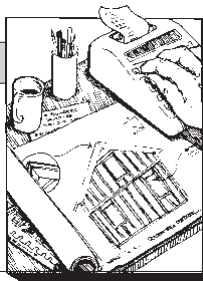


Change Orders

by Sal Alfano



orders that charge for things you forgot in the first one will not be tolerated for long. If you can't write the change order before performing the additional work, write it immediately afterward—but, above all, write it. ■

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The failure to keep accurate and complete records of change orders is perhaps the most common and costly error a builder can make.

Despite detailed and comprehensive drawings and specifications, and despite the best efforts of builders, architects, and owners to plan ahead, there are *always* changes in the work. Always! In and of itself, this presents no problem, but many builders overestimate their powers of memory and find themselves in trouble at the end of a job.

The solution, of course, is the *change order*. Every contract should provide for them, and every builder should learn how to use them.

Cover All the Bases

A properly executed change order accommodates the inevitable changes in a relatively painless way. The document you use need not be a standard form (available from the AGC, AIA, and business-forms suppliers, such as NEBS) but it must cover the necessary elements. These, typically, are *identification, description, cost summary, and acceptance*.

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Identification includes the names and addresses of all parties, the current date and the date of the original contract, and the project name and location. A numbering system often is used to help with filing and sorting.

Next, the change order should describe the nature of the change in detail, with descriptions supplemented by drawings, if necessary. Remember, conflicting interpretations of vague plans or specifications often lead to a change in the first place, so don't add more ambiguity in the change order. Accurately describe how materials, subcontractors, and labor are affected, and be careful to identify each of these. (If, for example, door number five is being changed, say so. If there are two or more doors numbered "5," use compass points or room labels to pinpoint the one you're talking about.)

Changes sometimes result in cost reductions, but the vast majority increase the total construction cost. This can be stated as a lump sum or, if necessary, costs can be itemized. And remember that if the change order authorizes additional work, there's a good chance the project will take more time. Include an extension

of the time of completion, either as part of the change in question or in a separate change order.

A summary of how the change order affects the overall contract is absolutely necessary. This should show the original contract price, the net addition—or reduction—due to the change, and the revised contract sum. Finally, provide a place for the contractor to sign and date the order, and a place that clearly indicates that the owner's signature means the change order has been accepted.

Allowances and Surprises

So much for the technical end. The real trick with change orders is how you use them. There are as many causes for changes as there are owners and builders and architects, but several broad categories can be identified. Each requires a special approach.

First, all "allowance prices" (see last month's column) ultimately evolve into change orders once the parties agree on the materials to be used and the extent of the work. It is important to know what kind of allowance price you're working with—"material," "material and installation," or "total cost"—because that governs which costs can be included in the change order.

Second, change orders can stem from unanticipated conditions that are discovered during the course of the work. Many contracts stipulate that "any and all changes in the work shall be performed solely on the basis of a written change order, signed and dated by both parties," but site conditions often require immediate action. To stop the job until the details are worked out, costs are determined, and the change order is signed, sealed, and delivered, is impractical or impossible.

Except when major design changes are needed, most builders solve a problem on the spot and tell everybody about it later. This is often the only alternative to a costly shutdown while the decision is handled by committee. But it requires confidence—approaching arrogance—and an unerring ability to judge character.

If you are uncomfortable with this arrangement, you might include language in the contract that stipulates that the contractor, in the absence of the owner and/or architect, is authorized to initiate certain kinds of changes that might occur during the normal course of construction. This still requires a great deal of trust between the parties, since no phrase or list can cover all situations that might arise. But at least it acknowledges a ticklish problem.

A Matter of Interpretation

Speaking of trust, the third and final cause for changes is outright errors in drawings (yes, architects are human, too), typos and omissions in written specs, and just plain misun-

derstandings. All of these require a certain amount of tact and finesse if they are to be successfully resolved.

Misinterpretations on the part of owners are quite common. After all, most people haven't seen a blueprint prior to their own project, and have a difficult time visualizing the three-dimensional object until it is standing before them. This is, unfortunately, the point at which design changes are most expensive, but don't be shy about asking for compensation. Remember: When the job is complete, the builder walks away with a pocketful of money, most of which has already been spent, but the owner possesses real property that will appreciate in value for years to come.

Disagreements concerning the scope of the work also are common. It is easier to look at a drawing or specification and see what it contains than to determine what is missing. This problem is best handled by completely reviewing the drawings and specs in the presence of the owner and architect *before* the contract is signed, but don't feel awkward if you discover that you omitted something from the bid that the owner assumed was included. If it's an honest mistake springing from reasonable assumptions, you have a good chance of being reimbursed.

Don't Make Enemies

A lot depends on how you approach the situation. If the specs make no mention of locksets, for example, and no one notices until it is time to hang the doors, the occasion should not be used to gouge the owner and make up for losses elsewhere on the job. If a change adds substantial costs, however, an itemization will help show the owners where all the money went and make them feel a little better about it.

Changes arising from an error in the prints or specs prepared by the architects require the same diplomacy. Remember, a good relationship with the architect is as important as a good relationship with the owner. Don't be antagonistic. Don't jump on small errors or omissions as occasions to humiliate and embarrass the architects. The shoe, as it were, fits both feet, and there will be errors on your part that put the architect in the catbird seat. Be reasonable and you can expect others to treat you well in return.

In every case, the most important thing is to actually *write* the change order. Memory simply is not good enough. Either you'll forget to bill for the extra work, or the owners will forget they authorized it. Either way it can cost you money. But don't take unfair advantage: an overuse of change orders becomes tiresome for everyone, and tends to raise suspicion.

Finally, make sure each change order includes all of the costs for the work it describes. Bill it once and be done with it. Additional change