

Nevada Judge Reduces General Contractor Lien Amount Because of Settlement Between Owner and Subs

Earlier this year, we posted about a huge construction lien filed by the prime contractor in connection with the \$8.5 billion CityCenter project in Las Vegas.

We titled the post: [Liens Make Your Payment Problem the Entire Project's Biggest Problem](#). That post was really written to the subcontractors/suppliers, demonstrating that when a sub/supplier files a lien, the property owner becomes very interested in getting the subcontractor or supplier paid. And...it does.

In fact, as predicted by the May 2010 blog post, the property owner was more than interested in getting the subs and suppliers paid...over the next few months, the property owner went over the prime contractor's head and settled with the lien claimants directly - to the tune of millions of dollars.

And this, of course, brought up an issue with the prime contractor's construction lien, which was calculated assuming that all the money owed to those subcontractors was owed to the prime.

[The property owner asked the Nevada court to reduce Perini Building's mechanic lien by \\$67 million](#). The prime contractor argued that "settling" with the subcontractors didn't resolve the full debt the owner owed to the general, and objected to "settlement provisions" within the subcontractor agreements that "benefited CityCenter at the expense of Perini."

Here's an example of how this problem can arise. Let's say a subcontractor is owed \$50k, meaning of course that the prime contractor is owed at least \$50k. If the owner settles directly with the sub for \$20k, what does that mean for the other \$30k. Does the owner owe it any longer?

The \$67m issue in the CityCenter case was a bit more complicated than this example, but nevertheless, the Nevada judge ruled in favor of the property owner requiring that the prime's lien be reduced.

This is an interesting case for the construction industry, and for construction lawyers across the country who are interested in mechanic lien laws and situations like this one.

The CityCenter project is such a large-scale project that it takes some of these common construction law issues and amplifies them. Stay tuned for more interesting decisions...

Read this article on the Construction Lien Blog here:
<http://constructionlienblog.com/?p=1903>