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CAPITAL PROJECTS DEPARTMENT

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TO: Business Board

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DATE: May 26<sup>th</sup>, 2006 for May 29<sup>th</sup>, 2006

AGENDA ITEM: 4(e)

**ITEM IDENTIFICATION:**

**Capital Project – Varsity Centre – Phase 1: Budget Increase**

**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:**

June 23, 2005 – The Business Board approved the expenditure of \$16.386 million for the completion of Phase 1 of the Varsity Centre.

**HIGHLIGHTS:**

Phase 1 of the new Varsity Centre facility was approved at a cost of \$16.386 million and consists of a new state-of-the-art competitive level running track and artificial surface playing field (soccer and football), 5,000 seat grandstand, public washrooms, change rooms, media gondola, field lighting, fencing, landscaping and foundations and services below the track for an air supported structure to be procured under Phase 2.

In August 2005 the firm of Diamond + Schmitt Architects Inc. (“DSAI”) in association with Ellerbe Beckett Architects was selected via an RFP process as the prime consultant for Varsity Centre – Phase 1.

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In addition, to meet the aggressive schedule it was decided to proceed with delivery of construction services under a Construction Management (“CM”) arrangement. EllisDon Corporation was hired to undertake this role in October 2005. This CM arrangement would allow for the sequential tendering of the construction activities. Under this fast tracked process certain work would be tendered and under construction while other parts were still under design by DSAI.

During the design process the team struggled with trying to make the Phase 1 facility as complete and comprehensive as possible for the Faculty while respecting the original budget and working with the City on acceptable urban design solutions.

As the design evolved and work on site began it became clear that the extent of the work and the cost to complete the project would be insufficient. Much of the specialized work and construction activity that was estimated came in over budget. In addition, certain allowances in the project cost were not adequate to make the facility fully functional for the Faculty. Examples include the additional cost of the demolition/removal of the foundations of the previous stadium, cost of underpinning the existing north wall, increase in allowance for an acceptable scoreboard, addition of an electronic timing system, the extent of landscaping along and Bloor and Devonshire and increased cost to construct the specialized pits and services for the track events.

Attached please find the *Summary Breakdown* sheet which identifies the major variances between the original approved budget and the current plan.

Significant efforts to reduce and minimize the cost impact were explored by the Project Committee however all efforts resulted in a compromised facility that would not adequately address the needs of the Faculty of Physical Health and Education.

Upon review of the entire impact of all the project components the current total project cost is estimated at **\$21,750,000** or **\$5,364,000** above the original approved budget.

This Phase 1 increase of 33% exceeds the approval level of the Vice-President, Business Affairs and requires a resubmission to the Business Board for review and approval.

## **FINANCIAL AND/OR PLANNING IMPLICATIONS:**

The Varsity Centre – Phase 1 is identified in the Capital Plan with a projected borrowing contribution of \$16.39 million which will be increased to \$21,750,000, the revised full cost of Phase 1 of the project. All additional phases, i.e. Phases 2, 3 and 4 will require **full** funding to be in place prior to the approval of each phase. Of the \$21,750,000 required total cost, \$19,364,000 will be forthcoming from the operating budget of the University of Toronto. The balance of \$2,386,000 will be provided through a short term mortgage to be paid from the operating budget of the facility.

**RECOMMENDATION:**

THAT the Vice-President – Business Affairs be authorized to execute Phase 1 of the Varsity Centre for Physical Activity and Health for an increased total project cost of \$21,750,000 with funding from the following sources:

- (a) \$19,364,000 financing (an internal mortgage), amortized over twenty years, to be repaid from the operating budget of the University of Toronto, and
- (b) \$2,386,000 financing (an internal mortgage), to be amortized over five years, to be repaid from the operating budget of the new facility.