

## A Simple and Effective Contract for Subs

by Dennis Dixon

The written agreement between the contractor and subcontractor sets the ground rules for everything that will happen on the job, so it should be simple, concise, and organized. Unfortunately, a lot of the contracts I've seen don't measure up, including the one my company originally used. It was a five-pager with lots of legal boilerplate that, despite its length, either lacked the specifics needed to minimize conflicts or buried them where they were unlikely to be read. The result? We seemed to have misunderstandings with subs on two out of five jobs.

We eventually created a contract written in simple language that fits on two sides of a single sheet of paper. Though short, it includes the details needed to eliminate most job-site problems, and we've been using it for 15 years with great success. In fact, our subs say it's one of the reasons they like working with us. And when owners

or architects see the contract, it reinforces their perception of us as a professional, well-managed operation.

In the contract, I succinctly lay out what I expect subs to know and do, and I also identify nonstandard plan items — such as rounded drywall corners — that could be easily overlooked. (Including these items also reminds me to review them with the sub.) Because my subs know they will be responsible if their employees don't follow the contract, everyone who works for me quickly learns to bring a copy to each job.

My contract is easy to customize. It has 16 short sections, which I've broken out into three broad areas: project (description and specs), processes (from how to get paid to how to handle materials), and people (how everyone is expected to behave).

### Project Location and Scope

The where and what of the project are covered in the first two — and probably most important — contract sections.

**Address.** I include as much information here as possible, along with the version of the plans the contract refers to: Johnson Job, Lot 31, Rolling Meadows Development, 456 Elk Drive, plans dated May 17. This helps subcontractors get to the correct site, with the most current version of the contract.

**Subcontractor scope of work.** My old contract had extremely detailed scopes, but my subs convinced me that was unnecessary. ("It's a commercial job. We already know that it needs metal boxes and galvanized conduit.") Now my scopes look like the following:

Drywall — hang, tape, texture, and finish (L&M).

Electrical — service connection, rough-in, trim, and fixtures.

Hvac — supply all hvac rough-in and equipment, trim, and test.

Most of the details in this section highlight deviations from the plans. If the electrical panel location has moved but the plans haven't been updated, the contract might note, "Electrical panel is in closet five in the plans, but that closet has been eliminated. The panel is now in closet seven."

Specialty details: Type X 5/8" double layer @ common wall: garage to house. Single 5/8" @ garage ceiling.

Note: Ignacio inspection:

Insurance  
Workers comp  
License #:

Job-site work on Sundays  
Job-site professional members, r site, no veh

### DIXON VENTURES INC. Contractor & Subcontractor Agreement

Date: March 1, 2012

**Project:** Corley residence by Parks Architects, Karyn Parks, 12 pages, stamped 3-5-2012. Civil Engr: Mogollon (Rob Fitz).  
**Project address:** Corley residence, Lot 825, Forest Highlands subdivision, 3125 Windy Pine Way, Flagstaff, Ariz. 86001  
**Contractor:** Dixon Ventures Inc., Supt. Herb Wolf 928-699-1444  
**Subcontractor:** Ignacio Drywall Inc.  
**Date sub to begin:** March 14, 2012  
**Sub to complete work:** April 6, 2012  
**Contract amount:** \$7,920.45 (fixed price)

**Work:** Hang, tape, texture drywall with "Santa Fe" texture. Use 3/4" galvanized round corner bead. All cleanup by subcontractor, broom clean. Use of job-site dumpster permissible. ALL MATERIALS, LABOR, EQPT, NAILS, etc., supplied by Ignacio.  
- Windows wrap sides and cap. Wood sill by others.  
- Georgia Pacific DensShield (yellow) @ ALL wet areas.  
- Add'l blocking needed is by Ignacio.  
- Heaters and fans by Ignacio.  
- ABSOLUTELY no use of house furnace during drywall work.

#### Payments:

33% @ drywall delivery.  
33% @ drywall hanging complete and passes nailing inspection.  
34% @ completion, approval by DixVen and cleanup 100%.

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The scope section also includes two subsections:

**Atypical conditions.** This is where I call out unusual items and circumstances, such as “3½-inch casings” or “flooring at kitchen finished floor is built up 1½ inches, so adjust your cabinetry and appliance rough-ins and installs accordingly.”

**Building codes.** Here, I require subs to know the codes and regulations of their trade. This seems like a no-brainer, but I build in different jurisdictions — one that uses the 2006 International Building Code, and another that’s still on the 2003 version — and I want subs to understand that they must know which code is in force where.

This section also requires each trade to know code requirements for other trades where applicable. For instance, electricians should know that code requires ⅝-inch drywall in the garage and should set electrical boxes accordingly — without me telling them.

## Work Processes

After project location and scope, the next-most important sections relate to payment schedules and the paperwork I need before writing a check.

**Payment schedule.** I keep this to-the-point and specific to every trade. For example, for drywall I might say: “All hung and passed nailing inspection, 35 percent of the draw; taped, 25 percent; balance when sanded, textured, and cleaned, and scrap removed.” Or for hvac: “75 percent of payment can be made after the furnaces and ductwork are set and system is operable for construction basis; balance on system trim, test, balance, completion.”

**Invoicing, lien waivers, and other paperwork.** These requirements are the same for everyone. Up-to-date liability insurance

and workers’ comp certificates, license, and bond details must be on file at my office before the first draw is paid. I’m not going to hound anyone for this stuff. No paperwork means no pay.

When I send the check for the first draw, I include with it a lien waiver form and a prestamped, preaddressed envelope. The next draw won’t be paid until I get the signed form back. (In Arizona, where I live, you can’t lien a property unless you have a contract with the property owner, but I insist on the waiver anyway.)

**Items needed before final payment.** Items like keys, alarm codes, garage-door openers, and product documentation are easy to forget. That’s why I need them in hand before writing the final check.

**Work hours.** These are usually 7 a.m. to 6 p.m., Monday to Friday.

**Change-order procedures.** All changes must be authorized by my project manager or me.

**Materials storage.** Subs have to keep their stuff out of other people’s way. If the roof trusses are delivered three weeks early, it’s up to the framing sub to get them out of the driveway.

**Warranty.** The contract notes any non-standard warranty issues and requires the sub to tell me about conditions that will void a warranty — such as when the owners want to put a moving van on the driveway 10 days after the concrete has been placed, even though the warranty requires a 30-day wait.

**Contractor responsibility.** The contract also includes a section that puts responsibilities on my company. We agree to reconfirm scheduled work with all subs at least three days in advance and to notify them of any changes, delays, or problems. This reminds subs that we’re on the

same team and that I’ll watch out for their interests.

## Setting Expectations

The people-related sections define how we expect everyone to behave. They’re not as critical as scopes and payments, but they set standards for professionalism and make it clear to subs that I expect them to live up to those standards.

**Self-supervision.** All subs have to manage their own work. If a plumber shows up and asks my project manager or me what to do, we tell him to call his office.

**Visitors.** No pets, family members, or visitors are allowed on site without our permission. Common sense is in order here: If the painter’s wife comes by to tell him something, that’s fine; if he’s working with his kids sitting in the car, that’s not.

**Self-administration.** Subs are responsible for scheduling their own inspections and deliveries and protecting their own materials from the elements.

**Personnel.** We make it clear that subs have to provide qualified people. We’re not babysitters.

**Professionalism.** The contract requires professional and courteous behavior, common sense, and consideration of project neighbors. If someone doesn’t understand what those terms mean, he’s probably not a good fit for us.

**Feedback.** This part of the contract welcomes suggestions from subs. It reminds them that we’re reasonable, that we will listen to their ideas, and that we understand that the contract is as much in their interest as ours.

*Dennis Dixon is a licensed general contractor in Flagstaff, Ariz., and a regular speaker at JLC Live.*