



## Performance and Payments Bonds Required for Public Projects

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### **PRACTICE AREAS**

Municipal Law

Public Finance - Bond

It has recently come to our attention that many municipalities are unaware of the requirements of the Michigan Contractor's Bond for Public Buildings or Works Act. Simply, the Act requires that before awarding a contract in excess of \$50,000 for the construction, alteration or repair of any public building, public work or improvement, a township or any other governmental entity must secure a performance bond and a payment bond from the general contractor. The performance bond protects the township against default by the contractor, while the payment bond protects subcontractors and suppliers against such default. The amount of the bonds for a particular project shall be established by the township, but shall be no less than 25% of the contract amount. The bond shall be issued by a surety authorized to do business in Michigan, with the bond payable to the Township.