ASSOCIATED BUILDERS & CONTRACTORS
OF THE CAROLINAS

OFF-SITE STORAGE
PAYMENT POLICY
GOALS

1) TO IMPROVE EFFICIENCY IN THE PUBLIC CONSTRUCTION PROCESS.

2) FOR PROCEDURAL INNOVATIONS TO MATCH INNOVATIONS IN MATERIALS AND TECHNOLOGY.

3) TO UPDATE CURRENT POLICY LANGUAGE TO MATCH IMPROVEMENTS AND INNOVATION.
CURRENT POLICY

ARTICLE 31(d): Payment for off-site storage requirements

1. Limited space on-site for storage;
2. Stored in the name of the owner;
3. Independent, licensed, bonded warehouse;
4. Approved by the designer, owner and the State Construction Office; and
5. Located as close to the site as possible.
PROPOSED CHANGE

• Remove the term “bonded” from the policy

• “Should the contractor desire to include any such materials or equipment in his application for payment, they must be stored in the name of the owner in an independent, licensed, bonded warehouse approved by the designer, owner and the State Construction Office and located as close to the site as possible.”
WHY?

• The term “bonded warehouse” is misleading.

• The types of bonds currently provided by “bonded” warehouses do not adequately protect owners and architects.

• The industry would be better served and protected by allowing contractors to store materials in an approved location, after providing the appropriate bonds and insurance.
EXAMPLES OF “BONDED WAREHOUSES”
How “Bonded Warehouse” is Most Commonly Used

- Definition: “a warehouse under bond to the government for payment of customs duties and taxes on goods stored or processed there.” - Merriam-Webster Dictionary

- Warehouse for the storage of imported, dutiable merchandise - U.S. Customs and Border Protection

- Foreign Trade Zone - N.C. Gen. Stat. § 55C-1 et. seq.

- A warehouse for storage covered by a fidelity bond
TYPES OF BONDS USED BY “BONDED WAREHOUSES”

- Single Transaction Bond - a bond in an amount at least the total value, plus duties, taxes, and fees, of the goods; minimum $100.00

- Continuous Bond - a bond in the amount of 10% of duties, taxes, and fees paid for a 12-month period; minimum $50,000

- Temporary Import Bond - required when goods are brought into the US without payment of a duty to guarantee they will be exported

- Fidelity Bond - protects against fraudulent acts or theft by specified individuals, usually employees
WHAT ARE “STORED MATERIALS”

• SCO Policy Article 31(d):
  • Materials that are customized or fabricated specifically for that project
  • For example:
    • Pre-fabricated boilers;
    • Curtain Walls;
    • Custom Glass.
WHAT ARE NOT CONSIDERED “STORED MATERIALS”

- General or common materials that are easily transferred or used on other projects
- SCO Policy Article 31(d):
  - Raw materials;
  - Piping;
  - Conduit;
  - CMU;
  - Metal Studs;
  - Gypsum Board.
Attachment F - Certificate of Store Materials
(must be available for view by the 15th of the Month)
(Offsite material must be approved prior approve by Owner)
(Must be in a bonded warehouse in Wake County with no exceptions)
NEGATIVE EFFECTS ON CONSTRUCTION INDUSTRY

• Contractors must increase their bid for anticipated off-site storage;

• Increases cost to Owner;

• Materials may not be covered by the appropriate type of bond; OR

• Contractors must store materials on their property without payment AND with no additional protection for the Owner.
POTENTIAL BENEFITS TO THE INDUSTRY

- Lower bid prices
- Materials covered by appropriate bonds
- Clarifies off-site storage requirements
- Better quality of products
- Less warranty items
- More pre-tested, pre-approved items
QUESTIONS