

# Construction Cost Analysis Overview

## Rochester Housing Authority

This guide will assist in performing a cost analysis.

Definition: A cost analysis is a review and evaluation of the separate elements of cost which make up the contractor's proposal.

Step 1 Obtain a detailed cost breakdown of the contractor's proposal from the Construction Cost Analysis worksheets that show:

Direct Costs – A direct cost is any cost that can be identified specifically with an element of the contract.

Indirect Costs – An indirect cost (overhead) is any cost not identified with a single, final cost objective, but is identified with two or more final cost objectives.

Profit

Step 2 Determining Allowability – The factors to be considered in determining whether a cost is allowable include the following:

Reasonableness – A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business. What is reasonable depends upon a variety of considerations and circumstances, including:

- A. Whether it is the type of cost generally recognized as ordinary and necessary for the work to be performed.
- B. The contractor's responsibilities to RHA.

Allocability – A cost is allocable if it:

- A. Is incurred specifically for the contract.
- B. Benefits the contract.
- C. Is necessary for the overall performance of the contract.

Review all the direct costs, reimbursable costs and indirect costs (overhead) against the above standards. Reference 48 CFR Subpart 31.2 for additional information on allowable costs.

Step 3 Negotiate Profit – A cost analysis also requires profit negotiation as a separate element of the price. In negotiating profit the following should be considered:

The complexity of the work to be performed.

The risk borne by the contractor.

The contractor's investment.

The industry profit rates in the surrounding geographical areas for similar work.

Certification

I certify that a cost analysis has been performed as noted above for :

\_\_\_\_\_  
(construction contract or construction contract modification)

Signature: \_\_\_\_\_  
RHA Contracting Officer

Cost Summary - Form I  
Construction Cost Analysis  
Rochester Housing Authority

Contractor Name & Address:

- A. Total contractor labor from Form III(A) \_\_\_\_\_
- B. Total contractor materials Form III(B) \_\_\_\_\_
- C. Total contractor equipment Form IV(B) \_\_\_\_\_
- D. Subtotal contractor expenses (A+B+C) \_\_\_\_\_
- E. Bond \_\_\_\_\_  
5% of bid total of: \_\_\_\_\_  
**or**, fixed fee for P&P \_\_\_\_\_
- F. Public liability and fire insurance program \_\_\_\_\_
- G. Contractor costs (D +E+F) \_\_\_\_\_
- H. Contractor overhead \_\_\_\_\_ % \_\_\_\_\_
- I. Contractor subtotal (G+H) \_\_\_\_\_
- J. Contractor profit \_\_\_\_\_ % \_\_\_\_\_
- K. Total contractor costs \_\_\_\_\_
- L. Subcontractor total costs Form V(D) \_\_\_\_\_
  - \_\_\_\_\_ Subcontractor name \_\_\_\_\_
  - \_\_\_\_\_ Subcontractor name \_\_\_\_\_
  - \_\_\_\_\_ Subcontractor name \_\_\_\_\_
  - \_\_\_\_\_ Subcontractor name \_\_\_\_\_
  - \_\_\_\_\_ Subcontractor name \_\_\_\_\_
  - \_\_\_\_\_ Subcontractor name \_\_\_\_\_
  - \_\_\_\_\_ subcontractor name \_\_\_\_\_
- M. Total subcontractor costs \_\_\_\_\_
- N. Contractor's profit on subcontractor's proposal (10% of line M) \_\_\_\_\_
- O. Total Contractor's Request (K +M +N) \_\_\_\_\_

Contractor's Signature \_\_\_\_\_

Date \_\_\_\_\_