

## Capital Project Stage Gate: Burt Hall II Reconstruction

### BACKGROUND

The Burt Hall II Reconstruction project repairs fire, smoke, and water damage that occurred as a result of a fire that occurred in December 2018. Given the emergency nature of this project, the university has expedited completion of the schematic design phase of this project and is providing the following information for the Finance & Administration Committee's consideration of advancing this project to the design development phase pursuant to the Board [Approval of Capital Projects policy](#).

Once design development is completed, the university is proposing to proceed to construction immediately as provided for in the Emergency Construction provision of Section VI of the Board's Policy. Staff believes that utilizing the Emergency Construction provision in order to minimize disruption to critical teaching and research activities is an appropriate application of this provision. In this case, moving forward now will allow construction work to begin over the summer rather than waiting until the next full Board meeting in October 2019 and will help ensure that faculty, staff, and students return to the building as quickly as possible. Pursuant to this section of the policy, the President would report the final project budget for approval at the October meeting.

### PROJECT DESCRIPTION, SCOPE AND PROGRAM

The Burt complex is four adjoined buildings constructed between 1972 and 1990. The fire largely affected Burt II, a three-floor-plus-basement component of the complex, housing critical College of Earth, Ocean, and Atmospheric Sciences research laboratories and offices. The Burt Hall II Reconstruction project will restore these facilities, while making necessary and required code and programmatic improvements, such as accessibility (ADA) updates and updates to fire alarms and sprinklers.

Key elements of the reconstruction include:

- Replacement of surfaces, such as floors, walls, and ceilings damaged by water or contaminated by smoke.
- Replacement of damaged light fixtures to meet modern energy code.
- Replacement of components of HVAC and Plumbing and Electrical systems damaged by smoke, water, or heat.
- Replacement of research facilities damaged by smoke, water, or heat.
- Upgrade to modern building code, including ADA and safety.

### ESTIMATED TOTAL PROJECT BUDGET, FUNDING AND TIMELINE

The Burt Hall II Reconstruction project is expected to cost \$8.8M and will be funded by insurance payments. It is possible that insurance payments will not cover the entire expected cost of the project. If so, scope reductions and/or alternate funding will be considered. The project is scheduled for completion in the spring of 2020.

**IDENTIFICATION OF RISKS AND MITIGATION STRATEGIES**

The contingencies for design, construction, and owner are 10%, 5%, and 10%, respectively. Escalation rates are 7%.

<b>Risks</b>	<b>Consequences</b>	<b>Mitigation Strategy</b>
<i>Undiscovered conditions</i>	Renovations following fire damage carry an inherent risk of the actual construction or conditions being different from archived documents or even explorative inspection and testing, especially in older buildings. Unexpected conditions would present a risk to final cost, schedule, and/or the quality and scope of the project.	This risk is largely mitigated as most surfaces and systems that will need to be replaced have been removed from the building or exposed, leaving less chance for the unexpected. The contingencies noted above will be in place to cover unexpected costs. These conditions may also trigger additional reimbursements from insurance.
<i>Labor and materials availability</i>	Availability of resources presents risk to cost, schedule, and possible scope.	This risk is mitigated by the contingencies.
<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>Insurance Funding</i>	The insurance claim may not fully fund the expected reconstruction cost.	OSU will continue to work to maximize insurance funds paid to OSU. OSU may need to supplement with additional funds and/or adjust scope.
<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	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

July 30, 2019 Board of Trustees Meeting

	changed during construction, significant delays and costs could be incurred.	university leadership. The capital project policy with two stage gates also mitigates this risk.
--	--	--

**TOTAL COST OF OWNERSHIP**

Until the insurance claim is settled, the total cost of ownership cannot be adequately estimated.

**RECOMMENDATION**

Staff recommend that the Finance & Administration Committee approve advancing the Burt Hall II Reconstruction project to design development, recognizing the university will proceed immediately to the construction phase under the emergency construction provision of the Board's policy and that a final budget will be presented at the next regularly scheduled Board meeting.