

Owner's Contingency – Capital Project Budget Guide

1. What Is Owner's Contingency?

Owner's contingency is a reserve fund included in the overall project budget to address unforeseen costs, changes in project scope, or evolving owner needs that arise during design or construction. It is distinct from the contractor's contingency and is under the direct control of the Owner or Owner's Representative.

2. Why It's Important

- Protects against delays caused by unanticipated changes
- Allows the Owner to make informed decisions mid-project
- Covers design enhancements, regulatory requirements, or scope clarifications
- Avoids the need for new funding approvals for small but necessary changes

3. Common Uses of Owner's Contingency

- ☒ Scope additions requested by the Owner
- ☒ Site condition changes discovered after design
- ☒ Additional furnishings or signage needs
- ☒ Regulatory code updates or inspection findings
- ☒ Errors or gaps in design documents

4. What It Should NOT Be Used For

- ✗ Contractor coordination errors or poor planning
- ✗ Non-essential upgrades without documented need
- ✗ Delays caused by contractor negligence

✕ Covering unrelated operational shortfalls

5. Approval and Tracking

- Establish clear policies on who can approve use of contingency funds
- Document each use with justification and impact on budget
- Maintain a running log to track balance and prevent overuse
- Set thresholds that require committee or board approval

6. Typical Contingency Amount

A standard Owner's contingency is 5–10% of the total construction cost, adjusted for complexity, schedule, and funding risk.