

House Bill 1243

By: Representatives Willard of the 49th, Lindsey of the 54th, Teilhet of the 40th, Oliver of the 83rd, and Fludd of the 66th

A BILL TO BE ENTITLED
AN ACT

1 To amend Article 1 of Chapter 2 of Title 8 of the Official Code of Georgia Annotated,
2 relating to buildings generally, so as to change certain provisions relating to resolution of
3 construction defects; to clarify how builders and homeowners are required to operate under
4 Part 2A relating to resolution of construction defects; to change conflicting language within
5 Part 2A; to provide a better framework for dispute resolution; to change certain definitions;
6 to change certain provisions relating to notice of claim and the response of the contractor to
7 the claim; to change certain provisions relating to discovery of additional defects after
8 original notice of a claim is given; to change certain provisions relating to the effect of a
9 claimant's acceptance of settlement and subrogation of insurance; to change certain
10 provisions relating to the notice to the consumer prior to beginning initial construction work;
11 to change certain provisions relating to the prohibition against bribery of property or
12 association managers; to change certain provisions relating to causes of action being created
13 and the contractor's right to seek recovery from subcontractors or other professionals; to
14 provide for related matters; to provide for an effective date; to repeal conflicting laws; and
15 for other purposes.

16 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

17 **SECTION 1.**

18 Article 1 of Chapter 2 of Title 8 of the Official Code of Georgia Annotated, relating to
19 buildings generally, is amended by striking Part 2A, relating to resolution of construction
20 defects, and inserting in lieu thereof the following:

21 "Part 2A

22 8-2-35.

23 The legislature finds, declares, and determines that Georgia needs an alternative method
24 to resolve legitimate construction disputes that would reduce the need for litigation while

1 adequately protecting the rights of homeowners. The legislature declares that an effective
 2 alternative dispute resolution mechanism in certain construction defect matters should
 3 involve the claimant filing a notice of claim with the contractor that the claimant asserts
 4 is responsible for the defect and providing the contractor with the opportunity to resolve
 5 the claim without litigation.

6 8-2-36.

7 As used in this part, the term:

8 (1) 'Action' means any civil lawsuit, judicial action, or arbitration proceeding asserting
 9 a claim in whole or in part for damages or other relief in connection with a dwelling or
 10 common area caused by an alleged construction defect.

11 (2) 'Association' means a corporation formed for the purpose of exercising the powers
 12 of the members of any common interest community.

13 (3) 'Claimant' means anyone who asserts a claim concerning a construction defect.

14 (4) 'Common area' means the common areas, improvements, and facilities that are owned
 15 or maintained by the association in a common interest community.

16 ~~(4)(5)~~ (5) 'Construction defect' has the meaning assigned by a written, express warranty
 17 either provided by the contractor or required by applicable statutory law; if no written,
 18 express warranty or applicable statutory warranty provides a definition, then 'construction
 19 defect' means a matter concerning the design, construction, ~~or repair,~~ or alteration of a
 20 dwelling or common area, ~~of an alteration of or repair or addition to an existing dwelling,~~
 21 ~~or of an appurtenance to a dwelling~~ or common area on which a person has a complaint
 22 against a contractor. The term may include any physical damage to the dwelling or
 23 common area, ~~any appurtenance, or the real property on which the dwelling or~~
 24 ~~appurtenance is affixed~~ proximately caused by a construction defect.

25 ~~(5)(6)~~ (6) 'Contractor' means any person, firm, partnership, corporation, association, or other
 26 organization that is engaged in the business of designing, ~~developing,~~ or constructing, ~~or~~
 27 ~~selling dwellings~~ or common areas, ~~or the alteration of or addition~~ alterations of or
 28 additions to an existing dwelling, ~~repair of a new or existing dwelling, or construction,~~
 29 ~~sale, alteration, addition, or repair of an appurtenance to a new or existing dwelling~~
 30 existing dwellings or common areas, or the repair of such improvements. The term
 31 includes:

- 32 (A) An owner, officer, director, shareholder, partner, or employee of the contractor;
 33 (B) Subcontractors and suppliers of labor and materials used by a contractor in a
 34 dwelling or common area; and
 35 (C) A risk retention group registered under applicable law, if any, that insures all or
 36 any part of a contractor's liability for the cost to repair a construction defect.

1 ~~(6)(7)~~ 'Dwelling' means a single-family house, duplex, or multifamily unit designed for
 2 residential use in which title to each individual residential unit is transferred to the owner
 3 under a condominium or cooperative system ~~and shall include common areas and~~
 4 ~~improvements that are owned or maintained by an association or by members of an~~
 5 ~~association. A dwelling includes the systems, other components, improvements, other~~
 6 ~~structures, or recreational facilities that are appurtenant to the house, duplex, or~~
 7 ~~multifamily unit at the time of its initial sale but not necessarily a part of the house,~~
 8 ~~duplex, or multifamily unit.~~

9 ~~(7)(8)~~ 'Serve' or 'service' means deposit in the United States mail, postage prepaid for
 10 delivery by certified mail, return receipt requested or statutory overnight delivery, ~~return~~
 11 ~~receipt requested~~, to the last known address of the addressee. For a corporation, limited
 12 partnership, limited liability company, or other registered business organization, it means
 13 service on the registered agent or other agent for service of process authorized by law.

14 8-2-37.

15 If a claimant files an action without first complying with the requirements of this part, on
 16 application by a party to the action, the court or arbitrator shall stay the action until the
 17 claimant has complied with the requirements of this part. To the extent that the action
 18 includes a cause of action for damages due to personal injury or death, such cause of action
 19 shall not be subject to stay pursuant to this Code section.

20 8-2-38.

21 (a) In every action subject to this part, the claimant shall, no later than 90 days before
 22 initiating an action against a contractor, provide service of written notice of claim on that
 23 contractor. The notice of claim shall state that the claimant asserts a construction defect
 24 claim or claims and is providing notice of the claim or claims pursuant to the requirements
 25 of this part. The notice of claim shall describe the claim or claims in detail sufficient to
 26 explain the nature of the alleged construction defects ~~and the results of the defects~~. In
 27 addition, the claimant shall provide to the contractor any ~~evidence that depicts the nature~~
 28 ~~and cause of the construction defect, including~~ expert reports, photographs, and videotapes;
 29 ~~if that evidence would be discoverable under evidentiary rules~~ which are then in
 30 possession, custody, or control of claimant if such items depict, relate to, or describe the
 31 construction defects which are a part of the notice of claim.

32 (b) Within 30 days after service of the notice of claim by a claimant required in subsection
 33 (a) of this Code section, each contractor that has received the notice of claim shall serve
 34 on the claimant, and on any other contractor that has received the notice of claim, a written
 35 response to the claim or claims, which either:

1 (1) Offers to settle the claim by monetary payment, the making of repairs, or a
2 combination of both, without inspection; or

3 (2) Proposes to inspect the dwelling or common area that is the subject of the claim.

4 (c) If the contractor wholly rejects the claim and will neither remedy the alleged
5 construction defect nor settle the claim or does not respond to the claimant's notice of
6 claim within the time stated in subsection (b) of this Code section, the claimant may bring
7 an action against the contractor for the claims described in the notice of claim without
8 further notice except as otherwise provided under applicable law. A contractor that does
9 not respond to a notice of claim within the time prescribed by subsection (b) of this Code
10 section may not claim or assert that the absence of documents required to be provided with
11 the notice of claim under subsection (a) of this Code section relieved the contractor from
12 the contractor's obligation to respond to the notice of claim.

13 (d) If the claimant rejects the settlement offer made by the contractor, the claimant shall
14 provide written notice of the claimant's rejection to the contractor and, if represented by
15 legal counsel, his or her attorney. The notice shall include the reasons for the claimant's
16 rejection of the contractor's proposal or offer. If the claimant believes that the settlement
17 offer:

18 (1) Omits reference to any portion of the claim; or

19 (2) Was unreasonable in any manner,

20 the claimant shall in his or her written notice include those items that claimant believes
21 were omitted and set forth in detail all known reasons why the claimant believes the
22 settlement offer is unreasonable.

23 (e) If a proposal for inspection is made pursuant to paragraph (2) of subsection (b) of this
24 Code section, the claimant shall, within 30 days of receiving the contractor's proposal,
25 provide the contractor and its subcontractors, agents, experts, and consultants prompt and
26 reasonable access to the dwelling or common area to inspect the dwelling or common area,
27 document any alleged construction defects, and perform any destructive or nondestructive
28 testing required to fully and completely evaluate the nature, extent, and cause of the
29 claimed defects and the nature and extent of any repairs or replacements that may be
30 necessary to remedy the alleged defects. If destructive testing is required, the contractor
31 shall give claimant advance notice of such tests and shall, after completion of the testing,
32 return the dwelling or common area to its pretesting condition. If any inspection or testing
33 reveals a condition that requires additional testing to allow the contractor to fully and
34 completely evaluate the nature, cause, and extent of the construction defect, the contractor
35 shall provide notice to the claimant of the need for such additional testing and the claimant
36 shall provide prompt and reasonable access as set forth in this Code section. If a claim is
37 asserted on behalf of owners of multiple dwellings or multiple owners of units within a

1 multifamily complex, the contractor shall be entitled to inspect each of the dwellings or
2 units common areas which may be or appear to be affected by the alleged defect. The
3 contractor shall commence and diligently pursue completion of all the desired inspections
4 within the 30 day period after delivery of the contractor's written proposal. Inspection
5 shall be completed within the same 30 day period if reasonable or within a reasonable
6 period thereafter if completion is not reasonable within 30 days.

7 (f) Within 14 days following completion of the inspection and testing set forth in this Code
8 section, the contractor shall serve on the claimant:

9 (1) A written offer to fully or partially remedy the construction defect at no cost to the
10 claimant. Such offer shall include a description of any additional construction necessary
11 to remedy the defect described in the claim and an anticipated timetable for the
12 completion of such construction;

13 (2) A written offer to settle the claim by monetary payment;

14 (3) A written offer including a combination of repairs and monetary payment; or

15 (4) A written statement that the contractor will not proceed further to remedy the defect,
16 along with the reasons for such rejection.

17 (g) If a claimant accepts a contractor's offer made pursuant to paragraph (1), (2), or (3) of
18 subsection (f) of this Code section and the contractor does not proceed to make the
19 monetary payment or remedy the construction defect or both within the agreed timetable,
20 the claimant may bring an action against the contractor for the claim described in the notice
21 of claim without further notice except as otherwise provided by applicable law. In such a
22 situation, the claimant may also file the contractor's offer and claimant's acceptance, and
23 such offer and acceptance will create a rebuttable presumption that a binding and valid
24 settlement agreement has been created and should be enforced by the court or arbitrator.

25 (h) If a claimant receives a written statement that the contractor will not proceed further
26 to remedy the defect or if the contractor fails to serve the claimant with the required written
27 offer or written statement within the time prescribed by subsection (f) of this Code section,

28 the claimant may bring an action against the contractor for the claim described in the notice
29 of claim without further notice except as otherwise provided by applicable law. The
30 contractor's written statement shall include all known reasons for the rejection of the claim.

31 (i) If the claimant rejects the offer made by the contractor to remedy the construction
32 defect or to settle the claim by monetary payment or a combination of each, the claimant
33 shall serve written notice of the claimant's rejection on the contractor. The notice shall
34 include all known reasons for the claimant's rejection of the contractor's offer.

35 (j) Upon receipt of a claimant's rejection and the reasons for such rejection, the contractor
36 may, within 15 days of receiving the rejection, make a supplemental offer of repair or
37 monetary payment or both to the claimant.

1 (k) If the claimant rejects the supplemental offer made by the contractor to repair the
2 construction defect or to settle the claim by monetary payment or a combination of each,
3 the claimant shall serve written notice of the claimant's rejection on the contractor. The
4 notice shall include all known reasons for the claimant's rejection of the contractor's
5 supplemental settlement offer.

6 (l) If a claimant rejects a reasonable offer, including any reasonable supplemental offer,
7 made as provided by this part or does not permit the contractor to repair the construction
8 defect pursuant to an accepted offer of settlement, the claimant may not recover an amount
9 in excess of:

10 (1) The fair market value of the offer of settlement or the actual cost of the repairs made;

11 or

12 (2) The amount of a monetary offer of settlement.

13 For purposes of this subsection, the trier of fact shall determine the reasonableness of an
14 offer of settlement made pursuant to this part. If the claimant has rejected a reasonable
15 offer, including any reasonable supplemental offer, and any other law allows the claimant
16 to recover costs and attorneys' fees, then the claimant may recover no costs or attorneys'
17 fees incurred after the date of his or her rejection.

18 (m) Any claimant accepting the offer of the contractor to remedy a construction defect
19 shall do so by serving the contractor with a written notice of acceptance within a reasonable
20 ~~period of time after receipt of the contractor's settlement offer but no later than~~ 30 days
21 after receipt of the offer. If no response is served upon the contractor within the 30 day
22 period, then the offer shall be deemed accepted.

23 (n) If a claimant accepts a contractor's offer to repair a construction defect described in a
24 notice of claim, the claimant shall provide the contractor and its subcontractors, agents,
25 experts, and consultants prompt and unfettered access to the dwelling or common area to
26 perform and complete the construction by the timetable stated in the settlement offer.

27 (o) If, during the pendency of the notice, inspection, offer, acceptance, or repair process,
28 an applicable limitations period would otherwise expire, the claimant may file an action
29 against the contractor, but such action shall be immediately stayed until completion of the
30 notice of claim process described in this part. This subsection shall not be construed to:

31 (1) Revive a statute of limitations period that has expired prior to the date on which a
32 claimant's written notice of claim is served; or

33 (2) Extend any applicable statute of repose.

34 (p) After the sending of the initial notice of claim, a claimant and a contractor may, by
35 written mutual agreement, alter the procedure for the notice of claim process described in
36 this part.

1 8-2-39.

2 (a) A construction defect that is discovered after a claimant has provided a contractor with
3 the initial claim notice may not be alleged in an action until the claimant has given the
4 contractor ~~who~~ that performed the original construction:

5 (1) Written notice of claim regarding the alleged defect as required by Code Section
6 8-2-38; and

7 (2) An opportunity to resolve the notice of claim in the manner provided in Code Section
8 8-2-38.

9 (b) A construction defect that is discovered during the pendency of an action filed in
10 compliance with this part may be added as a supplemental or additional claim to the
11 pending action if failure to add the claim would prejudice any legal rights of the claimant
12 or the contractor.

13 8-2-40.

14 (a) If a claimant accepts an offer made in compliance with this part and the contractor
15 fulfills the offer in compliance with this part:

16 (1) The claimant shall thereafter be barred from bringing an action for the claim
17 described in the notice of claim; and

18 (2) A contractor's performance of repairs or payment of money to a claimant made
19 pursuant to this Code section shall not, by itself, create insurance coverage or otherwise
20 affect the mutual rights and obligations of the parties under a contractor's liability
21 insurance policy or, by itself, be considered a voluntary payment of an otherwise valid
22 insured loss.

23 (b) An insurer paying a claim under this part shall be subrogated to the rights of the
24 claimant to whom the amounts were paid against the person causing the construction
25 defect, damages, or other reason for payment to the extent that claim payments were made,
26 except that the insurer shall be required to pay any applicable part of costs, expenses, and
27 attorney's attorneys' fees incurred in connection therewith.

28 8-2-41.

29 (a) Upon entering into a contract for sale, construction, or improvement of a dwelling, the
30 contractor shall provide notice to the owner of the dwelling of the contractor's right to
31 resolve alleged construction defects before a claimant may commence litigation against the
32 contractor. Such notice shall be conspicuous and may be included as part of the contract.

33 (b) The notice required by subsection (a) of this Code section shall be in substantially the
34 following form:

1 GEORGIA LAW CONTAINS IMPORTANT REQUIREMENTS YOU MUST
 2 FOLLOW BEFORE YOU MAY FILE A LAWSUIT OR OTHER ACTION FOR
 3 DEFECTIVE CONSTRUCTION AGAINST THE CONTRACTOR ~~WHO~~ THAT
 4 CONSTRUCTED, IMPROVED, OR REPAIRED YOUR HOME. NINETY DAYS
 5 BEFORE YOU FILE YOUR LAWSUIT OR OTHER ACTION, YOU MUST SERVE
 6 ON THE CONTRACTOR A WRITTEN NOTICE OF ANY CONSTRUCTION
 7 CONDITIONS YOU ALLEGE ARE DEFECTIVE. UNDER THE LAW, A
 8 CONTRACTOR HAS THE OPPORTUNITY TO MAKE AN OFFER TO REPAIR OR
 9 PAY FOR THE DEFECTS OR BOTH. YOU ARE NOT OBLIGATED TO ACCEPT
 10 ANY OFFER MADE BY A CONTRACTOR. THERE ARE STRICT DEADLINES
 11 AND PROCEDURES UNDER STATE LAW, AND FAILURE TO FOLLOW THEM
 12 MAY AFFECT YOUR ABILITY TO FILE A LAWSUIT OR OTHER ACTION.

13 8-2-42.

14 (a) A person shall not provide or offer to provide anything of value, directly or indirectly,
 15 to a property manager of an association or to a member or officer of an association to
 16 induce the property manager, member, or officer to encourage or discourage the association
 17 to file a claim for damages arising from a construction defect. As used in this Code
 18 section, the term 'anything of value' shall not include payments, services, or other items of
 19 value which the recipient would otherwise be entitled to receive under an existing contract.

20 (b) A property manager retained by ~~a homeowner's~~ an association shall not accept
 21 anything of value, directly or indirectly, in exchange for encouraging or discouraging the
 22 association that he or she manages to file a claim for damages arising from a construction
 23 defect.

24 (c) A member or officer of an association shall not accept anything of value, directly or
 25 indirectly, in exchange for encouraging or discouraging the association of which he or she
 26 is a member or officer to file a claim for damages arising from a construction defect.

27 (d) A person who knowingly violates subsection (a), (b), or (c) of this Code section shall
 28 be guilty of a misdemeanor.

29 (e) An association may bring an action against a contractor to recover damages resulting
 30 from construction defects in ~~any of the common elements or limited common elements area~~ area
 31 ~~of the a common interest community only. Such action may be maintained only after,~~
 32 provided that:

33 (1) ~~The association first obtains the written approval of each unit's owner whose interest~~
 34 ~~in the common elements or limited common elements will be the subject of the action;~~

35 (2) ~~A vote of the units' owners to which at least a majority of the votes of the members~~
 36 ~~of the association are allocated;~~ The members of the association have voted to approve

1 commencement of an action by two-thirds of the votes cast, either in a meeting of the
 2 members at which a quorum is present or by statutory written ballot as provided in Code
 3 Section 14-3-708;

4 ~~(3)~~(2) The full board of directors of the association and the contractor have met in person
 5 and conferred in a good faith attempt to resolve the association's claim, or the contractor
 6 has definitively declined or ignored the requests to meet with the board of directors of the
 7 association; and

8 ~~(4)~~(3) The association has otherwise satisfied all of the preaction requirements for a
 9 claimant to commence an action as set forth in this part.

10 (f) ~~At least three business days in advance of any vote to commence an action by an~~
 11 ~~association to recover damages resulting from construction defects in any of the common~~
 12 ~~elements or limited common elements of the common interest community, the attorney~~
 13 ~~representing the association shall provide to each unit's owner a written statement that~~
 14 ~~includes, in reasonable detail: the meeting at which the association members vote or at the~~
 15 ~~time a statutory written ballot is circulated to the members to obtain approval of an action~~
 16 ~~to recover damages resulting from construction defects in the common area of a common~~
 17 ~~interest community, the association shall provide each owner a copy of the notice of claim~~
 18 ~~provided to the contractor and an additional written description of claims and the reasons~~
 19 ~~the board of the association is recommending consideration of the litigation.~~

20 ~~(1) The defects and damages or injuries to the common elements or limited common~~
 21 ~~elements;~~

22 ~~(2) The cause of the defects, if the cause is known;~~

23 ~~(3) The nature and the extent that is known of the damage or injury resulting from the~~
 24 ~~defects;~~

25 ~~(4) The location of each defect within the common elements or limited common~~
 26 ~~elements, if known;~~

27 ~~(5) A reasonable estimate of the cost of the action or mediation, including reasonable~~
 28 ~~attorneys' fees and costs, expert fees, and the costs of testing; and~~

29 ~~(6) All disclosures that the unit owner is required to make upon the sale of the unit.~~

30 (g) An association or an attorney for an association shall not employ a person to perform
 31 destructive tests to determine any damage or injury to a unit, common element, or limited
 32 common element dwelling or common area caused by a construction defect unless:

33 (1) ~~The person is licensed as a contractor pursuant to law;~~

34 (2) The association has obtained the prior written approval of each unit's owner whose
 35 unit or interest in the common element or limited common element dwelling will be
 36 directly affected by such testing;

37 (3) ~~The person performing the tests has provided a written schedule for repairs;~~

1 ~~(4) The person performing the tests is required to repair all damage resulting from such~~
 2 ~~tests in accordance with state laws and local ordinances relating thereto;~~

3 ~~(5)~~(2) The association or the person so employed obtains all permits required to conduct
 4 such tests and to repair any damage resulting from such tests; and

5 ~~(6)~~(3) Reasonable prior notice and opportunity to observe the tests is given to the
 6 contractor against whom an action may be brought as a result of the tests.

7 ~~(h) An association may commence an action only upon a vote or written agreement of the~~
 8 ~~owners of the units to which at least a majority of the votes of the members of the~~
 9 ~~association are allocated. In such a case, the association shall provide written notice to the~~
 10 ~~owner of each unit of the meeting at which the commencement of an action is to be~~
 11 ~~considered or action is to be taken at least 21 calendar days before the meeting.~~

12 ~~(i)~~ The board of directors of an association may, without giving notice to the ~~units'~~
 13 owners, employ a contractor and such other persons as are necessary to make such
 14 immediate repairs to a ~~unit or common element~~ common area within the common interest
 15 community as are required to protect the health, safety, and welfare of the ~~units'~~ owners.

16 8-2-43.

17 (a) Nothing in this part shall create any cause of action on behalf of any claimant or
 18 contractor.

19 (b) This part does not apply to a contractor's right to seek contribution, indemnity, or
 20 recovery against a subcontractor, supplier, or design professional for any claim made
 21 against a contractor by a claimant.

22 (c) In the event of any conflict or inconsistency between the provisions of this part and the
 23 provisions of any contract between a claimant and a contractor, the provisions of the
 24 contract shall govern and control."

25 SECTION 2.

26 (a) This Act shall become effective upon its approval by the Governor or upon its becoming
 27 law without such approval.

28 (b) This Act shall only apply with respect to causes of actions or claims arising on or after
 29 the effective date of this Act, and any prior causes of action or claims shall continue to be
 30 governed by prior law.

31 SECTION 3.

32 All laws and parts of laws in conflict with this Act are repealed.