Building in today's marketplace is a complex undertaking requiring many different skills and extensive knowledge of materials, products, systems, and methods. Your architect understands these complexities and works with you to design an appropriate and satisfying response to your requirements. From there, your architect works with the contractor, subcontractors, suppliers and others in the building industry, watching out for your best interests as the design becomes a building.

One of the most important initial discussions with your architect is identifying and agreeing on compensation, more typically known as fees. You will discover that architects' fees are project-based, which means they vary with the project scope, size, location, duration, complexity and uniqueness.

Most architects offer several options for calculating and invoicing fees and include some flexibility to re-negotiate as changes occur over the life of the project. Fee structures and payment schedules should always be written into your contract with the architect, along with a process for resolving any billing conflicts.

While there are no set standards for fees, you will find there are many similarities in how fees are calculated and what services are typically offered. The following section attempts to identify the fee options you will most often encounter.

Types of fees

The most common fee proposals are based on time plus materials or a percentage of total construction costs. Many architects combine hourly and percentage rate systems, charging on an hourly basis for meetings, basic designs, and additions to the original contract. Clients often prefer to start a project on an hourly basis to develop a comfort level with the architect and to understand the entire scope of services an architect can offer. Once the initial planning is completed, it is easier to estimate the overall project cost and to lay out a fee schedule based on agreed upon percentages.

Most architects calculate fees using one or more of the following methods:

- **Hourly**: based on time spent for a designated activity, such as an initial project meeting, site evaluation, schematic design, construction drawings, or representation at zoning meetings. Each architectural firm will have its own hourly fee schedule, noting hourly rates for each level of staff experience and skill.
- **Hourly not to exceed**: billed hourly, as above, but with a guaranteed maximum total fee.
- **Time plus materials**: hourly plus the cost of materials—for example, building architectural display models or creating hand drawn renderings.
- **Pay as you go**: pick and choose services negotiated on an hourly rate. Most often used for smaller residential projects.
- **Fixed lump sum**: agreed upon sum for project/activity delivery.
- **Percentage of construction cost**: can be based on square footage or estimated cost of construction. Inclusions for sub-consultants (e.g., a structural engineer) and other variables can be added. Most often used for projects valued at $500,000 and above. Fees for residential projects, which may be smaller but more labor intensive, tend to be higher as a percentage of the construction cost.
- **Unit costs**: based on construction cost of one unit (ex: an apartment in a condo) multiplied by the number of units.
- **Royalty**: a share of profits derived from the completed project.
Typical Project Services

As you meet with different architects, you will discover that, just as there is not a set standard for fees, services offered also vary from firm to firm. A typical list of offerings can range from design alone to construction monitoring to post-completion services like building systems commissioning and optimization. These options are typically referred to as the “scope of the services” and, once agreed upon, should be incorporated into your contract.

At the entry level, there are fewer design and project delivery options. Designs may be less detailed, and may not include material specifications. Involvement throughout the construction process may be limited or non-existent. The fee should reflect the level of responsibility assumed by the architect for each project phase. While you may opt to limit architect involvement, there are well-tested reasons for including the architect in each of the traditional phases of the design and construction process:

- **Schematic design:** This is the first phase of design, during which the architect, after detailed discussions with the client, prepares diagrams and a general overview of the components and scale of the project.
- **Design development:** During design development, the architect prepares drawings and other forms of presentation, such as physical models and 3-D digital models, to flesh out the design concept with more precise dimensions, specific materials and electrical, mechanical, and structural systems. Depending on the selected project delivery method (see below), this may also be when the architect prepares an estimate of probable construction costs.
- **Construction documentation:** This is the final phase of the design process and the most detailed. Construction drawings, also known as working drawings, are typically comprised of a comprehensive set of floor plans, elevations, structural and other engineering drawings. They are often logically subdivided into location (site and floor plans), assembly (building sections), and components (details, schedules, and written specifications). Location drawings identify where constructed elements are located. Assembly drawings show how the elements come together, and component drawings allow for designated elements such as doors and windows to be constructed off site, delivered, and installed. Once exclusively hand-drawn, today’s drawings are much more complex and are usually computer-generated. A key advantage of digital drawing is the ability to quickly implement design changes prior to and during construction. Construction drawings are typically accompanied by specifications, which are explicit, written requirements for the materials and components shown in the drawings. For small, simple projects, such as a residential addition, the specifications may be noted on the drawings themselves. Specifications for larger, more complex projects are typically formatted as an 8 ½” x 11” text document, ranging in length from a dozen to several hundred pages. The role of the construction documents is both to define precisely what is to be built and to provide the basis for a construction contract with the builder; for this reason, construction documents are also referred to as “contract documents.” Upon completion of Construction Documentation, projects are usually “bid out” in order to select a contractor, but some owners may choose to wait until agency approvals are obtained, to avoid possible change orders due to required agency revisions to the design.
- **Agency approvals:** Due to an increasingly regulated building environment, designs must be approved by a variety of agencies including building, planning, public works, water resources, environmental health, air quality, and zoning. Architects are the best informed to create and submit designs that adhere to various agency guidelines.
- **Bidding/contract negotiations:** Architects are excellent resources when selecting contractors and negotiating construction contracts. Their experience and industry contacts can help expedite the process and reduce costly mistakes.
- **Construction administration/post construction:** Once the project moves to the construction phase, the architect makes regular site visits to monitor progress and insure that the construction is adhering to the design specifications. Under traditional project delivery methods such as Design-Bid-Build and Negotiated Select Team, architects may also review contractor payment, facilitate change orders, make post construction inspections, and in general keep the owner updated on a project’s construction progress.
Services Not Typically Included

While it is important to understand what architects fees typically cover under standard services, it is equally important to know what is not usually included. Specialized assessments, evaluations, and design required for a variety of building components are often outsourced to specialists, consultants, and subcontractors. Your architect can help identify the areas in which you may require additional outside assistance and offer referrals.

Additional services and consultants typically are required for the following:
- Needs assessments and project analysis for additional services
- Acoustical engineering
- Interior design
- Landscape design
- Civil, structural, electrical, and mechanical (heating & air conditioning, along with plumbing) engineering
- Commercial kitchen planning
- Detailed construction cost estimates
- Construction site management

Additional Services

Many architects offer more than the standard services. Some firms employ their own specialists in a variety of fields and have the ability to manage a wide range of activities for a stipulated or hourly fee. This becomes important if your project requires unusual architectural support, such as display models or more active participation by your architect on a daily basis during construction. Ask for a complete list of available services at your initial meeting to fully understand your options.

Services that may be available for an additional fee include:
- Extensive bidding and negotiation support
- Value engineering during construction
- Planning board, design review board, and town meetings presentations
- Facility management over a building’s life cycle
- Construction management and budget oversight
- Technical and environmental solutions throughout the construction phase
- Site evaluations and working with difficult sites

The Variables that Shape Fees

No two projects are ever the same, and architect fees, based on a wide range of building requirements and variables, can vary widely. Part of the pre-planning and early design process is to identify the variables that will shape your estimated fees and payment schedule. As suggested previously, you may want to proceed on an hourly basis until the variables have been identified and the project planning completed.

What if there are too many variables? Sometimes, too little is known about a project to determine the full extent of professional services in advance and proceed to a contractual agreement based on designated services. If this is the case, consider engaging the architect to provide project definition and other pre-design services first, with remaining phases and services to be determined later. Generally speaking, the cost of clearly defining project goals at the outset is money well spent, as it will greatly reduce the likelihood of costly changes in midstream.

Project Delivery

One of the first variables to identify is your preferred method of project delivery. Building industry professionals use this term to refer to the process that begins with design, proceeds through construction, and concludes with the building ready for your use. Project delivery methods are distinguished from one another by the structure of contractual relationships among owner, designer, and builder and by the roles and responsibilities assigned to each. Because the architect’s roles and responsibilities vary with the project delivery method, the choice of method can have a significant impact on the architect’s fees. The most common project delivery methods—Design-Bid-Build, Construction Management, Design-Build, and Integrated
Project Delivery—and their variants are described and compared in “Understanding Project Delivery,” available at www.aiacc.org.

Project Changes

Changes and additions to the project design beyond the original scope of work defined in the owner-architect agreement (also known as “scope creep”) incur additional costs to the architect. These costs become higher as the project progresses, and the closer to completion the changes occur, the more expensive they become. These costs are typically outside the original fee, and a discussion with your architect should be included in your contract negotiations so that a payment option can be agreed upon in advance for any work occurring outside the original scope of work.

Other Common Impacts on Architects’ Fees

Because of the complexity of building projects, many factors affect the time and effort required of the architect and accordingly have an impact on fees. Among these factors are:

• **Services required:** as suggested above, the type and number of services required of the architect are fundamental to the setting of fees.

• **Size of the project:** while some forms of repetition in a building, such as repeated apartment unit plans, may offer some economy of scale in the design process, the amount of effort required of the architect remains closely linked to the overall size of the project.

• **Site conditions:** difficult sites may require more extensive engineering and entitlement efforts.

• **Availability of information:** from property surveys to traffic and environmental reports, a wide range of information may be required both for design and for entitlement; if the information is not readily available, there will be costs for its discovery or creation.

• **Location of the architectural firm:** projects that lie at a distance from the architect may incur additional costs for travel time or may require the involvement of a local architect for agency liaison and contract administration.

• **Type of architectural firm:** projects that lie outside of a firm’s normal business model may incur additional costs for outside consultants.

• **Personnel requirements:** level of expertise and staff resources required.

• **Specialists required:** subcontractors, consultants, engineers to be hired, consulted, or managed.

• **Local economic climate:** fees will be competitive based on local economies (large global firms are an exception).

• **Complexity of design:** more complex designs require more time and may add additional cost.

• **New technologies:** newer technologies may require extra time to incorporate into desired designs.

• **Design and documentation method:** the choice of method—hand drawn, two-dimensional CAD programs, or three-dimensional Building Information Modeling (BIM)—has fee impact; more sophisticated, collaboratively utilized documentation methods, such as BIM, can reduce construction costs through better coordination of the complex, intersecting systems of a building, but they typically will add cost to the design and construction documentation phases.

• **Project scheduling:** project delays, accelerated project schedules (fast-tracking), multi-phase projects—each of these will affect the architect’s personnel costs.

• **Repeat work:** even if a design already exists or the current work is a replication of a previous project, there may be additional fees for site adaptations, different agency requirements and standards, coordination with different utility companies, and the like.

Scheduling Fee Payments

Projects are completed in phases, and payment of fees is typically distributed in accordance with those phases. Some firms invoice monthly, while others invoice by project phase. Your architect can create an outline for each phase of the project with services rendered and the percentage of the overall fee that will be charged at that point. The range of percentage of overall fee associated with each project phase might typically look like this:

- Schematic design: 3-25%*
- Design development: 12-25%
- Working drawings: 35-45%
- Agency approvals: 3-7%
- Bidding/contract negotiations: 3-7%
- Construction administration: 15-35%
Keep in mind that these are general ranges and that the percentage of cost per phase can vary widely, depending on the nature of your project.

*Integrated Project Delivery may require more pre-design effort than other types of project delivery, to accommodate the collaboration of more project team members early in the process.

Many architects will ask for a deposit (retainer) when the contract is signed; in some cases, this may be a percentage of the projected total cost of services, based on the architect’s experience with similar projects.

Financing Options

Some firms may offer alternative financing options. For example, larger firms, through relationships with outside financial organizations, may have the ability to offer terms beyond traditional bank funding. Again, this is something to discuss during initial meetings.

Contract Components

Once you have chosen your architect and agreed on fees, deliverables and timelines, document your agreement with a contract. A contract not only provides legal protection for both parties; it clearly defines expectations, states what is and is not included, and presents a conflict resolution process should disagreements arise. All contracts should be carefully reviewed by an attorney.

Since January 1, 1996, California law has required that any architect who agrees to provide architectural services to a client must have a written contract. The contract must be signed by the architect and client prior to commencing services, unless the client knowingly states in writing that the services can be started before the contract is signed, or the client states in writing, after being informed about the statutory provision, that he or she does not want a written contract.

Every contract should include the following:

- Clearly defined scope of services to be provided by the architect, including the architect’s role in relation to subcontractors, specialists and construction review
- Clearly defined terms of liability
- Expectations, deliverables and timelines for both owner and architect
- An explanation of how the architect’s fees are calculated, including any additions throughout the life of the project
- Method of payment and fee schedule
- Conflict resolution process

Conclusion

“The search for a definite, clear answer that satisfies opposite aims and needs is what takes architecture out of the realm of abstraction and gives it life and art.”

– Marcel Breuer

Appropriate professional compensation is important to meeting your construction project goals. Cost and value go hand in hand. Adequate compensation for the architect is in your best interest, as it assures the type and level of services needed to fulfill your expectations.

For more information on contracts and project delivery methods, visit the American Institute of Architects California Council website at www.aiacc.org.