

Construction: Dealing with Material & Performance Delays

MSBO Spring Conference
April 24, 2024



Meet Our Team

Rob Atkins, P.E.
President - Kingscott



- Licensed Engineer
- 25+ years of Engineering and Project Management experience
- 35+ K-12 clients throughout Michigan

John Davids, AIA, REFP, LEED AP BD+C
Senior Design Architect - Kingscott



- Registered Architect
- LEED Accredited professional
- Led design efforts on educational projects for 36 years
- Over 40 K-12 clients across the United States
- Former President of A4Le Michigan chapter

Meet Our Team

Becky Timberlake
Senior Project Manager – Market Leader
Clark Construction



- Over 17 years of experience in the Construction industry
- More than 20 K-12 clients with \$500 Million of projects
- Facility Master Planning
- Facility Needs Assessment Cost Analysis
- Bond Campaign Assistance
- Construction Phase Management Services

Dave Warner
Senior Project Manager



- 23 years of experience in the Construction industry
- 15 K-12 clients with \$415 Million of projects
- Facility Master Planning
- Facility Needs Assessment Cost Analysis
- Bond Campaign Assistance
- Construction Phase Management Services

Meet Our Team

Rex Clary

Director of Operations– Saline Area Schools



- 10 years of experience in K-12 Facility Management
- 20+ years experience in the Construction industry
- MSBO Facility Director Certified since 2016
- Acting Owner Representative for Saline Area Schools
\$180M Saline STEAM Bond



Meet Our Team

Fredric G. Heidemann, J.D. Shareholder– Thrun Law Firm



- 10+ years practicing as a Bond Attorney
- Primary practice focuses are public finance, elections and construction
- Member of the Ingham County Bar Association, the Michigan Council of School Attorneys, the American Bar Association Construction Law Forum, the National Association of Bond Lawyers and the National Council of School Attorneys



Ice Breaker

- Who is currently considering putting a bond together?
- Who is currently in a bond?
- What are the biggest challenges your district is facing?

What We'll Discuss

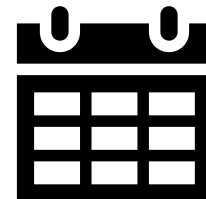
1. Current issues affecting projects



2. How to address those issues



3. Planning ahead



2022-2023 Trends

- **2022:** Shortage in materials
 - Roofing, paint, metal lockers, wood, Mechanical & Electrical
- **2023:** When to bid projects
 - Shifting/allowing time for procurement
 - Mechanical & Electrical
 - Labor is driving the delays, price increases & bid day spreads

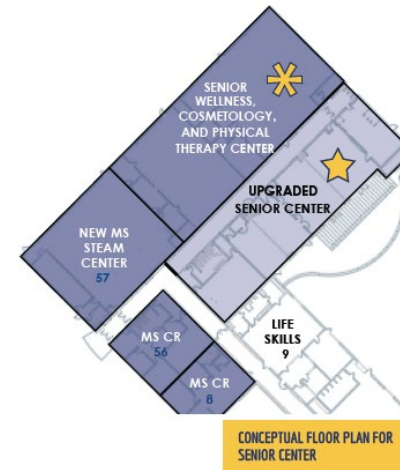


Importance of Flexibility

- Treasury responses to potential bond scope changes
- Building flexibility in the bond app
- Not all bond items need to be completed if needs change (legally)
- Vote is an authorization, not a requirement

SALINE
AREA SCHOOLS

WHAT PROJECTS ARE INCLUDED IN THIS BOND PROPOSAL FOR THE SENIOR CENTER?



AREA	SIZE	COST
SENIOR CENTER WELLNESS PROGRAM	8,100 SF	\$2,252,859
UPGRADED SENIOR CENTER	6,500 SF	\$1,765,543
SENIOR CENTER FURNISHINGS AND EQUIPMENT	N/A	\$462,234
TOTAL INVESTMENT		\$4.48 MILLION

MAP KEY:
MS CR - MIDDLE SCHOOL CLASSROOM
STEAM - SCIENCE, TECHNOLOGY,
ENGINEERING, ART, MATHEMATICS

Isolating The Issue

Price Increases

- Supply issues have diminished not disappeared. There are still issues with electrical items such as panels, transformers, switchgear and issues with HVAC Equipment
- Shortage of labor in the industry is causing a rise in pricing and challenges with quality
- Actual cost/sq. ft. is double what is currently being quoted by treasury (ex. \$600/sq. ft. vs. \$278/sq. ft.)
- Treasury is understanding of what is happening in the market



Planning Ahead

Price Increases

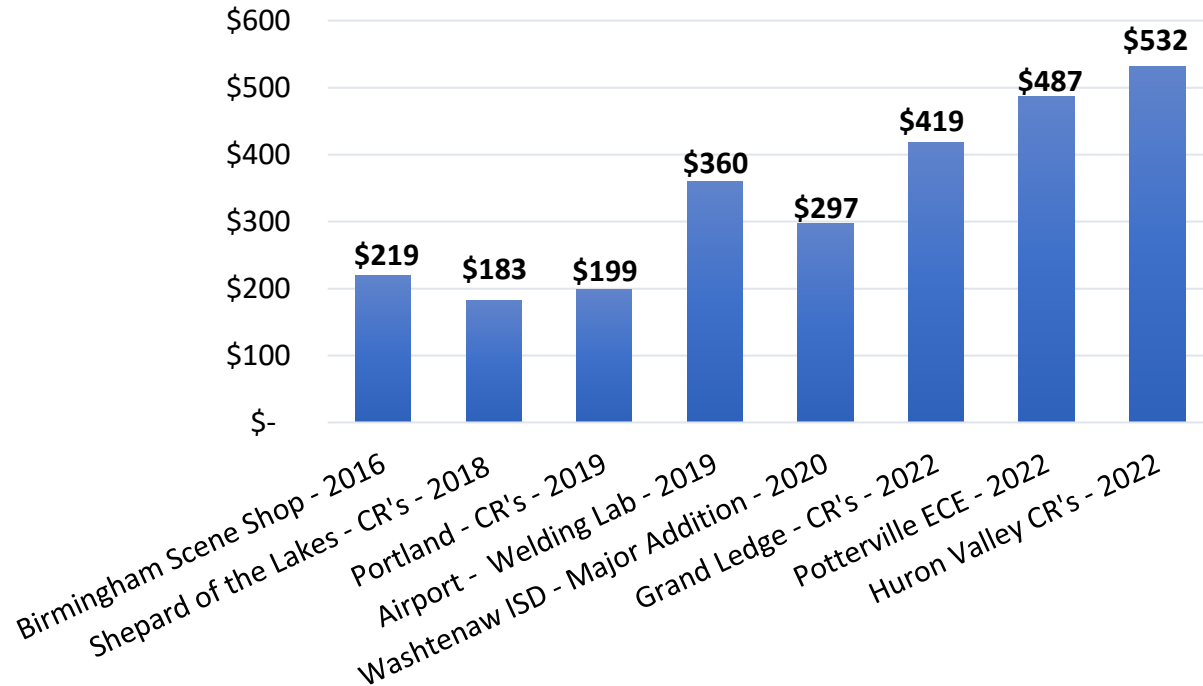
- Planning your bond and applying proper escalation for what's included in each series



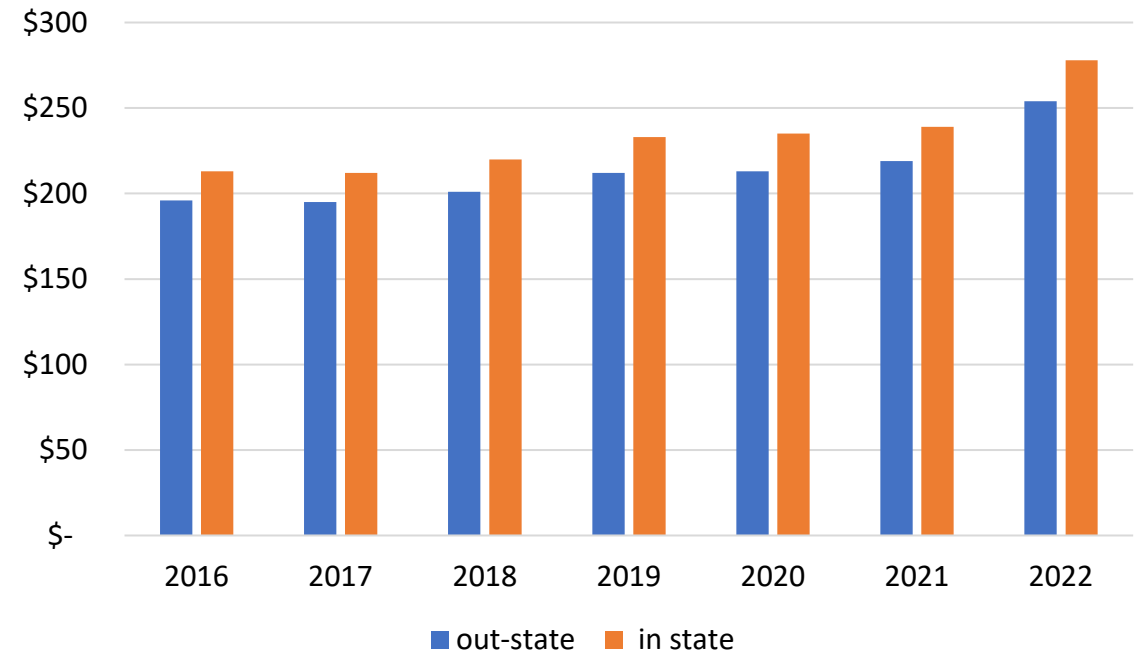
Isolating The Issue

Price Increases

K-12 Cost/SF 2016-2022 Additions



MI Dept. of Treasury \$/SF Parameters

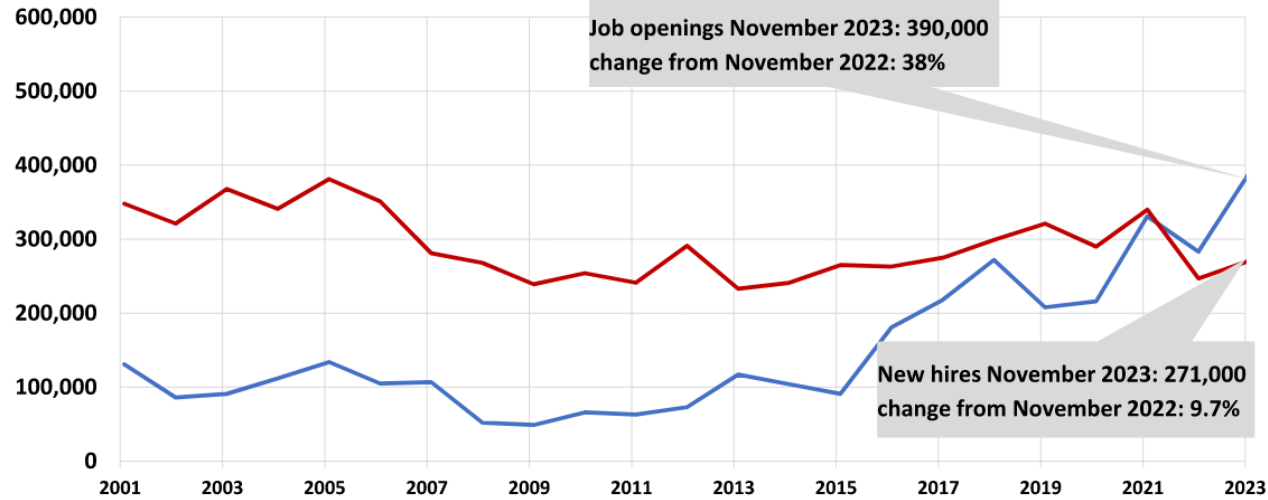


Isolating The Issue

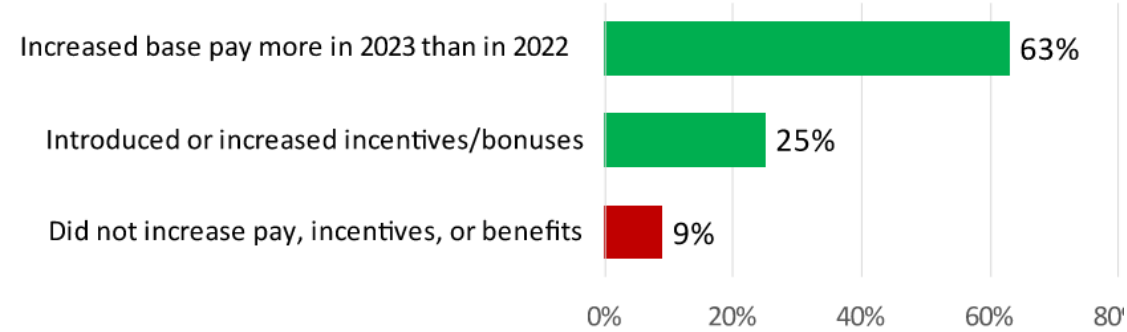
Price Increases

Construction job openings & new hires

Job openings and hires, November 2001-November 2023, not seasonally adjusted



AGC Outlook Survey: 2023 Compensation changes % of firms that:



Isolating The Issue

Price Increases

AGC Outlook Survey: Firms' expectations regarding their headcount and hiring over next 12 months

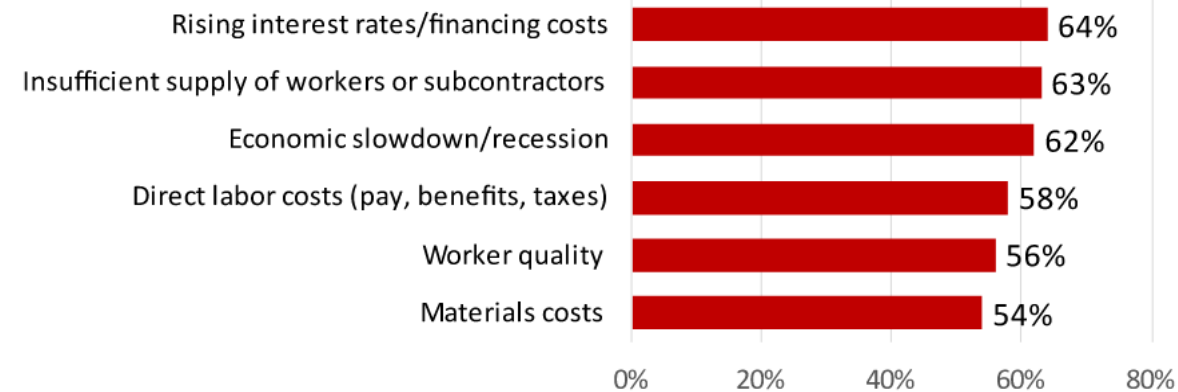
% of respondents who:



Source: AGC 2024 Outlook Survey; 1,293 total respondents

AGC Outlook Survey: Firms' major concerns for 2024

% of respondents who listed as a major concern:

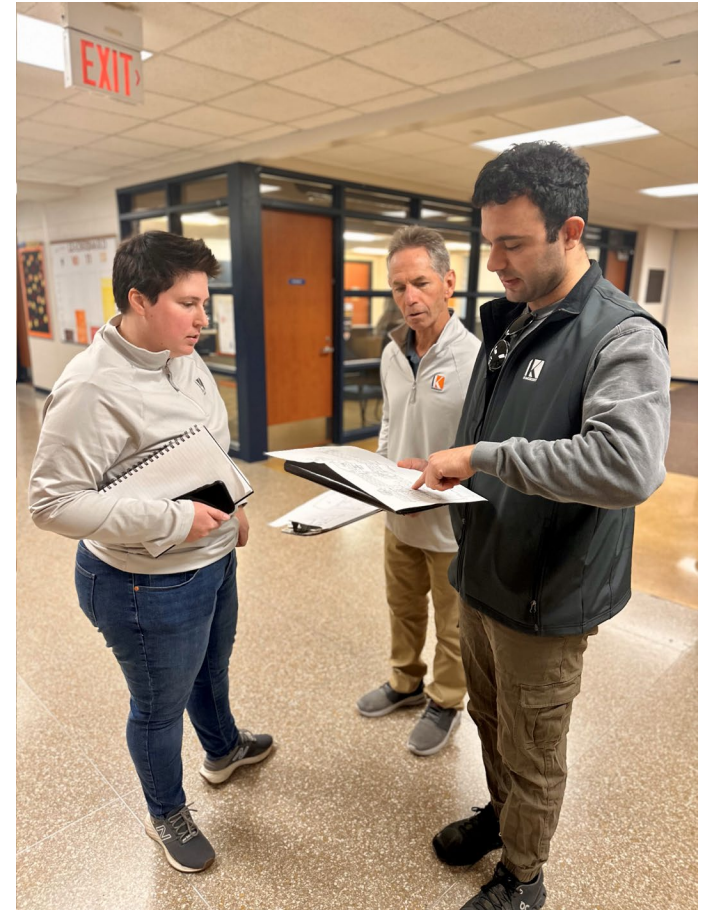


Current Large Projects in SE MI

- Huntington Place - \$1B
- Henry Ford Hospital - \$3B
- Wayne State - \$300M
- Troy Schools - \$555M
- Ann Arbor Schools - \$1b
- Utica - \$550M
- Hudsons Site - \$1.4B
- Train Station by Ford - \$600M
- Birmingham and Bloomfield Schools - \$200M each
- Walled Lake - \$316M
- DPS – \$750M
- Southfield PS - \$350M
- Gordy Howe bridge - \$5.7B
- Detroit Train Station - \$740M

Government Funded Improvements

- 2022 – 2024 ESSER Funds
- Inflation Reduction Act
- Energy Improvement Bonds/Non-Voted Bonds
- Statewide Infrastructure Study



Addressing The Issue

Price Increases

- Design below the budget of your project
- Contractors cannot legally increase prices
- Redefine the scope of your bond
 - How can you legally change bond scope to stay within budget?



Addressing The Issue

Price Increases

- Creative design solutions & value engineering
- The importance of early decisions and owner input
- Understanding structural systems
 - Cost (in a dynamic environment)
 - Schedule impact (construction AND delivery)
 - Maintenance costs
 - Aesthetics
- Mechanical systems options and planning for them
 - First Cost vs. Operating Costs



Addressing The Issue

Price Increases

- Don't box yourself in
 - Flexible Design Solutions
- The importance of TEAMWORK and COMMUNICATION
 - Owner/Architect/Engineer/Construction Manager



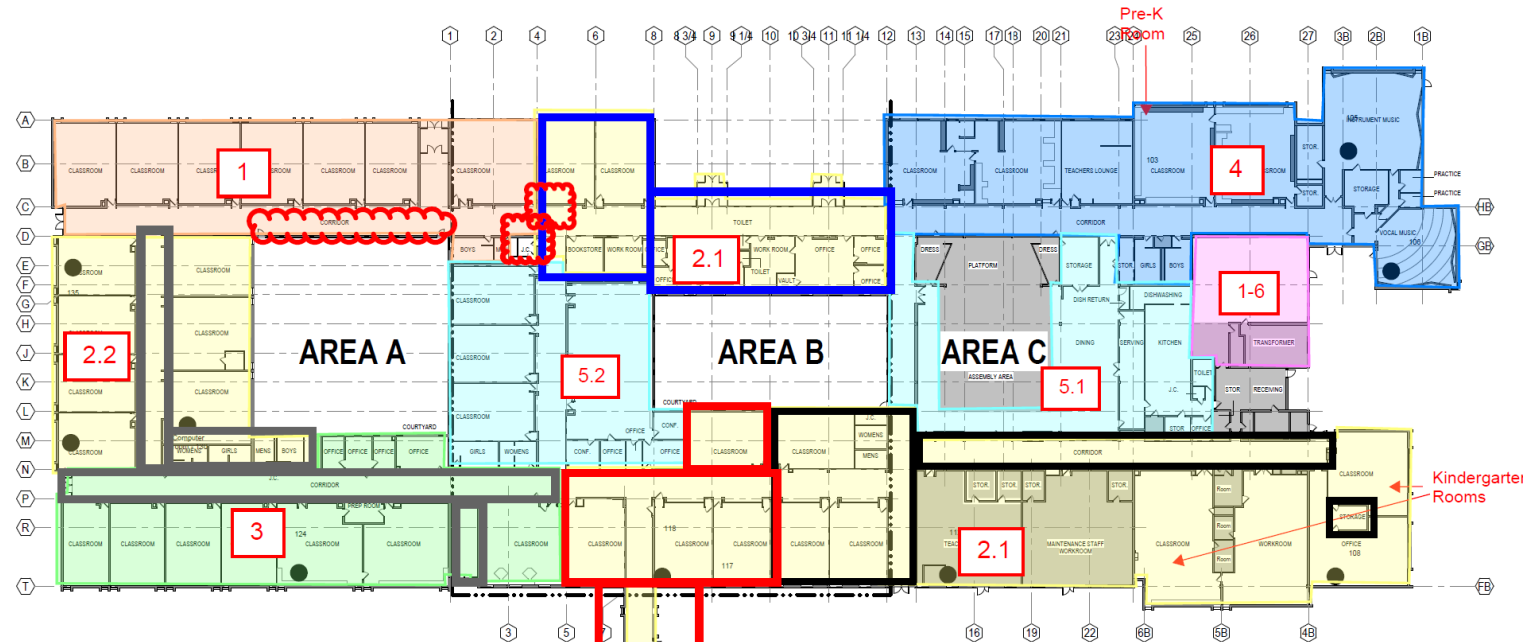
Addressing The Issue

Price Increases

- Pre-purchasing before CDs are issued
- Early Bidding – projects need to be bid out 10 months before the build
- Contingency plans – what if you're not ready by opening day of school?
- Not performing demolition until materials arrive
- Shifting work
- Constant and clear communication with district leadership
- Days of summer only work are history

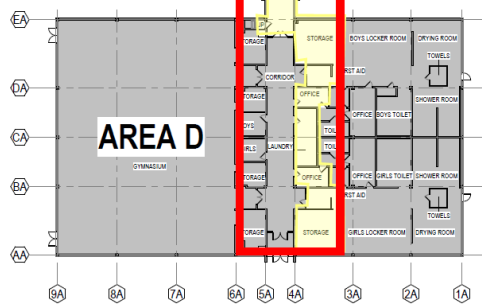


Phasing Plan Example



**12/1/2022 Walk
Swing Space Rooms:**
108, 112, 117
124, 129, 130
135, 105, 106

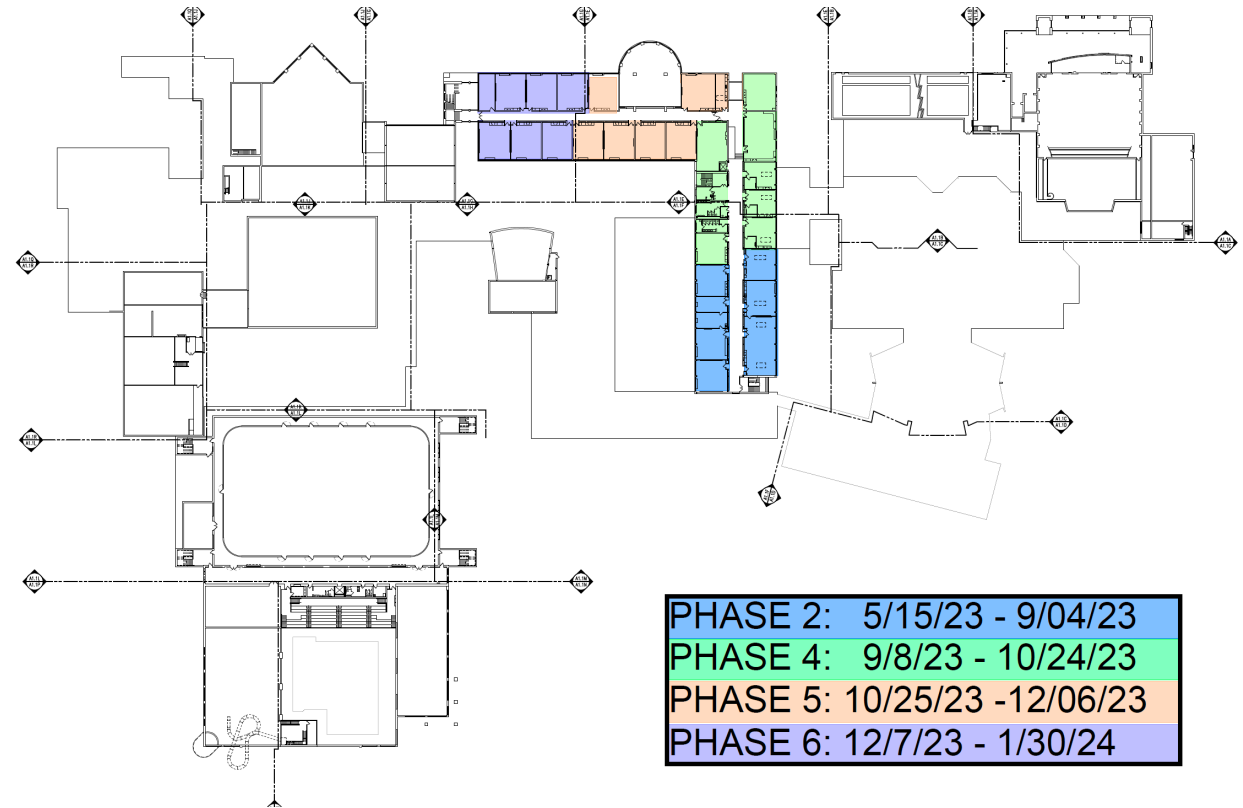
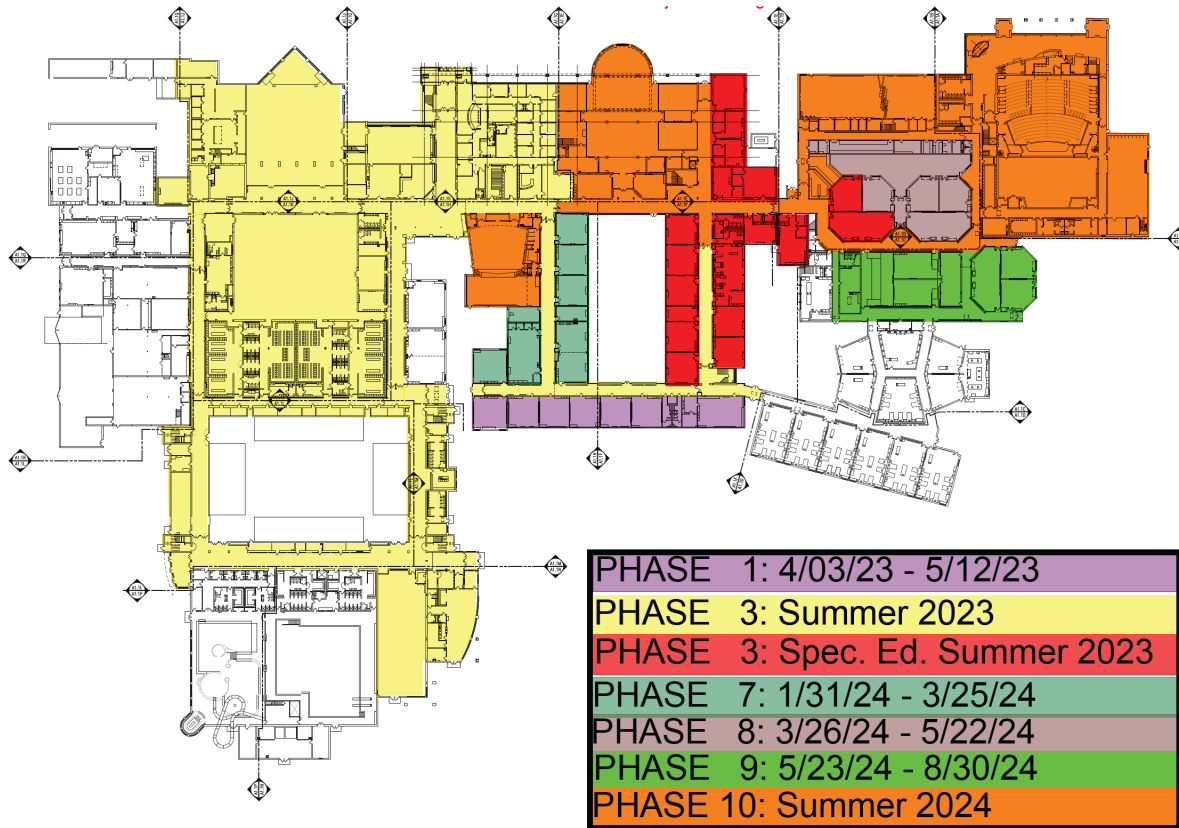
● Swing Space Rooms



Phase	Dates	Abatement
Phase 1:	12/26/22 - 5/2/23	
Phase 2:	6/12/23 - 8/21/23	1 (Blue box)
Abate 2.1:	6/12/23 - 6/26/23	1 (Black box)
Abate 2.2:	6/26/23 - 7/3/23	2.2 (Red box)
Phase 3:	8/28/23 - 12/22/23	2 (Grey box)
Abate 3:	8/10/23 - 8/18/23	
Phase 4:	1/8/24 - 6/14/24	
Abate 4:	12/26/23 - 1/8/24	
Phase 5:	6/18/24 - 8/18/24	
Abate 5.1:	6/17/24 - 6/27/24	
Abate 5.2:	6/27/24 - 7/3/24	
Phase 1-6:	Boiler/Electric Service upgrade work will be ongoing as available through all phases. Completion 12/30/2024	
Phase 6:	Upgraded Electric	
	3/26/23 - 7/12/24	
Phase 7:	Final MEP	
	3/25/24 - 10/30/24	

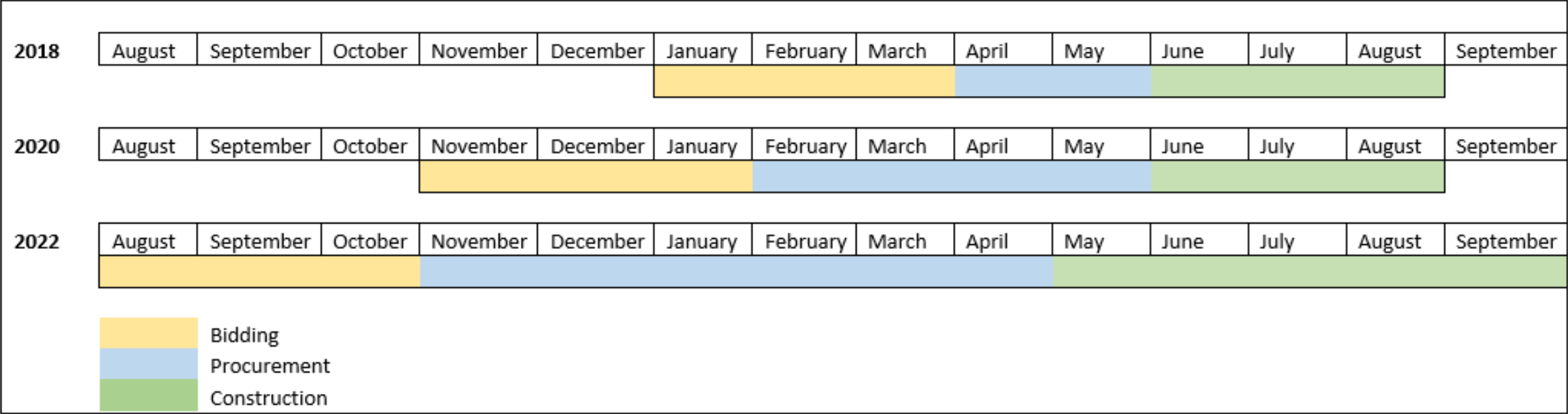
Exterior Work: 3/6/23 - 10/2/24

Phasing Plan Example



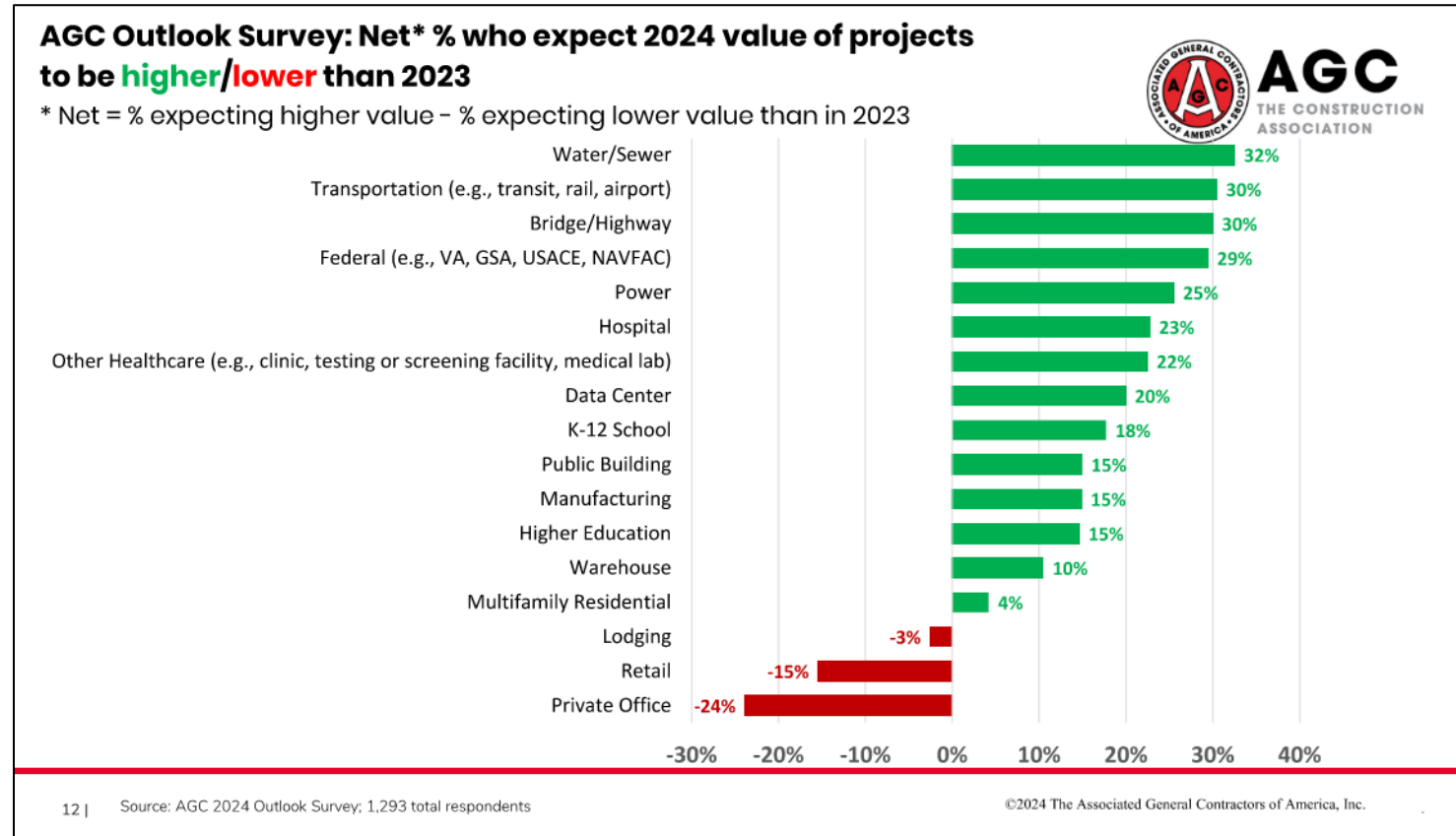
Addressing The Issue

Project Delays - Bidding Schedule



Planning Ahead

- Labor availability has resumed being the #1 challenge for many contractors
- Finding workers will be a challenge for much longer than materials costs or supply
- Material costs, lead times are mostly better except electrical gear and some electronics
- Concerns with higher interest rates on demand for construction and risk that the economy could enter a recession



Planning Ahead

- Comprehensive assessments for your District (Facilities & Curriculum together)
 - Provide a master plan for your immediate, near and long-term needs
- Develop a Capital Projects Team to discuss the following:
 - Master planning & site visits
 - Current projects
 - Requests for funding
- Who: Long-term leaders in the district who can build strong relationships, invite the right “voices” and work as a TEAM to keep students FIRST
 - Finance, Superintendent, Curriculum, Human Resources, Communications, IT, Facilities/Operations

District Perspective

- Controlling price increases:
 - Hard line on budget (give/take)
 - Design process
 - Remember you are the customer
 - Early bidding
 - \$\$ Larger bid packs
- Project delays:
 - SAS Middle School Gym (9/1/2022)
 - Communication is key
 - Under promise & over deliver



District Perspective

- Prioritizing
 - Safety & Security
 - Early childhood – funding to be determined \$
 - Robotics, Science Olympiad, E-Sports, CTE, STEAM
 - Energy efficiency projects to decrease GF spending
 - Athletics



District Perspective

- Communicating to parents
 - Tell your story, be transparent with new projects
 - “Why are you adding SQFT with decreasing enrollment?”
 - Remind parents and administrators it’s all about the students



QUESTIONS?

Connect with us!

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