


## Capital Project Stage Gate II: Gilkey Hall Renovation

### BACKGROUND

The Gilkey Hall Renovation project is included in the Ten-Year Capital Forecast. At its January 2022 meeting, the Finance and Administrative Committee advanced the project to the design development phase, which the university has now completed. The following information is provided to inform the Board’s consideration of whether to advance this project to the construction phase pursuant to the [Approval of Capital Projects policy](#).

### PROJECT SUMMARY

|  |  |  |
|--|--|--|
|  <p style="text-align: center;">GILKEY HALL RENOVATION</p> | <b>Floor Area (SF)</b>                   | <b>21,819</b>                            |
|  | <b>Estimated project budget</b>          | <b>\$13,750,000</b>                      |
|  | State Paid Bonds                         | \$3,000,000                              |
|  | OSU Revenue Bonds – Retired by E&G funds | \$3,000,000                              |
|  | CIR Funds                                | \$7,750,000                              |
|  | <b>Deferred maintenance reduction</b>    | <b>\$4,000,000</b>                       |
|  | <b>Estimated project completion</b>      | <b>Summer 2023</b>                       |
|  | <b>Location</b>                          | <b>122 SW Waldo Place,<br/>Corvallis</b> |

The Gilkey Hall Renovation project will provide a general interior space renewal and reorganization of the second and third floors to accommodate OSU’s Counseling and Psychological Services (CAPS). The project scope will also include updating the building’s accessibility, fire and life safety, plumbing, electrical and mechanical systems. Roof replacement and seismic improvements as well as elevator renewal will also be included.

Gilkey Hall was designed by the famed architect, John Bennes, and constructed in 1912 as the Dairy Science Building. In 1951, the building was renovated and renamed the Social Science Building. In 2002, the building was renamed after Gordon Gilkey, former Dean of the College of Liberal Arts. Dr. Gilkey is also known worldwide for his printmaking and art collection, and for his efforts to save works of art during World War II.

**ADVANCING OSU'S STRATEGIC GOALS**

| <b>Goal 1<br/>Preeminence in<br/>Research,<br/>Scholarship and<br/>Innovation</b>   | <b>Goal 2<br/>Transformative<br/>Education That is<br/>Accessible to All<br/>Learners</b>   | <b>Goal 3<br/>Significant and<br/>Visible Impact in<br/>Oregon and<br/>Beyond</b>                          | <b>Goal 4<br/>A Culture of Belonging<br/>Collaboration and<br/>Innovation</b>   |
|---|---|--|---|
| An emotionally and mentally healthy student population is better able to engage in the high-level thinking required to conduct research, produce knowledge, and innovate. | Mental health concerns impede the learning of many students, so having adequate mental health facilities and services allows more students to learn and succeed at OSU. | CAPS trains the next generation of mental health professionals, so they can serve in the state and beyond. | Creating a welcoming physical space for CAPS reinforces OSU's value--that all students not only belong here, but are also supported here. |

**IDENTIFICATION OF RISKS AND MITIGATION STRATEGIES**

The following risks have been identified for the project. Given these risks, the owner, design, and construction contingencies have been set at 10%, 15% and 3%, respectively.

| <b>Risks</b>   | <b>Likelihood</b> | <b>Severity</b> | <b>Consequences</b>  | <b>Mitigation Strategy</b>  |
|--|-------------------|-----------------|--|---|
| <i>Higher than expected material availability and construction market escalation</i> | High              | High            | Market disruptions due to COVID shutdowns in China, the war in Ukraine, disruption to the world fuel market and significant inflation have caused contractors and suppliers to add significant escalation factors for materials. | This risk is mitigated by a significant increase in expected project cost based on a recent estimate as well as a further escalation factor to the midpoint of construction. Scope reduction will be considered if necessary. |
| <i>Labor availability</i>  | Medium            | Medium          | Limited availability of resources in the saturated construction market presents a risk to cost and schedule.   | This risk is mitigated by the contingencies stated above and contractual language as well as advanced planning with our trade partners.   |
| <i>Undiscovered conditions</i>   | Medium            | Low             | A renovation an inherent risk of the actual construction or  | The contingencies noted above will be in  |

|                      |     |     |  |   |
|----------------------|-----|-----|--|---|
|                      |     |     | conditions being different from archived documents or even explorative inspection and testing.   | place to cover unexpected costs.  |
| <i>Project delay</i> | Low | Low | Delays in funding, permitting, logistics, or contract disputes present a risk to schedule and the costs associated with an extended construction period. | This risk is mitigated by having a team in place that considers critical activities, appropriate timelines, and measures to avoid and accommodate delays. |

**TOTAL COST OF OWNERSHIP**

The estimated life cycle ownership costs for the Gilkey Hall Renovation project are summarized in the following table. A *pro forma* is not included as the project is not utilizing revenue financing. The debt service to the Internal Bank related to the OSU-paid bonds, along with projected material impacts to utilities and maintenance costs, is included in projected E&G budget projections in the Ten-Year Capital Forecast.

| Forecasted Total Cost of Ownership<br>Gilkey Hall Renovation Project |                      |
|--|----------------------|
| ITEM   | COST                 |
| <b>Total Project Cost</b>  | <b>\$13,750,000</b>  |
| Capital Improvement and Renewal (CIR) Funds                          | \$7,750,000          |
| State-Paid Bonds   | \$3,000,000          |
| OSU-Paid Bonds   | \$3,000,000          |
| <b>Total Cost Avoidance</b>  | <b>(\$4,000,000)</b> |
| Removal of Deferred Maintenance                                      | (\$4,000,000)        |

**RECOMMENDATION**

Staff recommend that the Finance & Administration Committee recommend to the Board approval of a capital project budget of \$13.75M for the Gilkey Hall Renovation project and advancing of the project to the construction phase.