

Capital Project Stage Gate II: Reser Stadium West Grandstands

BACKGROUND

The Reser Stadium West Grandstands project is included in the Ten-Year Capital Forecast. At its January 2021 meeting, the Finance & Administration 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;"><i>Rendering of proposed west elevation of Reser Stadium</i></p>	Gross square feet new construction	227,000
	Estimated project budget	\$153,000,000
	Gifts	\$85,000,000
	Article XI-F (1) Bonds	\$40,000,000 ¹
	University Revenue Bonds	\$28,000,000 ²
	Deferred maintenance reduction	\$70,000,000
	Carbon Impact	+317 tons/year³
	Estimated project completion	Spring 2023
	Location	700 SW 26th St, Corvallis

The Reser Stadium West Grandstands project will complete the renewal of Reser Stadium, providing OSU with a best-in-class, year-round facility that will include a Student Welcome

¹ Debt service totaling \$2.6M to be paid through incremental Athletic revenues. As XI-F(1) bonds are based on pending legislative action, the mix between XI-F(1) and University Revenue Bonds may shift.

² Debt service totaling \$1.8M annually will be paid by Student Health Service and health partner revenues (\$1.1M), E&G funds for the OSU Visitor and Experience Center (\$554K) and university-wide conference revenues (\$130K).

³ While this project incorporates far more efficient energy and ventilation systems, the added square footage of air-conditioned space adds to the university’s carbon output by an estimated 317 tons per year when considering this project alone. This estimate, however, does not include efficiencies that will be gained in the future renovation of Plageman Hall and other space efficiencies facilitated by this project.

Center focused on prospective students; a new Wellness Clinic for students, faculty, staff and community members; and a greatly improved and modernized sports venue.

Venue and Facility Improvements

The project will make Reser Stadium more equitable, safer, accessible and welcoming to all.

- **Equitable.** Currently, there are two sides of Reser Stadium and the nature and quality of the fan experience is dramatically different between them, with limited ability of fans to experience the entire facility. The modern eastside of Reser Stadium was completed in 2005 and provides seating, amenities, and fan services—including accessibility, restrooms, and concessions—that are not available within the westside stadium, which was last updated in 1991. With the renovated westside, additional and higher quality restrooms, concessions, and other amenities will be available for all fans. With a single-level, unhindered concourse providing access around the entire facility, the stadium will belong to the entire OSU community. This will be true not just for football game days, but year-round for many purposes, including OSU's university-wide commencement ceremony.
- **Safer.** The current main structure of the westside stadium, including its seating bowl, utilities and finishes were constructed and renovated before the risks of the Cascadia Subduction Zone were known. The proposed new grandstand will be designed and constructed to modern structural codes. Other modern safety features will include fire suppression and fire alarm systems, railings, step configurations, and other safety features embedded in the design.
- **Accessible.** The westside grandstands were constructed and renovated before requirements of the 1990 Americans with Disabilities Act took effect. Over the years, various improvements to improve accessibility have met limited success due to limitations within the structure. OSU's commitment to higher standards of accessibility will be realized by this project with features such as minimizing level changes, better entrances, better access to elevators, and ADA seating with improved configurations.

Student Welcome Center

A new Student Welcome Center will serve as the first stop for prospective students and their families who visit Oregon State University. The Student Welcome Center will be located within the southwest corner of the stadium. From the moment students arrive at the Reser Stadium parking lot, visit the welcome center, and then depart on a campus tour, the experience will convey the university's history and welcoming culture, including extraordinary academics, world class research, successful alumni, and student life experiences that define student success and how Oregon State University changes the world. Arriving at the center, prospective students and their families will have the opportunity to browse university exhibits, meet admissions staff members, watch a presentation in a setting overlooking the football field, and then depart on a tour of campus hosted by student ambassadors. On game days, the Student Welcome Center will greet Reser Stadium fans with an experience that goes beyond football and highlights the university's and its alumni's academic and professional accomplishments. Additionally, some spaces in the center will be reservable by faculty, staff, and students on a limited basis for meetings and conferences.

Wellness Clinic

A new campus wellness clinic will be located along the southeast side of Reser Stadium and will offer year-round access to expanded health care and wellness services for students, faculty, staff, and community members. The wellness clinic will continue and expand existing Corvallis campus student health services. In collaboration with a Corvallis area community health care provider, the clinic will offer primary clinical care and urgent care services. The clinic is anticipated to be a four-story building of approximately 35,000 square feet. OSU and the health care partner will have shared spaces on the building’s first floor. The health care provider will lease the second floor, and OSU Student Health Services will occupy the third and fourth floors. The university and community health care provider will explore offering educational and internship opportunities for students and collaborative research engagement opportunities involving OSU faculty and students, medical personnel, and staff. Funding for the wellness center will be provided by existing student fees, insurance billings, and leasing revenue to be paid by the community health care partner. As a result, it will reduce pressure in the future to increase student fees for wellness services.

Economically Sustainable

The replacement of the westside grandstands will be funded largely by philanthropic gifts given specifically for the purpose and not available to OSU for any other use. The bonding obligation OSU will take on will be retired by new net revenue generated from the improved stadium, the wellness clinic, and the student welcome center.

Modernizing the westside of Reser Stadium will eliminate \$70M in deferred maintenance costs associated with the current structure.

Additionally, the project will strengthen OSU’s football program, which generates net revenue that funds a substantial share of the costs of OSU’s other athletics programs, providing opportunities for the university’s diverse student-athlete population outside of football.

This project addresses current needs to improve student health services on the Corvallis campus. Plageman Hall, home to the existing student health center, dates back to the 1930s and is not in an optimal location for serving students. Plageman is a long distance from OSU’s residence halls and is not served by adequate parking for OSU’s more than 19,000 students who live off campus. Moreover, it cannot be easily reconfigured to serve as a modern health center. Once vacated, Plageman Hall will be renovated and repurposed for academic and research purposes appropriate to its location on campus.

ADVANCING OSU’S STRATEGIC GOALS

The Reser Stadium West Grandstands project will advance each of the university’s strategic goals as articulated in OSU’s current strategic plan:

<p>Goal 1 Preeminence in Research, Scholarship and Innovation</p>	<p>Goal 2 Transformative Education That is Accessible to All Learners</p>	<p>Goal 3 Significant and Visible Impact in Oregon and Beyond</p>	<p>Goal 4 A Culture of Belonging, Collaboration and Innovation</p>
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<p>The Student Welcome Center will provide opportunities to showcase the university's history and advancements in research, teaching, and community outreach as well as the accomplishments of our students.</p>	<p>The project will provide accessible space for students, fans, visitors, faculty and staff that is not currently available.</p> <p>Health care is an accessibility barrier to many. Offering access to students through enhanced health care and service hour offerings and extension of access to faculty, staff and community will reduce these barriers.</p>	<p>Year-round use of the stadium will broaden opportunities to bring people to OSU from around the country, as well as improve the visiting experience for prospective students and their families. An improved fan experience will draw attendees for more university activities than only on game day.</p>	<p>A modern Wellness Clinic designed in a collaborative partnership between OSU's Student Health Services and a local health care provider, improves health care services on campus to serve students, faculty, staff and the community.</p>
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In addition to advancing OSU's strategic plan, the project is essential to keeping pace with peers in the Pac-12 and in keeping OSU and the Pac-12 on pace with the prestigious Power 5 athletics conferences. The value of OSU's association with the other universities of the Pac-12 cannot be overstated. Membership in the Pac-12 grants OSU national visibility and prominence, helping it attract students, faculty, visitors, opportunities and gifts to OSU that membership in a conference with less prestigious members would not provide. OSU must maintain appropriate standards in fan and stadium amenities, including a modern press box, television and broadcast facilities, and audio/visual and connectivity technology. These will all be part of the stadium on completion of the project.

IDENTIFICATION OF RISKS AND MITIGATION STRATEGIES

The following project risks have been identified. Given these risks, the design-build and owner contingencies have been set at 7.5% and 5%, respectively. Construction is planned to commence immediately following the 2021 football season. The 2022 season will be played in the stadium with reduced seating capacity with planned completion to support full use by the 2023 season. An annual escalation of 4% was used for calculating costs.

Risks	Likelihood	Severity	Consequences	Mitigation Strategy
<p>Higher than expected construction market escalation and/or COVID implications, such as supply chain or working conditions</p>	<p>High</p>	<p>High</p>	<p>Availability of construction materials presents risk to cost, schedule and possible project scope, especially given potential impacts of the COVID-19 pandemic. There</p>	<p>This risk is mitigated in part by the contingencies and escalation factors stated above and through contractual language that will accommodate COVID-19 related issues without</p>

			is already evidence of a 10% to 25% increase in the last quarter in material costs such as steel, wire, piping and drywall.	incurring additional costs.
Stadium revenues do not meet expectations	Low	High	Alternate sources of funding to retire bonds will have to be considered.	Market analysis and studies, as well as a conservative approach and our own experience with better quality seating and premium seating, indicate strong demand for premium seating that is unlikely to diminish.
OSU and our health care partner do not reach an agreement on terms of a partnership	Low	Medium	The financial model for the Wellness Clinic will need to be redeveloped. Alternative uses and allocations of the planned Wellness Clinic space would need to be considered and monetized.	Both OSU and the proposed health care partner are fully committed to bringing the planned partnership to fruition. The health care space will be constructed with flexibility in mind should OSU need to repurpose it for another use.
Insurance revenues do not meet expectation	Low	High	Availability of new revenue to pay for project is not available.	Student Health Services have engaged a consultant to determine anticipated revenue and process for developing contractual agreements to allow for insurance billing. Estimates used on proforma are conservative,

				and model is consistent with like-situated universities in Oregon.
Undiscovered conditions	Low	Low	Construction projects carry an inherent risk of the actual construction or conditions being different from archived documents or even explorative inspection and testing.	The design-build team conducted a full assessment of the stadium's existing structure. All major structural elements within the westside grandstands will be replaced with careful consideration of connectivity to the rest of the stadium.
Delays in permitting	Low	Low	Delays will have both schedule and cost consequences explained in the <i>delay</i> section below	OSU staff and our design-build partner have already engaged city of Corvallis staff in extensive pre-development meetings. We see no indication of difficulties that would push beyond the schedule contingencies in place.
Timing of gifts and pledges do not meet expectations	Low	Low	If pledged gifts are not received on schedule, the project will have to take on more interest cost than expected.	OSU staff have created conservative cash flow projections that allow for the expected pace of gifts with some contingency room for delayed gifts.
Project delay for any of the reasons above	Medium	Medium	Delays in construction present not only schedule vulnerability, but also subject the	The design-build team provides OSU and OSU Athletics with regular schedule updates based on constant

			<p>project to further escalation in materials and labor costs. Stretching the construction period would likely increase the cost for the contractor to manage the project as well as result in lost revenue to OSU.</p>	<p>fine tuning of how the stadium can be constructed and open prior to the 2023 season. The design-build team projects completion of the project in May 2023 to allow for ample time to commission the stadium and complete all technology installations.</p>
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PROJECT COST AND FINANCING PROFILE

Attachment 1 provides the construction financing profile that supports the planning, design and construction phase of the project. Attachment 2 provides the proforma showing the financial sustainability of the project with anticipated revenues and expenses.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee recommend to the Board approval of a total capital budget of \$153.0M for the Reser Stadium West Grandstands project and advancing the project to the construction phase.

Attachment 1 provides the construction financing profile that supports the planning, design and construction phase of the project.

Reser Stadium West Grandstands - Summary - Project Financing Profile															
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033-42	Total
Sources															
Revenue Bond (Athletics Wellness Clinic / Welcome Center repayment)	\$0	\$0	\$0	\$28,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$28,000,000
XI-F Bond (Athletics repayment)	\$0	\$0	\$0	\$40,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$40,000,000
Foundation Gifts	\$3,123,135	\$12,505,331	\$3,059,307	\$7,109,307	\$7,984,307	\$6,984,307	\$6,984,306	\$6,950,000	\$6,950,000	\$6,950,000	\$7,700,000	\$2,700,000	\$750,000	\$5,250,000	\$85,000,000
Bridge Funding	\$0	\$0	\$38,236,974	\$12,736,618	(\$330,844)	(\$6,435,653)	(\$6,957,378)	(\$6,949,879)	(\$6,950,000)	(\$6,950,000)	(\$7,700,000)	(\$2,700,000)	(\$750,000)	(\$5,249,839)	\$0
Total Sources	\$3,123,135	\$12,505,331	\$41,296,281	\$87,845,925	\$7,653,463	\$548,654	\$26,928	\$121	\$0	\$0	\$0	\$0	\$0	\$161	\$153,000,000
Uses															
Planning, design and construction	(1,542,913)	(4,361,432)	(47,670,000)	(91,280,835)	(7,622,025)	(521,897)	(737)	-	-	-	-	-	-	-	(152,999,838)
Total Uses	(1,542,913)	(4,361,432)	(47,670,000)	(91,280,835)	(7,622,025)	(521,897)	(737)	-	-	-	-	-	-	-	(152,999,838)
Balance	\$1,580,222	\$8,143,899	(\$6,373,719)	(\$3,434,910)	\$31,438	\$26,757	\$26,191	\$121	\$0	\$0	\$0	\$0	\$0	\$161	\$161

Assumptions:

- The Foundation will provide advance funding of gift pledges of \$30M to be liquidated before Internal Bank bridge funding. ~~The Foundation will provide a gift advance loan for \$30M to be repaid before the internal bank.~~
- Use of funds priority is (1) gifts in hand, (2) XI-F(1) bond funds once approved by legislation, (3) OSU Revenue Bond, (4) Bridge funding of secured pledges not yet received.
- \$16.5M unsecured pledges will be received equally over 10 years beginning FY2022.
- \$1.5 million estimated gift fees included as funds use.

Attachment 2 provides the proforma showing the financial sustainability of the project with anticipated revenues and expenses.

REVISED: West Side Reser Stadium Reconstruction - Summary - Operating Pro Forma (1 of 2)								
Revenues	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Net New Revenue - Athletics	\$4,378,388	\$4,509,739	\$4,645,031	\$4,784,382	\$4,927,914	\$5,075,751	\$5,228,024	\$5,384,864
Current revenues supporting west side	(\$10,969,000)	(\$11,298,070)	(\$11,637,012)	(\$11,986,122)	(\$12,345,706)	(\$12,716,077)	(\$13,097,560)	(\$13,490,486)
New revenues from premium seating sales	\$15,347,388	\$15,807,809	\$16,282,043	\$16,770,505	\$17,273,620	\$17,791,828	\$18,325,583	\$18,875,351
New Revenue - Wellness Clinic	\$1,260,000	\$1,297,800	\$1,336,734	\$1,376,836	\$1,418,141	\$1,460,685	\$1,504,506	\$1,549,641
New revenues from Wellness Clinic ¹	\$1,260,000	\$1,297,800	\$1,336,734	\$1,376,836	\$1,418,141	\$1,460,685	\$1,504,506	\$1,549,641
New Revenue - Welcome Center & Conference Services	\$0	\$131,040	\$434,744	\$816,359	\$1,194,500	\$1,384,770	\$1,494,858	\$1,533,610
New revenue from Conference area	\$0	\$0	\$45,000	\$90,000	\$130,000	\$133,900	\$137,917	\$142,055
New revenue from Welcome Center and Enrollment	\$0	\$131,040	\$389,744	\$726,359	\$1,064,500	\$1,250,870	\$1,356,941	\$1,391,555
Net New Revenues	\$5,638,388	\$5,938,579	\$6,416,509	\$6,977,577	\$7,540,555	\$7,921,206	\$8,227,388	\$8,468,115
Expenses								
Expenses for Athletics	(\$698,283)	(\$4,171,909)	(\$3,940,661)	(\$3,310,023)	(\$3,261,758)	(\$3,213,277)	(\$3,165,164)	(\$3,110,871)
Operations & Maintenance and Mid Life Renewal @ 25 yrs	(\$365,185)	(\$376,141)	(\$387,425)	(\$399,048)	(\$411,019)	(\$423,350)	(\$436,050)	(\$449,131)
Internal Bank interest for bridge loan funding	(\$333,098)	(\$1,210,444)	(\$967,912)	(\$325,651)	(\$265,415)	(\$204,603)	(\$143,790)	(\$76,415)
Debt Service for XI-F Bond - paid back by Athletics	\$0	(\$2,585,324)	(\$2,585,324)	(\$2,585,324)	(\$2,585,324)	(\$2,585,324)	(\$2,585,324)	(\$2,585,324)
Expenses for Wellness Clinic	(\$1,751,079)	(\$1,460,679)	(\$1,470,567)	(\$1,480,752)	(\$1,491,242)	(\$1,502,047)	(\$1,513,176)	(\$1,524,639)
Operations & Maintenance and Mid Life Renewal @ 25 yrs	(\$620,000)	(\$329,600)	(\$339,488)	(\$349,673)	(\$360,163)	(\$370,968)	(\$382,097)	(\$393,560)
Debt Service for Revenue Bond - paid back by SHS & Health Partner	(\$1,131,079)	(\$1,131,079)	(\$1,131,079)	(\$1,131,079)	(\$1,131,079)	(\$1,131,079)	(\$1,131,079)	(\$1,131,079)
Expenses for Welcome Center & Conference Services	\$0	(\$507,324)	(\$851,688)	(\$856,879)	(\$862,226)	(\$867,733)	(\$873,406)	(\$879,248)
Operations & Maintenance and Mid Life Renewal @ 25 yrs	\$0	(\$168,000)	(\$173,040)	(\$178,231)	(\$183,578)	(\$189,085)	(\$194,758)	(\$200,601)
Debt Service on University Revenue Bond – paid back by Welcome Center and Conference Center	\$0	(\$339,324)	(\$678,648)	(\$678,648)	(\$678,648)	(\$678,648)	(\$678,648)	(\$678,648)
Total Expenses	(\$2,449,362)	(\$6,139,912)	(\$6,262,916)	(\$5,647,653)	(\$5,615,226)	(\$5,583,057)	(\$5,551,746)	(\$5,514,758)
Net Revenue (Loss)	\$3,189,025	(\$201,333)	\$153,594	\$1,329,924	\$1,925,329	\$2,338,150	\$2,675,642	\$2,953,357
Accumulated Balance	\$3,189,025	\$2,987,693	\$3,141,286	\$4,471,210	\$6,396,539	\$8,734,689	\$11,410,331	\$14,363,688

¹ includes incremental revenues from insurance billings, service charges, fee revenues, and lease income and are the median range of what was modeled. These estimates will be refined as the specific details of the project are confirmed.

REVISED: West Side Reser Stadium Reconstruction - Summary - Operating Pro Forma (2 of 2)								
Revenues	FY2031	FY2032	FY2033-FY2042	FY2043-FY2052	FY2053-FY2062	FY2063-FY2072	Totals	NPV ^{± 2}
Net New Revenue - Athletics	\$5,546,410	\$5,712,803	\$67,455,606	\$90,654,694	\$121,832,328	\$163,732,461	\$493,868,394	\$185,227,813
Current revenues supporting west side	(\$13,895,201)	(\$14,312,057)	(\$168,993,846)	(\$227,113,597)	(\$305,221,683)	(\$410,192,419)	(\$1,237,268,837)	
New revenues from premium seating sales	\$19,441,611	\$20,024,860	\$236,449,452	\$317,768,291	\$427,054,011	\$573,924,880	\$1,731,137,231	
New Revenue - Wellness Clinic	\$1,596,130	\$1,644,014	\$19,412,184	\$26,088,352	\$35,060,563	\$47,118,466	\$142,124,053	\$53,304,337
New revenues from Wellness Clinic ¹	\$1,596,130	\$1,644,014	\$19,412,184	\$26,088,352	\$35,060,563	\$47,118,466	\$142,124,053	
New Revenue - Welcome Center & Conference Services	\$1,579,618	\$1,627,006	\$19,211,358	\$25,818,459	\$34,697,850	\$46,631,009	\$136,555,181	\$48,979,548
New revenue from Conference area	\$146,316	\$150,706	\$1,779,501	\$2,391,501	\$3,213,977	\$4,319,317	\$12,680,189	
New revenue from Welcome Center and Enrollment	\$1,433,302	\$1,476,301	\$17,431,857	\$23,426,958	\$31,483,873	\$42,311,692	\$123,874,992	
Net New Revenues	\$8,722,158	\$8,983,823	\$106,079,148	\$142,561,505	\$191,590,741	\$257,481,935	\$772,547,628	\$287,511,698
Expenses								
Expenses for Athletics	(\$3,100,720)	(\$3,092,432)	(\$31,571,331)	(\$69,414,412)	(\$12,746,905)	(\$13,656,315)	(\$158,454,058)	(\$79,219,572)
Operations & Maintenance and Mid Life Renewal @ 25 yrs	(\$462,605)	(\$476,484)	(\$5,626,221)	(\$43,561,170)	(\$10,161,581)	(\$13,656,315)	(\$77,191,724)	
IB interest for bridge loan funding	(\$52,790)	(\$30,624)	(\$91,869)	\$0	\$0	\$0	(\$3,702,611)	
Debt Service for XI-F Bond - paid back by Athletics	(\$2,585,324)	(\$2,585,324)	(\$25,853,241)	(\$25,853,241)	(\$2,585,324)	\$0	(\$77,559,723)	
Expenses for Wellness Clinic	(\$1,536,446)	(\$1,548,607)	(\$16,240,871)	(\$27,936,406)	(\$8,904,270)	(\$11,966,594)	(\$80,327,376)	(\$38,466,015)
Operations & Maintenance and Mid Life Renewal @ 25 yrs	(\$405,366)	(\$417,527)	(\$4,930,078)	(\$16,625,613)	(\$8,904,270)	(\$11,966,594)	(\$46,394,998)	
Debt Service for Revenue Bond - paid back by SHS & Health Partner	(\$1,131,079)	(\$1,131,079)	(\$11,310,793)	(\$11,310,793)	\$0	\$0	(\$33,932,379)	
Expenses for Welcome Center & Conference Services	(\$885,266)	(\$891,465)	(\$9,299,380)	(\$15,163,609)	(\$5,556,556)	(\$6,099,478)	(\$43,594,256)	(\$20,491,904)
Operations & Maintenance and Mid Life Renewal @ 25 yrs	(\$206,619)	(\$212,817)	(\$2,512,904)	(\$8,377,133)	(\$4,538,584)	(\$6,099,478)	(\$23,234,829)	
Debt Service on University Revenue Bond – paid back by Welcome Center and Conference Center	(\$678,648)	(\$678,648)	(\$6,786,476)	(\$6,786,476)	(\$1,017,971)	\$0	(\$20,359,427)	
Total Expenses	(\$5,522,432)	(\$5,532,503)	(\$57,111,582)	(\$112,514,426)	(\$27,207,731)	(\$31,722,387)	(\$282,375,691)	(\$138,177,491)
Net Revenue (Loss)	\$3,199,727	\$3,451,320	\$48,967,566	\$30,047,078	\$164,383,011	\$225,759,548	\$490,171,937	\$149,334,207
Accumulated Balance	\$17,563,414	\$21,014,734	\$69,982,300	\$100,029,378	\$264,412,389	\$490,171,937		\$0

¹ includes incremental revenues from insurance billings, service charges, fee revenues, and lease income and are the median range of what was modeled. These estimates will be refined as the specific details of the project are confirmed.

^{±2} Net present value calculations were updated following the January Board of Trustees meeting to use a discount rate equal to OSU's weighted average cost of capital and reflect the latest revenue and expense estimates.

Funding Projection:					
Projecting Funding Sources Proposed:	Amount:	Term:	Interest:	Principal:	Annual Cost:
Donations/gifts:	85,000,000				
XI-F debt	40,000,000	30	4.99%	40,000,000	(\$2,585,324)
OSU Revenue Bond - paid back by SHS	17,500,000	30	4.99%	17,500,000	(\$1,131,079)
OSU Revenue Bond - paid back by Welcome Center & Conference Services	10,500,000	30	4.99%	10,500,000	(\$678,648)
Total Project Costs:	153,000,000				(\$4,395,051)