

**UNIVERSITY OF HOUSTON SYSTEM  
ADMINISTRATIVE MEMORANDUM**

**SECTION: General Administration**

**NUMBER: 01.B.08**

**AREA: Facilities and Physical Plant**

**SUBJECT: Project Management Fees**

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1. PURPOSE

This administrative memorandum describes the assessment of a project management fee for all institutions governed by the University of Houston System for construction and renovation projects managed by the University of Houston System.

2. POLICY

All construction, repair, and renovation projects managed by the University of Houston System (“UHS”) shall be assessed a Project Management Fee based on the Total Project Cost and included in the Project Control Budget. The Project Management Fee recovers overhead costs associated with the UHS’ administration and management of construction, repair, and renovation projects.

3. DEFINITIONS

3.1 *Total Project Cost or TPC:* Except as set forth in Section 4.2, the all-inclusive cost of a project including any modifications and/or change requests.

3.2 *Facilities/Construction Management or F/CM:* System office within the Administration and Finance Division responsible for maintaining the physical infrastructure and facilities.

3.3 *Project Tracking Budget or PTB:* The detailed working budget for a project that captures all project costs project management fee, including construction costs, architect and engineer (“A&E”) fees, professional service and testing fees, and miscellaneous costs.

3.4 *Project Funding:* Funding is the movement of equity through the Financial System from any campus, division, college/school, foundation, or other UHS entity (“Client”) to the dedicated Project Cost Center under Facilities/Construction Management (“F/CM”).

3.5 *Project Funding Agreement or PFA:* Internal agreement between the System and the Client sponsoring the project that includes a commitment of funds and a proposed project scope. PFA format and approval process may vary between component Universities.

3.6 *Project Management Fee or PMF*: Fee assessed on each project to recover costs of supervision, administration, and overhead incidentals associated with management of real property facilities projects.

4. PROCEDURES

4.1 Upon a project’s approval and funding authorization, the project planner will draft and route a PFA, which must include/be accompanied by a PMF, for approval.

4.2 The PMF is a funded cost and must be included in the project estimate for purposes of determining approval thresholds. The PMF can include:

- a. Design, construction, and/or furniture, fixtures, and equipment (“FF&E”) contract administration;
- b. Program, design, construction and FF&E project management (including post construction evaluation);
- c. Technical direction and coordination of projects;
- d. Quality assurance and construction inspection services; and
- e. All other project management and administration functions not otherwise identified above, such as: contract procurement, constructability review, source selection team participation, project issue resolution, change order management, claims analysis, consultation by experts, litigation support, or other costs related to determining A&E and/or construction contractor liability.

4.3 Preliminary program management and project scope development are NOT included in the PMF. Direct costs of related consultant services will be directly funded by the Client.

4.4 PMFs will be assessed on a sliding fee scale based on the Project Tracking Budget in accordance with the following

<b>TPC</b>	<b>PMF</b>
Less than \$300K	6%
\$300K to \$1M	5%
Greater than \$1M	3%
Architectural or Engineering Studies (regardless of amount)	6%

- 4.5 PMFs shall be assessed as follows:
- a. Upon approval of the PFA for projects greater than \$1M; and
  - b. On a monthly basis based on expenses posted to the project cost center in the same period for projects less than \$1M.
- 4.6 A PMF will be assessed even if a project is cancelled based on how far the project had been progressed at the time of cancellation in accordance with the following:

<b>Project Milestone</b>	<b>Percentage of PMF</b>
Approved Project Funding and/or RFQ/RFP submission	10%
Design Start	25%
Construction Start	45%
Construction Mid-Point	70%

5. REVIEW AND RESPONSIBILITY

Responsible Party: Associate Vice Chancellor for Facilities and Construction Management

Review: Every five years

6. APPROVAL

Approved: Jim McShan  
Senior Vice Chancellor for Administration and Finance

Renu Khator  
Chancellor

Date: 09/01/2020