

## FACILITY PLAN FOR TOWN BUILDINGS

### Town of Hadley, Massachusetts

## Use of Cost Estimate Information

At study phase we do not know how the Town might package contracts or combine items. Accordingly we price each item in the study as work performed by a General Contractor, requiring professionally designed bid documents and construction oversight & contract administration by a professional design team. These and other factors affect the study direct cost estimates as follows;

An item is added for General Conditions. This is a General Contractor item to cover the cost of all of the items stipulated in a typical construction contract and bid specification including such items as insurance, temporary utilities, site offices, OSHA requirements, and other non-direct costs of performing work that are required of a General Contractor. The percentage used is based on the size of the contract. The smaller the contract, the higher the percentages because fixed costs are spread over a smaller base figure.

An item is added for Overhead and Profit. Again, this is a General Contractor item. It covers the cost of the GC home office, estimating staff, admin staff, and other standard overhead items. It also includes a fair and reasonable profit margin in normal market conditions. Again, the smaller the contract, the higher the percentage is to meet the necessary expenses of doing business.

An item is added for Design & Price Reserve. It is important to note that actual designs put out to bid often vary from design solutions envisaged in studies. A study is conceptual in nature whereas bids are based on fully developed design documents. The full amount of money required will not be known until the contract is complete along with the cost of any extras. It is not uncommon for additional unforeseen work to be uncovered during further design investigation or during construction. Rotted roof deck, rock excavation, code changes requiring a different design solution are all examples of possible additional costs that may be incurred on the design side. On the price side this contingency guards against changing economic conditions and inflationary pressures beyond the norm as the economy improves.

Escalation at a rate of 4% per annum is added from the date the estimate is prepared to update the estimate to its anticipated earliest bid date. This item covers the normal annual increases in union wages and normal annual material price increases. All prices indicated will need to be increased by 4% per annum to their projected bid date over the years covered in this report.

The cost of bonding the General Contractor and his subcontractors is added. The rate of this insurance varies with the size of the contract and the annual construction volume of the winning bidder.

Owner soft costs typically run 30% on public work projects. Soft costs include architectural, engineering, financing, and legal fees, and any other Town-paid pre- and post-construction expenses. Costs are included in each item for a professional design team to fully explore and develop a complete design solution through bid documents, manage the bid process and supervise & administer the construction contract.

The cumulative effect of all of these compounded percentages uplift the total Direct Cost estimates significantly to the total Project Cost estimate.

Whether items are bid to a GC or to a sub-contractor, whether an architectural team is involved, whether wage rates are applicable are examples of how these estimates may vary. It is very important to understand that the procurement method and contract packaging do have a considerable impact on budgeting for the construction, and that the soft cost portion of the estimates should not be allocated to the hard construction budget. Also that the construction bid price is not normally the final construction cost or the total cost of the project when all expenditures are tallied.

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