

THE COST OF THE WORK

ALTERNATES | ALLOWANCES | UNIT PRICES

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how to use alternates,
allowances, and unit prices to
manage costs, protect your
design, eliminate risk, and
become more efficient

GENERAL DEFINITIONS

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THE CONTRACT DOCUMENTS

The Contract for Construction includes the following documents:

- The Agreement.
- The General Conditions of the Contract.
- The Drawings.
- The Specifications.
- If a bidding process took place, the Contract includes the changes to the documents made during the Bidding Process.
- Other items if agreed by the Contractor and the Owner.

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THE WORK

AS defined by the AIA A201 “General Conditions of the Contract for Construction”

- “The Work includes the **construction and the services** required by the Contract Documents, whether completed or partially completed, including all other labor, materials, equipment and services provide or to be provided by the Contractor to fulfill the Contractor’s obligations.
- The Work may constitute the **whole or part** of the Project.

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THE CONTRACT TIME

The period of time, including authorized adjustments, allotted in the Contract Documents for **Substantial Completion** of the Work.

- The date of commencement of the Work is the date established in the **Agreement** or in the **Notice to Proceed**.
- The term “day”, means **calendar day**.

The date of Substantial Completion is the date certified by the Architect in accordance with the General Conditions.

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THE CONTRACT SUM

- The CONTRACT SUM is the amount stated in the Agreement, including authorized adjustments.
- The CONTRACT SUM is the **total amount** payable by the Owner to the Contractor for performance of the Work under the Contract Documents.
- The CONTRACT SUM cannot be modified without the written agreement of the Owner and the Contractor.

ALTERNATES

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DEFINITION

ALTERNATE is an **amount of money** proposed by the bidders or the Contractor - as stated in the Bid Form or in a separate form - for ALTERNATE WORK identified in the documents as such.

The ALTERNATE describes work that:

- Will replace part of the work in the Contract (DO THIS INSTEAD OF THAT)
- To be added to the Contract (DO THIS)
- To be deleted from the Contract (DO NOT DO THIS)

The amount of the Alternate is **added or deducted** from the Contract Sum when the Alternate is accepted by the Owner.

ALTERNATES

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CONSIDERATIONS

- ALTERNATES impact the project in other areas besides costs, for example:
 - The Project Schedule.
 - Use of the space.
 - Additional requirements (permits, insurance, testing, modifications to the design, installation, etc.)
 - New subcontractors, depends on availability of products, etc.
- **ALWAYS** discuss important Alternates with the Owner. The Owner should understand the implications.

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RISK MANAGEMENT

- **DO NOT** label Alternates as “ADD” or “DEDUCTIVE”.
- **AVOID** Alternates that **depend** on other Alternates, **conflicting** Alternates, and **deductive** Alternates.
 - **Contractors do not want to lose overhead and profit margins on work they have bid but that might be omitted from a project.**
- Consider the cost to the Contractor for preparing alternates.
- Consider using alternates to avoid “bid shopping” (price negotiating after contract is signed).
- Alternates increase the liability of the Architect.

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DOCUMENTATION

SCHEDULE ALTERNATES: ALTERNATE #1, #2, etc.

- Record both the **Base Bid Work** and the **Alternate Work**:
 - Base Bid: Provide A.
 - Alternate: Provide B.
- Alternate work needs to be fully described in the Drawings and the Specifications, i.e., new details, new section, etc.
- The specs include the administrative procedures for alternates and a schedule of alternates in Division 01. COORDINATE.

ALLOWANCES

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DEFINITION

Allowances are amounts of money established in lieu of portions of work of which there is **insufficient information** to so that portion of the work is deferred to a later date when additional information is available for evaluation. Allowance types are:

- LUMP SUM
- UNIT COST
- CONTINGENCY
- TESTING AND INSPECTING
- QUANTITY

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LUMP SUM



THIS IS THE MOST COMMON TYPE OF ALLOWANCE

USE it when you do not know the quantity of a material or if the material or product is going to be used.

- TO NEED TO KNOW the unit price and the quantity of material needed.
- Use also for single-unit, large-dollar-value items.
 - For allowances covering small amounts, the cost of administration may exceed the amount in the allowance.
- Use a lump-sum allowance only if the actual quantity of units can be **determined easily**; if not, use a unit-price allowance

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CONTINGENCY



USE For covering unexpected problems, like existing conditions unknown at the time the project begins, weather delays, etc., and for when the scope of work is unknown.

- In our contracts, we always include a contingency allowance for **errors and omissions** by the architect.

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UNIT COST



Use **THIS** type of allowance on projects that include many identical units of a product (for example, rolling shades) and you cannot determine the number of units that will be required.

- If you do not have precise information, decide on a suitable monetary value for a single unit, usually at midpoint of the price range.
- The **contractor determines the quantity from the documents.**
- Do not use this type of ALLOWANCE for items that cannot be quantified or measured in units.

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CONSIDERATIONS

- **Avoid ALLOWANCES** whenever possible. They probably will:
 - Increase costs.
 - Impact the project schedule.
- The time between the procurement of the work under the allowance and its acceptance might cause problems. Missing or erroneous information will add to the cost.
- Allowances have legal implications.
- Allowances increase the liability of the Architect..

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DOCUMENTATION

ALWAYS SCHEDULE ALLOWANCES: Allowance #1, #2, etc.

- Work under the allowance needs to be fully described in the Drawings and the Specifications, i.e, new details, new section, etc.
- The **specs** include the administrative procedures for allowances and a schedule of allowances in the “ALLOWANCES” Section in Division 01.

UNIT PRICES

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DEFINITION

- Unit price is an amount proposed by bidders (**contractors**), stated on the Bid Form (**or other form**) as a price per unit of measurement for materials or services added to or deducted from the Contract Sum by appropriate modification, if estimated quantities of Work required by the Contract Documents are increased or decreased..
- Unit prices include all necessary material, plus cost for delivery, installation, insurance, applicable taxes, overhead, and profit.

EXAMPLE - An instance in which a lump sum is appropriate.

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CONSIDERATIONS

- Unit prices are used when the architect knows that there is a **strong probability additional work** will be needed but cannot describe the nature and quality of unexpected work.
- If there is not enough information for a Contractor to propose a cost, unit prices:
 - Protect the Owner and the Contractor;
 - Provide the necessary provisions to pay for performing such work.
 - Reduce the Architect's liability.

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DOCUMENTATION

ALWAYS SCHEDULE UNIT PRICES: Unit Price #1, #2, etc.

- Work covered by the Unit Price quoted needs to be fully described in the Drawings and the Specifications, i.e.
- Before requesting Unit Prices, **make sure the quantification or measurement can be done from the information in our documents.**
- The **scope** of what is covered in the Unit Price should be clear.
- The specs include the administrative procedures for UNIT PRICES and a schedule of unit prices in the “UNIT PRICES” Section in Division 01. **COORDINATE!**

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THINK AS DESIGNERS

ORGANIZE YOUR INFORMATION

- YOUR TOOLS ARE THE DOCUMENTS
- YOUR TIME IS WHAT YOU CAN SPENT
- YOUR HOW TO IS IN THE DOCUMENTS

- OWN THE PROCESS
- CONSIDER THE CONTRACTOR'S WORK
- Be a team member

ALWAYS REMEMBER

THE END NOW YOU KNOW MORE ABOUT HOW TO MANAGE THE OWNER'S MONEY

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