

Revisiting Trench Cost

Keith Reckdahl
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*These are my personal opinions,
not necessarily those of XCAP or the City of Palo Alto*

Construction Costs

- Last week, staff stated that Bay Area construction costs are 20% higher than Los Angeles
 - This (currently) is true for buildings, but not for general construction
- Engineering News-Record (ENR) publishes two well-regarded cost indexes that track construction costs, updated monthly
 - Building Cost Index (BCI) tracks costs for buildings (which require skilled laborers such as carpenters)
 - Construction Cost Index (CCI) tracks costs for general construction (which uses less-skilled labor)
- SF vs LA Building Costs (per ENR BCI index)
 - Sept 2020: Bay Area is currently **21%** higher than Los Angeles
 - Five year average: Bay Area is **12.4%** higher than Los Angeles
- SF vs LA Construction Cost (per ENR CCI index)
 - Sept 2020: Bay Area is currently **7.8%** higher than Los Angeles
 - Three-year average: Bay Area averaged **2.8%** higher than Los Angeles
 - Five-year average: Bay Area averaged **2.2%** higher than Los Angeles
- Construction Cost escalation
 - Over the past three years, the Bay Area ENR CCI has increased **3.16%** per year

Carlsbad/Palo Alto Trench Comparison

- The Carlsbad Short Trench is the same length as the Charleston/Meadow trench
 - Note Carlsbad Trench is 1.5 feet deeper and 10 feet wider (increasing Carlsbad costs)

	Minimum cost (millions \$)	Maximum cost (millions \$)	
Estimate of Total Cost	165	180	2016 dollars
30% Contingency	50	55	
Escalation from 2016 to 2023	45	50	
Subtotal	260	285	2023 dollars
LA/SF construction-cost adjustment	20	22	7.8% (per Sept 2020 ENR CCI)
Subtotal	280	307	2023 dollars
Escalation from 2023 to 2025	18	20	3.16% (ENR CCI 3-year mean)
Final Adjusted Cost for Carlsbad	298	327	2025 dollars
AECOM estimate for Palo Alto	800	950	2025 dollars
Ratio (Palo Alto/Carlsbad)	268.5%	290.5%	

- Yearly cost escalation and LA/SF differential do not fully explain cost discrepancies
 - Doubtful that site-specific costs can explain 268% cost ratio

Cost discrepancies necessitate additional trench analysis