

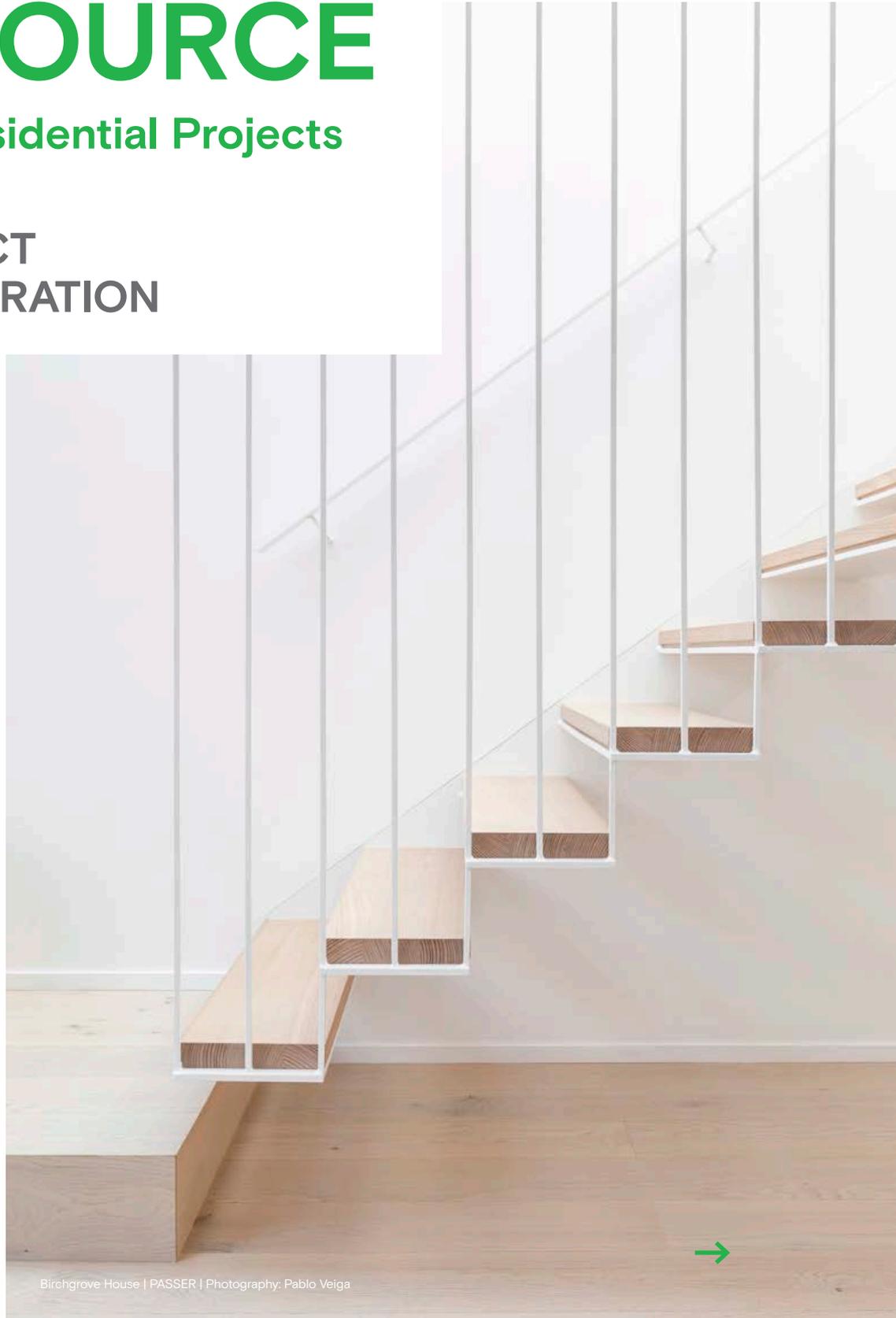


Australian
Institute of
Architects

CLIENT RESOURCE

Single Residential Projects

CONTRACT
ADMINISTRATION





Highlight House | Bastian Architecture
Photography: Justin Aaron Photography + Bastian Architecture

CONTRACT ADMINISTRATION

Contract Administration refers to the execution of the contract during the construction period, including monitoring construction to determine whether it is being built in accordance with the contract documents.

These works are carried out concurrently with the construction of the project and are often completed by a third party not partial to the building contract, in many cases a registered architect.

During the construction stage, an architect engaged to carry out contract administration may provide the following services:

- Attend site meetings,
- Assess completed works,
- Work with the builder to resolve any issues which may arise during construction,
- Provide on-site design advice,
- Amend the contract, when required, to add or subtract works and adjust the contract price & time frame accordingly.



House in Newtown | Architect George | Photography: Clinton Weaver

WHY IS CONTRACT ADMINISTRATION SO IMPORTANT?

Having an architect involved often means the difference between a project running smoothly or not and can ensure a project is built as it is documented and priced.

In many residential projects, the owner will not have undertaken any building work and therefore will have little experience of the construction process. Without a third party, the owner – a novice – will need to negotiate with an experienced builder, understand construction costs and have knowledge of building contracts. Having a third party to guide, negotiate and speak in building terms with the builder through the project is invaluable.

It is a common misunderstanding that, once building has commenced, there are no more design decisions to be made. However, architecture and building are imperfect arts and so in each project there are continuous decisions to be made and design changes to be resolved. An architect has the ability to understand the ramifications of on-site changes and will be able to resolve these efficiently while ensuring the integrity of the design is maintained.

By being present during the construction process, the architect may save the owner money by identifying a defect or issue before it arises, meaning there is less backtracking and re-doing of works. The architect may also help maintain a good relationship between owner and builder by being able to mediate and explain both points of view.

WHAT IS AN ARCHITECT ADMINISTERED CONTRACT?

There are two types of contracts used in residential building; one between owner and builder and another where the architect is involved, acting as an independent party. Before signing any contract, it is recommended owners speak to their architect and lawyer about which contract best suits their project.

In an architect administered contract, there is a designated role for the architect to administer the contract. These contracts typically allow the architect to approve variations to the contract, provide a robust framework for dispute resolution and have clear guidelines for how changes to the contract can be made.

In addition to this, an architect administered contract may also include:

- A retention clause: this allows the owner to retain a portion of the progress claims, for up to 5% of the contract value, for rectification of defective work. The owner will release this to the builder in two stages;
 1. At practical completion (when the building is 'fit for use,' or the owner moves in) and,
 2. At the end of the defects liability period, after all defects have been attended to and rectified.
- Practical completion is determined by the architect, not the builder,
- Liquidated damages clause: if included, allows the owner to claim for verifiable expenses if the project runs over time, Architect will visit site regularly to review works completed against the builder's progress claims and provide instruction to client to pay the builder – if the amount of work completed does not equate to the claim, the architect can ask the builder to amend the claim accordingly,

Typically, an architect administered contract provides more protection to the client and reduces the amount of work the client is directly responsible for. However, they do involve more work for both builder and architect.

Owner/builder contracts tend to have the following points of difference:

- No retention clause,
- Builder determines practical completion,

- No process for release of the final payment (in an owner/builder contract, this is typically released at the end of construction, not at the end of the defects liability process).
- Architect has no authority to instruct the builder, nor authority to withhold payments.
- There is no third party so any issue needs to be resolved by the owner + builder.

WHY HAVE AN ARCHITECT INVOLVED ON SITE?

Most people are able to maintain a good relationship with the builder and pay invoices, however, there is additional value in retaining an architect throughout the project.

- As the architect has prepared all the documentation for the contract and understands the project in detail, their involvement during construction ensures the best possible outcome.
- An architect has a vital working knowledge of building contracts, understands how to employ the mechanisms of a contract,
- An architect understands what the varying contractual terms (provisional sums, variations, liquidated damages, retention, practical completion or latent conditions) mean and will be able to explain these in plain English.
- An architect has experience resolving technical issues which may arise on site.
- Architects are experienced in working with complex factors outside the building works, including negotiating with neighbours + coordinating consultants.
- Architects are trained problem solvers. An architect is able to think a few steps ahead and is able to resolve any issues effectively, often making the design better along the way.
- On site, the architect can communicate with the builder about the intricacies of a detail and will be able to translate this information back to the owner so all parties understand the change and implication,
- Often builders will suggest ways to modify the design. The architect is the best person to understand if a change or substitution is OK or if the original detailing should be followed. Architects are good at balancing time, cost and quality.

WHAT CAN HAPPEN IF YOU DON'T HAVE AN ARCHITECT INVOLVED ON SITE THROUGHOUT THE ENTIRE CONSTRUCTION PROCESS?

While it is common to engage the architect throughout the construction phase, some owners may not involve the architect at all or request partial services.

While any involvement is better than none, there are issues with architects not being involved or just 'popping-in' every so often.

- Unexpected site conditions can be revealed on site after demolition, which may require design changes. An architect can foresee the effect of these and resolve any issues if they are involved during construction.
- If the architect does not attend site regularly, they cannot be expected to resolve everything. They will only address specific issues when called to site. There is no requirement for the architect to identify other issues which are incorrect while on site. They may also be unaware of other changes that have occurred in their absence.
- If the relationship between owner and builder deteriorates, the architect will not be able to mediate as they will not have been involved in the process, nor the discussions had on site.

CASE STUDY – TURRAMURRA HOUSE

Peter and Leslie engaged their architect, Clare, to continue working with them through the construction phase and signed an architect administered contract. Early on in the construction process, they decided to add fly screens to the sliding doors from their new sunroom onto the new deck. They wanted to make sure that the fly screens were concealed when not in use.

They asked Clare to update the details to include these screens and make sure the overall design was maintained. While Clare was updating the drawings, she took the opportunity to investigate the option of changing the sliding doors to bi-fold doors and opening the sunroom up further. Peter and Leslie thought this was a great idea and wanted to get the builder to price this change.

Clare issued an Architect's Instruction, along with revised drawings to the builder, requesting the addition of fly screens and the change to the door configuration. The builder sent through a price for the variation. Clare reviewed the price

and requested another quote as the price was high compared to other projects she had recently been involved in. A second quote came in \$1000 cheaper.

Peter and Leslie agreed with the variation, Clare updated the contract documentation and value, and instructed the builder to proceed with the works.

Before the doors were manufactured, the builder sent through 'shop drawings' to Clare for review. At this point, Clare identified that the builder had flipped the doors, meaning they would have opened from the wrong side.

In this instance, the Architect was able to identify an opportunity to make a change to the design that resulted in an improvement to what was drawn at a similar cost to the change request by the clients. Through experience, the architect also questioned the variation cost, resulting in a cost saving for the client. The architect was also able to identify an error before it was incorrectly installed on site.



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