
Town of Arlington
New / Upgraded Municipal Facility



Finance Committee Update Presentation

May 05, 2021

Town of Arlington
New / Upgraded Municipal Facility

Agenda

1. Review budget from October 2020
2. Review current pricing (based on March 2021)
3. Review current market conditions and what has changed in the last five (5) months
4. Review cost control measures and potential additional funding request

Town of Arlington
New / Upgraded Municipal Facility

Project Cost Summary

	Design Development October 2020	Construction Manager Price March 2021
• Construction:	\$32,461,855	\$38,282,137
• Design, Pricing, & GMP Contingency:	<u>\$1,500,000</u>	<u>\$750,000</u>
Subtotal DPW Construction Cost:	\$33,961,855	\$39,032,137
• Soft Costs	\$3,197,483	\$3,178,144
• Owner Contingency:	\$250,000	\$205,300
• Construction Contingencies	<u>\$1,520,662</u>	<u>\$1,503,245</u>
Total Project Cost:	\$38,930,000	\$43,918,826

*Note – Cost summary excludes design fees
from previous appropriations*

Over budget by \$4,988,826

+

**Construction Contingency is too low based
on project complexity and market volatility**

Town of Arlington
New / Upgraded Municipal Facility

Summary of Cost Overruns

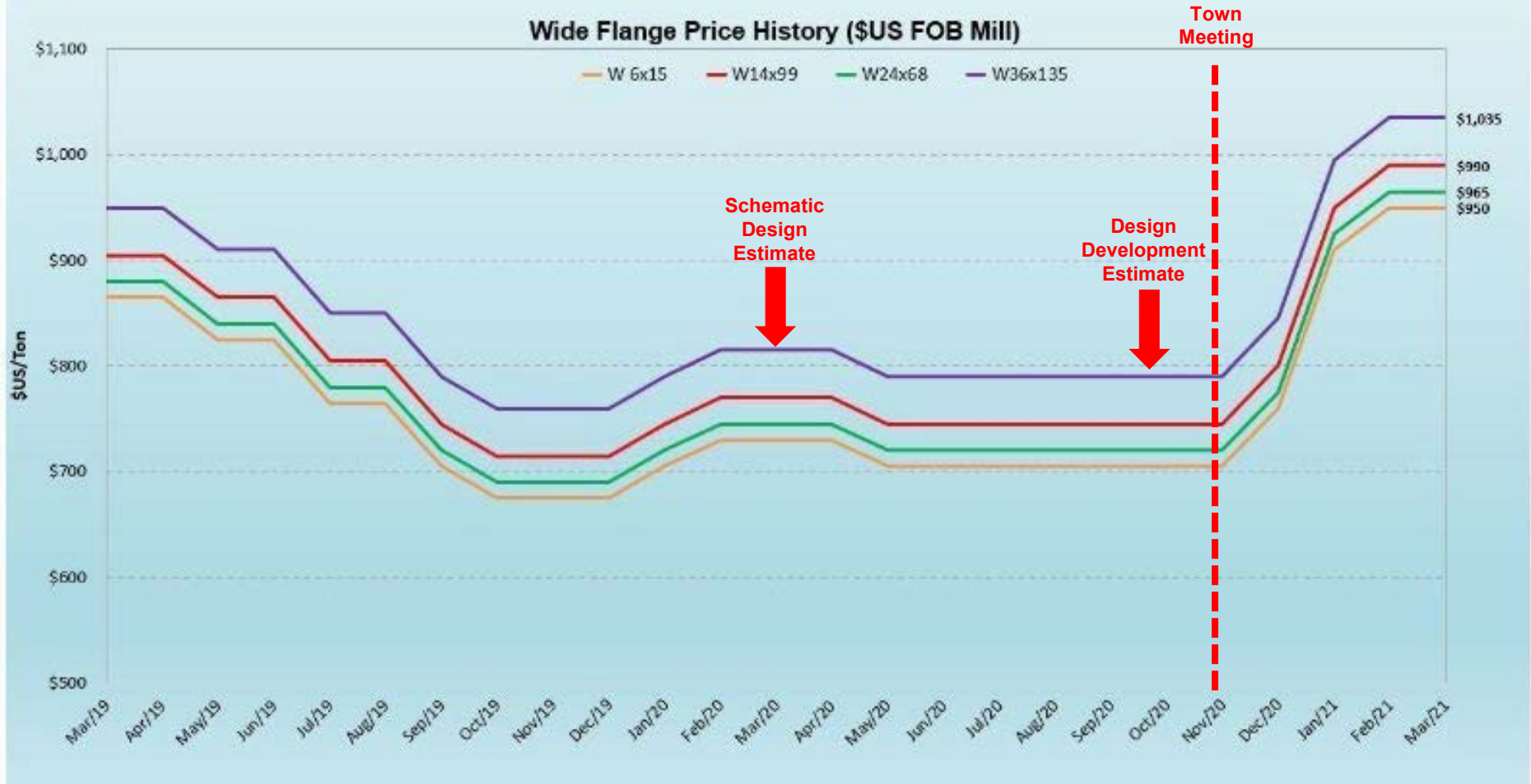
Overrun Categories - Estimated Costs

Approx. Cost Increases

1. Material Cost Increases (estimated @ +/- 15%)	\$2,500,000
• Drawing & Program Evolution	\$1,000,000
• Regulatory Added Scope	\$130,000
• Estimating Variance	\$600,000
• Indirect Costs (fees & insurance)	\$400,000
• Low Bid Withdrawal (trade contractors)	\$370,000

Town of Arlington New / Upgraded Municipal Facility

Market Analysis – Material Cost Increases



Source: Ocean Steel & Construction Ltd

Date: March 25, 2021

Town of Arlington
New / Upgraded Municipal Facility

Market Analysis – Material Cost Increases

Wall Street Journal reports:

- Lumber, one of the biggest costs in home-building after land and labor, has never been more expensive and is more than twice the typical price for this time of year.
- Crude oil, a starting point for paint, drain pipe, roof shingles and flooring, has shot up more than 80% since October.
- Copper costs about a third more than it did in the autumn.
- Prices for granite, insulation, concrete blocks and common brick have all pushed to records in 2021, according to the Bureau of Labor Statistic's producer-price index, which measures the change in prices that producers receive for their output.
- Drywall and ceramic tiles are short of records but have also climbed.

Source: https://www.wsj.com/articles/commodities-boom-hits-home-11615973404?reflink=desktopwebshare_twitter
Date: March 17, 2021

Town of Arlington
New / Upgraded Municipal Facility

Market Analysis – Material Cost Increases

Construction Dive – Deep Dive article:

- Late last year, paying around \$750 per short ton for the rebar. Now, that price has spiked closer to \$900, a 20% increase in a little over a month.
- Prices of both lumber and steel — two primary building materials — have surged anywhere from 20% to 25% recently, according to Daniel Pomfrett, national director of forecasting and analytics at construction cost tracking firm Cumming.
- The reasons why range from factories that pulled back production when demand dropped in early 2020 still not running at capacity, lingering supply chain hiccups that have caused ships to stack up outside of ports, tariffs on lumber and even last summer’s wildfires in the West.
- Mostly, though, all the spikes can be traced back to a central theme. “The short answer is the pandemic,” said Associated General Contractors of America Chief Economist Ken Simonson, who closely tracks construction costs on a weekly basis

Town of Arlington New / Upgraded Municipal Facility

Market Analysis – Material Cost Increases



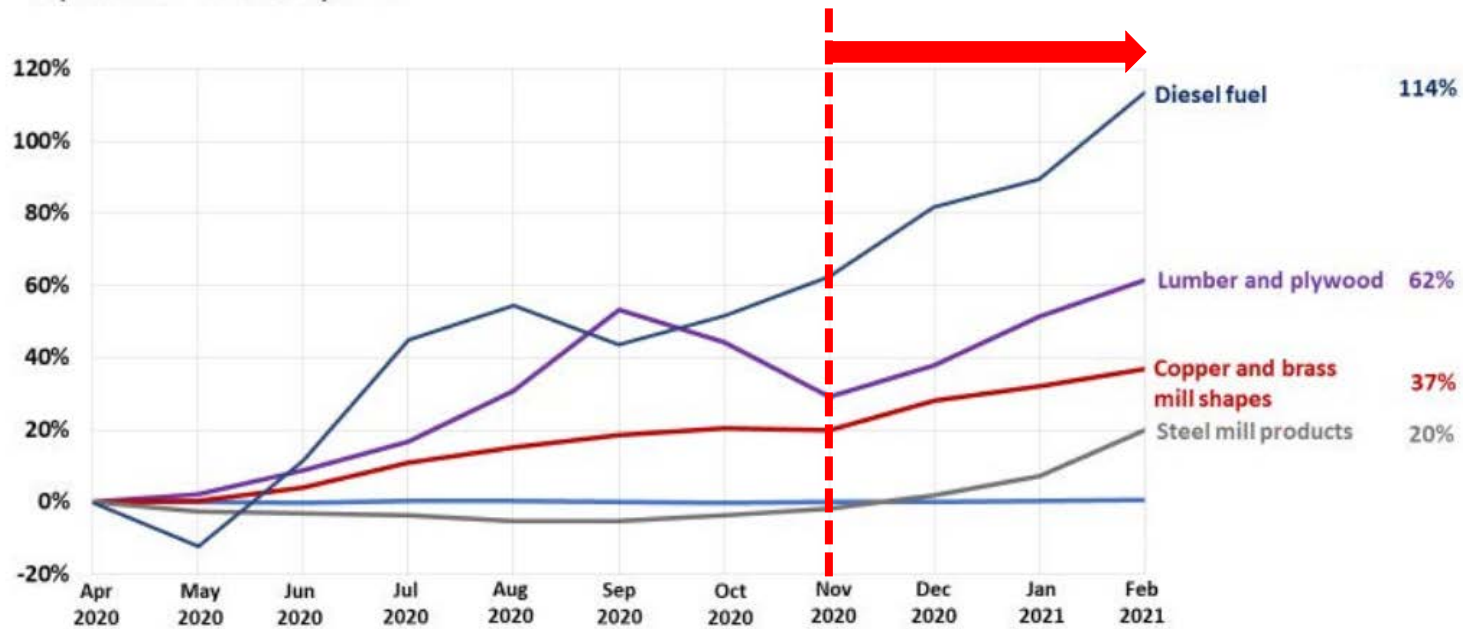
AGC
THE CONSTRUCTION
ASSOCIATION

2021 CONSTRUCTION INFLATION ALERT

FIGURE 2

Price changes for construction and selected materials

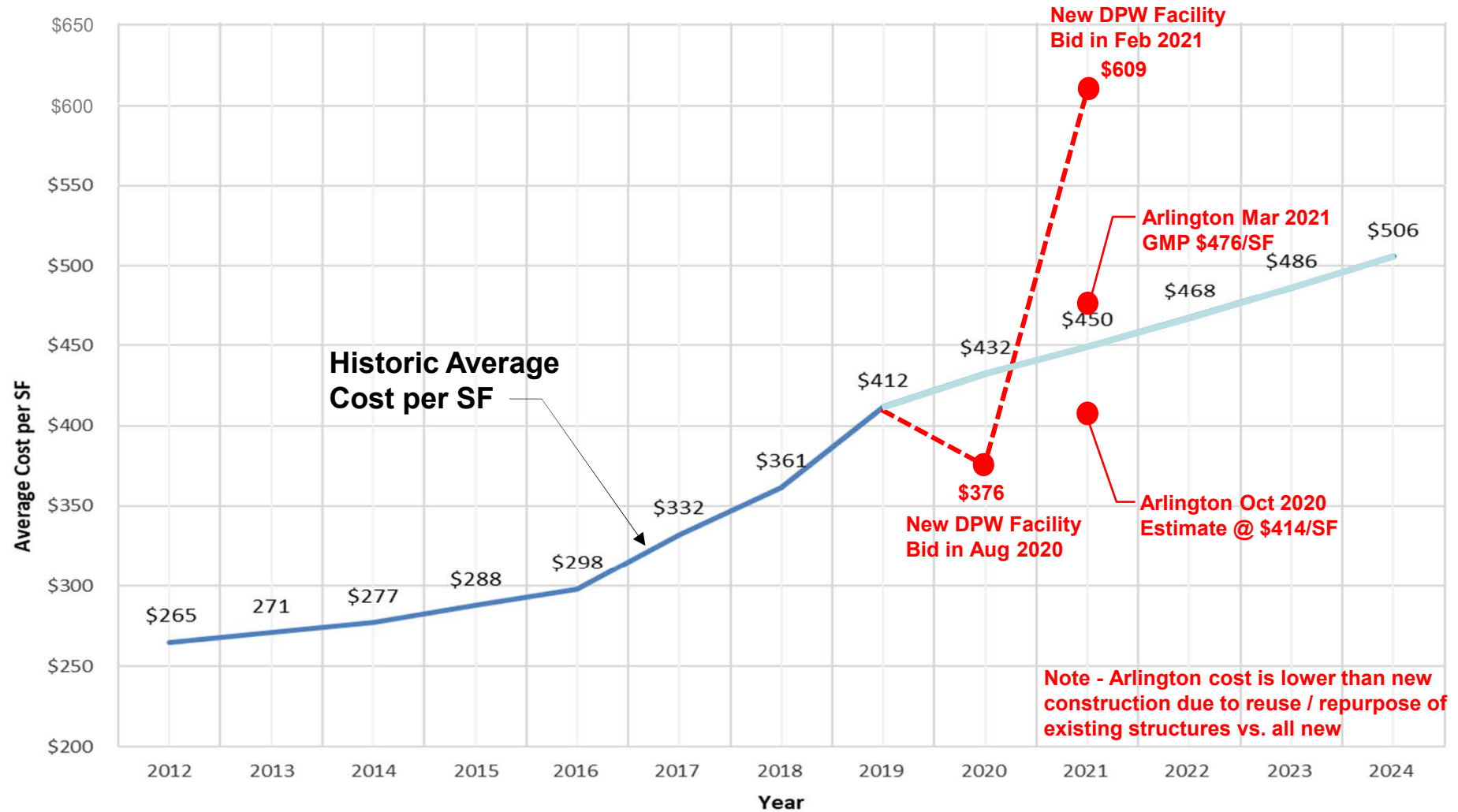
April 2020 – February 2021



Source: Bureau of Labor Statistics, producer price indexes (PPIs) for new nonresidential building construction (bid prices), diesel fuel, wood, and metal products, not seasonally adjusted

Town of Arlington New / Upgraded Municipal Facility HISTORIC COST DATA FOR DPW FACILITIES

Average Cost per SF:



Town of Arlington
New / Upgraded Municipal Facility

Summary of Cost Overruns

Overrun Categories - Estimated Costs

Approx. Cost Increases

- | | |
|---|---------------|
| • Material Cost Increases (estimated @ +/- 15%) | \$2,500,000 |
| • Drawing & Program Evolution | \$1,000,000 * |
| • Regulatory Added Scope | \$130,000 |
| • Estimating Variance | \$600,000 * |
| • Indirect Costs (fees & insurance) | \$400,000 * |
| • Low Bid Withdrawal (trade contractors) | \$370,000 |

* Evaluate for potential cost cutting measures

Town of Arlington New / Upgraded Municipal Facility

Cost Control Measures

No Impact to Original Scope and/or Operational Function

(\$1,822,356) ←

- Reduce number of exterior bollards
- Delete roll up grilles at counters
- Defer lower yard paving – keep existing
- Change salt shed type from custom wood frame to tension membrane structure
- Substitute aluminum electrical feeders in lieu of copper
- Substitute alternate lighting package
- Use of MC cable in lieu of EMT above ceilings
- Replace teak ceilings with exterior GWB
- Eliminate sidewalk snow melt system
- Replace roof monitor with skylights
- Eliminate small mezzanine at service bay



Town of Arlington
New / Upgraded Municipal Facility

Total Project Cost Summary

• March 2021 GMP:	\$39,032,137
• Soft Costs:	\$3,178,144
• Contingency:	<u>\$1,708,545</u>
	\$43,918,826

Value Engineering / Cost Control Measures

No Impact to Original Scope and/or Operational Function (\$1,822,356)

- Scope Creep Reductions
- Alternate Materials
- Alternate Systems

Increase Construction Contingency \$2,250,000

- Increase to 10%
- Increase to cover unforeseen conditions

TOTAL: \$44,346,470

CURRENT AUTHORIZATION: \$38,930,000

ADDITIONAL REQUEST: \$5,416,470 

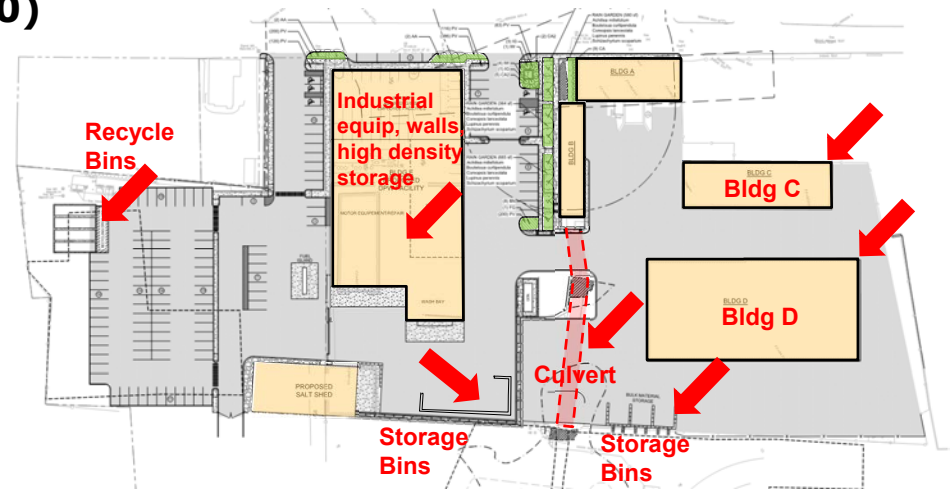
Town of Arlington New / Upgraded Municipal Facility

**Items to be deleted if funding is not approved
(will result in impacts to intended scope and operations)**

Delete "Impact" Scope Items (\$3,166,470)

- Defer Building C exterior scope (except for roof replacement and exterior masonry repairs)
- Defer Building C interior scope
- Defer Building D exterior scope (except for exterior masonry repairs)
- Defer Building D interior scope
- Defer precast block material storage bins
- Eliminate culvert replacement (except for repairs under Building B)
- Delete recycle bins from parking area
- Defer high density file storage system
- Defer industrial equipment (except overhead cranes and fluid distribution system)
- Change interior shop walls from CMU to high abuse GWB

Delete Increased Contingency (\$2,250,000)



Town of Arlington
New / Upgraded Municipal Facility

Final Considerations

- Project scope has been scrubbed by the Town, the designer, and the construction manager to reduce scope without impacting project intent/goals
- We have received competitive bid prices for the Trade Contractors
- We have a price from the Construction Manager which includes bids from non-trade contractors
- Trade pricing & CM pricing reduces uncertainty with the current marketplace volatility
- Increased contingency to address any future unforeseen conditions associated with the complexity of the project and continued potential market volatility
- The additional request allows the project to proceed without removing key program elements which are needed to meet the basic intent of the project