

MEMORANDUM

To: Tahoe Donner Board Members
From: John Ashworth, AIA, Bull Stockwell Allen
Re: **Tahoe Donner Downhill Ski Lodge**
Date: September 18, 2023
CC: Jon Mitchell, TDA; Joe Stewart, SierraCon

This memo is being written to the Tahoe Donner Board regarding next step scenarios for the community's Downhill Ski Lodge, particularly given the cost and schedule concerns we are facing.

Despite reducing the building size and proactively integrating ongoing value analysis, based on comparable bids and current construction costs on similar projects it is anticipated that the building will come in considerably above the Board approved budget, set back in Spring 2022. In addition, the project continues to work its way through the entitlement process with the Town of Truckee that could jeopardize our strategy of consolidating the bidding process this Fall in anticipation of a Spring 2024 start date.

The costs and delays naturally raise questions relating to process and prudent "next steps." There are various scenarios available to the Board for considerations. They include:

- Moving forward with the building as planned, while trying to manage costs to the greatest degree possible.
- Redesigning the building in some manner to reduce costs while likely reducing building area at the same time.
- Remodeling and improving the existing building; and or,
- Abandoning the project altogether.

The following paragraphs discuss this range of options in greater detail, noting the various pros and cons from an architectural point of view.

Move Forward

While we believe that this ultimately may be the best option, it does not come without acknowledging the



frustration of a building project that has significantly increased in cost beyond what was first contemplated in 2020.

To recap a bit of history, the original design consultants recommended a building size of well over 35,000 square feet which. Working with the Association, we reduced the proposed building to approximately 27,000 square feet, without, in our opinion, significantly reducing the operation advantages of a new building that corresponds to potential for a return on the Association's investment. We accomplished this reduction by adopting the best practices in the industry, including new thinking related to guest services and post-Covid adoption of usable outdoor space.

As we moved through the pandemic, however, the construction industry began to witness rampant inflation, supply chain challenges and scarce labor availability. It was clear, at that point, that we needed to tighten our belts further given the impact of these increasing costs. We prepared studies in conjunction with the project's pre-construction contractor, SierraCon, looking at various building scenarios that were presented to the Board. Based on these studies, BSA and its consultants were directed to reduce the building to 24,000 square feet while maintaining as much functionality as possible. At the same time, we worked with SierraCon to identify other reduction targets for implementation in the final design documents.

The current construction and labor markets have informed us that the building will likely still be more expensive than anticipated; and while it is easy to dismiss the ongoing building estimates as flawed or to second guess the process, this point of view overlooks the imprecise nature of estimating construction even in the best of circumstances.

The market has determined the approximate price of a quality building designed specifically for the Downhill Lodge site. We have completed the design and engineering process and can now focus on getting the project done with as few delays as possible. Should we move forward, our recommended strategy would be to consolidate the project bids this Fall while continuing to look for cost savings. A Fall bid also allows us to procure long-lead items, hedge against future inflation and review additional proposals for cost savings.

Redesign

Tahoe Donner has already invested approximately three years and \$2 million towards the design, engineering, planning, and permitting of the new ski lodge. Assuming a redesign would cost approximately the same amount of time and money, Tahoe Donner will likely spend a total of \$4 million just on soft costs. While \$2 million of this was already budgeted, any redesign would need to achieve a \$2 million minimum cost savings to simply equal where the project stands now. It is likely that this approach would mean delaying construction further (possibly to 2026) to allow sufficient time for redesign, engineering, planning, and permitting. This delay could also mean additional increased construction costs due to continued inflation, although the hope is that the rate of inflation will begin to normalize as the Fed works to restrict money supply. Regardless of the trend, construction costs seldom decrease year over year.



In today's dollars, a \$2 million dollar reduction would equate to a reduction of approximately 2,000 to 2,500 square feet, bringing the likely size of the building to roughly 21,500 square feet. Previous programmatic and design studies prepared for the Board suggest that a smaller sized facility would not serve the community's needs or expectations for a new lodge, despite the smaller building's ability to meet current code and energy requirements. Once these code improvements are considered, we previously calculated that the current 15,128 square foot building would need to increase to about 18,500 square feet, representing an additional potential savings of about \$3 million before inflation. Notably, the 18,500 square foot building would only equal 53% of the square footage recommended in the project's original programming report. The 21,500, square foot building would represent only 60% of the original recommended program without necessarily providing any cost savings from where we are today.

There is a real possibility, moreover, that a 21,500 square foot building could cost more than the current, larger building due to additional delays, unexpected costs, the already spent soft costs and the reality that smaller buildings usually cost more on a square footage basis than a larger building.

Other, non-custom design solutions geared to save costs may also prove difficult for several reasons. The steep nature of the site does not lend itself to the construction of a single story, "big box" building, particularly when one considers the building's operational needs. To fit within the site boundaries, any building would likely need to be two stories, bringing in access and ADA issues that drive up costs. Dewatering on the site is also an issue that needs to be addressed under any scenario; in other words, the project would require a custom engineered and built foundation.

With respect to a prefab or manufactured building scenario, we do not believe, based on our experience, that the building will likely serve the Tahoe Donner community to the fullest degree possible from both site and programmatic perspectives. A non-customized solution could reduce opportunities for improved operations and income growth. In addition, its aesthetics may not serve as a "good neighbor" or asset to the adjacent homeowners.

Remodel and Improve the Existing Building

As we understand the history of the project, the decision to build a new downhill ski lodge was based on an assessment of the existing, approximately 15,000 square foot building. In a nutshell, the report documented that the building no longer meets code, is non-ADA compliant, its mechanical systems and building envelope are at the end of their useful life, and its original non-standard structural system (snowflake design) does not easily accommodate the expansion that is likely required to make the space functionally useable for TDA'S current needs.

From a design perspective, the building is cut up into small, oddly shaped spaces that do not efficiently serve their current purpose, especially by today's standards and the resort industry's documented best practices. Specific deficiencies include available and accessible restrooms, inadequate food and beverage production and service space, non-skier friendly stairs, no elevator and the lack of entry vestibules. We previously documented that code-compliant/skier friendly improvements alone would require the addition



of several thousand square feet of new space. These additions would likely lead Tahoe Donner to a +/- 18,500 square foot structure while failing to address the building's fundamental design flaws, circulation issues, and the lack of indoor ski school space.

Building remodel and addition projects are also inherently risky from an estimating standpoint, given the number of unknowns that only become apparent once a contractor gets "under the hood." As a result, the industry typically suggests that a remodel project carries a significantly larger construction contingency and is much more likely to encounter delays and added costs when unknown conditions are discovered. In terms of cost per square foot, it is also possible that a reconstructed building could cost as much as a new structure given the likely extent of the renovation. These additional costs are due to the inefficiencies and workarounds related to selective demolition and reconstruction of an older building.

Due to the outline above, Bull Stockwell Allen views this option as perhaps the least attractive for two reasons: 1) it carries the greatest number of unknowns, and thereby risk to the Association and 2), because it will likely result in a smaller and highly compromised design solution. A remodeled project will further require additional building investigation, development of an appropriate scope of work, and additional design, engineering, planning and permitting dollars to complete the work. At the end of the day, the concern here is that this option, like the redesign option, would cost the same or more than the current design. As a remodeled project, it would also likely result in a compromised design versus starting from scratch.

Abandon the Project

This is a decision that can only be made by the Tahoe Donner community and its Board. From our point of view, however, it would be an unfortunate direction given the association's original needs assessment and the desire for a new lodge to serve as a meaningful asset to the association. It would also result in a loss of time and money spent by Tahoe Donner to improve the association going forward.

Other considerations include how many years the community is willing to live with and operate the lodge in its current condition as well as the lost revenue potential that comes with that. If this project is abandoned, it will most likely require a shift in the current operating model to reduce overcapacity and safety issues with the current facility.

Finally, we foresee that, at some point, additional funding will need to be invested in code and ADA improvements to meet regulatory agency (building safety, fire, insurance) requirements. Annual capital improvement funding will also be required to repair and maintain the aging structure, and/or replace aging building systems that are at the end of their useful life.