Fast Facts

Rebuilding After a Disaster

The Contractors State License Board (CSLB) urges property owners to educate themselves on the process of rebuilding after a disaster. To avoid potential problems, before hiring a contractor:

- Always use a licensed contractor.
- Verify the status of the license.
- Ask for references from prior clients.
- Avoid rushing into signing any contracts.

Speeding through the rebuilding process can result in overlooking important details about your project and may lead to structural or financial problems in the future. Visit www.cslb.ca.gov/disaster for more information on how to find a licensed contractor.

Reconstruction in a Disaster Area

Generally, reconstruction in a disaster area will be classified in one of two categories: home improvement or new construction. As a result of Senate Bill 1189, reconstruction, restoration, or rebuilding of a residential property that has been damaged or destroyed by a natural disaster is now under home improvement laws, including down payment limitations.

Whether you have an existing foundation, chimney, or partial walls, or need a complete rebuild, contractors cannot ask for a down payment of more than 10% or $1,000 (whichever is less) of the total project price. In addition, the sum of the down payment and subsequent progress payments must not exceed the value of work performed.

Debris

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

Insurance Coverage Reimbursement

To ensure any insurance coverage reimbursement is protected, consider:

- Placing funds into a federally insured account at a bank or other financial institution.
• Starting a “construction escrow account” with at least two signatures required for any disbursement.
• Keeping confidential your insurance coverage and budget for the project. This way, bids from contractors are based on the project and not the amount of available insurance money you received.
• Paying the licensed contractor in phases that you have agreed upon in a written contract – do not pay everything up front.
• Paying the licensed contractor from the construction escrow account, not signing over any insurance checks or paying in cash.

Find a Licensed Professional
Use CSLB’s Find My Licensed Contractor and License Check (available on the homepage of CSLB’s website) to help find a licensed contractor, confirm the license is in good standing, and verify the contractor carries an active surety bond and workers’ compensation insurance, if necessary. CSLB recommends getting at least three bids from licensed contractors before selecting a contractor.

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 business cards, flyers, or brochures as verification of a person’s license qualifications; always check the license with CSLB. And be aware of construction “consultants” who want to manage your project. Consultants, like contractors, must be licensed or registered by CSLB if they bid or contract for a project, oversee the project and workers, or solicit a contract for home improvement. Licensed contractors should always list their license number on all promotional materials to make it easier for you to check their license online.

Know What You’re Buying
Get familiar with the cost of projects and materials to avoid being overcharged by those who may try to take unfair advantage in a disaster 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% more than the prices they were charging for their goods or services immediately before the disaster declaration.
**Fast Facts (continued)**

**Construction Contracts**
Make sure everything is clearly identified and written in the contract before work begins or any payments are made, including:

- Project start and completion dates.
- Down payment: Again, a contractor may not ask for a down payment of more than 10% or $1,000, whichever is less, of the total contract price.
- Payment schedule: A contractor is not allowed to accept money for work not yet performed or materials not yet delivered.
- All project materials 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 written contract. Work should not begin, and no payment should be made until your contractor provides you with a copy of the signed contract. A detailed written contract is critical to ensure your finished project will be as both parties understood and agreed. You are not required to sign your contract digitally; you may insist on a paper transaction.

Any contract changes, or “change orders,” must be in writing and signed by both parties. If you have an escrow account, the change in price should be shared with your financial institution.

Make sure your contractor obtains all required permits from the appropriate city or county building departments. Be aware and understand all of the consequences and risks of listing 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 are responsible for following 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 the license is in good standing. If the contractor has employees, also confirm the contractor has workers’ compensation insurance coverage.
Down payments can only be 10% or $1,000 of the contract price – whichever is less.

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 a plastic pocket license and a photo identification.

Get personal and project references from each bidder and personally visit and view the projects.

Watch out for construction “consultants” who want to manage your project; they, too, must be licensed with CSLB if they bid or contract for a project or oversee the project and workers.

Always get a written contract, signed by you and the contractor. Make sure the contract 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 a disaster area, you may have as many as 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.

Try to be present when building inspectors are on site to see and hear of any problems or necessary corrections.

Resources for Assistance

- 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](http://www.cslb.ca.gov) – for disputes and losses less than $10,000.
- The consumer division of your local district attorney’s office.