



FOR RECOMMENDATION

CONFIDENTIAL

IN CAMERA

TO: Planning and Budget Committee

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DATE: April 28, 2015 for May 13, 2015

AGENDA ITEM: 10

ITEM IDENTIFICATION:

Report of the Project Planning Committee for the Faculty of Medicine Biomedical Laboratories in the MaRS Centre Phase 2 Tower – 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: Site and Space Plan

- 1. Planning and Budget [for recommendation] (May 13, 2015)**
2. Academic Board [for recommendation] (June 1, 2015)
3. Business Board [(financing) for recommendation] (June 18, 2015)
4. Executive Committee [for endorsement and forwarding] (June 15, 2015)
4. Governing Council [for approval] (June 25, 2015)

B. Execution of the Project: Total Project Cost and Sources of Funding

1. Business Board [for approval] (June 18, 2015)

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 Medicine Biomedical Laboratories in the Mars Centre Phase 2 Tower”, item 4, for this meeting.

FINANCIAL AND PLANNING IMPLICATIONS:

a) Total Project Cost Estimate

The total estimated project cost for the project is \$17.555 million, which includes estimates or allowances for the following:

- Construction
- Contingencies
- Taxes
- Permits and insurance
- Professional fees: architect, engineer, misc. consultants, project management.
- IT and Telecom requirements
- Moving and staging
- Acquiring new lab benching and misc. furnishings
- Miscellaneous costs [security, other]
- Commissioning

b) Funding Sources

The funding sources for the project include \$4.0 million in MaRS Tenant Allowance, Capital Campaign Funds of \$4.5 million, \$4.5 million of Provost’s Central Funds and \$4.555 million of Faculty of Medicine Graduate Expansion Funds, for a project total of \$17.555 million. Should the \$4.5 million in Capital Campaign Funds not materialize this amount will be financed.

c) Operating Costs

The total Operating Costs comprise two components, namely i) a Base Rent and ii) an Occupancy Cost. The latter includes the costs dictated by the landlord, specifically conveyed in the terms of the lease agreement, on a cost per rentable square foot for services pertaining to management, cleaning, insurance, maintenance of elevators, washrooms etc. + the cost per rentable square foot of the utilities, specifically the hydro that is required to be independently metered.

Other pertinent Occupancy Costs are realty taxes (from which the University is exempt) and the variable costs pertaining to and anticipated for glass washing, hazardous waste disposal, and emergency power.

Below (see Table 1), the Base Rent, and the Occupancy Costs for the FoM Biomedical Laboratories are re-tabulated and compared with Occupancy Costs for on-campus facilities such as the CCBR:

Table 1

		MaRS2 39,729 rsf¹ (per floor)	MaRS2 2,220 nasm (per floor)	CCBR
	Cost /rentable sf	Annual cost	Cost /nasm /yr	Cost /nasm /yr
Base Rent (years 1 - 10) ²	\$22.50	\$893,903	\$403	NIL
Occupancy Costs (Estimated)				
<i>Landlord:</i>	\$10.00	\$397,290		
<i>Utilities (Hydro):</i>	\$12.00	\$476,748		
Subtotal	\$22.00	\$874,038	\$394	\$392
Total per floor (Base rent plus occupancy costs)	\$44.50	\$1,767,941	\$796	\$392

¹rsf - average rentable square feet per floor

²Increasing to \$30.00 years 11 - 20, \$35.00 years 21 - 25

A 25 year lease (plus renewal rights) is currently under negotiation between The Governing Council of the University of Toronto and MaRS Phase 2 Inc. The cost estimate is based on a total of 79,458 rentable square feet, which for the FoM Lab space is equivalent to ~4,440 nasm. The annual cost to operate the FoM Lab space is therefore \$3,535,882 and this includes the annual estimated utility cost of \$953,496, to be funded by the Faculty of Medicine.

As a comparison (see Table 2), the Base Rent, and the Occupancy Costs for TBEL 14th Floor of MaRS Phase 2 are tabulated and compared with Occupancy Costs for on-campus facilities such as the CCBR:

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Table 2

		TBEL 39,600 rsf¹	TBEL 2,220 nasm	CCBR
	Cost /rentable sf	Annual cost	Cost /nasm /yr	Cost /nasm /yr
Base Rent (years 1 - 5) ²	\$22.50	\$891,000	\$401	NIL
Occupancy Costs (Estimated)				
<i>Landlord:</i>	\$19.50	\$772,200		
<i>Utilities (Hydro):</i>	\$10.00	\$396,000		
Subtotal	\$29.50	\$1,168,200	\$526	\$392
Total (Base rent plus occupancy costs)	\$52.00	\$2,059,200	\$927	\$392

¹rsf - rentable square feet

²Increasing to \$25.40 years 6 - 10

Of note, the base rent for TBEL and the FoM Biomedical Laboratories is the same at \$22.50/sf for the first 5 years, however, while there is an increase in base rent up to \$25.40/sf for TBEL years 6-10, the base rent on the FoM Biomedical Laboratories floors at \$22.50/sf is currently under negotiation for a longer term (years 1-10).

The total occupancy cost for TBEL on the 14th Floor (see Table 2) when reduced to the annual cost per nasm, is 34% greater than the equivalent costs for the CCBR. Of note, the total occupancy cost for the FoM Biomedical Laboratories on the 15th and 16th Floors (see Table 1) are currently under negotiation for a total occupancy cost equivalent to the costs for the CCBR.

The annual cost to operate TBEL is therefore \$52/rentable sf or \$2,059,200/year. In comparison, the annual cost to operate an equivalent area on one floor of the FoM Biomedical Laboratories is \$44.50/rentable sf or \$1,767,941/year, equivalent to 86% of TBEL annual costs to operate.

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RECOMMENDATION:

Be It Recommended to the Academic Board:

THAT the project scope to accommodate the Faculty of Medicine Biomedical Laboratories in the MaRS Centre Phase 2 Tower, totaling 4,440 nasm (7,382 gross square meters) at a total project cost of \$17.555 million to be funded as follows, be approved in principle:

MaRS2 Tenant Allowance	\$ 4.000 million
Faculty of Medicine Graduate Expansion Fund	\$ 4.555 million
Provost Central Funds	\$ 4.500 million
<u>Capital Campaign Funds</u>	<u>\$ 4.500 million</u>
TOTAL	\$ 17.555 million

DOCUMENTATION PROVIDED:

- Project Planning Report for the Faculty of Medicine Biomedical Laboratories in the MaRS Centre Phase 2 Tower, dated May 6, 2015.