

# Guidelines for the Calculation of Designer Fees

## for Charter Schools

(Updated May 2024 by DSB)

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**Study Fee:** Designer Fees for major building Studies, advertised as Single Project Selections through the Designer Selection Board (DSB), are typically advertised by Charter Schools as a lump sum fee and any additional services are negotiated between Charter School Representative, or their Owner's Project Manager (OPM), and the Prime Designer after award. The advertised study fee is developed by the Charter School Representative and OPM based on the detailed anticipated scope as reflected in the advertised Workplan and a review of Study fees for recent comparable projects. Using a lump sum study fee will reduce the time necessary to complete the design contract with the designer.

For smaller projects performed by House Doctors, the fees are always negotiated on a task-by-task basis, based on the workplan scope developed by the Charter School Representative or their OPM with input from the selected designer.

*Note: All designer selection is statutorily "Qualifications Based Selection" and therefore the designer must be determined prior to fee negotiation unless a lump sum fee is stated in the Public Notice.*

**Design Fee:** For design - Schematic Design, Design Development, Construction Documents and Construction Administration, fees should be negotiated between the Charter School and the Designer based on the guidance provided in this document.

### Designer Fees and Construction Costs

Design fee negotiations for the phases beyond the Study should be based on the project's approved target budget established through the study process; this is the Fixed Limit Construction Cost (FLCC). The estimated construction cost (ECC) throughout the remaining design process can and does fluctuate throughout design development and sometimes through the Construction Document process based on market forces – but should not reflect a change in the designer's fee unless the project scope and thus the design requirements have changed.

### Definitions:

**Estimated Construction Cost (ECC):** The Construction Cost is estimated in the Estimated Construction Cost (ECC) prepared collectively by the Designer, (if applicable) Designer's professional cost estimator, and (if applicable) the independent cost estimator appointed by the Charter School, at various points during the Study Phase and the Design Phases of the project. The ECC is estimated to the level of detail and in the format specified in this Contract.

**Fixed Limit Construction Cost (FLCC):** The maximum allowable Construction Cost established by the Charter School; unless otherwise communicated in writing by an Authorized Representative of the Charter School during the Study Phase, this amount shall be the ECC stated in the Designer Selection Board Public Notice advertisement for the project and updated during the design phases. This amount shall be the Estimated Construction Cost set forth in the Certified Study. The Fixed Limit Construction Cost (FLCC) is:

- listed in the DSB ad for the single project type, or
- based on an FLCC determined in a certified study for use in future design phases or projects done by House Doctors, or
- revised from above as approved by the Charter School Authorized Representative should funding be available.

**Total Project Cost (TPC):** Includes the sum of all costs associated with a specific project on top of ECC. TPC includes ECC and all other associated soft costs that include but are not limited to base design costs, cost of consultants outside the design team hired by the Charter School, engineer costs, furnishing and equipment costs, and contingencies, etc. This cost will fluctuate throughout the project with the ECC. For projection purposes, prior to establishing the noted soft costs with the designer, the Charter School should plan a 25-30% add to their FLCC for budgetary purposes. Note:

- The TPC will include the design and estimating contingencies of the ECC during study, SD/DD/CD phases, gradually reducing as the design documents progress and more detailed estimates are developed and reconciled. These contingencies should typically be eliminated as contingencies in the final estimate at the 70% CD stage and may be reflected in a revised FLCC should funding be available. The FLCC will reflect the construction contingency for unforeseen conditions.
- For Ch. 149A projects over \$5M with a Construction Manager at Risk (CMAR), the approved FLCC will become equal to the projected Guaranteed Maximum Price (GMP) as estimated by the CMAR through reconciliation with the designer's cost estimate.
- FLCC established and approved in the project study is adjusted to the projected midpoint of construction and therefore includes the escalation contingency. An additional 10-12% construction contingency should be held separately, outside of the FLCC, by the Charter School for unforeseen circumstances not accounted for in the design process to be used in the construction process if necessary.
- The Study Design Fee is not noted in the below "Typical Billing Percentages" but should be included in the TPC which is used for financing the project.
- The ECC, FLCC, and the TPC should all use Prevailing Wage in the construction cost calculation.

### Maximum Base Design Fee Value

Prior to any fee negotiations, the Charter School should establish and document a maximum base design fee. The max fee is reviewed and approved by the Charter School Representative. The documented max fee does not include the reserve for Designer additional services.

- The Maximum Basic Design Fee is calculated as a percentage of the FLCC of the project.
- The appropriate percentage can be found in Table I by cross-referencing the project complexity (Group I-V) and the FLCC. The exact amount of the value is found by extrapolation between the FLCC's as listed unless it falls exactly on a listed FLCC value.
- If all or a major portion of the project involves major renovation of a building add 0.5%-1.0% to the designer's fee based on complexity (excluding Group V – Building Repairs).
- Special conditions may require an increase or decrease in the designer fee. These conditions should be evaluated against the Design Contract requirements and adjustments in the maximum value made appropriately and documented.

### Typical Billing Percentages

| PHASE                                                           | % of CUMULATIVE FEE   | % of FEE at each PHASE |
|-----------------------------------------------------------------|-----------------------|------------------------|
| Approval of schematic documents:                                | 15% of total fee      | 15%                    |
| Approval of design development docs:                            | 30% of total fee      | 15%                    |
| Approval of construction documents:                             | 70% of total fee      | 40%                    |
| Construction administration services:                           | 95% of total fee      | 25%                    |
| Warranty Walk-thru Report &<br>Final acceptance of the project: | 100% of the total fee | 5%                     |

The construction admin portion of the fee is distributed proportionately during the construction phase.

## Fee Negotiations

- Fee negotiations should be a team effort involving the OPM, Charter School Representative and the Designer.
- While the fee table can serve as a baseline reference, the team should be aware that one size does not fit all. The chart below should be cross-referenced with fee numbers from similar Charter School projects and industry standards and based on the unique project-specific factors.
- The negotiation team shall continue to use the DSB public notice to clarify any scope-related questions arising during fee negotiations.
- A typical fee negotiation process might take a minimum of 2 months so will need to be initiated at the appropriate stage in the study and SD phases of the project to keep the schedule on track.
- Cost reconciliation of the construction budget and fee negotiation may be undertaken simultaneously prior to study approval.
- The Charter School should update the Total Project Cost (TPC) to make sure the projected costs accurately reflect the negotiated fee numbers and contains an appropriate contingency set aside for anticipated additional services by the design team.

## Additions to the Basic Design Fee

- Compensation for Additional Services is negotiated as needed. Additional services may include but are not limited to:
  - The fees for design and selection of furniture and equipment (F&E) not included in the general construction contract. The F&E amount should be based upon actual anticipated expenditures and not on a percent (%) of the FLCC.
  - Design services related to owner-initiated change orders.
  - Reimbursable costs -- These include payments to the designer for the actual cost of special consultants (testing, environmental, etc.) not included in the design contract and for other actual costs not included under the designer's basic services fee and as approved by the Charter School.
- If during design, a change in fee is required (either an increase or decrease), the change should be based on a change in scope approved by the Charter School, not a change in the FLCC.

## Project Categories for Design Fee Calculation Reference

**Group I:** Typically, this fee structure will not apply to Charter Schools.

Complexity of scope will be added to the below fee projection groups by increasing the percentage in *Table 1* by 0.5%-1.0%

**Group II:** Projects of average complexity, for example: new schools, classroom facilities, dining halls, gymnasiums, laundries and cleaning facilities, office buildings (for single occupancy), park, playgrounds, and recreational facilities.

**Group III:** Projects of less than average complexity, for example: dormitories, exhibition halls, skating rinks, and service garages.

**Group IV:** Utilitarian buildings, for example: parking structures and repetitive garages, simple loft-type structures (without special equipment), and warehouses.

**Group V:** Repairs/renovations of limited complexity involving primarily a single discipline (engineering or architecture), i.e. roofs, masonry repairs, window replacement, mechanical/electrical plumbing work, etc. This group should not have an additional percentage added for complexity.

**Table 1: Designers Base Fee Table as a Percentage of the FLCC by Building Type**

| FLCC* |             | Group I | Group II | Group III | Group IV | Group V |
|-------|-------------|---------|----------|-----------|----------|---------|
| \$    | 0           | 14.0%   | 11.7%    | 10.0%     | 8.0%     | 11.6%   |
| \$    | 375,000     | 14.0%   | 11.7%    | 10.0%     | 8.0%     | 11.6%   |
| \$    | 750,000     | 14.0%   | 11.7%    | 10.0%     | 8.0%     | 11.6%   |
| \$    | 1,125,000   | 12.7%   | 10.6%    | 9.0%      | 7.3%     | 9.7%    |
| \$    | 1,500,000   | 11.3%   | 9.5%     | 8.0%      | 6.6%     | 7.7%    |
| \$    | 2,625,000   | 11.2%   | 9.4%     | 7.9%      | 6.5%     | 7.5%    |
| \$    | 3,750,000   | 11.0%   | 9.2%     | 7.7%      | 6.3%     | 7.2%    |
| \$    | 5,625,000   | 10.3%   | 8.6%     | 7.2%      | 5.8%     | 7.0%    |
| \$    | 7,500,000   | 9.5%    | 8.0%     | 6.6%      | 5.3%     | 6.7%    |
| \$    | 11,250,000  | 9.0%    | 7.6%     | 6.3%      | 5.0%     | 6.6%    |
| \$    | 15,000,000  | 8.5%    | 7.2%     | 5.9%      | 4.7%     | 6.4%    |
| \$    | 26,250,000  | 8.3%    | 7.0%     | 5.8%      | 4.6%     | 6.3%    |
| \$    | 37,500,000  | 8.0%    | 6.7%     | 5.7%      | 4.5%     | 6.1%    |
| \$    | 93,750,000  | 7.8%    | 6.6%     | 5.6%      | 4.5%     | 6.0%    |
| \$    | 150,000,000 | 7.5%    | 6.5%     | 5.5%      | 4.5%     | 5.8%    |
| \$    | 175,000,000 | 7.3%    | 6.3%     | 5.3%      | 4.3%     | 5.4%    |
| \$    | 200,000,000 | 7.0%    | 6.0%     | 5.0%      | 4.0%     | 5.0%    |

\*The above fee schedule is to be used as a baseline for determining all maximum values for design fees, design fee revisions, and lump sum fees negotiated with Charter Schools. The Contract for Study, Final Design, and Construction Administration Services (Design Contract) defines the responsibilities of the designer.