

Capital Project Stage Gate II: 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. 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 the committee and Board's consideration of advancing this project to the construction phase, pursuant to the [Approval of Capital Projects policy](#).

PROJECT DESCRIPTION, SCOPE AND PROGRAM

The Campus Operations Center replaces the current Facilities Services 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 located at 35th Street and Western Avenue. The existing building will be used mostly for administrative space, and a new shops building 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 that are beyond their useful life, 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 funds (\$3M). The project is scheduled for completion in the spring of 2021.

IDENTIFICATION OF RISKS AND MITIGATION STRATEGIES

The following risks have been identified for the Campus Operations Center project. In consideration of these risk, contingencies for design, construction, and owner are 8%, 3%, and 10%, respectively. While these contingencies remain in place, cost certainty has been increased through the design development process.

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

October 17-18, 2019 Board of Trustees Meeting

		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%. Also, as the design is established, cost estimates are confirmed by sub-contractors.
<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.

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 in 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%) ¹	\$38,346,820
Total cost of ownership	\$86,061,594

¹Capital renewal is calculated based on each building’s estimated lifespan and associated depreciation, with a 3% annual escalation

RECOMMENDATION

Staff recommend that the Finance & Administration Committee recommend to the Board approval of a total capital project budget of \$26.5M for the Campus Operations Center project and advancing of the project to construction phase.