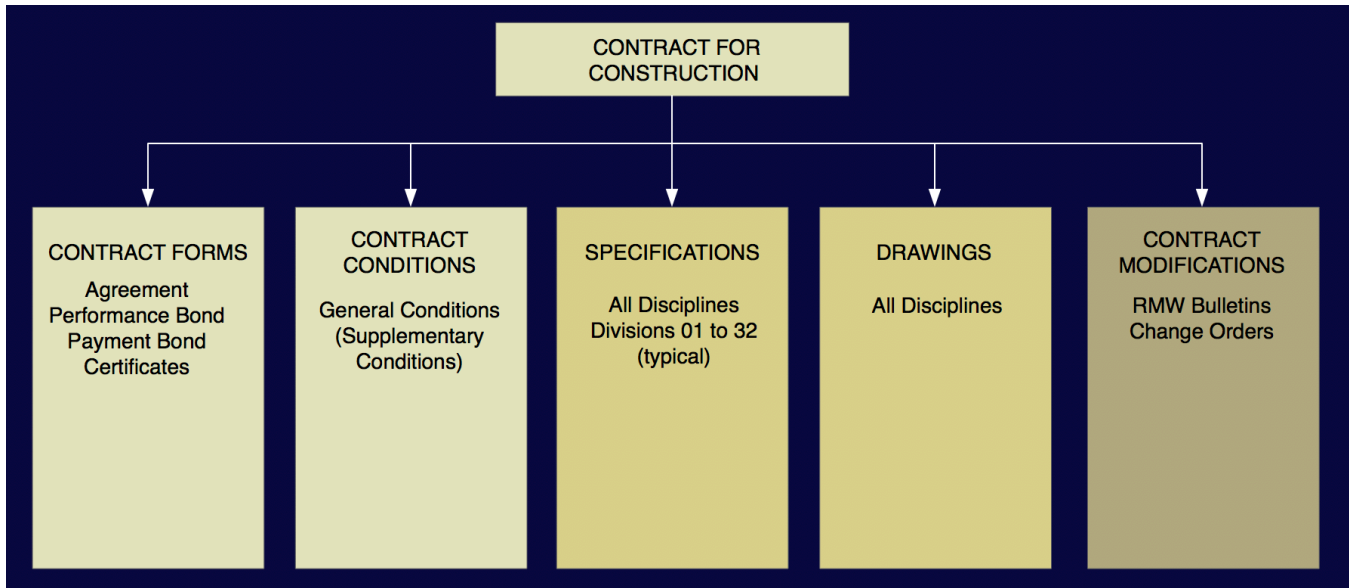


# the contract for CONSTRUCTION

What you need to know



## DEFINITION

The **Contract for Construction** is the legal agreement between the Owner and the Contractor. (*AIA Manual of Practice, Construction Documentation, Fallon and Crocco*). The construction documents that we prepare (drawings, specifications, and other documents) are a part of the Contract for Construction.

- Procedure in case of termination or suspension of the Contract for Construction.
- Insurance and bonds.
- The list of the Contract Documents.
- Signature lines.

## THE CONTRACT PARTS

### THE Agreement

The standard agreement includes the following:

- The date of the Agreement.
- The parties (these are the entities that sign the agreement), Owner and Contractor.
- Identification of the Project.
- The Architect.
- The dates of construction commencement and the date of Substantial Completion (these identify the Contract Time).
- The Contract Sum.
- Procedure for payments to the Contractor, including progress payments, retainage, final payment, and interest in case payment is late.
- Procedure for dispute resolution (claims).

### THE Bonds

- A **Performance Bond**, also known as a contract bond, is a surety bond issued by an insurance company or a bank (surety) to guarantee satisfactory completion of a project by the Contractor (Wikipedia). The Contractor secures this bond to guarantee its work and performance under the Contract. If the Contractor fails, the performance bond will require the surety to fulfill the contracts.
- A **Payment Bond** is a surety bond posted by a contractor to guarantee that its subcontractors and material suppliers on the project will be paid. They are required in contracts over \$35,000 with the Federal Government and must be 100% of the contract value. They are often required in conjunction with performance bonds (Wikipedia).
- **Performance bonds** are issued to the benefit of the Owner and guarantee that the Contractor will finish performance of the contract. **Payment bonds** are issued to the benefit of subcontractors and suppliers, guaranteeing they will be paid for materials and labor they furnish (Zlien, Scott Wolfe).

## THE General Conditions of the Contract for Construction

- This document outlines the rights, responsibilities and duties of the Owner and Contractor as well as others involved in the construction process, including the Architect. (Supplementary Conditions were added as a separate document and included requirements particular to the Project. Now with the use of electronic documents, these requirements are inserted in the General Conditions and not issued separately.)



### RISK MANAGEMENT:

THE AIA OWNER/ARCHITECT agreements include a provision that says that the Architect's contract administration services will be provided as described in the GENERAL CONDITIONS, so THESE

SERVICES ARE NOT DESCRIBED IN THE OWNER/ARCHITECT AGREEMENT, therefore be sure when reviewing, consulting, or negotiating a AIA contract with our clients to review the General Conditions and make sure that the CA services described there are what you want.



### RISK MANAGEMENT:

The Contract for Construction is like a closed room where only the Owner and its CM if any, the Contractor, and the Architect exist.

- DO NOT address anyone other than the Architect when using notes to direct the Contractor to do something, Address the Contractor as "it" - the Contractor is an entity not a person.
- Address only the Contractor, never its subcontractors or suppliers.
  - Example: "Attach insulation to roof deck", "Prepare substrate according to manufacturer's instructions."
- DO NOT instruct the Contractor in ANYTHING that even touches "WAYS AND MEANS". The administration, direction, and management of the Work, as well as the security and procedures of construction, are entirely the Contractor's responsibility.

The end....

## THE Drawings

- Describe those components of the Work that cannot be described by Drawings; they include quality assurance requirements, description of the products, and installation instructions including quality control. See Module E2 "The Specifications."

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## Modifications to the Contract

- Once the Construction Documents are issued modifications become necessary during construction. These modifications need to be carefully recorded and processed. RMW does this using the RMW Bulletin and the Change Order, or other documents if required by the Owner.
- The documents describing the modifications to the Contract become when issue parts of the Contract for Construction.
- See Modules E2 "Contract Modification Procedures 1 and 2".

