



NEW CAPITOL ANNEX BUILDING PROJECT

**QUARTERLY BUDGET UPDATE
April 2026**

Submitted to: Joint Rules Committee
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New Capitol Annex Building

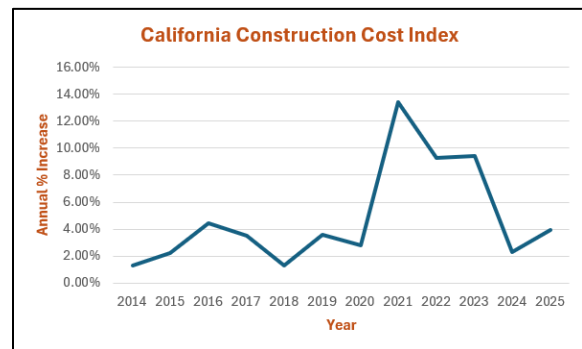
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Executive Summary

Gilbane is an \$8.5B/year, 155 year old family-owned company who works to provide services in both the program/construction management and builder roles. We see our role to provide owner advocacy in any role that we are in to provide success to the project. Our team has recently completed the Resources Building Renovation project in a Construction Management role for the California Department of General Services (DGS). Gilbane also provided Construction Management to the Legislature and DGS for the 1021 O Street Swing Space, so we are very familiar with the Legislature’s structure and program needs. As the new Owner’s Representative on the New Capitol Annex Building (NCAB) project we are getting up to speed with challenges on the project, helping to streamline processes and share our expertise in removing impediments to the success of the project.

Over the several months since Gilbane joined the project there has been good progress on the project despite the challenging weather early in January. The curtainwall is currently about 95% complete and the plaza level skylight is complete, making it possible to climate control the building. Interior framing is underway with mechanical and electrical systems being installed in the overhead ceiling areas. The electrical vault has been completed and transformers set so that permanent power can be energized in July. The offsite permit from the City of Sacramento has been submitted for final acceptance for the work in the streets around the building.

As a result of the COVID pandemic and the California Environmental Quality Act (CEQA) lawsuit, the project has experienced significant schedule delays and cost impacts. The typical construction escalation that is calculated on historical information through the California Construction Cost Index is about an average of 3% per year. However, as result of the pandemic, the construction industry experienced over 10% in yearly escalation for multiple years, severely impacting the project budget. This escalation caused an industry increase of approximately 27% in a 3 year period beyond what would have been reasonably expected. Taking into account these factors, the total impact to the NCAB project, would have been documented to be an approximate \$300M increase in costs. Due to the efforts of the project team to date, the projected impact is significantly less.



In Gilbane’s final analysis of the project budget, based on the current state of the project and projected costs to come to full completion in October 2027, there is a potential risk of \$98M in increased project costs beyond the current project budget of \$1.1B. It is the intent of Gilbane to work with the Joint Rules Committee, Turner Construction, Skidmore Owings and Merrill and

other project stakeholders to hold this upper risk limit while working with the project team to drive costs back down towards the currently allocated funding.

The original construction contract amount of \$690M has been increased by \$44.3M in executed change orders, which equates to a current contract amount of \$734.3M. The contractor's most recent schedule update shows the project schedule being completed in February 2028, which has not yet been agreed upon as a revised completion date.

As a result of the current status, there are two areas that need to be addressed.

First is the schedule. The Gilbane team is working with Turner on a revised schedule that will increase efficiency of the work in the field and bring the project completion back to October 2027. To achieve this target date for completion it will require collaboration from all of the project partners, including the construction and design teams, and the Office of the State Fire Marshal.

Second, the construction budget needs to be reset. The original project budget carried an owner contingency to cover unanticipated costs for the project. The current project status has spent that contingency in its entirety and there is a projected \$98M of potential risks beyond the currently allocated budget. Approximately \$15M of the impact to the construction costs were associated with the project delay by the CEQA lawsuit, in addition to other project soft cost impacts that resulted from that delay. Another significant impact to the contingency was the final buyout of contracts that could not be finalized prior to the approval of the Guaranteed Maximum Price construction contract and were carried as allowances. As mentioned above, the escalation that was occurring could not have been anticipated and the allowances were not adequate to incorporate the final costs of the design.

As the Gilbane team has become fully engaged in the project, a full analysis of project costs, including soft costs, has been completed. Soft costs include items such as the architect & engineers, owner furnishings & equipment, inspection services, relocation services and other services necessary for the success of the project. As the full analysis of the soft cost encumbrances, remaining buyout and potential risks has been completed, a full picture of the project budget has become more defined. In reviewing the soft costs compared to the construction costs, on this type of project delivery, the industry standard is that 70% of the project costs are for construction contracts and 30% for soft costs. The analysis shows that this project's soft costs are approximately 25% and therefore in alignment with industry practices.

While Gilbane is uniquely aware of the challenges ahead, our team is excited to be partnering with the Joint Rules Committee on this historic project and we are fully committed to its success.