Capital Project Stage Gate I: Arts and Education Complex

BACKGROUND

The university has completed the schematic design phase for the Arts and Education Complex (AEC), and the project is ready for the Finance & Administration Committee to consider advancing it to the next phase of development per the Approval of Capital Projects policy. The design development phase includes the completion of project drawings and minor early work such as utility improvements, selective demolition and site preparation. Staff expect to submit this project for Stage Gate II review at the October 2020 Board of Trustees meeting.

PROJECT SUMMARY

Architect's rendering of the new Arts and Education Complex

Gross square feet	**New 49,000 Renovation 3,100**
Project budget	**$70,000,000**
State-paid bonds[1]	$35,000,000
Gifts[2]	$35,000,000
Other	$0
Deferred maintenance reduction	**$4,500,000**
Estimated project completion	**Spring Term 2023**
Location	**15th Street & Washington Way, Corvallis**

The Arts and Education Complex 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 the neighboring 1910 Heat Plant Building 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 Oregon State University to fulfill its strategic mission by bringing the arts to all people of Oregon through teaching, research, performance, and community outreach and engagement.

The project will allow for the relocation of existing performing arts venues and facilities from Community and Withycombe Halls, freeing up space in these buildings for other programs. 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

[1] Number 6 project on HECC priority for 2019-21 biennium.

[2] $30.7M raised towards this goal to date.

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 and a box office.

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**
The AEC provides purpose-built space for highly transdisciplinary undergraduate and graduate degree programs that intersect the digital arts with engineering, communications and media.	The collaborative nature of the AEC provides synergies around the arts in ways that enhance the educational and cultural experiences of all OSU students.	The AEC will elevate OSU to a level of excellence similar to that of our aspirational peers, which feature the arts and humanities as a key part of their international reputations.	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.

IDENTIFICATION OF RISKS AND MITIGATION STRATEGIES

The following risks have been identified for the project. Given these risks, the design, construction, and owner contingencies have been set at 9%, 3%, and 7%, respectively.

Risks	Consequences	Mitigation Strategy
State Funding	Capital funding from the Oregon legislature remained in question as the 2020 legislative session ended. The HECC approved capital project list for the 2019-21 biennium places the AEC as the sixth priority in the State.	Given the ranking of the project, state funding is likely to be approved in the next legislative session; however, the timing of approval may shift the construction schedule.
Undiscovered conditions	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.

Labor and materials availability	Availability of resources presents risk to cost, schedule, and possible scope.	This risk is mitigated by the contingencies stated above.
Higher than expected construction market escalation	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%.
Project delay	Funding, obtaining the City of Corvallis building permit,, 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 contracting team in place that considers critical activities, appropriate timelines, and measures to avoid and accommodate delays.
Changes in scope requirements	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 education and general fund life cycle ownership costs are summarized in the following table.

Education and General Fund – Forecasted Total Cost of Ownership	
ITEM	COST
Net Project Cost	**$67,750,000**
Total Initial Project Costs	$70,000,000
Stewardship Set Aside	($2,250,000)[3]
Total Cost Avoidance	**($15,100,000)**
Removal of deferred maintenance	($6,000,000)
Withycombe use by College of Science – avoid new space	($7,000,000)

[3] OSU reserves project funds to defray future repairs and major system upgrades.

Administrative units moved to Community Hall – avoid new space	($2,100,000)
Lifecycle Ownership Costs – Net Present Value (NPV)	**$16,400,000**
Operations and Maintenance (50 yrs @ $338K - escalated 3% annually)	$16,400,000

RECOMMENDATION

Staff recommend that the Finance & Administration Committee approve advancing the Arts and Education Complex project to the next phase of design development.