



June 12, 2023

RE: Watertown Athletic Complex – Phase II

Watertown School District  
Dr. Jeff Danielsen, Superintendent  
200 9<sup>th</sup> St NE  
Watertown, SD 57201

Dear Dr. Danielsen,

Following the bid opening for the Watertown Athletics Complex – Phase II project on June 8, 2023, CO-OP Architecture reviewed the (2) bids that were received. We did engage with several contractors who passed because there were not able to meet the schedule, but the District did receive multiple bids, and in discussions with the low bidder Gray Construction, they did receive multiple subcontractor bids in most major trades. That generally keeps the bids more competitive, and in this case, they were about 4% different.

The bid itself was roughly 60% over the estimated cost. While this is disappointing, it is a result of the unprecedented cost increases that the construction industry has seen over the last couple months. In discussions with the low bidder, many of the subcontractors are currently full, which has led to inflated bid numbers. Indications within the industry also suggest that we can expect continued high costs and potentially escalation through next year. After review, we believe the bids received show a competitive number from the general contractor in the current market, but the increase in subcontractor bid numbers across the board have pushed the overall cost high enough where we believe the project, systems, and materials need to be reviewed for cost savings before moving forward.

Taking these factors into consideration, and after reviewing Gray Construction's low bid, as well as the bids of their subcontractors, CO-OP Architecture finds the base bid (\$10,650,000) and alternates to be too far above the project budget to move forward. We recommend rejecting the bids for the Watertown Athletic Complex – Phase II with a Base Bid of \$10,650,000.

Upon School Board decision, we will issue a notice to the bidders on the rejection of bids.

Following this decision, CO-OP Architecture will work with the School District and local contractors to evaluate areas for savings where we can align the facility with the budget, while meeting the requirements of the district.

While not quite there yet, we look forward to completing this exciting project with you,

A handwritten signature in black ink that reads "Jason Kann".

Jason Kann, AIA  
Associate Principal Architect, CO-OP Architecture