



University of Toronto

CAPITAL PROJECTS DEPARTMENT

TO: Business Board

SPONSOR: John Bisanti, Chief Capital Projects Officer

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DATE: May 23, 2006 for May 29, 2006

AGENDA ITEM: **4(d)**

ITEM IDENTIFICATION:

Capital Project – Department of Economics: Revised Project

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:

The Business Board approved the expenditure of \$ 7.818 million to construct Phase 1 of the Department of Economics Building Renovation and Expansion Project on June 17, 2004.

Other Board and Committee approvals to date include:

- Planning and Budget Committee – November 13, 2001, May 18, 2004 and May 9, 2006
- Academic Board – April 10, 2003
- Governing Council – May 1, 2003
- Business Board – May 5, 2003

HIGHLIGHTS:

The initial project was planned to be constructed at a total cost of \$ 14.3 million. The new facilities were to include space for the Institute for Policy Analysis currently located at the Robarts library, and to provide a new 75-seat tiered electronic lecture hall. All funding for the project with the exception of the lecture hall was to be raised through private benefaction. The project scope was 1,880 nasm of new space, 450 nasm of renovated space at the total estimated cost of \$ 14.3 million.

As work commenced on the design of the facilities, it became apparent that the fundraising goal of \$ 13.32 million was not easily attainable, and in order to address immediate space deficiencies, the project should preferably be conceived as two distinct phases. Phase 1 was estimated to cost \$6 million with funding from the Faculty of Arts and Science. The balance

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of the funds for Phase 2 were targeted to be raised from external sources. Approval to proceed with the two phased approach was received in March 2003. The facilities were to be designed to permit either the first or both phases to be constructed simultaneously or in sequence, depending upon available funding. Phases 1 & 2 were estimated to cost \$6 million and \$8.3 million respectively.

In June 2004, when the schematic design was completed, the Project returned to the Business Board as the total project cost for Phase 1 was estimated to be \$ 7,818,132, an increase of \$ 1,818,132. Of this total some \$ 415,000 was attributable to furnishings and an expanded number of deferred maintenance items. Portions of the south building which were initially planned to be demolished instead were to be renovated. New space would be constructed to the north and west of the original building. Phase 2, if constructed, was estimated to cost \$4,962,566.

Shortly before the planned tender date for Phase 1, the Faculty of Arts and Science received welcome news: a major donation would allow for the completion of Phase 2 of the Economics project. The tender was delayed and the consultants have begun work on incorporating Phase 2 into the contract drawings. The complexity of this tight site coupled with the Heritage Easement requirements make the construction logistics quite challenging.

The total cost of the consolidated Phases 1 and 2 of the Department of Economics Renovation and Expansion Project has been estimated at **\$ 15,300,000**.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

The total project cost for the Department of Economics Renovation and Expansion Project is estimated to be **\$ 15,300,000**.

The Project will now be financed as follows:

- a mortgage of \$ 6,500,000 to be repaid over 25 years or earlier, depending on availability of funds
- a 5-year short-term loan of \$ 3,500,000 coinciding with the pledge payment schedule of a donor
- \$ 4,800,000 from the operating budget of the Faculty of Arts and Science of which \$ 1,954,000 has already been disbursed
- \$ 500,000 from 2005-06 Deferred Maintenance Fund

The change in funding from the June 2004 approval is identified in the table below:

	<u>June 2004</u>	<u>May 2006</u>	<u>Variance</u>
1. Long Term Financing	\$6,000,000	\$6,500,000	\$ 500,000
2. Faculty of Arts and Science Operating Budget	\$1,818,000	\$4,800,000	\$2,982,000
3. Donor	\$ -	\$3,500,000	\$3,500,000
4. Deferred Maintenance Fund	\$ -	\$ 500,000	\$ 500,000
TOTAL	\$7,818,000	\$15,300,000	\$7,482,000

RECOMMENDATION:

Be it resolved

Subject to Governing Council approval of the revised scope of the project,

THAT the Vice-President, Business Affairs be authorized to execute the Department of Economics Building Renovation and Expansion Project at 150 St. George Street at a total project cost not to exceed \$ 15,300,000 with sources of funding as follows:

- Long-term financing to be repaid from operating funds of the Faculty of Arts and Science over 25 years or earlier, depending on availability of funds \$6,500,000
- Short-term financing to be repaid from a donation, coinciding with the pledge payment schedule of the donor 3,500,000
- Operating budget of the Faculty of Arts and Science 4,800,000
- 2005-06 Deferred Maintenance Fund 500,000