

Capital Project Change to Approved Budget: Cordley Hall Renovation

BACKGROUND

The \$158.8M M budget for Cordley Hall Renovation project was approved by the Board of Trustees in October 2019 and a change to funding composition (but not the overall cost), was approved by the Board in October 2020. Staff are requesting a budget increase of \$12,859,380 to reach a total budget of \$171,659,380. The budget increase exceeds the \$5M limit requiring board approval under the [Approval of Capital Projects policy](#).

PROPOSED BUDGET ADJUSTMENT

Cordley Hall is being renovated in two construction phases. The west side and the district chiller plant will be completed in the spring 2022, within the expected budget and contractor's Guaranteed Maximum Price (GMP). Construction on the east side will begin in summer 2022, with expected completion in summer 2024. The east side GMP will be bid and compiled in February 2022. Staff anticipate a significant cost escalation caused by increased labor costs and supply disruptions at approximately \$12M to the current \$69.6M estimate. All opportunities to cut costs have been taken during the development of plans prior to construction. The only means left to cut project costs would be to leave spaces (primarily laboratories) unfinished. This approach would be disruptive to OSU's research enterprise and the redevelopment of campus.

This project also includes \$859,380 in improvements to the existing chilled water distribution loop and buildings on the loop to activate the District Chiller Plant. These costs were anticipated and funded with Capital Improvement and Renewal (CIR) funds.

Capital Project	Total	CIR Funds	State Paid Bonds	OSU Revenue Bonds
As presented to the Board October 2020	\$158,800,000	\$9,800,000	\$101,000,000	\$48,000,000
Current Plan for January 2022	\$171,659,380	\$10,659,380	\$101,000,000 \$12,000,000 ¹	\$48,000,000

¹ Allocation will be discussed in the Project Cost and Financing Profile section

PROJECT COST AND FINANCING PROFILE

In coordination with the Higher Education Coordinating Commission, additional legislative funding to address the unprecedented market escalation is being sought for several university capital projects including this \$12M increase to Cordley Hall. This is OSU's preferred funding option. If this funding does not become available, funding from OSU-paid bonds will be diverted to Cordley Hall as it is the university's highest priority project. Diverting these funds to this project will delay important planned electrical distribution improvements and life cycle replacement of mechanical systems. These downstream impacts will be addressed in the upcoming Ten-Year Capital Forecast update.

Debt service related to the diverted funds was already included in the current ten-year operating forecast for future E&G projects. Additionally, estimated operating costs are not expected to change due to the project cost escalation.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee recommend to the Board approval of the budget increase for the Cordley Hall Renovation project to bring the total project budget to \$171,659,380.