



**FOR APPROVAL**

**CONFIDENTIAL**

**IN CAMERA**

**TO:** Business Board

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

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

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**DATE:** June 9, 2015 for June 18, 2015

**AGENDA ITEM: 4**

**ITEM IDENTIFICATION:**

Capital Project: Faculty of Medicine Biomedical Laboratories in the MaRS Centre Phase 2 Tower –  
**Execution of the Project.**

**JURISDICTIONAL INFORMATION:**

Section 5.2 (b) of the terms of reference for the Business Board states that the Board is responsible for “approval of capital expenditures for, and the execution of, approved projects, as required by approved policies.”

**GOVERNANCE PATH:**

1. **Business Board** (June 18, 2015)

**PREVIOUS ACTION TAKEN:**

Recommended by the Planning and Budget Committee on May 13, 2015 and by the Academic Board on June 1, 2015.

**HIGHLIGHTS:**

Renewal of the Basic Sciences Sector is a key strategic priority for the Faculty of Medicine and must be addressed in a timely manner. The solution requires acquisition of over 42,000 square metres of new space to replace all of the Medical Sciences basic science labs. While continuing to work on identifying an overall solution, an opportunity to occupy 4 floors (13<sup>th</sup> to 16<sup>th</sup>) in MaRS Centre Phase 2 tower on University Avenue at College Street (661 University Avenue) is available that amounts to about 1/3 of the Faculty basic science space needs. Two floors (13<sup>th</sup> and 14<sup>th</sup>) are accounted for by new funded initiatives, one from philanthropy (Translational Biology and Engineering Laboratories – TBEL) and one from health care based industry, both of which enhance and align with the core academic foci. Some or all of this assigned space is potentially available for the Faculty of Medicine researchers in 5 or 10 years based on our current commitments. The proposed project is to fit out the two remaining floors

(15<sup>th</sup> and 16<sup>th</sup>) to accommodate a component of the infrastructure renewal needs of the Faculty of Medicine as identified in the Faculty 2014 Master Plan.

This report identifies a total space program of 4,440 net assignable square meters (nasm) consistent with the space planning principles of the Faculty of Medicine, the University of Toronto and the Council of Ontario Universities (COU) standards.

The Project Planning Report is substantially based on the work of the Translational Biology and Engineering Laboratories (TBEL) Project Planning Committee. The Faculty of Medicine and the Faculty of Engineering have been working closely together on the TBEL renovation of the 14th Floor of the MaRS Centre Phase 2 tower, approved at Governing Council on October 30, 2014. Plans for the 15-16th Floors will essentially replicate the flexible layout offered at TBEL. In light of this, a Project Planning Committee was not formally established for this project. In developing the project planning report for the Translational Biology and Engineering Laboratories at the MaRS Phase 2 Tower, extensive consultation was undertaken to ensure that the project's objectives, functional program and detailed room specifications would accurately reflect the needs of the users and serve as clear guide for the project's implementation.

An Offer to Lease (25 years plus renewal rights) between MaRS Phase 2 Inc. and The Governing Council of the University of Toronto is under negotiation at this time for the 13th, 15th and 16th Floors. A lease for the 14<sup>th</sup> Floor was executed separately in early 2015.

The intent is to proceed with the Faculty of Medicine project in the very near term so that the labs are fully functional by early to mid- 2016.

## **FINANCIAL AND PLANNING IMPLICATIONS:**

### **a) Total Project Cost Estimate**

The total estimated project cost for the project is \$17.555 million.

### **b) Funding Sources**

The funding sources for the project are:

MaRS Tenant Allowance	\$ 4.0 million
Capital Campaign Funds	\$ 4.5 million*
Provost's Central Funds	\$ 4.5 million
Faculty of Medicine Graduate	
<u>Expansion Funds</u>	<u>\$ 4.555 million</u>
Total	\$17.555 million

**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

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

<sup>1</sup>rsf - average rentable square feet per floor

<sup>2</sup>Increasing 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 14<sup>th</sup> Floor of MaRS Phase 2 are tabulated and compared with Occupancy Costs for on-campus facilities such as the CCBR:

Table 2

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

<sup>1</sup>rsf - rentable square feet

<sup>2</sup>Increasing 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 14<sup>th</sup> 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 15<sup>th</sup> and 16<sup>th</sup> 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.

**RECOMMENDATION:**

Be It Resolved:

Subject to Governing Council approval in principle of the project,

THAT the Vice-President, University Operations be authorized to implement the project for the Faculty of Medicine Biomedical Laboratories in the MaRS Centre Phase 2 Tower at a total project cost of \$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.