

Compensating your Architect

Appropriate professional compensation is important for clients to meet their goals; cost and value go hand in hand. Experienced clients recognize that adequate compensation for the architect is in their best interest as it assures the type and level of services needed to fulfill their expectations. You may have questions about how to arrive at the appropriate compensation for your project. Some of the more frequent questions are answered here.

- **Q: My project is characterized by repetitive units. Does it make sense to use these units as a basis for compensation?**
- **A: It makes sense when the probable number or units or the highest and lowest probable number of units is known.**
- **Q: Percentage of construction cost has been a simple and popular method of compensation. Is it recommended?**
- **A: While the percentage method is simple in concept, it requires a rigorous determination of what the construction cost includes. The result may be too high or too low, given the complexity of the project and the professional services required. Also, this method may penalize the architect for investing extra effort to reduce construction cost on behalf of the owner.**
- **Q: What does a stipulated sum include?**
- **A: This is a matter of negotiation with your architect, but generally it includes the architect's direct personnel expenses (such as salary and benefits), other direct expenses chargeable to the project (such as consultant services), indirect expense or overhead (costs of doing business not directly chargeable to specific projects), and profit. The stipulated sum does not include reimbursable expenses.**
- **Q: When does it make sense to consider hourly billing methods?**
- **A: This is a matter of negotiation, but it makes sense when there are many unknowns. Many projects begin with hourly billing and continue until the scope of services is defined and establishing a stipulated sum is possible. It may also make sense to use this approach for construction contract administration and special services, such as energy and economic analyses.**

Q: How much should I expect to pay an architect?

A: That will depend on the types and levels of professional services provided. More extensive services for a more complex or experimental project will require more effort by the architect and add more cost to the project. Clients should budget accordingly for architectural services. These are the most common methods of compensation:

1. A stipulated sum based on the architect's compensation proposal
2. A stipulated sum per unit, based on what is to be built such as the number of square feet, apartments or rooms
3. A percentage of the construction cost
4. Hourly rates
5. A combination of the above

- **Q: What are reimbursable expenses?**
- **A: These are out-of-pocket expenses incurred by the architect on behalf of the project that usually cannot be predicted at the outset. These include long-distance travel and communications, reproduction of contract documents and authorized overtime premiums. They will be detailed in the owner-architect agreement. Usually they are outside the stipulated sum or hourly billing rate and billed as they occur.**
- **Q: What about payment schedules?**
- **A: Once the method and amount of compensation have been established, ask the architect to provide a proposed schedule of payments. Such a schedule will help you plan for the financial requirements of the project.**
- **Q: What other expenses can the owner expect?**
- **A: The owner-architect agreement outlines a number of owner responsibilities. Some of which will require financial outlay. These include site surveys and legal descriptions, soil-engineering services (test borings or pits), required technical tests during construction (concrete strength tests), an on-site project representative and the necessary services (legal, auditing and insurance counseling) needed to fulfill the owner's responsibilities.**

Q: What happens if the owner and architect can't agree on compensation?

A: Keep the lines of communication open so that each will understand the other's basis for negotiation. Often differences result from incomplete or inaccurate understandings of project scope or services. Perhaps some services can be performed by the architect on an hourly basis or by the owner. Both the Owner and Architect have to compromise to reach an agreement