

CONSTRUCTION CONTRACT TYPES - COMPARISON

	COSTS-PLUS-MARKUP CONTRACT (REIMBURSEMENT CONTRACT)	FIXED-PRICE CONTRACT (W/ CASH ALLOWANCES)	FIXED-PRICE CONTRACT (LUMP SUM)
COST RISK TO OWNER	HIGHEST	MODERATE (ALLOWANCES)	MINIMUM
COST RISK TO CONTRACTOR	MINIMUM	MODERATE	HIGHEST
DESIGN COST (FOR QUALITY)	MAY BE VERY LOW-COST DESIGN	DESIGN COST USUALLY MODERATE	DESIGN COST IS HIGHEST
SPECIFICATION DETAIL LEVEL	Allows late-stage specification, even during construction progress. (Can result in re-work.)	Majority of products & systems must be fully specified in the Construction Drawings & Specifications. A limited number of relatively small line-item costs can be specified during construction progress.	All products & systems must be fully specified in the Construction Drawings & Specifications.
SUITABILITY FOR NOVEL WORK	Well suited for novel work. (Facilitates care in craftsmanship & development of work procedures for very high-quality results.)	May be well suited where the scope of novel construction work is small relative to the total work scope.	Poorly suited to develop novel work. (Fixed-price focus increases the probability of quality compromise.)
ADAPTABLE TO DESIGN CHANGE	Adapts to substantial changes in design, products or systems. Clarity of design intent is crucial to avoid misalignment of expectations.	Adapts easily to minor changes in Allowance line-item work scope. Substantial change is incorporated by written Change Order.	Inflexible to changes without alteration of the contract price by written Change Order.
WORKMANSHIP WARRANTY	5 years from date of Full Completion	5 years from date of Full Completion	5 years from date of Full Completion