



## MEMORANDUM

To: Tom Flanagan, Superintendent

From: Joe Weith, Senior Project Manager

Date: September 1, 2023

Re: BHS/BTC Updated Project Cost Estimate

### OVERVIEW

The project's construction manager, Whiting Turner ("WT"), recently submitted a DRAFT Final Guaranteed Maximum Price (GMP) for the cost to construct the project. The GMP is based on bids submitted by subcontracting companies to work on various aspects of the project (e.g., structural steel, concrete, electrical, plumbing, HVAC system, sheet rock, painting, flooring, AV equipment purchase/installation, etc.). As part of the final GMP review and approval process, the project team has updated the total project cost estimate. In addition to GMP construction cost, the total project cost estimate includes project soft costs and environmental clean-up costs. This memorandum presents an overview of the updated total project cost estimate and provides four options for the Board to consider in moving forward with approving the final GMP.

### TOTAL PROJECT COST

**As shown in the attached Total Project Cost Estimate Summary, total project cost is projected to be about \$209.2 M. This represents an increase of about \$19.1 M from the last estimate of \$190.1 M which was prepared and presented to the Board in May 2023.** This significant increase in total project cost is being driven by higher than expected construction costs (we have requested WT to provide a written explanation of why construction costs are significantly higher than the May estimate). As shown in the Cost Summary, construction cost is projected to increase by about \$18.5 M from the May estimate. Project soft costs are estimated to decrease by about \$706,000 which is mostly due to a reduction in owner's contingency (see Contingency discussion below). Environmental costs are projected to increase slightly by about \$285,000 which is primarily due to recently discovered contamination on the building foundations.

**Contingencies:** The total project cost estimate, which factors in the latest GMP, still includes about \$10 M in owner project contingency (6% of total construction cost) and \$1.25 M in environmental contingency (8% of total environmental cost). Contingencies are used if needed to cover unexpected cost increases due to unforeseen circumstances discovered during demo/abatement (e.g., additional contamination on foundations) or construction (e.g., poor soils and/or additional ledge removal). The 6% owner contingency is a reduction from the 8% contingency used in the May cost estimate (contingency amount in May was \$11.9 M). At this stage of most construction projects, dropping the owner contingency to 5% is considered standard. While reducing the owner contingency to 5% would decrease the estimated project cost by an additional \$1.7 M, due to the size and complexity of this project and remaining unknowns (e.g., ledge profile under the building slabs), we do not recommend doing so as this project has already seen its share of unforeseen costs. As for the environmental contingency, we recommend keeping it at 8% because we believe the environmental risks remain higher at this point, as we still need to test the foundations of C, D, E, and F buildings.

**FUNDING**

As of September 1st, the District has identified roughly \$207 M to the project as shown below:

FUNDING	Amount
Previously Identified Funding Sources	\$25,000,000
Voter Approved Bond	\$165,000,000
State PCB Clean-up Funding	\$16,000,000
Federal Stormwater Funding (Final Stages of Approval)	\$1,000,000
<b>TOTAL FUNDING</b>	<b>\$207,000,000</b>

***Considering a total project cost of \$209.2 M and anticipated funding of \$207 M, as it stands now, the project is experiencing a \$2.2 M funding gap. Because of this, the District will need to make some decisions regarding the approval of the final GMP and how to best move forward.***

**OPTIONS FOR MOVING FORWARD**

Working with BSD leadership, the project management team has developed four options worth discussing as we seek to move the project forward. Of these, we recommend the Board strongly consider Option 3, which is to move forward with the final GMP bid package as is while also directing WT and the Design Team to identify cost savings of at least \$4 M - \$7 M. WT has already identified about \$1.5 M in savings that are supported by the project’s Design Team.

**Option 1**

Approve the GMP as is and work to bring additional revenue to the project.

**Explanation:** While the cost of the project has increased, one option is to move forward with the final GMP as presented and seek to bring additional revenue to the project through grant proposals, lobbying, and the current Monsanto lawsuit. Moving forward does not mean asking voters for more

money; BSD has committed to not asking for another bond vote and to working hard not to borrow the full \$165 M bond if at all possible.

**Target Reduction of final GMP:** \$0

**Estimated Project Cost:** \$209.2 M

**Projected Funding Gap:** \$2.2 M (minus any additional funding we are able to secure)

**Risks:** We believe this to be the least fiscally responsible option, especially considering that the project team has already identified \$1.5 M in potential future savings that should be realized without any major scope reductions.

### **Option 2**

Approve the GMP as is and direct WT to pursue the \$1.5 M in savings already identified and supported by the Design Team.

**Explanation:** WT and the Design Team have begun looking at “value management” options (design and/or material/equipment changes to reduce costs while keeping essential functions in place). As mentioned above, the project team has identified approximately \$1.5 M in potential savings that could be realized without major impacts to the scope of the project; these savings would be realized after the GMP package is approved.

**Target Reduction of final GMP:** \$1.5 M

**Estimated Project Cost after Savings:** \$207.7 M

**Projected Funding Gap:** \$700,000

**Risks:** The risk of this option is that while the funding gap is significantly reduced, there is still a gap. To mitigate this risk, BSD could continue to pursue additional revenue through grant proposals, lobbying, private fundraising, and/or the current Monsanto lawsuit. BSD could also work to identify additional District-wide cost savings over the next three years to support this funding difference. Regardless, moving forward with this funding gap does not mean asking voters for more money; BSD has committed to not asking for another bond vote and to working hard not to borrow the full \$165 M bond if at all possible. From a design perspective, this option poses little risk as the \$1.5 M in identified potential savings will not have a significant impact on the project scope. In our opinion, this option is the second best option on the table; the District could feel confident pursuing this recommendation.

### **Option 3 - Recommended Option**

Approve the GMP as is while also directing WT and the Design Team to identify cost savings of at least \$4 M - \$7 M, including the \$1.5 M already identified and supported by the project’s Design Team.

**Explanation:** In addition to the \$1.5 M in savings already reviewed and approved by the Development Team, WT has compiled an additional list of items identified through the value management process that could be considered. This list includes smaller items that could be realized without much impact to the scope, and larger items that may have substantial impacts on the project. These items would need to be reviewed and approved or rejected by District leadership over the next few weeks, with the goal of finding and accepting at least \$2.5 M worth of additional possible changes.

**Target Reduction of final GMP:** \$4 - \$7 M

**Estimated Project Cost after Savings:** \$202.2 M - \$205.2 M

**Projected Funding Gap:** None

**Risks and Recommendation:** Financially, this option poses the least amount of risk, as it has the potential to fully close the funding gap and possibly support a small funding gap buffer. The risk from a design perspective is that changes to reduce cost may potentially impact the quality of materials and finishes used in the project. We recommend this to be the best option moving forward but would encourage BSD to be judicious while looking for savings, realizing that cheaper building materials today often mean a more expensive building to maintain in the future.

#### **Option 4**

Reject the final GMP and delay the project three months to find additional savings through design changes.

**Explanation:** If the GMP is considered too high, we could place the project on hold for three months and direct the Design Team to begin making changes to the project's design to significantly reduce cost. Once the Design Team makes the changes, they would update their construction documents (CDs) and WT would issue the amended CDs for revised bids.

**Target Reduction of final GMP:** \$10 M

**Estimated Project Cost after Savings:** \$199.2 M

**Projected Funding Gap:** None

**Risks:** There are significant risks involved in this option. From a design perspective, it likely means a substantial change to a design that has already received support and buy-in. Financially, while there is potential for cost savings, it is impossible to know now exactly how much we could save. Also, it is important to remember that every day added to the project schedule costs money. Therefore, \$10 M in cost savings resulting from major design and/or program changes will likely be significantly offset by added costs from extending the project schedule by three months. With that in mind, we recommend against this option.

#### **CONCLUSION**

We recommend that the district not let this increase in project cost detour BSD staff and the project team from moving forward with this project. We recommend that the Board approve the final GMP as presented, direct WT and the Design Team to identify cost savings of at least \$4 M - \$7 M and present these cost savings to BSD leadership for approval.

BHS / BTC 2025

Total Project Cost Estimate

08/31/23

	May 2023 Estimate	August 2023 Estimate	
<b>CONSTRUCTION COSTS</b>			
	Estimated Cost	Estimated Cost	Notes
Building and Site Construction	\$132,394,028	\$149,557,209	
Estimating Contingency	\$1,709,063	\$0	
Construction/CM Contingency	\$1,743,340	\$1,944,244	
Escalation Contingency	\$1,324,430	\$757,507	
Sub Default Insurance	\$1,783,221	\$1,979,366	
General Conditions	\$4,732,100	\$7,494,451	
Liability Insurance	\$1,400,081	\$1,536,461	
CM Bond	\$818,273	\$897,981	
CM Fee	\$2,243,928	\$2,462,508	1.50%
<b>TOTAL ALL CONSTRUCTION</b>	<b>\$148,148,464</b>	<b>\$166,629,727</b>	
<b>PROJECT SOFT COSTS</b>			
	Estimated Cost	Estimated Cost	Notes
Design Fees & Reimbursable Expenses	\$8,440,200	\$9,208,014	
Permit Costs	\$269,940	\$260,892	
Misc. Owner Soft Costs (project management, owner consultants, cost estimator, legal & accounting, utilities, etc.)	\$2,603,067	\$2,867,518	
Commissioning	\$200,025	\$200,025	
Fixtures, Furnishings, Equipment	\$2,967,975	\$3,092,975	
Signage	\$0	\$0	Carried in construction budget
Project Closeout Costs (artwork/marketing displays, LEED certification, etc.)	\$15,000	\$15,000	
Owner Project Contingency - Design & Construction	\$11,851,877	\$9,997,784	8% for May 2023 estimate; 6% for August 2023 estimate
<b>TOTAL PROJECT SOFT COSTS</b>	<b>\$26,348,084</b>	<b>\$25,642,208</b>	
<b>ENVIRONMENTAL COSTS</b>			
	Estimated Cost	Estimated Cost	Notes
Building Abatement & Demo with Change Orders	\$12,121,031	\$13,461,031	
Soil Handling/Disposal	\$2,146,826	\$770,571	
Consulting and Monitoring	\$1,148,600	\$1,448,600	
Contingency	\$1,233,317	\$1,254,416	8% for May 2023 and August 2023 estimates
<b>TOTAL ENVIRONMENTAL COSTS</b>	<b>\$16,649,774</b>	<b>\$16,934,618</b>	
<b>Savings from Design Changes to be made to final CDs to Improve Project Performance and Reduce Cost</b>	<b>-\$1,012,586</b>	<b>\$0</b>	
<b>TOTAL PROJECT COST</b>	<b>\$190,133,736</b>	<b>\$209,206,553</b>	