

DESIGN IS GOOD BUSINESS

It doesn't just add value; it multiplies it.



Your building can do much more than keep the rain off your business; it can advance your business plan. To capture the full value of your capital program, you will do well to engage your architect in a discussion of your business goals, with your business leaders.

Compensating Your Architect: Fee Structures

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—and to assure that it is built according to plan. Adequate compensation for the architect is in your best interest, as it assures the type and level of services needed to fulfill your expectations.

Architects' fees are project-based; they vary with project scope, size, location, duration, complexity, and uniqueness. Most architects offer several options for calculating 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.

Library

- [Savings by Design](#)
- [The Business Case for Green Building](#)
- [Green Schools Investment Guide](#)
- [The Technical Feasibility of Zero Net Energy Buildings in California](#)
- [The Dollars and Sense of Green Retrofits](#)

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

- Hourly: based on time spent for a designated activity. Each architectural firm will have its own hourly fee schedule, noting rates for each level of staff experience and skill.
- Hourly not to exceed: billed hourly, but with a guaranteed maximum total fee.
- Time plus materials: hourly plus the cost of materials, such as for architectural display models.
- Fixed lump sum: agreed upon sum for project/activity delivery.
- Percentage of construction cost: based on square footage or estimated cost of construction. Inclusions for sub-consultants (e.g., structural engineer) and other variables can be added. Most often used for projects valued at \$500,000 and above.
- 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.

Scheduling Fee Payments

Projects are completed in phases, and payment of fees is typically distributed in accordance with those phases. Many architects will ask for a deposit (retainer) when the contract is signed. 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 total fees 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.

Financing Options

Some firms may offer alternative financing options for the construction project itself. 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.
- Description of how the architect's fees are calculated, with a clearly defined method for dealing with additions to the scope of services during the life of the project.
- Method of payment and fee schedule.
- Conflict resolution process.

If you empower your architect to serve you fully, you will reap the long-term rewards of a well-conceived, well-designed, and well-constructed project.



2014 AIACC Honor Award for Architecture, UCLA Edie & Lew Wasserman Building, Richard Meier & Partners Architects LLP. Through its placement, scale, and massing, the new, highly sustainable building unifies the Jules Stein Eye Institute and enhances the image of one of the country's leading eye care centers.



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