

Capital Project Stage Gate: Washington Way Improvements

BACKGROUND

The Washington Way Improvements project is included in the Ten-Year Capital Forecast, and the university has completed the schematic design phase. The following information is provided for Finance & Administration Committee in consideration of progressing this project to the next phase of development pursuant to the Board's [Approval of Capital Projects policy](#).

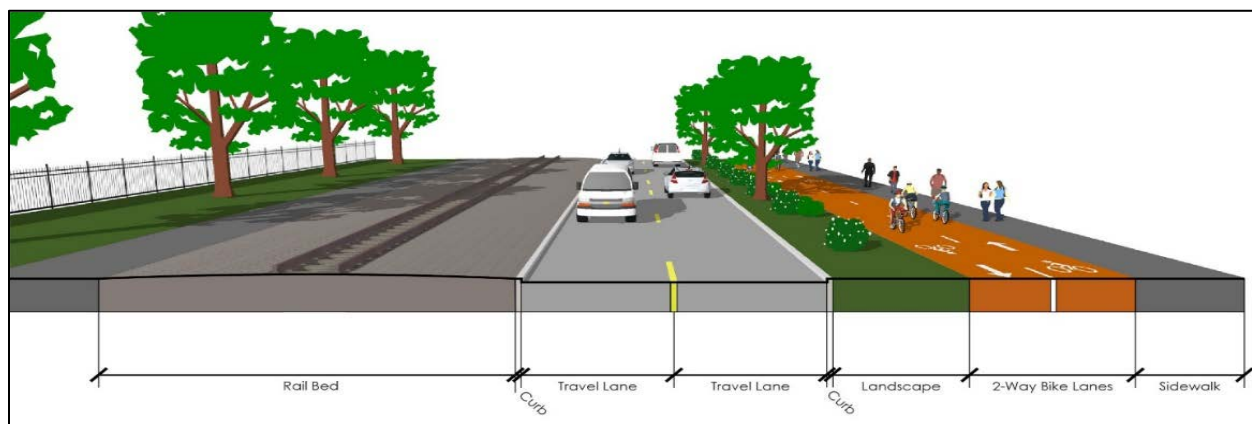
PROJECT DESCRIPTION, SCOPE AND PROGRAM

In October 2017, OSU entered into a Memorandum of Agreement (MOA) with the city of Corvallis, agreeing to complete plans and apply for a permit for improvements of Washington Way by November 16, 2019. The MOA satisfies deferred obligations to improve Washington Way that were a condition of building permits for the 2011 Student Legacy Park and the Advanced Wood Products Lab, both of which are located along Washington Way.

Washington Way is an OSU-owned street that runs east-west through campus from 15th Street to 35th Street. It is located 15 feet north of the centerline of the Union Pacific Railroad (UPRR), which is operated by Portland and Western Railroad (PNWR). The existing roadway runs parallel to UPRR's tracks and lies approximately 15 feet within UPRR property.

The Washington Way Improvements project will reconstruct the Washington Way corridor between Benton Place near the Goss Field parking lot and 35th Street. The project includes some railroad (RR) related work addressing pedestrian safety, closure of crossings, and establishment of appropriate easements.

The proposed road design would place Washington Way at a 25-foot offset from centerline of the railroad. Even with this proposed offset, 5 feet of the roadway would remain within UPRR property, requiring an easement. The road corridor would include a landscape strip immediately north of the travel lanes, followed by a two-way cycle track and pedestrian sidewalk. The corridor improvements include associated utility protection and, if required, relocation.



ESTIMATED TOTAL PROJECT BUDGET, FUNDING AND TIMELINE

The Washington Way Improvements project is estimated to cost between \$22M and \$24M, funded by OSU revenue bonds. The current design meets the requirements of the city and railroad. OSU staff, designers, and the general contractor are considering alternate construction methods, reductions in scope, and compression of schedule to reduce the cost. The project includes a 10% design contingency on direct construction costs, which places the current estimate at \$24M. The project team’s goal is to take all sensible cost savings measures to deliver a project that meets requirements and drives costs to or below \$22M. The current estimate presumes a summer of 2020 begin.

The project is expected to be completed in fall of 2021 or 2022, depending on the start date.

IDENTIFICATION OF RISKS AND PROPOSED CONTINGENCY

The contingencies for design, construction, and owner are 10%, 5%, and 10%, respectively. The architects and general contractors are incorporating escalation rates at 7% for the year between now and construction.

Risks	Consequences	Mitigation Strategy
<i>Undiscovered conditions</i>	Excavations for roadway carry an inherent risk of the actual conditions being different than expected. Unexpected conditions beyond what is expected (and mitigated by construction contingency) would present a risk to final cost, schedule, and/or the quality and scope of the project. The 10% construction and owner’s contingency will be in place to cover these costs.	The design team has conducted site assessments and consulted with utility companies and UPRR to identify existing conditions. The contingencies noted above will be in place to cover unexpected costs.
<i>Labor and materials availability</i>	Availability of resources beyond what contingency can mitigate 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 subject the project to further escalation in materials and labor costs. Coordinating and negotiating with the railroad for permits and new easements presents further possible delay. Stretching the construction period would likely increase the cost for the contractor to manage the project	This risk is mitigated by having a team in place, including a railway consultant that considers critical activities, appropriate timelines, and measures to avoid and accommodate delays.

	and pay for general logistics (general conditions).	
<i>Changes in scope requirements</i>	<p>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.</p> <p>Potential also exists in finalization of the UPRR easement that conditions could be placed requiring scope changes.</p>	<p>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.</p> <p>This risk is mitigated by proactive engagement with UPRR and our railway consultant.</p>

TOTAL COST OF OWNERSHIP

Total cost of ownership is a summary of estimated financial obligations for an asset, including initial design and construction expenses, operations and maintenance, debt service and renewal costs. It is a more useful way of considering the total impacts of E&G projects than the standard project *pro forma* the university uses for self-support projects, which have a revenue component.

The estimated total cost of ownership over a 15-year life cycle for the Washington Way Improvements project is summarized in the table below, which includes total project cost, debt service, and operations and maintenance. The operations and maintenance line item primarily reflects pavement management to extend the life of the roads and bike lanes, with grind and overlay work at seven year intervals and slurry seal applications at midpoints between.

Education and General Fund – Forecasted Total Cost of Ownership (15 years) Washington Way Rebuild/Improvements	
ITEM	COST
Total improvement project cost	\$22,000,000
Total debt service for the improvements (15 years – 4.99%)	\$31,512,224
Operations and maintenance (escalated 3% annually)	\$1,291,608
Total cost of ownership	\$32,803,832

RECOMMENDATION

Staff recommend that the Finance & Administration Committee approve advancing the Washington Way Improvements project to the next phase of design development.