



## **ILLINOIS HOUSING DEVELOPMENT AUTHORITY STANDARDS FOR CONSTRUCTION COST ESTIMATING**

**December 18, 2017**

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As part of the Application for Multifamily Financing, the Illinois Housing Development Authority (IHDA) requires applicants to secure Construction Cost Estimates from professional services firms experienced in providing cost estimating services and capable of producing the desired services in a professional, timely and cost-conscious manner. All applicants must submit a "Construction Cost Certification" form, as found on the Authority's website. In cases where there is an Identity of Interest between a Sponsor and Project general contractor, between a Sponsor and the Project architect or between the Project architect and Project general contractor, IHDA requires the Construction Cost Certification form must be completed by an independent third-party construction cost estimation firm. The independent third-party construction cost estimation firm verifies that the project's scope and costs are within appropriate budget.

The preparer of the report, when required as a result of an identity of interest defined above, shall at all times be an independent observer and cannot be connected in any other fashion to the project such as the design architect, project architect of record, general contractor, property manager or sponsor.

The cost estimating firm selected by the applicant must meet the Standards for Construction Cost Estimating listed below as well as the Supplemental Consultant standards (attached).

The information below is intended as a guide to applicants in the selection of construction cost estimating consultants to be used on IHDA-funded projects. It is the responsibility of the applicant to make his/her own determination regarding the capability, competence and/or limitations of a consultant. IHDA reserves the right to change or waive any of the requirements below and reject any submitted cost estimates not complying with these standards.

### **I. Scope of Services**

Cost estimating firms shall assist applicants with estimating costs for all aspects of demolition, remodeling and new construction including associated site work. Estimates shall include itemized direct costs, general conditions, contractor overhead and profit, federal and state prevailing wages. If paid for by the Project general contractor and dependent upon the financing provided, the cost estimate should also consider any environmental related costs such as lead-based paint, asbestos-containing materials removal, radon mitigation, etc., if apparent.

The applicant must supply the selected cost estimating firm with the necessary documents to perform the tasks, such as a full set of plans and specifications. The applicant is also required to supply all documents (aerial photos, surveys, soils reports etc.) to the cost estimation firm to assist in identifying existing conditions, the project nature, associated accessibility and other site building restraints which would have cost impacts.

## II. Format

Professional cost estimators are required to quantify the needed materials, labor, and equipment required by the scope of a project, and then price these items. This is a two-phase process that includes quantity takeoff and cost estimating. To complete the quantity takeoff, the plans and specifications are examined to determine total quantities of materials required, as well as labor and equipment.

During the cost estimating phase, the estimator examines the direct costs of proposed materials and equipment, federal and state labor rates, construction equipment and tools, and indirect expenses, such as general conditions, overhead, profit, inflation and market conditions.

Cost estimates shall be prepared using a recognized construction cost source such as *RS Means Building Construction Cost Data (BCCD)*, most recent edition. Cost data shall be organized according to the *Construction Specifications Institute's 16-division Master Format or the 44-division 2004 CSI Master Format* numbering system.

The IHDA Standards for Architecture and Construction state:

- 1.07** The general contractor (GC) is allowed "Profit" in the amount of 6%, "Overhead" in the amount of 2% and "General Conditions" (a.k.a. general requirements) in the amount of 6%, all of which are maximum amounts calculated from the hard construction costs.

**Profit** is defined as the proceeds of transaction minus the cost, including intangibles such as contract incentives. Individual mark-up is not allowed on GC supplied materials or the total "Profit" line item on the Contractors Sworn Statement will be reduced accordingly. If this is insufficient, then deductions will be made to the General Conditions and/or Overhead lines.

**Overhead** being the expenses necessary to conduct a business. Cost shall also include those specific to the project and include transportation, travel expenses, temporary housing etc.

In the event there is an identity of interest between the owner/developer and general contractor, the following will apply: (a) the developer fee will be reduced 2% through the Authority's underwriting process (via the Authority's Multifamily Application), or (b) the general contractor's 2% overhead shall be eliminated. Limited partnerships, joint ventures and other types of associations between the owners and the general contractor shall be subject to the Authority's limitations on Overhead.

**General conditions** are the functions needed to complete the construction phase and shall include the following costs: project manager and superintendent, draw related paperwork, layout, surveys, plans/printing, material testing, communications, mobilization, temporary heat and utilities, portable toilets, temporary fencing, OSHA protection, field office, hoisting equipment, security, small tools, disposal, construction photography, cost certifications, audits, mock-ups, daily construction site cleaning, final clean, general labor, etc., essentially including, but not limited to, items identified within Construction Specifications Institute (CSI) Master Format Divisions 0 and 1 within the project manual (when provided). As the GC is responsible for these functions any subcontracting of these out to lower tier subcontractors will be evaluated against the stated limit, and may reduce the amount of the GC's General Conditions percentage a GC can collect accordingly.

Finance, holding charges or other types of interest shall be included in the Overhead or General Conditions calculation.

Payment for any shop drawings will be limited to 5% of the total cost for that line item.

The construction budget shall include any costs resulting from scheduling delays or seasonal constraints such as winter conditions, water extraction from recent rains, etc. These items are not considered contingency eligible on change order requests..

When a contractor is acting in the capacity of a "GC" they shall provide all the functions typically associated with the position. The GC is responsible for the overall construction management aspects and tasks involved from the Project's start-up through final completion. Functions include (but are not limited to): scheduling, coordination of the trades, supervision, safety, program compliance, monitoring, and all other means and methods required to complete the construction of the project. As such the Authority will not allow for a "Straw" GC or a firm which reaps the benefits and fees associated with the GC title but in reality subcontracts these functions to another GC or separately contracted individual to perform these duties in place of a primary employee of the GC. Subsequently the GC is expected to be on the site during construction and at least daily, and maintain a daily log documenting the progress of the work to be available for review upon Authority request. Similarly any side agreements to the contrary or kickbacks will result in forfeiture of any future work with the Authority.

Dependent upon the finance structure of the project, the cost estimating firm shall provide separate cost estimates for each use in a mixed-use building (residential, commercial, recreational etc.). The cost estimating firm shall verify with the owner the financing structure of the project.

Multi-structure projects require separate estimates for each structure type, townhome buildings, community center etc. Separate site construction-cost estimates must be associated with the estimates for each structure type.

If indicated on the plans, alternates shall be identified in separate line items.

The estimates must be submitted on letterhead and must be signed by the professional services firm providing the construction cost estimate. Estimates must also indicate the status of the design process (i.e. preliminary drawings, working drawings with outline specifications, full-scale drawings and specifications, etc.).

IHDA must be explicitly addressed as being able to rely on the cost estimate.

The cost estimating firm shall furnish to the applicant a minimum of two (2) hard copies of the final cost estimates and an electronic copy saved on a CD, DVD or flash drive. The applicant shall upload the cost estimate to the IHDA portal along with the project application, and the estimate must be dated within 3 months of the date of the application.

### **III. Certification**

Third-party construction cost estimates must be prepared by professional cost estimators. The American Society of Professional Estimators (ASPE) recognizes the estimating proficiency and ethical awareness of the Certified Professional Estimator (CPE). Certification as a cost engineer by the Association for the Advancement of Cost Engineering (AACE), as a certified professional estimator by the American Society of Professional Estimators (ASPE), or a State of Illinois Licensed Architect or Engineer, is required.

### **IV. Ethics**

The standards of practice in the Canons of Ethics published by the AACE and the ASPE apply to all estimating services. The Canons of Ethics are available on both their Web sites.

### **V. Fee Basis**

Fees for all cost and expenses related to the performance of the scope of services shall be determined between the professional services firm and the applicant. The applicant is responsible for payment of fees

and entering into a written agreement with the selected professional services firm. Kickbacks or incentives for procuring inflated values will not be permitted.

IHDA shall review the construction cost estimation fees associated with the development to insure they are proper, fair and reasonable. IHDA has evaluated the fees from past IHDA financed projects. These fees were based on the construction type, number of unit configurations and design phase. As such, the construction cost estimation fees listed below reflect the maximum percentage IHDA will accept as a reasonable fee for services. Higher percentages for the construction cost estimation fees are acceptable but the owner/developer will be responsible to pay the difference between the higher percentage and the percentage in the table below. The fees shall include the following:

# of Unit Configurations	New Construction		Rehab	
	Schematic Design Phase	90% Construction Document Phase	Schematic Design Phase	90% Construction Document Phase
<b>1-3 Unit Configurations</b>	\$5000	\$8000	\$3000	\$6000
<b>4 + Unit Configurations</b>	\$7000	\$10,000	\$5000	\$8000

#### VI. Questions

Any questions or request for clarification regarding this service must be submitted to Spencer Skinner, Assistant Director of Closing and Construction Services at (312) 836-5318 or [sskinner@ihda.org](mailto:sskinner@ihda.org), or [Tak Louie](#) the Manager of Architecture and Construction Services, Multifamily Financing Department at (312) 836-5369 or [tlouie@ihda.org](mailto:tlouie@ihda.org).



## **ILLINOIS HOUSING DEVELOPMENT AUTHORITY SUPPLEMENTAL PROFESSIONAL SERVICES FIRM REQUIREMENTS**

**December 2014**

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As part of the Application for Multifamily Financing, the Illinois Housing Development Authority (IHDA) requires applicants to secure studies from professional services firms experienced in providing cost estimating services, market studies, Phase I Environmental studies, Rent Comparability Studies, and Property Needs Assessments.

The professional services firms selected by the applicant must meet the Supplemental Consultant standards listed below along with the standards for each discipline as found on the IHDA website.

The information below is intended as a guide to applicants in the selection of consultants to be used on IHDA funded projects. It is the responsibility of the applicant to make his/her own determination regarding the capability, competence and/or limitations of a consultant. IHDA reserves the right to change or waive any of the requirements below and reject any studies.

### **I. Minimum Qualifications**

Professional services firms selected and retained by applicants must be registered with the Illinois Department of Revenue to conduct business in Illinois and not be debarred, suspended or otherwise prohibited from professional practice by any Federal, State or Local Agency.

The selected firm is required to have been in business for a minimum of five (5) years and must demonstrate knowledge and related experiences with regard to preparation of studies for affordable housing projects using federal, state and city funds.

The professional services firm must supply the applicant with documentation of the firm's professional qualifications, including: Illinois Department of Revenue registration, resumes of key members assigned to the project demonstrating a minimum of ten (10) years' experience in the design, development and/or construction of affordable housing.

### **II. Minority Procurement Efforts**

The applicant is required to make a proactive effort in selecting and retaining qualified firms certified as Minority Business Enterprise (MBE), Disadvantaged Business Enterprise (DBEs) and Women Business Enterprise (WBEs) whenever possible. The applicant is required to verify any selected MBEs, DBEs and WBEs are registered and have a valid certification number.

### **III. References**

The selected firm must supply the applicant at least three (3) professional references pertaining to the firm's experience in performing consultant services for projects of a similar type, scale, and complexity.

### **IV. Fee Basis**

Fees for all cost and expenses related to the performance of the scope of services shall be determined between the professional services firm and the applicant. The applicant is responsible for payment of fees and entering into a written agreement with the selected professional services firm. Kickbacks or incentives for procuring inflated values will not be permitted.

IHDA shall review the fees associated with the development to insure they are proper, fair and reasonable. IHDA has evaluated the fees from past IHDA financed projects. As such, the fees listed in each specific consultant standard reflect the maximum percentage IHDA will accept as a reasonable fee for services. Higher fees are acceptable but the owner/developer will be responsible to pay the difference between the higher fees and the fees indicated in the individual consultant standards.

### **V. Insurance**

The selected firm must supply the applicant with proof of Professional Liability insurance with a policy limit of \$1,000,000 per occurrence and \$2,000,000 excess umbrella and must submit a copy of the certificate to IHDA. The applicant will determine and notify the applicant of any additional parties, if required prior to contract issuance. Selected firms must not allow their liability insurance to expire or cancel for any reason during the contract period.

### **VI. Conflict of Interests**

Professional firms selected to perform services shall not have any direct or indirect interest in any property to be evaluated. IHDA reserves the right to determine necessary actions to eliminate or neutralize any conflict discovered after an applicant secured a professional firm to provide this service.

The professional services firm shall certify that no undue pressure or collusion with the client or their representatives exists in the determination of the study. The study certification shall also state that all information and procedures used to establish the study were from factual data and prepared in a professional manner.

The study must include a statement from the individual signing the study that there is no identity of interest between the signatory and any member of the development team. If any member of the development team or ownership has an identity of interest with the entity providing the study, the identity of interest relationship must be disclosed.

Failure to disclose any organizational conflict of interest may result in rejection of the application and/or the study by the professional firm with the conflict and request of a study from a different firm at applicant's expense.

