



Board Report

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Agenda Number: 20.

CONSTRUCTION COMMITTEE MAY 21, 2020

SUBJECT: 2020 LOS ANGELES CONSTRUCTION MARKET ANALYSIS

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE status report on the 2020 Los Angeles Construction Market Analysis report.

ISSUE

To better understand the factors influencing construction bid prices and Metro's ability to deliver the largest transportation construction program in the country, a construction market analysis was performed in 2018 following the passage of Measure M. A 2020 study has now been conducted to update the construction market analysis to today's current conditions and to identify factors influencing bid prices, labor availability and develop mitigation strategies. Current and future market conditions were assessed to determine factors influencing construction bidding activities and our ability to deliver Metro's capital program, including projects approved as part of Measure M. Since the Construction Market Analysis was finalized in March 2020, we have prepared an addendum (see Attachment B) that assesses the impacts of COVID-19.

BACKGROUND

The 2020 Los Angeles Construction Market Analysis report is a comprehensive analysis of construction market factors and trends since the last report that was completed and presented to the Board in 2018. The Construction Market Analysis objectives were to gather information to evaluate the global, national, regional, and local economy 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.

DISCUSSION

The desired outcome of the 2020 Los Angeles Construction Market Analysis report is to continue our understanding of the factors influencing construction costs in the Los Angeles market, develop pricing projections for future forecasts, and determine potential solutions to mitigate rising bid prices to better

ensure our ability to deliver Measure M and other capital projects within existing project budgets.

KKCS/Triunity Joint Venture performed the Los Angeles Construction Market Analysis update and completed the report in March 2020. 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 large volume of on-going 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, materials, and rising margins.
- The number, size, and complexity of mega projects are increasing resulting in reduced competition and higher bids.
- As market demand increases, contractors will be increasingly selective in deciding which projects to pursue, dependent 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 2020 Los Angeles Construction Market Analysis report includes the following recommendations:

- Develop innovative way to create housing for construction workers that can be converted into affordable housing as part of Metro's Transit-Oriented Communities program or to house unemployed persons with capability for job retraining.
- Leverage technology to train and attract new job candidates to improve productivity, maintain schedule, and improve the labor pool.
- Consider different incentivizing strategies for contractors meeting certain diversity goals.
- Reduce the time and cost to propose on Metro projects and standardize contract templates to lessen the burden on bidders.
- Incorporate modular construction design to relieve local labor pool constraints and streamline schedule.
- Consider phased implementation of projects to lower the risks associated with megaprojects.
- Identify potential third-party project synergies for shared costs opportunities.
- Maintain an aggressive posture to attract limited available resources, including onboarding qualified candidates before the actual need arises.

FINANCIAL IMPACT

There is currently no impact to the budget.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

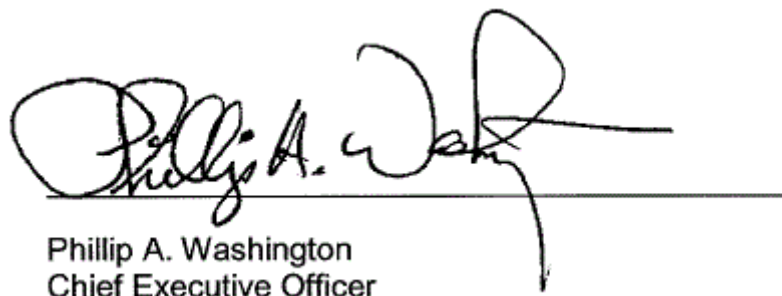
ATTACHMENTS

Attachment A - 2020 Metro Construction Market Analysis

Attachment B - Metro Construction Market Analysis Addendum, COVID 19

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