



## Compensating Your Architect

**Cost and value go hand in hand: appropriate professional compensation is important to meeting your goals.**

Experienced clients recognize that adequate compensation for the architect is in their best interest, as it ensures 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 frequently asked questions are addressed here.

*How much should I expect to pay an architect?*

The amount of payment depends on the types and levels of professional services provided. More extensive services or a more complex or experimental project will require more effort by the architect and add more value to the project. You should budget accordingly for architectural services.

*What methods of compensation are available?*

This is a matter for negotiation, but the following methods are in common use. Compensation may be based on one or more of them.

**Time-Based Methods.** These include:

*Multiple of Direct Personnel Expense*, in which salaries plus benefits are multiplied by a factor representing overhead and profit.

*Professional Fee Plus Expenses*, in which salaries, benefits, and overhead are the expense, and the fee (representing profit) may be a multiplier, percentage, or lump sum.

*Hourly Billing Rates*, in which salaries, benefits, overhead, and profit are included in rates for designated personnel.

**Stipulated Sum.** Compensation is stated as a dollar amount.

**Percentage of Cost of the Work.** Compensation is calculated by applying an agreed-upon percentage to the estimated or actual cost of the work, whichever cost is most certain at the time the calculation is made.

**Square Footage.** Compensation equals the square footage of the structure multiplied by a pricing factor.

**Unit Cost.** Compensation is based on the number of certain units such as rooms, apartment units, etc.

**Royalty.** Compensation is a share in the owner's income or profit derived from the project.



*Suppose my project has many repetitive units, such as bedrooms or apartments. Does it make sense to use these units as a basis for compensation?*

It may. Will the number of units bear a reasonable relationship to the responsibilities of the architect? If the answer is yes, unit cost may be an appropriate method of compensation.

*When does it make sense to consider hourly compensation?*

It makes good sense when there are many unknowns. Many projects begin with hourly billing and continue until the scope of the project is better defined and establishing another basis of compensation is possible. It may also make sense to use this approach for contract administration and special services, such as energy and economic analyses.

*What does a stipulated sum include?*

This is a matter of negotiation with your architect, but generally it includes the architect's direct personnel expenses (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.

*What are reimbursable expenses?*

These are out-of-pocket expenses incurred by the architect on behalf of the owner, such as long-distance travel and communications, reproduction of contract documents, and authorized overtime premiums. Detailed in the owner-architect agreement, they are usually in addition to compensation for professional services and are normally billed as they occur.

*What about payment schedules?*

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.

*What other expenses can the owner expect?*

The owner-architect agreement outlines a number of owner responsibilities, some of which will require financial outlay. These include site surveys and legal descriptions, geotechnical services (for example, test borings or pits); required technical tests during construction (for example, concrete strength tests); an on-site project representative; and the necessary legal, auditing, and insurance counseling services needed to fulfill the owner's responsibilities.

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

Discuss it. Try to 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 a separate basis. Perhaps coordination of owner forces, special consultants, or other team members mandated by the owner are adding to the architect's costs. When everything is mutually understood and there is still no closure on the details or method of compensation, both the owner and architect ordinarily have no choice but to discontinue negotiation.