



LiveOakBank®



CONSTRUCTION DOCUMENTS



TABLE OF CONTENTS

3–4 CONSTRUCTION LOAN CHECKLIST

5 CONSTRUCTION PAYMENT POLICIES & PROCESSES

6 THE IMPORTANCE OF GENERAL CONTRACTOR SELECTION

7 CREDIT ENHANCEMENTS

8 CONTRACT REQUIREMENTS

9 REQUIRED DOCUMENTATION FOR CONSTRUCTION PAYMENTS/DRAWS

10 ADDITIONAL RESOURCES

10–11 Contract Types

12–19 Glossary



CONSTRUCTION LOAN CHECKLIST

Congratulations on starting your new construction project! At Live Oak Bank, we strive to keep you prepared and informed through each stage of your construction loan. You can begin gathering these items to ensure a timely and successful loan process. This is not an exhaustive list but rather the basic high-needs overview to get you started.

Please note that the dollar amounts listed are contract amounts. All ground-up construction projects, regardless of contract amount, require all of the documents outlined below.

General Contractor Documents			
Document List	\$350K–\$500K	\$500K–\$1.5M	\$1.5M+ or Ground-up
Contractor's License	✓	✓	✓
Contractor Due Diligence Form	✓	✓	✓
Tax Returns (2 years)		Upon request	✓
Current Financial Statement (BS & P&L within 90 days)		Upon request	✓
Contractor's W9 Form (2024 version)	✓	✓	✓
Agreement of Compliance (SBA Form 601)	✓	✓	✓

Architectural/Engineering Documents			
Document List	\$350K–\$500K	\$500K–\$1.5M	\$1.5M+ or Ground-up
Architects Contract		✓	✓
Final Plans/Specs - Permit Set	If applicable	✓	✓
Geotechnical Report (Project specific. If required, report should not be older than 5 years)		If applicable	✓
Assignment of Architect Contract (Document provided by Live Oak Bank)		✓	✓

Construction Project Documents			
Document List	\$350K–\$500K	\$500K–\$1.5M	\$1.5M+ or Ground-up
Fixed Price or Cost Plus with Guaranteed Max Price Contract (AIA format preferred)	✓	✓	✓
Cost Breakdown	✓	✓	✓
Building Permit (and other permits, as applicable)	✓	✓	✓
Zoning Approval/Verification (as applicable)	✓	✓	✓
Assignment of Construction Contract (Document provided by Live Oak)	✓	✓	✓
Initial Project Review (Ordered by Live Oak Bank)	✓	✓	✓
Equipment Quotes/Invoices dated within 90 days of closing	✓	✓	✓
City Fees Checklist		✓	✓
Asbestos Report/Abatement Quotes (If CRE built in 1980 or prior)	If applicable	If applicable	If applicable

Construction Insurance Documents			
Document List	\$350K–\$500K	\$500K–\$1.5M	\$1.5M+ or Ground-up
Contractor's General Liability Insurance	✓	✓	✓
Contractor's Workers Compensation Insurance	✓	✓	✓
Builder's Risk Insurance (Coverage should be contract amount +5%)	✓	✓	✓

CONSTRUCTION PAYMENT POLICIES & PROCESSES

Below are Live Oak Bank's procedures before releasing payment to a General Contractor; Live Oak requires a dual verification process. The borrower must first approve the submitted documentation, followed by a review by Live Oak Bank's Construction Specialist to confirm compliance with all bank requirements.

- Disbursements will be made on an as needed basis negotiated with the contractor not to exceed one per month, unless otherwise agreed upon.
- 7-10 business days are required to process a disbursement request upon receipt of all necessary documentation.
- 10% retention will be held on all payments (including labor and material) unless otherwise approved or per state mandate.
- Individual line items (including overhead and profit) are funded based on the overall percentage of completion as assessed by Live Oak Bank's 3rd party inspection consultant.
- Payments must be itemized and detailed in a line by line cost breakdown/schedule of values.
- Live Oak Bank reserves the right to determine the method of disbursement based on information provided by the contractor and/or type of project being financed. The borrower and contractor will be notified of which method has been selected prior to the initial disbursement of the loan.
- All deposits are to be approved by Live Oak Bank at its sole discretion. Any deposits approved will be paid to the vendor directly.
- If applicable, a title search will be received prior to each disbursement and must be free of liens.
- All required insurance and licenses must be current prior to each disbursement.
- Lien waivers are required from the general contractor, all subcontractors and major material suppliers.
- A conditional lien waiver from the general contractor is required for each progress payment. An unconditional lien waiver is required from all subcontractors and major material suppliers for work completed on previously paid progress payments. Wet signature or DocuSign required. We can accept certified electronic signatures on **subcontractor** and **vendor** lien waivers collected by the general contractor.
- A foundation endorsement and/or foundation survey may be required prior to payment of foundation related costs as required by the title company.
- Funds are only released for work complete. If a vendor requires a deposit, the assigned Construction Specialist will request the invoice documenting the deposit requirement from vendor.
- If an additional site inspection is requested for the sole benefit of the contractor, an additional fee may be charged at the time of the inspection.
- Live Oak Bank reserves the right to request subcontract buyout list at any time during the project.
- Live Oak Bank reserves the right to pay subcontractors directly.
- Change orders must be approved by Live Oak Bank prior to change work commencing. Wet signature, DocuSign, certified electronic signature accepted.
- Final payment will be issued upon receipt of the certificate of occupancy, all lien releases, and signed off punch list.



THE IMPORTANCE OF GENERAL CONTRACTOR SELECTION

General Contractor Qualification

There are many things to consider when selecting a general contractor (GC) for your small business construction project. Live Oak specializes in providing loans to small businesses across the country, with a dedicated construction loan team that works with you every step of the way.

When selecting a GC these questions are important to ask to ensure you make a solid choice.

- Is the GC appropriately sized for your project?
- Does the GC demonstrate active listening and communication skills, and do they proactively share information with the entire construction team?
- Does the bid include allowance line items? Has the GC gone out to the market and bid the project with local subs?
- Have they worked with the design team (architect, engineer, etc) before?
- What is the GC's past job experience or adjacent experience?
- Are they well capitalized? Do we have concerns about whether the GC will use loan proceeds to float other projects where payments may be delayed?
- Does the GC's bid align with the plans? Are there any major gaps or scopes missing from the bid?
- Does the GC have industry experience?
- What's their relationship like with their subcontractors?
- Do they have a solid list of references that are able to communicate in detail about their experience with the proposed GC?
- How does the GC add value to the team? Will they help you achieve your objectives and priorities?
- Will they self-perform any of the work?

Owner-Builder Contractors

Owner-Builder or Self GC qualification requirements are the same as those for independent third-party GCs. For SBA loans, GCs that are owner-builders (or GCs closely affiliated to the borrower, such as a spouse) must collect two outside bids to confirm the project cost is below market cost. No profit can be made by the owner-builder per the SBA's Standard Operating Procedure.

In addition to the questions above, your construction loan team will also need to explore the following:

- Does the state allow owner-builders for commercial projects?
- They must be a licensed contractor in the state they are building, if applicable. Project management experience is not the same as being a general contractor and is not a substitute for GC experience.
- They need to be able to demonstrate they have the adequate office and accounting staff.
- The owner-builder will need to show that they have completed/built a comparable project in the past 12 – 24 months.
- The borrower/owner-builder will need to evidence they build similar projects for a living (themselves + 3rd party)
- It is not required but would be preferred that they show the capacity to be bonded up to the contract amount.

Contractor Qualification Requirements at Live Oak

To start the process of contractor qualification, start gathering these items. This is a preliminary list — there may be additional documentation required for qualification.

- Two years tax returns **(for construction of \$1.5MM+)**
- Interim financial statement including profit & loss and balance sheet within 90 days **(for construction of \$1.5MM+)**
- Current work in progress list
- Past 3 years project lists
- General contractor's license information
- W9 form
- Contractor Due Diligence Form



CREDIT ENHANCEMENTS

A credit enhancement is an extra layer of protection for a lender, reducing their risk and may be required for various reasons. The reasons behind these requirements are usually connected to the specific type of project, the requested loan product, and how both align with the bank's lending policies. A contractor's strength or experience might lead to a requirement for credit enhancements, but other factors can also trigger this need. One or more of the below credit enhancements may be required entirely based on the type of loan being used to finance your project.

Full Funds Control

When full funds control is required on a project, the general contractor will be required to work with an approved 3rd party engaged by Live Oak to facilitate all payments on the project. This 3rd party will collect all required construction draw documents, conduct monthly site inspections, and facilitate payments to the general contractor, subcontractors, and major material suppliers. Payments are made via check and payable to individual parties associated with the project. The general contractor will receive all checks and be responsible for distributing the payments. This helps the general contractor maintain control over payments, as well as ease the process of collecting required lien waivers.

Completion Commitment*

The Completion Commitment is a product that is offered by some of our approved 3rd party vendors. This product is typically used in lieu of payment and performance bond requirements for reasons such as lack of or inadequate bonding capacity or preference by contractor/owner. Prior to loan closing, the selected 3rd party will assess the contractor, review plans and specs, and evaluate the cost breakdown and construction contract. Once the completion commitment is issued, the 3rd party partner will remain involved in the project until completion via monthly site visits, funds control, and other interventions, as needed.

Payment and Performance Bonds

Payment and performance bonds are common construction bonds that you may seek as an added form of protection on your project. The general contractor (and often times, subcontractors) may be required by the construction contract to obtain these bonds. Simply put, a payment bond protects the owner in the event there is a fault in payment on the project, while a performance bond provides protection surrounding the actual performance of the contractors on the project.

*The issuing 3rd party is not a surety and does not have a financial responsibility to the project.



CONTRACT REQUIREMENTS

All construction contracts must include the following requirements specified by Live Oak Bank. We strongly recommend that both Owners (Borrowers) and contracting parties have their legal counsel review all contracts before signing.

Contract type must be Fixed Price/Stipulated Sum or Cost Plus a Fee with a Guaranteed Max Price

Owner name on contract must match real estate Owner (Borrower) per title policy

- Note: If property is leased, the operating company should be listed as Owner

Contractor & Architect business names and addresses

Commencement date or terms must be clearly stated

Length of construction period (workdays or calendar days should be specified)

Liquidated damages should be addressed (even if "none")

Contract amount

- Note: This must match construction cost used during underwriting

**Inclusions, exclusions, and allowances must be clearly defined
(including, but not limited to, meter and tap fees, permits, equipment, landscaping, etc.)**

Change orders must be approved by Lender prior to change work commencing

Payments must be in line with Lender disbursement requirements:

- 1 construction payment per month
- Payment within 7-10 business days after Lender receives all required documentation
- Deposits will not be allowed unless pre-approved by Lender
- Final payment requires all required documentation PLUS:
 - Certificate of occupancy
 - All lien releases, and
 - Owner/contractor signed off punch list

Retainage - 10% (or as required per state statute) held on all labor and materials

Dispute resolution clause should be included

Schedule of Values (SOV) matching contract amount

- Note: Overhead and profit to be broken out as a separate line items

REQUIRED DOCUMENTATION FOR CONSTRUCTION PAYMENTS/DRAWS

The following documents are required for all construction draws. Contact your Live Oak Bank Construction Specialist with questions.

What the General Contractor Provides

Pay Application

- AIA 702/703 preferred
- If non-AIA format being used, the following must be included:
 - Owner/Contractor names
 - Contractor signature
 - Bill period/bill through date
 - Full cost breakdown
 - Original scope costs (per line item)
 - Change Order descriptions and amounts must be clearly represented
 - Previously paid amount
 - Current amount being billed (per line)
 - Retainage must be clearly stated
 - Balance to complete

Change Orders (if applicable)

- These should be submitted to lender prior to work being completed; please resubmit for convenience with your pay application package

Conditional/Unconditional progress lien waivers

- Both conditional and unconditional waivers will be required for the General Contractor
- Subcontractors and major material suppliers will be required to submit unconditional waivers on all projects
 - Some projects may require conditional waivers for subcontractors and suppliers

Invoices (as required)

- Projects may be required to have invoice backup for suppliers and/or subcontractors

If requesting deposits/payment for materials:

- Purchase orders/invoices need to be submitted along with required waivers
- If requesting reimbursement, copies of cancelled checks will be required to verify payment and the amount to be reimbursed
- Materials must be onsite or at a bonded warehouse during the time of inspection
 - Additional proof of insurance may be required

What Live Oak Bank Confirms

Site inspection performed by bank-engaged 3rd party

Date down endorsement (must confirm property is free of mechanics liens)

A foundation endorsement may be required by the title company; owner will be responsible for obtaining a foundation survey, if needed.

Current insurances (Owner/Borrower and General Contractor)

- If any insurance lapses during the course of construction, Live Oak Construction Specialist will require updated certificates prior to funding draw request

CONTRACT TYPES

After choosing a contractor, you'll begin contract negotiations. Construction projects commonly use three contract types: Cost Plus, Stipulated Sum/Fixed Price, and Design-Build (which can be either fixed price or cost plus). We've outlined these contract types below. Please note this is a general resource document and not all information provided below may align with Live Oak Bank requirements. Before signing, please share a draft of your construction contract with your Live Oak Construction Specialist to ensure it meets all bank requirements. Legal counsel review is also strongly recommended.

Feature	Cost Plus Contract	Stipulated Sum/ Fixed Price Contract	Design-Build Contract
Definition	<p>The client agrees to pay for the actual costs of the project, plus a fixed fee or percentage for the contractor's overhead and profit.</p> <p>Live Oak Bank requires the contract to have a GMP (Guaranteed Max Price.)</p>	<p>The contractor agrees to complete the project for a fixed price, regardless of the actual costs incurred.</p>	<p>The contractor (or a design-build entity) is responsible for both the design and the construction of the project, with a single contract for both phases.</p>
Payment Structure	<p>Client pays actual costs plus a contractor fee (fixed or percentage.)</p> <p>Under this contract form, the owner is responsible for verifying actual costs.</p>	<p>A fixed price is agreed upon in advance, with payments tied to project milestones.</p> <p>It is common under this contract form for the owner to not see the general contractor's actual costs.</p>	<p>A lump sum or a series of milestone payments, often with a fixed price or negotiated fee for both design and construction phases.</p>
Risk Allocation	<p>Client assumes the risk of cost overruns, but the contractor's profit is based on total costs.</p>	<p>The contractor assumes the risk of cost overruns, delivering the project within the agreed price.</p>	<p>Risk is shared between the design-builder and the client. The design-builder bears the risk for both design and construction, which can lead to cost savings or overruns.</p>
Cost Control	<p>Costs are unpredictable and can vary based on actual expenses. The final cost may exceed estimates.</p>	<p>The cost is fixed, which encourages the contractor to complete the project within the agreed price.</p>	<p>The design-builder has greater control over cost efficiency as they manage both design and construction. However, final costs can vary based on design choices and scope.</p>
Flexibility	<p>High flexibility. Changes in scope or design can be easily accommodated.</p>	<p>Less flexibility. Changes often require renegotiations or change orders.</p>	<p>Moderate flexibility. Changes during the design phase are relatively easy to incorporate, but changes during construction may be more complex and costly.</p>

Feature	Cost Plus Contract	Stipulated Sum/ Fixed Price Contract	Design-Build Contract
Transparency	High transparency. The client can see and approve all expenses as they are incurred.	Limited transparency unless specific clauses for cost auditing are included.	Moderate transparency. The client communicates directly with the design-builder but may not have as clear insight into the detailed cost breakdowns of both design and construction.
Project Complexity	Suitable for projects with unclear scope, uncertain conditions, or evolving requirements.	Suitable for projects with a well-defined scope and fixed requirements.	Best for projects where the client desires a single point of contact and a streamlined process for both design and construction.
Incentives for the Contractor	The contractor is incentivized to keep costs high, as their fee is usually a percentage of the total cost.	The contractor is incentivized to minimize costs to maximize profit, since the price is fixed.	The contractor (design-builder) is incentivized to efficiently balance design and construction costs to stay within budget while meeting client expectations.
Final Cost	The final cost is uncertain and depends on actual expenses, with the possibility of cost overruns.	The final cost is fixed and does not change unless there are amendments or change orders.	The final cost is typically agreed upfront, but may change if the scope or design is altered during the process.
Typical Use Cases	Used for complex, evolving projects like custom homes, renovations, or when scope is difficult to define.	Used for straightforward projects with a clear scope and minimal changes expected, like office buildings or standard housing.	Ideal for projects where the client prefers a single point of responsibility for both design and construction, such as large commercial buildings, schools, or public infrastructure.
Examples	A renovation where the condition of the existing structure is uncertain.	A standard commercial office building with a defined scope.	A new hotel where the contractor is responsible for both designing and constructing the building.
	A custom-designed house with frequent changes.	A residential development with fixed specifications.	A public infrastructure project like a bridge or highway where design and construction are integrated.



GLOSSARY

Advances

Pre-payments made by the client to the contractor before the work is completed or materials are delivered, often used to cover initial costs.

Allowance

A specified amount of money set aside in the contract for a particular item (such as fixtures or materials) that has not yet been selected or priced at the time the contract is signed.

Architectural Drawings

Detailed illustrations created by architects that outline the design and specifications for a building project. They show layouts, elevations, sections, and other details of the design.

As-Built

A set of drawings that show the final dimensions, locations, and details of a construction project as it was actually built, reflecting any changes made during construction.

Bid

A proposal submitted by a contractor or subcontractor to perform work for a specific price, usually as part of a competitive selection process.

Bond

A financial guarantee issued by a bonding company to ensure the contractor fulfills their obligations. Bonds can protect the owner in case the contractor defaults or fails to complete the project.

Building Permit

A legal document issued by a local government authority allowing the construction or renovation of a building, ensuring compliance with building codes and zoning regulations.

Certificate of Occupancy

A document issued by local authorities allowing a building to be occupied after completion, confirming that it complies with safety codes and building regulations.

Change Order

A written order or amendment to the original contract that specifies changes in the scope of work, schedule, or cost.

Construction Contract

A formal agreement between Owner and General Contractor.

Construction Management (CM)

The process of overseeing and coordinating a construction project from start to finish, including planning, budgeting, scheduling, and supervising construction activities. The goal is to ensure the project is completed on time, within budget, and to the required quality standards.

Construction Manager (CM)

A professional responsible for overseeing the construction process, including managing timelines, budgets, resources, and personnel. The CM may work for the project owner (Owner's Representative) or as a contractor overseeing all aspects of construction.

Construction Manager at Risk (CMAR)

A project delivery method where the construction manager commits to completing the project for a guaranteed maximum price (GMP). The CMAR is involved early in the design phase and assumes the risk for delivering the project within the budget, while also overseeing the construction process.

Contract Sum

The total amount agreed upon in a construction contract that is to be paid for the completion of the project.

Contractor

A company or individual responsible for managing the construction of a project, including hiring subcontractors, procuring materials, and ensuring the project is completed on time and within budget.

Cost-Plus Payment

A payment structure where the contractor is reimbursed for the actual cost of materials and labor, plus an additional amount for overhead and profit. This type of contract often involves periodic progress payments.

Covenant

A formal agreement or promise in a contract that imposes certain obligations on the parties involved.

Critical Path Method (CPM)

A project management tool used to schedule and track tasks and dependencies. The "critical path" represents the sequence of tasks that determines the minimum project duration.

Date Down Endorsement

An amendment made to an insurance policy, typically in the context of property insurance, that reduces the policy's coverage limit or changes the terms in a way that decreases the amount of coverage provided. This endorsement is usually requested by the policyholder or initiated by the insurance company to lower the coverage for a particular asset, such as reducing the insured value of a property.

Demolition

The process of tearing down a building or structure, either partially or completely, to make way for new construction or to remove a dilapidated structure.

Deposit

An upfront payment made by the client to secure the services of a contractor or to begin the project. It is usually a percentage of the total project cost.

Design-Build (DB)

A project delivery method in which one entity (a design-build firm) handles both the design and construction phases, streamlining the process.

Dispute Resolution Clause

A clause in the construction contract that details how conflicts will be resolved.

Draw

A request for payment made by the contractor to the client based on the completed work or materials delivered, typically tied to a project milestone.

Escalation Clause

A clause in a construction contract that allows for adjustments in the contract price due to changes in the cost of materials or labor over the course of the project. It typically applies to long-term or complex projects.

Escrow Account

A financial arrangement where a third party holds funds on behalf of the project owner and contractor, releasing them once certain milestones are achieved.

Estimate

An approximation of the cost, time, and materials required to complete a construction project based on project specifications and drawings.

Excavation

The process of digging, removing, or relocating earth, rock, or other materials from a site, typically for foundation work or site preparation.

Field Report

A detailed account of activities, observations, and issues encountered at the job site, often created by a project manager, site superintendent, or inspector.

Final Payment

The payment made at the completion of the construction project, after the final inspection, approval of all work, and resolution of any remaining issues or punch list items. Final payment is typically made after the retainage is released.

Final Retainage Release

The release of any withheld retainage after the completion of the project and upon the satisfaction of any punch list items. This final payment is typically made after the owner has accepted the final work and the project is closed out.

Force Majeure

A clause in a contract that absolves the parties from liability or obligation when extraordinary events or circumstances beyond their control (e.g., natural disasters, war) prevent the project from moving forward.

Foundation

The lower portion of a building that transfers its load to the ground. It can be made of concrete, masonry, or other materials and is typically underground.

Foundation Endorsement

An insurance policy endorsement (or an addition to an existing policy) that specifically addresses coverage for issues related to a building's foundation. It is often added to property or builders' risk insurance policies to protect against risks that could damage or compromise the foundation during construction or after the project is completed.

Foundation Survey

A type of land survey that focuses specifically on the location and condition of a building's foundation. This survey is typically conducted to verify that the foundation has been built according to the approved plans, meets local building codes, and is properly aligned with property boundaries.

Framing

The structural skeleton of a building, typically made of wood or steel, which supports the walls, roof, and other components.

Fully Funding

The last draw on a loan before it is fully disbursed. This typically happens shortly after construction is complete, and interest reserve and/or working capital funds have been exhausted.

Funds Control

A process put into place with a lender approved and selected third party in which funds will be distributed down to subcontractors.

G702 (Application and Certificate for Payment)

This form is used by contractors to request payment for work completed on a construction project. It details the amount of money owed to the contractor at a specific point in time, as well as the work completed and any retainage. The contractor submits the G702 to the project owner or architect for approval before payment is made. It helps ensure that payments are made according to the progress of the project and contractual terms.

G703 (Continuation Sheet)

The G703 is used in conjunction with the G702 form. It provides a detailed breakdown of the specific work items or phases completed, such as materials, labor, and other costs, showing how the payment requested in the G702 is calculated. It allows both the contractor and project owner to see how the requested payment is distributed across various aspects of the project.

General Conditions

The standard provisions and requirements outlined in a construction contract that govern the overall management and execution of the project. These conditions establish the framework for how the project will be carried out and address various administrative, legal, and operational aspects.

General Contractor (GC)

The main contractor responsible for overseeing the construction process, managing subcontractors, procuring materials, and ensuring the project is completed according to the plans and specifications.

General Liability Insurance

A type of insurance that provides coverage for a business or individual in case they are held responsible for property damage, bodily injury, or personal injury to third parties.

Geotechnical Report

A detailed document prepared by a geotechnical engineer that provides an analysis of the subsurface conditions at a construction site. The report is based on field and laboratory testing, and it offers insights into the soil, rock, groundwater, and other geological factors that can impact the design and construction of a building or infrastructure project.

Grade

The level or elevation of the ground surface. Grading involves the process of leveling or sloping the ground to prepare for construction.

Guaranteed Maximum Price (GMP)

A pricing method in which the contractor agrees to complete the project for a price that will not exceed a specified maximum amount. If the project costs less than the GMP, the owner typically benefits from the savings. If the project exceeds the GMP, the contractor absorbs the additional costs.

Hard Cost

Costs that refer to the direct, tangible expenses associated with the physical construction of a building or project. These costs include everything necessary to actually build the structure, from materials to labor, and they make up the bulk of a project's overall budget.

Hardscape

The non-plant elements of landscaping, such as driveways, walkways, retaining walls, patios, and other built features.

HVAC

Acronym for Heating, Ventilation, and Air Conditioning—the system used to provide heating and cooling, and maintain air quality and circulation within a building.

Initial Project Review (Plan and Cost Review)

A report ordered by the construction team through a bank approved and selected third party. This report includes, but is not limited to, a review of the costs, plans, contractor, and contract for the project.

Insulation

Material used to reduce heat loss or gain, improve energy efficiency, and provide soundproofing in walls, ceilings, and floors.

Interest Reserve

A specific amount of money set aside in a construction or real estate development loan to cover the interest payments during the construction period.

Interior Finish

The final materials and finishes applied to the interior surfaces of a building, such as drywall, paint, flooring, and trim.

Invoice

A detailed document issued by the contractor or subcontractor requesting payment for work completed. The invoice will typically outline the work performed, materials used, and the total amount due.

Job Site

The location where construction work is taking place.

Jobsite Safety Plan

A safety plan outlining the procedures, requirements, and regulations to ensure the safety of workers on the construction site.

Joint

A space or gap between two components, such as concrete slabs, where movement is allowed or materials are connected.

Lien Waiver

A legal document in which a contractor, subcontractor, or supplier waives the right to file a lien against the property after receiving payment for work completed. It ensures that the property owner will not face a lien claim after paying for services or materials.

Lien

A legal claim or hold placed on a property due to unpaid construction debts. A contractor, subcontractor, or supplier can file a lien if they are not paid for services or materials provided, and it can be used as leverage to obtain payment.

Liquidated Damages

A predetermined amount of money that a contractor or project owner agrees to pay in the event that a project is not completed on time or as specified in the contract.

Load Bearing Wall

A wall that supports the weight of the structure above it, transferring the load to the foundation.

Masonry

The process of building structures from individual units of material (bricks, stones, or concrete blocks) that are held together with mortar.

Materials Procurement

The process of sourcing, purchasing, and managing materials needed for construction. This includes negotiating prices, managing suppliers, and ensuring timely delivery.

MEP (mechanical, electrical, plumbing)

Acronym for Mechanical, Electrical, and Plumbing - will often be used when referring to a set of plans or a group of subcontractors.

Milestone

A significant point in the construction schedule, often associated with the completion of a major phase or task (e.g., foundation completion, framing completed).

Mobilization

The process of preparing and organizing all the necessary resources, equipment, and personnel required to begin a construction project. It typically occurs before actual construction work starts and involves setting up the site for operations.

Non-Load Bearing Wall

A wall that does not support any weight from the structure above it but serves as a partition or division within a building.

Occupancy Permit

A document issued by local authorities allowing a building to be occupied after completion, confirming that it complies with safety codes and building regulations.

Overhead

The general costs associated with managing a construction project, not directly tied to labor or materials, such as office expenses, utilities, and administrative costs.

Owner

In construction, refers to the owner of the project. The owner can be the real estate owner or a lessee if the project is a leasehold project.

Owner's Representative (OR)

A professional who acts on behalf of the project owner to oversee the construction process, ensuring that the construction manager or general contractor meets the owner's expectations and project requirements.

Payment Application

A formal request submitted by the contractor to the owner for payment of completed work. This document typically includes the amount of work completed, materials purchased, and any adjustments for changes or delays.

Permits

Official approvals issued by local government authorities or regulatory bodies that allow construction or renovation work to proceed. These permits are required to ensure that the project complies with local zoning laws, building codes, safety regulations, and other legal requirements.

Preconstruction Services

Services provided by the construction manager before construction begins, including feasibility studies, budgeting, scheduling, risk analysis, and coordination with the design team.

Profit

The financial gain a contractor or construction company makes from a project after covering all associated costs, including direct expenses (like labor, materials, and equipment) and indirect expenses (such as overhead, permits, and insurance). Profit can be a fixed rate or a percentage of the contract amount.

Progress Payment

A payment made to the contractor or subcontractor at intervals throughout the construction project, based on the percentage of work completed. These payments allow contractors to cover ongoing costs and keep the project moving forward.

Project Manager (PM)

The person responsible for overseeing the planning, execution, and completion of a construction project, ensuring that it stays on schedule, within budget, and meets the quality standards.

Prompt Payment Act

A law requiring timely payment for construction work, typically within a specified period after invoices or claims are submitted.

Punch List

A list of final tasks or items that need to be completed or corrected before a construction project is considered finished, usually compiled at the end of a project.

Quality Assurance (QA)

The planned and systematic activities implemented in a construction project to ensure that the quality of the work meets or exceeds required standards.

Quality Control (QC)

Procedures and measures taken to ensure that construction materials, workmanship, and project output meet the required standards.

Retainage (or Retention)

A portion of the payment (usually 5%-10%) withheld by the project owner from the contractor's progress payments until the project is complete. Retainage ensures that the contractor completes all work to the owner's satisfaction.

Retaining Wall

A structure used to hold back soil or prevent erosion, often used on slopes or uneven terrain.

Risk Management

The process of identifying, assessing, and mitigating risks to minimize potential impacts on a construction project. This includes risks related to safety, budget, schedule, and compliance.

Rough-In

The preliminary installation of plumbing, electrical, and other systems that occur before finishing work, such as drywall installation.

Schedule

A timeline that outlines when specific tasks or milestones need to be completed during the construction project.

Scope of Work (SOW)

A detailed description of the work to be performed, including specifications, timelines, and deliverables. It serves as the foundation for contract terms and project planning.

Soft Cost

Soft costs are expenses related to a construction project that are not directly tied to the physical construction of the building or structure. These costs are typically associated with the planning, design, and administration of the project.

Subcontractor

A contractor hired by the general contractor to perform specific tasks within the project, such as plumbing, electrical work, or drywall installation.

Submittals

Documents, samples, or drawings submitted by contractors to the project owner or architect for approval before proceeding with construction.

Superintendent

A construction superintendent is a professional responsible for overseeing and managing the day-to-day operations of a construction site.

Supervision Fee

A fee that covers the cost of any third party services such as site inspections, funds control, or credit enhancements.

Surveyor

A professional responsible for measuring and mapping out a site, determining boundaries, elevations, and other physical features.

Takeoff

The process of measuring and quantifying the materials, labor, and costs required for a construction project based on the plans and drawings.

Time and Materials Contract (T&M)

A contract where the client agrees to pay for the actual costs of labor, materials, and overhead, plus a set fee or markup for the contractor's services.

Turnkey Project

A project in which the contractor is responsible for both the design and construction, delivering the completed project to the client "ready to use" or "turnkey" without additional work needed.

Underpinning

The process of strengthening or deepening a foundation to prevent settling or failure, often used in renovation or when soil conditions change.

Use of Proceeds (UOP)

A document that outlines how the funds from a loan will be allocated or spent by the borrower.

Utilities

Essential systems (e.g., water, electricity, gas) that are required to make a building operational.

Utility Letter

An official document issued by a utility provider (such as water, electricity, gas, or telecommunications companies) that confirms the availability and connection of utilities to the construction site. It is often required as part of the permitting or approval process for construction projects, especially when the site needs to be serviced with utilities before work can proceed.

Value Engineering

A process that involves analyzing the project's functions to find ways to reduce costs without compromising quality, performance, or safety.

Veneer

A thin layer of material (often stone, brick, or wood) applied to a surface for decorative or protective purposes.

Waterproofing

The process of making a structure or material resistant to water penetration, typically used in foundations, roofs, and basements.

Workers Compensation Insurance

Workers' compensation insurance (often referred to as workers' comp) is a type of insurance that provides financial protection and medical benefits to employees who are injured or become ill due to their job. It typically covers medical expenses, lost wages, rehabilitation costs, and death benefits for employees who are hurt while working.

Zoning

The process of dividing land into sections or zones that are designated for specific types of uses, such as residential, commercial, or industrial.