MARKET CONTEXT
BAINBRIDGE ISLAND SCHOOL DISTRICT
15 YEAR MASTER PLAN
School Construction Cost

K-12 CONSTRUCTION COSTS IN REVIEW
- Historical Cost Data
- The Current Situation “A New Reality”
  - 2004 School Construction Bid Results
  - 2005 School Construction Bid Results
  - Causes of Rapid Escalation
  - Causes of Price Volatility

Cost Projections

K-12 CONSTRUCTION COST PROJECTIONS
- Current Escalation Projections
  - 2005 and beyond
- Bainbridge Island School District projects escalated
Construction Cost Review

K-12 CONSTRUCTION COSTS IN REVIEW

• 2004 Historical Cost Data

A look at prior inflation:

(Means Construction Cost Index averaged state-wide, more competitive locally)

2000 to 2001 - 3.5%
2001 to 2002 - 2.9%
2002 to 2003 - 2.6%
2003 to 2004 - 8.9%

A look at 2005 inflation:

June '05 to July '05 - 3.5%
on track for 7% - 8% year

Data compiled from the Seattle Daily Journal of Commerce
Construction Cost Review

K-12 CONSTRUCTION COSTS IN REVIEW

- 2005 Historical Cost Data

Bid Results Versus Estimate

<table>
<thead>
<tr>
<th>Percent Under/Over the Estimate</th>
<th>2004</th>
<th>2005</th>
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</thead>
<tbody>
<tr>
<td>Underbid 0% to 5%</td>
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<tr>
<td>Underbid 5% to 0%</td>
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<tr>
<td>Overbid 10% to 5%</td>
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<td>Overbid 20% to 10%</td>
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<td>More than 20% Overbid</td>
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<td>Underbid 0% to 5%</td>
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<tr>
<td>More than 20% Overbid</td>
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</table>

Data compiled from the Seattle Daily Journal of Commerce

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Construction Cost Projections

K-12 CONSTRUCTION COST PROJECTIONS

Present Increase Over 2004

<table>
<thead>
<tr>
<th>0.0%</th>
<th>5.0%</th>
<th>10.0%</th>
<th>15.0%</th>
<th>20.0%</th>
<th>25.0%</th>
<th>30.0%</th>
<th>35.0%</th>
<th>40.0%</th>
<th>45.0%</th>
<th>50.0%</th>
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</thead>
<tbody>
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</tbody>
</table>

Materials

- Reinforcing Steel - Material Cost
- Concrete Ready-Mix - 4000 psi
- CMU 6" Plain
- Brick Veneer on Framing
- Metal Roof/Deck
- Structural Steel - Material Cost
- Open Web Joists - Material Cost
- Metal Roofing
- Metal Siding
- Rigid Insulation - Roof
- Hollow Metal Doors & Frames
- Aluminum Windows
- Metal Framing 4" 20 gauge
- Metal Framing 8" 16 gauge
- Gypsum Board
- Acoustical Panel 24" Standard
- Copper Piping 1-1/2"
- Steel Piping 1-1/2"
- Ducting, Rectangular, Per
- Fire Sprinkler System - Per SF
- Convex BMF 2""
Construction Cost Projections

CAUSES OF RAPID ESCALATION

• World Demand Jumped in 2003 and 2004
  - China and India
  - 2004 Disasters
  - Rebuilding Iraq and Afghanistan

• Steel Market
  - November 2003: $380/Ton
  - December 2004: $615/Ton
  - July 2005: $660/Ton

  Flat Goods Rose 100%
  Rolled Shapes Rose 60%

K-12 CONSTRUCTION COST PROJECTIONS

• Current Escalation Projections

  Labor:
  - 3 to 6% increase for 2005-06
  - 2 to 5% increase for 2006-07

  Materials:
  - Steel: ($600/Ton now) will vary $50/Ton
  - Cement: 4% in 2005 and 3.5% in 2006
  - Lumber: 3% in 2005-06

Additional Local Impacts:
- Vancouver BC Olympics in 2010
- School Construction Bonds
Construction Cost Projections

K-12 CONSTRUCTION COST PROJECTIONS

The following school districts are planning February 2006 Capital Bonds ranging from $35 to 400 million dollars:

- Bellingham School District
- Burlington Edson School District
- Edmonds School District
- Federal Way School District
- Ferndale School District
- Issaquah School District
- Kent School District
- Lake Washington School District
- Mount Vernon School District
- North Thurston School District
- Oak Harbor School District
- Renton School District
- Tacoma School District
- Woodland School District

Construction Cost Projections

K-12 CONSTRUCTION COST PROJECTIONS

- Current Escalation Projections

  Historical Data and Past Trends Illustrate Volatility
  7% to 8% in 2005
  5% to 6% in 2006

- How to manage the risk

  Monitor the Markets
  12 Month Purchase Agreements
  Bulk Purchasing Power
  Early and Continued Value Analysis
  Add Specialty Contractors to the Project Team
  Share and Manage the Risk
### Escalated Dollars

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Sakai Intermediate School</td>
<td>$12,250,592 ($184 / SF)</td>
<td>$17,518,346 ($263 / SF)</td>
<td>$19,620,547 ($295 / SF)</td>
</tr>
<tr>
<td>Bainbridge High School Phase I</td>
<td>$20,980,721 ($270 / SF)</td>
<td>$30,002,000 ($386 / SF)</td>
<td>$33,603,000 ($432 / SF)</td>
</tr>
</tbody>
</table>

### Notes:
1. The 2007 Project Costs do not reflect the model program.
2. The project costs for these schools do not reflect additional costs associated with changes in building codes since their completion (International Building Code, Washington State Sustainable Schools, etc)
What is Project Cost?

Project Development “Soft” Costs (Recommend 53% to 56% See List Below)

Project Development Soft Costs vary dependent on size and scope of project.

<table>
<thead>
<tr>
<th>New/Replace</th>
<th>Modernization</th>
<th>Addition/Small Works</th>
<th>Capital Projects/</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architect/Engineer/Consultant Fees</td>
<td>13.0%</td>
<td>15.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Washington State Sales Tax</td>
<td>8.6%</td>
<td>8.6%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Testing &amp; Inspection</td>
<td>1.5%</td>
<td>1.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Permits</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Builders Risk Insurance</td>
<td>0.33%</td>
<td>0.33%</td>
<td>0.33%</td>
</tr>
<tr>
<td>Furnishings &amp; Equipment (Prox. $15/sf + WSST)</td>
<td>7.5%</td>
<td>7.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Construction Administration/Management</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Moving/Staff Planning Costs</td>
<td>1.0%</td>
<td>0.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Sustainable Schools Monitoring/Reporting</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Sub-Total Project Development “Soft” Costs</strong></td>
<td><strong>38%</strong></td>
<td><strong>39%</strong></td>
<td><strong>30%</strong></td>
</tr>
<tr>
<td>Project Development Cost Contingencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Contingency</td>
<td>10.0%</td>
<td>12.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Bid Market Contingency</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Project Contingency (Legal, Jurisdictional)</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Sub Total Project Development Cost Contingencies</strong></td>
<td><strong>18%</strong></td>
<td><strong>20%</strong></td>
<td><strong>23%</strong></td>
</tr>
<tr>
<td><strong>Total Project Development “Soft” Costs</strong></td>
<td><strong>56%</strong></td>
<td><strong>59%</strong></td>
<td><strong>53%</strong></td>
</tr>
</tbody>
</table>

Exclusions/Items Not Budgeted
- Wetlands Mitigation
- Land Acquisition
- Special Foundations/Piling
- Unsuitable Soil Mitigation/Over-excavation/Structural Fill
- Covered Walks

What is Project Cost?

Modernization/Addition Estimate Components Typically Include:

- Demo Existing (Partial) School
- Building Addition
- Classroom Modernization
- New Covered Play Structure
- Site Improvements
- Asbestos Abatement Allowance
- Additional Phasing/General Conditions
- Washington Sustainable Schools/LEEDS 2%
- **Subtotal**
- Escalation to April 2007 @ 5% per year = 12%
- **Total**
- Cost Per Square Foot
What is Project Cost?

REPLACEMENT ESTIMATE COMPONENTS TYPICALLY INCLUDE:

- New School Building
- Site Development
- New Covered Play Structure
- Demo Existing School
- Asbestos Abatement Allowance
- Additional Phasing/General Conditions
- Washington Sustainable Schools/LEEDS 2%

**Subtotal**

Escalation to April 2007 @ 5% per year = 12%
Total
Cost Per Square Foot

SOLUTION STRATEGIES

BAINBRIDGE ISLAND SCHOOL DISTRICT
15 YEAR MASTER PLAN