



Mid-Shores Home Builders Association Inc.  
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## Construction Contracts

Get it in writing. It seems like an obvious statement, but home construction and remodeling projects are complex, so this bears special attention – a detailed contract between you and your contractor will spell out everyone's expectations, outline the responsibilities of all parties, include legal protections, and more. It is in the best interest of all involved for a contract to be reviewed and signed prior to the start of any home construction or remodeling project.

Here are some common elements to look for in most construction/remodeling contracts:

**Plans/specifications** – the contract may include in it a specifications list, or the contract may reference attached plans and specifications. The more detailed these elements are the better. Each page of the plans should be initialed to indicate approval. The more clarity there is up front, generally the fewer opportunities there are for errors or cost overages later.

**Pricing** – the contract should detail the price of the home including any credits for work done by the homeowner, how changes during the construction process will be handled (change orders\* and change order fees), and allowances available to the homeowner for selections of particular items.

**Payments/lien waivers** – construction is often paid for in several “draws”; the contract should detail when the draws will be due; what will be included in each, and the responsibility in collecting lien waivers from all who work on the home. *NOTE: Wisconsin Law requires construction contracts to include a Notice of Lien Rights...this explains that all who do work on the home have the right to put a lien against the property if they are not paid for work performed.*

**Permits** – the contract generally specifies what permits are needed to complete the work, who will pull them and if their costs are included in the base price or will be charged in addition. *NOTE: The person who obtains the building permit is the contractor of record and is therefore liable for work and responsible for its completion to Wisconsin's One- and Two-Family Uniform Dwelling Code.*

**Insurance** – the contract should specify what insurance the builder will carry during construction and that which the homeowner needs (generally, the home buyer is responsible for builders' risk and homeowners insurance coverage during construction).

**Building site conditions** – the contract should specify what is anticipated in terms of site conditions and specify how additional costs will be handled if site conditions do not match what is anticipated.

**Construction scheduling/completion date** – construction is a dynamic process, so while specific schedules may change, the contract should include a final completion date and may include a scheduling worksheet or outline. The contract generally includes information about the impact of delays, either on the part of the contractor or the homeowner, on the final completion date.

**Warranty** – the contract should specify precisely what elements of the home are covered by the builders' warranty. *NOTE: There is no specific requirement in Wisconsin for warranties on new construction, so be sure to ask questions and understand fully what warranty the builder with which you're working provides, including specifically what it covers and the duration of its coverage.*

**Notice of defects/Right to Cure** – Wisconsin law requires residential construction contracts include language outlining the Right to Cure law, and the builder must supply a brochure explaining the law and the process to comply with it; buyer must initial receipt of this brochure. *(The brochure is provided by the state of Wisconsin and is titled "Wisconsin's Framework for Successful Communication between Consumers and Contractors.")*

**Disputes** – the contract should specify how disputes will be handled if any should arise. For example, it is common for mediation or arbitration to be outlined as the steps to take before the court system can be involved.

\* Change orders – as mentioned above, the contract should address how changes will be handled during the construction or remodeling process. These are generally addressed by change orders, which are written documents detailing the change(s) to be made as well as the associated cost and/or scheduling adjustments that be needed in response to the change. Change orders should be signed by both the contractor and the homeowner, and there may be a minimal fee for processing change orders which the contract should also specify.