

SENATE BILL REPORT

SB 5333

As of January 28, 2021

Title: An act relating to void and unenforceable clauses in construction contracts related to delays caused by the COVID-19 pandemic emergency proclamations.

Brief Description: Concerning void and unenforceable clauses in construction contracts related to delays caused by the COVID-19 pandemic emergency proclamations.

Sponsors: Senators Holy and Wilson, L..

Brief History:

Committee Activity: Labor, Commerce & Tribal Affairs: 1/28/21.

Brief Summary of Bill

- Prohibits clauses in construction contracts from waiving, releasing, or extinguishing the rights of a contractor to damages or an equitable adjustment arising out of a delay in performance caused by the COVID-19 pandemic emergency proclamations.

SENATE COMMITTEE ON LABOR, COMMERCE & TRIBAL AFFAIRS

Staff: Jarrett Sacks (786-7448)

Background: In general, contract terms are enforceable under law. However, a contract term may be unenforceable if it contravenes public policy. State law provides that certain types of contracts or contract terms are against public policy and are unenforceable. For example, a provision in a public works contract with a county that requires actions arising out of the contract to be commenced in superior court of the county is against public policy and is void and unenforceable.

Under current law, any clause in a construction contract that waives, releases, or extinguishes the rights of a contractor, subcontractor, or supplier to damages or equitable

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adjustment arising out of unreasonable delay in performance caused by acts or omissions of the contractee is against public policy and is void and unenforceable.

A construction contract is any contract or agreement for construction, alteration, repair, addition to, subtraction from, improvement to, or maintenance of, any building, highway, road, railroad, excavation, or other structure, project, development, or improvement attached to real estate, including moving and demolition.

Summary of Bill: Any clause in a construction contract that waives, releases, or extinguishes the rights of a contractor, subcontractor, or supplier to damages or an equitable adjustment arising out of a delay in performance caused by the COVID-19 pandemic emergency proclamations is against public policy and void and unenforceable.

Appropriation: None.

Fiscal Note: January 22, 2021

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: The conditions under which many contracts were agreed to have changed dramatically due to the pandemic. The mandates requiring social distancing, additional cleaning, hand washing, and personal protection equipment have slowed down projects and increased costs. Contractors are responsible for many of these increased costs. The bill gives contractors a chance to make their case but does not require reimbursement. If a public owner mandates changes, the public owner should shoulder the costs. The bill will help compensate essential workers. Government boilerplate contracts have hurt contractor's ability to recover any costs.

OTHER: In the private sector, many adjustments were made cooperatively by both parties and there should be a compelling reason for the state to intervene in a private contract. The bill should be limited to only public works. Both sides have risk and assume costs of that risk, including the owner of the project. Owners have treated contractors fairly and negotiated cost-sharing when they were not obligated to. Washington State Department of Transportation compensated for direct costs and for implementing the safety plan. There are still many ongoing negotiations and change orders and it is unclear how bill impacts them. Force majeure provisions are already in contracts and are built into the costs of the contract.

Persons Testifying: PRO: Senator Jeff Holy, Prime Sponsor; Brent Ludeman, National Electrical Contractors Association; Jerry VanderWood, Associated General Contractors of Washington; John Ahlers, Ahlers Cressman & Sleight; John Salinas, Salinas Construction Inc.; Grant Jansen, Jansen Inc..

OTHER: Colm Nelson, Steel Rives; Greg Hanon, National Association of Industrial and Office Properties; Bill Frare, Department of Enterprise Services; Chris Christopher, Washington State Department of Transportation; Jon Deffenbacher, Washington State Department of Transportation.

Persons Signed In To Testify But Not Testifying: No one.