

OCULUS

NEW YORK CHAPTER THE AMERICAN INSTITUTE OF ARCHITECTS



FEBRUARY 1965

SPECIAL REPORT ON THE NEW H.R.B. FEE SCHEDULE

TO THE HOUSING & REDEVELOPMENT BOARD

January 25, 1965

Dear Mr. Chairman:

This will acknowledge receipt of Mr. Mollen's letter of January 8, 1965.

In the light of the detailed information presented to your Board it is difficult to understand its decision. A realistic fee increase, required by the architectural and engineering professions to assure a modest return for the substantial services involved in your program, is of extreme importance to all concerned and has only negligible influence on rents. The enclosed example illustrates the point. A 40% increase in fees would result in a rental increment of less than \$.15 per rental room per month—one half of one per cent of the \$30.00 rent you wish to maintain.

As we have stated repeatedly, the architectural profession is vitally concerned with providing the best quality design at economical cost for the city's middle income housing program. This is not possible under the circumstances because the architect is discouraged from performing the type of research which leads to better architectural design and to potential cost savings through new planning techniques and innovations in construction. As a result, the architect's services are restricted and many excellent firms are deterred from participating in the program.

We regret that the Board did not face up to the problem in the way PHA did when confronted with substantially the same situation. In the latter case a long standing inequity was corrected in a single step by an increase in fees of 60%.

We cannot agree with the Board's position that the professions should continue in effect to work at a loss, albeit a smaller loss. In our judgment if an adjustment is necessary to assure adequate professional compensation it should be made whatever increase is required.

We regretfully advise you that the Executive Committee of the New York Chapter American Institute of Architects has unanimously resolved to reject your revised schedule as totally inadequate and not in the public interest. It has directed that our own members, as well as the members of other interested architectural and engineering organizations, be advised of this decision and alerted to the professional and financial dangers inherent in your program.

Very truly yours,

WILLIAM D. WILSON
*President, N. Y. Chapter,
A.I.A.*



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NEW YORK CHAPTER

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At a news conference held on January 26 at its headquarters, the New York Chapter, A.I.A. rejected as "totally inadequate and not in the public interest" a 10 per cent increase in architect fees adopted by the N.Y.C. Housing and Redevelopment Board.

In letters to Mr. Milton Mollen, former HRB Chairman newly appointed as Housing and Development Coordinator, and to Mr. Herbert B. Evans, the new Chairman, Chapter President William D. Wilson charged that New York's middle-income housing program was in danger due to the city's unwillingness to correct the inequities of the present low fee schedule.

The action taken by unanimous vote of the Chapter's Executive Committee followed a communication from former Chairman Mollen advising the Chapter of the proposed 10 per cent raise in the agency's fee structure. It was reported that though this warning would not represent a direct boycott, such an outcome could not be ruled out as the Chapter was alerting its 1,400 members, as well as architects and engineers throughout the State of the professional and financial dangers involved in the HRB housing program. The Architects Council, the N. Y. Society of Architects, the N. Y. State Society of Professional Engineers and the N. Y. Association of Consulting Engineers have declared their support of the N. Y. Chapter's stand.

LETTER FROM CHAIRMAN MOLLEN

January 8, 1965

Dear Mr. Wilson:

After prolonged consideration of all aspects of the problem, this Board has adopted the Architects Fee Schedule recommended by our Committee on Architects Fees on November 5, 1964, with the added provision that the schedule be subject to review after one year's experience.

As you know, this new schedule provides for an overall increase of 10 percent in architects fees. We have considered carefully the objections of your Committee on Architects Fees that this increase is inadequate. Our Board members are in agreement that other relevant considerations do not permit us to correct in a single step possible inequities that may have developed as a result of actions taken many years prior to this Board's existence.

As has been noted in discussions with your Committee, the present action reflects the third upward adjustment in fees within a period of two years; these increases aggregate in excess of 30 percent. In addition, other changes in the standard architects contract form will provide additional relief in terms of reducing outlays required of architects in the fulfillment of their responsibilities. Although these steps may not fully provide relief that the Architects organizations feel is equitable, they represent a substantial improvement over a short period of time.

You will appreciate, I am sure, our major responsibility to the public to obtain the finest housing product possible within the severe financial limitations of our program. It is in consonance with this responsibility that this Board has arrived at its decision. We hope you will accept it in this spirit.

Sincerely yours,

MILTON MOLLEN
Chairman, H.R.B.

IN SUPPORT OF CHAPTER STAND

January 21, 1965

Dear Mr. Wilson:

I have before me a copy of the report of the New York Chapter Housing and Fees Contracts Committee re Mitchell-Lama fees, with which we heartily concur.

In view of the action taken by resolution at our 1964 convention, wherein we pledged complete support in the rejection of the HRB fee schedule, the New York State Association of Architects joins with the New York Chapter and other groups in any effort to achieve an adequate and appropriate fee schedule that will insure the continued participation by all architects in the middle housing program.

Chairman George Brown represents and fully reflects the position of NYSAA in his capacity as chairman of our Fees and Contracts Committee in behalf of all architects in the state.

You will speak not only for the New York Chapter at the press conference but also for the New York State Association of Architects and its 14 constituent groups which comprise our state organization.

Sincerely yours,

JOSEPH F. ADDONIZIO
Executive Director,
N. Y. State Association
of Architects

REPORT ON CITY AND STATE MITCHELL-LAMA FEES

by the HOUSING FEES & CONTRACTS COMMITTEE

The Chapter's decision was based on an exhaustive 15 month study by its Housing Fees and Contracts Committee in cooperation with the NYSAA and the other professional associations. The Committee under Chairman George G. Shimamoto and Vice Chairman George D.

Brown, Jr. studied 18 State and 14 City projects to assess the financial results of the present Housing and Redevelopment Board Fee Schedule as well as that of the N. Y. State Housing Finance Agency. The Committee report accompanied the letters addressed to the H.R.B.

In the past few years this Committee has received complaints from architectural offices stating that they have suffered financial losses in their work for the New York City Housing and Redevelopment Board and the New York State Housing Finance Agency.

In addition to inadequate fees, the risks involved in this work are often inordinate. Many architects have been asked to proceed with plans and specifications on a risk or semi-risk basis, particularly in connection with projects sponsored by non-profit and eleemosynary groups. Should only one project fail to materialize, and the delays and disappointments are many, it could mean severe financial distress and even bankruptcy for the unlucky architect involved.

Under such circumstances, the architect is discouraged from performing the type of research which leads to potential cost savings through new planning techniques and innovations in construction. In effect, the architect's services are restricted, many fine firms are deterred from participating in the program, and efforts to provide the best quality design at reasonable cost are inhibited.

Because of the gravity of this situation, your Committee, in cooperation with a similar Committee representing the New York State Association of Architects, New York Society of Architects, Architects Council of New York, New York State Society of Professional Engineers and the New York Association of Consulting Engineers, launched an exhaustive study over the past 15 months to determine how the problem could be corrected.

Taking the State program first, a survey was completed of 18 projects which showed that net fees (after subtracting engineers' fees) equalled, on the average, 1.57 times personnel expense. The highest multiple was 2.07 and the lowest was 1.22.

As we all are aware, the American Institute of Architects recommends that when an architect's fee is to be based on a multiple of direct personnel expense, that multiple should not be less than 2½ times, which is considered minimum for the services to be rendered. Thus the great majority of firms did not cover their overhead, much less return any compensation to their principals.

As a result, it was recommended that the HFA adopt the new schedule of payment set up by the Public Housing Administration. It is about 60 per cent higher, on the average, than the State's schedule. The HFA sought to justify its fees by claiming that the PHA required greater services (erroneous) and then by placing an extremely high value on these "extra" services (unfair). Its position on this matter pretty well demolished, the State admitted toward the end of last year that the architects had made a good case for a fee increase. However, it stated that its schedule at that time was higher than that of the HRB and felt that it could not further increase this difference. (Actually the 15 per cent differential is largely theoretical since the State requires supervision of construction which distorts the picture.)

The implication was clear that if the HRB raised its fees the State would do likewise. In fact, it was the hope of the Committee that since the programs are quite similar a fair schedule could be devised which would apply to both. The HFA agreed to this procedure but the HRB did not.

It should be noted that the State, in late 1963, reduced its fee schedule

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by excluding from its definition of "construction cost" contractors overhead and profit, thus making the difference between the HRB and HFA even less. The State insists that this reduction was effected at the demand of HRB along with other fee reductions in exchange for increased tax exemption. In effect, it forced the architects to subsidize rising construction costs.

From this it can be seen that the solution of the problem rests with HRB.

When the City middle income program was initiated in 1957 it was administered by the Mortgage Banking Unit of the Comptroller of the City of New York. At that time the fee schedule selected, out of several possible choices, was the lowest one then extant—namely that of September 12, 1955, the Housing Authority Schedule for State-Aided public housing projects. This schedule, already two years old when selected, was considerably lower than that of the PHA at that time. (The PHA schedule has since been revised upward by over 60 per cent.) This original schedule is the root of the problem.

The architects, unaware of the financial pitfalls ahead, accepted the schedule on the promise that if the Authority's fees were increased, this schedule would also be raised. On May 8, 1959 the Authority authorized a fee increase of about 10 per cent. This raise, however, was not permitted by the Comptroller's office.

It was not until December, 1962 that the HRB, which replaced the Comptroller as the administrative agency, after months of negotiation, increased the fees. The increase of 15 per cent was by that time inadequate. In addition, the fees were maintained on a dwelling unit basis rather than a percentage basis, with all the locked-in problems this involves. The dwelling unit basis is static and does not allow for upward adjustments along with rising construction costs and other costs in the economy.

As in the case of the State program, a survey was undertaken to assess the financial results of the present fee schedule of the HRB. Figures were received on 14 projects and showed that the average fee produced a multiple of 1.79 times personnel expense. The high was 2.2 and the low was a 1.36 multiple.

It is interesting to note that the Housing Authority fees for PHA projects had fallen so low that a survey undertaken by this Chapter in 1961 showed that the average fee for 19 projects produced a multiple of only 1.4 times personnel expense. It was as a result of his information, together with other data secured throughout the country, that Commissioner McGuire of the PHA increased fees by 60 per cent in order to encourage good design and sound construction and adequately compensate the profession.

The Housing Authority Fees for State projects as noted were even lower than PHA. Some research by your committee indicates that the schedule of 1955 (the basis for HRB fees) had been increased by 112% from the original State schedule of 1939 whereas the Turner Construction Cost Index for the same period shows a rise of 174%. The Engineering News Record shows a rise of 133%. During this same period the demands upon the architect by way of additional services were greatly increased. Had the 1955 schedule been adjusted to keep pace with the economy it would have been substantially higher at that time.

Since 1955 the Turner index shows a rise of about 27% while Engineering News indicates 32%.

Assuming that the original fee schedule of 1939 was fair and reasonable, then the schedule of 1955 was not and in effect the architects working on this program have been penalized for many years. Our recent survey on fees and costs proves this.

The HRB refuses to face up to this basic problem in contrast to PHA, insisting that the 15% increase in 1962 plus the 10% presently proposed (total 25%) roughly corresponds to the 27 to 32% increase in the construction index since 1955.

It is obvious that architects cannot afford to continue participation in the program on the basis of the present schedule plus 10%. This has been clearly stated to HRB with emphasis also on the quality of design and professional services to be rendered.

CONTINUED ON NEXT PAGE

The HRB claims that an increase in excess of 10% of present fees would have an adverse effect on rents and would probably catapult the average rental above the administration maximum of \$30 per rental room per month established by the Board.

Actually the rental increment is minor, amounting to less than \$.15 per room per month for an assumed 40% increase in the architect's fee. Further the administrative limit is jeopardized by advancing materials and labor costs. Your committee pointed out that the architectural profession should hardly be expected to continue to subsidize the program in the future as it has reluctantly done in the past.

In a further effort to impress upon the HRB the seriousness of the problem to the architect the NYSAA adopted the following resolution at its convention of October 28, 1964 and forwarded a copy of same to HRB. A similar resolution was forwarded to the State Housing Finance Agency.

Your committee recommends that the Chapter renounce and reject this new schedule and that every member of the Chapter and ultimately every architect and engineer in the State be advised of the financial and professional dangers involved in this program.

RESOLUTION TO HOUSING AND REDEVELOPMENT BOARD

The position taken by the Chapter was strongly endorsed by the N. Y. State Association of Architects which, at its October 1964 Convention (OCULUS, December 1964) had adopted a resolution proposing that the fee schedule be rejected by the Association in favor of substantially increased compensation which would enable intensive design research, structural innovation and experimentation.

RESOLUTION IV

WHEREAS, the architectural profession in the City of New York is vitally concerned with providing the best quality design at reasonable cost for the City's middle income housing program, and

WHEREAS, good, economical design requires intensive research into new planning techniques, innovations with advanced methods of construction, experimentation with novel and fresh forms and the continuous search for potential cost savings, and

WHEREAS, the existing fee schedule of the Housing and Redevelopment Board is so low that it results in fees drastically below the 2½ times direct personnel expense recommended by the American Institute of Architects, and

WHEREAS, additional risks of great financial loss to architects are inherent in the program, and

WHEREAS, these restrictive economic factors inevitably not only inhibit the desirable endeavors mentioned above but also tend to deter many substantial firms from participating in the program.

Be it therefore resolved that the New York State Association of Architects emphatically rejects the HRB fee schedule as unworkable and calls upon the Board to revise this schedule upward substantially in order to provide the type of housing which the community deserves and to correct the present serious inequity to the architectural and engineering professions.

KEY TO ABBREVIATIONS

A.I.A. — American Institute of Architects
 HRB — N. Y. City Housing & Redevelopment Board
 HRA — N. Y. State Housing Finance Agency
 PHA — Public Housing Administration

RENTAL INCREMENT WITH 40 PERCENT INCREASE IN HRB FEE SCHEDULE OF 1962

EXAMPLE NO. 1 — SMALL PROJECTS

Assume:	200 Apts. @ \$15,000 each or	\$3,000,000
Fee:	= \$3,000,000 @ 2.311	= 69,300
	\$69,300 × 140%	= 97,000
	Net Increase in fee	= 27,700

Carrying Charges on \$27,700

$$\text{Mortgage} = \$27,700 \times 90\% = \$24,900 \times .049574 \text{ DS} = \$1,234.00$$

$$\text{Equity} = \$27,700 \times 10\% = \$2,800 \times .06 \text{ DS} = \$168.00$$

$$\text{Total Additional Carrying Charges} = \$1,402.00$$

$$\$1,402 \div 200 \text{ Apts.} = \$7.00 \text{ per apt./yr.}$$

$$\$7.00 \div 12 \text{ months} = \$.58 \text{ per apt./mo.}$$

$$$.58 \div 4.5 \text{ Rms. (Asum.)} = \$.13 \text{ per rental room/mo.}$$

EXAMPLE NO. 2 — LARGE PROJECTS

Assume:	500 Apts. @ \$15,000 each or	\$7,500,000
Fee:	= \$7,500,000 @ 1.599	= 119,900
	\$119,900 × 140%	= 167,900
	Net Increase in fee	= \$48,000

Carrying Charges on \$48,000

$$\text{Mortgage} = \$48,000 \times 90\% = \$43,200 \times .049574 \text{ DS} = \$2,142.00$$

$$\text{Equity} = \$48,000 \times 10\% = \$4,800 \times .06 \text{ DS} = 288.00$$

$$\text{Total Additional Carrying Charges} = \$2,430.00$$

$$\$2,430 \div 500 \text{ Apts.} = \$4.86 \text{ per apt./yr.}$$

$$\$4.86 \div 12 \text{ months} = \$.41 \text{ per apt./mo.}$$

$$$.41 \div 4.5 \text{ Rms. (Asum.)} = \$.09 \text{ per rental room/mo.}$$

An increase of 40% in architectural fees would involve an insignificant increase in rents of \$.09 per rental rm. per mo. (or less) on larger projects to \$.13 (or slightly more) on smaller projects—less than 1/2 of 1% of \$30 per rental room per month. This is due to an increase in Debt Service Charges. Maintenance and operation costs would not increase nor would Real Estate Taxes as we are informed that on Mitchell-Lama projects the City calculates assessed valuations on an empirical cubage formula. A minimal increase in vacancy allowance is too small to calculate—less than \$.01 per rental room per month.

BREAKDOWN OF ARCHITECTS' FEES ON HOUSING PROJECTS

The A.I.A. recommends that when an architect's fee is to be based on a multiple of direct personnel expense, that multiple should not be less than 2 1/2 times, which is considered minimum for the services to be rendered. This is so because in the average size office overhead equals about 100% of Personnel Expense. Thus the architect's actual costs equal twice Personnel Expense leaving an amount equal to 1/2 of said personnel expense for compensation to the principals of the firm.

Contrary to popular impression architects do not pocket the great bulk of their fees. Actually the architectural profession experiences a greater disparity between gross and net than any other group which comes to mind—certainly more than doctors, dentists or lawyers. Perhaps accountants and engineers have a somewhat similar problem.

For example a fee of \$100,000 seems like a substantial sum. However from this must be immediately deducted about \$32,000 for structural and mechanical engineers and landscape consultants leaving a balance of \$68,000 to cover direct costs, overhead and compensation to the principals. At 2 1/2 times Personnel Expense the out of pocket costs to the architect would be \$54,000 leaving a modest sum of \$13,600 for distribution among the partners for perhaps several years of work and the considerable risks and financing costs involved. If however the fee represents only 1.8 times personnel expense as it does in the average City Mitchell-Lama project then in the example above the total cost of producing the job would have been \$75,600 and the architect not only would receive no personal compensation at all but would have suffered an actual loss of \$7,600.

BOOKS

LOCATION, Edited by Thomas B. Hess and Harold Rosenberg. Longview Foundation, N. Y., 1964, Quarterly, VOL. I, No. 2, 98 pp., illus., \$2.50. Literary and artistic essays about contemporary issues and people are accompanied by photos of paintings, drawings, etchings, artists' studios. The editorial by Harold Rosenberg, "Form and Despair," speaks of the current American literary scene and its concern with social and historical happenings; James Baldwin, Hannah Arendt and Mary McCarthy are discussed. Poems by David Shapiro and material on other avant guard artists, poets and writers appear. A witty, well-presented pot-pourri of artistic efforts aimed at the cognoscenti.

MEMBERSHIP

WELCOME NEW MEMBERS

The New York Chapter extends its warmest welcome to the following new members:

Corporate

Pershing Wong
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Caesar A. Sonnino
Orval E. Sifontes
Ricardo M. Scofidio
Harold W. Sander
Lorenzo R. de Arellano
Martin U. Michaelis
Arthur D. Postman

Jerome I. Meckler
John LoPinto
Nejat Gokbelen
Richard Dattner
Dennis B. Clark
Robert Bortolin
Gilbert R. Bischoff
T. Merrill Prentice
Walter J. Johnson

Associate

Edward Frank
Sophie C. Koch-Weser

Mohammed L. Siddiqui

CANDIDATES

Information regarding the qualifications of the following candidates for membership will be considered confidential by the Admissions Committee:

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Richard Bender
Lo-Yi Cheung Yuen
Chan
John Joseph Grosfeld
Wei Foo Chun
Joseph Andrew
D'Amello
Leon David Deller
William James
Jacquette, Jr.

Karl Kaufman
Robert Joseph Keller
Yen Liang
David Lionel Samuels
Richard Spronz
Harry Arthur Van Dyke
John Yang
Robert J. Gambach
Dennis Jurow
John Peter Staten

Associate

Charles Richard Hatch
Warren G. Hayes

Sponsors:
Norval C. White and
Lowell Brody
J. Gordon Carr and
Graham Stewart

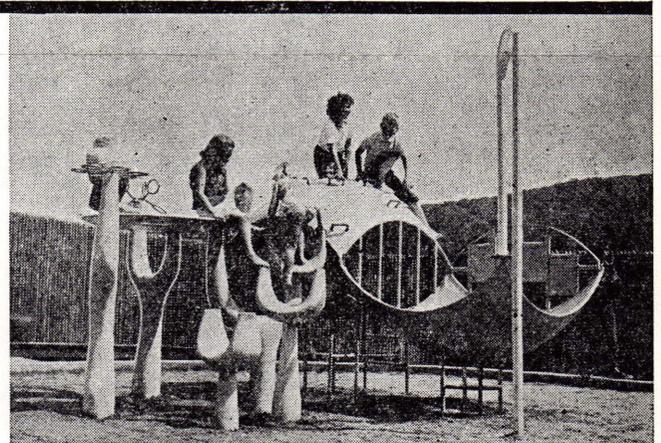
SEVERUD - PERRONE - FISCHER
STURM - CONLIN - BANDEL

Consulting Engineers

Reports - Buildings - Airports
Special Structures
Structural Design - Supervision

COMING EVENTS

- JANUARY 26 Nominating Committee Luncheon
Dining Room, Tuesday, 12:30 P.M.
- FEBRUARY 2 Hospitals & Health Seminar
Dining Room, Tuesday, 5:15 P.M.
- FEBRUARY 16 Technical Committee Lecture
Dining Room, Tuesday, 5:30 P.M.
- FEBRUARY 18 Anniversary Dinner
Hotel Pierre, 5th Avenue, 61st Street, Thursday
- MARCH 10 Technical Committee Lecture
Design Center, Wednesday, 7:15 P.M.
- MARCH 26 Housing Symposium
Dining Room, Friday, 5:30 P.M.
- APRIL 6 Hospitals & Health Seminar
Dining Room, Tuesday, 5:15 P.M.
- APRIL 14 Technical Committee Lecture,
New York City Building Code Revision
Place to be announced, Tuesday, 5:30 P.M.
- APRIL 21 Office Practice Committee
- APRIL 29 Open Meeting
Dining Room, Wednesday, 5:30 P.M.
- MAY 12 Prospective Members Cocktail Party
Dining Room, Wednesday, 5:00-8:00 P.M.
- MAY 18 Technical Committee Lecture
Dining Room, Tuesday, 12:30 P.M.
- JUNE 1 Hospitals & Health Seminar
Dining Room, Tuesday, 5:15 P.M.
- JUNE 2 Annual Luncheon
Dining Room, Wednesday, 12:30 P.M.
- JUNE 14-18 A.I.A. Convention
Sheridan-Park Hotel, Washington, D.C.

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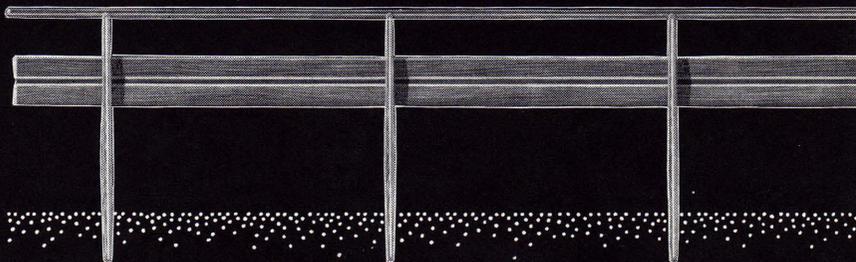
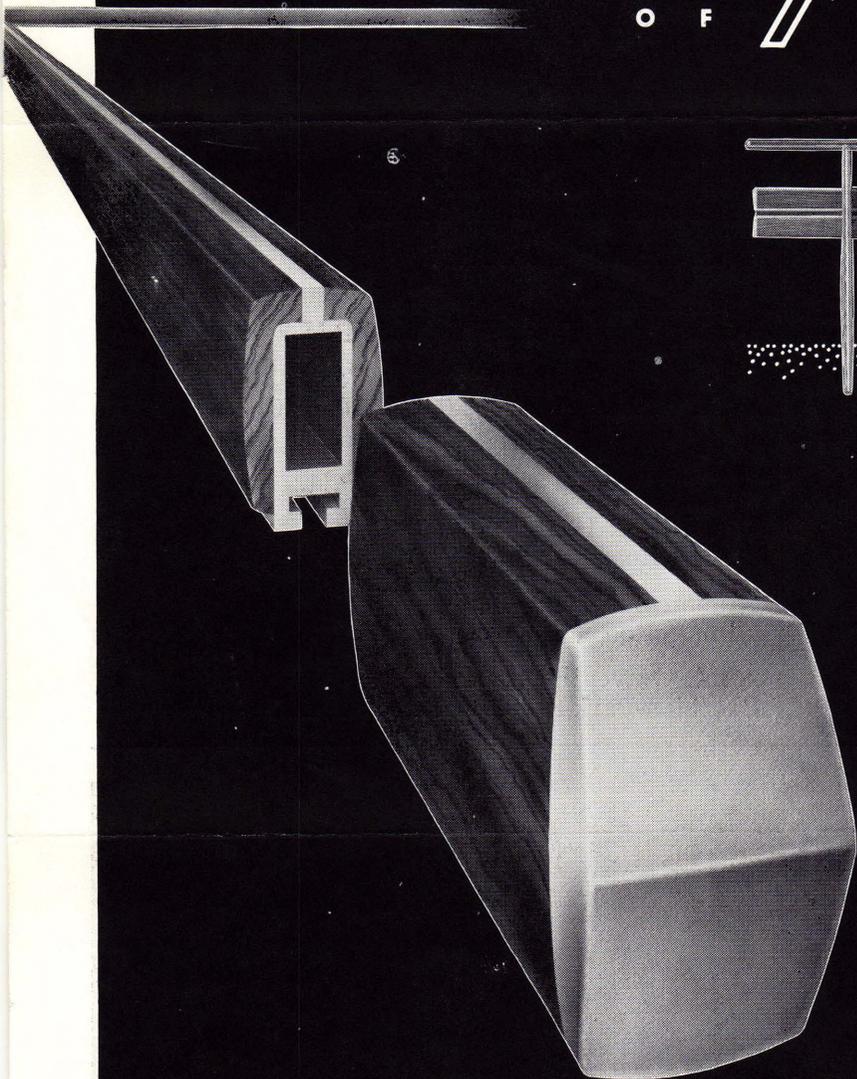
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