



Skanska USA Building Inc.

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Mr. Karl Brown
Massachusetts School Building Authority
40 Broad Street
Boston, Ma 02107

10/31/12

Re: Winchester High School Feasibility Budget

Earlier this month SMMA and Skanska completed our first order of magnitude pricing estimates for the alternates being reviewed as part of the feasibility study. The estimates were a surprise to the building committee, as they were far above the range they expected of 60 - 90 Million dollars. I spent some time exploring where the project budget range came from and this is what I found.

The town of Winchester had established an original project range of 60 - 90 Million for its high school feasibility study based on three levels of project scope, which included;

Minor renovation at \$54,784,000

Major renovation at \$75,233,000

New Construction \$ 87,676,000 Based on 253,000 Sf building new construction

These estimates were derived from the 2007 master plan completed by Earl Flansburgh. These estimates were in 2007 dollars, the master plan noted that these estimates should be increased for inflation and rising construction costs at a compounded rate of 7% per year.

If you took the simple straight line escalation that the master plan suggests the costs would equate to the following in 2015 dollars

Minor Renovation	\$ 94,129,112
Major Renovation	\$ 129,264,301
New Construction	\$ 150,643,692

To take a more precise approach we analyzed the actual building construction cost index published by ENR for the period from July 2007 through July of 2012 which resulted in the following price escalations:

6/2007-6/2008	5.1 %
6/2008- 6/2009	0.8 %
6/2009 - 6/2010	3.1 %
6/2010 - 6/2011	3.7 %
6/2011- 6/2012	2.2 %

We have factored these annual escalations into a spreadsheet and are using a compounded rate of 4 % per annum to project from now thru mid point of construction (approx 2017). In addition we are increasing the renovation original estimate costs by 8.2 M to account for seismic upgrades required by the 8th edition of the Massachusetts State building Code.

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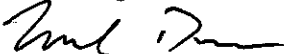
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This more precise approach results in project budgets in the following range

Minor Renovation	87,288,123
Major Renovation	116,110,137
New Construction	140,859,054

As you can see these estimates are far above the 60 – 90 Million, however we feel that these estimates more closely reflect what the town is actually looking for in their project. Early next week, I will be submitting the preliminary design program on behalf of the Town of Winchester, as a preface to this submission, I hope that you will take into account this review and analysis of the current project budget range.

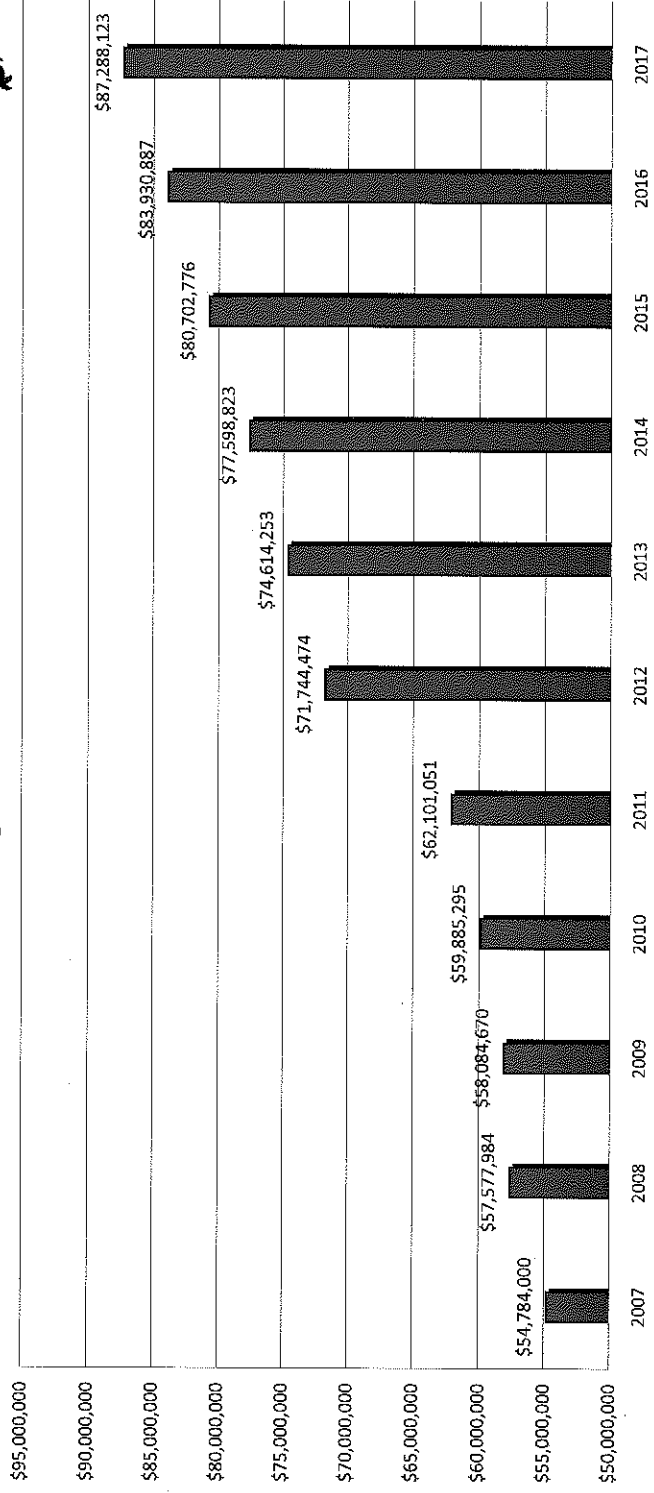
Best Regards,



Neil Davis
Project Director
Skanska USA Building



Escalation of Cost for "Minor Renovation" Building from 2007 to 2017



2007 Master plan estimate of \$54,784,00 has been increased by actual escalation thru 2012 by rates detailed below.

2012 Cost has been increased by \$ 8,277,200 to account for seismic upgrades required by 8th Ed. Mass Building Code

Jul 07- Jul 08 Actual Building Cost Index increase 5.1%

Jul 08-Jul 09 Actual Building Cost Index increase 0.8%

Jul 09-Jul 10 Actual Building Cost Index increase 3.1%

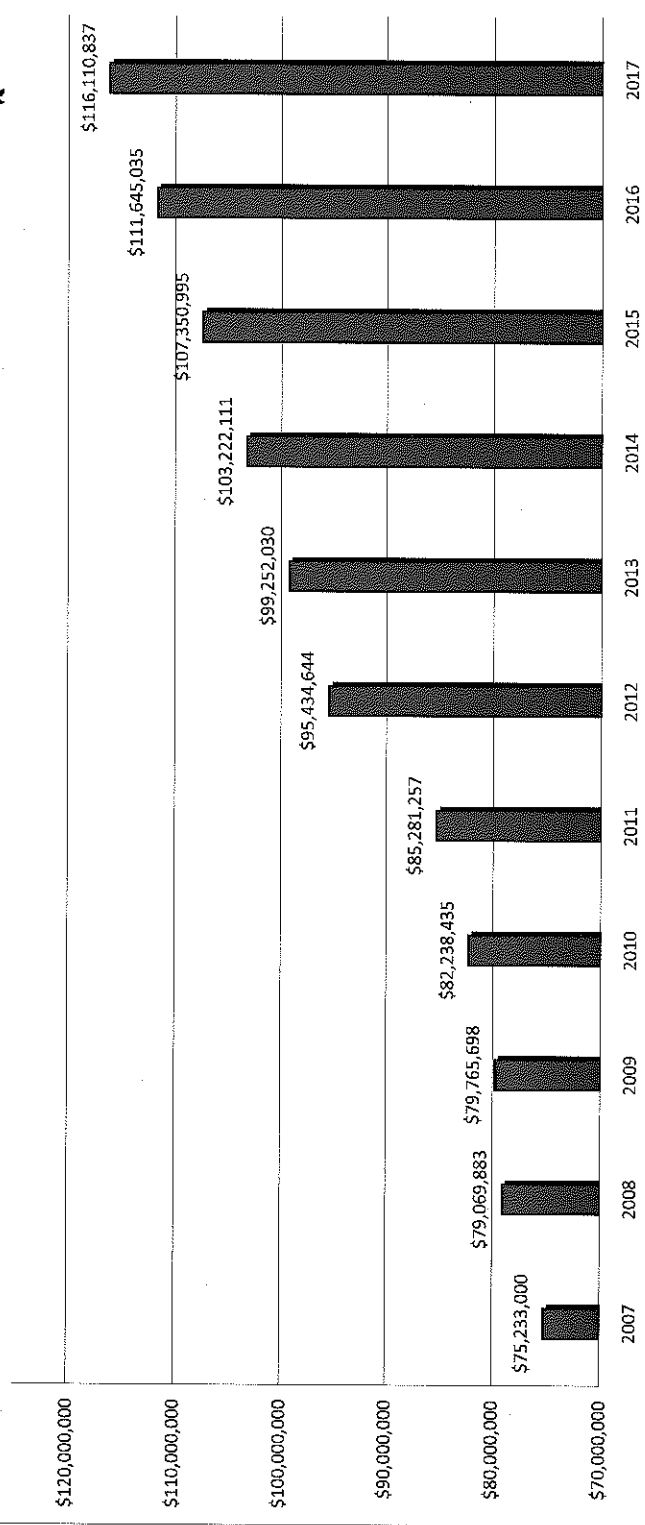
Jul10- Jul 11 Actual Building Cost Index increase 3.7%

Jul 11- Jul 12 Actual Building Cost Index increase 2.2%

2012-2017 Escalation of cost is shown at a compounding rate of 4% per year to midpoint of construction



Escalation of Cost for "Major Renovation" Building from 2007 to 2017



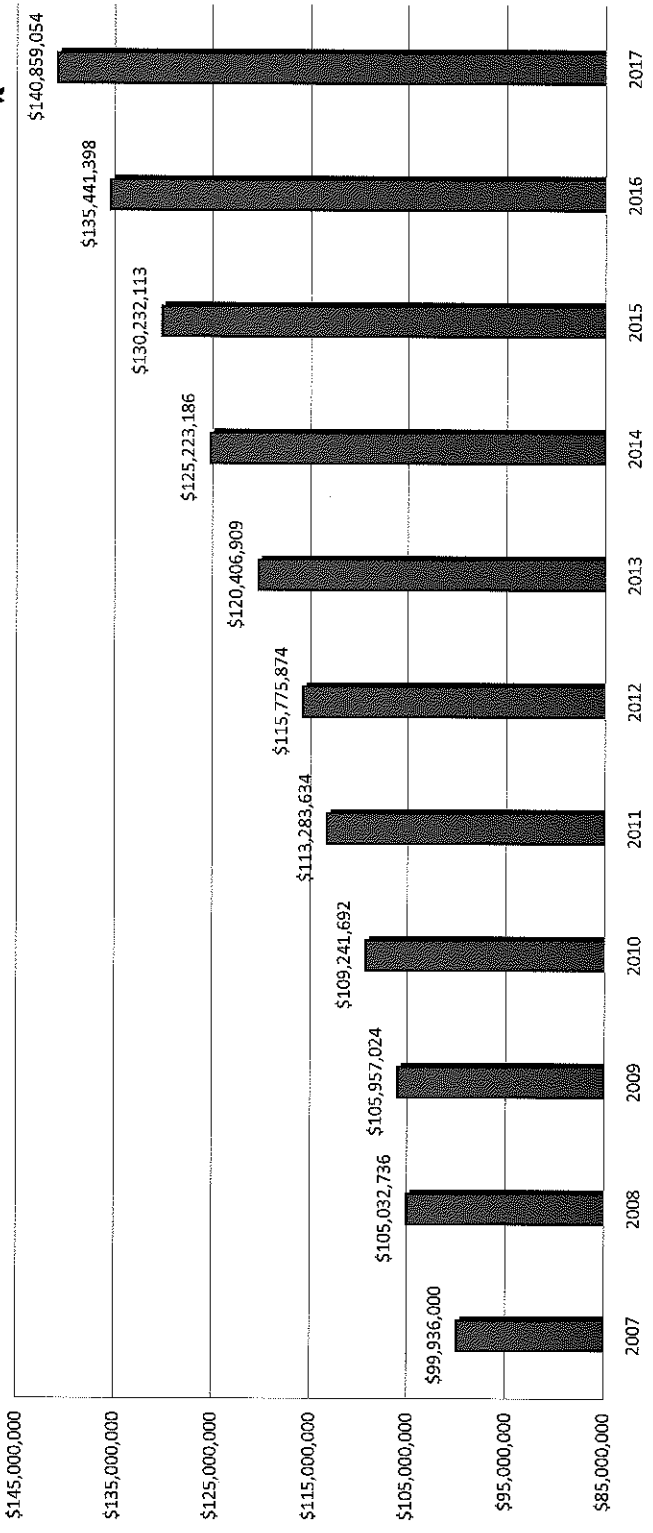
2007 Master plan estimate of \$75,233,000 has been increased by actual escalation thru 2012 as shown below.
2012 Cost has been increased by \$8,277,200 to account for seismic upgrades required by the 8th Ed of Mass. Building Code

- Jul 07- Jul 08 Actual Building Cost Index increase 5.1%
- Jul 08-Jul 09 Actual Building Cost Index increase 0.8%
- Jul 09-Jul 10 Actual Building Cost Index increase 3.1%
- Jul 10- Jul 11 Actual Building Cost Index increase 3.7%
- Jul 11- Jul 12 Actual Building Cost Index increase 2.2%

2012-2017 Escalation of cost is shown at a compounding rate of 4% per year to midpoint of construction



Escalation of Cost for "NEW" Building from 2007 to 2017



2007 Master plan estimate of \$87,676,000 was based on new building of 253,000 SF. This results in \$347 /Sf total project cost.

Current program requires 288,000 SF. We have adjusted the 2007 dollars based on 288,000 SF X \$347/Sf= \$99,936,000

Jul 07- Jul 08 Actual Building Cost Index increase 5.1%

Jul 08-Jul 09 Actual Building Cost Index increase 0.8%

Jul 09-Jul 10 Actual Building Cost Index increase 3.1%

Jul10- Jul 11 Actual Building Cost Index increase 3.7%

Jul 11- Jul 12 Actual Building Cost Index increase 2.2%

2012-2017 Escalation of cost is shown at a compounding rate of 4% per year to midpoint of construction