

## **Cost Categories**

An organized estimate should be arranged into categories to further facilitate comparisons and understanding. While some costs can vary widely between projects, the scope of included costs is perhaps of most concern. The most common error is omission of certain required expenses. Careful review of a construction proposal is necessary to verify exactly what is included. Many costs associated with a project will have to be paid by the owner if they are not included by the builder.

Our coding system integrates estimating and budgeting functions with the construction specifications, trade scopes of work and the construction schedule. Upper level categories break down into subgroups and further down into individual tasks. The upper level categories combine logical task groups that facilitate conceptual estimate comparisons with other projects. The codes support clear understanding of scope responsibilities and even follow the chronological order used in the construction schedule. We'll even provide you with a virtual 3-ring binder, that follows the same format, to organize all the project documentation.

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Following is additional information about the cost categories. Brief descriptions are provided to facilitate an understanding of the products, systems and services that may be required for your home.

Depending on the agreement with your builder, costs that are not included in the estimate may need to be paid by the owner. There are cost categories that may be required that might be overlooked, and cost categories that were not included that may be worth considering.

Additionally, the builder's fee is added to the construction costs to establish a total price for your new home. Many builders will not share the actual amount of their fee with you and it will be buried in the costs. At Groninger Homes we share everything, including our fee. We feel our approach helps to establish trust and open lines of communication that will enable you to achieve the best pricing for your new home.

## 00 Preliminary & Planning

- Sales Commission paid to a Realtor is common in many communities. There may be commission associated with the building lot and the construction cost of the home. If commission is due, is it paid out of the builder's fee or associated with the cost of the home and paid by the owner?
- Design Fees may include architectural design, engineering, interior design and landscaping design. Never underestimate the value of good design. The use of talented designers can enhance the value of a property beyond the tangible costs. Additionally, even if the owner has paid the home designer direct, sometimes there are additional engineering fees required. Will interior design or landscape design fees be required?
- Green Certification is a relatively new cost category. In addition to construction costs associated with green products or processes, certifying fees and the services of a green certifying agent may be necessary. There may also be energy analysis and testing required.
- Financing may include closing costs and interest paid during construction. When a home is built on the owner's property, these expenses are typically paid by the owner. When a home is being built on property owned by the builder, you will need to verify how title to the property transfers to you, and who pays the financing expenses.

## 01 General Conditions

- Insurance called builder's risk is usually considered a construction cost. Additional insurance for general liability and workers compensation may be associated with the construction cost or included in the builder's fee. As owner of the property, you will need to carry at least a liability insurance policy to protect your interests.
- Supervision is a large expense that may be considered a construction cost. Most builders include supervision within their fee, although some see it as a cost that should be paid by the owner.
- Temporary Services typically include electricity, water and toilet facilities used during construction. There may be additional costs associated with running the AC system prior to finishing wood floors. The owner may need to set up billing accounts prior to completion of the home. Electric power is needed to start up and test mechanical systems. Water is needed for landscaping irrigation and filling of a swimming pool.
- Site Cleanup includes dumpster fees and miscellaneous cleaning during construction. Another new potential expense is recycling although costs for these services are declining as they become more popular.

## 02 Permits Prep & Earthwork

- Permits and Fees should be included in the construction costs. The builder should be authorized to pull permits in the jurisdiction. The permit fees are usually based on construction costs and other fees mandated by the city or county. When an old home is torn down and a new one built in its place, some of the fees may not be required.
- Utility Fees include city sewer and water or septic system and a well. New homes will likely require connection fees plus a water meter. If city sewer and water are not available, a septic system, well and water system should be included in this category.
- Protection and Removal are generally associated with an existing structure that may be exposed to inclement weather or damage from new construction. The removal of lead-based paints or asbestos may also be associated with a old structure. Most new equipment and finishes should be protected until construction is complete.
- Surveying expenses include locating the home on the property plus other surveys required by the building department and the owner's lender. Typical building lots will have typical surveying costs, but large or unusual lots could require substantially more surveying expenses. A recent boundary survey will be needed by the home designer and permit authority. There may be additional expenses associated with locating trees and calculating drainage retention areas.
- Site Prep refers to costs associated with preparing the property for construction to start. These expenses are unique to every different property and include clearing, grubbing, demolition and erosion control.
- Testing includes sub-surface investigation, soils analysis and compaction, and concrete testing. In all cases the need for testing is considered as a precautionary effort against a structural failure. Not too long ago, much of the testing wasn't done, but as society becomes more litigious, testing is a way to protect the parties from liability. If you are familiar with the property sub-surface testing may not be necessary, but compaction tests are almost always a good idea. Concrete testing isn't very common in residential construction but might be suggested if there are unusual loads associated with structural design.
- Tree Work includes protection, removal, mitigation and trimming. Existing specimen trees need to be protected during construction. When trees are to be removed, special permits are required and mitigation fees may be assessed. Existing trees that remain on the property may need professional trimming and maintenance.
- Earthwork may be needed if soil testing reports indicate unsuitable soils or conditions. Imported fill dirt is usually necessary to fill the foundation wall and may be needed elsewhere on the property. Rough grading may be necessary during construction to maintain erosion control and prep for site improvements. Final grading will be necessary to establish proper drainage and prep for landscaping.

## 03 Foundation & Structural

- Foundation and Slab costs are mostly determined by the structural design. Simplicity or complexity of the home design varies, but the material and labor costs are predominantly market-driven. Property characteristics and accessibility may impact structural design and costs.
- Concrete Block Walls (CMU) are also market-driven costs. Unusual structural demands or tall walls will increase the cost. Most homes are concrete block on the first floor and wood-frame construction on the second level.
- Cast-in-Place-Concrete
- Structural Steel
- Pre-Fabricated Systems
- Framing and Lumber are market costs that will vary based on the design. Cost variance associated with the framers may result from complex designs. This is an area where investing in good quality may be a good idea but difficult understand.
- Roof and Floor Trusses are uniquely designed for every home. Completed engineering is required before firm pricing can be established. Roof trusses must be designed to carry the roof load but shouldn't vary much in pricing. Complex designs may require special engineered beams. Floor systems can vary depending on the type selected. Open-web floor trusses are preferred over plywood I-beams.

## 04 Mechanical & Equipment

- HVAC pricing can vary widely depending on the systems selected. The heating, ventilation and air-conditioning (HVAC) systems can be the most complex component of a home and make major contributions to its health, comfort and energy efficiency. Professional design including energy analysis is recommended. Research and open sharing of information is important for evaluation and informed decisions.
- Plumbing costs are generally a function of the number fixtures a home contains. Water heating should be discussed independently because there are numerous options to consider. There may be additional expenses associated with the length of sewer and water piping outside the house. Insulated hot water piping, hot water recirculation and cast iron waste risers are some common options. Plumbing fixtures are usually included as an allowance. As with all allowances, make sure you understand how much you can purchase. The builder should be able to provide a detailed fixture list within the allowance amount.
- Gas Piping is not considered a standard feature but is often included when natural gas is available. Natural gas is an efficient source of energy and commonly used for cooking, water heating, clothes dryer and fireplaces. Gas piping may also be desired for indoor heating, pool heating and a BBQ.
- Electrical Systems may be the most changed category on some projects. A builder's standard electrical package may need several upgrades to meet the owner's requirements. Recessed can lights are typically included in the standard electric package and also subject to additions and upgrades. A thorough review of the electrical plan is necessary as early as possible in the design process to ensure accurate bidding and prevent additional costs.
- Lighting and Fans are generally included as allowances. There are many sources for purchasing fixtures and a broad range of pricing available. LED light bulbs and task lighting over counter areas are common upgrades.
- Equipment and Specialties includes an allowance for appliances as the main component. In addition to an adequate allowance to cover your appliance preferences, don't overlook additional items like kitchen venting, under-cabinet appliances, BBQ and outdoor appliances. Additional equipment in this category might include: alternate energy (solar panels), elevator, generator, home automation, lighting control, lightning protection and vacuum systems.
- Low Voltage systems are typically packaged by a specialty contractor and include: security system; audio speakers and music systems; intercom and communicating devices; telephone, TV cable and computer networking and; video surveillance. Additionally, the services of a home theater designer or CEDIA designer might be needed for substantial systems.

## 05 Doors & Windows

- Entry Doors are usually included by allowance as a system that includes doors, frame, sidelight and transom windows. This is another emotional selection that can range widely depending on the owner's desires.
- Exterior Doors usually includes French doors and side entry doors. Exterior door options cover a broad range depending on the type of system and manufacturer of choice. Standard builder packages usually include individual components that are purchased and assembled locally. Upgraded systems from nationally recognized manufacturers typically come as a system that offers superior performance and durability.
- Specialty Doors may include folding "Nana" doors, sliding glass doors, and hidden pocket glass walls. Frequently these types of door systems are feature elements that the home may be designed around. These elements need to be discussed during the preliminary design phase.
- Garage Doors are a personal preference. Standard utility doors may be fine when they are out of sight, but many owners consider substantial cosmetic upgrades when their garage doors face the front of the property.
- Interior Doors are available in different heights and several styles. Heavier solid-core doors are preferred in quality homes. There are a few options within a builder's standard offerings and a smorgasbord of special order and custom interior door options.
- Door Hardware is typically included as an allowance but some builders may include a standard package from a popular manufacturer. Quality affects the price but it's not necessary to spend a fortune on door knobs. Most owners won't be happy with the least expensive products but won't be willing to spend for the real fancy stuff.
- Windows are one of the most important decisions to make when building a home. Good quality windows can cost more but cheap windows may not save you any money. Aluminum, vinyl and wood-clad windows are the main choices and there are several manufacturers to choose from. Bidding should start as soon as preliminary plans are available and all information should be shared with the owner.

## o6 Shell Enclosure

- Insulation is another category that requires some research. Materials and methods that were popular as recently as five years ago, may now be considered ineffective and even incorrect. An integrative plan that addresses insulation, moisture protection, air-conditioning and ventilation needs to be established before decisions can be made.
- Drywall pricing is typically a market-driven cost. Standard finishes and levels of quality are available from most contractors, however upgraded finishes and features may not be able to be achieved with the same sources.
- Porch Ceilings are frequently upgraded in a custom home. Drywall is likely the standard finish if nothing else is mentioned. Upgraded ceiling finishes include stucco, beaded-wood panels and wood tongue & groove, respectively in order of increased cost.
- Exterior Wall Finish includes stucco, brick, stone and siding. Most homes in Florida have stucco exteriors, which is the least expensive. When exterior wall upgrades are included, they are usually added as a feature to a few walls or locations. All exterior wall finishes require a good understanding of waterproofing. Problems may not reveal themselves for several years.
- Exterior Details that add decorative features might include: foam or precast concrete trim; columns and pilasters; porch railings and balustrades; fireplace chimney details and features, and; flower boxes, shutters and wrought iron. Exterior details may be included as an allowance in a conceptual or preliminary estimate, but should be priced out completely once sufficient detail is available.
- Soffit and Frieze complete the details on the underside of a roof overhang. Aluminum is the most-common and least expensive soffit material, and the frieze may be as simple as a stucco band if it's included. Upgraded soffits include Hardiboard, stucco, wood and tongue & groove, respectively in order of increased cost. Additional upgrades in this category might include: decorative frieze board or crown molding; brackets or corbels, and; exposed rafter tails with tongue & groove decking.
- Roofing choices are a function of cost and the style of the home. Shingles are the least expensive choice although some shingle upgrades can cost almost as much as concrete tile. Concrete tile is popular and there are a broad range of standard colors. Metal roofs typically cost a little more than concrete tile, then real clay tile and slate round out the choices and price levels.
- Waterproofing as a separate budget may need to be incorporated into the project estimate. In all but the most-simple designs, additional flashing, membranes and wraps may be needed to prevent long-term problems. These details typically need the watchful eye of a professional or well-educated builder to ensure their proper application. Historically, trade contractors can not be relied on to install their own products in an integrated fashion with other corresponding trades.

## 07 Finishes & Features

- Bath Accessories that include mirrors, shower glass and bath hardware, are usually included as installed allowance items. Custom mirrors and frameless glass enclosures can quickly exhaust the available funds. Additionally, custom finishes can escalate the cost of towel bars and toilet paper holders.
- Cabinets and Countertops are very important aspects of a home and generous allowances should be considered. This personal choice often involves strong feelings and the decisions have a big impact on the design and function of a home. In addition to the kitchen, laundry and baths, cabinets may be needed for an entertainment center, study area and summer kitchen.
- Painting is a category where investing in better quality will be appreciated over time. There are many new paint and finishing products available today. Also, this budget needs to include for all of the extra features that the painters will need to finish: custom doors; exterior details; built-in cabinets; porch ceilings and soffits; stairs and railings; trim upgrades, and; wood windows.
- Trim and Millwork is popular in many traditionally-styled homes. The typical standard builder package includes baseboard, door casing and window sills, although marble sills have been increasing in popularity. Crown molding is the most common upgrade but options are nearly unlimited. Beams & columns; built-in cabinets & cubby centers; bead-board, paneling & wainscoting, and; window trim, are all popular upgrades.
- Stairs and Railings can present a broad range in a cost estimate. In some homes, the staircase is a featured design element, while in others it's moved to an obscure location. This budget is a function of requirements of the homes design and personal preference.
- Shelving and Storage includes closet shelving, the kitchen pantry and possible some shelving or storage systems in the garage. Likewise, this budget is mostly a function of personal preference but there are minimum needs required based on the size of the closets. Note that standard closet shelving is not a good choice for a kitchen pantry.
- Tile in this category refers to bathroom walls, shower floors and tub areas, plus the associated prep and accessories. Decorative tile patterns and custom installations will increase costs in this category. Stone tile, even if purchased economically, usually has increased installation costs associated with it. Once preliminary plans are available, a quantity takeoff can be performed to tighten this budget.
- Flooring includes carpet, wood flooring, tile and stone flooring, and porch deck surfaces. An entire discussion could be dedicated to the pros and cons for flooring options. Keep in mind that many selections may require additional installation labor.
- Miscellaneous Options commonly includes fireplace finishes, wallpaper and wrought iron, but there are many additional options to consider: aquariums, fire features, golf simulators and wine cellars, are just a few.

## **o8 Outdoor Living & Property**

- Balconies and Decking may be included as allowances. A balcony will have a finished surface and railing, plus waterproofing membranes and flashing. Only the best waterproofing systems should be considered. Exterior patios or wood decks might also be included in this category.
- Drainage and Gutters may be necessary to control water around the house and on the property. Outdoor living spaces like courtyards and pool decks need to have water diverted away and managed upon the property without affecting adjacent sites. Some roof designs may cause overflowing water to erode the ground or cause a general nuisance.
- Exterior Options is a catch-all category that may include: boathouse & dock; fountain; mailbox; mist sprayers, and: outdoor entertainment and cooking areas.
- Fencing and Walls may be required by community standards or swimming pool codes. Fencing & gates; garden landscape walls; privacy walls & AC screen walls; retaining walls, and; trellises or arbors, may be included in this category.
- Screening may be included on a porch or at a swimming pool enclosure. This category also includes motorized roll-up screens and their associated accessories and requirements.
- Swimming Pool - A swimming pool may be included with the proposed construction of a home. Some builders may choose to exclude the pool from their portion of the agreement but will coordinate the installation during construction of the house - sometimes adding a fee. There are numerous options associated with a pool and some are required by code. Fencing or a screened enclosure will be required. Make sure you know whether or not the pool deck is included. Sometimes the pool contractor assumes that the builder has it.
- Driveway and Sidewalks come in many forms and the quantity of paved surfaces is unique to every project. Standard concrete is typically required for the driveway approach at the street along with the accompanying front sidewalk. Concrete pavers are a popular choice for driveways. Be wary of the preparations taken by the paver contractor before the pavers are installed. The quality of the prep will determine how long the pavers last before needing to be reset. Older properties may need repairs to curbs and street bricks may need to be replaced or reset. The city may actually require this work before authorizing inspections. It's also common for the entry walk and porch surface to have an upgraded finish.
- Landscaping and Irrigation designs may require the services of a landscape architect or designer depending on community requirements and demands of the property. Professional designs can reduce irrigation water demand and maintenance costs. Attractive landscaping has a major impact on the curb appeal of a property. Landscape lighting also has a dramatic impact and is included in this category if included.
- Property Maintenance may be necessary during construction on larger projects and is a necessity for all lakefront sites.

## 09 Completion & Closeout

- Punch and Cleaning costs are typically a function of how well a project is supervised. The project should be kept tidy and the trade contractors managed to minimize the needs for punch and excessive cleaning. Final cleaning costs may fluctuate depending on the level of finishes within the homes. A well-built home will not have a punch list. Every defect and blemish should be resolved before the completed home is presented to the owner.
- Homeowner's Manuals should be organized into categories and provided to the owner at the final walk-through. A home is likely the most-expensive purchase made by most owners. It's surprising, but most builders don't provide very adequate documentation upon completion of their homes. There should not be any costs to the owner associated with this category.
- Demonstration can be completed along with the final walk-through or at another time as convenient for the owner(s). Trade contractors, product representatives, service specialists and a qualified builders representative should attend the demonstration. All systems, equipment and operable functions of the home should be verified for proper function and their use demonstrated to the owner. Any programmable functions or maintenance requirements should be explained to the owner and acknowledged.
- Maintenance may be an additional service provided by the builder as an option. Routine service and preventative maintenance will extend the life of the products and systems within a home. This is an opportunity for the builder to check on the home, keep in touch with a customer, and provide some additional services.
- Warranty programs may be provided by a third-party underwriter as an option. Typically these provide an extended warranty and long-term structural protection that and local custom home builder would not be able to offer. A one-year limited warranty is typically provided by the builder through the support of the trade contractors. Therefore, it's likely that the builder's warranty will only be as good as the relationships that he has with the trades.