

BOARD REPORT NO. 18-1-4C

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

PREPARED BY: José D. Nuñez, Vice Chancellor, Facilities Planning and Operations, 358-6836

CAPITAL IMPROVEMENT PROGRAM-PHASE 3 (CIP3) BUDGET UPDATE

On September 9, 2015, staff presented an information report on current market conditions and the 2015 CIP3 project budget estimates (Board Report No. 15-9-C). The report described an overheated Bay Area construction market, higher than historical market escalation rates, and the impacts to the CIP3 program budgets.

Subsequently, the Bay Area construction market has continued to experience extraordinary cost escalation and market conditions have necessitated significant restructuring of the planned project schedules and budgets. Initial program planning and budget projections relied upon historical cost data from CIP1 and CIP2 projects and informal market surveys of sister college districts. Upon completion of the 2015 professional services procurement process and project programming, professional cost estimators provided costs per square foot for the various planned project types and delivery methods. These initial square foot costs were indicative of unprecedented cost escalation and market pressure and indicated budget realignment was required.

In 2016 and 2017, projects utilizing the design-build delivery method were awarded (Board Report Nos. 16-9-100B Cañada College B1N Kinesiology and Wellness; 16-11-100B Skyline College B12N Environmental Science; 17-1-100B Cañada College 23N Math/Science/Technology; 17-4-100B Skyline College B1N Social Science and Creative Arts). As the projects moved through program validation and the subsequent design phases, more detailed building data including actual building square footage, structural, mechanical, electrical and life safety systems designs to meet programmatic requirements and construction challenges, resulted in more detailed and accurate cost estimates. These cost estimates indicate that the budget shortfall is greater than indicated in 2015.

Staff will provide an overview of the progression of the project planning and budgeting process, taking into account the effect of the extraordinary cost escalation on the current local Bay Area construction market.



SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT

FACILITIES PLANNING,
MAINTENANCE & OPERATIONS

Capital Improvement Program Phase 3(CIP3)

JANUARY 24, 2018



College of San Mateo



Agenda

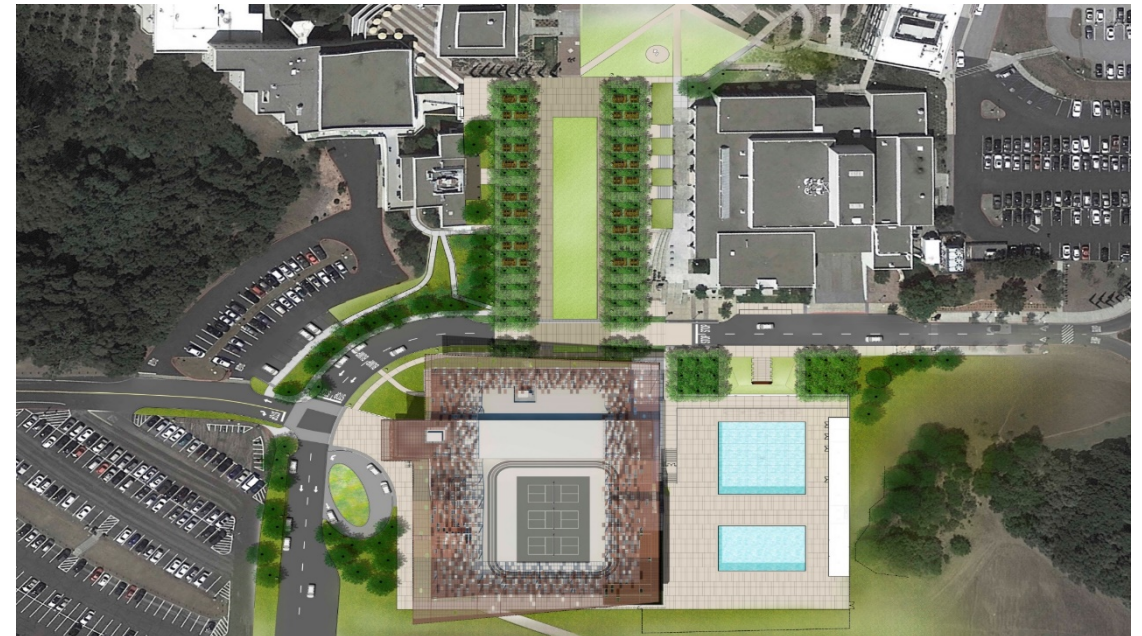
- Four Major Projects Updates
- Economic Market Conditions
- Program Budget Overview
- Q & A

CAN B1N – Kinesiology & Wellness Center



CAN B1N – Aerial View

CAN B1N – Bird's Eye View



CAN B1N – Kinesiology & Wellness Center



CAN B1N – Kinesiology & Wellness Center



Groundbreaking Event – December 5, 2017



CAN B23N – Science & Technology



SKY B12N – Environmental Science



SKY B12N – Environmental Science



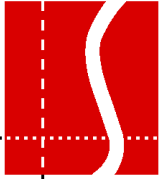
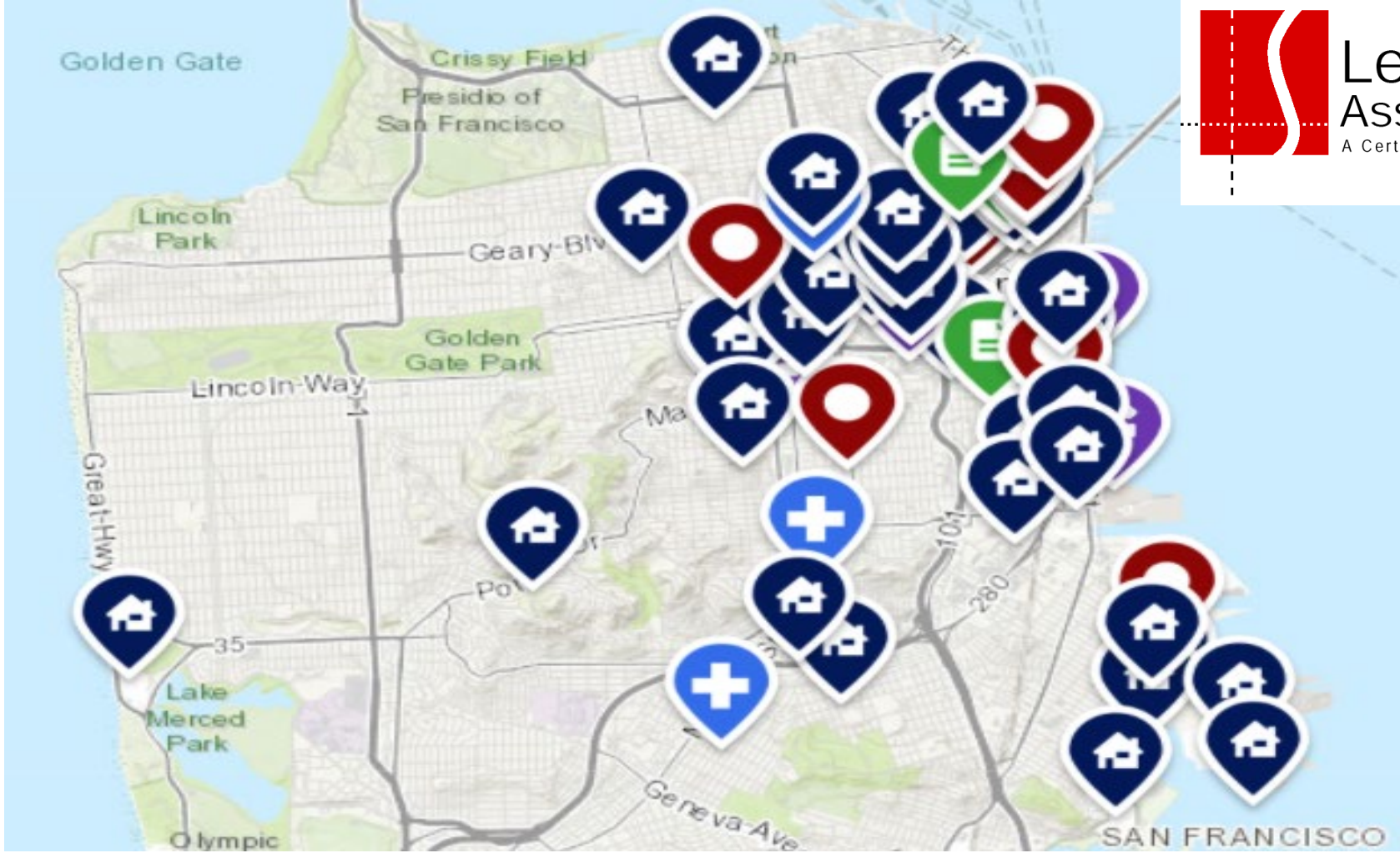
Groundbreaking Event – October 2, 2017



SKY B1N – Creative Arts & Social Sciences



Over \$50 Billion Under Construction in SF



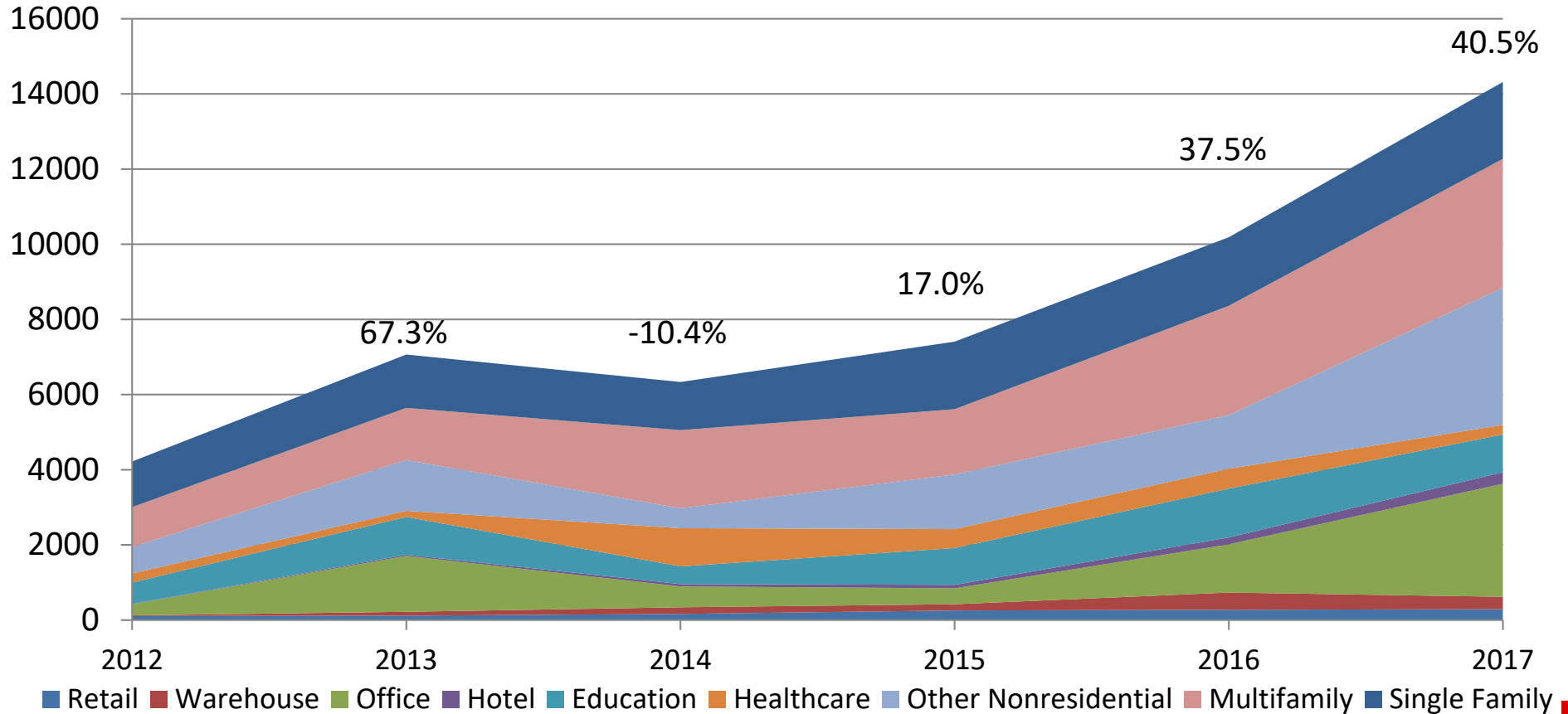
Leland Saylor
Associates
A Certified DVBE

Market Activities

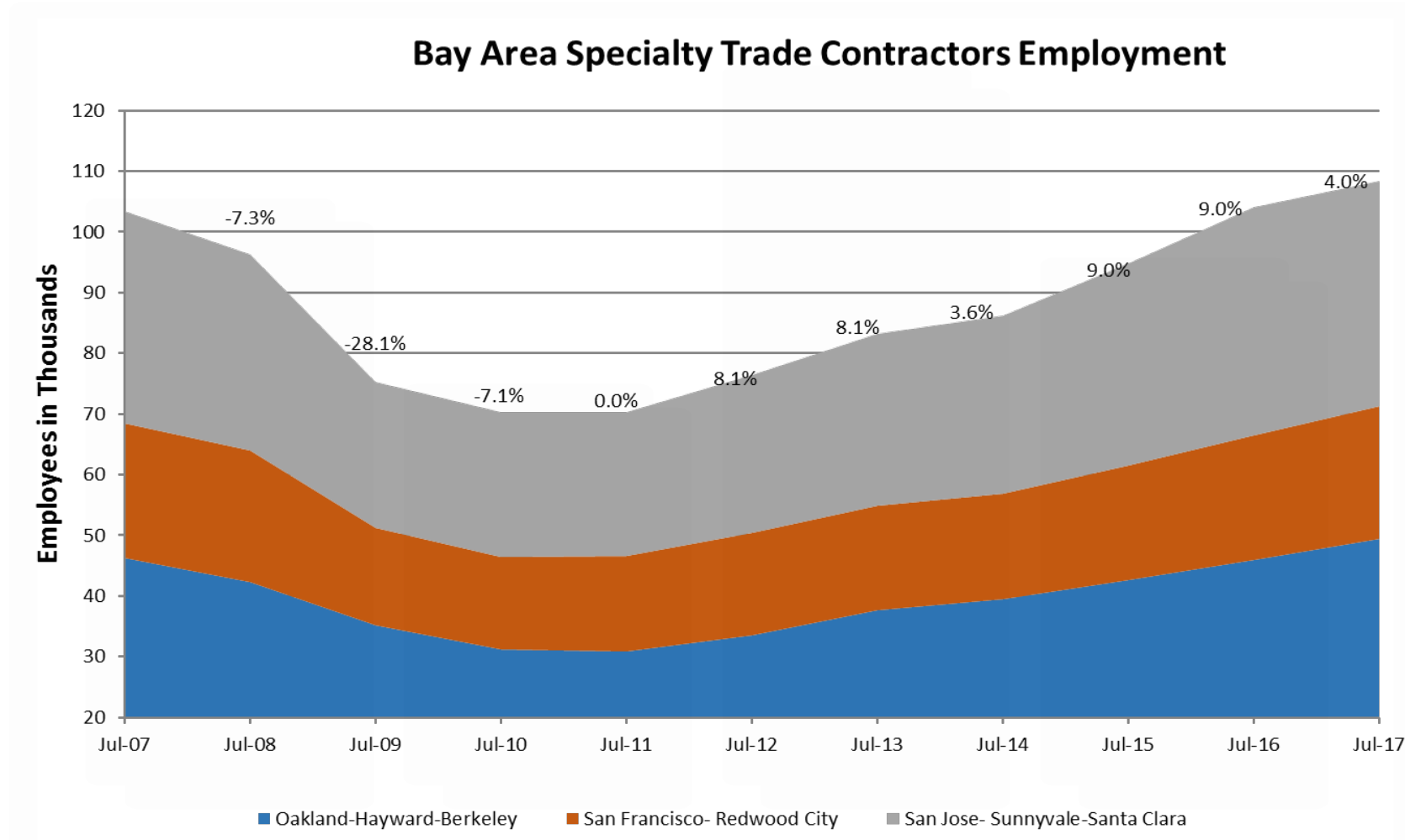
San Francisco Bay Area
Construction Starts (mil \$) Per Year

**Bay Area
Volume up
40% in
2017.

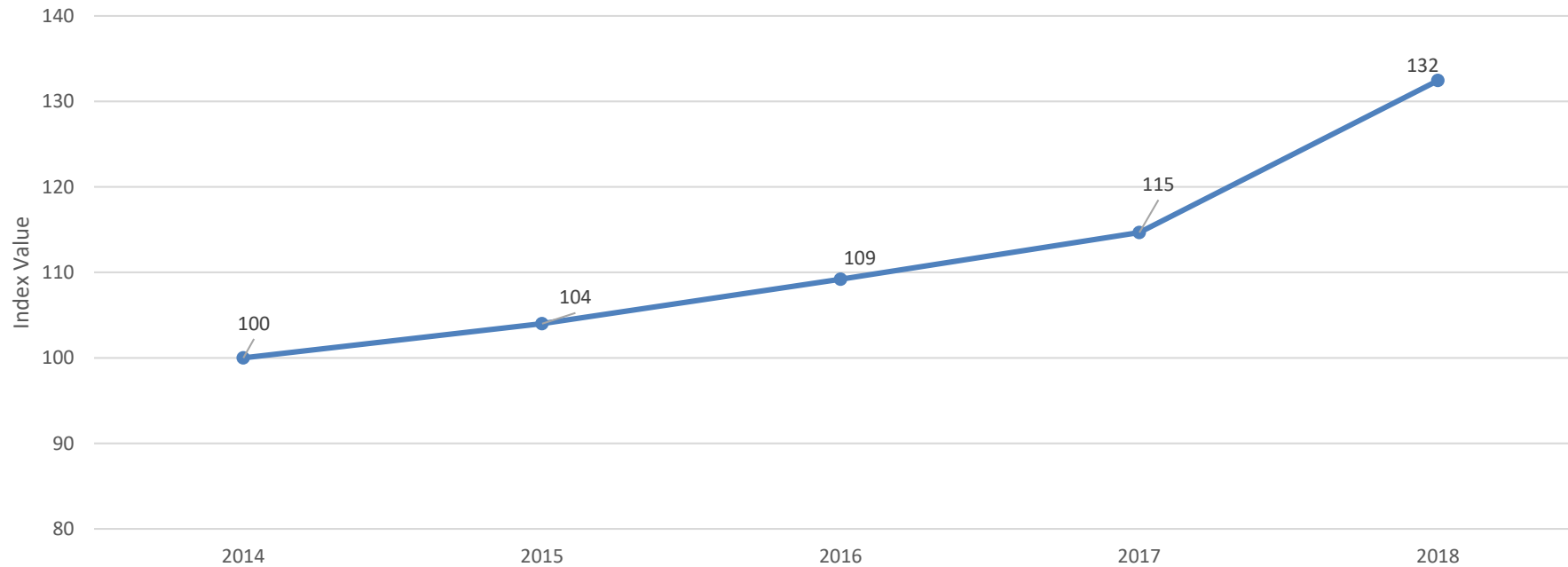
Over 350%
increase
since
2012.**



Specialty Trade Employment up 54% since 2011



Construction Costs up 32.4% since 2014



Historic escalation average is 3%

Current Market Factor: 10% *

Cumulative cost increase since 2014: 32.4%

*Market factor is the premium the market is paying currently for labor shortages, decreased productivity and lack of competition seen throughout the Bay Area

College of Marin, Child Study Center,
Kenfield, CA

Price Differential without Competitive Bidding

- Number of Bids

- 1 bid

- 2-3 bids

- 4-5 bids

- 6-7 bids

- 8-10 bids

% Differential

+25% to 50%

+10% to 25% Loyola University Chicago District,
Administrative and Technology Building

0% to +10%

0% to -10%

-10% to -20%

Loyola University Chicago District, Loyola University Chicago
Administrative and Technology Building

Current Cost Risks

- Rising costs due to increasing wages and contractor margins
- Decreasing competition - Contractor's Market
- Shortages in mechanical/electrical/plumbing (MEP)
- Severe shortages in major supply chains
- Ongoing escalation for multi-year programs

Funding Sources

Source	Amount
Measure H	\$388,000,000
Measure H Anticipated Interest	\$7,000,000
Measure A	\$5,900,000
Fund 4	\$40,300,000
Other Funding (Grants, Prop 39, and Parcel B)	\$8,300,000
Approved State Scheduled Maintenance Funding	\$2,440,000
TOTAL:	\$452,000,000

Potential Funding Sources Not Yet Realized - \$61.2M

State Capital Outlay \$45,200,000

Insurance \$16,000,000

Program Budget Overview

Total Program Funding	Projected Total Program Budget
\$452M	\$550M to \$600M

Questions and Answers



**SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT**

Cañada College • College of San Mateo • Skyline College