

POSITION STATEMENT

Issue: Honoraria for Design Build Projects

Background

Appropriate honoraria need to be provided to the unsuccessful design teams on design-build and P3 projects to compensate for services provided during the pursuit phases.

Under the design-build model, a bridging team is commonly hired for the initial project definition phase of the project and then an RFQ and/or RFP is issued to select a design-build team for the project. In this procurement model, the team of architects, engineers and other design consultants is an integral part of each design-build team as the bid is prepared through the pursuit phases.

The design-build contractor is the primary contractor with the owner. The architect typically leads the design team and is the prime consultant to the design-build contractor. P3 projects are similar except that the design-build team is typically working with a broader team that includes building operators and project financiers.

Design firms are often expected to perform design services for free or at heavily discounted rates; they are commonly expected to take on the risk of providing free services as their contribution to their team's pursuit of the project. The scale of services required is typically the largest of the pursuit expenditures, much larger than the proportional interest the design fees would represent of the total bid. Without an appropriate honorarium, the risk of preparing an unsuccessful entry is not compensated.

Professionally, the practice of working without compensation is in contradiction to the Alberta Architects Act. (Architects Act General Regulation, Section 41 (1-2) on Agreements and in the Schedule, Section 7 (1-2) on Fees)

The Consulting Architects of Alberta position on honoraria

The CAA believes that all design-build projects, regardless of size, should have appropriate honoraria for all professional design services required or implied in the preparation of a bid.

The specific circumstances of each project and each RFP need to be considered in determining the appropriate honorarium. To determine the order of magnitude of the honorarium, an appropriate design fee will be calculated for the project using the Consulting Architects of Alberta Scope and Fee Schedule. The design-build honorarium would be based on 15% of the full project fee (the full scope of design services from all disciplines through all phases). The pursuit phase fee is typically determined by discounting the pursuit fee to 75% of the full fee for the scope of work of the pursuit phase to acknowledge the design team's business investment (sharing of risk) in the pursuit.

The typical honorarium paid to each unsuccessful team for design services provided through the pursuit stage would therefore be calculated as follows:

$$\text{Honorarium} = (\text{CAA suggested fee for basic services} \times 15\%) \times 75\%.$$

An amount equal to the honorarium should be paid by each design-builder to their design team as the work is completed through the pursuit phase. The unsuccessful bidders will be repaid by the honoraria.

The design fees of the successful bidder will be included in the successful bid and will include an allowance for rework of the design at project start-up plus a bonus to compensate the design team for the portion of the fee at risk during the bid phase.

In formula for calculating the typical honorarium included above, the fee at risk is 25% of the full project fee. If there are three bidders, the typical odds of winning would be one in three so the bonus to compensate for the portion of fee at risk during the bid phase should be twice the fee at risk (so that if the design team wins one time in three they will have received compensation for the design services provided). The typical bonus would therefore be calculated as follows:

$$\text{Bonus for Fees at Risk} = (\text{CAA suggested fee for basic services} \times 15\% \times 25\%) \times 2$$

For more information

Alberta Architects Act and Regulations - <http://www.consultingarchitects.ab.ca/practice-resources>

Scope of Services 1.0 - For more information on scope of services and their related fees, please refer to the Scope of Services document. This is a guide developed by the Consulting Architects of Alberta in partnership with the Consulting Engineers of Alberta. It is available for download in PDF format on our website at <http://www.consultingarchitects.ab.ca/scope-and-fees>. Page 40 of the PDF document, Part 3, Section 4.7 refers to P3 & DESIGN BUILD PROJECTS. It offers general guidelines that discuss the pursuit phase and the relevant fees.

Note to reader

Any fees, calculations and ranges suggested or otherwise noted are to be used only as a guide. Actual determination of fees and honoraria should be at the discretion of the owner, and where appropriate, in negotiation with the consultant or contractor. Each project is unique and thus demands due consideration relative to the complexity and circumstances of the situation, and of course, the level of work required by the design team.

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