

Understanding Fixed Limit of Construction Cost

Contributed by David H. Hart, AIA

July 2008

The AIA collects and disseminates Best Practices as a service to AIA members without endorsement or recommendation. Appropriate use of the information provided is the responsibility of the reader.

SUMMARY

Fixed limit of construction cost (FLCC) is a collaborative project management tool which requires all parties to work together to complete a project within a predetermined budget. The FLCC defines budget responsibilities for each member of the project team; for example, the architect should continue to refine the design until the budget is achieved, the owner should participate in the process and make scope and budget adjustments as needed, and the contractor should continue to provide estimates and constructability reviews.

FLCC IN PRACTICE

The FLCC works best in a collaborative team setting. It is best applied to design-build and construction management at risk delivery methods.

It is important to include an explanation of the FLCC process in the RFQ or RFP. Once the FLCC has been discussed and agreed upon, the architect, owner and contractor should sign to indicate they understand the parameters of, and are willing to enter, an FLCC arrangement which is part of the overall contract.

The owner should be cautious when establishing the budget for an FLCC. If it is set too low it's difficult to meet the project goal and scope. Quality will suffer if this occurs. The owner wants to set a price and project program that meets all project requirements. Project Definition, a tool that utilizes design guidelines and imperatives to identify all aspects of the project including program, square footage, aesthetic needs, and building materials, is ideal in this situation.

USING THE FLCC

When using the FLCC, the owner should require budget and scope reviews with the architect and the contractor. Reviews should be held as often as possible during schematic design and design development. The review meeting should involve all members of the team including the contractor and key subcontractors. Once construction begins the

owner, contractor, and architect should attend all meetings where the budget is discussed.

The contract amount can be equal to or less than the FLCC but can not exceed it unless the owner approves the change in writing. If the owner decides to make a change to the project's scope the budget and FLCC should adjust accordingly. At that time, the old FLCC is retired and a new FLCC becomes the new budget.

The owner shall

- Review recommendations and suggestions from the architect and the contractor
- Work with the architect and the contractor to reduce the scope as required to conform to the FLCC or, if necessary, increase the FLCC to maintain the scope

The contractor shall

- As required by the owner, prepare estimates and analysis based on the budget
- Provide constructability reviews and provide information to the architect on ways to accomplish the same design or concept using different materials, construction techniques, and methods
- Perform estimates as needed by the architect and provide information to the architect in a format that is understandable
- Provide all above said services until the owner defines the program in compliance with the FLCC

The architect shall

- Design based on the program, design guidelines and imperatives so the FLCC can be met.
- Work closely with the contractor to understand the pricing and constructability issues as the design progress.
- Work with the owner and the contractor to create a project that is within the FLCC

ABOUT OUR CONTRIBUTOR

David H. Hart, AIA, is the architect of the Utah State Capitol and is responsible for management of the physical facility known as Capitol Hill in Salt Lake City, Utah. He can be reached at dhart@utah.gov.

RESOURCES

More Best Practices

The following AIA Best Practices provide additional information related to this topic:

- 13.04.01 Managing the Contingency Allowance
- 05.03.02 Developing Winning Proposals: A Proposal Checklist
- 11.04.09 The Proposed Change Order Process

For More Information on This Topic

See also “Construction Cost Management” by Brian Bowen, FRICS, and “Construction Contracts” by Gregory Hancks, Esq., AIA, in *The Architect’s Handbook of Professional Practice*, 14th edition, Chapter 13, page 745. *The Handbook* can be ordered from the AIA Bookstore by calling 800-242-3837 (option 4) or by sending an e-mail to bookstore@aia.org.



Feedback

The AIA welcomes member feedback on Best Practice articles. To provide feedback on this article, please contact bestpractices@aia.org.

Key Terms

- Practice
- Project delivery
- Project management
- Public projects