

Construction Contract Keystones, Part I: Payment Mechanisms

Much Shelist, P.C. has published **an article** reviewing the three most commonly used payment mechanisms in construction contracts and the benefits and drawbacks of each.

David A. Eisenberg discusses at length the benefits and drawbacks of fixed price, or lump sum payments, which he calls “perhaps the simplest and most commonly used payment mechanism.” Then he examines cost-plus contracts, in which the owner agrees to pay the contractor for its actual costs incurred in performing the work, plus a predetermined fee.

Finally, the covers the guaranteed maximum price, in which the owner is responsible for paying the contractor’s costs up to a certain cap. It is essentially a cost-plus contract with a cap.

Read the article.