

Town and County of Nantucket – 31 Fairgrounds Road Project Review

REPORT TO MANAGEMENT – JUNE 2026



We want to thank everyone who assisted in the completion of this audit and appreciate the high level of cooperation we received, the genuine desire of all involved to identify opportunities to improve the process, and the willingness to address any issues as quickly as possible.



OBJECTIVES

The objective of the audit was to review and assess the management, financial transactions, and oversight of the 22-unit affordable housing project referred to as 31 Fairgrounds Road to identify causes to the project overruns and provide best practices for future projects.

SCOPE

The scope of the review included the initial contract agreement, change order requests and supporting documentation, and vendor invoices paid by: Fairground Commons, LLC, Stephens & Co and Housing Nantucket for the length of the project.

TEAM MEMBERS

Kevin Wright, Managing Director
Hilaire Johnson, Senior Manager
Diane Morrison, Manager

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Distribution:

Kristie Ferrantella, Housing Director Town of Nantucket

Brian Sullivan, Affordable Housing Trust Chair

CC:



I. BACKGROUND AND APPROACH

In November 2020, Fairgrounds Common, LLC, the builder, submitted a proposal for an affordable housing development project on Nantucket (31 Fairgrounds Road), consisting of five buildings with 22 year-round rental units. The November 2020 project proposal stated that the purchase price for the project, as designed and submitted, was \$10,350,000, exclusive of furnishings. This amount included \$4,000,000 for land acquisition, although only \$3,600,000 was actually incurred. The Housing Nantucket Board of Directors approved the proposal on February 11, 2021.

The 31 Fairgrounds Road Project was structured as a collaborative partnership between Housing Nantucket (HN) and the Town’s Affordable Housing Trust (AHT). Under this arrangement, HN served as the developer and was responsible for overseeing and managing all aspects of construction. Upon completion, HN would function as the project manager to support the ongoing operation and success of the development.

The Town’s Affordable Housing Trust (AHT) agreed to provide the funding needed for both land acquisition and construction of the housing units. This funding was to be obtained through a combination of grants, loans and mortgages to ensure that sufficient resources were available and properly allocated to the project. In accordance with the AHT Declaration, any expenditure by the trust to any one party in a cumulative amount exceeding \$100,000 shall also be approved by the Select Board prior to finalizing the transaction,

On February 12, 2021, a Land Development Agreement (LDA) was executed between Fairgrounds Common, LLC (FC) and HN for the development and purchase of the housing project. The LDA totaled \$10,350,000, consisting of \$3,600,000 for land acquisition and \$6,750,000 in fixed construction fees. Construction costs were to be paid in nine installments tied to defined project milestones. The first milestone payment of \$550,000 was due at land closing, and the remaining eight milestone payments related to construction costs totaled \$6,200,000. AHT provided the funding for the land acquisition through a grant, and the initial project construction costs through a 50 year loan.

AHT also provided a total of \$99,000 in grant funds to assist with payments for the owner’s project manager (OPM). Only \$65,570 was actually paid to HN for these services.

Over the course of the project, six change orders were submitted. These change orders increased the total contracted project amount to \$22,208,504, of which \$18,608,504 represented construction costs with the remainder being land acquisition.

- Change Order 1 - \$1,666,000: Increase to reflect additional construction costs associated with expanding the project from five buildings to eight and an increase in each buildings square footage from 18,674 to 20,702 square feet. This change order was funded after approval by the Select Board on January 5, 2022 as follows:

Entity	Amount	Source / Terms
AHT	\$810,000	Grant
AHT	\$856,000	Loan; after 50 years, 7 year term @ 0.5%

- Change Order 2 - \$1,763,000: Increase to reflect higher construction costs and the addition of solar infrastructure. This change order was funded after approval by the Select Board on January 11, 2023.



Entity	Amount	Source / Terms
AHT	\$1,000,000	Grant
AHT	\$763,212	Loan; after 50 years, 7 year term @ 0.5%

- Change Order 3 - \$2,500,000: Increase for various construction costs, including plumbing, HVAC, paint, electrical, and appliances. This change order was funded after approval by the Select Board on July 5, 2023.

Entity	Amount	Source / Terms
AHT	\$2,500,000	Grant

- Change Order 4 - \$235,000: Increase for additional solar infrastructure costs. The change order was funded by HN.
- Change Order 5 - \$1,723,250: Increase for various construction costs, including plumbing, HVAC, paint, electrical, and appliances. This change order was funded by HN.
- Change Order 6 - \$3,871,254: Transfer of construction responsibilities from Fairgrounds Common, LLC to Stephens & Co. for project completion and coverage of remaining outstanding construction costs. The Select Board approved AHT’s funding of \$2,545,000 in the December 11, 2024 meeting. The remaining \$1,326,254 in funding was provided by HN.

Entity	Amount	Source / Terms
HN	\$1,200,000	HN Line of Credit – Converting to Mortgage
HN	\$127,835	Estimated Land Bank Contribution
HN	\$125,000	Reimbursable Mass Save Grant Money
AHT	\$600,000	American Rescue Plan Act (ARPA) Funds
AHT	\$1,945,000	Grant funds (approved, but not used)

The identified funding sources totaled \$3,997,835, which exceeded the change order amount by \$126,581, only \$2,052,835 in expenses of this change order were incurred to complete the project. As a result, we did not inquire further into this funding variances.

Beginning with Change Order 5 in April 2024, HN required the builder to submit subcontractor and vendor invoices to support the costs presented.

In November 2024, construction responsibilities were transferred from Fairgrounds Common, LLC to Stephens & Co. The agreement with Stephens & Co. was structured on a cost-plus-fee basis and required the submission of all vendor and subcontractor invoices to HN. This change was reflected in Change Order 6.

Ultimately, AHT provided \$15,360,499 in funding to HN for construction costs. Records provided by HN reflected total construction costs of \$17,947,360, consisting of the following:

- Fairgrounds Common, LLC: \$13,740,853
- Stephens & Co.: \$1,512,007
- Direct vendor and subcontractor payments: \$2,664,500



II. SUMMARY OF RESULTS

This section presents the audit results across **two primary focus areas**. The first addresses **project administration matters**, including project structure, contractual terms, and change-order practices, with the goal of strengthening how similar projects are established and overseen in the future. The second summarizes the results of our **construction cost testing**, including review of vendor and subcontractor invoices, verification of tax applicability, assessment of fee reasonableness, and identification of control enhancements.

Taken together, these focus areas are intended to provide both **forward looking recommendations** to improve project oversight and **fact based findings** to support cost validation and accountability.

PROJECT ADMINISTRATION

To develop an understanding of the project and its timeline, CBIZ met with the Owner's Project Manager (OPM) and the Housing Nantucket Executive Director. CBIZ also obtained and reviewed relevant documentation, including board minutes, contracts, change orders, subcontractor and vendor invoices, and payment records related to Fairgrounds Common, LLC and Stephens & Co.

CBIZ performed a review of all contract agreements, change orders, and relevant HN board minutes. As noted previously, the LDA established a fixed-fee arrangement with payments tied to predetermined milestones, such as land closing, building orders, and the receipt and placement of buildings on foundations. The LDA did not require the contractor to submit detailed invoices or other supporting documentation for expenses incurred, which is customary in a fixed-fee arrangement. In addition, the LDA did not define a formal process for addressing change orders in the event of design modifications or cost increases. The following recommendations are offered for consideration in future construction projects.

Observation 1 - Proposals and Bidding Process

Based on our experience, large construction projects are typically awarded through a Request for Proposal (RFP) or other competitive bidding process. This is a leading practice for construction contracts involving public funds because it promotes transparency, competition, and value. When an RFP process is not used, the risk of reduced transparency and limited competition increase.

RECOMMENDATIONS:

For future projects funded through AHT, AHT should consider requiring the entity receiving the grant funds to perform an RFP/competitive bidding process when awarding work to the following project participants:

- Owner's Project Manager (OPM)
- Architects and engineers (A/E)
- Builder



AHT may also consider conducting its own RFP process for an OPM rather than requiring the funded entity to source one. Engaging an OPM directly would provide greater assurance that trust funds are used efficiently. AHT could also engage two or three qualified firms on a rotational basis to promote consistency while maintaining strong working relationships.

Due to the project location, a competitive bidding process for the builder or general contractor may not always be feasible. When competitive bidding is not used, builders or contractors should provide a detailed, itemized budget before the project is awarded. AHT should also consider requiring advance approval by the Town for the selection of designers, OPMs, and construction contractors.

Observation 2 – Project Structure Limitations

The original contract with Fairgrounds Common was structured as a fixed-fee arrangement, which significantly limited HN's ability to verify costs and assess the validity of change orders. A Guaranteed Maximum Price (GMP) structure would have provided greater cost transparency and stronger oversight.

Under a fixed-fee, or lump-sum, construction contract, the builder agrees to complete a defined scope of work for a negotiated price. The fixed fee typically includes contingency for unforeseen costs, estimating uncertainties and minor design gaps. For projects extending beyond one year, it may also include escalation for potential increases in material and labor costs. The fixed fee generally increases only for owner-directed changes or scope additions not covered by the contractor's original scope.

As mentioned above, fixed fee bids typically include escalation for anticipated cost increases. However, this project occurred during a global pandemic where material prices increased beyond normal year over year fluctuations and more than likely was above and beyond any contingency amount included within the original budget.

While this structure may appear straightforward and low risk for the owner, it provides limited transparency into how costs were developed or how expenses evolved during the project.

Because the contractor assumes the risk of cost overruns within the agreed scope, the contractor is generally not required to disclose actual costs, subcontractor pricing, material expenditures, or labor rates. As a result, the fixed-fee contract can function as a "black box," where the owner knows the contract price but lacks visibility into the underlying cost to deliver the project.

The lack of cost transparency in this specific fixed-fee agreement created a series of related risks, each of which was observed during this project:

- **No baseline for true cost.**

Without visibility into the contractor's actual cost structure, there is no meaningful baseline against which to evaluate events that occur during the project. As a result, it is difficult to determine whether the original contract price was reasonable, whether the contractor operated efficiently, or whether later charges reflected legitimate additional costs or unsupported claims.

- **Change orders become impossible to validate.**

This limitation creates the most significant practical challenge when change orders are submitted. Management must determine both whether the change is outside the original scope and whether the proposed price is reasonable and supported. In a fixed-fee contract, the owner lacks the cost detail necessary to answer either



question with confidence. Without a breakdown of how the original price was developed, it is difficult to determine whether a change was already contemplated in the contract or whether the contractor is seeking duplicate recovery.

- **Disputes are difficult and expensive to resolve.**

Without supporting cost documentation, disagreements over change orders can escalate into lengthy and costly disputes. Because the contractor controls the underlying cost information, the owner is placed at an informational disadvantage. Reconstructing the actual cost of the project after the fact can require significant legal, accounting, and expert resources.

RECOMMENDATIONS:

For future fixed-price construction contracts, AHT should ensure that an OPM, whether engaged by AHT or its project partner, performs the following industry-leading practices:

- Require fixed-price estimates to include sufficient detail for labor, materials, equipment, and permitting costs. The contract should clearly state that the bid includes all costs necessary to complete the project as designed.
- When change orders arise, require itemized support, such as detailed invoices for labor, materials, equipment, and subcontractor quotes, before approving or reimbursing additional costs. HN implemented this practice beginning with Change Order 5.
- Compare change order estimates to the original contract's detailed cost assumptions to confirm that the proposed changes are valid, new, and not already included in the initial scope.
- Base payment terms on percentage of completion rather than percentage of expenditure. This requires clear, verifiable milestones and confirmation by the architect or on-site inspector before payments are released, including evidence that subcontractors have been paid when appropriate.
- For longer-duration projects involving multiple change orders, consider performing an interim audit when the project reaches approximately 50% completion.

Observation 3 – Project Structure Best Practices

A Guaranteed Maximum Price (GMP) agreement is a construction contract under which the contractor agrees to complete the project for an amount that does not exceed a defined maximum. Unlike a fixed-fee contract, a GMP arrangement is typically structured on an open-book basis, giving the owner the right to review actual costs as the project progresses and requiring the contractor to provide supporting cost documentation. The contractor's fee is generally established as either a fixed amount or a defined percentage applied to verified costs, subject to the GMP ceiling.

If the project is completed for less than the maximum price, the resulting savings may accrue to the owner, be shared between the parties, or be addressed through another agreed mechanism. This creates an alignment of interests that is generally not present in a fixed-fee contract.



The GMP structure addresses many of the weaknesses associated with a fixed-fee contract:

Fixed Fee — The Risks	GMP Agreement — The Protections
No visibility into actual costs	Full open-book access to all project costs
Change orders hard to validate	Clear baseline makes scope changes identifiable
Contractor controls all cost data	Owner reviews and approves costs at each draw
Savings flow to contractor only	Shared savings provisions available
Disputes favor contractor	Cost documentation supports owner's position
No incentive for contractor efficiency	Contractor fee structure encourages cost control

RECOMMENDATIONS:

For future construction projects, AHT should consider using Guaranteed Maximum Price (GMP) contracts to better safeguard public funds. GMP contracts provide greater cost transparency through open-book accounting and help strengthen accountability among project stakeholders. Additional considerations when implementing GMP contracts include the following:

- Define contractual limits and audit parameters for labor costs. Refer to **Appendix A** for additional guidance.
- Include a change or modification clause that clearly defines the change-order process, approval authority, and notification requirements.
- Before project closeout, perform a comprehensive audit of invoiced items, including subcontractor invoices, to confirm compliance with contractual terms. Any confirmed overcharges should be deducted from subsequent or final payments.

For GMP contracts, the OPM should perform the following activities, regardless of whether the OPM is engaged by AHT or the project partner.

- Benchmark insurance percentages, including builder’s risk and general liability, against market standards before finalizing the agreement.
- For every payment draw require the contractor to submit detailed supporting documentation before funds are released. At a minimum, this documentation should include the following:
 - Itemized invoices from subcontractors and material suppliers, with quantities, unit prices, and extensions clearly stated.
 - Payroll records or certified payroll reports for all labor charged to the project during the billing period.
 - Receipts or delivery confirmations for materials and equipment included in the draw request.
 - An updated schedule of values showing work completed to date, work remaining, and approved changes.
 - A reconciliation of the current draw to the approved budget, including cumulative spending, remaining budget, and any variances.



Observation 4 – On-site Inspections

Even with a well-structured GMP agreement and strong draw documentation requirements, one critical risk remains: the documentation provided by a contractor reflects what the contractor claims has been completed, not necessarily what has actually been completed. In large construction projects, the difference between claimed progress and actual progress can be significant and costly.

Overbilling for work that has not yet been completed is one of the most common forms of construction billing abuse. This may include overstating the percentage of completion on a schedule of values, billing for materials that have been ordered but not yet delivered, or charging for work that has begun but has not been completed to the standard required for payment. Without independent verification, an owner reviewing a draw package has limited ability to distinguish legitimate billings from overstated claims.

RECOMMENDATIONS:

We recommend that every major construction project include a qualified, independent on-site inspector whose responsibility is to verify on behalf of the owner that the work included in each payment draw has been completed and that it meets the required quality and specifications.

An effective on-site inspector provides the following key functions:

- **Physical verification of completion.**

Before each draw is approved, the inspector should visit the site and confirm that the percentage of completion claimed for each line item in the schedule of values accurately reflects actual progress. This step helps prevent overbilling at its source.

- **Material confirmation.**

The inspector should verify that materials billed as installed or stored on site are present and in the condition represented. This helps prevent billing for materials that have not arrived, have been damaged, or are otherwise unavailable for the project.

- **Quality assurance.**

The inspector should confirm that work meets contract specifications before it is accepted and paid. Deficiencies identified before payment are generally far easier and less costly to address than deficiencies discovered afterward.

- **Change order assessment.**

When a change order is submitted, the inspector can provide an informed site-level assessment of whether the change was necessary, what work was actually performed, and whether the related quantities and costs appear reasonable.

- **Documentation and reporting.**



The inspector should maintain a contemporaneous log of site conditions, work in progress, material deliveries, and workforce activity. This record can be valuable in resolving disputes and provides the owner with an independent account of project activity.

PROJECT CONSTRUCTION COSTS

The project's original \$6.75 million construction cost increased to \$18.6 million through six change orders. Cost transparency improved significantly only after construction responsibility was transferred to Stephens & Co. CBIZ confirmed that Stephens & Co.'s costs were fully supported and reasonable. However, documentation gaps, tax-exempt billing issues, and limited support for certain invoices under the original fixed-fee arrangement with Fairgrounds Common limited our ability to fully validate all costs, including approximately \$60,600 identified as unsupported or related to sales tax that should not have been paid.

Of the \$18,608,504 total contract value, CBIZ obtained \$17,753,865 in direct vendor invoices submitted to FC and HN, net of any sales tax charged. CBIZ tested these invoices to determine whether the charges were related to the 31 Fairgrounds Road project. Of the \$17.8 million in invoices obtained:

- \$16,241,857 was billed to FC by vendors and subcontractors. See the *Fairgrounds Common* on page 9 for additional discussion.
- \$1,512,007 was billed to HN by Stephens & Co., which assumed responsibility as builder under Change Order 6. CBIZ reviewed 100% of these invoices and noted no issues or discrepancies in the amounts billed to HN. The invoices were properly itemized, supported by third-party vendor invoices, associated with the correct project, and billed without sales tax. CBIZ also verified Stephens & Co.'s hourly personnel rates and found them reasonable and consistent with industry-standard project management rates. In addition, CBIZ confirmed that the agreed fee and insurance markups were applied in accordance with the contract.

Fairgrounds Common

CBIZ requested that FC provide a detailed accounting of project costs, along with supporting invoices from third-party vendors and subcontractors. FC provided \$16,241,857 in invoices represented as construction-related project costs. Of this amount, HN paid \$2,664,500 directly to vendors and subcontractors based on invoices submitted, and these costs were determined to be project related. This left \$13,577,357 in invoices that would have been FC's responsibility to pay.

CBIZ reviewed the \$13.6 million in invoices using the following criteria to assess the legitimacy of the charges:

- Charges were directly related to the 31 Fairgrounds Road project.
- Amounts were traced to the FC bank account to verify actual payment to subcontractors and vendors. If FC made only a partial payment on an invoice, only the amount actually paid was treated as a project cost.

The invoice review identified the following matters:

- \$55,234 in sales tax was included on invoices provided by FC. Of this amount, \$54,915 related to invoices attributable to the 31 Fairgrounds Road project.
- \$7,778 in invoices was determined not to be attributable to the 31 Fairgrounds Road project. This amount includes \$318 in sales tax.



- \$288,557 in invoices was determined to be attributable to the project; however, CBIZ did not receive evidence that FC paid any portion of these invoices. Of this amount, \$27,452 was incurred during January through July 2024. Because CBIZ did not receive FC’s August 2024 bank statement, it is possible that all or a portion of these invoices were paid during that month.
- \$4,369,437 represented amounts due on partially paid invoices. Although the invoices were not paid in full, the documentation indicated that they related to the 31 Fairgrounds Road project. The majority of the partially paid invoices were associated with KBS Builders (KBS). KBS invoiced FC \$8,608,071, but CBIZ was able to verify only \$4,342,016 in actual payments, resulting in a difference of \$4,266,055. When CBIZ asked FC about this variance, FC explained that the short payments reflected amounts it disputed. Although KBS’s invoices were not paid in full, HN obtained a lien waiver stating that KBS had been paid in full; accordingly, KBS should not be able to seek those funds in the future.

A summary of the activities noted above is shown below.

Total Contract Amount	\$	18,608,504
Direct Vendor & Subcontract Invoices Submitted	\$	17,753,865
Project Costs Confirmed - FC	\$	8,911,902
Project Costs Confirmed - Stephens & Co	\$	1,512,008
Project Costs Paid by - HN	\$	2,664,500
Total Costs Invoiced but Not Paid - FC	\$	<u>4,665,455</u>

Other Items Notes

- As part of the \$8.9 million in confirmed FC project costs, \$632,972 was paid to Island Equipment Rental, a company under the same ownership as FC. The invoices provided by Island Equipment Rental contained limited detail regarding the equipment included in the monthly rental charges. CBIZ requested additional information from FC regarding the equipment used on site. Based on the information received, CBIZ compared the listed equipment to internal market data for similar equipment and concluded that the monthly rental charges appeared reasonable and consistent with industry standards.

Equipment	Active/Mth	Monthly Rental by FC
2016 Skytrak 10054 telehandler	\$ 15,894.69	
2015 JLG 420 manlift	\$ 12,111.60	
2021 Kubota SVL95-2 skidsteer	\$ 10,563.74	
2021 Kubota KX080-4 excavator	\$ 9,332.17	\$ 9,000.00
2021 Kubota KX27-4 excavator	\$ 2,438.14	
Honda 7000 watt generator	\$ 344.33	
10'x40' Conex container for onsite storage	\$ 200.00	
	\$ 50,884.67	\$ 9,000.00

- FC provided HN with a copy of its accounting records as support for project costs. These records included direct payments to the project manager and payroll disbursements processed through Paychex. For the direct payments to the project manager, CBIZ requested a detailed description of responsibilities and an estimate of weekly hours devoted to the 31 Fairgrounds Road project. FC was unable to provide this information; therefore, CBIZ could not determine whether these direct payments were valid project costs.



- Paychex processed FC's payroll. CBIZ requested supporting documentation for all hours billed to the project, but no such support was provided. As a result, CBIZ could not verify how much, if any, of the payroll charged was directly related to the 31 Fairgrounds Road project.

Closing Summary

The 31 Fairgrounds Road project was performed primarily under a fixed-fee contract with FC, with payment established through a schedule of draws tied to project milestones. This agreement defined a limited scope and did not include a detailed pricing breakout, including transparency around the builder's fee, which is often present in fixed-fee or stipulated-sum contracts. A detailed bid breakdown typically identifies scope, cost by division, project management costs, and the qualifications and assumptions underlying the work. Because FC provided limited supporting information, CBIZ was unable to assess the reasonableness of the original contract sum. This limitation was compounded by the absence of detailed pricing support and scope descriptions for each of the five FC change orders.

Change Order 6 established the agreement with Stephens & Co. to assume responsibility for completing the project under a cost-plus-fee arrangement. Under this agreement, Stephens & Co. was required to provide documentation to substantiate the actual costs billed to HN.

Under the fixed-fee contract described above, the builder was not required to submit underlying vendor invoices to support milestone payments. The vendor and subcontractor invoices later provided in response to requests contained limited itemization for labor, materials, markups, and insurance. Beginning with costs associated with Change Order 6, however, CBIZ was able to fully review all costs billed to HN, including vendor costs, project personnel costs, fee, and insurance, as required by the contract agreement.



Exhibit 1

Summary of Vendor and Subcontractor Invoices provided by Fairgrounds Common, LLC and Housing Nantucket.

Vendor	Invoice Totals	Total Sales Tax Charged	Net Invoice less Taxes	Totals Paid by Housing Nantucket	Totals Paid by FC	Invoices Unable to Verify in Paid
A-1-A Steel	49,406.00	2,645.64	46,760.36	-	46,030.00	(730.36)
ACK Alarm Company	40,315.00	-	40,315.00	-	15,445.00	(24,870.00)
ACK Smart	346,771.76	-	346,771.76	346,771.76	-	-
Ahearn Equipment Inc	39,000.00	-	39,000.00	-	39,000.00	-
Atlantic Aeolus	48,065.00	-	48,065.00	-	48,065.00	-
Atlantic Builders Supply	48,289.74	-	48,289.74	-	23,808.06	(24,481.68)
Barrett Enterprises LLC	938,909.44	18.75	938,890.69	936,009.64	(20,325.20)	(23,206.25)
Baxter Inc.	73,763.44	2,134.69	71,628.75	-	73,763.44	2,134.69
Beaudette and Swain, LLC	4,200.00	-	4,200.00	4,200.00	-	-
Buffalo Lumber	118,136.60	-	118,136.60	-	118,136.60	-
Cape Cod Express	31,474.86	-	31,474.86	-	28,378.86	(3,096.00)
Cape Cod Winwater Works	140,577.12	9,269.24	131,307.88	-	140,577.12	9,269.24
CC Masonry Inc	31,342.50	-	31,342.50	31,342.50	-	-
Christopher Oberg Environmental	15,240.00	-	15,240.00	-	11,490.00	(3,750.00)
Congdon & Coleman Insurance	124,122.70	-	124,122.70	124,122.00	-	(0.70)
Cornerstone Granite Co	117,357.81	4,003.75	113,354.06	-	99,526.56	(13,827.50)
Froes Construction	1,214,655.99	-	1,214,655.99	470,905.31	648,326.68	(95,424.00)
Gilbert Holdgate Drilling Inc	32,899.00	-	32,899.00	-	29,000.00	(3,899.00)
Greentech Renewables	188,095.00	-	188,095.00	188,095.00	-	-
Hancock Lumber	44,812.60	2,336.20	42,476.40	-	44,812.60	2,336.20
Home Depot	12,029.39	700.69	11,328.70	-	8,225.80	(3,102.90)
HY*PE LLC	6,000.00	-	6,000.00	-	3,000.00	(3,000.00)
Island Equipment Rental	653,474.20	455.06	653,019.14	-	632,972.20	(20,046.94)
Island Lumber Company Inc	849.91	50.00	799.91	-	849.91	50.00
J Ayala Painting Inc.	370,074.60	-	370,074.60	-	370,074.60	-
Jardins Intl	2,223.75	-	2,223.75	2,223.75	-	-
KAM Appliances	90,189.28	-	90,189.28	3,199.98	86,989.28	(0.02)
KBS Builders Inc	8,608,070.80	-	8,608,070.80	-	4,342,015.62	(4,266,055.18)
Lansing Building Products	9,836.26	578.60	9,257.66	-	2,275.87	(6,981.79)
Lumber Mart Inc	6,057.40	-	6,057.40	6,057.00	-	(0.40)
Mac Davis Flooring	268,730.69	13,865.46	254,865.23	34,510.00	220,355.21	(0.02)
Marine Home Center	9,228.13	542.83	8,685.30	-	9,228.13	542.83
Mark Banion Plumbing & Heating Inc	152,956.21	-	152,956.21	79,129.21	73,827.00	-
Mascore Inc	14,699.80	-	14,699.80	-	12,160.00	(2,539.80)
Merge Architects	4,300.00	-	4,300.00	-	4,300.00	-
Nantucket Electrical Contractors Inc	368,527.11	2,306.13	366,220.98	124,088.98	220,745.00	(21,387.00)
Nantucket Engineering & Survey PC	10,703.75	-	10,703.75	10,703.75	-	-
Nantucket Offshore Woods	40,860.17	-	40,860.17	-	40,860.17	-
Neil Paterson	7,012.50	412.50	6,600.00	-	7,012.50	412.50
Opsun System Inc	1,500.00	-	1,500.00	-	1,500.00	-
Robert B Our Marine	47,000.00	-	47,000.00	-	47,000.00	-
Shepley	179,432.92	10,167.94	168,723.40	-	150,162.66	(18,560.74)
Stephens and Company Inc	515,644.48	-	515,644.48	-	515,644.48	-
Strang	171,854.34	5,746.70	166,107.64	18,021.80	153,832.54	5,746.70
Sun Island Delivery	580.00	-	580.00	-	580.00	-
Surfing Hydrangea Nursery Inc.	33,656.00	-	33,656.00	-	33,656.00	-
The Dobbert Companies	660,791.30	-	660,791.30	253,441.47	407,349.83	-
Valero Locksmith	4,911.35	-	4,911.35	1,417.35	3,494.00	-
Victor Brandon Corp	322,932.00	-	322,932.00	-	171,944.80	(150,987.20)
Wannacomet Water Co	30,260.00	-	30,260.00	30,260.00	-	-
Williams Stone Co	30,793.39	-	30,793.39	-	30,793.39	-
Wilson Company Building Contractors Inc	15,018.45	-	15,018.45	-	15,018.45	-
Grand Total	16,297,632.74	55,234.18	16,241,856.98	2,664,499.50	8,911,902.16	(4,665,455.32)



APPENDIX A

Labor Rates Terms Considerations for Construction Contracts

DRAFT



Labor Rates Terms Considerations

To protect the owner's interests and manage labor costs effectively in a construction contract, the agreement should replace vague estimates with clear cost caps and audit rights. The following practices are recommended.

1. Define "Labor" with Specificity

A common source of labor cost escalation is charging off-site personnel or overhead to the labor line item. The contract should clearly define reimbursable labor as follows:

On-site Labor: Only personnel physically working on the project site.

- **Labor Burden:** Explicitly define what is included (e.g., FICA, FUTA, SUTA, workers' compensation, and health insurance).
- **Exclusions:** Explicitly exclude executive salaries, off-site administrative support, and bonuses from the direct labor cost.

2. Establish Pre-Approved Rate Schedules

Rather than allowing the general contractor (GC) to bill variable rates, include a **labor rate schedule** as an exhibit to the contract.

- **Fixed Hourly Rates:** Set "all-in" hourly rates for various trades (e.g., Journeyman, Foreman, Apprentice).
- **Cap on Increases:** If the project is multi-year, limit annual rate increases to a specific percentage or a consumer price index (CPI) benchmark.

3. Require "Self-Performed" Labor Transparency

If the GC plans to use its own employees for certain trades (self-performed work), the owner is at risk of inflated charges.

- **Competitive Bidding:** Require the GC to bid their self-performed work against at least two external subcontractors to ensure the price is at market value.
- **No Profit on Labor:** Stipulate that the GC can only charge the actual cost for self-performed labor, with their profit coming solely from the agreed-upon overhead and profit (O&P) percentage.

4. Implement Robust Audit Rights

The contract should give the owner the right to audit the GC's payroll records.

- **Right to Inspect:** Ensure you can review timecards, payroll tax filings, and union reports.
- **Disallowance of Costs:** Include a clause stating that any labor costs not supported by contemporaneous daily logs or signed time-sheets will be disallowed.



5. Control Overtime and Premium Time

Overtime can quickly increase project costs.

- **Prior Written Approval:** State that all overtime or "premium time" must be approved in writing by the owner before the work is performed.
- **Non-Reimbursable Overtime:** If the overtime is required to correct a delay caused by the GC, the contract should state that these costs are at the GC's expense, not the owner's.

6. Address Productivity and Rework

State clearly that the owner is not responsible for **rework**. If work must be demolished and redone because it was performed incorrectly, the contractor should bear those labor costs.

Comparison of Labor Cost Treatment by Contract Type

Feature	Stipulated Sum (Fixed Price)	Cost-Plus / GMP
Owner Risk	Low (Price is locked)	High (Owner pays actual costs)
Audit Focus	Percentage of completion	Actual payroll and labor burden
Labor Rates	Usually baked into the total price	Must be transparent and capped
Change Orders	Based on negotiated unit prices	Based on actual cost + fee