Procedure

The following interpretation applies to the calculation of the service provider’s fees when the fees are based on a percent of construction and there are cash and/or contingency allowances, and credit change orders.

The relevant portions of the fees are calculated at the end of each design phase and the bidding phase on the estimated value of work, and then the remainder of the fee for services during construction are calculated on the actual construction value. Refer to the Consultant Fee Calculator for a breakdown. As such, the standard agreement allows the value of only allowances in the contract to be eligible for the service provider’s fees calculation.

The final fees calculation for the construction phase of the contract are to be calculated on the values of the allowances and change orders actually spent, not on any values estimated in the contract. As a result, the final fees calculation must take into consideration the credits or extras incurred during construction. All cash allowances are to be reconciled to actual costs at the end of the project. This must be done using a change order. Then the final change value will be reflected in the contractor’s price, and thus in the final constructed value used in the construction fee calculator.

Since most architectural agreements have the fees paid on the estimated value of work at the end of each phase, managers are to exercise care that only realistic cash allowance values are used. Where we request a change in construction that deletes work already designed, we owe the portion of the fees for the design of the work but not necessarily for the bidding and construction phases.

Depending on the scope of the change credit and the stage of construction at which it occurs, it may be fair to pay the full costs of preparing the change order including the construction portion. For extras, we may also need to pay the full fee (design and construction phases), not just the construction portion. This may arise if the extra requirements require additional design. In this case, the extra cost must be agreed upon and processed as a change order.

Consultant Contracts, Calculation of Fees on Allowances:

For percentage fee consulting contracts the following interpretation applies to the calculation of fees on allowances:

1. The fees are calculated on the contract value per the agreement AFTER adjusting for the net sum of all allowances.

2. Project Managers shall monitor the status of cash allowances and reconcile them with a change order.

3. Once the final construction contract value (Contract Price) has been established the final fees payable can be calculated by the Construction Coordinator.

4. The unexpended portions of all allowances shall be deleted from the contract via a change order. Conversely, where allowances need to be increased, this also requires a change order.