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AIA Chicago

and

Willis A&E

Present:

*“Tool Kit
Tuesdays”*

Presenters

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Tool Kit Tuesday Schedule

- *November 2nd – Practice Toolkit*
- *November 9th – Contract Toolkit*
- *November 16th – Risk Management Toolkit*

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Participate in today's Webinar

- “Raise Your Hand”

To ask to speak:

On the Participants panel, click **Raise Hand**.



The **Raised Hand** indicator appears on the Participant panel for the host, presenter, and panelists.

To cancel a request to speak:

On the Participants panel, click **Lower Hand**.



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The Practice Toolkit

Major Areas of Concern (Other Than the Architecture)

- **Making sure your people conform to legal requirements.**
- **Setting up the business**
- **Accounting and business systems**
- **Contracts**
- **Insurance**

Professional Registration

- **Must be licensed as a “design firm” by the Illinois Department of Financial & Professional Regulation.**
- **Two-thirds of “controlling partners” must be licensed.**
- **Must have full-time director/manager of architecture.**

Forms of Business Entity

- **Sole Proprietorship**
- **Partnership**
- **Corporation**
 - **Sub Chapter S**
- **Limited Liability Company**

Type of Business	Liability Protection	Flexible Tax/ Accounting
Sole Proprietorship		√
Partnership		√
Corporation	√	(Sub Chapter S)
Limited Liability Company	√	√

Agreements Between Partners

- Applicable to any legal entity
- Mutual buy/sell agreements
- Compensation need not correlate with power
- Factor both business and work effort into compensation

Business Accounting

- **Accountant should have experience with professional firms, particularly architecture**
- **Some are AIA professional affiliates**
- **Interview more than one accountant**
- **Have accountant establish and teach the basic business systems (bookkeeping, check-writing, payroll, etc.)**

Contracts

- **Create your own standard contract forms**
- **AIA documents**
 - **Need a subscription**
 - **Good templates, many varieties**
 - **May be too complex/official-looking for small projects**
- **Letter/proposal may be simpler**
 - **More frequently signed without lawyer review**
 - **Work with a lawyer to develop**

Substituting Into Another Architect's Project

- Clear definition of scope of work
- Limit liability to your own work
- Indemnity for claims relating to prior architect
- Copyright or license to modify plans
- Letter of authority from prior architect to Building Department

Making New Partners

- Applicable to any legal entity
- Promotion from within is good business
- New partners from “outside” should bring business, capital or special skill
- Partnership need not imply compensation or power
- The firm name may or may not change
- New partners should “buy in” possibly over time

Hanging out your own shingle

- **Can you take drawings and other documentation?**
- **Can you solicit business from your employer's clients?**
- **Can your employment agreement prevent you from starting your own firm?**

How Do You Find Business?

- **It is wise to have a project or two in the pipeline when you open your firm**
- **Market yourself aggressively**
 - **Lawn signs in front of your projects**
 - **Give talks, presentations**
 - **Write a column for a local periodical**
- **If there were a definite answer to this question, we could charge a lot more for the Webinar!**

Finding the Right Lawyer

- **May be necessary for contract negotiations**
- **Unanticipated legal questions always arise**
- **Relationship with a lawyer provides credibility for the architect**
- **Pick a lawyer with significant architecture experience**
 - **Many are AIA professional affiliates**
 - **You should be a “loss leader”**

Insurance

Insurance: Do you need it?

- Most contracts now require minimum levels of insurance.
- Without insurance, you may not be competitive in the market.
- One small claim can bankrupt a fledgling firm.

Insurance You Need To Consider

- Professional Liability
- GL or Business Owner's Policy (BOP)
- Workers Compensation/Employer's Liability
- Umbrella Excess
- Auto Liability

- Executive Risk Products (EPLI/Fiduciary/D&O)

- Employee Benefits (Health/Dental)

Insurance/Liability 101

- The liability of a Consultant is based on the principles of negligence.
- The liability of a Contractor is based on warranties and guarantees.
- Professional liability insurance covers a Consultant for their negligence.
- General liability insurance covers bodily injury and property damage.

Unique Features of PL Policies

- Claims Made v.s. Occurrence
- Report to trigger coverage
- Retroactive dates
- All Risk with Contractual Liability Exclusion
- Eroding Limits
- Mediation Credit
- Choice of Counsel
- Pre-Claim Assistance

Optional PL Coverage

- Dollar One Defense/Shared Expense
- Multi Year Policy
- Aggregate Deductible
- SJX
- Project Specific
- OPPI
- Wrap Up – OCIP/CCIP

Managing Change...

- Ownership transition
- M&A...
- Transferring projects
- Supplanting another design firm
- Foreign work
- JV or LLC
- Design Build
- Get your broker involved to assist you on issues to consider and managing risk

Know Your Terms & Conditions

A Primer for Contracts Toolkit

- **Billing & Payment**
- **Consequential Damages**
- **Construction Phase Services**
- **Dispute Resolution**
- **Environmental**
- **Insurance**
- **Jobsite Safety**
- **Limitation of Liability**
- **Owner Provided Information**
- **Ownership of Instruments of Services**
- **Permits & Approvals**
- **Rejection of Non-Conforming Work**
- **Authority to Stop Work**
- **Termination**
- **Green Standard of Care**

Special Thanks To

Mark Friedlander

THANK YOU!

*Be sure to register for our
next Toolkit webinar!*