



# **CONSTRUCTION COST CONTAINMENT POLICY**

December 2019



# Construction Cost Containment Policy

## I. Purpose

- A. To ensure that publicly funded housing projects are constructed in a cost effective manner.
- B. To ensure that developers competitively bid construction work, except under those circumstances provided for in the policy, thereby creating open competition in pricing.

## II. Policy

- A. Before approval by the Redevelopment Authority Board, developers of projects as defined In Section III, must submit plans and cost estimates prepared by the project architect to the Philadelphia Housing Development Corporation for approval. Upon approval of the plans:
  - 1. for all projects where the *project's replacement cost* estimate is at or below 120% of the 234-Condominium Housing basic mortgage limits, for Elevator-type projects (as established annually by HUD for the Philadelphia region) for the applicable housing unit size and type, the developer may utilize any general contractor of its choice who is willing to meet the architect's cost estimate;
  - 2. for all projects where the *project's replacement cost* estimate exceeds 120% of the 234-Condiminium Housing basic mortgage limits, for Elevator-type projects for the applicable housing unit size and type the developer must utilize a competitive bidding process to procure and select a general contractor. The opportunity to bid on the project must be provided to all contractors on a PHDC maintained list of contractors.<sup>1</sup> Developers may exclude a limited number of contractors from the bidding opportunity only after providing the PHDC written justification, which must be approved by the PHDC.

For purposes of calculating project costs, as measured against the HUD 234-Condominium Housing basic mortgage limits, for Elevator-type projects limits, the costs of environmental remediation, remediation of subsurface conditions, demolition, and meeting requirements of the Philadelphia Historical Commission may be excluded from the total cost calculation. The developer shall provide to the PHDC a detailed description of the conditions and associated costs. In addition, project costs can exceed the construction cost containment limits by ten percent (10%) if a developer meets the Passive House requirements for energy efficiency.

- B. All potential bidders must be provided the same bid package and provided identical information about the bid requirements, in order to ensure that all bidders are given equal opportunity, the bid package must include a bid due date and time. Bids must be opened within the hour of the bid deadline. The developer's cost estimates may not be made public or shared with any bidders prior to the completion of the bidding process.

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<sup>1</sup> The PHDC will advertise on an annual basis in order to identify interested contractors for its mailing list. The PHDC makes no representation as to the qualification of firms on its list.

- C. After receipt and review of the bids by the developer, and prior to the execution of a binding contract, the developer sponsor shall submit its general contractor selection, along with its justification, to the Philadelphia Housing Development Corporation for review and approval. This submission shall include an affidavit that identifies all firms that were solicited, all the bidders and prices submitted by each bidder, when the bids were opened and by whom. In addition, the developer must submit a certification that the bid process was implemented in accordance with this policy.

Unless otherwise approved by the PHDC, the lowest responsible bidder must be selected. If there are no responsible bidders, the developer shall solicit bids a second time. If no bids are received as a result of the second bid solicitation, the PHDC will make a determination as to how to proceed.

- D. In the event a developer has an identity of interest with a construction company, the developer shall request that the competitive bid process be implemented by PHDC staff, in order that the developer's construction company can bid without the conflict of conducting the bid solicitation.
- E. This policy may be waived In extraordinary circumstances only by an action of the Redevelopment Authority Board.

### **III. Application**

- A. All rental developments receiving CDBG, HOME or any other type of funding from the Division of Housing and Community Development (DHCD) that requires approval of the Redevelopment Authority Board,  
This policy may be waived by the Executive Director when the DHCD subsidy is less than \$7,500 per unit.<sup>2</sup>
- B. All homeownership developments of twelve (12) or more units,<sup>3</sup> where the DHCD subsidy is greater than \$7,500 per unit.
- C. Notwithstanding anything to the contrary, this policy shall not apply to rental or homeownership projects developed by the Philadelphia Housing Authority or Its subsidiaries.<sup>4</sup>

### **IV. Implementation**

- A. This policy shall be effective on the date of Its adoption by the Board and shall apply to all projects that have not entered into a contract with a general contractor as of the date the policy is adopted.

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<sup>2</sup> Projects with 202 funding should be exempt from this policy either explicitly or implicitly (typically not provided more than \$7,500 per unit subsidy). Practically speaking, HUD approves the project and GC selection prior to the PHDC receiving a subsidy request.

<sup>3</sup> This threshold is adopted to be consistent with the Davis-Bacon threshold for HOME-funded homeownership projects.

<sup>4</sup> Projects developed by Philadelphia Housing Authority (PHA) comply with PHA's competitive bidding process.

# (Project Name)

## Affidavit of (Developer's Name)

(Developer's name), being duly sworn according to law, certifies to the following with respect to (Project Name) ("Project"):

1. I have received a copy of the Philadelphia Housing Development Corporation's ("PHDC") Cost Containment Policy ("Policy") and PHDC's list of approved General Contractors/Construction Mangers.
2. I am aware of the obligation to comply with the Policy, including the obligation to utilize a competitive bidding process to procure and select a general contractor/construction manager.
3. All contractors on the PHDC's list of Approved General Contractors/Construction Mangers have been notified of this opportunity to bid on this Project. If any contractor was excluded we have provided written justification to the PHDC.
4. All potential bidders were provided equal opportunity to bid on the Project utilizing the same bid package, requirements, due date and time.
5. Attached is a list of general contractors/construction managers who have been notified of the opportunity to bid on this project.
6. Attached Is a schedule of all firms who have responded Including the bid amount. This schedule must also Indicate who conducted the bid opening and the date the bids were opened.
7. The lowest qualified bidder was selected unless otherwise approved by the PHDC.

### NAME OF DEVELOPER

By: \_\_\_\_\_  
Name

\_\_\_\_\_  
Title

# Cost Containment Policy

## Maximum Per Unit Basis Limits

### 2019-2020

	Efficiency	1 Bed	2 Bed	3 Bed	4+ Bed
Non-Elevator/ Elevator	202,322	231,932	282,032	364,860	400,500

The above per unit limits have been adjusted to meet the PHDC's Cost Containment Policy and have been incorporated into the housing finance development *proforma*.

# 2019-2020 PHDC's Cost Containment Policy

## Approved General Contractors/Construction Managers

Developers are responsible to notify each contractor who has a Bond Amount greater than the construction cost estimate.

Company Name	Address	Contact Person	Bond Amount
Allied Construction Services II, Inc.	240 New York Drive, Suite 1 Fort Washington, PA 19034	Mr. Chris Caggiano 215-884-0500 ccaggiano@altmanco.com	\$45,000,000 single \$90,000,000 aggregate
Clemens Construction Company, Inc.	1435 Walnut Street Philadelphia, PA 19102	Carol Home Penn 215-567-5757 cpenn@clemensconstruction.com	\$100,000,000 single \$250,000,000 aggregate
Dale Corporation	70 Limekiln Pike Glenside, PA 19038	Eric D. Lintner 215-886-6440 eric@dalecorp.net	\$20,000,000 single \$90,000,000 aggregate
Daniel J. Keating Company	134 N. Narbreth Avenue Narbreth, PA 19072	Pierce Keating 610-664-4550 pkeating@djkeating.com	\$200,000,000 single \$300,000,000 aggregate
Domus, Inc.	346 E. Walnut Lane Philadelphia, PA 19144	Scott Zuckerman 215-849-4444 szuckerman@domusinc.net	\$65,000,000 single \$130,000,000 aggregate
Flatiron Building Company	5189-91 Ridge Avenue Philadelphia, PA 19128	Scott Dalinka 215-508-5100 info@flatironbuildingco.com	\$20,000,000 single \$40,000,000 aggregate
H.C. Pody Company	946 Simons Avenue Bensalem, PA 19020	Bill Messick 215-639-2027 billmessick@hcpody.com	\$15,000,000 single \$25,000,000 aggregate
Harkins Builders Inc.	575 E. Swedesford Road Suite 100 Wayne, PA 19087	Paul Kraunelis 610 627-4945 PKraunelis@Harkinsbuilders.com	\$200,000,000 single \$600,000,000 excess of aggregate
JPC Group, Inc.	1309 Harmony Street Philadelphia, PA 19146	Joseph Petrongolo 215-243-9660 procurement@jpcgroupinc.com	\$100,000,000 single \$250,000,000 aggregate
McDonald Building Company LLC	910 East Main Street, Suite 101 Norristown, PA 19401	Paul J. McDonald 610-825-8601 pmcdonald@mcdonaldbc.com	\$15,000,000 single \$30,000,000 aggregate
Shoemaker Construction Co.	100 S. Front Street, Suite 365 West Conshohocken, PA 19428	Maura Hesdon 610-941-5500 maura.hesdon@shoemakerco.com	\$200,000,000 single \$500,000,000 aggregate
Talson Solutions LLC	41 N. 3rd Street Philadelphia, PA 19106	Hadassah Respes 215-592-9634 hrespes@talsonsolutions.com jsimpson@talsonsolutions.com	\$10,000,000 single \$10,000,000 aggregate
T.N. Ward Company	129 Coulter Avenue Ardmore, PA 19003	Michael Weber 610-649-0400 mweber@tnward.com	\$250,000,000 single \$350,000,000 aggregate