

3 ways to build a better residential construction contract



Ryan Neumeyer | Monday, March 5, 2018

Residential construction contracts in Ohio exceeding \$25,000 must be in writing and are covered under Ohio Revised Code Section 4722. This section requires that the contractor and owner enter into a written residential construction services contract prior to the contractor performing any work on the project. Below are three tips on how to improve your residential construction contract.

1. **Have all the required provisions**

The contract must include all agreements and conditions related to the residential construction project and a statement concerning possible excess costs. This includes:

1. The contractor's name, physical business address, business telephone number, and taxpayer identification number.
2. The owner's name, address, and telephone number.
3. The address or location of the property where the home construction service is to be performed.
4. A general description of the construction services to be provided by the contractor, including the goods and services to be furnished as part of the service.
5. The anticipated date or time period the home construction service is to begin and the anticipated date or time period it is to be completed.
6. The total estimated cost of the home construction service.
7. Any cost of installation, delivery, or other cost that the total estimated cost does not cover.

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8. A copy of the supplier's certificate of insurance showing general liability coverage in an amount of not less than two hundred fifty thousand dollars.
9. The dated signatures of the owner and the supplier.

2. **Make certain you use the proper change order language**

The contract must also contain a statement concerning potential excess cost, which should read as follows:

IF AT ANY TIME A HOME CONSTRUCTION SERVICE REQUIRES EXTRA COSTS ABOVE THE COST SPECIFIED OR ESTIMATED IN THE CONTRACT THAT WERE REASONABLY UNFORESEEN, BUT NECESSARY, AND THE TOTAL OF ALL EXTRA COSTS TO DATE EXCEEDS FIVE THOUSAND DOLLARS OVER THE COURSE OF THE ENTIRE HOME CONSTRUCTION CONTRACT, YOU HAVE A RIGHT TO AN ESTIMATE OF THOSE EXCESS COSTS BEFORE THE HOME CONSTRUCTION SERVICE SUPPLIER BEGINS WORK RELATED TO THOSE COSTS. INITIAL YOUR CHOICE OF THE TYPE OF ESTIMATE YOU REQUIRE.

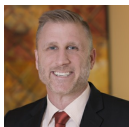
3. **Add other helpful provisions**

Many provisions can be incorporated into contractor's residential construction contracts to help protect your rights as a contractor, for instance:

1. Attorneys' fees provisions if you have to sue to get paid; arbitration provisions and other alternative dispute resolution provisions to reduce potential litigation costs.
2. Contractual language regarding changes in the work and additional costs incurred by no fault of the contractor.
3. Choice of venue provisions in the event litigation does result from the project.

These provisions are the tip of the iceberg as far as contractual provisions that you should consider. While there are many standard form contracts available, the laws in each state vary and each contractor's needs are different. Consider working with your attorney to formulate a standard contract to be used in your business, whether it be one agreement that can be used for all projects or a series of contracts and documents to be used in different situations depending upon the project size.

If you do not have a standard residential construction contract for your business or if you would like to have your contract reviewed for improvement, please contact one of the attorneys below.



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