



April 14, 2022

State of Alaska Dept. of Education and Early Development
Division of School Finance and Facilities
801 West 10th Street, Suite 200
Juneau, Alaska 99811-0500

Attn: Wayne Norlund, Architectural Assistant, FSS/Facilities
Tim Mearig, Manager, FSS/Facilities

RE: 21st Edition Program Demand Cost Model – Model School Summary of Proposed Changes and Response Regarding Size Adjustment Cost Factor

Dear Mr. Norlund,

We are pleased to have been able to review and update the pricing associated with this 21st Edition of the Program Demand Cost Model. Volatile material pricing has been the biggest driver of the cost increases as the continued COVID-19 pandemic and the war in Ukraine among other factors have continued to push suppliers to pass on increased costs. The Model School Building Escalation Study has seen a format change as this year it was moved from Uniformat Elemental Categories to the 2020 DEED Standard Construction Cost Estimate Format. Along with these major updates and changes some formatting and accessibility issues have been addressed. In totality, we are sure you will be pleased with the 21st Edition.

The components and assemblies found in the Model School continue to cover the overall needs of the Program Demand Cost Model. With the items added in recent years addressing security and building standard compliance, the Model School functions as an appropriate guide to capture costs associated with new school construction and, by extension, renovation work. We have no changes to the items or assemblies to suggest.

At DEED's request, the Model School has been changed to the 2020 DEED Standard Construction Cost Estimate Format. With this change some items and assemblies have moved between divisions in order to follow the updated format. Caution, therefore, is needed when comparing this year's Model School with previous editions. For instance, casework has been moved from Equipment and Furnishings to Division 6 – Interiors. Thus Division 10 – Equipment and Furnishings saw an apparent decrease even though individual items still in the division had a price increase. We trust that this format change will be of benefit to DEED in using the Cost Model.

COVID-19 has now entered its third year on the world scene and is continuing to disrupt workforces and supply chains. Although the widespread shortage of labor and materials from the first two years of the pandemic appears to have moderated somewhat, key areas continue to be affected as variants of the virus move through the population.

This affects general and subcontractors supplying labor, and material suppliers trying to meet demand for products while experiencing shipping delays or missing components. These setbacks in key areas have made maintaining project timelines difficult as personnel get sick or are exposed and are unable to work, or when components have long lead times or have to be substituted one or more times. With timelines disrupted, budgets have likewise seen cost overruns as labor works overtime to catch up after a delay or to install equipment that arrives behind schedule and over original cost. Additionally, project duration and the associated General Requirements are increased as a result, further contributing to increased costs.

Another disruption to the global economy has been the war between Russia and Ukraine. This conflict has already pushed the price of oil up with its resulting impact on both materials and freight. Many believe that, as Russia and Ukraine are both large exporters of wheat, the disruption to the planting schedule in both countries will have further effects on the food supply globally as other countries try to make up for the lack and other foodstuffs are used to compensate. Just these two effects on the global economy have already caused a price increase in many facets of the construction industry and further effects will no doubt be realized.

The construction industry in Alaska is in a difficult position. Large sums of Federal money have been promised to the State and are beginning to flow in for infrastructure and other improvements. The price of oil being up also helps the State to fund needed projects that may have been on a waiting list because of low revenues over the past few years. However, the difficulties of fulfilling those contracts due to the reasons mentioned, as well as the perception of risk and rapid inflation, have combined to push construction costs up. We continue to see a need for the Unique Market Risk Factor at a minimum of 3.50% and we strongly recommend raising the escalation rate to 5% for budgeting purposes.

DEED has requested a review of the need and applicability of the Size Factor in Section 7 of the Cost Model. DEED has stated they routinely override the size factor when using the Model for small projects or specialty contractor work. The size factor calculation should only be used on construction projects that incorporate a diverse scope of work. It serves to modify overall costs based on the concept that a large project will make more efficient use of labor and material resources than a small project. It does not attempt to incorporate bidding strategy, nor is it intended to be used on specialty type projects that have a specific or narrow scope.

After review if you have questions, concerns, or suggestions, we would be pleased to discuss them.

Sincerely,



Rob Brown, Estimator
RB/as

STATE OF ALASKA
ESCALATION COST STUDY

MODEL SCHOOL BUILDING
SUMMARY COST COMPARISON REPORT

APRIL 2022



STATE OF ALASKA ESCALATION COST STUDY - SUMMARY COST COMPARISON REPORT
 ANCHORAGE, ALASKA (BASE)
 APRIL 2022



HMS Project No.: 22013

SUMMARY COST COMPARISON

	<i>2021 Total</i>	<i>2022 Total</i>	<i>Delta</i>	<i>Comments</i>
01 - SITE	\$ 1,569,271	\$ 1,744,095	0.11	Material price updates
02 - SUBSTRUCTURE	869,614	927,287	0.07	Material price updates
03 - SUPERSTRUCTURE	2,368,749	3,645,882	0.54	Material price updates
04 - EXTERIOR CLOSURE	1,257,248	1,464,577	0.16	Material price updates
05 - ROOF SYSTEMS	1,289,640	1,388,638	0.08	Material price updates
06 - INTERIORS	1,741,295	2,213,660	0.27	Material price updates and casework included
07 - CONVEYORS	0	0	N/A	
08 - MECHANICAL	2,437,954	2,516,714	0.03	Material price updates
09 - ELECTRICAL	1,742,535	1,776,159	0.02	Material price updates
10 - EQUIPMENT AND FURNISHINGS	471,203	170,579	-0.64	Material price updates, casework removed
11 - SPECIAL CONDITIONS	0	0	N/A	
<i>SUBTOTAL:</i>	<i>\$ 13,747,509</i>	<i>\$ 15,847,591</i>	<i>0.15</i>	
12 - GENERAL CONDITIONS	3,104,718	3,436,403	0.11	Material price updates
<i>SUBTOTAL:</i>	<i>\$ 16,852,227</i>	<i>\$ 19,283,994</i>	<i>0.14</i>	
13 - CONTINGENCIES	1,685,223	1,928,399	0.14	No changes
<i>TOTAL ESTIMATED CONSTRUCTION COST:</i>	<i>\$ 18,537,450</i>	<i>\$ 21,212,393</i>	<i>0.14</i>	
<i>COST PER SQUARE FOOT:</i>	<i>\$ 447.76 /SF</i>	<i>\$ 512.38 /SF</i>		
<i>GROSS FLOOR AREA:</i>	<i>41,400 SF</i>	<i>41,400 SF</i>		