An important early discussion with any client is agreeing on your compensation. A well-considered and well-crafted compensation agreement can be an important tool for assuring a common understanding of the goals and expectations of the project.

Establishing an adequate fee for your work is a business imperative: you not only need to recover your costs (with an allowance for risk), but also to build up an investment reserve and to earn a fair profit. But an adequate fee is also an ethical imperative, because you must be able to afford to do a responsible job, both in satisfying your client’s goals and in protecting the public health, safety, and welfare. Shortchanging yourself ultimately shortchanges everyone.

Fee Structures and Variables

The accompanying AIACC whitepaper for clients, “Compensating Your Architect,” describes the typical methods for calculating fees. You may want to download a copy of it from the AIACC website for your own reference or perhaps to give to a potential client. It begins by describing the several most common fee structures—hourly, percentage of construction cost, etc. An inexperienced client may need help understanding the pros and cons of each type of fee structure, which revolve around the relationship between the client’s desire for predictability of cost and your awareness of the unpredictability of the design and construction process.

“Compensating Your Architect” suggests that it may be helpful to start a project on an hourly basis, allowing you and the client to develop a comfort level with one another and to come to a common understanding of the scope of the project and of the services you can offer.

Michael Strogoff, FAIA, encourages architects to “tell clients about the factors that affect your fees.” “Compensating Your Architect” follows this suggestion, describing first the typical services included—and those not included—in the standard phases of the design and construction process. It then goes on to list a variety of possible additional services, suggesting that the client ask you what additional services your firm offers.

The article discusses at length some of the variables that shape an architect’s fees, including project delivery and documentation methods; the location, size, complexity, and uniqueness of the project; and project changes. It emphasizes that “part of the pre-planning and early design process is to identify the variables that will shape your estimated fees and payment schedule,” noting that “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.”

Further sections of “Compensating Your Architect” outline payment schedules, financing options, and contract components.

Presenting Your Fee

The ultimate value of your work for the client will be realized in the completed project—in the utility, productivity, dignity, pleasure, and sense of wellbeing that the building provides. But that’s a long way off. In the meantime, it is reassuring to the client to have a sense of the value that each step of the process brings. The fee proposal is an opportunity to explain, concisely, the value of the things you will be doing on the client’s behalf.

For example, rather than simply listing “Permitting,” you might say, “Engaging with building and zoning officials to maximize the development potential; discover regulatory hurdles early in the process, when they can be resolved most effectively and economically; and maintain a smooth project timeline.”

In addition to the basic question of value, Strogoff notes that any client will have at least two other questions in mind when reviewing your fee proposal:
1) Is it reasonable in relation to fees proposed by other design professionals?
2) Is there room for negotiation?

To help the client answer these questions, he suggests that you:
1) Accompany your fee proposal with a concise explanation of the factors that affect your fees, including the most significant factors that affect your consultants’ fees, as well.
2) Provide a few options relating to those factors that will allow your team to reduce its fees.

The latter allows you to determine in advance possible reductions in your effort—and, correspondingly, in your fees—that maintain the integrity of your work and your comfort with the process. Here, you can offer up items that can be carried out by another party without harm to the project, heading off proposals from the client to eliminate services that are essential for project success (e.g., bidding, construction administration).

One final bit of advice from Strogoff (from the April, 2002, issue of his “Negotiating Strategies” newsletter): Present your fees in person. “Negotiating fees involves selling and persuasion—both are difficult to do when physically separated from the buyer. No matter how skilled one is in crafting letters and supporting material, it is difficult to express thoughts appropriately in writing.”

1 Michael Strogoff, FAIA, “Tell Clients about Factors that Affect Your Fees,” AIA Best Practices no. 17.04.03.