DESERT COMMUNITY COLLEGE DISTRICT
43500 Monterey Avenue
Palm Desert, CA 92260
760.346.8041 | www.collegeofthedesert.edu

June 22, 2021

Jeff Baker, Interim President
John Ramont, Vice President, Administrative Services
College of the Desert
43500 Monterey Ave.
Palm Desert, CA 92260

Re: Roadrunner Motors Executive Summary

The following is an executive summary of the efforts and challenges surrounding the Roadrunner Motors project as envisioned at the Cathedral City site on the South side of Highway 111.

History

College of the Desert sought an opportunity to expand its Automotive Technology program facilities for several years. Under the administration of Dr. Joel Kinnamon, the college conceived of the idea of establishing the program at a satellite campus located in close proximity to existing auto dealerships in the Coachella Valley. After considering multiple approaches, including purchase and renovation of existing dealerships and development of empty sites, a location was identified in Cathedral City.

Land Purchase

The subject property is located at Margot Murphy Way, near existing Subaru and Volvo dealerships, as well as a new facility for Shottenkirk Lexus that was, at the time, under construction. Following the College's investigation of the subject site, it purchased the land for $3 million. Escrow was concluded in late September of 2019. The purchase price has been included in the Total Project Cost.

Architect Selection

Following the land purchase, the Bond Office issued a Request for Qualifications for architectural services. The scope of work was to provide planning and programming

services only, and the desired outcome was a detailed project program listing the type, size, and quality of the facilities needed to serve the College's needs. Three firms, R2A, tBP, and Marlene Imirzian & Associates Architects (MIAA), were shortlisted out of ten respondents, and R2A was selected following interviews.

Programming and Planning

Before beginning work, R2A notified the College that it had merged with another firm, Clark, Richardson and Biskup Consulting Engineers, Inc. (CRB). The College elected to continue with the new firm, and executed a contract on March 1, 2020. Between that time and September of 2020, CRB worked with the College's designated user group to define the functional and spatial requirements that would serve the Automotive Technology program. Their final report, the "Programming Guidelines" for the project, was issued in September of 2020.

Architect Change

In reviewing the CRB Programming Guidelines, it quickly became clear that the report was based on a number of erroneous assumptions made by the architect. In addition, CRB's service throughout the programming phase was erratic. Frequently they made decisions and recommendations based on their own perspective rather than the information provided by the College. They also failed to account for critical aspects of the project criteria, including site development, FTES counts and desired class sizes. The College determined to replace CRB before continuing to the next phase of the project, and began negotiating with the next architectural firm from the RFQ shortlist, MIAA.

Program Validation

MIAA began work in October of 2020 by conducting an exhaustive review of the CRB program. They quickly determined that CRB had produced a grossly flawed program.

Specifically, CRB radically underestimated the difficulty of developing the selected site, which is steeply sloped, is composed of poor-quality soil, and has numerous challenges related to water run-off and retention, some of which are caused by the site's proximity to a Riverside County Flood Control dam. The steep sloping of the property alone dictates extensive, costly retaining walls to create the level space needed for the project. MIAA warned the college that the project budget didn't adequately address the reality of developing the site, and that it would be extremely difficult to put a final price tag on that work until the design was much more advanced, due to the complexity of the engineering needed.

Additionally, CRB's program only accounted for approximately 60-70% of the desired student head count requested by the College, so the sizing of the facilities as listed in

the Programming Guidelines was inadequate. Working with the College's user group, MIAA arrived at the recommendation that the building size would need to be increased by approximately 30% if it was to accommodate the desired program.

Additional Challenges

In addition to the primary challenges described above, the site is encumbered with inherited problems that require some form of resolution.

The neighboring property, owned by Shottenkirk Lexus, was developed prior to the College taking ownership of its land. During the course of their construction work, the Lexus team graded a portion of the property that the College later purchased, sloping the earth to improve water runoff conditions for their own site. The result is that there is a portion of the College's property that would require additional engineering and construction effort not anticipated in the original program brief or budget. The project's site design was therefore altered from the original plan to avoid this area of the property and allow development to continue. While this reduced costs in one area, it increases costs in others.

Also, there is a large (30 foot wide) easement bisecting the southerly portion of the property which is controlled by Riverside County Flood Control, effectively cutting the site in half. Since the land on the south side of the easement is also steeply sloped, the usable area of the property is reduced by approximately 40%, limiting the College's options and increasing costs.

Further complicating matters, the City of Cathedral City has stated that it intends to assess the College with a fee of unknown amount to address the College's "fair share" of the cost of installing a traffic signal at the intersection of Highway 111 and Margot Murphy Way. The City Engineer first mentioned this in passing when the design team met with him to coordinate stormwater treatment efforts along with Riverside County Flood Control. At the same time, the City Engineer also stated that he plans to "require" the College to make specific improvements to the Southeast corner of its property to manage stormwater runoff that impacts the neighbor to the south. The runoff is a result of the work RivCo Flood Control did to create the previously mentioned easement, and was an unknown condition that existed prior to the College's purchase of the property.

Finally, the City Engineer for Cathedral City has also stated that, to create an access driveway from Perez Road at the Southeast corner of the property, the City will require improvements such as street lights and intends to dictate the location of the College's vehicle security gates.

Project Costs

Taking into account the items described above, it has become apparent that the total cost to develop the Cathedral City site for Roadrunner Motors far exceeds all preliminary estimates made by all parties. The difficulty of developing the site alone accounts for 30-35% of the construction costs, which is abnormally high. Typical site development costs for a project on a less-challenging piece of property would run between 10-15%.

The previously unknown factors alone described in the previous section will incur several million dollars' worth of work on top of the additional cost needed to develop the site and the building. The Project's initial budget was $20 million. Added to that immediately was the $3 million purchase cost of the land. Subsequently, the project's budget was augmented by $5 million, bringing it to a total of $28.5 million with the intention of addressing the shortcomings of the original architect's deficient program.

On top of these burdens, the project faces a global increase in construction material and labor costs that continues the pre-COVID inflationary trend without missing a beat. Previous estimates of 3-4% inflation are now being revised to 5-6% inflation, and some construction materials, such as raw lumber and steel, have spiked in Q2 of 2021. Since building construction is one of the few industry sectors that continued to accelerate through the pandemic, we are now experiencing construction cost figures that rival prices seen during the housing boom leading up to the 2008 Great Recession. Experts are not willing to predict when or if this inflationary trend will taper off.

The result of this trend is that each succeeding update to the project's construction cost estimates indicates an increase that exceeds the budget, a trend that will likely continue until bid time.

Current Budget Status:

Original Total Project Budget	$20,000,000
Land Purchase	$3,049,769
Program Realignment	$5,530,231
Additional Site Improvement	$3,924,781
Additional Site Engineering	$224,113
Perez Road Improvements	$178,106
Projected Total Project Cost:	**$32,907,000**