

## Controlling The Costs Of Change Orders



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Change orders usually occur during construction. They can be caused by changes the leadership of the church want to make in the size and scope of the project, such as changing the location of walls, adding doors, upgrading finish materials, adding more square footage, etc. Change orders can be caused by the lack of details in the architectural construction documents. They can be caused by unforeseen underground conditions. And they can be caused by changes the fire inspector or other governmental agencies or utility companies might require. Whatever the cause, change orders can be very costly to a church. Thus, if there has to be a change order, how can you minimize and control the costs of any change orders that might occur on your church project?

It is important to remember that once your construction project is underway, the selection of who is going to be building it, based upon the bids received before the project got started, has already been completed. So, in most cases, there is not going to be much, if any, competitive bidding on a change order. This is where most contractors (either general contractors or prime trade contractors) try to make larger profit margins than on the original bids submitted for your project. So, how can you avoid excessive profit margins on change orders?

The first step in controlling the costs of change orders is to have a clear written understanding as to how the costs of change orders are to be determined in the agreement or contract you sign with the builder, and oh yes, even the one you sign with your architect. When reviewing contracts, notice that most say how change orders are to be handled or processed, but few point out how change order costs are going to be determined.

The second step, of course, is to write up how you want the costs to be determined. Most contractors like to give the Owner (Church) a lump sum change order. However, a better

way for your church is to request that all change orders be on a cost plus not to exceed basis. Your builder contract would include language that says all material, labor and equipment costs for any change orders would be on an actual cost basis. The labor hourly rates, hourly equipment costs, and overhead and profit margin should all be included in the builder contract you sign at the beginning of your project. With this method your church is protected from any costs exceeding what your contractor quoted you for the change order, but receives the benefit of any savings that occur if the actual costs of the change order are less than quoted.

Your architect will be entitled to fees on most all change orders that occur. However, if change orders occur because of errors or lack of detail on construction documents created by the architect, then your contract with the architect should include a clause that says the architect will not receive any compensation for these types of change orders. Though many architects would disagree with this position, it is the only fair position to take because your church is being hit with costs that you have not anticipated.

The final step in controlling the costs is to make sure you get copies of all labor, material, and equipment costs associated with any given change order. If it is a change order involving several weeks to complete, request weekly labor, material, and equipment cost reports to keep you updated on the costs relating to a specific change order. Inspect what you expect.