
Docket Item:

2020 Public University Capital Recommendations

Summary:

The HECC is responsible for submitting to the Governor and Legislature a prioritized list of public university capital recommendations for consideration during the 2020 Legislative session.

Following the receipt of the Strategic Capital Development Plan Report in October, the Commission adopted a revised capital rubric that reflected several of the recommendations of the Plan. Subsequently, staff employed the rubric to score sixteen projects that had been submitted by public universities for potential funding.

The list of staff-prioritized projects, along with narrative summaries of each, is included in the appendix for the commission's consideration. A draft letter of transmission, that includes a number of policy recommendations, is included for review.

Docket Material:

During the 2019 legislative session, although funding was approved for capital improvement and renewal as well as the Oregon Manufacturing Innovation Center, the consideration of other university capital was delayed until the Strategic Capital Development Plan was completed. After receiving the Plan, the HECC revised the university capital rubric to focus on alignment with the Plan and other state priorities. The HECC-approved, prioritized list of projects will then be submitted as appropriate.

Timeline

February – September	Strategic Capital Development Plan (SCDP) Work
October 10	Presentation of SCDP Report and adoption of revised capital rubric
October 21	Deadline for university submission of proposed projects
November 7	Overview of submissions and grading process
December 11	Consideration of prioritized projects
December 13, 2019	Submission of prioritized projects to DAS/LFO

HECC University Capital Principles

The prioritization process is not a distribution model. All state-backed debt will support E&G space and support program needs for the 21st century, extend the capacity of existing facilities to support student success, and align capital investments with workforce and economic development needs.

Projects that demonstrate the following will be prioritized:

- Capital renewal approach that repurposes existing space
- Operational cost savings along with safety and security
- Public-private and multi-party collaborations
- Leveraging of private resources and institutional funds

Revised Rubric

The rubric includes nine components worth a total of 100 points. The full, detailed rubric is included in appendix A for reference.

52% Based on Alignment with Strategic Capital Development Plan:

24 points – Space renewal, workforce or completion priorities

12 points – Addressing deferred maintenance issues

8 points – Supports research and economic development

8 points – Collaboration with interested parties

48% Based on Other State Priorities:

15 points – Leveraging institutional resources

10 points – Student Success for Underserved Populations

10 points – Life safety, security, or loss of use

8 points – Operational savings and sustainability

5 points – Institutional priority

Submitted Projects

A total of 21 projects were submitted. Thirteen were existing projects totaling \$415.3 million of which \$85.9 million is from institutional funds. These projects were submitted during the spring of 2018 during the normal budget process.

There are three new projects that total \$69.5 million of which \$5.5 million is from institutional funds. One of the projects is a demolition that will not qualify for bond funding but was included at staff request in order to provide more information on institutional need.

Five are self-funded projects totaling \$138 million entirely from institutional funds. Three are residence hall projects. The self-funded projects are not prioritized but included for reference.

Process and Prioritization

The projects were considered by cross-functional grading teams composed of HECC staff. Teams scored the projects in accordance with the capital rubric as adopted by the Commission. Projects were prioritized based on their alignment with state priorities. The prioritized list is included in appendix B with summaries of all projects included in appendix C.

Each project was scored separately. Institutions were allowed to submit as many projects as they choose although they submitted mostly existing projects previously considered during the ARB process last year. OSU-Cascades was allowed its own institutional priority but was included with OSU-Corvallis for leveraging institutional resources.

Noteworthy Project Examples**Strategic Capital Development Plan Alignment – OSU Cordley Hall Renovation, Phase II**

The Cordley Hall Renovation project will transform an aged and worn out facility, which was designed for research as it was conducted over 50 years ago, into a modern research and education facility. Phase I, already funded, is centered on replacing mechanical and electrical systems. Phase II will focus on re-organizing the teaching and research spaces to create more flexible and active learning focused spaces.

Cordley Hall is central to biological sciences at OSU. Biology is the fourth largest major with over 1,200 students. Courses taught in Cordley Hall are required for over 30% of OSU undergraduates and the introductory biology and botany courses for non-majors serve over 70 majors in eight colleges. Over 600 undergraduates have had research experiences in the last four years with over 400 serving as learning assistants. OSU thoroughly explained how this project will address space renewal, focus on STEM related completions, address deferred maintenance issues, support research opportunities, and incorporate collaboration opportunities.

Operational Savings and Sustainability – PSU Science Building 1 (SB1) Renovation and Expansion

This proposed project transforms the outdated science building into a modern facility well equipped to educate the next generation of health and science professionals. Highly STEM centric, the upgraded facility will

demonstrate energy savings due to lighting upgrades and HVAC heat recovery. A reduction of 25-30% is estimated in energy consumed by lighting alone. PSU provided data to demonstrate the reduction in operating costs and the sustainability associated with heat recovery technology.

Life Safety, Security, or Loss of Use – OIT Boivin Hall

Boivin Hall has been largely unmodified since its construction in 1976. It houses the only chemistry labs on campus for all undergraduate students. With asbestos issues and other life safety concerns, OIT comprehensively demonstrated how this facility is in need of intervention and will cause severe disruption to the student experience should it suffer a catastrophic loss of use.

Student Success for Underserved Population – WOU Student Success Center

The Student Success Center is the cornerstone of WOU's efforts to maximize retention and graduation rates. Clustering student support services, and allowing for additional space for student engagement, will support these efforts. WOU explicitly defined the projected impact on retention and graduation rates as a result of this project and set clear expectations.

Policy Recommendations

The strategic capital development plan (SCDP) has guided the process of revising the rubric. In addition, a number of key findings and recommendations in the report could also make for effective policy and should be communicated to the Legislature.

A draft letter of transmission is included in appendix D for consideration. The letter includes the following policy recommendations:

- **Incorporate a broader definition of capital investment.** Funding demolition projects without a replacement of like facilities.
- **Focus on capital improvement and renewal (CIR).** Provide additional funding through the existing CIR formula to drive more funding to institutional deferred maintenance projects.
- **Pursue process improvements.** Collect facility inventory and other relevant data upon to allow for a better understanding of capital needs.

Staff Recommendation:

Staff recommends the subcommittee approve the 2020 Public University Capital recommendations for consideration at the full Commission meeting.

A motion to adopt the prioritized list as presented for the Commission's consideration.

Appendix A: Revised 2019-2021 University Capital Project Rubric

100 Total Points Available

A Strategic Capital Development Plan

1-52 Points

Points	Components within the Plan
24	<p>Space renewal, workforce or completion priorities</p> <p>Proposals that increase the efficiency and effectiveness of educational and general space as measured by space utilization statistics. Or address workforce needs pursuant to the SCDP as demonstrated by the measured gaps in completers versus job openings. Or support student success and degree completion numbers pursuant to the 40-40-20 Strategic Plan.</p>
12	<p>Addressing deferred maintenance issues</p> <p>Proposals that either reduce deferred maintenance or lead the institution to create a deferred maintenance set aside account to proactively address future deferred maintenance needs.</p>
8	<p>Supports research and economic development</p> <p>Proposals that develop space in support of the expansion of research efforts or the potential for additional research grant funding. Or create and expand employment opportunities relative to economy and workforce needs indicated in the SCDP by institution. Or support degree programs that are important to employers.</p>
8	<p>Collaboration with interested parties</p> <p>Proposals that include collaborative efforts between the university and other public service entities (or related parties) or the creation of consortia.</p>

B Operational Savings and Sustainability

1-8 Points

Projects are scored based on cost savings generated by operational savings. Or the potential for sustainability. Sustainability is defined as the ability to support continued efficiency or a project that possesses the quality of not being harmful to the environment or depleting natural resources.

C **Life Safety, Security, or Loss of Use**
1-10 Points

Projects are scored based on the priority of the project to meet life, safety and code compliance needs of mission critical items, including lifecycle cost analysis or projects that support key programs and initiatives.

1. **Life Safety.** For a project to be considered critical, the project must predominantly address facility deficiencies (code compliance) related to the health, safety, and welfare of the occupants and the public. The request will be considered as to the significance of the hazard or risk the facility conditions pose and the immediacy of the period requested to address those concerns.
2. **Security.** The proposal supports a safe and secure environment in all buildings and grounds owned, leased and/or operated by the universities. The proposal promotes safety through policies and programs. The proposal safeguards the university's property and physical assets.
3. **Loss of Use.** A project may be considered critical if it addresses imminent loss of use due to facility deficiencies. These can include mechanical, electrical, or structural systems as well as the accreditation requirements of a program. Critical loss of use projects would directly result in the inability of that program to function in the related area and/or maintain the funding necessary to sustain that program.

D **Institutional Priority**
1-5 Points

Each institution will identify the top three projects from only the tier one category as defined by the university presidents:

- 5 points – 1st priority
- 3 points – 2nd priority
- 1 points – 3rd priority

E Student Success for Underserved Populations

1-10 Points

Projects are considered based on the expected impact of the project on student success as defined by degree or certificate attainment or the reduction of equity gaps, with special emphasis on those underserved populations that are similarly emphasized in the Student Success and Completion Model:

1. Low income
2. Underrepresented minority
3. Rural
4. Veteran

F Leveraging Institutional Resources

1-15 Points

External funding should be a factor in prioritizing projects, but should not inappropriately determine institutional or state priorities. The campus match component identifies a minimum percentage of project costs to be borne by the institution, ideally from external funding but which could include grants, donations or other funds not derived from institutional or state resources.

Technical and Regional institutions have an adjusted matching schedule to acknowledge a smaller external funding base in the rural communities of the state. The matching expectation is also adjusted by the type of project whether it is new construction or the major renovation of an existing facility.

Ten points are based on the level of matching and five points are based on the availability of funds according to the schedules below.

OSU and UO Matching		
% Match	New Construction	Major Renovation
25% or over	10	10
24%	8	10
15%	6	10
10%	5	9
5%	4	5

OR

PSU Matching		
% Match	New Construction	Major Renovation
15% or over	10	10
12%	8	10
9%	6	10
6%	5	9
3%	4	5

OR

Technical Regional Matching (EOU, SOU, OIT, WOU)		
% Match	New Construction	Major Renovation
5% or more	10	10
4%	8	10
3%	6	10
2%	4	7
1%	2	5

AND

Majority pledged or in hand verified in proposal	
% Match	Points
100% add	5
75% add	4
50% add	3
25% add	2
0% >= 10% add	1
0%	0

Appendix B: Prioritized List of Public University Capital Projects

Priority	Institution	Project Submittals	HECC Rubric Score	XI-G	XI-Q	Subtotal	Gifts/Other	Project Total	State Running Total
1	OSU	Cordley Hall Renovation, Phase II	95	\$ 28,000,000	\$ -	\$ 28,000,000	\$ 28,000,000	\$ 56,000,000	\$ 28,000,000
2	OIT	Boivin Hall Rehabilitation	93	\$ 1,015,000	\$ 18,270,000	\$ 19,285,000	\$ 1,015,000	\$ 20,300,000	\$ 47,285,000
3	PSU	SBI Renovation & Expansion	92	\$ 7,500,000	\$ 67,500,000	\$ 75,000,000	\$ 7,500,000	\$ 82,500,000	\$ 122,285,000
4	WOU	Student Success Center	91	\$ -	\$ 21,340,000	\$ 21,340,000	\$ 660,000	\$ 22,000,000	\$ 143,625,000
5	UO	Huestis Hall Deferred Maintenance	89	\$ 6,360,000	\$ 50,880,000	\$ 57,240,000	\$ 6,360,000	\$ 63,600,000	\$ 200,865,000
6	OSU	Arts and Education Complex	85	\$ 35,000,000	\$ -	\$ 35,000,000	\$ 35,000,000	\$ 70,000,000	\$ 235,865,000
7	OSU-CC	Student Success Center Health Science Remodel	84	\$ 5,000,000	\$ 7,900,000	\$ 12,900,000	\$ 5,000,000	\$ 17,900,000	\$ 248,765,000
8	WOU	Inlow Hall Renovation, Phase II	83	\$ -	\$ 48,015,000	\$ 48,015,000	\$ 1,485,000	\$ 49,500,000	\$ 296,780,000
9	EOU	Music Renovation & DMC Addition	74	\$ -	\$ 10,600,000	\$ 10,600,000	\$ -	\$ 10,600,000	\$ 307,380,000
10	SOU	Britt Phase II DM & Creative Institute	74	\$ -	\$ 13,650,000	\$ 13,650,000	\$ 450,000	\$ 14,100,000	\$ 321,030,000
11	SOU	Performing Arts Remodel	66	\$ -	\$ 4,700,000	\$ 4,700,000	\$ 50,000	\$ 4,750,000	\$ 325,730,000
12	WOU	Achievement, Movement and Grand Staircase Replacement	63	\$ -	\$ 16,005,000	\$ 16,005,000	\$ 495,000	\$ 16,500,000	\$ 341,735,000
13	WOU	Land Development - Area 2	51	\$ -	\$ 30,264,000	\$ 30,264,000	\$ 936,000	\$ 31,200,000	\$ 371,999,000
14	EOU	Cascade Hall Demolition	40	\$ -	\$ 3,000,000	\$ 3,000,000	\$ 80,000	\$ 3,080,000	\$ 374,999,000
15	OSU-CC	Cascade Hall Demolition	35	\$ 835,000	\$ 15,830,000	\$ 16,665,000	\$ 835,000	\$ 17,500,000	\$ 391,664,000
N/A	SOU	Total/Average	N/A	\$ -	\$ -	\$ -	\$ 3,500,000	\$ 3,500,000	
			74	\$83,710,000	\$307,954,000	\$391,664,000	\$ 91,366,000	\$ 483,030,000	

Self Funded Projects - Not graded		
EOU	New Residence Hall	\$ 14,000,000
OIT	New Residence Hall	\$ 45,000,000
PSU	12th & Market Residence Hall	\$ 60,500,000
PSU	University Center Building Land Purchase	\$ 15,000,000
WOU	Valsetz Dining & Auxilliary Services Renovation	\$ 3,500,000
	Self funded Totals	\$138,000,000

Appendix C: Project Summaries

OSU – Cordley Hall Renovation, Phase II

The Cordley Hall Renovation project will transform an aged and over-worn facility, designed for research as it was conducted over fifty years ago, into a modern and forward thinking research and education building. Cordley Hall is the home of two large departments that are central to the biological sciences at OSU, Integrative Biology (IB) and Botany and Plant Pathology (BPP). In an effort that lays the groundwork for the future, the two departments have collaborated to generate a collective vision for a new Cordley that will help transform biology – in both research and education – at Oregon State University. Cordley Hall will become an innovative space whose core design principles of integration, collaboration, and engagement will enhance OSU's impact in all facets of its mission related to the life sciences - where OSU can conduct its world-class science, inspire students, and engage the public.

OIT – Boivin Hall Rehabilitation

Boivin Hall is a core teaching, learning and student services building on Oregon Tech's Klamath Falls campus. It houses the campus' only chemistry labs, many classrooms of various sizes, faculty offices, the university Information Technology Services (ITS) offices, helpdesk and networking infrastructure as well as, and most importantly, the student support and retention center. The Boivin Hall Project includes a complete overhaul of Boivin Hall, including seismic retrofit, mechanical, electrical and plumbing (MEP) replacement, building envelope replacement, foundation repair, full interior (classroom and lab) remodel and modernization. Also included in the project are improvements to the surrounding areas including ADA accessibility, sidewalk, transportation improvements and landscaping improvements that will preserve the integrity of the building envelope and site stability.

PSU – Science Building 1 Renovation and Expansion

Today, nearly 700 students, faculty and staff learn, teach and work every day in Portland State University's Science Building 1 – a facility in great need of safety, seismic and system upgrades. When completed, the remodeled building, with modern capabilities and integrated academic and student success programs, will serve over 4,200 students. The Science Building 1 Renovation & Expansion Project (SB1 Project) meets a critical need for PSU, creating a model teaching facility for a university that leads all other public universities in Oregon in the education of first-generation students, Underrepresented Minorities (URM), veterans and Pell Grant recipients.

WOU – Student Success Center

The Student Success Center creates one location where students can receive tutoring, study with their peers, or get career advice. This will greatly simplify and clarify the often intimidating nature of higher education for first-generation college students. The central location is a part of the 2018 campus master

plan and naturally leads to greater student utilization, providing them access to the important services they need to complete their degrees in a timely manner. The proposed approach to completely replace the existing building with a new structure relieves the campus of nearly \$1.2 million of deferred maintenance costs and a myriad of code related safety and security issues.

UO – Huestis Hall Deferred Maintenance

The \$63.6 million project--\$57.24 million from the state and \$6.36 million from university match—will fully renovate Huestis Hall, eliminating a portion of the University of Oregon’s (UO) deferred maintenance backlog and ameliorating serious security and safety issues. It will also resolve code violations, improve accessibility for faculty, students and staff, and update and modernize laboratory and learning spaces.

OSU – Arts and Education Complex

The Arts and Education Complex at Oregon State University will enhance the experience and education and open doors for all of our students – a necessity for a world-class research university. It will bring together programs in the arts, including music and theater, creating a thriving center of creativity infused with science and technology. Key components of the Arts and Education Complex include technology and medium rich teaching, performance and rehearsal spaces; a new visual arts museum; shop and maker space with electronic and computer studio for designing sound, lighting, etc.

OSU Cascades – Student Success Center

The Student Success Center will house a variety of support services designed to increase graduation and retention rates, prepare students for the workforce, and connect them to future employment. The future center will house internship coordination, career advising, academic advising, tutoring, mental health counseling, health wellness center, and study and gathering spaces to support multicultural students, veterans and transfer students.

WOU – Health Science Remodel

The project is a remodel of the existing Academic Programs and Support Center structure built in 1951 and an addition of 76,800 gsf. The eastern portions of the remodel are most suited for the new uses and will include upgrades to most of the systems within this portion of the building including, but not limited to, mechanical, electrical, and plumbing. These upgrades will resolve all of the deferred maintenance needs for this part of the building. The remaining deferred maintenance needs of the current building will be resolved by the demolition of the western parts (those closest to the street).

EOU – Inlow Hall Renovation, Phase II

Improve Inlow to retain critical student service functions, such as Admissions, Financial Aid, Advising, Registrar, and Student Accounts. Complete the seismic improvements started in Phase 1. Improve energy efficiency and thermal conditions for users. Address critical access and life/safety issues in and around the building.

SOU – Music Hall Renovation and Digital Media Center Addition

The project will upgrade and enhance the SOU Music Building, and repurposes it as SOU's Creative Industries Center including the addition of a new wing for SOU's Digital Media Center. Constructed in the 1970s, the Music Building was designed to the music industry standards of the time and requires updates to support instructional, performance, administrative and infrastructural demands. The project will allow SOU's Music program to respond to current and future industry standards in music and music education, and broadens the scope of the facility to an integrative and collaborative Creative Industries function. This project will resolve demand for space and capacity in the Digital Media Center.

SOU – Britt Hall Phase II Deferred Maintenance and Creativity Institute

The SOU campus currently lacks active learning facilities. This project establishes a unique opportunity for SOU to become an internationally recognized leader in creativity and innovation. The SOU Creativity Institute is a research and education center with a mission to help individuals and organizations leverage creativity research to help solve complex problems. Grounded in the science of creativity, the Institute seeks to become an internationally recognized hub for creative theory and scholarship and serve as both a resource and incubator for creativity and innovation. This proposal outlines the plans for a redesign of a portion of the existing Britt Hall space.

WOU – Performing Arts Remodel

The Performing Arts project involves two adjacent buildings. Rice Auditorium built in 1976 and Smith Hall built in 1958 are used together to support academic programs in Performing Arts: Music, Theatre and Dance. Both buildings are also used for community events that support music and theater performances. Both buildings are in need of significant mechanical upgrades and deferred maintenance projects.

WOU – Physical Education Building Addition and Remodel

Center for Human Achievement, Movement and Performance (CHAMP) - This project will transform the southwest segment of the campus into a state-of-the-art multipurpose center dedicated to building strong community partnerships and enhancing student success and achievement.

EOU – Grand Staircase Replacement

The Inlow Hall Grand Staircase is a special and significant historic structure, registered with both state and national historical landmark designations because of its architectural significance as well as its cultural value. Address significant safety concerns that currently exist and eliminate an attractive nuisance.

OSU Cascades – Land Development Area 2

To advance the physical development of OSU-Cascades' 128-acre campus and support the growing academic and campus life programming, a second phase of land development is necessary to build a future academic building 3 and the health and recreation center. The land was purchased for \$1 from Deschutes County. The project will include landfill remediation, compacting and grading the site for future building pads, and site infrastructure, including roads, sewer, water and IT infrastructure. The work will result in buildable land and infrastructure.

SOU – Cascade Hall Demolition

SOU would like to demolish the Cascade Complex, an old dormitory complex located at 1450 Madrone Street, constructed between 1961 and 1967 and used primarily for storage and flex space. It is at the end of its useful life and located on the edge of campus. We estimate the cost of demolition at approximately \$3.5 million with a concurrent reduction of approximately \$12M in deferred maintenance. A cost-effective Public Private Partnership (P3) project on that site is being considered.

Self-Funded Projects**EOU – New Residence Hall**

The recently developed "Strategic Plan Framework" sets aggressive enrollment growth targets for EOU and a meaningful portion of this growth will be in first-year students. Currently, the number of students living on campus is nearing at capacity and the options for adding small increments of capacity are dwindling. Based on enrollment and occupancy projections, EOU will need to add 77 beds by Fall 2023 and another 150 beds by Fall 2026. This specific request is for phase I of the Residential Capacity Project.

OIT – New Residence Hall

Oregon Tech will see the largest freshmen class of all time during Fall 2019 with an increase of nearly 15% over the previous year. New transfer students are up by 9%. Applications for Fall 2020 are up by 450% year-over-year. Current housing facilities are nearing full capacity. Within the next two to three years Oregon Tech will run out of housing capacity at its current growth rates. The New Residence Hall project will add a 900 bed traditional residence hall facility on the Klamath Falls campus of Oregon

Tech. This facility will be located near existing residence hall, dining and student recreation facilities limited the need for additional non-bedroom capacity.

PSU – 12th & Market Residence Hall

PSU proposes to construct a 7 story housing building with approximately 450 beds and 11,000 sq. ft. for dining services. The proposed building is to be constructed on 38,000 sq. ft. vacant parcel in the northwest portion of campus on the corner of SW 12th and Market. The parcel is adjacent to the Blumel Residence Hall. The proposed project will be approximately 144,000 sq. ft. and be constructed with a wood frame on a concrete base, a very cost effective building method for residence halls. In addition to 450 beds and dining, the building will have multiple study lounges on each floor and common areas on the ground floor that could include a secure bike room and a communal kitchen.

PSU – University Center Building Land Purchase

This is a request to reauthorize XI-F debt for University Center Building, first authorized in 2013. PSU currently owns the University Center Building (UCB) but not the underlying land. PSU has a long-term land lease that expires in 2023 at which time the improvements revert back to the landlord. The lease rate is scheduled to increase from \$748,230/year to over \$1,000,000 a year in 2018. Debt service on the land, if owned by PSU, is anticipated to be less than the current lease rate beginning in 2018. PSU received authorization in the 2017 legislative session for \$15 million in XI-F bonds. This request is for a reauthorization of the \$15 million in XI-F bonds.

WOU – Valsetz Dining & Auxiliary Services Renovation

Valsetz Dining Hall serves the entire campus population. Primarily used for feeding the Student Dorm population averages 2700 meals per day. Increased capacity will allow for more and larger conferences. It seats approximately 400 people. For large groups this requires staggered meal times and a greater amount of time dedicated to meal times instead of event times. In order to accommodate larger groups and more conferences, electrical, and refrigeration upgrades will be necessary.

Appendix D: Draft Letter of Transmittal

December 13, 2019

Senator Betsy Johnson
Senator Elizabeth Steiner Hayward
Representative Dan Rayfield
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairpersons:

As described by Oregon statute, the Higher Education Coordinating Commission (HECC) receives requests from public universities that wish to receive state funding for capital projects and shall “decide whether, and in what manner, to make a request for the issuance of state bonds to the Legislative Assembly” (ORS 352.089(5)). In recognition that state debt capacity is limited and that competition for state bonds is high, the Commission elected to prioritize university capital requests based on their alignment with state priorities. After a rigorous review and scoring process and significant Commission consideration, the HECC’s prioritized list of capital projects is attached for your consideration. We strongly urge the 2020 Legislature to approve these projects, the completion of which will enhance the educational, civic, and economic well-being of our public universities, their communities, and the State of Oregon.

To permit an objective analysis of each project request, the HECC employed a rubric that assigns point values to projects that reflect many of the Commission-adopted principles. These include that all state-backed debt will support educational (E&G) space, will support program needs for the 21st century, will extend the capacity of existing facilities to support student success, and will align capital investments with workforce and economic development needs.

Projects that demonstrated the following were prioritized:

- Capital renewal approach that repurposes existing space
- Supports student success, workforce and economic development needs
- Operational cost savings along with fixing safety and security issues
- Public-private and multi-party collaborations
- Leveraging of private resources and institutional funds

The HECC adopted a revised rubric in October that places a greater emphasis on renewal and repair with additional focus on the success of underserved students, addressing deferred maintenance, collaboration and alignment with state goals. This was done in response to the creation of a 10-year comprehensive strategic capital development plan (SCDP) for Oregon's public universities in an effort to take a broader view of the higher education capital investments needed to meet the state's 40/40/20 goal.

However, the rubric is just one tangible result of the SCDP work. Policy recommendations are included below that are also derived from the key findings in the report. We hope the Legislature will consider these in conjunction with the prioritized list of capital projects.

1) Incorporate a Broader Definition of Capital Investment

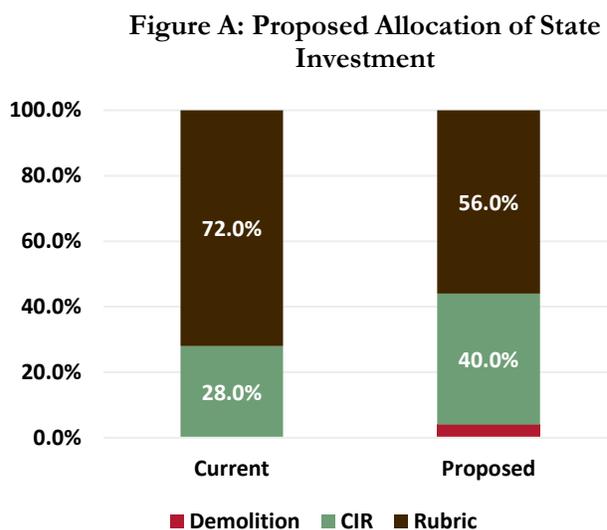
To consider capital investments more broadly, as recommended in the SCDP, the state's capital commitment could be broadened to include the last phase of a facility's life cycle, which is the demolition of property that is at the end of its useable life. Given the ineligibility of demolition projects for state bonding, the state could appropriate funding for the demolition of facilities deemed not salvageable and well beyond their useful life. Doing so will address significant, existing deferred maintenance and would be done in light of an overall surplus of space.

A pool of \$8 – 10 million could be sufficient for this purpose based on existing need. An example of an existing need is the Cascade Hall demolition project at SOU. This post-WWII era building is well beyond its useful life and could be demolished in light of a surplus of instructional space on campus. It is more cost effective to demolish it than to modernize it. This \$3.5 million demolition would remove \$12 million in deferred maintenance.

2) Focus on Capital Improvement and Renewal (CIR)

The headline recommendation of the SCDP is to focus on the renewal and improvement of existing space to support student success. A collaboratively developed formula currently exists for that purpose. A larger share of the total investment devoted to the existing CIR formula would allow institutions to tackle larger projects than the current allocation provides. This would include code compliance, accessibility and safety related projects that may not require a building-wide renovation. Figure A shows the proposed allocation.

About a third of the 2019 Governor’s Recommended Budget for university capital was devoted to CIR, for a total of \$65 million. Increasing that allocation to about half the total would allow more state funds to flow through the formula in support of the recommended focus. Doing so might also underscore the importance of incentivizing the institutions to plan ahead to address deferred maintenance needs.



Devoting a larger share of the state’s investment to CIR would reduce the portion prioritized through the university capital rubric. Those projects are large scale and likely involve building-wide renovations along with new construction projects. Under this recommendation, policymaker involvement in that prioritization process would continue.

A comparison of projects that flow through the CIR formula versus those that would flow through the capital rubric is included in figure B.

Figure B: Comparison by Type of Project

Component	CIR Projects	Rubric Projects
Bondable?	Yes	Yes
Involves Renewal and Improvement?	<u>Must</u> Involve	<u>May</u> Involve
Cost Structure?	Lower cost projects	Higher cost projects

Who decides?	Universities determine specific projects consistent with bond requirements	Each project must be specifically authorized by the Legislature
Funding distributed?	Legislature determines total funding amount; Funding is then distributed via formula	Funding is appropriated by project

3) The Pursuit of Process Improvements

The SCDP analysis included a survey of other states’ processes. Over 80% of those surveyed indicated that a facilities inventory was required followed by a facilities condition assessment and a classroom utilization study. With that in mind, the state could phase in the requirement of a facilities inventory and other relevant institutional information in order to be eligible for the receipt of state capital funding. A more robust collection of existing facilities inventory and current utilization data will allow for a better understanding of capital needs. Without quality data, updated consistently, policy makers will lack much needed decision support.

In conclusion, we believe this prioritized list is the first, tangible outcome of the strategic capital development plan and the start of a much-needed conversation related to the scope of public university capital needed to support the state’s goals. We also believe the list appropriately underscores the need to focus state investment on replacement, renewal and repair of existing capital assets. Moreover, the policy recommendations outlined above are an appropriate compliment to the prioritized list and should be considered thoughtfully.

Thank you for your continued support of Oregon higher education.

Sincerely,

David Rives
Chair

Attachment – List of Prioritized Projects