

What Triggers Change Orders During Construction?



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Change orders are usually initiated during the construction phase of a church building program. A change order is basically an amendment to the contract the church has with the architect and builder. Most church leaders think change orders are initiated because they want to make a change in the project. Unfortunately this is not the case in the real world. Change orders are most often initiated by others, such as the architect or builder. Here are the triggers for most change orders:

1) Church Initiated Change Orders: These are changes that the leadership of the church wants to make in the project. Examples would be upgrades or downgrades in the finish materials specified by the architect, such as flooring materials, wall finish materials, lighting fixtures, etc. The costs associated with these types of change orders are normally readily accepted by the church leadership if the costs are reasonable for the changes requested.

2) Architectural/Builder Initiated Change Orders: In this era, given the complexity of the buildings being built and the time frames available to produce architectural drawings, it is extremely difficult for an architect to prepare complete and accurate drawings. When this occurs, it leaves the door wide open for the builder to find inconsistencies in the drawings that lead to change orders. According to construction industry statistics, the average increased cost to the Owner (Church) for these types of change orders is 7% more than the original contract price. For example, if a Church contracted with a builder for a project bid price of \$2,000,000, the Church would most likely end up paying \$140,000 more for unplanned change orders before the end of the project. Builders know there is usually more profit in change orders, so there is motivation from their end to find errors in the architect's drawings to trigger change orders to the Church. There are seminars devoted to just this subject. Another incongruity is the fact that not only does the builder make more money than anticipated, the church usually has to pay the architect for processing the change order.

These types of change orders usually cause controversial issues between the contractual parties; ie, the Church leadership, the architect, and the builder. The church leadership is unhappy that the church has to pay more than anticipated, the architect is unhappy with the builder for going after these types of change orders, and the builder is unhappy

because the church leadership is usually unhappy with everyone because of the unanticipated situation.

How can a church minimize its risk for these types of change orders. Well, the first thing to do is when interviewing the architectural firm you are anticipating using, ask what the average increase in the dollar size of the past 10 projects has been due to these types of change orders. When interviewing the builder, ask the same question. Then ask the references that they give you the same question. You will then at least know what you can anticipate in extra costs to the project and plan your financing of the project accordingly. What you find out may have a bearing on what architectural firm or building firm you want to use for your project.

3) Building Inspector and Fire Marshall Initiated Change Orders: Most Church leaders assume that once a project has gone through the permitting process it is a done deal. That is quite often not the case. It is not unusual for building inspectors or fire marshalls to request that additional changes be made during their construction inspections that results in a change order to the church that costs additional money. There is very little anyone can do about these situations.

4) Site Initiated Change Orders: No one can see under the ground. And, soil borings will not necessarily show the problems that might be concealed. Fortunately for most projects there are few change orders that are initiated because of concealed ground conditions. But they do occur from time to time. If they do, then the builder and the architect should be compensated for the extra costs without complaint from the church.

How is the best way to handle the change order process? It is best to agree before the contract signing of the architect's contract and the builder's contract how change orders are to be handled. The responsibility of who initiated the change orders should also be discussed. If there are errors or inconsistencies in the architect's drawings that trigger change orders, then perhaps the architect should not receive any fees on these types of change orders. If this is agreed upon, you must have it in the contract with your architect. The builder will still be justified in being paid for these type of change orders as long as there is a clear basis for the change order in the first place. For all other types of initiated change orders, the architect and builder should receive their just compensation without complaint from the church.

To keep your costs under control with change orders, agree in advance how the builder is going to be paid. The best way to keep costs under control is to agree on an hourly wage for the workmen and equipment plus a reasonable overhead and profit percentage for the builder. Then for every change order, get a not to exceed price and do the work on a time, materials, overhead and profit basis. If the cost of the work is less than the not to exceed cost of the change order, the church gets the benefit. At the same time, the church is protected by the not to exceed cost if the work costs more.