

CONSTRUCTION PAYMENT AMENDMENTS

2009 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Curtis S. Bramble

House Sponsor: Kevin S. Garn

LONG TITLE

General Description:

This bill amends the portion of the Utah Code relating to mechanic's liens by changing notification requirements.

Highlighted Provisions:

This bill:

- ▶ requires an owner and a lender to file a notice of completion with the State Construction Registry;
- ▶ requires certain owners or contractors of a commercial nonresidential construction project to file a notice of intent to file a notice of completion with the State Construction Registry;
- ▶ requires a person to file a balance statement with the State Construction Registry;
- ▶ allows a person to make a demand for adequate assurance;
- ▶ creates a civil action for failure to provide adequate assurance;
- ▶ creates a civil action if a person makes a bad faith misrepresentation on the person's balance statement; and
- ▶ makes technical corrections.

Monies Appropriated in this Bill:

None

Other Special Clauses:

None



28 **Utah Code Sections Affected:**

29 AMENDS:

30 **38-1-27**, as last amended by Laws of Utah 2008, Chapter 382

31 **38-1-33**, as last amended by Laws of Utah 2007, Chapter 332

32 ENACTS:

33 **38-1-40**, Utah Code Annotated 1953



34 *Be it enacted by the Legislature of the state of Utah:*

35 Section 1. Section **38-1-27** is amended to read:

36 **38-1-27. State Construction Registry -- Form and contents of notice of**
37 **commencement, preliminary notice, and notice of completion.**

38 (1) As used in this section [~~and~~], Sections 38-1-30 through 38-1-37, and Section
39 38-1-40:

40 (a) "Alternate filing" means a legible and complete filing made in a manner established
41 by the division under Subsection (2)(e) other than an electronic filing.

42 (b) "Cancel" means to indicate that a filing is no longer given effect.

43 (c) "Construction project," "project," or "improvement" means all labor, equipment,
44 and materials provided:

45 (i) under an original contract; or

46 (ii) by, or under contracts with, an owner-builder.

47 (d) "Database" means the State Construction Registry created in this section.

48 (e) (i) "Designated agent" means the third party the Division of Occupational and
49 Professional Licensing contracts with to create and maintain the State Construction Registry.

50 (ii) The designated agent is not an agency, instrumentality, or a political subdivision of
51 the state.

52 (f) "Division" means the Division of Occupational and Professional Licensing.

53 (g) "Interested person" means a person who may be affected by a construction project.

54 (h) "Program" means the State Construction Registry Program created in this section.

55 (2) Subject to receiving adequate funding through a legislative appropriation and
56 contracting with an approved third party vendor who meets the requirements of Sections
57 38-1-30 through 38-1-37, there is created the State Construction Registry Program that shall:
58

- 59 (a) (i) assist in protecting public health, safety, and welfare; and
60 (ii) promote a fair working environment;
- 61 (b) be overseen by the division with the assistance of the designated agent;
- 62 (c) provide a central repository for notices of commencement, preliminary notices, and
63 notices of completion filed in connection with all privately owned construction projects as well
64 as all state and local government owned construction projects throughout Utah;
- 65 (d) be accessible for filing and review by way of the program Internet website of:
- 66 (i) notices of commencement;
- 67 (ii) preliminary notices; and
- 68 (iii) notices of completion;
- 69 (e) accommodate:
- 70 (i) electronic filing of the notices described in Subsection (2)(d); and
- 71 (ii) alternate filing of the notices described in Subsection (2)(d) by U.S. mail, telefax,
72 or any other alternate method as provided by rule made by the division in accordance with Title
73 63G, Chapter 3, Utah Administrative Rulemaking Act;
- 74 (f) (i) provide electronic notification for up to three e-mail addresses for each interested
75 person or company who requests notice from the construction notice registry; and
- 76 (ii) provide alternate means of notification for a person who makes an alternate filing,
77 including U.S. mail, telefax, or any other method as prescribed by rule made by the division in
78 accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act; and
- 79 (g) provide hard-copy printing of electronic receipts for an individual filing evidencing
80 the date and time of the individual filing and the content of the individual filing.
- 81 (3) (a) The designated agent shall provide notice of all other filings for a project to any
82 person who files a notice of commencement, preliminary notice, or notice of completion for
83 that project, unless the person:
- 84 (i) requests that the person not receive notice of other filings; or
- 85 (ii) does not provide the designated agent with the person's contact information in a
86 manner that adequately informs the designated agent.
- 87 (b) An interested person may request notice of filings related to a project.
- 88 (c) The database shall be indexed by:
- 89 (i) owner name;

- 90 (ii) original contractor name;
- 91 (iii) subdivision, development, or other project name, if any;
- 92 (iv) project address;
- 93 (v) lot or parcel number;
- 94 (vi) unique project number assigned by the designated agent; and
- 95 (vii) any other identifier that the division considers reasonably appropriate in
- 96 collaboration with the designated agent.

97 (4) (a) In accordance with the process required by Section 63J-1-303, the division shall

98 establish the fees for:

- 99 (i) a notice of commencement;
- 100 (ii) a preliminary notice;
- 101 (iii) a notice of completion;
- 102 (iv) a request for notice;
- 103 (v) providing a required notice by an alternate method of delivery;
- 104 (vi) a duplicate receipt of a filing; and
- 105 (vii) account setup for a person who wishes to be billed periodically for filings with the
- 106 database.

107 (b) The fees allowed under Subsection (4)(a) may not exceed the amount reasonably

108 necessary to create and maintain the database.

109 (c) The fees established by the division may vary by method of filing if one form of

110 filing is more costly to process than another form of filing.

111 (d) The division may provide by contract that the designated agent may retain all fees

112 collected by the designated agent except that the designated agent shall remit to the division the

113 cost of the division's oversight under Subsection (2)(b).

114 (5) (a) The database is classified as a public record under Title 63G, Chapter 2,

115 Government Records Access and Management Act, unless otherwise classified by the division.

116 (b) A request for information submitted to the designated agent is not subject to Title

117 63G, Chapter 2, Government Records Access and Management Act.

118 (c) Information contained in a public record contained in the database shall be

119 requested from the designated agent.

120 (d) The designated agent may charge a commercially reasonable fee allowed by the

121 designated agent's contract with the division for providing information under Subsection (5)(c).

122 (e) Notwithstanding Title 63G, Chapter 2, Government Records Access and
123 Management Act, if information is available in a public record contained in the database, a
124 person may not request the information from the division.

125 (f) (i) A person may request information that is not a public record contained in the
126 database from the division in accordance with Title 63G, Chapter 2, Government Records
127 Access and Management Act.

128 (ii) The division shall inform the designated agent of how to direct inquiries made to
129 the designated agent for information that is not a public record contained in the database.

130 (6) The following are not an adjudicative proceeding under Title 63G, Chapter 4,
131 Administrative Procedures Act:

132 (a) the filing of a notice permitted by this chapter;

133 (b) the rejection of a filing permitted by this chapter; or

134 (c) other action by the designated agent in connection with a filing of any notice
135 permitted by this chapter.

136 (7) The division and the designated agent need not determine the timeliness of any
137 notice before filing the notice in the database.

138 (8) (a) A person who is delinquent on the payment of a fee established under
139 Subsection (4) may not file a notice with the database.

140 (b) A determination that a person is delinquent on the payment of a fee for filing
141 established under Subsection (4) shall be made in accordance with Title 63G, Chapter 4,
142 Administrative Procedures Act.

143 (c) Any order issued in a proceeding described in Subsection (8)(b) may prescribe the
144 method of that person's payment of fees for filing notices with the database after issuance of the
145 order.

146 (9) If a notice is filed by a third party on behalf of another, the notice is considered to
147 be filed by the person on whose behalf the notice is filed.

148 (10) A person filing a notice of commencement, preliminary notice, or notice of
149 completion is responsible for verifying the accuracy of information entered into the database,
150 whether the person files electronically or by alternate or third party filing.

151 Section 2. Section **38-1-33** is amended to read:

152 **38-1-33. Notice of completion.**

153 (1) (a) Upon final completion of a construction project and in accordance with Section
154 38-1-40:

155 (i) an owner of a construction project or an original contractor ~~§~~ → [f] may [f] shall ← ~~§~~
155a file a notice
156 of completion with the database; [~~and~~] or

157 (ii) a lender that has provided financing for the construction project, a surety that has
158 provided bonding for the construction project, or a title company issuing a title insurance
159 policy on the construction project, [~~may~~] shall file a notice of completion.

160 (b) Notwithstanding Section 38-1-2, if a subcontractor performs substantial work after
161 the applicable dates established by Subsections (1)(a)(i) and (ii), that subcontractor's
162 subcontract is considered an original contract for the sole purpose of determining:

163 (i) the subcontractor's time frame to file a notice to hold and claim a lien under
164 Subsection 38-1-7(1); and

165 (ii) the original contractor's time frame to file a notice to hold and claim a lien under
166 Subsection 38-1-7(1) for that subcontractor's work.

167 (c) A notice of completion shall include:

168 (i) the building permit number for the project, or the number assigned to the project by
169 the designated agent;

170 (ii) the name, address, and telephone number of the person filing the notice of
171 completion;

172 (iii) the name of the original contractor for the project;

173 (iv) the address of the project or a description of the location of the project;

174 (v) the date on which final completion is alleged to have occurred; and

175 (vi) the method used to determine final completion.

176 (d) For purposes of this section, final completion of the original contract does not occur
177 if work remains to be completed for which the owner is holding payment to ensure completion
178 of the work.

179 (e) (i) Unless a person indicates to the division or designated agent that the person does
180 not wish to receive a notice under this section, electronic notification of the filing of a notice of
181 completion or alternate notice as prescribed in Subsection (1)(a), shall be provided to:

182 (A) each person that filed a notice of commencement for the project;

- 183 (B) each person that filed preliminary notice for the project; and
184 (C) all interested persons who have requested notices concerning the project.
185 (ii) A person to whom notice is required under this Subsection (1)(e) is responsible for:
186 (A) providing an e-mail address, mailing address, or telefax number to which a notice
187 required by this Subsection (1)(e) is to be sent; and
188 (B) the accuracy of any e-mail address, mailing address, or telefax number to which
189 notice is to be sent.
190 (iii) The designated agent fulfills the notice requirement of Subsection (1)(e)(i) when it
191 sends the notice to the e-mail address, mailing address, or telefax number provided to the
192 designated agent, whether or not the notice is actually received.
193 (iv) Upon the filing of a notice of completion, the time periods for filing preliminary
194 notices stated in Section 38-1-27 are modified such that all preliminary notices shall be filed
195 subsequent to the notice of completion and within ten days from the day on which the notice of
196 completion is filed.
197 (f) A subcontract that is considered an original contract for purposes of this section
198 does not create a requirement for an additional preliminary notice if a preliminary notice has
199 already been given for the labor, service, equipment, and material furnished to the
200 subcontractor who performs substantial work.
201 (2) (a) If a construction project owner, original contractor, subcontractor, or other
202 interested person believes that a notice of completion has been filed erroneously, that owner,
203 original contractor, subcontractor, or other interested person can request from the person who
204 filed the notice of completion evidence establishing the validity of the notice of completion.
205 (b) Within ten days after the request described in Subsection (2)(a), the person who
206 filed the notice of completion shall provide the requesting person proof that the notice of
207 completion is valid.
208 (c) If the person that filed the notice of completion does not provide proof of the
209 validity of the notice of completion, that person shall immediately cancel the notice of
210 completion from the database in any manner prescribed by the division pursuant to rule.
211 (3) A person filing a notice of completion by alternate filing is responsible for verifying
212 and changing any incorrect information in the notice of completion before the expiration of the
213 time period during which the notice is required to be filed.

214 Section 3. Section **38-1-40** is enacted to read:

215 **38-1-40. Notice of intent to file notice of final completion.**

216 (1) An owner, as defined in Section 14-2-1, or a contractor of a commercial
 217 nonresidential construction project shall file a notice of intent to file a notice of completion
 218 with the database in accordance with the provisions of Section 38-1-33 if:

219 (a) the completion of performance time ~~is~~ **is** greater than 120 days;

220 (b) the total original construction contract price exceeds \$500,000; and

221 (c) the contractor or owner has not obtained a payment bond in accordance with

222 Section 14-2-1.

223 (2) The notice of intent described in Subsection (1) shall be filed at least 45 days before
 224 the day on which the owner or contractor of a commercial nonresidential construction project
 225 files ~~is~~ **is** or could have filed ~~is~~ a notice of completion under Section 38-1-33.

226 (3) A person supplying labor, materials, or services to a contractor or owner who files a
 227 notice of intent in accordance with Subsection (1) shall file a balance statement with the
 228 database:

229 (a) that includes:

230 (i) the total amount remaining due under the contract ~~is~~ [;

231 — ~~(ii)~~, ~~is~~ a purchase order ~~is~~, ~~is~~ or agreement relating to the person's labor, materials,
 231a and services;

232 and

233 ~~is~~ [(iii)] (ii) ~~is~~ a separate statement of all known amounts or categories of work in
 233a dispute; and

234 (b) no later than 20 days after the day on which the owner or contractor files a notice of
 235 intent.

236 (4) (a) A person described in Subsection (3) may demand a statement of adequate
 237 assurance no later than ten days after the day on which the person files a balance statement in
 238 accordance with Subsection (3) from an owner, contractor, or subcontractor who is in privity of
 239 contract with the person.

240 (b) A demand for adequate assurance as described in Subsection (4)(a) may include a
 241 request for a statement from the owner, contractor, or subcontractor that the owner, contractor,
 242 or subcontractor has sufficient funds ~~is~~ **is** dedicated and ~~is~~ available to pay for all sums due or
 242a that will become due

243 in order to complete a construction project.

244 (c) A person who demands adequate assurance under Subsection (4)(a) shall deliver

245 copies of the demand to the owner and contractor:

246 (i) by hand delivery with a responsible party's acknowledgment of receipt;

247 (ii) by certified mail with a return receipt; or

248 (iii) as provided under Rule 4, Utah Rules of Civil Procedure.

249 (5) (a) A person may bring a legal action, including a request for injunctive or
 250 declaratory relief, to determine the adequacy of an owner's, contractor's, or subcontractor's
 251 funds if, after the person demands adequate assurance in accordance with the requirements of
 252 this section:

253 (i) the owner, contractor, or subcontractor fails to provide adequate assurance that the
 254 owner or contractor has sufficient available funds to pay for the completion of the construction
 255 project; or

256 (ii) the parties disagree as to whether there are adequate funds to pay for the
 257 completion of the construction project.

258 (b) If a court finds that an owner, contractor, or subcontractor has failed to provide
 259 adequate assurance in accordance with Subsection (4)(a), the court may require the owner,
 260 contractor, or subcontractor to post adequate security with the court sufficient to assure timely
 261 payment of the \$ → remaining contract balance claimed by the person seeking adequate
 261a assurance for completion of the ←\$ construction project, including:

262 (i) cash;

263 (ii) a bond;

264 (iii) an irrevocable letter of credit;

265 (iv) property; or

266 (v) another form of security approved by the court.

267 (6) (a) A person is subject to the civil penalty described in Subsection (6)(b), if the
 268 person files a balance statement described in Subsection (3):

269 (i) that misrepresents the amount due under the contract; and

270 (ii) with the intent to:

271 (A) charge an owner, contractor, or subcontractor more than the actual amount due; or

272 (B) procure any other unfair advantage or benefit on the person's behalf.

273 (b) The civil penalty described in Subsection (6)(a) is the greater of:

274 (i) twice the amount by which the balance statement filed under Subsection (3) exceeds
 275 the amount actually remaining due under the contract for completion of construction; or

276 (ii) the actual damages incurred by the owner, contractor, or subcontractor.
277 (7) A court shall award reasonable attorney fees to a prevailing party for an action ~~§~~→[~~upon~~
278 ~~a payment bond~~] ←~~§~~ brought under this section.

Legislative Review Note
as of 2-25-09 5:43 PM

Office of Legislative Research and General Counsel

S.B. 230 - Construction Payment Amendments

Fiscal Note

2009 General Session
State of Utah

State Impact

Enactment of this bill will require a one-time appropriation from the Commerce Service Fund of \$50,000 in FY 2010. This will reduce the transfer to the General Fund by \$50,000.

	<u>2009</u> <u>Approp.</u>	<u>2010</u> <u>Approp.</u>	<u>2011</u> <u>Approp.</u>	<u>2009</u> <u>Revenue</u>	<u>2010</u> <u>Revenue</u>	<u>2011</u> <u>Revenue</u>
General Fund, One-Time	\$0	\$0	\$0	\$0	(\$50,000)	\$0
Commerce Service, One-time	\$0	\$50,000	\$0	\$0	\$0	\$0
Total	\$0	\$50,000	\$0	\$0	(\$50,000)	\$0

Individual, Business and/or Local Impact

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for individuals. Local governments and businesses may be impacted due to the proposed changes in the statute.