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BULLETIN NO. 9

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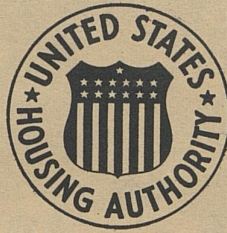


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CONSTRUCTION CONTRACTS

Addendum

I



January 12, 1940

FEDERAL WORKS AGENCY

UNITED STATES HOUSING AUTHORITY - NATHAN STRAUS, Administrator

ALLOWANCE FOR CONTRACTORS' OVERHEAD AND  
PROFIT ON WORK PERFORMED UNDER  
CHANGE ORDERS BY SUBCONTRACTORS

ADDENDUM 1

BULLETIN NO. 9 ON POLICY AND PROCEDURE

CONSTRUCTION CONTRACTS

This Addendum is being issued in order to revise the provisions of Bulletin No. 9 relating to the suggested allowance to the contractor for overhead and profit on work performed under change orders by a subcontractor and superintended by the contractor. The revised allowance reflects more accurately than the allowance formerly suggested the working relationships which exist on USHA-aided projects.

The working relationships which exist between local authorities and their respective contractors differ from the relationship between most Federal Agencies and contractors in that both parties to an agreement between a local authority and a contractor are ordinarily at the project site. This fact substantially reduces the amount of office overhead and paper work involved in the superintendence of construction work, and also reduces the cost of any necessary field coordination by the contractor.

The USHA believes that the revised allowance suggested will assure a reasonable profit to the contractor on work superintended by him and will, at the same time, effect an important saving in construction costs.

UNITED STATES HOUSING AUTHORITY

BULLETIN NO. 9 ON POLICY AND PROCEDURE

CONSTRUCTION CONTRACTS

Addendum No. 1 - Allowance for Contractors'  
Overhead and Profit on Work Performed  
under Change Orders by Subcontractors

Scope and Content of Addendum. This Addendum revises Bulletin No. 9 so as to suggest an allowance to the contractor for overhead and profit, on work performed under change orders by a subcontractor and superintended by the contractor, which reflects more accurately than the allowance formerly suggested the working relationships which exist on USHA-Aided projects.

I. BASIS OF REVISED POLICY.

Contracts and negotiations between contractors and local housing authorities differ from contracts and negotiations with Federal Agencies in that both parties to the contract are at the project site and a minimum of office overhead and paper work are involved. The expense of any necessary field coordination by the contractor is also reduced by the immediate availability of the contracting parties.


Examination of representative Construction Contracts by the USHA has indicated that an allowance of  $7\frac{1}{2}$  percent or less will ordinarily be enough to assure reasonable profit to the contractor on work performed under change orders and superintended by him. The USHA is, accordingly, revising Bulletin No. 9 so as to suggest an allowance to the contractor of not exceeding  $7\frac{1}{2}$  percent of the contract price of work done under change orders by a subcontractor and superintended by the contractor. This allowance should, as indicated above, assure a reasonable profit to the contractor on such work and at the same time effect important savings in the cost of changes and extras.

II. REVISED PROVISION.

For the reasons stated in paragraph I above, paragraph 2-(f) of Section D (entitled "General Conditions") of the Appendix to Bulletin No. 9 is hereby revised to read as follows:

"(f) In the event that the contractor is ordered to proceed in accordance with either Method ii or iii,

there shall be added to such cost an allowance for overhead and profit of 15% to the Contractor on all work which he himself performs; 15% shall be allowed to the Subcontractor for his overhead and profit on all the work which he does; and an additional amount, not exceeding 7½ percent, shall be allowed to the Contractor for work done by the Subcontractor and superintended by the Contractor. These percentages shall apply to the net additions of any one change. (No percentages will be allowed on items of insurance and taxes.) If deductions are ordered the credits shall be net cost."



NATHAN STRAUS,  
Administrator.

January 12, 1940.