

Architect and Contractor Fees

By Scott Somers, NCARB, President ARCH-101
www.arch-101.com ssomers@arch-101.com

Architectural Fees

It is important to understand what services are included in an architect's fee as there is not an industry standard.

Basic architect's services (proper), normally charge between 5% to 10% of the cost of construction. Since architects normally coordinate and procure all engineering services, some architects include these services in their quote. When these services are added to a fee quote, it is referred to as "full service". Full service fees often fall in the 8% to 13% cost of construction range. Again, these are simply rules-of-thumb fee ranges as a full range of services needs to be included with a fee proposal.

Question in detail what is included in any design fee proposal. If you are comparing fees from a number of firms, unless they have all been requested to provide the exact same services, there is no clear way to compare fees. In addition, each firm provides a different value. It is best when a firm's natural values align with the clients. For example, if your most important project goal is to win a design award, you should align with a firm who wins awards. If a major project goal is to get a project that meets your budget and personal vision, align with a firm who is flexible and works with you closely to create exactly what you want.

It is always best to select the firm you want to work first, and then negotiate a fee that is mutually agreeable. The inherent value of an architect is found in the service and guidance they provide which the client also values; not in their fee.

When shopping for an architect, it is **very** important that you verify what is and what is not covered in their fee.

It is nearly impossible to compare apples to apples with fees unless they have been given a program, budget, schedule, and a list of all services they are required to provide. This is common on government projects, but rare in the public sector.

5 Important Questions to Ask an Architect Regarding their Fee Proposal:

1. Engineering: what services are included and which are excluded? What about landscape design or other services?
2. What level of support is included during construction?
3. Are interior design services included? If so, what exactly is included and what is excluded?
4. Does the architect understand the construction budget? What happens to their fee if their design does not meet it?
5. What if the architect's design does not meet your expectations? Who pays for re-design?

Lastly, do not make the mistake of hiring an architect or designer who is not experienced in orthodontic design. I am often hired to "correct" designs. Do not pay twice.

Contractor Fees

Contractors charge very differently than architects. They normally include the "cost of the construction", and then add another percentage for "overhead and profit". Before 2008, it was common for

contractor's to charge between 8% to 13% for new construction, with fees on remodel work being 10% to 20%. Today, these fees have been lowered and it is common to see between 3% and 8% for overhead and profit for private work.

For example, if a project is \$500,000 to construct, an 8% profit for a contractor is just that...profit. This would equate to a \$40,000 profit. Contrasted to architectural fees, when an architect charges 8% to design a project, their fee is all inclusive. The fee for the architect under this scenario would also be \$40,000, but roughly only 10% or \$4,000 of this would be profit.

It is very easy for a contractor to "hide" costs in a bid. Most who are unexperienced in construction are not savvy about construction costs. Architects can help their clients determine the true costs of the construction versus contractor overhead and profit. When projects are competitively bid, these differences are highlighted. When contractors receive negotiated projects, it is much more difficult to scrutinize how they are charging for their work.

Question in detail the services that are included, or generally excluded in a contractor's bid. The contractor may have added charges for supervision, overhead fees, mobilization charges, insurance, and other charges that are not at first apparent. These costs are real costs of any project. The key is to understand what is included in their definition of the "cost of construction" and what is not; and what receives a mark-up for overhead and profit.