

Capital Project Stage Gate: Campus Operations Center

BACKGROUND

The Campus Operations Center project creates a complex that will house University Facilities, Infrastructure, and Operations units in a single location. The demolition of the existing Facilities Services (Facilities) shops buildings will remove an estimated \$10M in deferred maintenance. This project is included in the Ten-Year Capital Forecast and the university has completed schematic design. The following information is provided for the Finance & Administration Committee’s consideration of advancing this project to the next phase of development pursuant to the Board’s [Approval of Capital Projects policy](#).

PROJECT DESCRIPTION, SCOPE AND PROGRAM

The Campus Operations Center replaces the current Facilities shops buildings south of the Kerr Administration Building with a new complex of shops buildings, equipment space, vehicle yards, parking, and associated improvements at the former OSU Foundation building site at 35th Street and Western Avenue. The existing building will be used for mostly administrative space, and new shops buildings will be constructed to accommodate the various trades within Facilities Services. The project will also demolish the existing shops buildings on the corner of 15th Street and Washington Way, including removal of the abandoned underground oil storage tank and remediation of any underground contamination at the site.

ESTIMATED TOTAL PROJECT BUDGET, FUNDING AND TIMELINE

The Campus Operations Center project is expected to cost \$26.5M and will be funded by OSU revenue bonds (\$23.5M) and state capital improvement and renewal (CIR) funds (\$3M). The project is scheduled for completion in the spring of 2021.

IDENTIFICATION OF RISKS AND MITIGATION STRATEGIES

The contingencies for design, construction, and owner are 8%, 3%, and 10%, respectively.

Risks	Consequences	Mitigation Strategy
<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.	The greatest potential risk regarding site work is associated with the removal of the oil storage tank. Studies were conducted by consultants to assess existing conditions and removal strategies for the underground tank and site remediation. 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 logistics (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

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 25-year life cycle for the Campus Operations Center is summarized in the following table, which includes total project cost, debt service, operations and maintenance (O&M), and capital renewal funding based on depreciation. The O&M and Capital Renewal costs will be included into operating and budget forecasts moving forward.

Education and General Fund – Forecasted Total Cost of Ownership Campus Operations Center	
ITEM	COST
Total project cost	\$26,500,000
Total debt service for the improvements (25 years – 4.99%)	\$41,386,831
Operations and maintenance (25 years, \$173,562 - escalated 3% annually)	\$6,327,943
Capital renewal (25 years – escalated 3%)	\$38,346,820
Total cost of ownership	\$86,061,594

RECOMMENDATION

Staff recommend that the Finance & Administration Committee approve advancing the Campus Operations Center project to the next phase of design development.