

## WHAT YOU NEED TO KNOW ABOUT THE NEW LIEN LAW

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Effective July 1, 2012, the mechanic's lien law has been renumbered and reorganized with a few substantive revisions. Here is a brief summary of the most significant changes.

**Definitions:** A contractor who contracts with an owner is now called a "direct contractor" and the contract between these parties is called a "direct contract".

**Releases:** All conditional and unconditional progress and final payment release forms have been modified.

**Notice of Completion:** The deadline for recording this Notice is now 15 days from the date of completion.

**Preliminary Notice:** The "Notice to Property Owner" language has been modified, and all claimants, including a direct contractor, must give preliminary notice to the construction lender. For public works, the notice must now contain a price estimate.

**Proof that Notice was Given:** Proof that a required written notice was given must be made by a proper proof of service declaration. If service is by mail, the declaration must be accompanied by documentation showing that payment was made to send the notice or by a signed return receipt, delivery confirmation, tracking record or other proof of delivery (such as a photocopy of the post office record of delivery and receipt) or the returned envelope.

**Petition to Release Expired Lien:** The prevailing party is entitled to recover reasonable attorney's fees. Under prior law, the recovery of attorney fees could not exceed \$2000.00.

**Release Bonds:** All release bonds must now be issued by an insurer to which the California Insurance Commissioner has issued a certificate of authority to transact surety insurance.

**Security for Large Projects:** Owners who contract for construction projects of more than \$5,000,000.00 and tenants who contract for tenant improvements of more than \$1,000,000.00 must provide payment security to the direct contractor in the form of a bond, an irrevocable letter of credit or an escrow account. This requirement does not apply to single family residences or housing developments eligible for a density bonus.