


Capital Project Stage Gate I: Newport Student Housing

BACKGROUND

The Newport Student Housing project at the Hatfield Marine Science Center (HMSC) is included in the Ten-Year Capital Forecast, and the university has completed the schematic design phase. The following information is provided for consideration by the Finance & Administration Committee to advance this project to the next phase of development, per the [Approval of Capital Projects policy](#). The design development phase includes completion of project drawings and possible minor early work such as utility improvements, selective demolition and site preparation.

PROJECT SUMMARY

 <p><i>Location of Newport Student Housing (shown in orange at bottom of image) in relation to Hatfield Marine Science Center (shown in orange at top of image)</i></p>	Gross Square Feet added	18,000 to 22,000
	Estimated project budget	\$10,000,000
	OSU-paid bonds ¹	\$10,000,000
	Deferred maintenance reduction	not applicable
	Estimated project completion	Spring Term 2021
	Location	Newport, Oregon

OSU intends to construct multi-family style housing to accommodate primarily junior, senior, and graduate students. The project will include approximately 120 beds, community areas, administration space, site manager living quarters, and code-required parking spaces and roadways.

The site is located on university-owned property in the Wilder development, approximately 0.75 miles south of the Hatfield Marine Science Center in Newport, Oregon. The five-acre site is on a hill outside of the tsunami inundation zones. There is a small wetland located on the site that OSU will mitigate through the development of a public access trail that will be deeded to the City of Newport. Design and construction of the trail is a component of this project, and will be done in collaboration with the City of Newport and to their standards.

¹ Internal bank loan supported by unallocated bond revenue.

OSU is required to get the City of Newport planning commission approval for this project. The university must also obtain design approval from the Wilder development owner, as a condition of the land purchase in 2015, but there is no anticipated issue with this.

ADVANCING OSU'S STRATEGIC GOALS

Goal 1 Preeminence in Research, Scholarship and Innovation	Goal 2 Transformative Education That is Accessible to All Learners	Goal 3 Significant and Visible Impact in Oregon and Beyond	Goal 4 A Culture of Belonging, Collaboration and Innovation
Newport Student Housing will support education and research activities at the HMSC and new Marine Studies Building.	Safe, community oriented housing in close proximity to the HMSC will support undergraduate and graduate students as they study and conduct research.	Education and research at the HMSC and as part of the Marine Studies Initiative have world-wide impact	The Marine Studies Initiative, which this project will support, brings varied disciplines and elements from all of OSU's colleges to focus on the ocean environment.

IDENTIFICATION OF RISKS AND MITIGATION STRATEGIES

The following risks have been identified for the project. Given these risks, the construction, owner, and design contingencies have been set at 3%, 7%, and 10%, respectively.

Risks	Consequences	Mitigation Strategy
<i>The Newport Student Housing project will require approval from the Newport Planning Commission</i>	Commission approval will require a site plan, including building footprints and elevations that will not be available until May, with approval expected in late August. Without approval, the budget and schedule is at risk.	OSU will work closely with the Commission to best meet their criteria. Delay in approvals or re-submitting plans will delay the schedule and affect the budget of the project.
<i>Undiscovered conditions</i>	Site work, remediation and utility work 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.	Studies were conducted by consultants to assess existing conditions. The contingencies noted above will be in place to cover unexpected costs.
<i>Labor and materials availability</i>	Availability of resources presents risk to cost, schedule, and possible scope.	This risk is mitigated by the contingencies stated above.

<i>Higher than expected construction market escalation</i>	This risk is based on national/regional economics more than labor availability (above), but these risks are similar and interconnected.	This risk is mitigated by an annual escalation factor of 7%.
<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>Changes in scope requirements</i>	Minor adjustments in scope are mitigated by a small percentage of the project contingency. Larger programmatic adjustments are mostly avoided once schematic design is complete, as the program scope is fixed. If specific requirements are not fully understood during design or even changed during construction, significant delays and costs could be incurred.	This risk is mitigated by predictable and regular scope, budget, and schedule assessments by the project team (OSU representatives, architect/engineer, and construction contractor) and regular project updates to university leadership. The capital project policy with two stage gates also mitigates this risk.

TOTAL COST OF OWNERSHIP

The estimated life cycle ownership costs for the Newport Student Housing Project are summarized in the following table.

Forecasted Total Cost of Ownership Newport Student Housing	
ITEM	COST
Net Project Cost	\$ 10,000,000
Lifecycle Ownership Costs – Net Present Value (NPV)	\$1,537,000
Revenue from Housing Residents (30 Years)	(\$10,455,000)
Operations and Maintenance (30 Years)	\$8,382,000
Building & Furniture Renewal (30 years)	\$3,610,000

RECOMMENDATION

Staff recommend that the Finance & Administration Committee approve advancing the Newport Student Housing project to the next phase of design development.