



**FOR RECOMMENDATION**

**CONFIDENTIAL**

**IN CAMERA SESSION**

**TO:** Planning and Budget Committee

**SPONSOR:** Scott Mabury, Vice-President, University Operations

**CONTACT:** 416-978-2031, scott.mabury@utoronto.ca

**PRESENTER:** Christine Burke, Director, Campus and Facilities Planning

**CONTACT:** 416-978-4333, christine.e.burke@utoronto.ca

**DATE:** September 4, 2014 for September 17, 2014

**AGENDA ITEM:** 10

**ITEM IDENTIFICATION:**

Capital Project: Faculty of Applied Science and Engineering, and Faculty of Medicine, Translational Biology and Engineering Laboratories in the MaRS Centre Phase 2 Tower -: Report of the Project Planning Committee, Total Project Cost and Sources of Funding.

**JURISDICTIONAL INFORMATION:**

Pursuant to section 4.2.3. of the Committee's terms of Reference, "...the Committee considers reports of project planning committees and recommends to the Academic Board approval in principle of projects (i.e. space plan, site, overall cost and sources of funds)."

Under the Policy on Capital Planning and Capital Projects, "...proposals for capital projects exceeding \$10 million must be considered by the appropriate Boards and Committees of Governing Council on the joint recommendation of the Vice-President and Provost and the Vice-President, University Operations. Normally, they will require approval of the Governing Council. Execution of such projects is approved by the Business Board. If the project will require financing as part of the funding, the project proposal must be considered by the Business Board."

**GOVERNANCE PATH:**

**A. Project Planning Report**

1. **Planning and Budget [for recommendation] (September 17, 2014)**
2. Academic Board [for recommendation] (October 2, 2014)
3. Governing Council [for approval] (October 30, 2014)

**B. Execution of the Project:**

1. Business Board [for execution of the project] (September 22, 2014)

*Capital Project: Faculty of Applied Science and Engineering, and Faculty of Medicine, Translational Biology and Engineering Laboratories in the MaRS Centre Phase 2 Tower -: Report of the Project Planning Committee, Total Project Cost and Sources of Funding*

**PREVIOUS ACTION TAKEN:**

No previous action taken.

**HIGHLIGHTS:**

Discussion of the space plan and site can be found in the open session document for this project “Capital Project: Report of the Project Planning Committee for the Faculty of Applied Science and Engineering, and Faculty of Medicine, Translational Biology and Engineering Laboratories in the MaRS Centre Phase 2 Tower”, item 5, for this meeting.

**FINANCIAL AND PLANNING IMPLICATIONS:**

**a) Total Project Cost Estimate**

The total estimated project cost for the project is \$14.75 million, which includes estimates or allowances for the following:

Nominally within the \$13.5 million donation envelope:

- construction costs (net of construction contingency)
- permits and insurance
- Professional fees, (architects, engineers, project management disbursements) - net of fees associated with contingencies.
- furniture and fixed equipment

Nominally over and above the \$13.5 million donation envelope:

- Construction contingency
- Computing infrastructure
- Telephone Terminations
- Audio Visual equipment
- Security and Access Systems
  
- Moving and Staging
- Project Finance Costs
- Project Contingency
- Professional Fees on Construction Contingency

**b) Funding Sources and Cash Flow Analysis**

**1. TBEL Capital Requirement**

The TBEL will be funded primarily by a donation to the University of Toronto aligned with this project. The magnitude of the planned gifting that is to be directed to the project is \$13.5 million; \$6.332million in years 1 and 2 and \$0.836million in year 3. It is anticipated that this donation will be confirmed by

*Capital Project: Faculty of Applied Science and Engineering, and Faculty of Medicine, Translational Biology and Engineering Laboratories in the MaRS Centre Phase 2 Tower -: Report of the Project Planning Committee, Total Project Cost and Sources of Funding*

October 31<sup>st</sup>, 2014. Funding requirements for the TBEL capital project in excess of this donation amount, including any required pledge financing, will come from the Faculty of Applied Science and Engineering, the Faculty of Medicine, and IBBME (Faculty of Applied Science and Engineering, Faculty of Medicine and the Faculty of Dentistry). Should this be required, the cost to each unit will be determined based on the accumulative percentage appointment of each of the eight existing PIs.

The capital costs have been front-ended in the gifting and since the 'time to complete' the project will extend into the start of the second year of the gifting, the projected bridge financing costs are estimated to be in the neighbourhood of \$15,000. The TPC includes an estimated \$15,000 for potential bridge financing costs.

In the extremely unlikely event that the gifting for this project has not been formally received by the University of Toronto prior to October 31<sup>st</sup>, 2014, it is the position of both the Faculty of Medicine and the Faculty of Applied Science and Engineering that the lease agreement be terminated on October 31<sup>st</sup>, 2014, as is allowed without penalty, on October 31<sup>st</sup> 2014. The costs incurred to October 31<sup>st</sup>, 2014 will be required to be paid by the two Faculties, with support from the University. It is necessary to proceed in this manner to advance the project initiation once approval is forthcoming to ensure the earliest possible completion date in the Fall of 2015 so that the TBEL facility can be operational by October 1<sup>st</sup> 2015 or as soon as possible thereafter since lease payments formally commence on October 1<sup>st</sup>, 2015.

It is to be noted that the current TPC exceeds the planned gifting by a \$1,250,000. The Faculty of Applied Science and Engineering and the Faculty of Medicine will each undertake to contribute 50% of the additional cost above that provided by the gifting to complete the TBEL capital project. For each Faculty this is expected to be \$625,000. Every effort must be made by all parties to hold the project cost to the funding level that will become available for the project, specifically the \$13.5 million gifting.

## 2. TBEL Annual Occupancy Cost Requirement:

The annual cost of occupancy will be funded by the partner Faculties according to a methodology to be determined by the Dean of the Faculty of Applied Science and Engineering and the Dean of the Faculty of Medicine. This model will recognize PI appointment status and the actual occupancy profile of each PI in its methodology. The differing internal management practices of space within each Faculty will be acknowledged in the methodology. Details of these costs are identified in item b) below.

### **b) Operating Costs**

Operating costs are estimated to be \$2,059,200 per annum in Year 1, and will escalate during the term of occupancy according to finalized lease terms and inflation. A 10 year lease plus renewal rights is currently under negotiation between The Governing Council University of Toronto and MaRS Phase 2 Inc. This cost estimate is based on a total of 39,600 rentable square feet at \$52.00 per square foot.

It is important to clarify that the operating cost comprises two elements, namely a Base Rent and an Occupancy Cost (Additional Rent for selected services + Hydro); the details are summarized below for Year 1:

*Capital Project: Faculty of Applied Science and Engineering, and Faculty of Medicine, Translational Biology and Engineering Laboratories in the MaRS Centre Phase 2 Tower -: Report of the Project Planning Committee, Total Project Cost and Sources of Funding*

• Base Rent:	\$22.50 / rentable sq.ft.
• Occupancy Costs	
Additional Rent:	\$19.50 / rentable sq.ft.
<u>Hydro (separately metered)</u>	<u>\$10.00 / rentable sq. ft.</u>
Total	\$52.00 / sq. ft.

The annual Base Rent cost in Year 1 is \$891,000 and the corresponding Occupancy Cost \$1,168,200. Based on a planned TBEL facility of 2,220 nasm, the Occupancy Cost alone translates to an annual cost of \$526 per nasm which is more readily comparable with the per nasm cost for the various University buildings.

The above cost estimate assumes the University will receive an exemption from realty taxes.

In addition, costs should be anticipated for glass washing<sup>1</sup>, animal care<sup>2</sup>, hazardous waste disposal, and emergency power<sup>3</sup>.

**RECOMMENDATION:**

Be It Recommended to the Academic Board:

THAT the total project cost of \$14.75 million to accommodate the Faculty of Applied Science and Engineering and Faculty of Medicine Translational Biology and Engineering Laboratories in the MaRS Centre Phase 2 Tower, as outlined in the Project Planning Report dated August 6, 2014, be approved in principle, to be funded as follows:

Capital Campaign	\$ 13.500 million
Faculty of Applied Science & Engineering	\$ 0.625 million
Faculty of Medicine	<u>\$ 0.625 million</u>
Total	\$ 14.750 million

**DOCUMENTATION PROVIDED:**

- Report to the Project Planning Committee for the Faculty of Applied Science and Engineering and Faculty of Medicine Translational Biology and Engineering Laboratories in the MaRS Centre Phase 2 Tower, dated August 6, 2014.

---

<sup>1</sup> Glass washing to be contracted with UHN services as required..

<sup>2</sup> Animal experimentation will need to be coordinated with UHN; it appears that there exists a passageway suitable for the transportation of animals between the two sites.

<sup>3</sup> It is possible to purchase emergency power within the MaRS2 tower as a 2,000 kW capacity was installed. The hook-up cost for the required 110kW at \$1250/kW is \$137,500 + \$1,100 per month [\$13,200 per year] service charge. The preferred option is to acquire and install an independent gas fired facility on the roof at an estimated capital cost of \$150,000.