



University of Toronto

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CAPITAL PROJECTS DEPARTMENT

TO: Business Board

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DATE: January 9th, 2004 for January 19th, 2004

AGENDA ITEM: 9(d)

ITEM IDENTIFICATION:

Capital Project Report - University College Residence (Morrison Hall): Change in Project Cost

JURISDICTIONAL INFORMATION:

Pursuant to Section 5.2.(b) of its Terms of Reference, the Business Board approves expenditures for, and the execution of, approved Capital Projects.

PREVIOUS ACTION TAKEN:

December 9th, 2003 – Planning and Budget approval of the revised project cost in the amount of \$28.0 million.

June 26th, 2003 – Governing Council approval of project in the amount of \$24.04 million.

June 23rd, 2003 – Academic Board approval of project in the amount of \$24.04 million.

June 19th, 2003 – Business Board approval of the revised project in the amount of \$24.04 million.

September 30th, 2002 – Business Board approval of the project in the amount of \$22.0 million.

HIGHLIGHTS:

- January 2000 a Project Committee was established and the proposed site was the western edge of the back campus.

- April, 2002 the location had shifted and it was proposed, following a study by the architectural firm of Diamond Schmitt Architects Inc., to add a north/south wing to complete the eastern edge of the Sir Daniel Wilson residence quadrangle and to also use an approved building site, Site 22, currently a parking site immediately north of Sir Daniel Wilson Residence. The Sir Daniel Wilson Residence quadrangle is zoned University Open Space within the City of Toronto zoning by-laws and as such would require re-zoning before any structure could be built. Numerous town hall meetings took place to discuss this particular option. The University College Council together with the University College Alumni Association and University College Committee all unanimously approved both the need for the residence and the proposed location.
- This particular siting of the UC residence was rejected by the City of Toronto in large measure as a result of the University Open Space zoning. The City of Toronto advised and recommended their preference that the proposed new residence be entirely located on the St. George Street surface parking site, immediately north of Sir Daniel Wilson Residence.
- This relocation required that a taller building envelope be accommodated on the parking lot site [site 22] to permit the required 300 beds. This change in scope from the original submission also necessitated other adjustments, most notably to the dining hall, utility infrastructure and the drama centre. All required changes were investigated within the guidelines recommended by the City of Toronto to address the density needs of the project.
- At this time the firm of The Sorbara Group was hired as Project/Development Managers expressly for their expertise based on their role in the development and construction of St. Michael's College Men's Residence. They would manage the project and provide independent quantity survey estimates until such time that it was ready for tendering and be invited as one of the general contractors to bid on the project.
- September 2002, the Business Board approved the revised project for the 288 bed UC residence expansion for a total cost of \$22,000,000. The approvals continued through the Academic Board, University Affairs Board, and culminating with Governing Council approval on October 31st, 2002. The residence was to be totally located on Site 22 with 288 beds, including 5 Dons and one residence life coordinator. Following governance approval the architectural firm, Zeidler Grinnell Partnership was appointed to develop the design. Discussions with the City of Toronto continued, the design concepts were shared and reviewed by the Design Review Committee, redesign occurred and ultimately a design emerged to construct a tower on a very difficult and bounded site.
- After approval of this project, The Sorbara Group and University entered into further discussions with the City of Toronto. At that time the City reneged on certain planning commitments and decisions which required the University to re-design the project. The key revisions were the need to re-design the overall layout, entire massing of the building and the interfaces with St. George Street and the Back Campus. The re-designed 277 bed project was presented to Business Board on June 19th, 2003 and approved for \$24,040,000.

- The project was tendered to five pre-qualified bidders including Hady Construction, the construction arm of The Sorbara Group, in September 2003 and tenders closed in October. The tenders ranged from a low of \$19,957,000 to a high of \$22,474,000 or 19.4% to 34.5%, respectively, over the estimated construction budget of \$16,710,000. Based on the results, numerous meetings have taken place with the lowest bidding contractor to review the significant shift from the anticipated pricing and ascertain where additional cost savings could occur.

As the exterior could not be significantly modified because of previous City of Toronto restrictions related to the approvals to build on site 22 nor could rooms be eliminated as fewer revenue generating rooms would negatively impact the proforma and have the unacceptable result that revenue would not meet the required level to service the mortgage – cost saving opportunities were extremely limited. Cost savings that were found were off-set by the additional expense to add air conditioning to the Ferguson Hall Dining Room. This request was specifically made by the lead donor to allow the Dining Room to be more functional and accessible all year round.

- The revised TPC is \$28,000,000 or approximately \$4 million greater than the approved estimate. The largest changes include higher costs to renovate the kitchen/servery area, professional fees, GST and construction contingency.
- The target opening date is September 2005.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

The current plan for the residence proposes 274 residence beds including 5 Dons, 1 Junior Don and 1 Residence Life Coordinator, student amenities and dining/servery facilities. The estimated cost of construction, including all furnishings and finance costs is now estimated at \$28,000,000 or \$102,190 per bed. Of this cost, approximately \$3,600,000 is required to construct and furnish the kitchen and servery and \$450,000 for the other amenities. Therefore, the cost of the residence only is \$23,950,000 and the residence only cost per bed is approximately \$87,463.

Proposed funding for the project includes:

- \$11,500,000 in donations of which \$10,000,000 is currently secured and pledged;
- \$1,485,000 in UC residence ancillary contributions;
- \$800,000 in UC food service ancillary contributions;
- \$50,000 allocation from the University Infrastructure Investment Fund to help support the maintenance of the drama space; and
- a mortgage in the amount of \$14,165,000. This is an increase of \$2,460,000 from the previously approved mortgage amount.

Assumptions carried within the business case include a mortgage rate of 8% over a 25 year amortization period. A separate assessment of the risk analysis for this project within the context of the UC ancillary as a whole has been prepared by the Financial Services Department (see Appendix “A”) and conforms to University policy guidelines. Proposed monthly bed rates for September 2005 are set at \$650 for the new residence and \$624 for existing residences. The average annual increase

to bed rates is calculated at 7% per year on existing residences and 6% per year on new residences increasing room rates to \$821 for all residences in 2008/09.

The total external funding in support of this residence is not only significant but is unprecedented and as a result the financial modelling indicates that the project still meets the financial guidelines and parameters established by the University.

All cost overruns that could occur with this project as a result of unexpected difficulties with this relatively difficult site will be the responsibility of University College.

The current level of borrowing for the “**Capital Plan and Other Requirements**”, including all approvals at the Business Board meeting of November 10th, 2003, is \$621.84 million. The previously approved UC Residence project was included within the Capital Plan with an assigned mortgage of \$11,705,000. The revised cost will add an additional \$2,460,000 to the total borrowing needs of the University.

This increase in the mortgage for the UC Residence will extend the borrowing required by the University by some \$3 million over the conservative guideline of \$620 million.

RECOMMENDATION:

Subject to Governing Council approval of the proposal to increase the cost and to revise the sources of funding for the project and the understanding that the rates of the University College residence ancillary operation are increased sufficiently to ensure that the operation continues to recover its own costs.

THAT the Acting Vice-President – Business Affairs be authorized:

- to execute the revised University College Residence project at a cost not to exceed \$28,000,000 with the funding sources as follows:
 - (i) \$10,000,000 from donations received and pledged from externally secured contributions;
 - (ii) \$1,500,000 to be secured from additional external fund-raising by University College;
 - (iii) \$1,485,000 contribution from the UC residence ancillary;
 - (iv) \$800,000 contribution from the UC food service ancillary;
 - (v) \$50,000 allocation from the University Investment Infrastructure Fund in support of space for the Drama Program; and
 - (vi) A mortgage to be amortized over a period of 25 years in the amount of \$14,165,000 with payments forthcoming from residence revenues and the UC ancillary.
- to arrange such interim and long-term financing as required from either internal or external sources.

Attachments:

- Appendix “A”- Risk Analysis memo dated January 8th, 2004 from the Financial Services Department