



## LIQUIDATED DAMAGES CLAUSE

### RECOMMENDATION:

1. Liquidated damages should be specified only when time is of the essence. Such a clause should never be used as a penalty to the contractor.

**“For each day in excess of the above number of days, the contractor shall pay to the owner the sum of \$\_\_\_\_\_ as liquidated damages to cover the losses to be incurred by the owner by reason of failure of said contractor to complete the work within the time specified, such time being in the essence of this contract and a material consideration thereof.”**

2. Special attention should be given to the liquidated damages clause. A good time to do this would be at a pre-bid conference, at which time prospective bidders could acknowledge or challenge the proposed construction time frame.

**“The contractor shall commence work to be performed under this agreement on a date to be specified in a written order from the architect and shall substantially complete all work hereunder in \_\_\*\_\_ days.**

- A. The Architect should give careful consideration for the date of completion given.
- B. There should be careful consideration and discussion by the owner, architect, and contractor as to the amount of the liquidated damages with thorough study of the project.



This recommendation, while not mandatory, is the diligent work of a committee which is drawn from a cross section of the construction industry represented by architects and general contractors. The committee presents this recommendation with the expectation that it will be adhered to voluntarily.