

## **Why are construction costs at UTSA higher than commercial or residential construction?**

Construction prices, in general, have risen dramatically since about 2002. Prices for institutional, commercial, and residential construction have doubled in some cases. This is primarily due to a massive construction program in China that is consuming large quantities of limited raw materials and building products. Natural disasters in the United States and various other construction industry dynamics have also contributed to higher costs.

Institutional construction has a number of additional costs that commercial and residential construction do not. For example:

- Institutions like UTSA have numerous systems that commercial and residential properties do not have, such as: (1) an integrated building control system that monitors and controls temperatures and equipment throughout the campus, (2) an integrated fire alarm system that monitors fire alarms and critical research freezers, (3) an integrated access control system including a proprietary keying system and electronic access, (4) an integrated camera and monitoring system, and (5) an integrated information technology system.
- A contractor's cost of doing business at UTSA is higher than at commercial and residential properties. Contractors are required to (1) maintain a certain level of bonding and insurance required by the UT System, (2) pay Prevailing Wages to their employees, (3) maintain a higher degree of safety and cleanliness at work sites, and (4) work around staff, faculty, and class schedules. In addition, contractors charge a premium for "site conditions" to compensate for the difficulty of accessing the work site, parking fees, etc.
- UTSA must follow not only the stringent requirements of the UT System, but also federal and local regulatory agency requirements, and all of the laws of Texas pertaining to state agencies. In addition, UTSA has design guidelines that exceed typical design standards in commercial and residential construction, such as requirements for redundancy and higher quality.
- The heavy duty nature of institutional construction results in greater costs. Institutional buildings are considered "heavy duty" relative to commercial and residential construction due to the planned life of buildings and the heavy daily use of the buildings.

## **What other costs are associated with construction work?**

Construction costs are referred to as "hard costs". All other costs are referred to as "soft costs." Together, hard and soft costs make up the Total Project Cost (TPC). Soft costs range anywhere from 5% to 50% of the hard costs and vary greatly from project to project.

Many projects require the services of an architectural firm, engineering firms, or both. Often, one or more UTSA departments must participate in the project to ensure the safety and quality of the final product and additional charges are associated with these services; examples include asbestos abatement, security systems, information technology, and audiovisual technology.

In addition, because Facilities Project Coordinators' salary and benefits are not paid from state appropriated monies, a nominal fee is charged to each of the projects they manage to support their salaries.

Finally, you will notice that a contingency is often included in the Cost Estimate of each project. It is almost inevitable that unknown conditions will present themselves during the course of construction and the contingency will be used for such events. Any unused contingency will be returned to the original source of funding.

**What is UTSA doing to control construction costs?**

Be assured that the Office of Facilities continually works to reduce construction costs to the maximum extent possible while still following regulations and maintaining campus standards. Facilities does not set construction prices. Instead, Facilities routinely competitively bids all construction work in excess of \$5,000 by issuing Requests for Proposals (RFPs). RFPs are advertised on a state database that markets to an extensive contracting community. For construction work under \$150,000, an on-site Job Order Contractor was competitively selected based on best value to the university. Facilities regularly utilizes a Job Order Contractor to deliver construction services more quickly than the RFP process.