



CONSTRUCTION COST ESCALATION

District Citizens' Oversight Committee

BuildLACCD

December 14, 2018

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CONSTRUCTION COST ESCALATION

Cost Delivery Projects

- State of Economy
- Over Period of Time

Primary Effects

- Inflation

Secondary Effects

- Labor
- Materials
- Supply & Demand

EXECUTIVE SUMMARY

- **Challenge**
 - Larger Than Average Escalation Forecasted
 - Labor Shortage - Low Unemployment and Construction Boom
 - Some Material Costs Showing Double-Digit Growth
- **Solution**
 - Cost Estimating Modifications
 - Owner of Choice Focus

Unemployment Rate / Los Angeles County

1983 -- 2018

rate

12%

Lowest rate ever

10%

8%

6%

4%

1983

1988

1993

1998

2003

2008

2013

2018 F

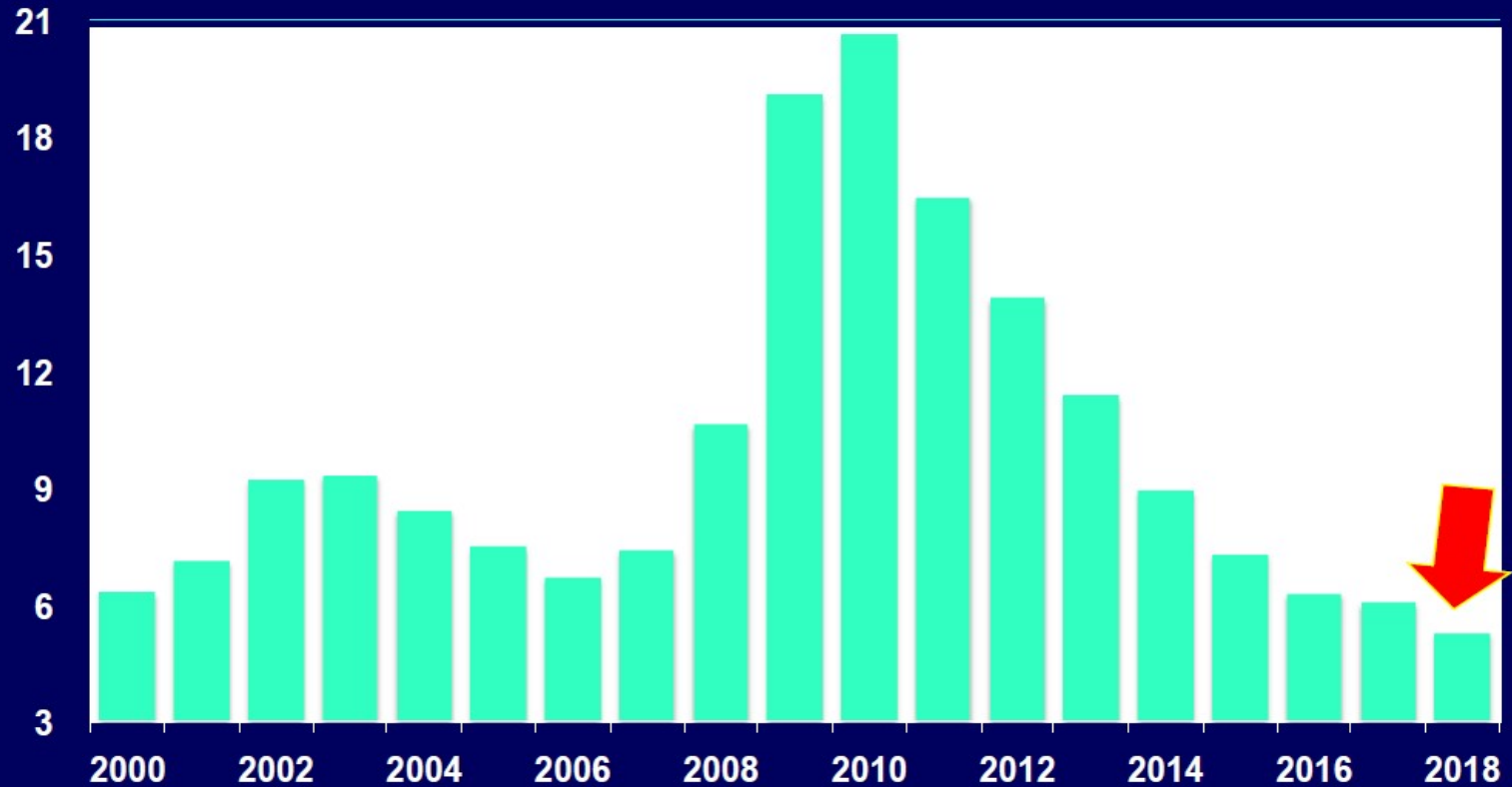
Source: 2018 CCFC Presentation

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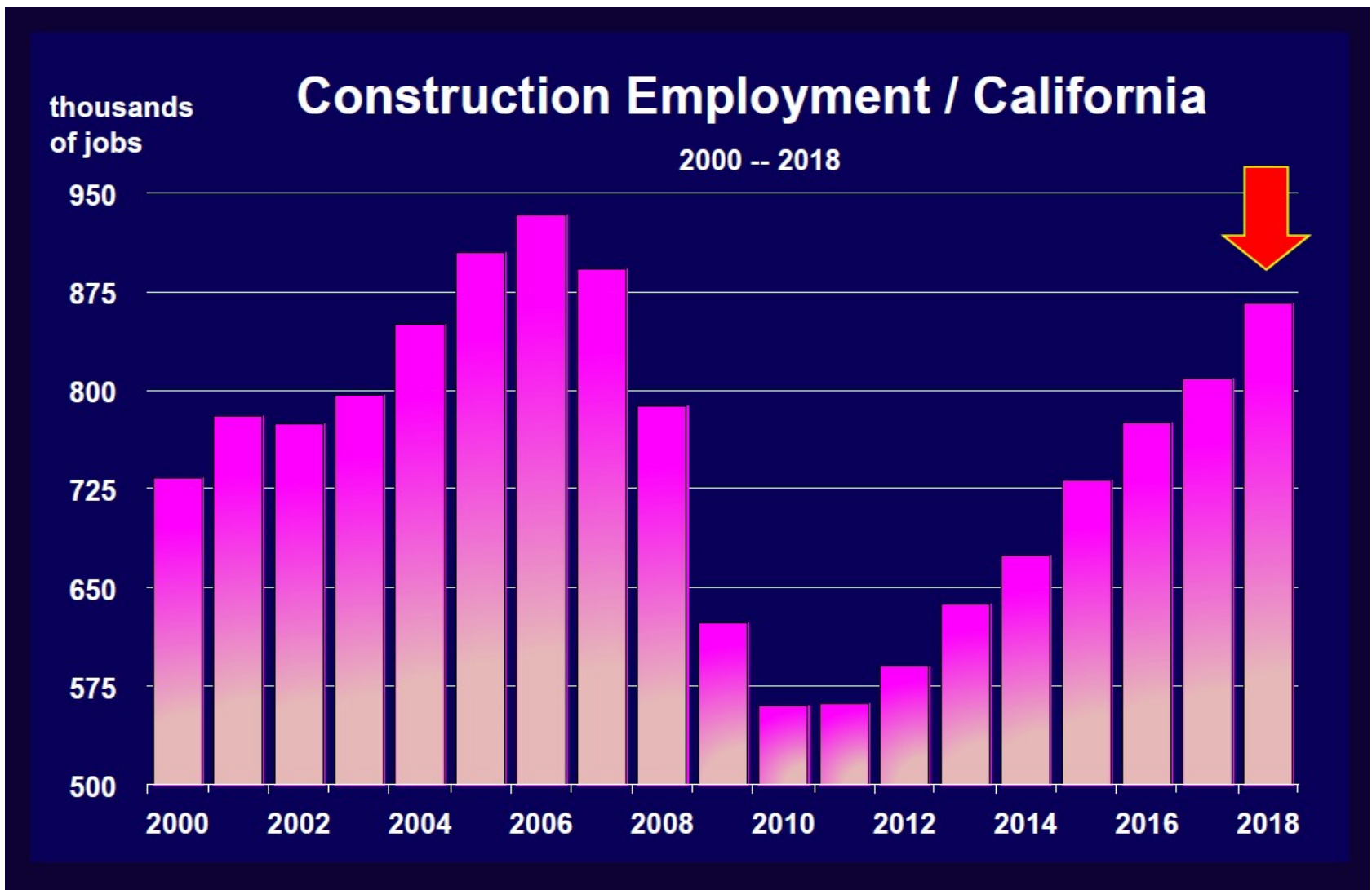
Unemployment Rate for Construction Workers / U.S.

percent

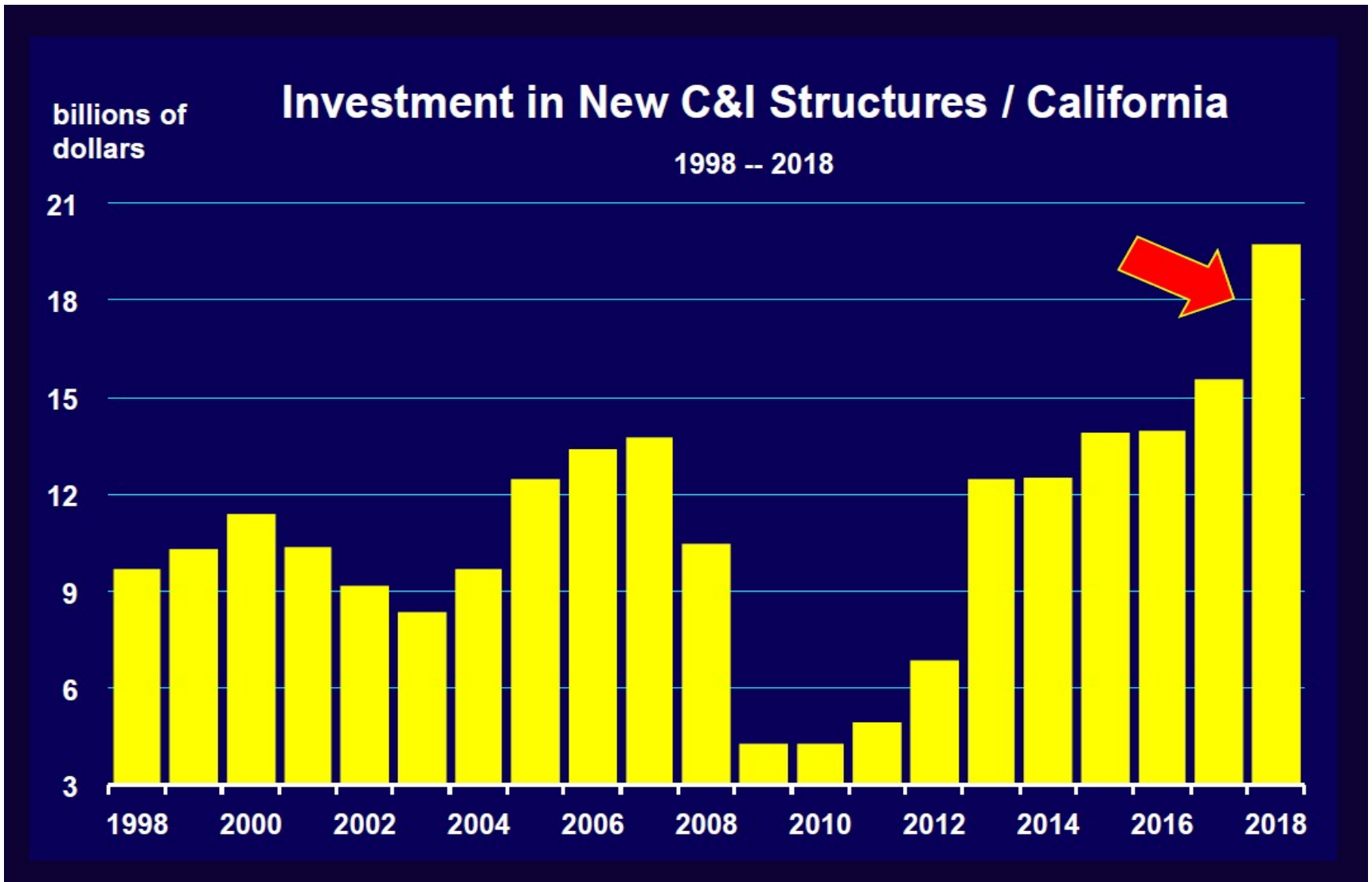
2000 -- 2018



Source: 2018 CCFC Presentation



Source: 2018 CCFC Presentation



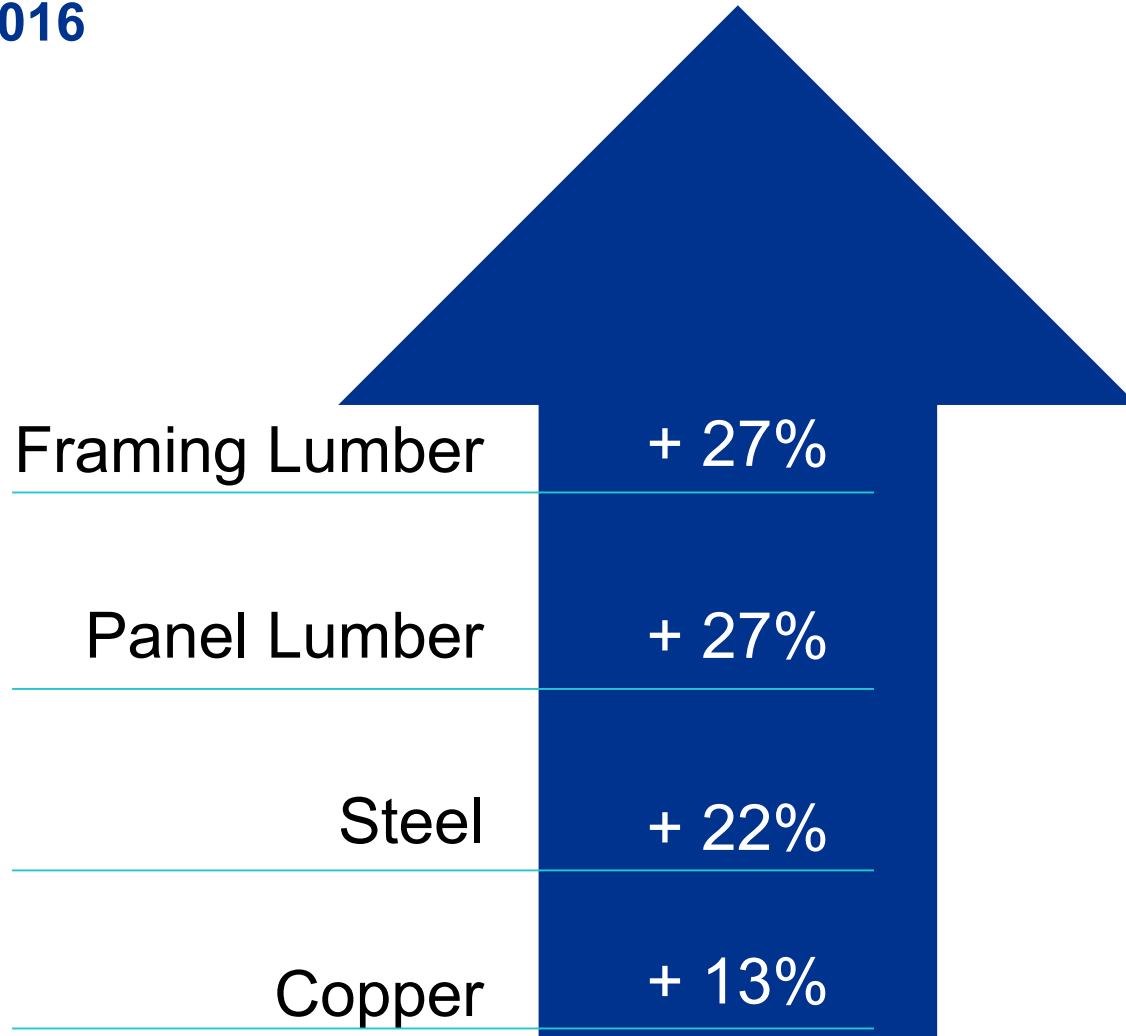
Source: 2018 CCFC Presentation

Local Public Building Programs

LA Metro	\$30 Billion
Los Angeles International Airport	\$23 Billion
Los Angeles Unified School District	\$4 Billion
CalTrans	\$3.6 Billion
LA County Correctional Facility	\$2 Billion
Long Beach Unified School District	\$1.3 Billion

MATERIALS WITH GREATEST COST INCREASES

Since 2015 / 2016



TARIFFS

- Approximately 1% Impact on Construction Costs
- Not Major Impact at This Time
- *Could Change Quickly!!!*

CONSTRUCTION COST PER SQUARE FOOT

Recently Received Bids

Project	Delivery Method	Date Bid Received	Cost per sq. ft.
Watson Center	Design-Bid-Build	July 12, 2018	\$843/ sq. ft.
Agricultural Education*	Design-Build Lump Sum	July 2, 2018	\$1,037/ sq. ft.
Expanded Auto	Design-Build Open Book	June 21, 2018	\$803/ sq. ft.
South Gate Education Center*	Design-Build Lump Sum	February 21, 2017	\$473/ sq. ft.
Technology Learning Center	Design-Build Lump Sum	September 7, 2016	\$473/ sq. ft.
School of Science	Design-Build Lump Sum	February 19, 2016	\$574/ sq. ft.

*Projects Not Awarded

CONSTRUCTION COST ESTIMATE

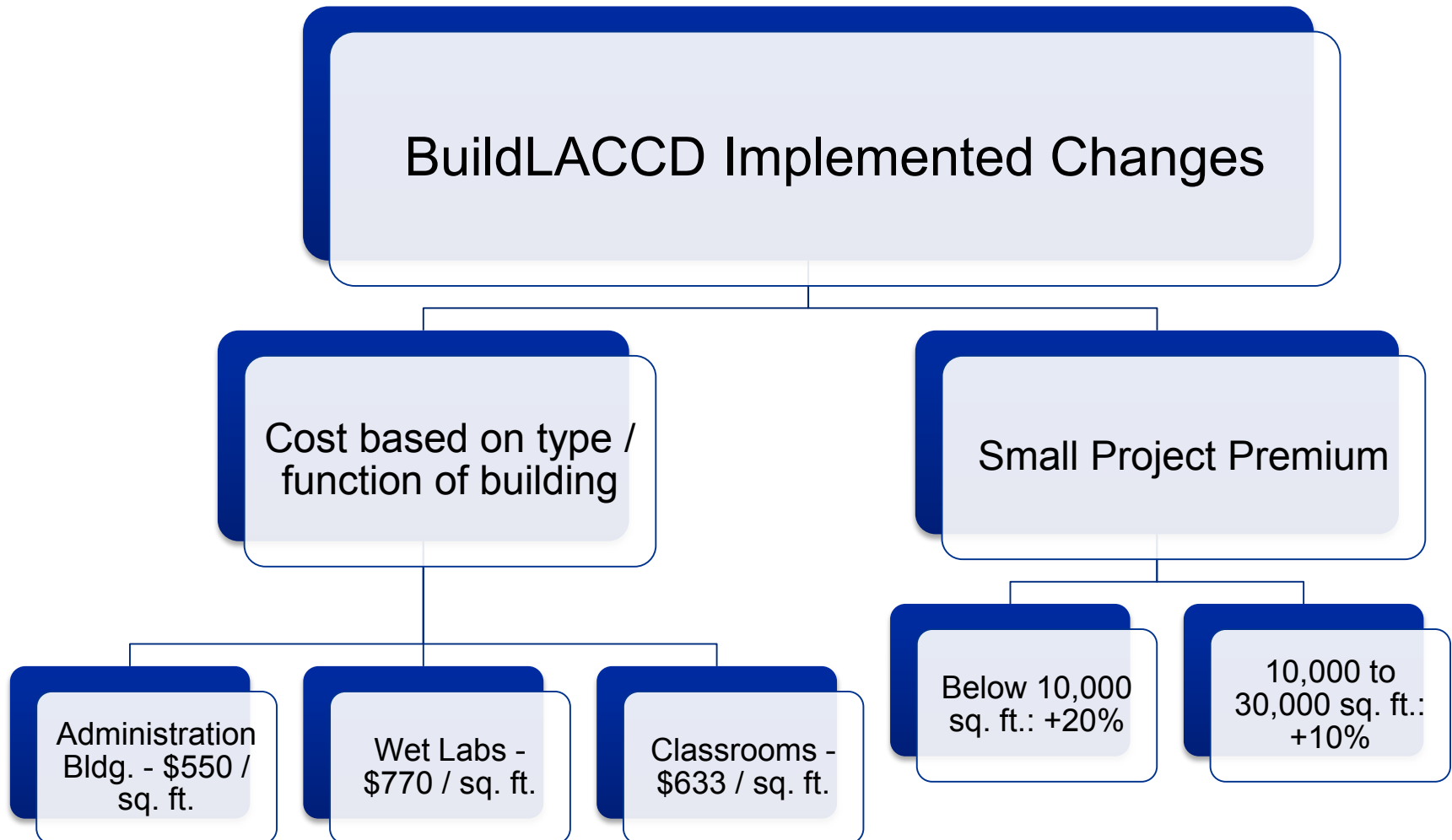
Rough Order of Magnitude (ROM) Project Estimate

- Established in Approved White Paper

Baseline Project Budget Estimate

- Established after Programming – Design-Build
- Established after 100% Design – Design-Bid-Build

COST ESTIMATING



ANNUAL ESCALATION FORECAST

- Historical Average – 2%
- 3-year Forecast – 4% to 10%
- Turner Building Index – 5.63%
- LACCD – 6%

OWNER OF CHOICE FOCUS

- Meetings with Design-Builders
- Areas of Improvement
- Project Delivery Methods
- Industry Partner Outreach

QUESTIONS

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