



Contractor Hiring Tips for HOA Boards

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When an HOA Board hires third-party contractors the process should not be rushed. It's crucial that Board members take the time to thoroughly consider who they're hiring. While it often seems easier to just hire in good faith, you put the Association at risk for problems. There is nothing wrong with checking to make sure the contractor you're hiring is reputable and reliable. A good contractor also shouldn't object to you asking for references, licenses, and bids. Following are some tips to help in the process of hiring a third-party contractor.





Make Sure the Contractor is Licensed

Licensing requirements vary from state-to-state, but the important thing to remember is that hiring a licensed contractor means that they are in compliance with state laws. This means they are competent, according to state standards, to do the work. **This will ultimately add protection for your Association and minimize the chances of being taken advantage of. Projects will be less likely to be completed incorrectly, which can end up saving the Association extra time, money, and sometimes even legal costs.** You also want to verify the contractor's business location and telephone number. A contractor whose office is the back of a pickup truck and uses a cell phone doesn't mean it's a bad contractor, but they may be harder to get in touch with during the job and if something needs to be fixed or a last bill needs to be paid after the job is complete. You can usually find a contractor's license number on their business card, any of their advertisements like phone book or newspaper ads, fliers, or on the side of their vehicle. You can check that a contractor is licensed [online](#) or by calling the Contractors State License Board at (800) 321-CSLB (2752).





Consider Multiple Contractors

The Department of Consumer Affairs recommends getting at least three written bids from different contractors before awarding the project to a contractor. This process can be initiated by sending out a Request for Proposal (RFP) to multiple contractors. You may want to send the RFP out to more than 3 contractors in case some of them decide to pass on the opportunity. Each potential contractor should receive identical RFPs with the same plans, specifications and scope of work. **Once the bids are received, the HOA Board should compare them and not automatically accept the lowest bid.** An extremely low bid should raise a red flag for HOA Board members that there's either been a mistake in the bid, all the work hasn't been quoted, or the contractor is cutting corners somewhere. Treat the process like an interview and schedule times to meet the contractors in person because you also want to hire someone that is easy to get along with.





Listen to Reviews, References, and Recommendations

In this online age all you have to do is log on to the internet to read reviews about companies. Try searching on the internet for any consumer feedback about a contractor. Websites like [Yelp](#), [CitySearch](#), [Yahoo Local](#), [Angie's List](#) and Google Places allow you to read customer reviews and gain some insight into companies. **Keep in mind though, that these reviews can be heavily influenced by a company's friends or foes.** A more valid resource to help you evaluate contractors is the [Better Business Bureau](#) or [California Department of Consumer Affairs](#). Your RFP provided to the contractor should ask for a minimum of three customer references, ideally from similar projects. If this information was left out of the RFP, ask for it from the contractor anyway. You may even want to take it a step further and have a Board member physically go and take a look at a completed project. Finally, don't be afraid to ask around your circle of family and friends about contractors they've used or heard good things about. Sometimes recommendations from people you trust are the best kind.





Verify the Contractor's Insurance Coverage

If a contractor doesn't have the right kind of insurance, it could be bad news for your homeowners association. As part of the RFP, ask that the contractor provide proof of insurance and make sure you receive, at minimum, a certificate of insurance with additional insured status. This should be sought for both liability and workers compensation insurance. We highly recommend that you seek guidance from your insurance professional and perhaps legal counsel as well.

California state law requires that a contractor carry worker's compensation insurance if he has employees. This is extremely important because if one of his workers is injured on the job while working on the Association's property, and the contractor doesn't have insurance, then the Association could be held financially responsible to pay for the injuries and rehabilitation. Another type of insurance to ask about is commercial general liability insurance. This coverage should be required before hiring a contractor. You can learn more about insurance coverage from the [California Department of Insurance](http://www.insurance.ca.gov/).

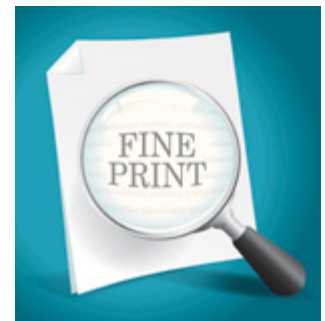
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Put Everything in a Well-Written Contract

Once an HOA Board has decided on the contractor to hire, a thorough contract must be put in place referring to how the work will be done, when it will be done, what materials will be used, how much it will cost, and any other pertinent information the Board determines should be included. **The written agreement is the most important communication tool between the Board and the contractor because it's what is referred back to in the event of a misunderstanding.** If anything is unclear in the contract, make sure to resolve it prior to signing. This way if any disagreements arise after the contract is signed, they won't result in more time, money, or legal action. The written contract should also contain details about the work, price, when payments are due, who is responsible for any permits, a project completion date, and a cancellation policy. If there are any changes after the project has begun, like adding work, substituting materials, change of completion date, or price changes, update the contract, note it in writing on a change order, and have both parties sign. This change order now becomes part of the original written contract. Most importantly, double check that the contract contains everything that was agreed to, and clarify any terms and conditions that still seem unclear. Once the Board has spent due diligence reviewing the contract, the project can be awarded to the winning contractor.





Remember that not every job needs to go through this process

Your association may have a consistent, licensed and insured contractor that works on a variety of projects. It just may be prudent, and save your association time and headaches, to use this proven contractor for a good portion of your ongoing work. Not every job, for instance smaller or less costly jobs, may need to go out to bid. **A proven contractor that consistently does quality work at a fair price may be invaluable to your association.** This contractor may, for instance, take extra time to consistently prime and paint all portions of siding and trim so that the material will be more protected from water damage and deterioration. A Board should be reasonable as it considers these matters.





Hiring the right third-party contractors can save your HOA Board from headaches in the future and ensure the job gets done right. If your Association is in need of assistance with the process of hiring third-party contractors to do jobs within your Association, we are here to help. The Hignell Companies only works with licensed and insured contractors to help homeowners associations get the services of a quality company at a fair price.

Contact us today to see how we can help you and provide the professional resources your HOA management needs.

Call us at (530) 419-6032 or click below for a Free HOA Evaluation

