

Capital Project Report and Budget Approval: 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 in December 2018. The Stage Gate I request was approved by the Finance & Administration Committee on July 30, 2019. At that time, the university also notified the committee that construction would be pursued under the Emergency Construction provision of Section VI of the Board's [Approval of Capital Projects Policy](#) in order to allow work to begin over the summer and help ensure that faculty, staff, and students could return to the building as quickly as possible. Since July, the university has completed design development and has moved to construction as provided for in the Emergency Construction provision. Pursuant to this section of the policy, the president must report the final project budget for approval at the next meeting. The following information is provided for budget approval pursuant to this section of the Board's policy.

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 cost is \$9.5M and will be funded by insurance payments. Discussions are ongoing with the insurance provider regarding the extent of insurance payments to cover the expected cost of the project. Significant progress has been made with the insurance provider to reimburse the bid costs for most systems that will be replaced. However, there are some systems where reimbursement has not yet been settled. If those systems are not covered, scope reductions and/or alternate funding may be required. While staff anticipates that insurance will cover the total project costs, the university's Capital Improvement and Renewal fund could be used for some unreimbursed expenses if necessary. The project is scheduled for completion in the spring of 2020.

IDENTIFICATION OF RISKS AND MITIGATION STRATEGIES

The following risks have been identified for the project. In consideration of these risks, the contingencies for design, construction, and owner are 2%, 3%, and 10%, respectively. The lowered design contingency reflects that the project design is well established with cost estimates confirmed by sub-contractor specialists.

Risks	Consequences	Mitigation Strategy
<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. OSU Capital Improvement and Renewal (CIR) funds may be used to pay costs not covered by insurance.
<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	This risk is mitigated by having a team in place that considers critical activities, appropriate timelines, and measures to avoid and accommodate delays.

	contractor to manage the project and pay for general logistics (general conditions).	
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TOTAL COST OF OWNERSHIP

Until the insurance claim is settled, the total cost of ownership cannot be adequately estimated. However, assuming a total project cost of \$9.5M the following Total Cost of Ownership is shown below.

Education and General Fund – Forecasted Total Cost of Ownership Burt Hall	
ITEM	COST
Total project cost	\$9,500,000
Operations and maintenance (25 years, escalated 3% annually)	\$8,268,301
Capital renewal (25 years – escalated 3%) ¹	\$9,636,800
Total cost of ownership	\$17,905,101

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 \$9.5M for the Burt Hall II Reconstruction project.