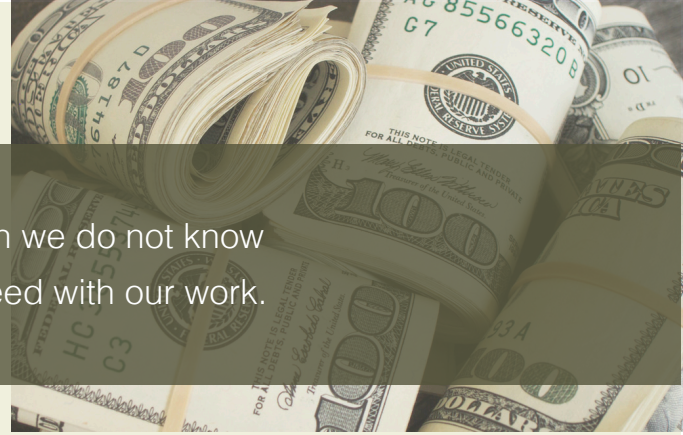


# allowances

WE use them when we do not know what to do or what to specify and we need to proceed with our work.

Information in this module is based on AIA's Masterspec Evaluations.



## Use CAUTION!

When using allowances, **always** discuss the allowance with the Owner and obtain the Owner's authorization. If there is a CM on the job, discuss the allowance with the CM.

- The description of the product or work covered in the allowance should be very precise so that the item covered by the allowance can be priced and provided correctly by the Contractor.
- Failing to show the full extent of work and all construction details may result in claims for additional costs.
- TAG the allowances (#1, #2, etc) and add a schedule of allowances to the project documents (preferably in the specs), even if the project has only one allowance.
- Coordinate with LEED and other requirements affecting items covered under allowances.

## DEFINITION

**ALLOWANCES** are dollar amounts (cash allowances) or quantities of work (quantity allowances) incorporated into the Contract Documents by an owner to obtain certain items that are necessary to a project but not specified in detail. Allowances provide the Contractor with funds in the Contract Sum to cover the cost of those items once the deferred decisions are made and the Owner gives direction to the Contractor on how the funds are to be spent. Allowances can be "**Cash**" or "**Quantity**".

- **CASH ALLOWANCE:** An allowance that provides a monetary amount in the Contract to pay for an item of work that is yet to be fully described in the Contract Documents. They are used when product decisions or project conditions cannot be established before bidding begins or construction starts. Cash allowances can be of these types:
  - **Lump-sum Allowances** are the most common type of allowance, because they are versatile. Before using a lump-sum allowance, the owner and the architect must have reasonably reliable information on the anticipated cost of the allowance item and the scope of the item.
  - **Unit-cost Allowances** are effective on projects that include many identical units of a product, such as brick or carpeting, or when appropriate costs can otherwise be established.
  - **Contingency Allowances** are used occasionally when owners want their construction contracts to include a reserve fund that is above and beyond the actual construction cost to cover the cost of Change Orders.
  - **Testing and Inspecting Allowances** are used when owners want to include the costs of hiring testing agencies in the Contract Sum, so these costs will be covered by their construction financing and not become out-of-pocket expenses. Establishing special lump-sum allowances to cover the costs of hiring testing agencies to perform various tests and inspections allows the owner to include the costs in the Contract Sum.
- **QUANTITY ALLOWANCE:** These are used when product decisions have been made but precise locations or scope are unknown. These type of allowance is a mechanism owners use to provide additional quantities of the item, if necessary. Quantity allowances stipulate a specific quantity of items to be provided (includes handling and installation) without indicating their location.
  - One example is in FF&E purchasing when the type of items covered under the allowance is not known at the time the construction documents are issued, or for Extra Materials (attic stock).
  - These allowances can be specified using Unit Prices when the amount of items covered in the allowance is not known.



**Allowances increase the risk to the Architect!!!**