



Regulated Industries Complaints Office

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DESIGN-BUILD AND OTHER CONSTRUCTION PROJECTS

Thinking about remodeling your house or wondering who you should hire to paint? The Department of Commerce and Consumer Affairs (DCCA) and its Regulated Industries Complaints Office (RICO), offers the following information about construction projects.

What is a design-build project? A “design-build” project is a project that is designed and built by the same company or individual. Design-build projects can be convenient because you do not have to find an architect to draw the blueprints or plans for a project and then find a contractor willing to construct the project.

- ✓ If a contractor designs your project, be certain that the contractor is qualified as an architect or engineer.
- ✓ If you have limited funds, be clear about the budget for your project.
- ✓ In an architect designed project, the architect acts as a third-party arbiter of disagreements between the project owner and the contractor. If the architect/designer is also the contractor, then hire a third-party inspector to review the plans and specifications prior to the signing of a contract. The third-party inspector may also represent you during construction.
- ✓ Be sure that the design portion of the contract does not release the designer from construction defects, and the construction part of the contract does not release the builder from design defects.

What is a fixed-price contract? With a fixed-price contract, the homeowner agrees to pay a set price and the contractor agrees to complete the project for that set price. When considering a fixed-price contract, work with the contractor to create a set of construction specifications. The purpose of construction specifications is to define and clearly detail the materials you want ordered for your job. Make sure the contract includes an addendum that makes the plans and specifications for the project a part of the contract.

What is a time and materials contract? With a time and materials contract, the homeowner pays for the time spent by the contractor and any subcontractors; the homeowner must also pay for the cost of construction materials.

When it comes to construction, details, details, details! Take something as simple as a kitchen sink. Do you want a single or double bowl? 18 inches deep or 22? (Remember, if you choose 22 inches, you’ll have less room for storage underneath.) And, then there’s the faucet, the disposal, the sink strainer and the soap dispenser. Think about what you want, then think about it some more. Make sure the contract includes an addendum that makes the plans and specifications for the project a part of the contract.

What kind of a contractor do I need? There are three types of contractors: (1) General Engineering (or Type “A”) contractors have specialized engineering knowledge and skill. If your project has drainage or flood control issues, you may need to consult a general engineering contractor; (2) General Building (or Type “B”) contractors build structures, like houses and buildings; (3) Specialty (or Type “C”) contractors are licensed in specialty areas like drywall, landscaping, flooring, or roofing.

The right license for the job. It’s important to hire the right kind of contractor for your particular job. If you’re just putting on a new roof, a specialty roofing contractor may be for you. But if your job includes more than two specialties, (for example, an extension requiring framing, flooring, drywall, *and* roofing), you should consider hiring a general contractor. A general contractor will be licensed to do most of the work and will hire licensed subcontractors to take care of any specialty work for which he/she isn’t licensed to do.

There are lots of good reasons why a consumer should consider hiring a licensed contractor, including:

- ✓ **Training and experience.** In order to qualify for a contractor’s license, applicants must demonstrate they have the necessary training and experience to get a contractor’s license. The Contractors License Board also requires applicants demonstrate “a good reputation for honesty, truthfulness, financial integrity and fair dealing,” submit tax clearances, proof of insurance, and other required qualifications.
- ✓ **Insurance.** Insurance is important because a lot can happen on a construction project - accidents, falling objects - not to mention fire, vandalism, malicious mischief, and theft of building items. Licensed contractors are required to carry liability insurance and are responsible if a worker is injured on a jobsite. This protects you as a homeowner from putting your property at risk if anything is damaged on your project or if anyone is injured.
- ✓ **Obtain required permits.** Licensed contractors are able to apply for and obtain building permits. If an unlicensed contractor is asking you to apply for an owner-builder permit, it may be because they can’t get a building permit for you. For information about building, electrical, and plumbing permits, contact the planning and permitting department for your county.
- ✓ **Contractors Recovery Fund.** The Contractors Recovery Fund helps to compensate homeowners if something goes wrong with their project. The Contractor’s Recovery Fund is only available to consumers who have hired a licensed general contractor. *(For information about the Contractor’s Recovery Fund, or if you have questions about what kind of a contractor you may want to hire, call the Contractor’s License Board at [808] 586-2700.)*

Each year, RICO receives hundreds of tips and complaints about unlicensed contractors. The complaints range from construction that has been poorly done, to money being taken and no work being done at all. Unlicensed contractors may go door-to-door claiming they “just finished a job down the street,” or “have materials left over from another job.” Unlicensed contractors may even use a fake license number or a license number that belongs to someone else. So, remember to check license information with our office. You may also want to ask to see a picture I.D. so you know exactly who you’re dealing with. And, most importantly, remember...never pay all of the money up front. Your home is the single biggest investment you’ll probably ever make, so take your time, do your homework, and consider hiring a licensed contractor.

To check licensing status or for information about hiring a licensed professional, call the Consumer Resource Center (CRC) at 587-4272 or visit the State’s website at: cca.hawaii.gov/rico.

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