

Transit center work on hold

Contractor runs into financial difficulties

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Work stopped on the new \$1.5 million Watsonville Transit Center last week when the general contractor, Al R. Free Corp. of San Jose, lost its state contractor's license because of financial difficulties.

Subcontractors have received letters from the general contractor, notifying them that the company filed for bankruptcy and would not be making any more payments to them.

Painting subcontractor Steve Matson, owner of Northern Design Incorporated, with a shop in Watsonville, said he stopped work at the center about two weeks ago after he was notified of the contractor's problems. About 80 percent of the job is finished, but "I haven't received a penny," Matson said. "Of course, that hurts."

The painting contract, Matson said, is worth \$22,000. He said he got suspicious of the contractor's business operations when he received the job order from the contractor and noticed that several other painting jobs were included that were not originally agreed to in the bid.

Al R. Free Corp. officials did not immediately return phone calls.

Scott Galloway, general manager of the Santa Cruz Metropolitan Transit District, said this morning that the contractor walked off the job last week. Last Friday, district directors authorized "calling" the contractor's performance bonds, meaning that it will be up to the insurance company that underwrote the bond to finish the project.

The insurance company nor-

mally hires another contractor to finish the project.

The center, scheduled to be completed by March, is well ahead of schedule, Galloway said, and could be finished with another three weeks of work.

The biggest task yet to be done is paving of the driveways and parking lots at the center. That work has been delayed by recent rains, Galloway said.

Subcontractors will eventually be paid, Galloway stressed this morning.

California law requires public agencies to either withhold 10 percent of a contractor's bid or place the money in an escrow account. In either case, the money isn't paid to the contractor until the project has been completed and accepted by the public agency. That normally requires the general contractor to prove that the subcontractors have been paid in full.

In this case, an escrow account was set up, Galloway said, and there is money in the account to pay the subcontractors. There is also another bond that covers payments to subcontractors.

The state Contractor's Licensing Board suspended the company's contractors license Dec. 3, 1994, when it was notified that the company's contractor's bond had been canceled.

All construction contractors are required to post a performance bond with the state licensing board to do business in the state.

Galloway said the district suspended progress payments to the contractor earlier this month after learning that his license had been suspended by the state.

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