

THE NEW CLIENT FEES & AGREEMENTS

published by

ARCHITECTURAL RECORD
November 1993 Edition

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Since I entered the field of Architecture in 1969, I have witnessed substantial changes in style, materials, and the business of architecture. However, most dramatic from my observation has been the diversity of options for a solution and the cost of architectural services. In order to maintain a system of establishing fees, the American Institute of Architects had a recommended fee structure which was based on full services for various building types (this was eliminated in 1972).

In recent years, I have observed tremendous variations in fees. These variations are based on real or perceived scope of services, various costs for overhead. The following material has been paraphrased from Ms. Lynn Nesmith's article which appeared in the November 1993 edition of *Architectural Record* in an effort to acquaint readers with additional information on the establishment of a fair cost for Architectural Services.

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Myriad Routes to a Fair Fee

The first step to get an accurate fee is to gather correct information. The pressure to provide a quick answer often causes an architect to fail to ask the right questions, establish the project's requirement, and tap the experience and knowledge of the owner's team, which may include an architect or other design professional.

"Our fee structure is not based as much on client or building type, but on the amount of information available and the clarity of the project," says Thomas Echibaum, of Florance Echibaum Esocoff King Architects in Washington, D.C. "The most accurate way to set a fee is to develop a schedule and actually staff the project. We then check our calculations against a percentage of the construction budget. In addition, we look at historical data to compare similar projects by building type to determine that the job should take X number of sheets of architectural drawings times X number of hours per sheet."

Michael Barratt, of John M.Y. Lee/Michael Timchula Architects, prefers a fee based on a percentage of construction costs, but says his firm negotiates fees in several ways. "For large commercial office projects we often use a developer-structured fee based on a certain dollar figure per square foot. That was the basis for the Federal Judiciary Building in Washington, D.C., a design-build competition project developed by Boston Properties for the federal government."

Some architects prefer an hourly rate for preliminary phases and a lump sum for design development and construction documentation. Says Herbert Noyes, principal of Noyes Vogt Architects, a 15-person firm based in Guildford, Conn.: "Much of our firm's work is renovation, which requires a great deal of initial field investigation. Most of our institutional clients understand that pre-design is important and, if done properly, can save money during the construction phase."

Architects who specialize in residential work find many clients open to a system based upon a combination of hourly and fixed fees. New York City architect Dennis Wedlick uses an hourly rate during preliminary design and design development to maximize flexibility, and then sets a cost per square foot for CD. "If a client comes to me with very strong ideas, then the schematic and DD phase can go very quickly." But if three sites or programs are being considered, Wedlick and his client can spend more time working on those ideas. Overall, he maintains "that the fee is not dictated by a margin of profit, but rather a figure that enables you to get the job. My fees are based on what I can provide, and I try to modify my services in terms of the amount of drawings that I produce, to allow me to work within the fees my client can afford."

Clear communication is critical in all negotiations between owner and architect. “Our firm pushes hard for client education at the onset of a project to make sure that everyone understands what is going to be done, what the scope is, and what the fee really represents,” says Robert Ludden. “Our first preference is our HLM contract; next is the standard AIA contract; and third is the client’s custom contract.”

Delineating the Scope of Services

To be sure, universally accepted standardized documents outlining the specific scope of services would clarify what quoted fees mean. AIA’s frequently used “B141 Owner-Architect Agreement” and “A201 General Conditions” describe services in general terms, whereas the “B161 Designated Services Agreement” and “B162 Scope of Designated Services” are more comprehensive. In order to define and more precisely delineate the scope for architects’ services and compensation, AIA recently issued “B163 Standard Form of Agreement Between Owner and Architect with Descriptions of Designated Services and Terms and Conditions.” It replaces B161 and B162.

Practitioners have long sought a succinct means to negotiate payment. But a Chicago architect Steven F. Weiss, chair of the AIA Documents Committee, they have faced a dilemma – the client’s perception. “While some clients don’t know these services are available, others erroneously assume they are part of the bargain, requiring no further payment or consideration.”

Setting appropriate fees is a complex issue which reflects on the basic issues of what services are required for a specific project, how they are documented, and what is a fair fee for these services. Principals may want to ask, “What services does our firm provide? Which are required for a specific project and how do we precisely document them? How do we provide these services? And, most importantly, how can we create a value for which we will be fairly paid?”