



MEMORANDUM

To: City Council

From: Jamal Fox, Jessica Clarke, Daryl Braithwaite, Jessica Jones, David Eubanks

Date: February 8, 2022

Re: Library Redevelopment Project – Cost Estimate Update

In August 2021 the City of Takoma Park asked RRMM Architects and Downey & Scott (D&S) to develop a construction cost estimate for the Library Redevelopment Project (the “Project”). The D&S construction estimate was conducted when 90% of the construction drawings were complete, as is typical. Their study determined that the Project’s construction cost would total approximately \$8.4 million.

In January 2022, the City hired Arcadis to act as the Project’s construction manager. A part of Arcadis’ contractual obligation was to update the construction estimate with 100% complete construction drawings. Arcadis hired the Forella Group to perform the update. The Forella analysis, received on February 3rd and discussed on February 8th with RRMM Architects and reviewed by D&S, indicates that construction costs for the project have increased by approximately \$2.8 million to \$11.2 million.

Reasons for the Construction Cost Increase

According to Forella, the cost differences between the cost analysis conducted in August 2021 and the cost analysis conducted in January 2022 derive from three factors:

- 1) Changes in the construction market
 - a. Material costs due to product shortages
 - b. Backlogs and limitations in product sources
- 2) Scope and specification assumptions between D&S and Forella
- 3) Scope variances between 90% and 100% drawings

Of these three factors, the most significant cost differences are a product of the changes in the construction market. Material shortages caused by supply chain disruptions have led to higher unit prices across all major construction divisions. Roofing materials, HVAC, plumbing, doors and windows have all been subject to rising costs over the last seven months. These material shortages and the subsequent cost increases are further exacerbated by the fact that there are a limited number of suppliers but steady demand; a combination that is creating material backlogs and driving costs higher.

Cost differences attributed to finalizing drawings are common and expected and do not contribute significantly to the additional \$2.8 million. Differing scope and specification assumptions between D&S and Forella are also to be expected. Such differences are similar to those that the City might expect if two different contractors were bidding on the Project. The cost differences attributed to contractor assumptions are not overly significant.

Here is the budget side-by-side comparison requested by Council last week that reflects the new construction estimate received on February 3rd. The original \$2 million ARPA request was based on the October 2021 numbers using the August 2021 construction estimate.

Funding Source	December 2020 Estimate	October 2021 Estimate	February 2022 Estimate
Library Infrastructure Bond Reserve Balance	\$ 7,000,000	\$ 6,535,194	\$ 6,535,194
Library Infrastructure Bond FY22 Activity	\$ -	\$ (159,718)	\$ (159,718)
State Capital Grants	\$ 300,000	\$ -	\$ -
Cable Capital Grants	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
<i>Total Funds Available</i>	<i>\$ 9,800,000</i>	<i>\$ 8,875,476</i>	<i>\$ 8,875,476</i>
Cost Category			
RRMM Contract Balance Remaining	\$ 800,000	\$ 275,497	\$ 275,497
Construction Estimate	\$ 6,988,891	\$ 8,409,620	\$ 10,348,560
Green Design & Energy Efficiency Improvements	\$ 407,324	NA	NA
Solar Panels	\$ -	\$ 73,997	\$ 73,997
Soft Costs	\$ 756,000	\$ 1,365,890	\$ 1,365,890
Total Project Cost	\$ 8,952,215	\$ 10,125,004	\$ 12,063,944
Construction Contingency Advised	\$ 349,448	\$ 420,481	\$ 907,289
Funding Required	\$ 498,337	\$ (1,670,009)	\$ (4,095,757)

Next Steps

The Library Project has received its Mandatory Referral approval, building permit, and several other permits. All remaining permits are pending. The City expects that the increase in cost will be realized if no alterations are made to the building's design. Any significant change to the building design will likely require the permitting process to restart.

The Project's construction manager will facilitate a Value Engineering study, which will provide options to reduce the project cost from its current estimate of \$11.2 million. The study will identify potential ways to reduce costs by altering the design and/or phasing of the Project (e.g. bid alternates), but in a manner as not trigger the threshold in which the City would be required to restart permitting. Pending the results of that study, staff recommend a "hold" amount of \$4 million in ARPA contingency funding.