CONNECTICUT HOUSING FINANCE AUTHORITY

Unlocking Solutions, Building Strong Communities.

Connecticut Housing Finance Authority

Construction Guidelines: Construction Costs

2027

These Guidelines are effective January 1, 2027

I. Construction Cost Evaluation

Cost efficiency is strongly encouraged, as the objective is to maximize the overall cost effectiveness of developments. This document, "Construction Guidelines: Construction Costs" 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 these guideline costs and a general contractor's cost submission.

CHFA derives a final cost per SF for each project by evaluating 100% complete architectural 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 used to determine construction cost baselines 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 ACS staff.

CHFA invites all applicants to contact the CHFA Architectural and Construction Services team (ACS) (FKA 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 questioned solely at the discretion of CHFA. Additional information and documentation may be required to substantiate the reasonableness of the cost which significantly exceeds CHFA minimum cost per SF standards. CHFA encourages 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.

NOTE for the 9% LIHTC round: If a general contractor has not been procured, and the architect or a construction cost estimator has provided the hard cost estimate, points for hard cost effectiveness shall not be awarded.

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 and Construction Standards and Guidelines. A spreadsheet that identifies and references the ETPB division, trade item, total cost, extraordinary cost amount and extraordinary condition is helpful. 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 which 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:

- 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 the various labor categories for comparison.

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. This may also include the CERT-102 for “Certified Rehabilitation Certificate for Certified Historic Structures” form.

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. The contractor is permitted to include one month’s general requirements in each requisition. Overhead and profit shall be calculated using the percent complete for the construction project. If the GR submitted by the contractor is less than the permitted maximum, CHFA ACS will defer to the lower amount submitted by the contractor. 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.

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. This does not include Identity of Interest transactions, where overhead, profit and General Requirements are further limited.

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. Change orders will not be considered for material cost increases for already approved stored materials.

VII. Project Building Types and Baseline 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 baseline cost for dissimilar buildings will be analyzed on the type, size and scope of the construction work specified. These baseline costs are for the residential portion of the development. Costs for parking areas and commercial areas are evaluated separately depending upon the scope of work for those areas. Commercial space is typically assessed at a baseline $135 per SF.

1. Minor Rehabilitation
   a. Single building, multiple story minor rehabilitation: $47 per SF
   b. Multiple buildings, multiple story minor rehabilitation: $38 per SF

2. Moderate Rehabilitation
   a. Existing single building, multiple story moderate rehabilitation: $98 per SF
   b. Existing multiple buildings, multiple story moderate rehabilitation: $92 per SF

3. Substantial Rehabilitation
   a. Existing single building, multiple story substantial rehabilitation: $142 per SF
   b. Existing multiple buildings, multiple story substantial rehabilitation: $136 per SF

4. Gut Rehabilitation
   a. Existing single building, multiple story gut rehabilitation: $174 per SF
   b. Existing multiple buildings, multiple story gut rehabilitation: $167 per SF
   c. Existing single/multiple 19th/early 20th century mill buildings, gut rehab: $208 per SF

5. New Construction
   a. Single building, multiple story (wood frame, vinyl siding): $196 per SF
   b. Multiple buildings, multiple story (wood frame, vinyl siding): $190 per SF
   c. Single/multiple buildings, multiple story (steel frame): $260 per SF

Example: A new construction project with multiple buildings, multiple story wood framing and vinyl siding has a baseline SF cost of $190. With the inclusion of extreme site and environmental conditions, and an upgrade from vinyl siding to brick veneer, upward adjustments would result in a new, increased SF cost above the $190/SF baseline cost.

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 or if the GC has not yet been selected.

VIV. Definitions

NOTE: All calculations will be derived from the Drawing documents as confirmed by the Architect of Record. For cost review calculations on steel frame and wood frame, CHFA will defer to square footages provided on the Drawings.

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.

1. Total Construction Cost: Total Construction Cost is defined as all construction costs, inclusive of CSI Construction Divisions 2 through 50, 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: 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: 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: 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: 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.

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 and Construction Standards-CHFA" (the Standards). The "Construction Guidelines: Project Planning & Architectural and Construction Services Review" and the Standards define the design process and the specific recommendations for multifamily housing financed through CHFA including issuance of LIHTC. All applications should strive to meet the Standards, and must comply with CHFA Procedures and the requirements of the CHFA/DOH Consolidated Application.