

## 5 WAYS TO AVOID CHANGE ORDERS IN CONSTRUCTION

No one likes dealing with change orders, so it is surprising that change orders affect at least one third of all construction projects. Some change orders may be inevitable but others can be planned for in advance. Often times contractors neglect to plan for change orders, and it is left up to the project owners to make sure that every effort is made to reduce the chances of incurring a change order.

### FIRST OF ALL, WHAT IS A CHANGE ORDER?

Initiated by the contractor or the project owner, a change order occurs when one of the parties to the construction contract identifies a problem and suggests that the necessary changes be made. It may involve modifying or removing specified tasks, substituting building materials, addressing rising costs, or a response to unforeseen problems.

These are not simple issues that can be resolved during a conversation or a phone call. Change orders are legally binding and require that an amendment to the original construction contract be made to settle the issues.

### WHAT IS INCLUDED IN A CHANGE ORDER?

A change order must meet all the needs of the project owner and the contractor, but since it may also be read by attorneys and others involved in the process, specific information should be incorporated.

1. Basic project and contact information including the contract number, the contact information for all parties involved, the name and address of the project, and the change order number in case there has been more than one should be part of every communication.
2. Important dates, especially the date when the change order was requested, are vital so that the notification process can be completed correctly.
3. The contractor should provide as much written and photographic detail as possible to ensure that the project owner and others who may become involved later understand the terms of the change order plainly.
4. The schedule should be revised based on the changes to reflect the new completion date.

5. All costs including overhead, taxes, insurance, labor, materials, and any extra charges should be submitted.
6. The contract value should be updated to reflect the original value, the value of any past approved change orders, the cost of the current change order, and the estimated value of the new contract.

Being able to see the key pieces of information about the change request can make it easier for the architect, the property owner, and the contractor to reach an agreement.

## **COMMON CAUSES**

Several different circumstances can cause a contractor or a project owner to request a change order, including:

- inaccurately drawn plans
- disputes between the owner and the contractor
- the scope of the work has been poorly defined for the contractor
- the contractor needs to substitute building materials or construction methods
- increasing safety concerns or inclement weather
- the owner has encountered financial or other complications
- developing or new government regulations

While things like dangerous weather or the implementation of new government regulations are beyond anyone's control, there are safeguards that can address many of the reasons for change order requests.

## **AVOIDING CHANGE ORDERS**

Budgets can be blown out of proportion and work stoppages can thwart meticulously planned schedules when change orders emerge. Careful planning on the part of the project owner will completely eliminate the eventuality of a change order but it can keep issues and disruptions to a minimum. There are several courses of action that project owners can take to reduce the damaging effects of change orders.

1. Include a change order procedure in the original construction contract. Having a process that is clearly defined and already agreed to by all parties can minimize interruptions in the schedule and potential budget issues.
2. Make sure that the statement of work (SOW) includes every detail and is completely understood by the contractor before work begins. Taking steps to eliminate ambiguity will help to prevent the need for change orders.
3. Promote transparency. When all the team members can see what everyone else is doing clearly and plainly, it allows them to communicate more effectively and to be more responsible, productive, and accountable for their roles in the project.
4. Before starting design or construction conduct a due diligence phase to find out as much information about the job site's existing conditions as possible.

5. Beginning construction on a site with unknown conditions is a recipe for more change orders.
6. Facilitate coordination and communication between your architect and mechanical, electrical, and plumbing engineers. Collaboration between everyone who is doing electrical work, for example, can prevent overlooked issues and change orders. Bidding for the work can also be more accurate when contractors can see how the work of other design teams will affect the overall project.

If you find yourself in the situation of having to follow through with a change order, there is one more thing you can do to protect yourself. Don't allow the contractor to do any work until the order has been approved and signed by all parties. The contractor will not be able to bill for unapproved work or make you liable for anything else that might happen during the interim before written authorization is given to proceed with the project.

It may not be possible to avoid change orders entirely, but project managers can take control of the original contracts to minimize claims and damage.