

Documents Required for Construction Business

The fast-paced and ever-changing economy pushes business owners to reconsider their priorities and goals. Whether the objective is increasing revenue or strengthening the workforce, entrepreneurs should deal with the processes that guarantee the attainment of these goals. In the construction industry, the companies have to be ready for the demands and revisions of their clients. While aligning company goals with the accepted projects, these construction businesses take time to make sure that they follow procedures to avoid complications later on.

That said, construction companies need documents to lay out the groundwork and responsibilities of each party in a project. [Success strategies](#) in the business are accessible to the public. So, construction companies can start gathering the right documents for their business. This article discusses some essential tools that construction companies will find useful for their business operations and dealings.

The Necessity of Having the Right Documents

Putting things in perspective, businesses without the right documents are like modern houses without electricity. It's a situation that renders most people inefficient and vulnerable. For construction, play essential roles like keeping tabs and monitoring the processes of the business. Like electricity, it connects one department to another by providing work details for the convenience of those involved in the project. When a company chooses not to use necessary documents, they may face problems in its construction operations and legal procedures.

Nowadays, construction companies have better opportunities due to the various available construction software in the market. Unlike decades before, the companies of today can enjoy the use of applications that calculate the estimations on bid proposals and such. Going back to the documents, here are some crucial tools that construction companies will find handy at work.

Contractor and Owner

To start it off, the first point in this list would be the contracts. For this particular section, the focus is on construction contracts between the contractor and owner. Do note that the pre-construction contract is different from the official agreement signed by the project owner and the chosen contractor. These five examples are the standard type

of contracts created that construction companies can use for their arrangements with clients.

Agreement Between Owner and Contractor

The document is a formal agreement between the two parties—strictly between the owner and contractor. Used for complex construction projects, clients make use of this contract when the designs are skyscrapers, bridges, and universities. Depending on the specializations of the clients, the content of the contract can have revisions. Additionally, this contract is for projects with fixed funding.

Standard Abbreviated Form of Agreement Between Owner and Contractor

Known as a stand-alone document, this agreement focuses on smaller, less complicated projects. For instance, plans that cover only a limited scope on the location, materials, workforce, and design can have this contract as the official contract. This contract is excellent for medium-sized projects such as residential homes, parks, and stations. If the clients want to include some changes, they can edit some of the contents in the agreement.

Standard Form of Agreement Between Owner and Design-Builder

Some clients find it tedious to have different companies handling the processes of their projects. In that case, one business handles the construction, while the other creates the design. Instead of having many contracts, clients can choose one construction company to do both the work. If it happens, clients use this contract to lay out the instructions and end-goals of the plan. At times, the design-builder, which is not only for construction companies, can be an architect, engineer, or developer, as long as they have jurisdiction to do the work. The contract is for large projects.

Agreement Between Design-Builder and Contractor

Contrary to the previous agreement, this contract is for design-builders who choose to hire a contractor. For this situation, the design-builder (architect or engineer) employs another entity to build the project. Both have come to an understanding of the roles and responsibilities of each party. The contract starts with the terms and conditions of the workload and ends with cost estimations. Additionally, the sequence of the exhibits can change. Importantly, this contract is for complex projects like hospitals and museums.

General Conditions of the Contract for Construction

This contract—often called an “umbrella” document—contains essential points that matter to the project. Though it mostly includes general terms for the contractor and owner, it applies to different standard contracts. A201-2017 comprises several vital points, such as the workload and obligations of the people in the project. The rights and compensation of the workers can also be in this contract. Moreover, the architect, who is a crucial person in the project, is also part of the agreement.

Contractor and Subcontractor

In some construction projects, contractors hire subcontractors to work on specific parts or locations on the site. Subcontractors, who also send in construction submittals, can take the responsibility of completing punch lists and doing the wiring system in the building. The duties of the subcontractors depend on contractors. Here are the two agreement contracts, still generated from AIA, that contractors and construction businesses can use when they have agreements with subcontractors.

Standard Form of Agreement Between Contractor and Subcontractor

Contractors and subcontractors use this standard form contract to establish the duties and assignments of both groups. Since subcontractors usually work on a contractual basis, the works have specific details, such as the estimated timeframe of the task. The contract conditions rely on the workload designated by the contractor. This contract falls under the design-bid-build structure and is suitable for different agreements between contractors and subcontractors. Furthermore, the contractor can adjust the contents in the contract to fit the assigned responsibilities of the subcontractors.

Agreement Between Contractor and Subcontractor for a Design-Build Project

Clients sought the help of some subcontractors when it comes to completing particular sections in the projects. With that, contractors have to secure the professional services offered by the subcontractors. Using this contractor contract, the agreement between the two parties will converge to meet the requirements and benefits. However, do note that this contract sample works best for design-build projects. The good thing about this contract is that it applies to any project and has no size limit, making it convenient for planners.

Contractor/Owner and Architects

Another set of contracts that construction businesses need in their files are agreements with architects. Whether the contract is between the owner and architect or contractor and designer, establishing the responsibilities of all parties is crucial. In creating the groundwork, the contractor/owner and architects should meet in the middle to accommodate the demands of the two sides, especially when there are architectural specifications. To make sure that everyone is aware of the roles, project contracts are available. Below are three of the contracts prepared by AIA for the convenience of people working in a construction project. To reiterate, there are different standard agreements created by the institute. However, this article chose some specific significant samples to inform readers.

Agreement Between Owner and Architect

This contract is the standard format provided for the arrangements between the architect and the project owner. To have a better view, the deal usually comes with the list of professional services that the architects will provide for the project. At times, the services are either primary or supplementary, depending on the difficulty of the work. In addition, the compensation that the employees will receive is also in the contract. If the client discusses extra payment or percentage for the job, it should be in the contract. This agreement applies to big projects.

Agreement Between Owner and Architect for a Complex Project

For complex projects, this is the contract that the owner and architect(s) use. Besides enumerating the obligations when dealing with the project, the contract can also come with drawings approved by the owner. The agreement contains the services that the architect will render to the project. Essential services entail the architect to draw up schematic designs and procurement. Other parts of the agreement rely on the qualifications of the client.

Agreement Between Design-Builder and Architect

Like the previous contract in the other section, this agreement is applicable when the design-builder employs an architect to do some work in the project. When the plan encompasses many levels and requires the expertise of other people, the planners can hire other architects. Design-builders use this contract to determine the work roles and responsibilities of the architect(s). For instance, if naming architecture is the job description of the architects, it should be on the contract.

Project Management

For project management, the personnel hired must be skilled and reliable. Besides employing the right people, your company also needs tools that make office work easier. Said tools can include documents like licenses and permits for the construction site. For other documents that companies can find useful, here are four contracts provided by the AIA:

Agreement Between Owner and Construction Manager as Advisor

This contract is convenient for owners who've hired a different person to be the adviser of the project. The construction manager, someone not related to the current contractor or subcontractor, is responsible for overseeing the project and providing input for the client. The sole purpose of the adviser is presenting findings to assist the owner throughout the timeline of the project.

Change Order

If the client, contractor, or architect sees discrepancies in the project, he or she has to consult the other people in the team to amend the issue. With that, they have to use a change order to implement the adjustments. This contract or tool is not entirely restricted to the errors in work. Sometimes, when scheduling needs extensions, the contractors can use this document. The material contains a description of the adjustments in the project's statement of work.

Proposal Request

Together with the change order contracts are proposal request contracts. Unlike change orders, this contract is what subcontractors use to acquire information about the changes in the contract, especially when it comes to price quotations. Again, the material is not an instructional contract related to the construction project. Instead, it is an informative contract.

Shop Drawing Sample and Record

This construction document acts as a permanent record of the processes in the project. In particular, this contract focuses on shop drawings and some design samples. The list of submittals and referrals are part of the agreement. At some point, the contract consists of the chronological order of the processes in the construction project—specifically with the submittal processes. Also, this contract applies to all construction projects regardless of size.

Other Documents

Even after the list of contracts is complete, construction businesses still have other documents to compile. These tools are essential for the administrative processes in the company. An example would be building permits for construction sites and license agreement between the owner and user of construction software. Moreover, construction businesses have to utilize these documents to organize the workflow and avoid backlogs in the project. So, these are the four necessary documents that construction companies must have in their offices.

Construction Schedules

A construction schedule is crucial for any construction project. Most of the time, the creation of the calendar takes place before the start of the project. However, some adjustments on the flow of operations can alter the list of schedules. Construction companies need this tool laying out the procedures of the construction project. Besides that, these schedules matter to the budget planning of the project management team.

Cost Estimation and Purchase Forms

Every construction project requires an accurate cost estimation process. If the numbers are incorrect, it will lead to problems for the contractor and owner. That said, construction businesses have to utilize ready-made cost estimate templates or design one. Apart from estimations, companies have to use purchase forms when dealing with suppliers. These enterprises must obtain these checklist templates to monitor the processes in the business.

Assessment Reports

When a construction project finishes, the construction company should assess the overall performance and competence of the people involved in the project. If the firm was the contractor, the assessment centers on the effectiveness of the leadership skills of the company. This process depends on the workload of the party involved. Therefore, construction businesses should have report templates and samples to evaluate the work.

HR Documents

The HR Department is responsible for numerous proceedings in the business. The office is in charge of the salary, compensation, and benefits of the workers. Furthermore, they also handle the legal affairs of the company. With that, various documents and modern gadgets aid the different tasks that the office does daily. The importance of technology is evident in how many activities get completed in a matter of time.

Getting an Insurance

Construction is often riskier when compared to other industries. Despite the inevitability of workplace mishaps anywhere, there's a greater need to protect your construction business as well as those that work for you because of the related financial and legal dangers. To combat these problems, insurance comes highly recommended. Having the right coverage will both lessen risk and increase the amount of safety for your projects. Be sure to look for the right insurance agency and pass all of the requirements. Once approved, your business is then required to follow all the obligations and restrictions set up by the agency.

Repercussions of Delayed or Incorrect Legal Documents

Inaccurate or faulty content in legal documents, such as deals and bonds, pose more significant threats compared to disruptions in the workflow of a construction site. For one, it can cause potential legal liabilities not just for the company, but to specific members of the project as well. In cases where contractors accept erroneous calculations and incorrect construction materials, there would be legal penalties. With that, it is best to double-check the content of the documents before accepting the terms. On the other hand, delayed paperwork slows the progress of the project and adds more costs for clients. With fixed funding, projects that have unexpected hold-ups can have overruns during the work phase of the project. Thus, a simple mistake becomes costly for both the contractors and the project owner.

Others might think that starting a construction business is like a trip to Hollywood or Disneyland—beautiful to see and manageable for everyone. But that is not the usual case. The construction industry comes with many challenges and demands. And newcomers have to equip themselves with enough knowledge, adequate tools, and the helping hand of a professional team. Without the correct components, surviving the competitive nature of the business is slim. To prepare, construction companies have to acquire the right documents, starting with [business plans](#), marketing plans, contracts, [construction software](#), and report samples. In the end, these tools, especially the documents, no matter how small they look, are reliable and essential for the business.