

DESIGN/BUILD

Tracking time vs. measuring value

Design/build pros weigh in on the art of charging design fees. *By SARAH PFLEDDERER*

There's a tale about Pablo Picasso that begins with the artist sitting in a cafe, sketching a woman in his view. The picture took all but five minutes to craft, but he alleged to the woman it would cost her \$2,000 to own.

While not charging for the minutes to do the drawing, he was charging for the years it took him to attain the knowledge to put the sketch to paper.

"It is a wonderful way to say what we do has so much more value than the time we put in it," Diana Grunden says.

The owner of Trio Landscaping, in Minneapolis, shares the Picasso scenario to support why she charges

flat-rate design fees instead of hourly rates.

Charging design fees is a choice of yes or no. But choosing how to charge them—hourly or flat—is complex and approaches differ per company, depending on clients, individual projects and design processes.

Grunden starts off with a \$300 base rate, an amount she figures is worth six hours of her time. The cost goes up contingent on the intricacy of the project and size of space. (She's charged up to \$1,500 for a single project.)

And, to the client's benefit, Grunden uses her design fees as a deposit instead of a source of income, reimbursing the prorated payment to clients for whatever part of the design they choose to move forward with.

For this reason, she rarely banks on her design fees.

On the flip side, Chad Wheeler makes around \$12,000 in design fees annually.

The president of Dream Landscapes in Lynchburg, Va., which is 70 percent design/build, isn't loyal to hourly or flat rates, though. His means of pricing vary per customers and projects.

"I like to take more a consultative approach, consulting with the clients, giving them their options," he says.

Typically, his "rule of thumb" is to charge an hourly rate at \$100 per hour for projects that will cost \$10,000 to \$15,000. He will charge a flat rate on projects costing more than that, factoring in some revision times for those larger projects.

Wheeler isn't set on his hourly rate either. He sometimes lowers the price to \$75 per hour to have an advantage over competitors and, on very rare occasions, also will reimburse fees like Grunden.

The biggest advantage to a flat rate, he says, is the commitment from his clients to see through an entire project.

Whereas with an hourly fee, they can back out at anytime, but he still will be paid for the hours he's already put in.

For David Marciniak, a flat rate is a greater reassurance to clients because they're able to see what they're charged for every step of the way before they choose to move forward with a proposal.

"You tend to get a lot of pushback from homeowners on the idea of design fees anyhow," says the owner of

design firm Revolutionary Gardens in McLean, Va., which does not offer reimbursements on design fees. "So when (clients) get the perception, 'You're just charging us hourly so we have no idea what's going on,' they just have an extra level of fear and discomfort."



Dave Marciniak

Revolutionary Gardens, however, does offer hourly fees to landscape contractors, with the assumption they have an understanding of design processes and procedures.

For traditional clients, Marciniak details to them the time it takes to design a project and instills there's two processes to a landscaping project: the design process and the construction process.

"I find when it's presented to clients that way, they understand it and they see the value in it," he says. "It ends up being a very transparent way of seeing what your costs are throughout the process."

In figuring estimates, Marciniak investigates the complexity of projects, factoring in the time to measure, base map, draft conceptual designs, put together supporting materials, etc.

He educates clients on these components and accounts for some revision time in his proposals, plus offers additional revision time at an hourly rate.

"Part of the value in that is it lets people know 'I need you to really think through what you're asking me for. Because if you neglect to tell me something important, I'm not going to go over and start at zero again,'" he says. "From a sales standpoint, it's just neater and cleaner to do flat rate."

Grunden adds a flat rate is fairer to clients because her design processes vary.

"How in the world do I track and budget people appropriately for back-end time?" she says, adding she brainstorms about projects in her daily tasks and jokes she even landscapes in her sleep.

"We're all artists," she says. "Our brains are all going to work in different ways. You have to do what is best for you." LM



Diana Grunden



Chad Wheeler