

Capital Project Stage Gate II: Washington Way Improvements

BACKGROUND

The Washington Way Improvements project is included in the Ten-Year Capital Forecast. On July 30, 2019, the Finance & Administrative Committee advanced the project to the design development phase, which the university has now completed. The following information is provided for consideration of progressing this project to the construction phase pursuant to the [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.

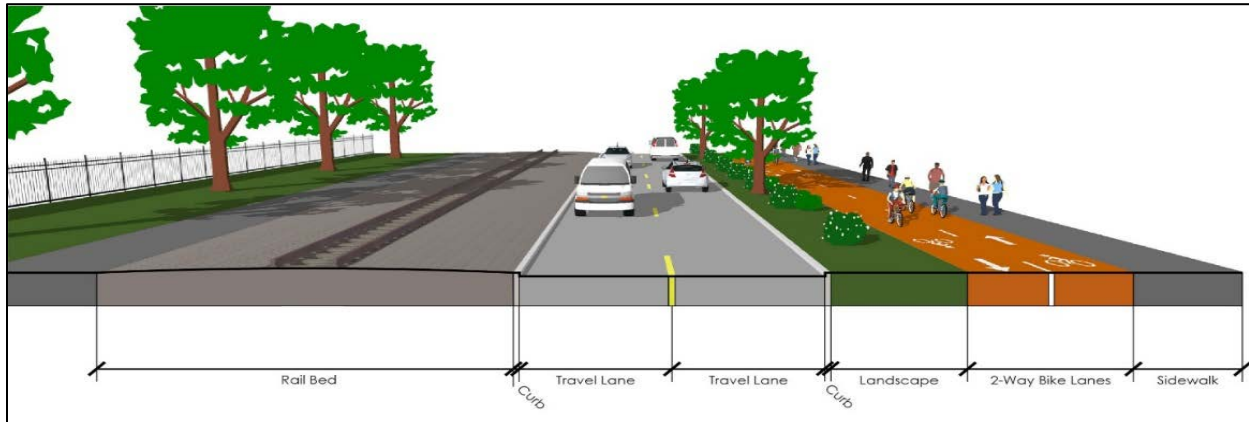
Washington Way is an OSU-owned street that runs east-west through campus from 15th Street to 35th Street. It is located 15 feet north of the centerline of the Union Pacific Railroad (UPRR), which is operated by Portland and Western Railroad (PNWR). The existing roadway runs parallel to UPRR's tracks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

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

The proposed road design shown in Figure 1 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 the protection or relocation of underground utilities.

The Washington Way project will leverage the open excavation to install data/telecom conduits and vaults that will add capacity to serve buildings near and south of Washington Way, as well as increase OSU's data/telecom redundancy and resiliency. Connections to the existing pathways (outside of the Washington Way excavation) and installation of fiber-optic cables will be accomplished within a near future (minor <\$5M) project.

Figure 1



ESTIMATED TOTAL PROJECT BUDGET, FUNDING AND TIMELINE

The Washington Way Improvements project total cost is \$24.0M and is funded by OSU revenue bonds. The cost of the new roadbed and paving work alone (without the project’s other improvements) is approximately \$1,900 per linear foot.

This project cost assumes a summer 2020 start. The project is expected to be completed in the fall of 2021 or 2022, depending on the start date, which is contingent on the city’s issuance of permits.

IDENTIFICATION OF RISKS AND PROPOSED CONTINGENCY

The following risks have been identified for the project. In consideration of these risk, the contingencies for design, construction, and owner are 10%, 5%, and 10%, respectively.

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. Extensive potholing was conducted to further identify subsurface conditions and mitigate unknowns. 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 and pay for general logistics (general conditions).	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.
<i>Changes in scope requirements</i>	Potential exists in finalization of the UPRR easement that conditions could be placed requiring scope changes.	This risk is mitigated by proactive engagement with UPRR and our railway consultant.

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	\$24,000,000
Total debt service for the improvements (15 years – 4.99%)	\$34,380,000
Operations and maintenance (escalated 3% annually)	\$1,291,600
Total cost of ownership	\$35,671,600

RECOMMENDATION

Staff recommend that the Finance & Administration Committee recommend to the Board approval of a total capital project budget of \$24.0M for the Washington Way Improvements project and advancing of the project to construction phase.