



FOR RECOMMENDATION

CONFIDENTIAL

IN CAMERA SESSION

TO: Business Board

SPONSOR: Scott Mabury, Vice President, University Operations
CONTACT INFO: 416-978-7116, scott.mabury@utoronto.ca

PRESENTER: Scott Mabury, Vice President, University Operations
CONTACT INFO: 416-978-7116, scott.mabury@utoronto.ca

DATE: September 9, 2015 for September 21, 2015

AGENDA ITEM: 17a

ITEM IDENTIFICATION:

Capital Project: The Relocation of the John H. Daniels Faculty of Architecture, Landscape and Design to One Spadina Crescent (Phase 2) – **Financing Requirement**

JURISDICTIONAL INFORMATION:

Under the *Policy on Capital Planning and Capital Projects*,

Project Budget over \$10 million (Approval level 3)

“.....For projects requiring Level 3 approval, any budget increase exceeding the lesser of 10% or \$3M of the original total project cost, and where funds are available, must be approved by the Business Board”.

GOVERNANCE PATH:

A. Financing Requirement

1. **Business Board [Phase 2 for recommendation] (September 21, 2015)**
2. Executive Committee [for endorsement and forwarding to the Governing Council] (October 21, 2015)
3. Governing Council [for approval] (October 29, 2015)

B. Execution of the Project

1. Business Board [for approval] (September 21, 2015)

PREVIOUS ACTION TAKEN:

In May 2013, Governing Council approved in principle the Project Planning Report for the relocation of the John H. Daniels Faculty of Architecture, Landscape and Design to One Spadina, and in addition, approved in principle the Phase One project scope totalling 4,600 gross square metres (approximately 2,100 net assignable square metres), with a total project cost of \$23.8 million, to be funded as follows.....

Phase One:

Capital Campaign pledges to date	\$10.0 M
Provostial Central Funds	\$ 2.0 M
Graduate Expansion Funds	\$ 2.0 M
Deferred Maintenance Fund	\$ 3.5 M
Financing	<u>\$ 6.3 M</u>
TOTAL	<u><u>\$23.8 M</u></u>

In May 2014, Governing Council approved in principle, the Phase 2 relocation of the John H. Daniels Faculty of Architecture, Landscape and Design to One Spadina with a space program of 4,690 nasm with a total project cost of \$40.16 million, to be funded as follows.....

Phase Two:

Capital Campaign pledges to date	\$11.875 M
Capital Campaign Outstanding	\$19.125 M
Provost Central Funds	\$ 3.360 M
Graduate Expansion Funds	\$ 2.000 M
Deferred Maintenance Fund	\$ 0.600 M
Financing	<u>\$ 3.200 M</u>
Total	<u><u>\$40.160 M</u></u>

HIGHLIGHTS:

The project consists of two phases and was originally planned this way so as to allow for early occupancy of Phase One by the Faculty.

The project is being brought to Business Board for approval since it is necessary to increase the Total Project Cost by more than 10% of the original Total Project Cost for both phases.

Phase One has been underway since Spring 2013, and is remediating and restoring the original 1874 heritage building. Phase Two was approved in May 2014. Phase Two consists of a new three storey structure on the north side the Phase 1 heritage building connected at all levels.

The space program and functional requirements in the Project Planning Report approved by Governing Council for both the Phase One and Two project components is unchanged.

In November 2014, the decision was made by the project team to combine the phases in order to reduce cost.

The project has gone over the approved budget due to the following:

1. Phase 1, Heritage Building:

In the Phase One component, the existing 1874 heritage building required far more work than anticipated because of unknown conditions including mixed and harsh uses, a lack of proper maintenance over decades, which only became apparent when, among other events, areas were demolished, roofing was exposed, planned repairs were made. Necessary repairs were made where they had an impact on infrastructure, safety, current codes or where not making them would result in expensive rehabilitation within the next two to ten years.

The dollar value attributable to the unanticipated, unknown Phase One work is: \$4,360,000.

2. Phasing/logistics and construction delivery:

The project was planned as two phases because of occupancy requirements both for DFALD and the future occupant of the existing DFALD building (230 College), the Student Commons. Earlier completion of the Phase 1 heritage component was planned to enable DFALD to earlier vacate 230 College. In order to accelerate the schedule, construction work commenced on Phase 1, which exposed the project to increased costs related to future unknown work. As well, temporary construction was necessary to enable early occupancy of Phase 1 and systems were designed so that Phase 1 could operate as a stand-alone facility. Well into the first phase, the occupancy requirements for those projects changed and 1 Spadina was treated as only one phase, since the urgency to vacate 230 College had diminished. While there were some savings as a result, additional costs due to two separate phases were also incurred.

The Phase 1 net increase of project scope and related dollar value (increase) attributable to the original phasing and subsequent combination (savings) in the construction budget is: \$1,480,000

3. Phase 2 New Building:

The new Build construction portion of the One Spadina Project was initially budgeted at 32 million in 2011. In April 2013, cost estimating based on schematic design conducted separately by both an external consultant, and our Construction Manager, Eastern Construction, returned a cost which was about 15% over budget. At that time substantial “value engineering” exercises were undertaken to bring Phase II within the allowed budget ceiling, and with these changes the budget was met at that time.

In November 2014, nearing the completion of the Phase II construction documents, the same two parties undertook another round of budget analysis and estimates. At this time,

the estimated cost had escalated 10%. The project team proposed many alternatives which were investigated, and some of which were adopted. However, some options were not possible without jeopardizing the construction schedule, incurring additional costs, or jeopardizing city approvals which would result in further delays for the future occupants of 230 College, and the Daniels Faculty. Subsequently, over the last three months, tender results came in higher than budgeted/expected. The reasons for this cost escalation have been the subject of much review and debate and include currency variation and limited suppliers for specified product.

The net increase over construction budget for Phase Two is: \$7,238,000.

The project has since inception been challenged by the escalation of construction costs over time. Since the commencement of the project in 2010, escalation in the Toronto construction market has been considerable due to the high level of activity in the commercial marketplace. Over the last five years, the project budget has been under pressure in this regard.

The increase in TPC accounts for all major bid packages tendered for Phase 2. While it is difficult and often not cost-effective to undertake changes and cuts at the late stages of a project, we are currently implementing some value management measures as a result of discussions with sub-trades.

FINANCIAL IMPLICATIONS:

a) Total Project Cost Estimate

The Total Project Cost (TPC), for the two phases, is proposed to be \$74.3 million which is an increase of \$10.34M over the current TPC which is \$63.96 million. The new TPC for Phase One and Phase Two together is proposed as:

b) Funding Sources

The funding sources for Phase One and Phase two are as follows:

Capital Campaign pledges to date	\$22.177 M
Capital Campaign Outstanding	\$10.00 M
Provost Central Funds	\$ 6.11 M
Graduate Expansion Funds	\$ 4.0 M
Deferred Maintenance Fund	\$ 4.1 M
Financing	\$27.913 M
Total	\$74.3 M

Note: any outstanding advancement sums will require financing at time of construction

RECOMMENDATION:

Be It Recommended to the Governing Council

THAT Phases 1&2 of Relocation of the John H. Daniels Faculty of Architecture Landscape and Design to One Spadina Crescent with a space program of 6,760 nasm (13,749 gsm) and demolition of 4,100 gross sq.m. be approved in principle with a total project cost for Phases 1&2 of \$74.3M to be funded as follows:

Capital Campaign pledges to date	\$22.177 M
Capital Campaign Outstanding	\$10.00 M
Provost Central Funds	\$6.110 M
Graduate Expansion Funds	\$4.000 M
Deferred Maintenance Fund	\$4.100 M
Financing	\$27.913 M
Total	<u>\$74.300 M</u>

Note: any outstanding advancement sums will require financing at time of construction

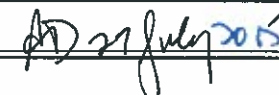
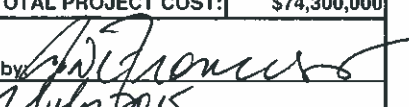
DOCUMENTATION PROVIDED:

Report of the Project Planning Committee for The Relocation of the John H. Daniels Faculty of Architecture, Landscape and Design to One Spadina Crescent (Phase 2), dated March 29, 2013.

TOTAL PROJECT COST (TPC)

PROJECT NAME: DFALD Renovation & Expansion

PROJECT DURATION: tbd

Number	Item	Remarks	Base Cost	HST (3.41%)	Cost
CONSTRUCTION					
835730	Construction: Main Contract	Construction cost less deferred landscape scope	60,389,926	2,059,296	62,449,222
835752	Construction: Other Contract		1,209	41	1,250
835754	Secondary Effects		48,351	1,649	50,000
835757	Construction Contingency		967,024	32,976	1,000,000
835762	Hazardous Waste Removal		784,520	26,752	811,272
835765	Demolition Services		-	-	-
835768	Site Preparation	-	-	-	
Total Construction					\$64,311,744
LANDSCAPING					
835755	Landscaping Services		-	-	-
Total Landscaping					\$0
PERMITS, INSURANCE					
835400	Licences / Permits		492,755		492,755
836700	Insurance		203,909	16,313	220,222
Total Permits, Insurance					\$712,977
PROFESSIONAL FEES					
835200	Consulting	Upset amount	4,883,710	166,535	5,050,245
835201	Consultants: Disbursements		386,810	13,190	400,000
835204	Construction Management Fees	Included in Main Contract	-	-	-
835206	Other Consultants		1,000,000	34,100	1,034,100
835210	Legal Services		9,670	330	10,000
835720	Design Fees - D&E Consultants		-	-	-
835721	External Project Management Fees		-	-	-
835725	Project Management Fees	See GL 895725	-	-	-
895720	Design Fees: In House	n/a	-	-	-
895721	Design: Disbursements	n/a	-	-	-
835723	Project Disbursements	allowance	14,505	495	15,000
895725	Project Management: Fees	Fixed Fee	\$1,711,173		1,711,173
Total Professional Fees					\$8,220,517
SERVICES TO SITE					
835700	Site Services and Infrastructure	allowance	674,602	23,004	697,606
Total Site Services					\$697,606
COMPUTER WIRING AND TELEPHONES					
821110	Equipment: Computing: Purchase	Carried outside of project	-	-	-
835010	Telephone Line Service	allowance	24,176	824	25,000
Total Computer Wiring & Telephones					\$25,000
MOVING AND STAGING					
837100	Moving	Carried outside of project	-	-	-
837101	Staging		-	-	-
Total Moving and Staging					\$0
FURNISHINGS AND EQUIPMENT					
820010	Furniture: Purchase	Carried outside of project	-	-	-
821010	Equipment: Purchase	Carried outside of project	-	-	-
821510	Equipment: Audio / Visual: Purchase	Carried outside of project	-	-	-
821610	Equipment: Research: Purchase		-	-	-
Total Furnishings and Equipment					\$0
OTHERS					
820011	Interior Signage: Purchase / Design		59,750	2,037	61,787
821325	Security and Access Systems		145,054	4,946	150,000
835070	Courier		2,037	69	2,106
835756	Exterior Signage: Purchase / Design		37,000	1,262	38,262
835764	Client Construction Expenses		-	-	-
835766	Ceremonies	Carried outside of project	-	-	-
835900	Advertising / Marketing		-	-	-
836430	Donor Recognition		-	-	-
890670	Facilities Repair/ Renovation: Internal	Upset amount	80,000		80,000
Total Others					\$332,156
SUB TOTAL:					\$74,300,000
PROJECT CONTINGENCY					
835758	Project Contingency	No project contingency carried in the project	-	-	-
Total Project Contingency					\$0
FINANCE COSTS					
835300	Interest Charges		-	-	-
835305	Capital Projects Financing Charges	Carried outside of project	-	-	-
Total Finance Costs					\$0
Reviewed by  Director, PM-UPDC					TOTAL PROJECT COST:
					\$74,300,000
Project Management Fees		Recommended by:	Approved by: 		
Fixed Fee		2015-07-27	Date: 27 July 2015		

Notes to the DFALD TPC 2015-07-27

- 835730) Main Contract Amount
The faculty will carry an amount of \$ 1,551,150 before HST for deferred landscape scope.
- 835200) Consulting Fees
The faculty will carry all prime consultant fees that exceed the upset amount \$ 4,883,710 before HST.
- 895725) PM-UPDC Project Management Fees
\$1,856,497 PM Fee from previously approved TPC of \$ 63.96M
\$161,320 CO P1-032
\$15,996 credit CO P1-075
\$1,711,173 Forecast fee from previously approved TPC of \$ 63.96M
- 821110) Computing Purchases;
The faculty will carry this scope outside of the project.
- 837100) Relocations;
The faculty will carry this scope outside of the project.
- 820010) Furniture;
The faculty will carry this scope outside of the project.
- 821010) Equipment;
The faculty will carry this scope outside of the project.
- 821510) Audio Visual Equipment;
The faculty will carry this scope outside of the project.
- 835766) Ceremonies;
The faculty will carry this scope outside of the project.
- 890670) Internal trades Service Orders;
The faculty will issue Service Orders directly when this line item exceeds \$80,000.
- 835305) Financing charges;
The faculty will carry this scope outside of the project.