

Building BLOCKS

The Seven Secrets of Successful Restaurant Construction Secret #2: Avoiding Costly Change Orders

by John Klakamp

This column is the second in a series designed to help you avoid common pitfalls in planning and building your new restaurant. Upcoming articles will address Selecting the Right Team, Pre-Lease Planning, Pre-Construction Planning, Integrated Project Delivery and Negotiating Successful Contracts.

Perhaps no two words make a project owner cringe more than the dreaded “change order” and in today’s economic climate, controlling costs is more important than ever. However, while change orders historically have been a source of frustration and sometimes contention between owners, architects and contractors, there are steps you can take to effectively manage and minimize their impact.

Know Why Change Orders Happen

Generally change orders occur for two reasons:

1. Unforeseen Conditions - when there is an existing construction defect that needs to be brought up to code or new construction specifications and;
2. Incomplete Information - when relevant information is not shared among all parties.

Take for example this hypothetical scenario:

During construction, it comes to light that there is no point of connection for a sewer pipe shown on the plumbing drawings. Additionally, the contractor stated in his bid that the point of connection was to be within twenty-five feet of the proposed space but in actuality it is one hundred feet away from the space. This would result in a change order for an additional seventy-five feet of sewer pipe.

Why did this happen? Perhaps the pipe was buried in the ground, there were no drawings available of the exist-

ing space and there was no way to see its actual location, which is an unforeseen condition. If the information was available but not found and incorporated into the design, then the architect was given incomplete information. Either way, the cost for your project just increased.

Making Dollars and Sense of Change Orders

It’s a myth that contractors get rich from change orders. This misconception stems from the days of widespread corruption in government contracting. Even with change orders at 10 percent of the project cost—a very high rate—a project bid at 8 percent would only result in an increase in profit of less than one percent.

And while it’s true the owner pays for change orders, in reality that cost was always necessary to successfully complete the project. The true problem is that it was overlooked and therefore not budgeted, negatively affecting the pro forma and often causing delays.

Minimizing Change Orders for Your Project

The short answer to how to minimize change orders is to put your team in place early. Will this eliminate all change orders? No. But by selecting your architect and contractor at the pre-lease stage of the project, you can significantly reduce the incidence of unforeseen conditions and incomplete information.

In a lump sum bid where you select your contractor after the design is complete, the contractor is more focused on coming in with the lowest price rather than in the best interests of the owner. In the sewer pipe scenario described above, if all bidders are assuming the sewer is within twenty-five feet of the space, that’s how it is bid. But that is not the real cost resulting in the first of potentially several change orders.

On the other hand, thorough pre-lease and pre-construction services from a contractor mean this problem was more likely to be identified early on

during a comprehensive discovery process. Does the owner still pay the cost of the additional pipe? Yes, but because it’s included in the design it is priced competitively, won’t add unexpected time to bring in extra supplies and is factored in to the overall budget, allowing the owner to opt to reduce costs in another area if necessary.

Best of all, these pre-lease and pre-construction services are often provided for a nominal fee—or even better, when Encore is selected for your project, those services are free.

So remember, the best way to min-

imize and avoid change orders is by assembling your team early. This simple step pays off in cost, time and perhaps most importantly, less hassle for you during the construction process.



John Klakamp has over 30 years experience in restaurant construction and is owner of Annapolis, Md.-based Encore Construction (www.encoreconstruction.net), a firm that specializes in providing pre-construction, construction and project management services to the restaurant industry.



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