



STAFF REPORT

DATE:

March 19, 2024

TITLE: Downhill Ski Lodge Replacement Project

RECOMMENDATION:

By Motion:

The Board of Directors adopts Resolution 2024 - 2 Downhill Ski Lodge Replacement Final Decision with Resolution Option 1: Proceed With Current Design.

BACKGROUND:

Originally built in 1971 as a real estate sales office for Dart Corporation, the existing Tahoe Donner Downhill Ski Lodge has been plagued by design and component deficiencies that have cast doubt on the facility's viability and that have prompted the Association to study remodeling or replacing the facility since 2007. Throughout the many years of this replacement project, various member-led committees and task forces have helped lead the work done to date.

Since 2017, the Association consulted with three professional consultants: Ecosign Mountain Resort Planners, Ward-Young Architecture, and, currently, Bull Stockwell Allen (BSA) to help understand the needs and space requirements for a new facility. The recommended sizes from the three consultants ranged from 25,500 square feet to 35,750 square feet with varying levels of detail.

The purpose and design parameters for the new building would be to build to the current ski area capacity, not increase use, and provide the membership and guests a better experience by achieving the following:

- Provide a safe, up-to-date, inclusive, and fully code-compliant facility
- Fulfill the Association's stewardship obligation to replace a Common Facility that has reached the end of its useful life, and which can no longer be reasonably or practically maintained, repaired, or improved
- Avert critical, high-cost component failures that may jeopardize the Association's ability to fulfill its obligation to operate the facility
- Provide enjoyable and comfortable experiences for members of all generations
 - Enable easy lift access from the south-side sun deck
 - Increase restroom capacity
 - Improve ticketing and rental area flow
 - Address food and beverage crowding
- Address deficiencies to enhance the ski school experience by consolidating the existing dispersed, unconditioned ski school facilities into an integrated, dedicated, conditioned space for learners
- Improve operational, maintenance, and other building life-cycle cost efficiencies
- Align the facility with current environmental and energy efficiency standards
- Modernize the facility to implement contemporary industry standards
- Unify lodge design with existing business unit and service level requirements
- Align lodge capacity with existing ski hill and lodge usage volume





On December 14, 2019, after extensive review including professional service reports by architects and engineers, the Board of Directors voted 4-1 to move forward with a complete replacement/new structure of the downhill ski lodge instead of a remodel of the facility. This decision was due to the challenges associated with the building's unique snowflake design and extensive building requirements that would need to comply with current ADA and California Building Code regulations, making it a cost-prohibitive remodel.

Chronology of the Project

Below are highlights of the Downhill Ski Lodge Replacement Project phases from planning through design and permitting in chronological order.

2020

- 2020 Ward-Young Architects engaged to conduct a detailed needs analysis based on historical usage and existing operational needs. Industry standards indicated a 35,000+ sqft building would be required to accommodate the current usage. Staff rejected this project size immediately.
- August 28, 2020, the Board voted to elevate the member-led Downhill Ski Subcommittee to “an official ad hoc board committee reporting to the board” to assist management with the Downhill Ski Lodge Project through conceptual design.

2021

- January 15, 2021, the Board voted to “enter into a professional service agreement (contract) with Bull Stockwell Allen (BSA) for Phase 1, Conceptual Design, of the architectural and engineering design services for the Downhill Ski Lodge Replacement Project.”
- May 28, 2021, the Board voted to “move forward with the consultants on the 30% design phase of the Downhill Ski Lodge.”
- October 22, 2021, the Board was provided two design options, the designed 27,990 sqft option or a smaller option consisting of 24,908 sqft. The Board voted to “complete 30% design not to exceed 27,990 sqft.”
- December 2021, An advisory questionnaire launched to check in with TDA membership to determine if the Board is moving in the right direction regarding this project.

2022

- February 11, 2022, the Association signed a professional service agreement for pre-construction services with SierraCon. SierraCon was brought onto the project team to provide detailed cost analysis, constructability review, and value engineering input on the design.
- February 16, 2022, the Board held a special board meeting to review the questionnaire results. Due to the divide within the membership on the current size and cost of the project the design team paused for additional analysis and design options.
- April 4, 2022, at a special board meeting the team presented six ski lodge design options ranging from 15,128 sqft to 35,751 sqft.





- April 23, 2022, staff presented the Board with a deep dive into three design options ranging from 18,328 sqft to 24,480 sqft. The Board of Directors voted to “proceed into design and construction with Option D, a lodge size of approximately 24,490 square feet with a total cost not to exceed \$23,419,661, with a continued effort to value engineer through the next design phase for cost reductions that do not impact building functionality.” (See Exhibit E)
- June 13, 2022, the project was submitted to the Town of Truckee for land use and environmental permitting. The Town of Truckee deemed the submittal complete on August 12, 2022.
- June 24, 2022, the Board of Directors approved a memorandum of understanding with SierraCon to commit in principle to key terms of a future construction contract.

2023

- In 2022 and 2023, following months of value engineering and plan development, BSA developed a final construction design which further reduced the ski lodge design to 23,988 square feet.
- June 20, 2023, Planning Commission meeting postponed due to public comment needing additional time for Town staff review and answers.
- September 27, 2023, Planning Commission approved the project 3-0. The project was subsequently appealed.
- November 17, 2023, Truckee Town Council appeal hearing. The Town Council ruled in favor of Tahoe Donner and approved the project with a 5-0 vote.
- December 4, 2023, the Board of Directors hosted a meeting to update the membership on the project status and provide the membership with the opportunity to question the Board and staff on the project.
- December 21, 2023, following the close of the CEQA litigation window, the Board adopted Resolution 2023-7 (Exhibit C) authorizing staff to complete a pre-construction services agreement with SierraCon, as soon as practicable, to obtain competitive subcontractor bids for the project.

DISCUSSION AND ANALYSIS:

The construction document bid set includes a three-story 23,988 sqft day lodge to accommodate all aspects of Tahoe Donner’s downhill ski area operation. The new lodge is comprised in the following manner:

- Level 1 – Staff support, storage, utility, loading dock, restrooms
- Level 2 – Rental and guest services, ski school locker room and offices, storage and restrooms
- Level 3 – General purpose guest space including kitchen, servery, cafeteria, bar, kids ski school, restrooms and offices





The proposed project is 8,860 sqft larger than the existing building, and the size increase is distributed as follows:

<u>NEED</u>	<u>SQ FT</u>
Bring building up to CA building code compliance including current ADA requirements	3,200
Bring ski school programming inside the building (currently in an unconditioned yurt space)	2,530
Right size current deficiencies where feasible	3,130
Total Additional SQ FT	8,860

Bidding Phase and the SierraCon Guaranteed Maximum Price (GMP) Proposal

SierraCon entered into a revised Preconstruction Services Agreement with Tahoe Donner on January 2, 2024 to conduct the bidding phase for the Downhill Ski Lodge Project to provide a guaranteed maximum price (GMP) proposal for the general contractor work. SierraCon utilized the following bidding process:

- SierraCon immediately issued an invitation to bid to the regional subcontractor construction community with bids due on January 30, 2024.
- Over 100 subcontractor bids were submitted for the 30+ scopes of work required to construct the project.
- SierraCon’s team conducted bid comparisons and bid analysis on a trade-by-trade basis to arrive at the best-valued subcontractor bid.
- The GMP proposal and qualifications were assembled based on compiling the best-valued subcontractor bids and estimating all other project requirements. The final version of the GMP proposal with qualifications was issued to the Association and BSA for review on 3/1/2024.

TDA staff, BSA, and volunteer member advisors with professional expertise in the fields of large-scale commercial construction and procurement reviewed, vetted, and negotiated the bid submittal with SierraCon through an “open book” process. The team analyzed each division to ensure the appropriate analysis was conducted in the best interest of Tahoe Donner. Savings of approximately \$500,000 were realized between several divisions including demolition, steel, and electrical.

Bid responses also included value engineering proposals in the way of different construction techniques for the foundation retaining walls that have contributed to savings of approximately \$220,000. After negotiations, the review team believes that Tahoe Donner has received the best value GMP possible to complete the project in the allowable 19-month construction window, completing the project by mid-November 2025.





Following the GMP analysis, the same team that reviewed the GMP entered into construction services agreement negotiations with SierraCon with the goals of limiting Tahoe Donner's risk to overruns, promoting cost reductions, and limiting project delays. Should the Board move forward with the project, key elements of the draft GMP construction services agreement to ensure these goals are met are as follows:

- Offer cost-saving incentives if SierraCon's final GMP is less than the original contract GMP.
- Require schedule performance penalties on the basis that Tahoe Donner has a substantial financial interest in being able to open the new ski lodge no later than December 1, 2025. Daily penalties will be deducted from the GMP after December 1, 2025.
- Offer schedule performance incentives if SierraCon achieves substantial completion before November 19, 2025. A daily early completion bonus shall be payable for early completion on each day before Nov. 19, 2025, up to November 1, 2025.
- The Contract Sum is guaranteed by SierraCon not to exceed \$29,253,341, subject to additions and deductions by Change Order as provided in the Contract Documents. This maximum sum is referred to in the Contract Documents as the Guaranteed Maximum Price. Costs that would cause the Guaranteed Maximum Price to be exceeded shall be paid by SierraCon without reimbursement by the Owner.

OUTREACH:

The Tahoe Donner Ski Lodge outreach campaign has been Tahoe Donner's largest and most comprehensive outreach initiative to date. (See Exhibit D)

Member outreach ramped up starting in 2017 when members of the General Plan Committee put out a request in the weekly email to talk to members about the project. Member outreach has been ongoing but starting in 2020 was a priority initiative from staff. The following points are the summary of outreach conducted in 2020, 2021 and 2022.

- Member Engagements: 14 focus groups, member survey and questionnaire
 - 2020 Focus Groups –14 focus groups
 - 2020/21 Member Survey – 2,643 responses
 - 2022 Downhill Ski Lodge Questionnaire | 3,053 responses
- Board Updates, Special Board Meetings and Workshops
- Open Invite Tours of the Ski Lodge: 6, plus the creation of a video tour
- Open Houses: 2 in-person and 1 via Zoom
- Monthly Member Meetups: 6 (Ask questions of staff and design team)
- Dedicated Member Emails: 48
- Annual Meeting Booths
- Task Force + Meeting Minutes
- Monthly updates or full stories in *Tahoe Donner News*





- Creation of an online web hub with current plans, timeline and all documents, continually evolving information and FAQs based on member feedback and questions

FINANCIAL IMPACT:

Soft Costs

Soft costs include architectural and engineering services fees, public utility agency fees, member outreach fees, mitigation fees, and legal fees. The projected total soft costs for the project are \$3,027,805. To date, \$2,108,173 in soft costs have been spent out of the Development Fund for the project. Future soft cost liabilities (remaining spend) are \$919,632. The detailed breakdown of projected soft cost fees, spend-to-date, and liabilities (remaining spend) are shown in the Downhill Ski Lodge Project Budget (Exhibit B).

Construction Project Costs

Future construction costs for the project, as shown in detail in the Downhill Ski Lodge Replacement Budget (Exhibit B), total \$32,765,792, and include the following:

- General contractor guaranteed maximum price (GMP) proposal that includes a contractor contingency of 5.3%
- Owner Project Carrying Costs that include owner representative construction management, owner sub-consultant professional services, and temporary operations
- Remaining legal fees to complete the GMP construction services agreement
- Builder's Risk insurance to protect Tahoe Donner's assets during the course of construction
- Owner construction contingency at 5% of the GMP to cover unforeseen conditions and scope changes if necessary

Total Remaining Project Costs

Total remaining project costs include the future soft cost liability of \$919,632 plus future construction cost of \$32,765,792 for a total project remaining cost of \$33,685,424.

Downhill Ski Lodge Replacement Budget

The Board of Directors approved funding between 2020 and 2023 for a total amount of \$2,686,670 out of the Development Fund. Of this approved funding, \$2,108,173 has been spent to date leaving a remaining balance of \$578,497 allocated towards remaining soft cost liabilities on the project.

In October 2023, during the 2024 Annual Budget process, the Board reviewed an estimated project budget that envisioned funding the project in 2024 and 2025 utilizing \$23,500,000 from the Development Fund and \$6,605,768 from the Replacement Reserve Fund. In addition, the 2024 Capital Fund Budget includes funding to cover project cost increases due to inflation, which is assumed at 4%. As such, the 2024 Capital Fund Budget includes an additional \$1,216,400 to cover project cost increases due to inflation.

The Replacement Reserve Fund includes scheduled furniture, fixtures, and equipment (FFE) components totaling \$668,989. The FFE components in the study will be replaced regardless of the project and have not been identified in the capital budget project worksheets year-to-year.





Including unspent remaining soft costs, reserve funds allocated to the project for 2024 and 2025, and FFE, the total proposed project budget remaining is \$32,569,895. This leaves a budget shortfall of \$1,115,529. (See Exhibit B)

Based on the current project bid schedule, the substantial completion for the project is November 19, 2025. With the required project closeout requirements, project funding will be needed in 2026 to pay the Contractor Retention at a minimum. Staff proposes to increase the portion of the project budget funded by the development fund for this requirement in 2026 by \$1.2M to cover the projected shortfall. Based on the 2024 development fund 10-year capital funds projection this increase fits within the 2026 forecasted budget, does not impact or defer any other projects, and still leaves a Development Fund ending fund balance of over \$1.2M at the end of 2026. (See Exhibit B)

Funding Mechanisms

Since the mid-2000s, Boards have sought to avoid any special assessment for capital funding. The Board has adhered strictly to this position for the Downhill Ski Lodge Replacement Project and the many projects scheduled for 2024 and beyond. Therefore, past and current boards have prioritized responsible capital financial planning, including the 4-year plan to increase the Development Fund to a level that can support the long-term needs of the Association's aging assets (See Exhibits A and C).

In staff's opinion, the Association's capital reserve funds are in a good position to continue reinvesting in the Association's assets through maintenance, repairs, enhancements, upgrades, and replacement projects funded in whole out of the separate capital reserve funds, or jointly such as is the case with the Downhill Ski Lodge Replacement Project.

Development Fund

The purpose of the Development Fund is to have an established "reserve account in accordance with the Association's Governing Documents to be maintained and administered on an annual basis to finance capital improvement projects; including real estate acquisitions, building upgrades and additions, and building replacements that do not qualify for funding from the Replacement Reserve Fund." (TDA Policy Resolution 2017-3)

The Downhill Ski Lodge Replacement project is one of many projects identified in the 10-Year Development Fund Projection with the largest portion of the total funding coming from the Development Fund with a proposed amount of \$26,410,700 for expenditure as part of the project. The Development Fund forecast shows the project will be fully funded with the 2026 Assessment.

Replacement Reserve Fund

Pursuant to the Davis-Stirling Act, Tahoe Donner's Covenants and Restrictions, and Tahoe Donner's Policy Resolution 2019-1 Replacement Reserve Fund, and the Community Associations Institute's Reserve Study Standards, project-related capital expenditures and asset components for the Downhill Ski Lodge eligible for funding. The Replacement Reserve Fund portion of the reserves includes funding for building components, additional soft costs, and construction management as part of the Downhill Ski Lodge Replacement Project.





After holding the 2018 initial estimate of these component costs steady for several years (despite rising construction costs), the 2024 budget adjusted Replacement Reserve-eligible ski lodge component cost estimates to reflect the then-current information and also appropriately applied new reserve study standards recently published by the Community Associations Institute (CAI).

Replacement Reserve Funds in the amount of \$7,274,757 are proposed for expenditure as part of the project funding.

It is staff's opinion that the current funding level in our reserve funds, along with funds to be accumulated over the next 19 months, will be sufficient to complete the Downhill Ski Lodge Replacement Project and other projects identified in the 10-Year Capital Improvement Plan.

Alternative Options Analysis

Throughout this project, the team has consciously paused to ensure that this project is still the right course of action for Tahoe Donner. Extensive alternative options analysis has been undertaken throughout the project timeline with the most recent revisit in September 2023. (See Exhibit F). The Board discussed these alternatives with the membership at the December 4, 2023 special board meeting. The findings of the alternatives still hold three months later. In summary, altering the course of the project has a fiscal and operational impracticality.

Redesign

Redesigning the project with new design parameters would only make sense if it ultimately paid off in significant savings. The project currently has a sunk cost (costs spent to date) of \$2M. In today's construction costs \$2M is equivalent to approximately 1,700 sqft. Assuming a \$1200/sqft construction cost, the starting point of a redesign would be approximately 22,300 sqft (down from 24,000 sqft) to break even with the current sunk costs. The smallest size that TDA would consider in a redesign would be a building that accommodates our current functionality + code requirements + ADA requirements which is equivalent to 18,500 sqft. To go from 22.3k sqft to 18.5 sqft the building cost savings potential is approximately \$4.5M before inflation. This redesign process would require additional time for engineering, planning, and re-permitting, likely pushing the project start to 2027 at the earliest. Three more years of inflation would likely cost approximately \$3.5M. Staff believes that a \$1M savings does not constitute significant savings for a redesigned building that will not meet the Association's current needs.

Remodel

Remodeling the existing building was investigated extensively before the Board decision in 2019 to replace, not remodel, the existing building. The thinking behind that decision has still not wavered today. Remodeling would require a major effort including replacing all mechanical, plumbing and electrical systems. The unique "snowflake" design and untraditional structural system make remodeling difficult and would likely mean that the finished product would still have most of the same operational deficiencies that exist today. A minimum expansion of 3,500 sqft for code and ADA updates would be required, which could be difficult to accommodate with the current design, structural elements, and layout of the existing building. Remodels are inherently risky and overall project costs per sqft would be the same or more than new





construction. Preliminary estimates indicate that the Association would likely spend \$20+M on a highly compromised design solution that will not resolve the facility's long-standing deficiencies.

Abandon the Project

In staff's opinion, abandoning the project is not in the best interest of the Association and may also conflict with the Board's legal and fiduciary duties.

RECOMMENDATION:

By Motion:

The Board of Directors adopts Resolution 2024 - 2 Downhill Ski Lodge Replacement Final Decision with Resolution Option 1: Proceed With Current Design.

ATTACHMENTS:

Exhibit A: Draft Resolution 2024-2 Downhill Ski Lodge Replacement Project Final Decision

Exhibit B: Downhill Ski Lodge Replacement Project Budget

Exhibit C: Resolution 2023-7 Downhill Ski Lodge Pre-Construction Services Agreement and Construction Bidding Services

Exhibit D: December 4, 2023 Special Board Meeting Downhill Ski Lodge Presentation

Exhibit E: April 23, 2022 Board Meeting Presentation and Meeting Minutes

Exhibit F: Bull Stockwell Allen (BSA) Memo

Exhibit G: Law Offices of Deon Stein, October 1, 2021 Letter to the Members

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Annie Rosenfeld, General Manager 

Board of Directors Meeting Date: March 19, 2024

