



## Soft Costs - Glossary of Terms

Soft costs are fees, charges, or expenses for services and activities that fall *outside of actual construction costs*, which themselves are often called “hard costs.” It’s important for charter school boards, local builders, and developers to be fully aware and anticipate the many and varied soft costs.

Soft costs occur in four general categories: **Design – Investigation – Assurance – Approvals**

**A = Always Required**

**S = Sometimes Required**

### Design

1. **Architectural Fees:** Paid to the building designer either directly or through a builder. **A**
2. **Site Engineering Fees:** Paid to the firm that designs the site layout, access, parking, utility runs, etc. Sometimes paid through the architect or builder. **A**
3. **Landscape Architect Fees:** Some municipalities or projects require a licensed landscape architect for some of the site work. Might be paid through the architect, site engineer, or builder. **S**
4. **Master Plan:** A plan that shows the overall look, feel, and layout of the property with building foot print as the school and developer would like. To be approved by the local permitting agency. This can be done by developer’s in-house staff or with outside consultants. These can be highly technical or very simple. **A** for new builds. **S** for renovations.

### Investigation

5. **Title Report:** A report that describes the status of the property title: ownership, encumbrances, how held, history, tax rate. **A**
6. **Property Condition Report:** A report that evaluates an existing building for general condition and sometimes structural integrity. **A** for smart lenders and developers.
7. **ALTA survey:** A visual and verbal technical description that verifies the metes and bounds and other property features of the site (e.g. utilities, easements). **A** for smart lenders and developers.
8. **Traffic Impact Analysis (“Traffic Study”):** An analysis that describes the potential traffic impact of placing a school on the proposed property. Almost always **A** if a school had not occupied the property recently.
9. **Environmental Site Assessment (ESA):** Environmental I and Environmental II. A study that describes current conditions relative to hazardous materials on the location. This does not include any mitigation or containment costs. An ESA I is paper research. **A** for smart lenders and developers. An ESA II adds soil borings and onsite investigation. **S** required.
10. **Geotech Report:** A report provided after on-site soil borings. The report identifies soil conditions to guide the design and cost of footings and foundations, and drainage/retention of storm water. **A** for new buildings and additions.

## Assurance

11. **Title Insurance:** A policy to cover any title errors. **A**
12. **Legal Costs:** Fees paid to a school's attorney to review and advise on development agreements, leases, and such. Also, all legal costs incurred by a developer for a specific property are justifiably included in overall development costs of the project. **A**
13. **Insurance During Construction:** Costs to insure the property while it's being built. This is different from the insurance you need when you occupy the school. **A**
14. **Construction Bond:** A short-term, Payment and Performance Bond (an insurance policy) that protects the building owner in the event of non-completion or contractor default. It's paid by the builder and rolled into total project costs. **A** for smart schools and lenders.
15. **Environmental Mitigation or Containment Costs.** If hazardous materials exist on site, they must be mitigated to the satisfaction of (a) the law as applied for school use, (b) the funding entity, and (c) the local municipality. These costs can be estimated accurately only after ESAs are completed and there is general alignment on building design with the developer and school. **S**
16. **Inspection Fees:** Fees paid either to government inspectors, third party inspectors, service agencies, or utilities to ensure that certain parts of the project are completed as authorized and designed: fire alarm, plumbing, mechanical systems, electrical work, etc. **S**
17. **Expediting Fees:** Fees paid to speed application process and/or to have an expert shepherd paperwork through the local government. In some places, an expeditor is required. This person gets paid separately from actual fees paid to the government. **S**
18. **Carrying Cost of Capital.** Interest you pay on capital that has been deployed to move the project forward until the lease or mortgage commences. You should not pay interest on capital until it is actually deployed. Carrying costs are estimated and rolled into the total project cost. **A**

## Authorization

19. **Application Fees:** Fees paid to the local, permitting municipality to have applications considered by the permitting entity. Any formal application to do anything on a property might have fees attached to it. E.g. to rezone, to divide or join parcels; to tap into city sewer lines, etc. These might be separate from actual permit costs. **S**
20. **Filing Fees:** Fees paid to the local, permitting municipality to have development documents recorded properly. Any formal document, permit, application, etc. could have local filing fees attached to it. **S**
21. **Permits:** Documents that authorize "something" on the project. These vary by municipality, building size, overall site work, and more. They can include building permits, use permits, well and septic permits, sewer tap, etc. **A**
22. **Conditional Use Permit and Special Use Permit:** A permit that—in some municipalities—allows school use on a property if not zoned for such use. On top of application and/or filing fees, there are legal costs and personnel costs go into paperwork and attendance at hearings and approval meetings. **S**
23. **Rezoning:** The act of changing local zoning law or ordinance to allow a school use on a property that otherwise did not allow a school to be placed there. Application, filing, personnel, and time costs should be anticipated. Rezoning can eat up schedules aggressively with posting and waiting periods. **S**
24. **Off-Site Improvements ("Offsites"):** Technically not soft costs but part of site development, these are development requirements imposed by local governments that don't take place on the owned property. Examples include underground utilities such as water and sewer, deceleration or turn lanes, traffic signals, sidewalks or crossing lanes, road widening, curb cuts, etc. There is no way to estimate these accurately without spending money and time on property due diligence. **S**
25. **Impact Fees:** Fees paid to local governments in some areas for the privilege of building or occupying a structure. These can be dollars per student, dollars per SF of parking space, dollars per SF of road frontage, or anything local politicians might dream up to add to the local coffers when developments take place. These are not taxes and are usually one-time fees. Sometimes they're negotiable because of the local benefit the development provides (e.g. a new turn signal or sidewalks). Some locations have no impact fees. Others have many. **S**
26. **Utility Tap Fees:** Costs incurred to connect with local services like sewer, water, and electrical utilities. These do not include the costs of installing the infrastructure to run utilities to the building or site. These are paid either to the service provider (as with electrical service) or to a municipality for the privilege of hooking up to an existing utility system. **S**