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 UHS shall be assessed a Project Management 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. DEFINITION

3.1 Total Project Cost or TPC: 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 the 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  PMF is a funded cost and must be included in the project estimate for purposes of determining approval thresholds. 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.

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

4.3  PMFs are assessed on a sliding fee scale based on the Project Tracking Budget.

<table>
<thead>
<tr>
<th>Project Total of Type</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Less than $300K</td>
<td>6%</td>
</tr>
<tr>
<td>Cost from $300K to $1M</td>
<td>5%</td>
</tr>
<tr>
<td>Cost greater than $1M</td>
<td>3%</td>
</tr>
<tr>
<td>Architectural or Engineering Studies (regardless of amount)</td>
<td>6%</td>
</tr>
</tbody>
</table>
4.4 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.

4.5 PMFs are assessed on cancelled projects at the following rates based on amount described in section 4.3:

<table>
<thead>
<tr>
<th>Project Milestone</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved Project Funding and/or RFQ/RFP submission</td>
<td>10%</td>
</tr>
<tr>
<td>Design Start</td>
<td>25%</td>
</tr>
<tr>
<td>Construction Start</td>
<td>45%</td>
</tr>
<tr>
<td>Construction Mid-Point</td>
<td>70%</td>
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</tbody>
</table>

5. REVIEW AND RESPONSIBILITY

Responsible Party: Associate Vice Chancellor for Facilities and Construction Management

Review: Every five years

6. APPROVAL

Approved: ________________________________

Senior Vice Chancellor for Administration and Finance

Chancellor

Date: ________________________________