

Survivors Speak: Working With Your Contractor

Part of the [“Survivors Speak” Tip Series](#)

Read and understand your contract

“My first suggestion is to completely read and understand each and every phrase of your contract. You did this when you signed it, of course, but re-reading it once the work is underway would probably be very helpful because now you will know what certain clauses are referring to.”

Pay attention to the fee arrangement

“The contract is written as cost-plus-fee. The allowable fee (profit) was 15% and a general allowance of 5% was permitted for supervision. This fee arrangement applies to the basic construction and all change orders.”

Keep tabs on all change orders

“For all change orders, we had a right to see the sub-contractors’ and material suppliers’ invoices. We got copies with each bill for each change order.” “Each change order was made in writing from us to the contractor and was as specific as possible. Each invoice for each change order was evaluated by us. If work was done that should have been covered in the original contract, but was double billed as part of a change order, we noted that and gave only payment (with fee) for that portion of the work that was a legitimate change. There were only two cases of double-billing, and the contractor apologized for the error.”

Give prompt notification of mistakes

“We visited the property every other day and promptly notified the crew, not just the contractor, of all

mistakes. The crew almost always immediately fixed problems without having to call the office first.”

“We discovered some important work that the contractor was doing that was not included in the original contract (an oversight) or on any change order. For example, constructing a concrete footpath between two of the buildings. We immediately sent the contractor a change order request to cover the costs.”

“We discovered a few instances where the costs of materials were higher than estimated (on change orders), but for which the contractor failed to bill for the extra amount. We noted that, also, and voluntarily paid the extra amount.”

It pays to be helpful

“We purchased a few thousand dollars of materials on our own, because they were hard to find (\$40k of Peruvian granite, some light fixtures and a glass washbasin). Our contractor voluntarily gave us credit for those things (negative change orders) without our having to ask.” “Nit-picky little things I fixed myself (like tight-fitting door striker plates).”

If you’re not happy, hire a different contractor

“Our original contract (probably a pretty standard form) allows you to give the current contractor a stop-work order at any time and for any reason and to have another contractor finish the job.”

You get what you pay for and you should pay for what you get

“After construction was completed, we had heard that the contractor had paid for some work that had to be done (well electrical controller installation) but that was not included in the original contract or any change order. The contractor was going to suck it up and pay it out of his own pocket, because he was embarrassed by the oversight. In our opinion, however, we had a cost-plus-fee contract, and we were obligated to pay for any and all work done on the property, and so, even though the house was long-finished, we wrote him a change order and paid for the work. It took him over a month to send us the bill, because he thought it was asking too much to get reimbursed.”

“Bottom line is that we got exactly what we paid for; no more and no less. We were completely fair and honest with the contractor, and he with us. We wanted him to be successful and profitable, and he

wanted us to have a perfect house (and it is).”

”For reference, original contract was for \$880,000. Change orders amounted to \$163,000. Work done outside of the contract prior to construction comprised bringing in power, the well and grading and amounted to another \$120,000. Total cost \$1,163,000. This came out to something like \$150 per sq. ft. and that includes many upgrades: Solid hardwood floors, all-granite counter-tops, top-end cabinetry, 4 br. 6 baths, 11 sinks, 68 windows, 57 doors., 1600 sq. ft. of Trex deck. A lot of work for \$150 a sq ft.!”

(All above quotes were from a survivor of the 2007 “Angora” wildfire in South Lake Tahoe, CA)