



Board Report

File #: 2021-0419, **File Type:** Informational Report

Agenda Number: 30.

CONSTRUCTION COMMITTEE SEPTEMBER 16, 2021

SUBJECT: 2021 LOS ANGELES CONSTRUCTION MARKET ANALYSIS

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the report on 2021 Los Angeles Construction Market Analysis.

ISSUE

A construction market analysis was performed to better understand the factors influencing construction bid prices and Metro's ability to deliver the largest transportation construction program in the country. Current and future market conditions, along with the economic impacts of the COVID-19 pandemic, were assessed in the 2021 Los Angeles Construction Market Analysis to determine factors influencing construction bidding activities and our ability to deliver Metro's capital program, including projects approved as part of Measure M.

BACKGROUND

Following the passage of Measure M, a construction market analysis was performed in 2018 to evaluate market conditions to determine factors influencing construction bidding activities and our ability to deliver Metro's capital program. As part of a bi-annual effort to continuously evaluate market conditions, a 2020 study was prepared. However, the 2020 Construction Market Analysis was finalized in March 2020 prior to the COVID-19 pandemic, which dramatically changed economic conditions locally and across the world. The 2021 Construction Market Analysis provides a comprehensive analysis and update of construction market factors and trends since the last report that was completed in March 2020 and presented to the Board in May 2020.

DISCUSSION

The Construction Market Analysis objectives were to gather information to evaluate the national, regional, and local economies as it relates to construction cost and bidding trends, the current and future amount of construction activities in the region, and measure its impact on the proposed work in

the region, and the macroeconomic employment trends and skilled labor availability.

The KTJV team under the Program Management Support Services contract performed the Los Angeles Construction Market Analysis update and completed the report in June 2021. The report discusses factors that would influence future construction bid prices at Metro and how they would impact our ability to deliver Metro's capital program on time and within budget.

- Current market indicators in the construction industry forecast a construction labor shortage, low unemployment, and a large volume of ongoing and planned work in the region.
- Inflation projections show a rise in construction costs. The budget development for multiyear projects must adequately account for escalation, increasing wages, increasing materials costs, and rising margins.
- The number, size, and complexity of megaprojects are increasing, resulting in reduced competition and higher bids.
- As market demand increases, contractors will be increasingly selective in deciding which projects to pursue, depending on the owner and the amount of risk an owner places on the contractor.

Metro and other agencies will compete for qualified contractors, subcontractors, and skilled workers in the robust construction marketplace.

Report Recommendations

The 2021 Los Angeles Construction Market Analysis report identifies the following goals for Metro to better position itself in the marketplace: be the owner of choice, increase the labor pool, and control construction costs. Based on these goals, the following recommendations are made:

- Embrace partnering on all levels of engagement with contractors to build a reputation as an owner of choice
- Review and revise standard contract terms and conditions to be more attractive to bidders
- Conduct outreach to top-tier contractors who have not previously worked with Metro
- Fill the talent gap resulting from the VSIP and develop training programs
- Expand the scope and reach of the WIN-LA program to support contractors in hiring local talent
- Allocate a small percentage of units in Metro joint development projects for craft labor working on Metro projects
- Build temporary dormitory housing on laydown/staging sites for Metro projects
- Develop specifications that can be flexible to allow for price swings in different materials
- Develop a list of approved material substitutes that can be used in the event of fluctuations in the cost of materials

Shorten review times between the submittal of bids and awards to prevent future fluctuations in

materials between the time of bid submittal and notice to proceed.

FINANCIAL IMPACT

There is currently no impact on the budget.

EQUITY PLATFORM

The goal of the analysis is to highlight the factors influencing construction bid prices and Metro's ability to deliver the transportation construction program. As part of the analysis, there was a review of the economic impacts, especially from the pandemic, and found it has manifested differently across workers, businesses, and industries with small businesses in nonessential industries experiencing the most economic distress, and women and minorities being disproportionately affected.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal #1 to expand the transportation network as responsibly and quickly as possible and by targeting infrastructure and services investments towards those with the greatest mobility needs.

NEXT STEPS

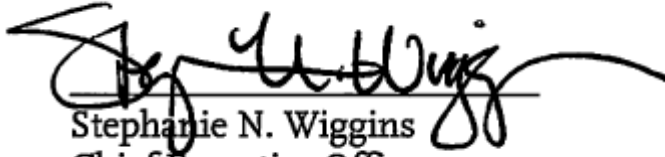
Metro staff will evaluate each of the recommendations and implement them, if appropriate. Staff will also continue to develop strategies on how to best address the factors impacting Metro's ability to deliver projects on-time and within budget successfully.

ATTACHMENTS

Attachment A - 2021 Metro Construction Market Analysis

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