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Hodes, Ulman, Pessin & Katz, P.A.

# Construction Review

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Leading Construction Industry News From HUP&K | Big Firm Talent, Small Firm Appeal.

## Minimizing Potential Liability For Contractors, Subcontractors and Design Professionals of Condominium Projects

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When you perform construction services for a typical project, you are working for one owner. Usually, your liability is only to the person with whom you have a contract, most often the owner or developer of the project. Any disputes regarding performance or warranty claims will be resolved between the two parties to the contract, the contractor and the owner/developer. However, the situation is much different in a condominium project.

The developer or owner is acting like a middle man who is contracting to have a building designed and built so that condominium units within the building can be sold to third parties. These third party unit owners have no contract with the contractor or subcontractor. However, they are potential claimants. Litigation among condominium unit owners, developers, contractors, architects and engineers is on the rise. In addition to potential damage claims, there are usually very substantial attorneys' fees, expert witness fees, and other litigation expenses involved. The owner, the design professionals, and the contractor should be concerned about these potential claims and litigation expenses long before claims arise and lawsuits are filed. The best time to address these issues is during the negotiation stage of the contracts between the design professionals, owner/developer, and contractor. Dispute resolution provisions, indemnities, and insurance clauses should be carefully reviewed and negotiated. Our construction law attorneys can assist you in identifying and addressing issues that may arise from your involvement in a condominium project.

## Incentives For Builders In Main Street Communities

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Main Street Maryland ("MSM") is a revitalization program created in 1998 which seeks to strengthen Maryland's historic streets and neighborhoods and improve the appearance, economy, and facades in downtown business districts in every county in Maryland. As cities across the state attempt to combat sprawl, many of the designated MSM communities are focusing their efforts on attracting investors in vacant commercial buildings and business opportunities in the heart of their downtowns. Such efforts have resulted in a variety of economic benefits and incentives for property owners seeking to rehabilitate or renovate existing buildings, both commercial and residential, within designated Main Street areas.

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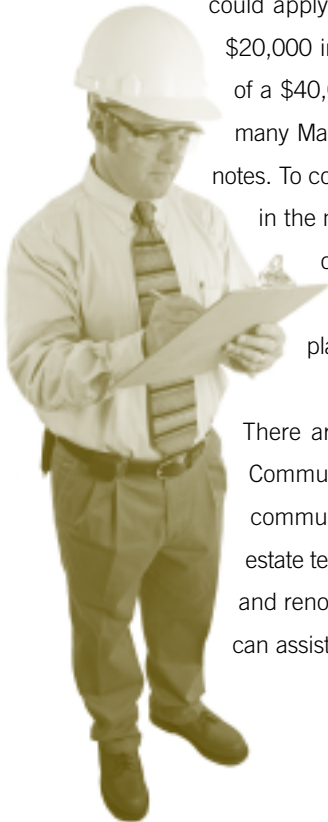
## Incentives For Builders In Main Street Communities | continued from front

For example, in the City of Cambridge, the Main Street Cambridge organization has access to a wide array of grants and incentives which it uses to attract new investors in properties downtown, or to encourage existing building owners to rehabilitate their buildings. One such program is the Architect-on-Call initiative. This initiative provides a building owner with up to \$25,000 worth of Architectural consultation, design plans, and renderings free of charge. Once the designs are completed, the owner has up to six months to begin incorporating the plans into their facade renovations. Architectural and design plans are one of the most cost-prohibitive aspects of the renovation process, and this program provides the building owner with a substantial incentive.



Additionally, there are matching funds grants and revolving loan funds available in Main Street communities that are simply waiting for applicants. The State of Maryland, through many Main Street organizations, provides matching funds grants for facade renovations. For example, the same building that used design plans for the architect-on-call could apply through Main Street for the matching funds grant. Thus, if the owner chose to invest \$20,000 in renovations, the State would match it with \$20,000. The owner then gets the benefit of a \$40,000 renovation that only cost \$20,000. Moreover, there are revolving loan funds within many Main Street communities which typically take the form of low interest or zero-interest balloon notes. To continue with the example above, the same property owner in need of funds to participate in the matching funds grant, could receive a loan from Main Street for the \$20,000 in the form of a Balloon Note, and have up to 5 years to pay it back, interest-free. The end result is that the property owner has received the benefit of \$25,000 worth of architectural plans, and \$40,000 worth of improvements, at a nominal cost per year at no interest.

There are many financial advantages for renovating properties within Maryland's Main Street Communities and Hodes, Ulman, Pessin, & Katz, P.A. has offices located in many of these communities including Cambridge, Bel Air, and the Baltimore region. Our construction and real estate team of attorneys are experienced in navigating through the often cumbersome construction and renovation process, historic preservation and site-plan approvals, zoning, and tax issues, and can assist the business or property owner in taking advantage of many of the incentives available.



### FYI:

The next issue of the HUP&K Construction Review will discuss new Maryland legislation that directly affects your industry.

This newsletter is also available via e-mail. To receive the e-mail version, please contact HUP&K at [newsletters@hupk.com](mailto:newsletters@hupk.com).

### Consultation:

HUP&K's Construction Law Team can help you in many areas of construction law including:

- Construction Litigation
- Environmental
- Land Use / Zoning
- Government Contracts
- Bid Protests
- Mechanics Liens
- Tax
- Employment Relations

For an appointment, call Construction Law team leader, **Drake Zaharris** or one of the other team members listed on the front.

## Big Firm Talent, Small Firm Appeal

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