



University of Toronto

OFFICE OF THE GOVERNING COUNCIL

FOR INFORMATION:

TO: Planning and Budget Committee

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DATE: May 6th, 2004 for May 18th 2004.

AGENDA ITEM: 8

ITEM IDENTIFICATION:

Project Planning Committee for the Department of Economics, Phase I.

JURISDICTIONAL INFORMATION:

Under the Policy on Capital Planning and Capital Projects, the Planning & Budget Committee reviews Project Planning Reports prepared for a capital project and recommends to the Academic Board approval in principle of the project.

PREVIOUS ACTION TAKEN:

External reviews of the Department of Economics have, through the years, identified a lack of space for graduate students within the Department. The addition of the Master of Financial Economics program and expansion of the Undergraduate Commerce program have resulted in additional demands that can not be accommodated within their existing facilities.

In October 2001, the Planning and Budget Committee considered the recommendation of the Project Planning Committee to renovate and expand facilities at 150 St. George Street for the Department of Economics.

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 lecture hall estimated to cost \$980,000 was to be funded centrally. Approval of this proposal was received in November 2001. The project scope was 1880 nasm of new space, 450 nasm of renovated space at a 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. The first phase was estimated to cost \$6 million with funding being the total responsibility of the Faculty of Arts and Science. The balance of

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the funds for Phase II were targeted to be raised entirely 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 I & II were estimated to cost \$6 million and \$8.3 million respectively. This revised plan also permitted the tiered lecture hall to be paid from funds raised for Phase II as distinct from using central internal funds.

HIGHLIGHTS:

The project committee has now completed the schematic design; the total project cost for Phase I is estimated at \$7,818,132, an increase of \$1,818,132. Of this total some \$415,000 is attributable to furniture costs which should preferably remain included in the project. Phase II, if constructed, will cost a total of \$4,962,566. A revised Total Project Cost [TPC] is attached for both phases.

Phase I now includes an expanded number of deferred maintenance items and will, when completed, provide sufficient space to address the immediate inadequacies of space within the Department of Economics, and reduce the urgency to undertake Phase II. Portions of the south building which were initially planned to be demolished will instead be renovated. New space will be constructed to the north and west of the original north building. Unfortunately, the 75-seat tiered classroom has been eliminated from the space program as a result of the need to reduce the overall cost as well as seeking ways to maintain sufficient space available for use by the Department of Economics during what could have been an extended period to complete both Phase I and II, and indeed the period between completion of the two phases.

It should however also be clarified, that the decision not to incorporate the 75-seat tiered classroom within the overall plans does represent a change of scope for Phase II only, but does not impact Phase I. Additionally, the plan to relocate the Institute for Policy Analysis within Phase II remains intact. Phase I has had to be redeveloped with a careful examination of the site conditions, the relatively poor deferred maintenance condition of the existing buildings and the need to fully appreciate that the possibility of securing the full funding to complete Phase II in a reasonable time frame of a few years was unrealistic. If and when Phase II is initiated, full approval will be required and the changes in scope briefly referred to above fully clarified.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

With the approvals in March 2003, the Faculty of Arts and Science had committed to finance the first \$6 million for Phase I from a mortgage to be repaid over 25 years at a rate not to exceed 8%. These funds were to be derived from revenues generated within the Commerce programs. This situation has not changed. The additional funding required, in the full amount of \$1,818,132, will also be provided by the Faculty of Arts and Science. The arrangement proposed requires that the full amount be considered as two components, namely an amount equal to \$415,000 which is equivalent to the furniture and equipment requirements for the project and the balance, \$1,404,132. The furniture and equipment items are independent of the project construction schedule and these purchases will be tied to the funds being available by the Faculty of Arts and Science. The Faculty will provide this funding from operating funds over fiscal years 04/05 and 05/06 when the furnishings are required to be purchased. The balance, equal to \$1,403,132, will be paid in cash by the Faculty at the time the mortgage is established upon completion of the project. This is required to maintain the approved mortgage limit for this project at \$6 million or less. The Faculty, in the interim, will continue to actively seek the external funding consistent with the earlier approval demanded with the staged

approach for Phase I and Phase II. Financing Costs are included in the TPC to support this position. The revised Total Project Cost [TPC] for both phases of this project is also provided.

It should be noted that the revised Phase 1 project will proceed as planned; it is however unlikely that Phase II will proceed in the near future, unless of course a major donation is forthcoming. The approach put forward is sensible in that it addresses the space needs of the Department, confronts serious deferred maintenance issues, and is fiscally more conservative in that a workable solution is being presented that is less dependent on the absolute need to secure the previously defined \$8.3 million that had been required for Phase II. It is also to be noted that the roof of the existing economics building will be replaced as the project proceeds and will be funded outside of this project cost.

Phase II of the Economics Building will be reclassified into Section 3 of the *Capital Plan for Buildings and Projects in excess of \$2M and Other Requirements*. It will require formal re-approval by Academic Board and Business Board to respect the changes of scope from that previously approved. The project will also require full external funding with no possibility of borrowed funds being directed to the project.

RECOMMENDATION:

This item is for information only.

PROJECT MGR: Brian C. Szuberwood

U OF T PROJECT NO: 104-02-022

16-Oct-03
tpcform.xls

DRAFT
Prepared by: BCS
Date: April 23, 2004

Approved by:

Approved by: