


Capital Project Stage Gate II: Arts and Education Complex

BACKGROUND

The Arts and Education Complex is included in the Ten-Year Capital Forecast. At its April 2020 meeting, the Finance & Administration Committee advanced the project to the design development phase, which the university has now completed. The following information is provided for the committee’s consideration of advancing this project to construction phase, pursuant to the [Approval of Capital Projects policy](#).

PROJECT SUMMARY

 <p>AEC from the southeast corner of SW Washington Way</p>	Gross square feet new/renovated	49,000/ 3,100
	Estimated project budget	\$70,000,000
	State-paid bonds	\$35,000,000
	Gifts	\$35,000,000
	Deferred maintenance reduction	\$6,000,000
	Carbon Impact	+487 tons/year
	Estimated project completion	Spring/Summer Term 2023
	Location	15th Street & Washington Way, Corvallis

The Arts and Education Complex (AEC) project will construct a new academic facility that will serve primarily as educational space for performing arts classes, programs, and performances. The project will also renovate and make seismic safety improvements to what is currently known as the Anderson and Keeling Memorial Target Range (originally the 1910 Heat Plant) to provide spaces for music practice and teaching. The AEC will become a center of creativity, integrating programs in the arts, including music, theater, and the visual arts, with state-of-the-art educational and performing arts technologies. This undertaking will enable OSU to fulfill its strategic mission by bringing the arts to all people of Oregon through teaching, research, performance, and community outreach and engagement.

Key components of the AEC project include teaching and performance spaces designed for collaboration in technology, along with media-rich environments: a recital hall with an acoustically superior concert hall that doubles as a classroom, a black box performance space that can be used for education and theater in multiple configurations, and a separate music practice/teaching facility with support space. The project also includes art gallery space and back-of-house support areas, as well as a reception area.

The AEC will increase OSU’s carbon footprint by approximately 500 tons per year. The carbon impact estimate accounts for the removal of the existing shops buildings, which are being replaced by a building at 35th and Western. Long-term, AEC is replacing spaces around OSU that perform far worse and will allow the renovation of those spaces as well as the eventual demolition of others, paving the way for an overall carbon reduction.

ADVANCING OSU'S STRATEGIC GOALS

<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>
<p>The AEC provides purpose-built space for highly transdisciplinary undergraduate and graduate degree programs that intersect the performing and digital arts with engineering, communications, and media.</p>	<p>The collaborative nature of the AEC provides synergies around the arts in ways that enhance the educational and cultural experiences of all OSU students.</p>	<p>The AEC will elevate OSU's excellence similar to that of our aspirational peers, which feature the arts and humanities as a key part of their international reputations.</p>	<p>The AEC will serve as a statewide portal to the arts, enabling collaboration with public school systems throughout the state to ensure that all Oregonians have better access and exposure to the arts.</p>

IDENTIFICATION OF RISKS AND MITIGATION STRATEGIES

The following risks have been identified for the project. Given these risks, the owner and design contingencies have been set at 10% and 5%, respectively. As the construction will be through a firm fixed-price contract, the construction contingency is at the bidder's discretion and will be within the price offered.

<p>Risks</p>	<p>Consequences</p>	<p>Mitigation Strategy</p>
<p><i>Undiscovered conditions</i></p>	<p>Site excavation and the heat plant renovation carry an inherent risk of the actual construction or conditions being different from archived documents or even explorative inspection and testing. Unexpected conditions could present a risk to final cost, schedule, and/or the quality and scope of the project.</p>	<p>Studies were conducted by consultants to assess existing site conditions and as built condition of the heat plant. The contingencies noted above will be in place to cover unexpected costs.</p>
<p><i>Labor and materials availability</i></p>	<p>Availability of resources presents risk to cost, schedule, and possible scope, especially given potential impacts of the COVID-19 pandemic.</p>	<p>This risk is mitigated by the contingencies stated above through contractual language that allows COVID-related schedule changes without incurring additional costs.</p>
<p><i>Higher than expected construction market escalation</i></p>	<p>This risk is based on national/regional economics more than labor availability (above), but these risks are similar and interconnected. Cost estimates</p>	<p>This risk is mitigated by an annual escalation factor 3.5% to midpoint of construction.</p>

	and bids will include cost implications related to the COVID19 pandemic.	
<i>Project delay</i>	Funding, permitting, logistical, contractual, or any reason for substantial delays in construction present not only schedule vulnerability, but also subject the 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 and pay for general conditions.	This risk is mitigated by having a team in place that considers critical activities, appropriate timelines, and measures to avoid and accommodate delays.
<i>COVID-19 Effects</i>	Construction delays due to possible disruption to supply chain, construction inefficiencies from worker availability, and physical distancing requirements.	OSU is working with contractors on physical distancing practices during construction. OSU managers, designers, and the contractor will make extra efforts to mitigate supply chain disruptions by being flexible with alternate materials and schedule.

TOTAL COST OF OWNERSHIP

The estimated life cycle ownership costs for the Arts and Education Complex are summarized in the following table.

Forecasted Total Cost of Ownership Arts and Education Complex	
ITEM	COST
Net Project Cost	\$67,750,000
Total Initial Project Cost	\$70,000,000
Stewardship Set Aside ¹	(\$2,250,000)
Total Cost Avoidance	(\$13,000,000)
Removal of Deferred Maintenance	(\$6,000,000)
Withycombe use by College of Agricultural Sciences – avoid new space ²	(\$7,000,000)
Lifecycle Ownership Costs – Net Present Value (NPV)	\$15,200,000
Operations and Maintenance (50 years @ \$313K - escalated 3% annually)	\$15,200,000

RECOMMENDATION

Staff recommend that the Finance & Administration Committee recommend to the Board approval of a total capital project budget of \$70.0M for the Arts and Education Complex project and advancing of the project to the construction phase.

¹ OSU reserves project funds to defray future repairs and major system upgrades.

² Project includes elimination/relocation of the theater space in Withycombe Hall.