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# Connecticut Housing Finance Authority

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Construction Guidelines:  
Construction Costs

2023

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These Guidelines are effective January 2023

# CHFA Construction Guidelines: Construction Costs

January 2023

## **I. Construction Cost Evaluation**

Cost efficiency and effectiveness are strongly encouraged, as the objective is to maximize the overall cost effectiveness of developments, including but not limited to, construction costs for applications submitted. The “Construction Guidelines: Construction Costs” document outlines the CHFA construction cost review process.

CHFA recognizes all construction projects as unique and understands there may be verifiable, significant Square Foot (SF) cost differences between the guideline costs and a general contractor’s cost submission.

CHFA derives a final cost per SF for each project by evaluating architectural drawings and specifications from the design development stage to 100% complete drawings and specifications, environmental and geotechnical reports, and the method of construction (wood stick-frame, panelized, modular, masonry, steel, etc.) that is specified. CHFA’s historical construction cost database is also accessed and used to determine construction cost effectiveness over time. When a construction project’s final SF cost is determined, the SF cost, and all relevant material, is reviewed and discussed with the CHFA underwriter and technical services staff.

CHFA invites all applicants to contact the CHFA Technical Services Department to discuss conditions which may significantly increase or decrease SF costs. Any line item costs, square footage costs or total unit costs exceeding a range of reasonableness may be disallowed solely at the discretion of CHFA. Additional information and documentation (verified by CHFA and/or a CHFA designee) may be required to substantiate the reasonableness of the cost inclusive of information regarding proposed costs which significantly exceed CHFA minimum design quality standards. CHFA encourages submission of three competitive bids to aid in ascertaining cost reasonableness and effectiveness.

The Project Cost Summary (PCS) and Exploded Trade Payment Breakdown (ETPB) shall be completed and signed by the architect or general contractor, or a cost estimation consultant included as part of the Development Team in the Consolidated Application. All hard costs to be detailed on a line item basis using costs per unit as applicable (LF, SF, CY, each, etc.) and the corresponding quantity take-offs for each of the categories noted in the Exploded Trade Payment Breakdown. This must be supported by the information provided on the document set. Since the Exploded Trade Payment Breakdown form is somewhat limited, please feel free to send us the unit pricing and quantities in a spreadsheet format that will provide the necessary data.

If a general contractor has not been procured and the architect or a cost estimation estimator has provided the construction cost estimate, points for hard cost effectiveness shall not be awarded in any competitive funding round.

## **II. Extraordinary Construction Costs**

All applicants are encouraged to provide a breakdown of extraordinary construction costs for specified materials, fabrications, equipment and systems that exceed the requirements of the CHFA Multifamily Design, Construction and Sustainability Standards and Guidelines. Provide a spreadsheet that identifies and references the ETPB division, trade item, total cost, extraordinary cost amount and extraordinary condition. Recognition of these extraordinary costs may result in an upward adjustment to the guideline SF cost; however, CHFA will only recognize the portion of the extraordinary costs presented by the development team that CHFA considers reasonable, based on design and construction industry research/reporting and historic data. Extraordinary costs commonly considered by CHFA upon receiving detailed back-up information include:

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- Environmental site clean-up: contaminated soils, contaminated water, hazardous vapors, underground/above-ground storage tanks, etc.
- Environmental building remediation: hazardous material abatement, i.e. lead-based paint, lead-in-water, asbestos, PCBs, radon, mold, etc.
- Sitework exceeding 20% of the total construction cost
- Demolition
- Masonry
- Metals (non-structural/decorative)
- Siding upgrades
- Special Construction
- Elevators
- CT Prevailing Wages/Davis Bacon Wages
- NPS/SHPO historic restoration/renovation/adaptive use requirements
- Others as may be identified and considered reasonable and acceptable to CHFA

### **III. Prevailing Wages/Davis-Bacon Wages**

Prevailing Wages and/or Davis-Bacon Wage Rates may be required. It is the responsibility of the applicant to determine if such requirements apply to their project. Please contact the necessary authorities to determine the applicability of prevailing wages and/or Davis-Bacon wage rates. When Prevailing Wage Rates are required by the Connecticut Department of Labor, and/or Davis-Bacon Wage Rates are required by the U.S. Department of Labor, provide a summary analysis of the various labor categories and the hard cost increase in the labor rate over standard labor rates. The data provided by the applicant must be supported by the State of CT prevailing wage sheets or Davis-Bacon wage rates for each labor type and category. Labor rates for standard labor must be included for each of the various labor categories so a comparison can be performed.

### **IV. Sales and Use Taxes**

Housing Authorities, Non-Profit Entities and Municipalities may be sales and use tax exempt for goods and services used in connection with creating and maintaining low and moderate income housing. All ETPB and PCS construction cost exhibits must include sales and use tax at the time of funding application, except as indicated below:

1. If the development entity has already been determined to be tax exempt, the CT DRS determination letter and CERT-126 “Certificate for Exempt Purchases of Tangible Personal Property for Low and Moderate Income Housing Facilities” form must be provided with the funding application.
2. If the Applicant/Owner and Co-sponsor are individually tax exempt, and a determination by CT DRS is pending, or an application to CT DRS has not yet been made, IRS 501(c)(3) letters for both the Applicant/Owner and Co-sponsor, and a signed written statement that the proposed development entity will assume responsibility for any additional costs arising out of a subsequent denial of tax exempt status by CT DRS, must be provided with the funding application. Note that a CT DRS determination letter and a CERT-126 form must be provided prior to finalizing the ETPB & PCS for initial closing, or the issuance of a 42M letter by CHFA.

### **V. Builders Overhead/Builders Profit and General Requirements**

Costs for builders overhead and builder’s profit-GMP fees cover a General Contractor’s time and expenses on a project and is calculated as a percentage of the total cost of a job. Builders overhead and builder’s profit-GMP fees are two different types of costs, and are usually stated as two separate numbers. Builder’s overhead costs are operating expenses for necessary equipment and facilities. Builder’s profit-GMP fees is what allows the GC to earn their living.

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CHFA Procedures allow for a maximum of 2% of the total hard costs for builders overhead costs, and a maximum of 6% of the total hard costs for builders profit-GMP fees. These costs are calculated exclusive of the bonding and permitting fees.

General requirements, also known as general conditions, are the costs incurred during a project that generally do not involve the construction work itself. These costs are expenses such as site supervision and administration salaries, temporary power, lighting, heat, trailer and dumpster costs, project fencing and security, OSHA measures, etc.

CHFA Procedures allow for a maximum of 6% of the total hard costs for general requirements. The fee limits for builder's overhead and builder's profit-GMP fees and general requirements are noted in the CHFA Procedures. These limits apply to applications submitted for CHFA funding or tax credits.

If awarded funding or credits, staff will verify that the amounts carried by the Contractor in the Consolidated Application are the same percentages used in the GC contract with the Owner. Please be aware that these percentages will be verified at the end of the project when the General Contractor submits their Cost Certification.

If the GC Cost Certification uncovers additional builders profit or expenses and these percentages are higher than the original or over the fee limits established in the Procedures, CHFA will only recognize the lower percentages and the associated cost amounts. Accurate pricing at application is crucial and excessive fees and expenses or those stated in the original application will not be allowed.

The maximum percentages may be adjusted slightly at CHFA's discretion depending on the specific project such as scattered sites, however, the combined total shall not exceed 14% for builders overhead, builder's profit-GMP fees and general requirements.

Identity of Interest: For applications where there is a stated Identity of Interest between a Developer and General Contractor, or a Contractor and Architect, i.e. they are related entities; the following limits would apply for builders overhead, builder's profit-GMP fees and general requirements:

- Builders Overhead and Builders Profit-GMP Fees (combined) - 6 percent of construction costs;
- General Requirements - 5 percent of construction costs.

### **VI. Construction Contingency**

For new construction projects, construction contingency should be approximately 5% of the total hard costs, but no more than 8%. For historic adaptive re-use projects, and rehabilitation projects where environmental remediation, hazardous materials abatement and/or structural work is part of the scope of work, the hard cost contingency should be 10%, with CHFA discretion to exceed 10%, depending on the scope of restoration and/or abatement required. Construction contingency should be used for unforeseen conditions only and it shall not be used for errors and omissions in the Contract Documents including environmental remediation.

Development teams should plan and budget accordingly for potential implications to costs and schedules due to COVID-19. Change orders related to COVID-19 will be reviewed on a case-by-case basis.

### **VII. Project Building Types and Guideline Costs**

Note that references to "single" and "multiple" buildings pertain to the number of buildings on the site, not buildings of different sizes, configuration, number of stories, etc. The guideline cost for dissimilar

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buildings will be analyzed on the type, size and scope of the construction work specified. These guideline costs are for residential portion of the development. Costs for parking areas and commercial areas are evaluated separately depending upon the scope of work for those areas. 3-4% increase

1. Minor Rehabilitation
  - a. Single building, multiple story minor rehabilitation: \$39 per SF
  - b. Multiple buildings, multiple story minor rehabilitation: \$32 per SF
2. Moderate Rehabilitation
  - a. Existing single building, multiple story moderate rehabilitation: \$83 per SF
  - b. Existing multiple buildings, multiple story moderate rehabilitation: \$78 per SF
3. Substantial Rehabilitation
  - a. Existing single building, multiple story substantial rehabilitation: \$120 per SF
  - b. Existing multiple buildings, multiple story substantial rehabilitation: \$115 per SF
4. Gut Rehabilitation
  - a. Existing single building, multiple story gut rehabilitation: \$148 per SF
  - b. Existing multiple buildings, multiple story gut rehabilitation: \$141 per SF
  - c. Existing single/multiple 19<sup>th</sup>/early 20<sup>th</sup> century mill buildings, gut rehabilitation: \$176 per SF
5. New Construction
  - a. Single building, multiple story (wood frame, vinyl siding): \$166 per SF
  - b. Multiple buildings, multiple story (wood frame, vinyl siding): \$160 per SF
  - c. Single/multiple buildings, multiple story (steel frame): \$220 per SF

**Example:** A new construction project with multiple buildings, multiple story wood framing and vinyl siding has a guideline SF cost of \$154. With the inclusion of extreme site and environmental conditions, and an upgrade from vinyl siding to brick veneer, upward adjustments may result in a new, increased SF cost. In this type of example, the applicant should contact CHFA prior to submitting an application.

### VIII. 9% LIHTC Competitive Funding Round – Hard Cost Effectiveness Points

If an applicant is seeking any Hard Cost Effectiveness points for the competitive 9% LIHTC round as detailed and further explained in the Qualified Allocation Plan (QAP), applicants must provide their detailed per Square Foot calculations with the Consolidated Application materials. These calculations shall include the baseline costs as explained above, and also any extraordinary adders also noted above in this Cost Guideline. The numbers used shall correspond with the architects plans and specifications accordingly. Points will not be awarded if this detailed calculation is not provided with the Consolidated Application. (NEW for 2023)

### VIV. Definitions

Total Project Square Foot (GSF): Gross Square Footage is calculated using a building's first level footprint square footage, and adding the square footage of other levels (except basements and attics) to determine total square footage, including steel-framed first floor structures, parking garages, etc. Portions of basements, attics, and cantilevered sections used for living space shall be included (attic living areas are measured from knee wall to knee wall and gable end to gable end, where applicable).

Square foot (SF) cost is determined by dividing the total construction cost by the total project's SF. For application construction cost review, the source document of the total project SF is the square footage table found on the architect's drawings per Consolidated Application requirements.

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1. Total Construction Cost: Total Construction Cost is defined as all construction costs, inclusive of CSI Masterformat 1995 Construction Divisions 2 through 16, contractor's general requirements, builders overhead & builders profit, building permits and fees, and bond premium. Total Construction Cost does not include contingency reserve.
2. Building Rehabilitation Definitions: (based on the International Existing Building Code)
  - a. Minor Rehabilitation: Construction renovations to existing buildings, consisting of items such as: kitchen cabinet replacement; bathroom vanity replacement; new wall, ceiling and floor finishes in kitchens and bathrooms; A/C unit and sleeve replacement, etc.
  - b. Moderate Rehabilitation: Construction renovations to existing buildings, consisting of items such as: kitchen cabinet replacement; bathroom vanity replacement; new wall, ceiling and floor finishes in kitchens, bathrooms and various other rooms in each apartment; exterior door replacement; exterior window replacement; roof replacement; exterior siding repair or replacement; new hot water heaters; hot water boilers; A/C unit and sleeve replacement; electrical service upgrade, etc.
  - c. Substantial Rehabilitation: Construction renovations to existing buildings, consisting of all items listed for moderate rehabilitation above, and the inclusion of up to 50% of the items listed for gut rehabilitation below.
  - d. Gut Rehabilitation: Construction alterations and renovations to existing buildings, consisting of complete removal, replacement or reconfiguration of: interior partitions and walls; ceiling and floor finishes; replacement of all interior doors and frames; replacement of building mechanical and electrical systems; modifications to existing structure and exterior wall systems, including window and exterior door replacements and new building insulation; replacement of existing roof system(s); replacement of all interior kitchen cabinets and bathroom vanities; painting of all rooms in each apartment and common areas, etc.
3. Commercial space:
  - a. CHFA will not pay for the subdivision or fit-out of any commercial tenant space.
  - b. CHFA will only accept the cost for the portion of the building structure, exterior doors and windows, exterior walls, etc., that pertain to the building envelope where the commercial space is included.
  - c. CHFA will accept the cost for Mechanical and Electrical provisions to be put in place, such as heating/cooling equipment on the roof with the ductwork running down through the building, but capped off once it reaches the tenant space. Ductwork within the space is the responsibility of the tenant. Cost for providing electrical sub-panels for the tenant to connect to would also be accepted.

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Building materials, components, fabrications, assemblies and equipment for all proposed development projects (rehabilitations and new construction) should comply with the applicable sections of the current "Multifamily Design, Construction and Sustainability Standards-CHFA" (the Standards). The "Construction Guidelines: Project Planning & Technical Services Review" and the Standards define the design process and the specific recommendations for multifamily housing financed through CHFA. All applications should strive to meet the Standards, and must comply with CHFA Procedures and the requirements of the CHFA/DOH Consolidated Application.