

Study H-820

October 3, 2000

Second Supplement to Memorandum 2000-63**Mechanic's Liens (Additional Commentary)**

We have received the following email message on behalf of Gordon Hunt, noting that his concept of the 50% payment bond was limited to contracts of \$25,000 or less:

From: Susan Goff
Sent: Tuesday, October 03, 2000 11:50 AM
Subject: Gordon Hunt Reply -- Study H - 820, Memorandum 2000-63 Dated 9-29-2000

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Improvement Payment Bond

I received the above-referenced Memorandum and I am briefly responding to it in the limited time that I have on Tuesday, October 3, before leaving for my seminar in Palm Springs.

Your Memorandum and the attached statute seems to indicate that the \$12,500 payment bond would be for all home improvement contracts. That is not what I proposed at the July meeting. What I proposed was that on home improvement contracts of \$25,000 or less, there would be a mandatory payment bond and therefore, the maximum bond that could ever be required under the statute would be a bond in the amount of \$12,500. The proposal that I made was intended to apply only to contracts of \$25,000 or less. On contracts in excess of \$25,000, then all the normal provisions of the Mechanic's Lien law would apply.

I would sincerely request that you bring the foregoing to the attention of the Commissioners.

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The staff considered this issue, but opted for applying the rule in all home improvement contracts because it didn't seem to make sense to have a different rule where the contract was for \$25,000 than one for \$25,001.

Respectfully submitted,

Stan Ulrich
Assistant Executive Secretary