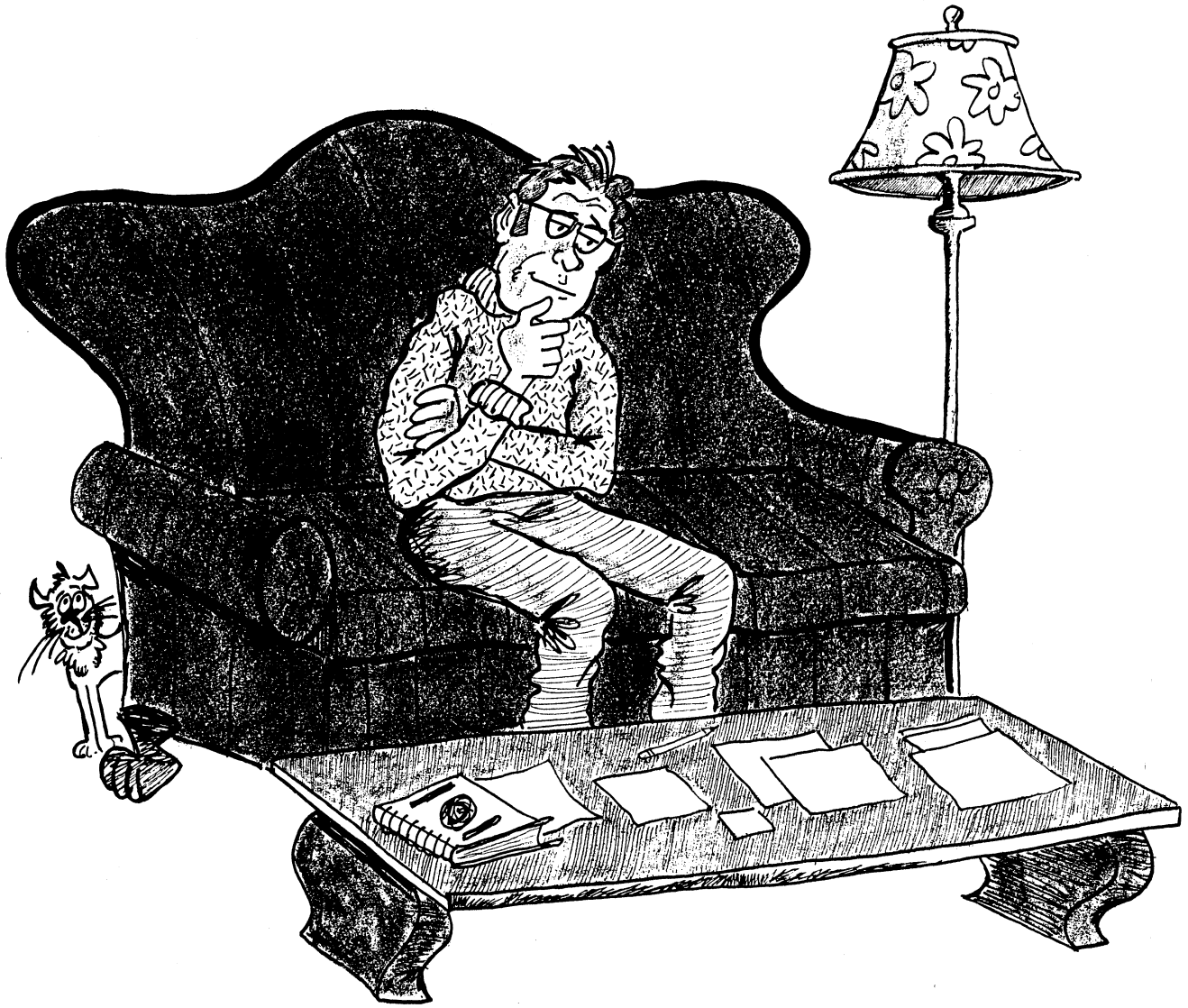


Budget Estimate

With a will to spend there is a way.

- A. Wildavsky



Budget Estimate

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Budget is a financial plan for your entire Design/Build process. It is the dollar equivalent for all the work it takes to design and build your new home. You are **NOT** expected to create this document accurately at the outset of your experience so it's best to ***begin with estimates*** and refine your financial plan ***as time goes by***.

The primary purpose of preparing a Budget is to understand and control costs. Beginning with estimates, one is able to ***guess*** the total dollar amount for the style and size of home on a particular lot. At the very least an Owner should be able to consider if the project is ***feasible*** once estimates are made. The total dollar amount can be broken into two categories: ***hard costs and soft costs***. Hard costs include labor and material to build the house. Soft costs include everything else. The Budget format provided here outlines products and services which one utilizes during the Design/Build process.

The Budget estimate for hard and soft costs is a departure point for considering the scope of Drawings and Specifications. These budgetary considerations ***BEGIN early in the schematic phase*** of the Design/Build process. Consider the initial study of costs as an exercise in ***project feasibility***. Based on your projection of costs, the Owner should be able to weigh and consider the Design/Build options. With estimates prepared, attention can be given to the Budget review process: 1-identify priorities, 2-recognize trade-offs, 3-do cost/benefit analysis, 4-revise cost estimate.

The following percentage estimate of hard costs is a ***ball park guess***. It simply is a beginning point for determining if the amount you have to spend ***is even close*** to the house you want to build. One should realize that this is a very ***VOLATILE*** estimate. For instance, if you choose the "Sub-Zero" brand refrigerator for your appliance package (and if comparable products are used), then you might as well accept that once you complete your estimate, you will hold the price tag on a very high-end, luxury house. If you purchase the "General Electric" brand refrigerator for your appliance package (and remain with comparable products), then your

estimate will result in a medium-priced, custom house. There is a cost range from **economy**, to **modest**, to **custom**, to **luxury** which **CORRELATES** with the products and materials you choose to install in your home. Match material/product choices with the price category in which you can afford to build.

**CONSTRUCTION BUDGET ESTIMATE
BY PERCENTAGE OF HARD COSTS**
(Includes Labor and Material)

PHASES		NOTES
1. Excavation.....	3 %	Full Basement
2. Structural Concrete.....	7 %	Footer, Walls, Flatwork
3. Framing.....	23 %	Floors, Walls, Sheath, Trusses
4. Roofing.....	3 %	3-tab asphalt shingles
5. Windows.....	4 %	Vinyl to energy code
6. Plumbing.....	5 %	Rough and Finish
7. Electrical.....	5 %	Rough and Finish
8. HVAC.....	5 %	Rough and Finish
9. Masonry.....	1 %	Decorative only
10. Siding.....	4 %	Walls and Exterior Trim
11. Insulation.....	2 %	Floors, Walls, Ceiling
12. Drywall.....	5 %	Hang, Tape, Finish, Texture
13. Sewer Hook-up.....	1 %	Ditch and Connectors
14. Water Hook-up.....	1 %	Ditch and Connectors
15. Paint/Stain.....	2 %	Interior and Exterior
16. Trim Package.....	12 %	Cabs, Counter, Doors, Millwork
17. Garage Doors.....	1 %	2 Doors with Openers
18. Floor Coverings.....	7 %	Vinyl and Carpet
19. Appliances.....	4 %	Standard Brand in White
20. Deck.....	1 %	Structural and Finish
21. Stormwater.....	1 %	Gutters, Downspouts, Drains
22. Exterior Concrete.....	2 %	Garage Apron and Sidewalk
23. Final Grade.....	1 %	Machine and Hand Work
	<hr/>	
	100 %	

Budget Estimate

The soft costs are even more difficult to estimate because they are in proportion to the hard costs. In other words, the higher cost of building creates higher costs ***in order to build***. A review of the following items will provide a general guide of what one must take into consideration for soft costs. Assign a cost to these items ***based on their percentage of total hard cost estimate***.

With a projected hard cost estimate of \$150,000.00, your soft costs would increase the project budget by an additional 50% (or \$75,000.00). The total cost of your construction project including hard costs and soft costs would be \$225,000.00

CONSTRUCTION BUDGET ESTIMATE BY PERCENTAGE OF SOFT COSTS

1. All Permits (may differ).....	8 %
2. Builder's Overhead and Profit.....	10 %
3. Site Survey.....	1 %
4. Utilities.....	10 %
5. Clean-up and Recycle/Refuse.....	1 %
6. State Sales Tax (may differ).....	8 %
7. Landscaping.....	2 %
8. Architect/Designer's Fee.....	10 %
	<u>50 %</u>

Remain aware of the volatility of soft costs as well as hard costs. Take for instance the 10% allotment (or \$15,000.00) for Utility costs which would go toward Stormwater Management, Septic or Sewer Systems, and Potable Water. A system to handle stormwater can be more expensive than a septic system and in some cases may be cost prohibitive to build for conformance to your local ordinance. Whether you rely on a public sewer or a septic system, you will want to investigate costs and buildable size restrictions on site ***before you purchase a lot or begin with construction plans***. Issuance of a Building Permit will also require proof of water availability. There may be a municipal water system to your site, but if not you must consider the cost of a well and pump system to service your home. These factors must be taken into consideration to determine if the

10% budget allotment for utilities is sufficient to cover costs.

The following list is a further breakdown of Builder's Overhead and Profit. The breakdown assumes **a 10% fee of total hard cost estimate**. For example, let's again assume your estimate of total hard costs will be \$150,000.00. With Builder's Overhead and Profit at 10% the amount would be \$15,000.00.

BUILDER'S OVERHEAD AND PROFIT BREAKDOWN

1. Phone, Fax, Mail.....	5%
2. Outdoor Toilet.....	5%
3. Office Equipment, Supplies.....	5%
4. Rental Equipment, Tools.....	5%
5. Automobile Gas, Maintenance.....	5%
6. Temporary Heat, Power.....	5%
7. Builder's Bond/Liability Insurance.....	5%
8. Miscellaneous Hardware.....	5%
9. Job Shack.....	5%
10. Overhead Labor.....	10%
11. Bid/Negotiations.....	5%
12. Superintendent.....	20%
13. Profit.....	20%
	<u>100%</u>

The following list is a further breakdown of the Designer's Fee. The breakdown assumes **a 10% fee of total hard cost estimate**. For example, let's again assume your estimate of total hard costs will be \$150,000.00. With Designer's Fee at 10% the total amount would be \$15,000.00.

ARCHITECT/DESIGNER'S FEE BREAKDOWN

1. Schematic Design.....	15%
2. Design Development.....	20%
3. Contract Documents.....	40%
4. Bid/Negotiations.....	5%
5. Construction Observation.....	20%
	<u>100%</u>

Budget Estimate

Budgetary activity can be accomplished at a very rudimentary level literally months before construction begins. Your project may not be feasible **now** but that doesn't mean one shouldn't prepare for the **future**. It's never too early to look at three key ideas: objective, strategy, and plan. An **OBJECTIVE** is a defined target or position that can be quantified; it is developed from an analysis of the situation at **present** and projected **future** development. A **STRATEGY** is one of the several ways possible to reach an objective. A **PLAN** is the detailed outline of activities which will be undertaken to satisfy the strategy selected to reach the agreed objective.

An example: You enjoy the home in which you currently live but realize there will come a time when you build a similar residence in a different architectural style. That's the situation: you understand your lifestyle but want to alter your homestyle. More objectives than one are possible, but you decide on one **OBJECTIVE**: to stick with a similar floor plan but change the motif and decor. But how? Several strategies come to mind. You can let the situation continue and wait until you find a house for sale which meets your expectations. You can remodel your existing home. You can create a ball park estimate for the new house and do a feasibility study of Design/Build costs. There are a number of strategies possible but you select one **STRATEGY** as being most practical for your wants and needs: to do a feasibility study. Your **PLAN** is: 1-go to the public library and review plan books or trade magazines for helpful ideas, 2-find a similar house for sale through a local builder and get the "asking" price, 3-use the "Budget Estimate" format (Pages 65-66) for hard and soft costs to breakdown costs into discrete categories, 4-visit local Suppliers and choose products for your new house, 5-compare the quote from your local Suppliers with the percentage estimate, 6-complete the budget review process.

Remember: The primary purpose of preparing a Budget is to **understand and control costs**. Ideas must take shape and become quantifiable. Project familiarization requires one to move from **generalities to specifics**. What begins as a vague notion or a few sketches on the back of a napkin, evolves into an itemized list of services, products, and materials chosen specifically for your home design.

Getting started on a Budget can be very exasperating with no formal training in business. The example described in the previous paragraph suggests a "seat of your pants" approach but when you get serious, the Owner must take the time to produce a written **PLAN OF ACTION**.

As the pressures of starting a construction project increase, you'll begin to ask yourself, *"Why are we doing this? What do we want from our lifestyle? How should we create our homestyle?"* Begin with a written statement of your **OBJECTIVE**. This statement will describe the purpose of your endeavor by defining your values and concerns. Try to answer questions like *"What do we want this project to achieve?"* and *"What type of impact will we make on the community in which we live?"*

Don't expect to write your objective statement in a few minutes. Take your time. Savor the moment. Go to a favorite cafe or park bench making this a special occasion.

Once your Objective has been defined, you'll begin to ask yourself, *"When do we do this? How do we accomplish this? What are our financial goals for the next 24 months?"* Your next step is to prioritize your activities so alternative schemes can be considered and general ideas become more definitive. By developing a **STRATEGY**, the Owner accepts that there may be multiple ways to reach one's objective, and ample time should be given to considering the options.

As you consider options, be ready to attach costs to the various phases of construction. What you're considering is a list of services, products, and materials for your home. This is a financial projection of what will happen if you go *"this way"* or *"that way."* ***Enjoy the luxury of being able to change your mind.***

Now the options have been considered, the Owner is able to direct attention to a specific **PLAN**. This doesn't have to be fancy. Simply state how you expect to reach what it is you hope to accomplish. Establish hard and soft costs basing estimates on what you can afford and what you want, and compare them with the percentage guidelines. Go to the marketplace to check your estimates with actual costs. If the actual costs go beyond the percentage guidelines, consider a different strategy for reaching your objective.

Writing a plan of action will only be worthwhile if you review it regularly and revise it when necessary. Don't expect to get it completely right the first time. Your Budget Estimate is a **LIVING DOCUMENT** which is subject to change, and allowances should be made for flexibility.