

# 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.**