



AIA Best Practices: Getting paid

Contributed by David B. Richards, FAIA, LEED AP, PMP; Excerpted and adapted from *The Architect's Handbook of Professional Practice*, 15th edition

Summary

Getting paid is an essential, yet challenging, part of running a successful firm. Here's how to clearly communicate your payment requirements to your clients—and what to do when you don't receive payment on time.

Intro

Getting paid is a part of practice. Select clients carefully. Determine upfront if they have the capacity to pay; get a retainer. Ask other service providers if the client makes timely payments. Make it clear up front, in the owner-architect agreement that the provision of services is contingent upon payment. Reserve the right to stop providing services and to withhold deliverables if not being paid.

At the start of services, the specifics of payment should be defined with the client.

- Sometimes the “client” is several people. Who from the client’s team will review the invoice and approve payment?
- What is the best date for the client to receive the invoice?
- Is any special information or format required on the invoice?
- After initial approval, what are the subsequent steps to payment?
- Determine how long it will take from receipt of invoice until payment.
- Review any penalties or consequences for lack of payment.

Make it clear up front

Clearly define payment requirements in the agreement for professional services with the client. The agreement should define the payment timing/interval and the basis of the invoice. The basis might be the percentage of completion of the phase or milestones or an estimate of hours (see discussion in the section above.)

One approach that can help foster payment is to provide a fee schedule up front that relates to the project schedule. The fee schedule can be used as a back-up to the invoice. It is especially helpful for complex projects with overlapping phases.

Review invoice upon delivery

Architects may use the delivery of an invoice to review the status of the project with the client and to understand the client's perception of the quality of services. At regular intervals when the invoice is complete, take the time to sit with the client to explain the invoice and basis for the amount invoiced. Use this time to determine the client's satisfaction with the project and the progress made to date.

Whenever possible review the invoice with the client in person. If it cannot be reviewed in person consider a phone call to confirm that the invoice has been received and to determine if there are any questions or objections to the invoice.

During the call, review the basis for the invoice, and review the status of the project and the deliverables. Discuss project progress to date, review approvals, issues, and next steps. Ask about the clients perception of the quality of services provided to date; has the firm met their expectations?

When payment is not coming

In spite of all best efforts, sometimes a client will not pay for services provided. Architects should review the terms of the contract before proceeding. There are often several options:

- Make deliverables contingent on payment.
- Remain in conversation with the client.
- Determine why the client is not paying. Are they not satisfied with the services provided? Do they have financial issues?
- Charge interest and insist on payment.
- Develop and agree to alternate payment terms—for example, in order to fit their cash flow needs.
- Resolve outstanding issues.
- Provide additional information in support of the invoice.
- A good stern letter from an attorney can help a client come to payment.

Other actions

Sometimes an architect will need to consider other actions to get paid. The architect should review the contract for professional services and proceed in accordance with the terms of the contract. The following options may prove effective.

- **Withhold services** when other alternates have been exhausted (it is a good practice to include this option in the contract). Be up front and direct about the action being taken and why it's being taken. It may be necessary to inform the client of this action in writing.
- Hold other approvals and signatures.
- **File a lien.** If the architect—despite all best efforts— is still not paid, then the architect may file a lien against the client's property. A lien is a legal claim on the client's property for the project for unpaid services. Laws vary from state to state. There may be a limited window of opportunity from the completion or cessation of services to when a lien must be filed. Know the timing and watch it carefully. Then, even while in dialog with the client, file the lien.

- **Seek a legal remedy.** Consult an attorney and initiate the dispute resolution process agreed to in the contract for services executed with the owner.

Example from practice

A large, solvent, client was a very slow pay on a very large project—for no obvious reason. As the DD phase was being completed the client clearly needed the DD documents to develop a cost estimate for the project. Project funding and the future of the project relied on the estimate. But the architect, in spite of all best efforts, had not been paid for several months and was owed over a million dollars.

At the conclusion of the DD phase the documents were reviewed with the client and found to be satisfactory. The architect had made it clear for the prior month that payment was required for the release of the DD documents. No payment was received. So, at the conclusion of the DD review meeting the architect simply stated, “and you can have copies of the DD documents when you pay me up to date through the DD phase.” The client was surprised and not too happy, even though they had been warned in advance, but the client paid a couple of days later. They paid on a timely basis thereafter and they hired the firm to do their next project.

Conclusion

As much fun as it is being an architect, it's even more fun to get paid to be one. Compensation is based on the value, risk and effort required to deliver the services. Keeping those in balance and maintaining clear communications with the client will help make sure that the architect is compensated fairly and gets paid.

Additional resources

[A Guide to the Project Management Body of Knowledge \(PMBOK® Guide\) – Fourth Edition](#), 2008

[The Architect's Guide to Small Firm Management: Making Chaos Work for Your Small Firm](#) by Rena M. Klein, FAIA, John F. Wiley & Sons Inc.

[How Firms Succeed: A Field Guide to Design Management](#) by James P. Cramer and Scott Simpson, 2004

[Impact 2020 Ten Giant Forces Now Colliding to Shake How We Practice Design in the Future](#) by Frank A. Stasiowski, FAIA, PSMJ Resources, Inc., 2010

[Monitoring Earned Value](#), David B Richards, AIA, AIA.org Best Practices 2016

[The Ultimate Project Management Manual](#), PSMJ Resources, Inc., 2012 edition

About the contributor

David B. Richards, FAIA, LEED AP, PMP, is a principal and chief operating officer of ROSSETTI. In his 35 years with the firm, Richards has served as the director of technical services, director of project

management, principal, and COO. As a principal and PM, he has managed many of the firm's notable, complex, large-scale projects.

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.

About AIA Best Practices

AIA Best Practices is a collection of relevant, experience-based knowledge and expert advice on firm management, project delivery, contracts and more, aligned with the *Architect's Handbook of Professional Practice, 15th edition*. See the full AIA Best Practices collection at aia.org/aia-best-practices.

This article corresponds to:

Architect's Handbook of Professional Practice, 15th edition Unit 1 - The Profession
Chapter 15 – Project Definition
Section 02 – Services and Compensation