

# Getting Paid!

## 7 Steps To Take BEFORE Starting A Construction Project

By Milene C. Apanian  
Abdulaziz, Grossbart & Rudman

2017 is off to a great start for the construction industry! Most individuals and businesses are still committed to their New Year's resolutions. The article helps jumpstart, simplify, and streamline your commitment to increasing your profits. Follow the tips below before starting a construction project to expedite your future collection efforts. These suggestions

1. Gather Information About The Players (name/contact/address/phone/e-mail)
  - a. Project/Property Owner
  - b. Direct/Prime/General Contractor
  - c. Your Customer
  - d. Payment Bond Surety
  - e. Project Lender
  - f. Fund Control/Voucher Company
  - g. Landlord and Tenant (if working on a tenant improvement project)
2. Gather Key Information About The Project
  - a. Name
  - b. Physical Address
  - c. County In Which Located
  - d. Legal Description
  - e. Assessor's Parcel Number (for private projects)
  - f. If a construction lender is funding the project
  - g. Anticipated Start Date
  - h. Anticipated Completion Date
  - i. Public or Private Project
3. Gather Key Documents
  - a. Building Permit
  - b. Notice of Non Responsibility ("NON" for private projects)
  - c. Credit Application/Personal Guaranty
  - d. Purchase Order/Contract/Change Orders
  - e. Payment Bond
  - f. Plans and Specifications
4. Investigate Your Customer (Evaluate your risk, decide whether to do business or not)
  - a. Valid License: Visit Contractors State License Board website at [www.cslb.ca.gov](http://www.cslb.ca.gov) to confirm your customer's California contractor's license. Also look for your customer's license history, years in business, other licenses, prior complaints, and/or judgments, and business entity type. While at the website, confirm that your license is also active and valid. Under California law, unlicensed contractors can be denied payment and/or be required to return funds received for work already performed.
  - b. Confirm Legal Status: Check the California Secretary of State website at [www.sos.ca.gov](http://www.sos.ca.gov) to investigate your prospective customer's legal status, including the key players such as the owner. Determine whether your customer is a California or out-of-state business entity; the number of years in business; whether currently an active, inactive or suspended entity. If your customer is a limited liability company, identify the members; are the members individuals, partnerships, limited partnerships, corporations or other LLC. Understand who the players are.
  - c. Credit History: If you are a material supplier, investigate your customer and the project owner's credit history. Require a personal guaranty if necessary.
5. Set Up Accounts  
Insure that your accounting is in order. Set up separate customer accounts for each project and each customer on the same project. Confirm that all project documents, including all contracts, change orders, purchase orders, delivery tickets, correspondence and invoices identify the project name and/or number.
6. Agreement  
Make sure your contract is valid and enforceable. If you are a contractor or subcontractor, prepare clear and concise contracts in writing. Obtain your customer's signature before work starts. Document extra work with written change orders, signed by the customer. Use updated and current form contracts and comply with

statutory requirements. If necessary, consult with an attorney to clarify and negotiate contractual terms and to confirm that your agreement is valid and enforceable.

7. Timely Serve A Preliminary Notice

Preliminary (or 20 Day Notices) are prerequisites to any all stop payment notice, mechanic's lien and payment bond claims. Timely prepare and serve your Preliminary Notice to maintain your rights for payment on a construction project.



**Milene Apanian** assists contractors, subcontractors, material suppliers, and owners prevent and resolve disputes on public and private projects. Prior to practicing law, she worked for architects and contractors, gaining valuable knowledge and experience in construction. Abdulaziz, Grossbart & Rudman provides this information as a service to its friends & clients and it does not establish an attorney-client relationship with the reader. This document is of a general nature and is not a substitute for legal advice. Since laws change frequently, contact an attorney before using this information. Milene Apanian can be reached at Abdulaziz, Grossbart & Rudman, (818) 760-2000 or by E-Mail at [mca@agrlaw.com](mailto:mca@agrlaw.com) or at [www.agrlaw.com](http://www.agrlaw.com).

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April / May 2017