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OFFICE OF THE VICE-PROVOST, SPACE AND FACILITIES PLANNING

TO: Planning and Budget Committee

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DATE: March 12th, 2003 for March 26th, 2003

AGENDA ITEM: #6

ITEM IDENTIFICATION:

Project Planning Report [September 25th, 2001] for the Department of Economics Building Expansion and Renovation plus the Appendix [March 2003] to this Project Planning Report.

JURISDICTIONAL INFORMATION:

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

PREVIOUS ACTION TAKEN:

In October 2001 the Planning and Budget Committee approved the Project Planning Report for the Economics Building Expansion and Renovation. This approval required that external funds would be raised for this project and that the project would not proceed until such time as all necessary funds had been secured. The P & B Committee also approved a contribution of \$980,000 from the University Infrastructure Investment Fund [UIIF] to construct a 75 seat classroom within the Economics Building that would only be available once all other funds had been secured.

BACKGROUND:

"Over the years, The Department of Economics has made great strides in achieving its present status as the premier economics department in Canada. Due to the continued support of the university administration and the extraordinary efforts of our dedicated faculty, in the past few years the Department has been able to compete with the top universities in North America for the very best graduates. This is clearly evident by our recent success in winning the Polanyi prize in each of the last four years. As was spelled out in our "Raising Our Sights" plan, the Department is not content to remain the best economics department in Canada.

While the most recent ranking placed the Department within the top 10 publicly funded economics departments in the world, we have set higher goals - to rank within the top 5 publicly funded economics departments (equivalent to the University of California at Berkeley, University of Michigan, University of Wisconsin and UCLA). To reach this goal, it is necessary to address a chronic problem within the department - lack of space. Since the inception of the department in the early 1980's, every Chair's report and every external review has commented on the dire need for additional space. It is clear that the present space constraints and poor quality of much of the available space at 150 St. George Street have

contributed to a number of key faculty moving to other parts of the university that offer improved space. At the same time, the lack of space for our undergraduate students, most of whom are in the Commerce Program, has resulted in less interaction among this group of students and fewer opportunities for interchange with our faculty than would be optimal for this academically first-rate undergraduate program. The implications have been unfortunate and have led to a lack of identification of these students with the Department of Economics and fewer of the most qualified graduates choosing the University of Toronto for their graduate education. These students are among the very best within the Faculty of Arts & Science and we owe them more than we have delivered in the past if, in the future, we are going to continue to attract such high quality students to the Commerce Program."

The Faculty of Arts & Science, supported by the Department of Economics, has recommended that this project proceed in a two phased approach as outlined in the Appendix to the Project Planning Report. What is proposed is to proceed with the design of the complete project, Phase 1 and Phase 2, and appoint the consultants with the instruction that the project could, depending on the funding available, be constructed in two phases. To proceed in this direction will require that the Faculty of Arts & Science provide the funding in the amount of \$6 million or greater to complete Phase 1. The funds for Phase 2 will require fund raising of some \$8.3 million and these funds will need to be in place, committed plus the required cash flows, in advance of the commencement of the construction for Phase 1. If all funds, for Phase 1 and Phase 2, are secured by the completion of the design stage then the entire project will proceed, possibly in stages for reasons other than the matter of funding. If the full Phase 2 funding is not secured at the completion of the design stage then only Phase 1 will proceed and the Phase 2 will be delayed.

HIGHLIGHTS:

The Department of Economics is presently located at 150 St. George Street with faculty also located at the Institute for Policy Analysis, in the Bissell Building, 140 St. George Street. External reviews of the Department through the years, have identified a lack of space for graduate students. The addition of the Master of Financial Economics program and the expansion of the Undergraduate Commerce program have resulted in additional demands which cannot be met within the present facilities.

The Department of Economics, including the Institute of Policy Analysis, presently occupies a total of 1747 nasm. The Project Planning Report recommends an increase of 584 nasm, for a total allocation of 2331 nasm, which corresponds with the Council of Ontario Universities space standards. The space program which is proposed, also includes the construction of a 75-seat, tiered lecture hall (143 nasm), which would be centrally controlled by the Office of Space Management.

The proposed project will involve the demolition of two previous additions to 150 St. George Street and an addition and renovation of the original Victorian house. Space currently occupied by the Institute of Policy Analysis will be released for other University use.

The proposed area of construction falls within the 150 St. George Street property, which will require municipal zoning approvals to proceed. The new structure must be mindful of residential scale and detail. Several envelope options have been considered during the planning stage to increase the useable area for the Department of Economics on this site, including the recommended option to maintain the original house and to be sensitive to heritage considerations. The proposed building program can be built within the current zoning height limits with the same program also in the basement.

On the landscape improvements early concepts have been explored that could serve to essentially maintain the integrity of the Innis Green, whilst recognizing the need to direct pedestrian flows from the

new buildings onto St George Street. It would be desirable to incorporate the Innis courtyard within overall landscape improvements for the area, while still recognizing the need for Innis College to maintain its designated exterior space.

Under the new Policy on Capital Planning and Capital Projects, the Project Committee will continue through the implementation phase. The Working Executive of the Project Committee will comprise the lead User, a Planner and Implementer all of whom have been intimately associated with the project definition since its inception; the Working Project Executive for the Economics Building Expansion and Renovation comprises:

User: M. Berkowitz:
Planner: G. Milgrom, and
Implementer: J. Binks

This Working Executive will expand to include the Project Manager, once appointed. The role of the Working Executive is to ensure the successful completion of the project and to ensure that the user needs and concepts introduced into the Project Planning Report are addressed throughout the process of consultant selection, design and implementation which are carried out under the direction of the Assistant Vice-President, Operations & Services.

The Principal of Innis College will also be invited to participate in the Project Committee to ensure the compatibility of Innis College facilities and planned landscape improvements with the proposed plans for the Department of Economics.

The total project cost, including new construction of 1880 nasm (3380 gsm), and renovation of 450 nasm (815 gsm), are expected to cost \$14,300,000 when tendered in May 2004.

Of this total, \$980,000 has been identified as the cost of a new 75-seat, tiered electronic lecture room. The estimate also allows \$1,000,000 for the department to be moved into nearby rented space for a period of two years while construction is underway. This will require 2,000 square metres of rentable space.

The maintenance, operating and utilities cost of the new facilities is expected to be \$251,000 annually or \$107/nasm whereas the current costs are \$147,211 (00/01), an average of \$83.22/nasm. The increase in operating costs is comparable with new, modern air-conditioned buildings on campus. There will be a loss of 13 reserved parking spaces and a loss of \$20,800 per annum to the parking ancillary as a result of the expansion.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

The space needs of the Department of Economics are such that the Faculty of Arts and Science will contribute \$6,000,000 to Phase 1 of the project. The balance of the funds to address Phase 2 are required to be raised from external sources. In moving forward with Phase 1 it is important to design the complete project [Phases 1 & 2], but to ensure in the process that, if necessary, Phase 1 could be completed with those funds available from the Faculty of Arts & Science; Phase 2 being delayed for completion downstream only when all external funds have been secured. This is the sensible approach to ensure a better designed building; however it is important to emphasize that Phase 2 cannot proceed without the external funds being secured. This approach would also permit the building to be designed and to be used to attract external funding for Phase 2. It is proposed, given that all governance approvals are secured for the consultants to be appointed, the building designed and city approvals secured, as will be necessary for

this site. The earliest time that construction could commence is December, 2004, so that there is a significant period to work to raise the external funding.

In moving forward in this direction the Faculty of Arts and Science will advance \$100,000 in cash toward the hiring of the consultants to trigger the project. Thereafter the Faculty of Arts and Science would enter into the mortgage arrangement to ensure the appropriate cash flow for the project within the \$6 million contribution identified previously.

The project will be designed so that the construction could, if necessary, be split into two phases. Funding for phase 1 in the amount of \$6,000,000 will be provided by a mortgage amortized over 25 years at 8% per annum by the Faculty of Arts and Science. The Department of Economics has established a Fund Raising Committee and has been active in the identification of potential donors to support this project. The fact that Phase 1 of the project will be initiated from within the Faculty of Arts and Science will as indicated be hopefully recognized as an excellent matching opportunity by a donor.

The funds for Phase 2 of the project amounting to \$8.3 million will be raised from external sources. The full amount will have to be secured prior to any construction of Phase 2 taking place; secured in the sense that the full funding is available at the commencement of construction. In the event that the full funding is not in place Phase 2 will be delayed until such time that funding is fully realized. In the revised business plan, the tiered lecture hall, will be integral to the project and paid for from the funds to be raised within the projected \$8.3 million. The lecture hall will be operated within the Office of Space Management, but will certainly be a preferred lecture hall of choice for use by the Department of Economics.

The creation of new facilities and increased operating space give rise to increased operating and utility costs increases in operating costs. These operating costs have been identified in the Project Planning Report and will require revision to upgrade these costs to a future date when the new building will be available. The Faculty of Arts and Science is in agreement, consistent with University policy, that the increased operating and utility costs corresponding to any increase in the space assigned to Arts and Science will be the responsibility of the Faculty.

RECOMMENDATION:

The Planning & Budget Committee recommends to the Academic Board

1. THAT the project planning report for the Department of Economics be approved in principle. The project has two phases and the initial design will incorporate both phases in the design stage. The two phases will only be constructed concurrently if all funding is secured; presently only the funding for phase 1 has been defined.
2. THAT the project scope of 1880 nasm of new space and 450 nasm renovated space be approved at an estimated total project cost of \$14,300,000 (May 2004), with funding as follows:
 - (i) Financing of a mortgage in the amount of \$6,000,000 to be repaid over a 25 year amortization period at 8% per annum by the Faculty of Arts and Science to coincide with needs of the project. This contribution will address the first phase of the project.
 - (ii) \$8.3 million to be raised from external sources by the Faculty of Arts and Science for the second phase of the project. The second phase of the project will only proceed to construction once all funds are secured.