ARCHITECTURAL INSTITUTE OF BRITISH COLUMBIA

Practice Guideline: Blended Hourly Rate Fees for Principals in Small Practices

September 2026

1.0 Introduction

1.1 Professional Standard 7.6. in Schedule A: Code of Ethics and Professional Conduct in the AIBC Bylaws (the "Code of Ethics") requires that:

> *"Architects must have regard for the AIBC Schedules of Architectural Services with Fee Guidelines prior to entering into a Client-Architect Contract."*

1.2 As commentary for this Professional Standard notes, the intent of this requirement is to focus attention on the scope and quality of architectural services. Guidance on fees is provided to assist the public in budgeting for architectural services. Inadequate fees lead to inadequate services; the provision of inadequate services is contrary to the public interest.

1.3 The intent of this Guideline is to provide guidance to Architects in small practices where the Architect-principal may perform a wide range of tasks, from administrative tasks to providing expert advice.

1.4 The complementary document Practice Guideline: Hourly Rate Fees – Services of Principals or Staff provides rates for Architect-principals when they are providing 'principal-level' services. These rates are not expected to apply to services which require less-than-principal skills, and which could or should be delegated to staff and charged at lower rates, notwithstanding them occasionally being performed by principals.

1.5 Capitalized terms in this document are defined terms in the AIBC Bylaws and have the same meaning.

2.0 Background

2.1 The **AIBC Schedules of Architectural Services** do not explicitly describe how a 'blended' rate might be calculated; nor does it distinguish between Architectural Firms of different size or style of business operation. In smaller Architectural Firms an Architect-principal may be performing a variety of tasks that in larger firms are assigned to technical, administrative, or non-principal professional staff.

2.2 Practice types include sole proprietorships, partnerships, and corporations, any of these types of Firms may have limited staff support. In a typical working day, an Architect-principal may act as, for example, senior design partner, drafting technician, and office administrator. In these circumstances, it may be appropriate to consider the establishment of billable hourly rates in a manner different from the particular rates set out in the **Practice Guideline: Hourly Rate Fees – Services of Principals or Staff** as recommended for general principal-level services. Accordingly, two approaches are put forward for consideration.

3.0 Approach Options

3.1 The recommended approach is to invoice different levels of services performed by the same Architect-principal at a range of different hourly rates, to reflect the precise nature of the tasks, although this may not always be ideal in terms of administrative effort, billing simplicity and Client comprehension. The formula outlined herein can be applied to a monthly staff-salary equivalent that is appropriate to each task, using 0.023 times the monthly salary to determine a specific billable hourly rate. Thus, at times the Architect-principal would be charged out at a rate appropriate to a drafting technician, and at other times, at the principal-level rates recommended in **Practice Guideline: Hourly Rate Fees – Services of Principals or Staff.**

3.2 An alternate approach is to establish a 'blended' or 'average' billable rate that reflects all overhead costs; the required gross salary; and a reasonable profit. (Note: 'special' and 'expert' principal services provide particularly enhanced value and may attract greater risk. Accordingly, they are outside the scope of a general blended rate and should be charged at levels consistent with the recommended rates as per **Practice Guideline: Hourly Rate Fees – Services of Principals or Staff**).

3.3 While several ways to calculate the 'blended' rate may be suggested, one appropriate formula would be:

$$\textbf{Hourly rate} = \frac{\textbf{required gross salary + overhead costs + profit}}{\textbf{billable hours}}$$

wherein:

- **required gross salary** is the minimum gross salary appropriate and acceptable for the Architect-principal, as explained in section 4.1;
- **overhead costs** include all costs truly associated with operating the practice, which are not directly recoverable as reimbursable expenses, based on the financial records of the practice;
- **profit** represents a reasonable expectation by the practice of surplus in fee billings compared to required salary + overhead costs; and
- **billable hours** is the recoverable portion of the actual hours worked by the Architect-principal, based on the historical data of the practice or (especially for a new or young practice) upon projections based on comparable data from colleague firms; or diligently derived business expectations based on research and expert advice.

4.0 Blended Rate Methodology

Required Gross Salary

4.1 To establish an accurate 'blended' rate, the Architect-principal must first establish the expected minimum gross annual salary, which recognizes the education and experience of the Architect-principal, and which is commensurate with the responsibilities and risks associated with professional practice.

Overhead Costs

4.2 To establish an accurate 'blended' rate, an accurate assessment of overhead costs is necessary. While each practice has some discretion in assigning under contract what is reimbursable and what is not, generally most consider that overhead includes (but is not limited to) such items as the following costs when not chargeable as reimbursable expenses:

- office space (rent, or value if owned premises, or part of residence);
- property taxes (including applicable portion of residence taxes);
- utilities (including applicable portion of residence utilities);
- leasing of equipment (or capitalized purchase cost);
- drawing and presentation materials and equipment;
- telephone, internet;
- computing, hardware, software and data costs;
- subscriptions, including computer application and specification subscription services
- service contracts (digital services, equipment, etc.);
- periodicals and information access fees;
- professional development course fees;
- professional liability insurance;
- office and equipment insurance; commercial general liability insurance, vehicle insurance, other forms of business insurance;
- printing, copying, postage and courier services;
- typing and clerical services;
- legal fees, IT fees, accounting and bookkeeping services;
- financing;
- travel and vehicle;
- annual Fees to the AIBC;
- annual fees to other professional or industry organizations;

- business licence fees and taxes;
- advertising and promotion;
- allowable entertainment;
- return on investment (usually the interest that could be earned if funds reinvested in the practice had been invested elsewhere);
- corporate taxes, where applicable; and
- health and other insurance premiums (may be business or personal expenses).

4.3 Until sufficient financial records are available, the Architect-principal in new practices must realistically project the accurate cost of each of these items and/or obtain comparative figures from like practices, to ensure that the 'blended' rate is as accurate as is possible.

Billable Hours

4.4 Some sources would suggest that there are potentially 1950 'billable hours' in the work year (37.5 hours per week x 52 weeks). Others would suggest that they personally work in excess of that number (e.g. 44 hours) and that all of those hours are 'billable'. Still others would arrive at a lower total, reflecting a shorter work week, or vacation and holiday time. 1624 hours is a figure often used in calculating the hourly rate for office staff. Experience indicates that none of these assessments is necessarily applicable to the Architect-principal in a small practice. The definition and accurate assessment of 'billable hours' is a crucial step in developing an appropriate 'blended' rate.

4.5 The Architect-principal must be aware that there are many essential but non-billable hours in the normal work year. Non-billable hours often include time spent performing the following functions:

- marketing and promotion, business development;
- general office management functions not billable to any one specific Project;
- volunteer efforts on behalf of the profession or community;
- clerical functions where not billable to any specific Project (e.g. maintenance of product resources); and
- professional development/ continuing education.

4.6 These non-recoverable hours may be presented as part of one 'normal work week' (e.g. 17 of the 44 hours actually worked by one Architect-principal) or may represent time invested in excess of another 'normal work week' (e.g. 10 hours in addition to a usual 37.5-hour week).

4.7 The Architect-principal must make a reasonably accurate estimate of the hours which will be worked and for which fee income will be received in each year, in order to arrive at an effective 'blended' rate. It is most appropriate to base this assessment on actual financial records. Where none are available, it may be appropriate to estimate and plan that a percentage of actual work time will be devoted to non-billable activities.

4.8 Experience indicates that approximately 40% of an Architect-principal's time may be spent performing non-billable functions. Assuming a 44-hour regular work week, and that the Architect-principal arranges time off for vacation and statutory holidays, the following analysis can determine a reasonable estimate of billable hours for the year, in this calculation, rounded to 1,183 hours.

Total annual hours:	**44 hours per week x 52 weeks**	**2,288 hours**
Less:		
Vacation - 4 weeks	44 hours per week x 4 weeks	-176 hours
Statutory holidays	11 days x 8.8 hours per day	-96.8 hours
Sick leave	5 days x 8.8 hours per day	-44 hours
Annual work hours:		**1,971.2 hours**
Less non-billable hours:	40% of 1,971.2 hours	-788.5 hours
Annual billable hours:		**1,182.7 hours**

4.9 While larger Firms may achieve 75-80% billable time for some Architect-principals, there will be managing Architect-principals supporting these efforts at perhaps only 50% billable time. The 40-60% split used in the table is a reasonable reflection of the majority of smaller practices, and leaves room for improvement.

4.10 While 37.5 hours per week is the industry standard for staff, the 44 hours per week used for calculation purposes for Architect-principals is a general reflection of the time difference frequently invested between employees and owners. Whereas hours in excess of 37.5 per week may not be advisable for maintaining a good work-life balance, it is essential in doing these calculations that they be based realistically on the actual hours worked. Aspiring to work 37.5 hours, yet in practice routinely working 10 additional hours and not recording them, is counterproductive. The calculation should be based on the Architect-principal's **actual hours worked**, which should be based on accurate hourly time date, recorded by the Architect-principal daily.

Profit

4.11 As the required gross salary is defined as the salary which represents the education and experience of the Architect-principal while being commensurate with the responsibilities and risks involved in professional practice, there must be an allowance for profit in order to sustain the practice and make it financially viable in comparison to being an employee with limited risks, as well as to maintain that required salary when fee income drops below anticipated levels, and to provide for retirement. Again, this is best derived from historical data and/or diligent research, expectations and expert advice.

5.0 Sample Calculation

5.1 It is useful to apply some hypothetical numbers to the formula in paragraph 3.3. In the example, assume that the required annual salary is $160,000.00; that the billable hours are 1,182.7 (as tabulated in paragraph 4.8); the overhead is $50,000.00 annually; and that the profit expectation is approximately 20% of the $210,000.00 in fee billings (salary plus overhead), in this case $42,000.00. The formula thus would read:

$$\text{Hourly rate} = \frac{\$160{,}000.00 + \$50{,}000.00 + \$42{,}000.00}{1182.7 \text{ hours}} = \$213.07 \text{ per hour}$$

5.2 Thus, if the Architect-principal completes the anticipated Projects and receives fee income for 1182.7 hours at the 'blended' rate of $213.07 the minimum salary of $160,000.00 will be received; financial commitments related to the practice will be met; the balance of work time will be available to manage and promote the practice; and the Architect-principal will have realized an additional profit to re-invest in the practice, to provide a 'cushion' for slow periods, or to provide for retirement. If the Architect-principal encounters such financial setbacks as bad debts, the 'cushion' will help to absorb those without personal impact. If the 1182.7 'billable hours' are, in fact, not billed, the cushion will also help to offset that shortfall. Of course, if through extra effort, through greater fees on a fixed or percentage basis, or through special expert services, fee income is received for more than 1182.7 hours at the 'blended' rate, a higher profit than anticipated will be realized for the Architect-principal.

Note: in quick comparison, the current general, principal-level rate is $310.00 per hour, per **Practice Guideline: Hourly Rate Fees – Services of Principals or Staff**.

5.3 Finally, given that the Architect-principal in the example realizes $202,000.00 from the Architect-principal's efforts (salary + profit) and recognizing that the Architect-principal **actually expended** 2,288 hours (including vacation, holiday and sick time for which the Architect-principal received salary), note that the Architect-principal's **personal** gross salary rate is actually $88.29 per hour ($202,000.00/2,288 hours). In other words, a blended rate of $213.07 per hour, billed to the estimated number of billable hours, yields $88.29 in the Architect-principal's hand.

6.0 Caution

6.1 Each Architect-principal should establish figures to be used in the formula based on their own situation and needs, personally and their practice. It should also be kept in mind that even though one may be performing non-principal activities, they may be performed more efficiently than staff of lesser experience, skill, effectiveness and decision-making responsibility, and so might readily bill your time at a higher rate. At the same time, the Architect-principal may be less adept and therefore less efficient than dedicated staff at some tasks, such as computer documentation.

6.2 Finally, it is noted that the AIBC does not recommend any particular or minimum profit margin and cautions against inappropriate use of hourly rates as a primary billing approach.

Practice Guideline Amendment History

2026 September 3 – Revised rates, updated references to Bylaws.

2019 October – New graphic template. Renamed Practice Guideline, formerly Practice Note. References to Practice Note updated to Practice Guideline.

2017 December – New graphic template applied. Reviewed for content accuracy, updated references.

2008 June – Second Edition

2002 August – First Edition

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