense, damage and economic detriment of any kind whatsoever that arises out of or results from performance of the Work but only to the extent caused in whole or in part by the acts or omissions of the Contractor.

(o) **Related Work at Property.** Owner's employees or other contractors contracted by Owner may perform other work at the Property which is not part of the Work. Contractor shall afford Owner's employees and each other contractor who is a party to such a direct contract proper and safe access to the Property and a reasonable opportunity to transport materials and equipment onto the property, store them, and carry out such work. Contractor shall do all alteration, cutting, fitting and patching of the Work necessary to make its several parts come together properly and to integrate with work done by other contractors. Contractor shall not cut, excavate or otherwise act in a way that alters or endangers the work of other contractors. Contractor will only cut or alter work done by other contractors with the written consent of Owner and those whose work will be affected.

10. Insurance.

- (a) **Contractor's Insurance.** Contractor shall purchase and maintain appropriate comprehensive general liability and other insurance, with limits and features as follows:

_____.

Before any Work is started, Contractor shall deliver to Owner certificates (and other evidence of insurance requested by Contractor) which Contractor is required to purchase and maintain.

- (b) **Owner's Insurance.** Owner shall be responsible for purchasing and maintaining Owner's liability insurance and other reasonably appropriate insurance.

11. Termination.

(a) **Termination by Owner.** If the Contractor breaches any of its obligations under this Agreement, then Owner may give Contractor written notification identifying such breach. If Contractor has not cured such breach within seven (7) calendar days from its receipt of Owner’s written notification or if such breach cannot be cured within such seven (7) day period, then if Contractor either does not begin cure within such seven (7) day period or fails to diligently prosecute cure to completion, Owner may terminate this Contract and take possession of the Work. Alternatively, instead of terminating the Contract, Owner may cure the breach and deduct the cost thereof from amounts otherwise owed to the Contractor.

(b) **Termination by Contractor.** If the Owner breaches any of its obligations under this Agreement, then Contractor may give Owner written notification identifying such breach. If Owner has not cured such breach within seven (7) calendar days from its receipt of Contractor’s written notification, or if such breach cannot be cured within such seven (7) day period, then if Owner either does not begin cure within such seven (7) day period or fails to diligently prosecute cure to completion, Contractor may terminate this Contract.

12. Assignment. Assignment of any rights or interests under this Contract shall not be binding on any party to this Contract without the written consent of such party. Payments due under this Contract may not be assigned. Notwithstanding the foregoing, the Owner hereby assigns all of its rights, title and interest in and to this Contract to the Owner’s lender,

_____, having an address at _____, as additional security for the loan. The Contractor hereby consents to such assignment. Notwithstanding anything to the contrary in this Contract, upon a breach by the Owner of this Contract, the Contractor shall give the lender notice of such a breach, at the address set forth above, and provided that the Owner or the lender cures such default within a reasonable period and continues to pay the Contractor all amounts due under this Contract, the Contractor shall continue to perform its services under this Contract.

13. Heirs and Assigns. The agreements contained in the Contract Documents are binding upon the Owner and Agent and their respective heirs, successors, legal representatives, and assigns.

14. Governing Law. This Contract, and all transactions carried out in connection with it, shall be governed by, construed and enforced in accordance with the laws of the State of _____.

IN WITNESS WHEREOF, Owner and Contractor have signed this Contract.

This Contract will be effective on _____, _____.

Owner: _____

Contractor:

Address for giving notices:

License No. _____

By:

Address for giving notices:

DISCLAIMER: These sample forms, agreements, & templates are presented for informational purposes only. The user is advised to check all applicable state and federal law before using these forms, agreements, or parts thereof. Because certain forms have legal implications (e.g., management agreements, rental applications), it is recommended that such forms should be reviewed with legal counsel prior to their use and that any modifications made by the user should also be reviewed by legal counsel.