

Construction Cost Estimate for Broadway Option  
December 7, 2006

There is confusion about whether the capital costs in the October Broadway Business Plan include a contingency factor. They do, but that factor is not expressly spelled out. Here's the history.

We commissioned a detailed cost estimate for the architectural plan that underlies the facility proposed in Measure C. The summary page from that estimate, which was prepared by tbd Consultants, is in the Excel file that was sent with this e-mail. As you'll see that program was for 149,000 square feet, compared to the 135,000 square feet that the Broadway proposal now calls for. That estimate contains considerable detail, breaking the construction costs into 15 separate components. Two of those components are a "Construction Contingency" of \$20.83 per square foot and a "Design Contingency" of \$91.87 per square foot. (For simplicity, I'm quoting numbers for the "I Occupancy" building only, but the concept applies to all of the buildings.) Together, the two contingencies come to \$112.70, or a little over 20% of the total cost per square foot (before escalation) of \$551.21. So, as you can see, there was a significant contingency factor built into the Measure C cost estimate.

In putting together the cost estimate for the Broadway option, we decided to simply escalate the total numbers from the previous estimate (to account for the eight months that had passed), rather than commission and pay for another detailed estimate. So the \$551.21 figure for "I Occupancy" became \$575, and the \$471.20 figure for "OSHPD III Occupancy" (called "B Occupancy" by tbd Consultants) became \$500. The 20% contingency factor remains, but is simply not broken out expressly.

Frankly, we are baffled by Cirrus' critique in this area, because the construction estimates they use are considerably lower. As I read their material, they are using a construction estimate of \$450 per square foot, with an additional contingency factor of \$20. I presume these numbers are prior to escalation for future inflation, so their total of \$470 should be compared to our total of \$575. In other words, if we were to use Cirrus' estimation methodology and their square foot cost factors, our total capital costs would be considerably lower than the total we came to in the business plan.