

# INTRODUCTION

## WHAT THE COSTS CONTAIN

An estimated replacement cost from Section A or B will reflect those costs that the contractor incurs during the period of construction of the residence. Land and the cost of development are not included in any residence cost. Subdivision and Yard Improvement costs are in Section C. The following is a more specific listing of what the residence costs do, and do not include:

### INCLUDED IN THE COSTS:

1. Plans, specifications, surveys and nominal building permits. (These are not included in Section C, Unit-in-Place costs.)
2. Normal interest on only the actual building funds during the period of construction, and processing fee or service charge. Typically, this will average half of the going rate over the time period plus the service fee. For average construction times, see Page D-13.
3. All material and labor costs including all appropriate local, state/provincial and federal sales taxes or GST, etc.
4. Normal site preparation including finish, grading and excavation for foundation and backfill for the structures only.
5. Utilities from structure to lot line figured for typical setback (not included with mobile/manufactured homes).
6. Contractors' overhead and profit, including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance, equipment, temporary facilities, security, etc.

### NOT INCLUDED IN COSTS:

1. Costs of buying or assembling land, such as escrow fees, legal fees, property taxes, right of way, demolition, storm drains or rough grading, are considered costs of doing business or land improvement costs.
2. Pilings or hillside foundations are priced separately in the *Handbook* and are considered improvements to the land. This also refers to soil compaction and vibration, terracing, etc.
3. Costs of land planning or preliminary concept and layout for large developments inclusive of *entrepreneurial incentives or developers' overhead and profit are not included*, nor are interest or taxes on the land, feasibility studies, environmental impact reports, hazardous material testing, appraisal or consulting fees, etc.
4. Discounts or bonuses paid for financing are considered a cost of doing business, as are funds for operating start up, project bond issues, permanent financing, developmental overhead, or fixture and equipment purchases, etc.
5. Yard improvements including septic systems, walls and fencing, landscaping and yard lighting, pools or other recreational facilities, etc., which can be priced separately from Section C.
6. Off-site costs including sidewalks, curbs and gutters, utilities, park fees, jurisdictional hookup, tap-in, impact or entitlement fees or assessments, etc.
7. Marketing costs to create the first occupancy including model or advertising expenses, leasing or brokers' commissions, temporary operation of property owners' associations, fill-up or membership sales costs and fees.
8. General contingency reserve where a percentage of the total cost is set aside for some unknown future event, such as labor strikes, anticipated labor and material increases, etc.

## INFLUENCE OF LOCAL CONSTRUCTION PRACTICES

Costs contained within the *Handbook* are based on a sampling of final building costs of residences actually built. The published costs represent points on a curve and are averages of many building costs. Since construction practices vary from one location to another, some of the specific component costs may differ from those published.

These differences generally stem from one or more of the following:

1. Local building code regulations.
2. Climatic conditions.
3. Availability of specific materials.
4. Local buyer resistance to some specific designs and materials.
5. Available public utilities.

Component items that are directly affected by these differences include: foundations, electric wiring, rough plumbing, exterior wall sheathing, interior wall and ceiling cover, heating and insulation.

Because variations occur quite frequently, often from one city to the next, it is not within the practical size limitations of any cost source of this kind to attempt to provide variations in building components for every geographical location. The *Handbook* does provide adjustments for many of the more common variations, such as roofing, flooring, heating, insulation, etc. Local Multipliers, when applied to the total replacement cost, may also adjust for variations in component costs as a whole. However, Local Multipliers, when applied to specific component costs or to Unit-in-Place costs, may not adequately adjust for a particular geographical area.