



**FOR INFORMATION**

**PUBLIC**

**OPEN SESSION**

**TO:** UTM Campus Affairs Committee

**SPONSOR:** Professor Scott Mabury, Vice President, Operations & Real Estate Partnerships

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**PRESENTER:** Same as above

**CONTACT INFO:**

**DATE:** September 3, 2021 for September 13, 2021

**AGENDA ITEM:** 4

**ITEM IDENTIFICATION:**

Revisions: University of Toronto *Policy on Capital Planning and Capital Projects*

**JURISDICTIONAL INFORMATION:**

Pursuant to Section 4.2.1 of the *Planning and Budget Committee Terms of Reference*, “policy governing the approval of capital plans and projects are recommended to the Academic Board for consideration.”

Pursuant to Section 5 (3.) (1.) of the *Terms of Reference* of the Academic Board “...new or repealed policies or extensive changes to existing ones” require Governing Council approval.

Pursuant to Section 5 of its *Terms of Reference* of the Business Board “... Policy on financing and execution of capital projects and approval of any transactions as required by policy” are within the Board’s responsibility.

Pursuant to Section 5 (a.) of the *Terms of Reference* of the Business Board, the “Board holds delegated authority to act for Governing Council with respect to all matters in its terms of reference except for matters: (a) which are deemed, pursuant to *By-law Number 2*, section 31(d)2, to be of major significance for the University as a whole, or to have major significance with respect to the University’s public or fiduciary responsibilities; ...”

Recommendations for approval of capital and infrastructural renewal projects are considered by the Governing Council and its Boards and Committees in a manner that enhances and supports the University’s ability and ongoing efforts to (a.) allocate its resources prudently and effectively, (b.) maximize opportunities for cost containment and (c.) ensure the value and integrity of the public procurement process. The processes outlined below are intended to respect this principle and are consistent with the requirements of the *University of Toronto Act*, Governing Council’s *By-law Number 2*, relevant *Terms of Reference* and provisions of the current and proposed new *Policy on Capital Planning and Capital Projects*.

## **GOVERNANCE PATH:**

1. **UTM Campus Affairs Committee [for information] (September 13, 2021)**
2. UTSC Campus Affairs Committee [for information] (September 14, 2021)
3. Planning and Budget Committee [for recommendation] (September 23, 2021)
4. Business Board [for recommendation] (October 5, 2021)
5. UTM Campus Council [for information] (October 6, 2021)
6. UTSC Campus Council [for information] (October 7, 2021)
7. Academic Board [for recommendation] (October 12, 2021)
8. Executive Committee [for endorsement and forwarding] (October 19, 2021)
9. Governing Council [for approval] (October 28, 2021)

## **PREVIOUS ACTION TAKEN:**

This original *Policy on Capital Planning and Capital Projects* was approved by the Governing Council on June 28, 2001; and subsequently revised on June 25, 2012; October 30, 2013; and on June 27, 2017.

In 2012 revisions to the *Policy* were brought forward arising from a recommendation of the *Task Force on Governance* to streamline consideration of capital planning and capital projects. The most significant change was moving from two levels of review and approval to three levels depending on total project cost.

In 2013, revisions were required as a result of the establishment of the UTM and UTSC Campus Councils and their standing committees, specifically their role regarding consideration of capital projects on their respective campuses.

The most recent revisions to the *Policy on Capital Planning and Capital Projects* were approved by Governing Council on June 27, 2017, regarding updated governance approval thresholds for capital projects and related streamlined administrative processes.

On November 26, 2018, the Business Board adopted the *University of Toronto's Four Corners Strategy* (2018), which replaced the *Real Estate Strategy for University of Toronto St. George, Mississauga & Scarborough Campuses* approved on January 15, 2007.

## **HIGHLIGHTS:**

In the fall of 2020, the Chair of the Governing Council, Ms Claire Kennedy, established the *Working Group on Governance Oversight of Capital Projects* (WGGOCP) with an overall objective to review and (if warranted) make recommendations to enhance governance oversight of capital projects with the goal of ensuring that both the administration and governors are comfortable that there was the right level of oversight at the appropriate stage(s) of a capital project, having regard to relevant factors, and that information presented to governance provided appropriate disclosure while safeguarding commercially sensitive information.

As part of its mandate, the Working Group's was tasked with reviewing the current *Policy on Capital Planning and Capital Projects* and recommend revisions as appropriate. Such possible revisions included, but were not limited to, eliminating existing ambiguities in the language

(including clarification on the definition of a “capital project”), adjusting project budget approval levels, the timing and nature of approvals throughout the life cycle of a project and, revising process for approving project budget increases.

The Vice-President, Operations & Real Estate Partnerships has presented a revised *Policy on Capital Planning and Capital Projects* which addresses many of the issues identified while at the same time respecting the principles of governance oversight.

The review of the *Policy* has resulted in the proposed major changes and updates (others are reflected in the new *Policy*):

Added emphasis on Campus Master Plans

The Governing Council, on the recommendation of the relevant governance bodies, shall adopt campus Master Plans for the University’s St. George, Mississauga and Scarborough campuses, as well as for other University-owned properties as required. Normally, Master Plans will be reviewed every 10-15 years.

Improved clarity on capital project priorities has been added

A presentation of Capital Projects prioritized for the year in response to existing and anticipated program needs, will be made annually at the first meeting of the relevant governance bodies. This presentation will set out the strategic importance of prioritized Capital Projects as part of the University’s strategic and operational planning process so as to provide context for the Capital Projects expected to be coming forward to governance bodies in that year.

Reference to the approval levels outlined in the *Policy on Capital Planning and Capital Projects* have been updated.

Level 1 Capital Project: A Capital Project with a cost up to \$10 million.

Level 2 Capital Project: A Capital Project with a cost between \$10 million and \$50 million.

Level 3 Capital Project: A Capital Project with a cost in excess of \$50 million.

Financing and Execution of Capital Projects has been clarified.

*Financing:* Any Financing will be approved by the Business Board. The role of the Business Board in this instance is exclusively to consider the financial impact in the context of the University’s debt capacity.

*Execution of Project:* Approval of Execution of Project grants authority to the Vice-President, Operations and Real Estate Partnerships to sign the necessary agreements and other relevant documents on behalf of the University for the Capital Project to proceed. The Execution of Projects includes the call and approval of tenders within cost limits, and the establishment and charge of authorized expenditures within approved limits.

Changes in Scope has been clarified

Changes in scope and project budget increases continue to require approval as set out in the *Policy on Capital Planning and Capital Projects*, Section 4 Governance, Subsection “e”.

The President or designate, currently the Vice-President Operations and Real Estate Partnerships, has the authority to approve minor scope changes falling within the stated intent and purpose of the approved Capital Project as described in the Project Planning Report (PPR).

In the case of a Cardinal Deviation, a meeting will be held of the Chairs and Vice-Chairs of the applicable governance bodies (Committees, Campus Councils, Boards) that recommended the Capital Project for approval. This *ad hoc* body has authority to determine whether a revised PPR should be brought back through the full governance path for approval or to approve the change in scope. The decision of this *ad hoc* body will be reported for information to the next meeting of the Executive Committee of the Governing Council.

Project Budget Increases has been clarified

Approval of cumulative project budget increases up to 10% of the original Total Project Cost, to a maximum of \$30 million, are within the authority of the Vice-President, Operations and Real Estate Partnerships.

For cumulative budget increases over 10% of the original Total Project Cost or over \$30 million, to a maximum of \$50 million, a meeting will be held of the Chairs and Vice-Chairs of the applicable governance bodies (Committees, Campus Councils, Boards) that recommended the Capital Project for approval. This *ad hoc* body has authority to determine whether the revised Total Project Cost should be brought back through the full governance path for approval or to approve the project budget increase. The decision of this *ad hoc* body will be reported for information to the next meeting of the Executive Committee of the Governing Council.

Emphasis of Project Completion Reports has been strengthened.

A written report to University governance bodies is required to confirm financial closure of the Capital Project has occurred and to identify any budget and schedule variances, positive or negative.

Property Acquisitions, Real Estate Partnerships, and Capital Leases sections have been added.

Business Board approval is required for all Level 2 and Level 3 Capital Projects, or any Level 1 Capital Project that requires Financing.

Four Corners (“4C”) and Infrastructure Projects recognized in *Policy* (includes approval process)

4C Projects are academic and non-academic capital projects that have combined objectives of supporting the academic mission and enhancing the student experience, while at the same time contributing a positive financial return for the University.

Infrastructure Projects are new physical plant assets necessary to support new or existing capital assets. This may include new physical plant assets required to support Academic and 4C Projects, such as roadways, heating and cooling facilities, data and telecommunications infrastructure and other shared utilities.

Four Corners and Infrastructure Projects will follow the same governance process for Academic Projects with added oversight by the Business Board for Level 2 and 3 “4C and Infrastructure” capital projects.

#### Other Changes

Other important changes based on a new policy template includes clear “preamble” and “purpose” sections, a definitions section, lifecycle of Capital Projects, project planning reporting requirements (including Open Session and *In Camera* materials for governance consideration), and links to associated Guidelines/Procedures (i.e. Campus Planning Principles, etc.), links to related documents (i.e. Design Review Committee *Terms of Reference*, etc.) and revision history and updates information related to the *Policy*.

#### **FINANCIAL IMPLICATIONS:**

There is no resource implication.

#### **RECOMMENDATION:**

For Information.

The following motion will be considered by Governing Council as outlined above under “*Governance Path*”.

THAT the *Policy on Capital Planning and Capital Projects* dated September 1, 2021 be approved, to be effective October 28, 2021.

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#### **DOCUMENTATION PROVIDED:**

- Current Policy: *Policy on Capital Planning and Capital Projects*
- Revised Policy: *Policy on Capital Planning and Capital Projects*\*

\*NOTE: The revised *Policy* follows a prescribed template developed by the Office of the Governing Council – for this *Policy* and future other policies, a comparison to the current Policy (i.e., red-lined) is not provided.



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## Capital Planning and Capital Projects Policy

Approval Date	
Approving Authority	Governing Council
Effective Date	October 28, 2021
Responsible Office	Office of the Vice-President, University Operations and Real Estate Partnerships
Next Review Date	October, 2026

### PREAMBLE

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The University of Toronto's three campuses encompass an extraordinary variety of architectural styles, landscapes and surroundings; in response, its physical resources must be contextually appropriate. The standards for design excellence should be no less exacting than those established in pursuit of the University's academic goals and overall mission; the commitment to inspirational design must align with the University's highest academic aspirations. The University must demonstrate leadership through the design and construction of well-planned buildings that enhance the campus environment while respecting the site and its setting; the stewardship of its heritage properties and its landscapes; and a commitment to sustainable practices, place-making and innovation.

The University's development of its physical assets is guided by a best practices approach to enhancing campus accessibility consistent with the [Accessibility Standards for the Built Environment](#) and the [University's Barrier Free Design Standards](#). All of this while adhering to principles of value for money; efficient design and thoughtful use of materials, and technology; and leading-edge practices. In some instances, the University may acquire property, enter into Capital Leases, and/or enter into Real Estate Partnerships to fulfill this vision across its three campuses.

### PURPOSE

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This policy provides the basis for the governance review and approval of Capital Projects. It is intended to (a.) ensure an institutionally integrated, consistent, and transparent process for evaluating and making strategic decisions on capital projects, and (b.) provide an appropriate level of governance oversight.

### APPLICATION/SCOPE

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This policy applies to all University of Toronto Capital Projects as defined herein.

## ROLES AND RESPONSIBILITIES

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General authority for the planning, development and construction of Capital Projects across the three campuses, in addition to Property Acquisitions, Capital Leases, and Real Estate Partnerships, is delegated to the President, who in turn delegates it to the appropriate senior officer(s) of the University; currently, the Vice-President, Operations and Real Estate Partnerships.

## DEFINITIONS

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**Administration:** University officer with delegated authority from the President of the University; currently, the Vice-President, Operations and Real Estate Partnerships or his or her designate.

### Approval Levels:

**Level 1 Capital Project:** A Capital Project with a cost up to \$10 million.

**Level 2 Capital Project:** A Capital Project with a cost between \$10 million and \$50 million.

**Level 3 Capital Project:** A Capital Project with a cost in excess of \$50 million.

**Capital Leases:** Capital Leases are defined as leases that normally transfer substantially all of the benefits and risks of ownership to the lessee when, at the inception of the lease, one or more of the following conditions are present:

- There is reasonable assurance that the lessee will obtain ownership of the leased property by the end of the lease term or when the lease provides for a bargain purchase option.
- The lease term exceeds 75% of the economic life of the leased property.
- The present value of the minimum lease payments for the initial term exceeds 90% of the fair value of the leased property using the lower of the lessee's incremental borrowing rate and the interest rate implicit in the lease.

**Campus Master Plan:** These are Master Plans for each of the University of Toronto campuses that provide a framework for future development as further described in 1.a.

**Capital Priorities List:** A list maintained by the Administration of the major Capital Projects across all University of Toronto to which the University has assigned priority for a specified period of time.

**Capital Projects:** Capital Projects include development and construction of new buildings and physical infrastructure to support University facilities, construction of Leasehold Improvements, Property Acquisitions, Real Estate Partnerships, Capital Leases, and/or renovations other than Deferred Maintenance. Capital Projects are further defined as follows:

**Academic Capital Projects** are those capital projects used primarily in the delivery of the University's academic mission, such as instructional and research facilities. They are the outcome of the University's academic planning process, to which the University has assigned priority, as derived from the space requirements identified by divisions in support of academic and administrative programs.

**Four Corners (“4C”) Projects** are academic and non-academic capital projects that have combined objectives of supporting the academic mission and enhancing the student experience, while at the same time contributing a positive financial return for the University. 4C Projects include, but are not limited to the following uses:

- Housing for faculty, staff, students;
- Retail uses serving the campus community’s needs while contributing to a vibrant urban environment;
- Innovation space for the University and its partners to support their research and commercialization efforts; and
- Other ancillary uses such as parking.

**Infrastructure Projects** are new physical plant assets necessary to support new or existing capital assets. This may include new physical plant assets required to support Academic and 4C Projects, such as roadways, heating and cooling facilities, data and telecommunications infrastructure and other shared utilities.

**Property Acquisitions, Real Estate Partnerships, Capital Leases** as defined herein to deliver a capital project. Unlike other capital projects, these do not require a Project Planning Committee, Project Planning Report or Project Completion Report.

**Capital Project and Space Allocation Committee (“CaPS”):** An administrative committee appointed by the Vice-President, Operations and Real Estate Partnerships and as set out in the CaPS Terms of Reference attached as Appendix A, that is responsible for the monitoring, review and approval of all capital and infrastructure projects on the St. George campus, and other off-campus University properties, with the exception of UTM and UTSC campuses. CaPS is further responsible for reviewing and assessing all applications for space allocations, reorganization or change of use for the St. George Campus.

**CaPS Executive:** An administrative committee composed of the institutional offices responsible for the financing, planning, implementation and maintenance of facilities, as well as, the appropriate academic and divisional representation, as set out in the CaPS Terms of Reference attached as Appendix A, which receives, reviews and approves the membership and Terms of Reference for Project Planning Committees.

**Cardinal Deviation:** A major programmatic change to a Capital Project that does not align with the original purpose, nature or intent of the approved project as described in the Project Planning Report. This could include a significant change in the desired functional requirements and /or special facilities consistent with the academic priorities requirements such as significant changes to key elements of the project (site, space program, overall project cost and source of funding).

**Completion Report:** A written report to University governance bodies that confirms the practical completion of a Capital Project and final determination of financial costs together with a summary of budget and schedule variances.

**Deferred Maintenance:** Represents capital expenditures that are necessary to maintain the functionality of existing capital assets over their expected life. For further clarity, deferred maintenance projects that are required to maintain the functionality of existing capital assets do not fall within this policy as they are approved annually via the University budget process.



**Design Review Committee (“DRC”):** An advisory body to the Administration appointed in accordance with the Design Review Committee Terms of Reference attached as Appendix D, comprised of leaders in architecture, landscape design, and the design profession.

**Execution of Project:** Refers to the granting of necessary approvals to University staff and third parties to proceed with construction of a Capital Project.

**Financing:** Represents the portion of funding costs that are borrowed from (a) lenders other than the University, or (b) from University resources such as Expendable Funds Investment Pool, and which are expected to be repaid within a defined period of time together with borrowing costs including interest and fees.

**Leasehold Improvements:** Modifications made by the property owner or the leaseholder to render the space more useful or appealing for the tenant (also know as tenant improvements or build-outs).

**Project Planning Committee (“PPC”):** Formed at the outset of planning for a Capital Project and will include representatives of the project’s users, the staff responsible for campus and facilities planning, the staff responsible for project development and the staff responsible for building operations.

**Project Completion:** When all physical construction is complete, the project is ready for use and all material financial costs have been incurred and finalized.

**Project Planning Report (“PPR”):** A report prepared for all individual Capital Projects for which a Project Planning Committee is established.

**Property Acquisition:** the acquisition of a legal interest in real property.

**Real Estate Partnership:** A binding agreement between the University and a third-party real estate developer and/or investor with the mutual goal of planning, designing, constructing, leasing, acquiring, disposing, and/or financing a Capital Project, among other potential objectives.

**Status Report:** An update of the actual project schedule and costs compared to planned and approved costs, to be prepared on a bi-yearly basis, or quarterly when specifically requested.

**Total Project Costs:** all hard and soft costs and expenses required for the construction and delivery of a Capital Project, and shall include any transaction costs or incidental expenses including but not limited to Financing costs.

**UTM Space Planning and Management Committee:** An administrative committee, as appointed by the Vice-President and Principal, University of Toronto Mississauga (“UTM”), with authority to approve Capital Projects on the UTM campus with a value less than \$10 million, as set out in the Terms of Reference attached as Appendix B. All Capital Projects at UTM that fall within this category are to be reported annually to CaPS for information.

**UTSC Campus Design and Development Committee:** An administrative committee, as appointed by the Vice-President and Principal, University of Toronto Scarborough (“UTSC”), with authority to approve Capital Projects on the UTSC campus with a value less than \$10 million, as set out in the Terms of Reference attached as Appendix C. All Capital Projects at UTSC that fall within this category are to be reported annually to CaPS for information.

## **POLICY**

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### **1. Planning Context**

#### **a. Campus Master Plans (“Master Plans”)**

The Master Plans for the University of Toronto campuses provide a framework for future development. They identify development potential within the defined boundaries of each campus while building on their strengths and drawing from unique campus environments in order to ensure high quality buildings and open space.

The Governing Council, on the recommendation of the relevant governance bodies, shall adopt campus Master Plans for the University’s St. George, Mississauga and Scarborough campuses, as well as for other University-owned properties as required. Normally, Master Plans will be reviewed every 10-15 years.

#### **b. Capital Priorities List**

A presentation of Capital Projects prioritized for the year in response to existing and anticipated program needs, will be made annually at the first meeting of the relevant governance bodies. This presentation will set out the strategic importance of prioritized Capital Projects as part of the University’s strategic and operational planning process so as to provide context for the Capital Projects expected to be coming forward to governance bodies in that year.

#### **c. Design Review Committee (“DRC”)**

The DRC advises the President or designate, currently the Vice-President Operations and Real Estate Partnerships, on the development of campus built form environments, in order to enable the President to implement the University’s commitment to a level of excellence in this area comparable to that established of its academic activities. The DRC uses high standards in discharging its duties with respect to design review and the interplay of design issues with other planning considerations.

Capital Projects shall be reviewed by the DRC where the project:

- Is Level 2 or 3, excluding Property Acquisitions, Capital Leases and Real Estate Partnerships;
- Has a significant exterior design component or impact on public and open spaces; or
- Includes historically listed or designated buildings.

All Capital Projects are assessed within the context of approved Master Plans, which will also be reviewed from time to time by the DRC.

### **2. Lifecycle of Capital Projects**

#### **a. Project Planning Committee (“PPC”)**

A PPC shall be formed at the outset of planning for all Capital Projects, except for Capital Leases, Real Estate Partnerships, Property Acquisitions, and Infrastructure Projects. The PPC will include representatives of the project’s users, the staff responsible for campus and facilities planning, the staff responsible for project execution and the staff responsible for building operations.

The membership of the PPC will be assembled by the Vice-President and Provost (or designate) with input from the Dean(s), Principal(s) of the relevant academic divisions and or sectors for whom the project is undertaken. All PPC's will include faculty, staff and student representation and may include the Dean/Principal or designate, as appropriate. The Vice-President and Provost (or designate) will designate a representative from each of these constituencies to serve on a working project executive committee. The Vice-President and Provost (or designate) will appoint the Chair of the Project Committee from among the members of the project executive committee.

The PPC will continue to meet until the completion of a Capital Project. Note that when a Capital Project moves into implementation (in design), the PPC continues to meet, but membership may change to reflect the nature of the project; in addition, further committees may be struck to manage particular aspects of the Capital Project.

#### **b. Project Planning Report (“PPR”)**

A PPR is prepared for all individual Capital Projects for which PPC's are established.

A PPR is required for all Level 2 and 3 Capital Projects, excluding Capital Leases, Real Estate Partnerships, Property Acquisitions, and Infrastructure Projects.

The PPR acts as an architects' brief, and would typically specify all desired functional requirements and/or special facilities consistent with the priorities and requirements of the Capital Project and will address:

- the program and/or activities to be accommodated in the space;
- the project's conformity with the University's overall physical planning principles, including the applicable Master Plan and Capital Priorities List;
- reference to the quality standards anticipated for the particular project;
- the special needs of the Capital Project, e.g., exceptionally durable materials, architecturally significant exterior components, unique landscaping elements, etc., which should be identified for costing purposes.

The PPR will have two parts. One part that contains information for consideration in open session and a second part for consideration in closed session. The specific elements of each are as follows:

##### Part One (Open Session):

- Vision Statement
- Project Background
- Statement of Academic Plan
- Space Requirements, Program & Functional Plan
- Building Considerations & Sustainability
- Campus Infrastructure Considerations
- Secondary effects
- Schedule
- Funding Sources

##### Part Two (In Camera Session)

- Total Project Costs: provisional estimates of the cost of the project (the project budget), as supported by the inclusion of a Total Project Cost (TPC) document.

- Rationale to support the appropriateness and feasibility of costs based on current market conditions and benchmark projects.
- In the case of 4C Projects, the net financial return and the details of a projected cash flow analysis with respect to both revenues and expenditures. Details of any Real Estate Partnership(s) associated with the Capital Project including a summary of any binding agreements between parties and/or any external financing sources such as equity or debt contributed by the partner(s) as part of the Real Estate Partnership.

### **c. Project Approvals**

Approval of a Level 1 Capital Project, excluding Property Acquisitions, Capital Leases and Real Estate Partnerships, is delegated to CaPS.

Approval of a Level 1 Capital Project that is a Property Acquisitions, Capital Leases and Real Estate Partnerships is delegated to the Administration.

Approval of Level 2 and 3 Capital Projects falls within the jurisdiction of the governance bodies as set out in section 4 b.

Notwithstanding the foregoing, costs may be incurred by the Administration prior to seeking Capital Project approval for the purposes of preliminary schematic and/or design development, preparation of tender materials, or in preparatory work to prepare a governance package. Pre-approval costs are typically within 5-10% of the anticipated Total Project Costs.

### **d. Project Implementation**

Once execution has been approved, the relevant authority as designated by the President proceeds with the Capital Project in accordance with the PPR, or in the case of Property Acquisitions, Capital Leases and Real Estate Partnerships, proposed key terms of the applicable agreements.

Governance bodies will be kept informed through Status Reports and certain matters will be brought before them for further approval as set forth in Section 3.

### **e. Project Completion Reports (“PCR”)**

Upon Project Completion, a PCR is required and submitted for the following Capital Projects, excluding Property Acquisitions, Capital Leases and Real Estate Partnerships:

- For all Academic Capital Projects to the Academic Board and to the Business Board.
- For all Four Corners Projects, to the Academic Board and to the Business Board.
- For all Infrastructure Projects, to the Business Board.

The purpose of the PCR is to confirm financial closure of the Capital Project has occurred and to identify any budget and schedule variances, positive or negative.

For Property Acquisitions, Real Estate Partnerships, and Capital Leases, key information will be presented to Business Board, including (but not limited to) the following for each type of transaction:

- *Property Acquisition*: proposed use (e.g. academic, 4C, other), negotiated price, comparable transactions, due diligence findings, and sources of funding.

- *Real Estate Partnerships*: key terms found in binding letter of intent (LOI) including but not limited to proposed purpose, ownership interests, anticipated sources of financing, transaction structure, and key decision-making protocol.
- *Capital Leases*: key terms found in binding offer to lease or similar agreement including, but not limited to, use, size, term, rental rates, operating expenses, extension and termination rights, and other key rights and obligations.

#### **4. Governance**

##### **a. Annual Reports**

Annual reports are provided to the relevant body of governance by the CaPS Executive, the UTM Space Planning and Management Committee and the UTSC Campus Design and Development Committee, as applicable.

##### **b. Project Planning Report, Sources of Funds, and Total Project Cost (TPC) – Governance Approval Pathway**

###### ***i. Level 1 Capital Projects***

Authority to approve Level 1 Capital Projects, excluding Property Acquisitions, Capital Leases and Real Estate Partnerships, on the St. George campus is delegated to the CaPS. Exception: CaPS Executive oversight and approval is required of high visibility projects under \$10M on all campuses. University Planning Design and Construction services will be delivered consistent with Level 2 and Level 3 Capital Projects.

High visibility projects may include:

- Projects requiring Design Review Committee review
- A new campus building
- A significant building addition, including major landscape initiatives
- Projects involving complex heritage restoration and/or alterations

Authority to approve Level 1 Capital Projects, excluding Property Acquisitions, Capital Leases and Real Estate Partnerships, on the UTM and UTSC campuses are delegated to the UTM Space Planning and Management Committees and the UTSC Campus Design and Development Committee.

Level 1 Capital Projects that are Property Acquisitions, Capital Leases or Real Estate Partnerships, and which do not require Financing, are delegated to the Administration.

###### ***ii. Level 2 Capital Projects and Level 3 Capital Projects***

Discussion on the site, space plan and source of funds for the Capital Project shall take place in the open session of the meetings of the appropriate governance body. The overall cost of the

project, as well as the delineation of amounts derived from the various sources of funds, will be considered in the *in camera* portion of the same meeting.<sup>1</sup>

The CaPS Executive provides a written report with recommendations to both the Vice-President and Provost and the Vice-President Operations & Real Estate Partnerships. Committee-related recommendations are in turn submitted to the Office of the Governing Council for information and posting while Capital Project documentation is submitted to the Office of the Governing Council to pursue the appropriate governance pathways.

In addition, governance documentation for individual Capital Projects will include details as to where the project fits within the context of the Capital Priorities List and the applicable Campus Master Plan.

### **(1) Academic Capital Projects**

#### **(a) Level 2 Capital Projects**

Level 2 Capital Projects on the St. George campus are initially considered by the Planning & Budget Committee and by the respective Campus Affairs Committees and Campus Councils in the case of projects on the UTM and UTSC campuses. If considered appropriate, these bodies will recommend approval to the Academic Board. Such projects will be confirmed by the Executive Committee of the Governing Council on the recommendation of the Academic Board.

#### **(b) Level 3 Capital Projects**

Level 3 Capital Projects will follow the same approval process as Level 2 Capital Projects with the additional requirement that the Executive Committee of the Governing Council endorses and forwards such projects to the Governing Council for approval.

### **(2) Four Corners and Infrastructure Projects**

Four Corners and Infrastructure Projects will follow the same governance process as set out above for Academic Projects above with the exception that:

(a) Level 2 Capital Projects are considered by Business Board in addition to the consideration by Academic Board described above. Business Board will recommend approval to the Executive Committee of the Governing Council.

(b) Level 3 Capital Projects will follow the same approval process as Level 2 Capital Projects with the additional requirement that the Executive Committee of the Governing Council endorses and forwards such projects to the Governing Council for approval.

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<sup>1</sup> Complete documentation will be made publicly available on the Governing Council website once the bids for the project are received and finalized, and the Governing Council Office is notified. Updates will be made twice a year.

**(3) Property Acquisitions, Capital Leases, and Real Estate Partnerships**

Business Board approval is required for all Level 2 and Level 3 Capital Projects, or any Level 1 Capital Project that requires Financing.

**(4) Non-Academic Projects**

Notwithstanding the foregoing, student residences and other student-oriented Capital Projects will require additional oversight by the University Affairs Board.

**c. Financing**

Any Financing will be approved by the Business Board. The role of the Business Board in this instance is exclusively to consider the financial impact in the context of the University's debt capacity.

**d. Execution of Project**

Approval of Execution of Project grants authority to the Vice-President, Operations and Real Estate Partnerships to sign the necessary agreements and other relevant documents on behalf of the University for the Capital Project to proceed. The Execution of Projects includes the call and approval of tenders within cost limits, and the establishment and charge of authorized expenditures within approved limits.

**e. Changes in Scope**

The President or designate, currently the Vice-President Operations and Real Estate Partnerships, has the authority to approve minor scope changes falling within the stated intent and purpose of the approved Capital Project as described in the PPR.

In the case of a Cardinal Deviation, a meeting will be held of the Chairs and Vice-Chairs of the applicable governance bodies (Committees, Campus Councils, Boards) that recommended the Capital Project for approval. This *ad hoc* body has authority to determine whether a revised PPR should be brought back through the full governance path for approval or to approve the change in scope. The decision of this *ad hoc* body will be reported for information to the next meeting of the Executive Committee of the Governing Council.

**f. Project Budget Increases*****i. Governance Approval not Required***

Approval of cumulative project budget increases up to 10% of the original Total Project Cost, to a maximum of \$30 million, are within the authority of the Vice-President, Operations and Real Estate Partnerships.

For cumulative budget increases over 10% of the original Total Project Cost or over \$30 million, to a maximum of \$50 million, a meeting will be held of the Chairs and Vice-Chairs of the applicable governance bodies (Committees, Campus Councils, Boards) that recommended the Capital Project for approval. This *ad hoc* body has authority to determine whether the revised Total Project Cost should be brought back through the full governance path for approval or to approve the project budget increase. The decision of this *ad hoc* body will be reported for information to the next meeting of the Executive Committee of the Governing Council.

***ii. Governance pathway for project budget increase approval******(1) For Level 1 Capital Projects***

Cumulative budget increases that increase the Total Project Cost over the Level 1 Capital Project approval threshold will not require additional governance approval, provided such increases are up to 10% of the original Total Project Cost. Should the cumulative budget increases exceed 10% of the original Total Project Cost and exceed the Level 1 Capital Project approval threshold, the Capital Project will require the approval as outlined for a Level 2 Capital Project.

***(2) For Level 2 Capital Projects***

Cumulative budget increases that increase the Total Project Cost over the Level 2 Capital Project approval threshold will not require additional governance approval, provided such increases are up to 10% of the original Total Project Cost. Should the cumulative budget increases exceed 10% of the original Total Project Cost and exceed the Level 2 Capital Project approval threshold, the Capital Project will require the approval as outlined for a Level 3 Capital Project.

***(3) For Level 3 Capital Projects***

Cumulative budget increases that are less than 10% of the original Total Project Cost will not require additional governance approval. Should the cumulative budget increases exceed 10% of the original Total Project Cost the Capital Project will require a revised Level 3 Capital Project approval.

***(4) Property Acquisitions, Capital Leases and Real Estate Partnerships***

Notwithstanding the foregoing, for Property Acquisitions, Capital Leases and Real Estate Partnerships, Business Board approval is required for any increase in Total Project Cost that falls within Level 2 or Level 3 thresholds.

**ASSOCIATED GUIDELINES/PROCEDURES**

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[Campus Planning Principles](#)

[Campus Master Plans](#)

[Design Standards – Part One, Part Two](#)

[UTSC Urban Design Guidelines](#)

UTM Design standards *[LINK TO BE INSERTED]*

[Typical Project Planning Report Outline and Template](#)



**RELATED DOCUMENTS**

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Appendix A – [Capital Project and Space Allocation Committee \(CaPS\) Terms of Reference](#)

Appendix B - [UTM Space Planning and Management Committee Terms of Reference](#)

Appendix C - [UTSC Campus Design and Development Committee Terms of Reference](#)

Appendix D – [Design Review Committee Terms of Reference \(Updated – August, 2021\)](#)

Should a link fail, please contact [governing.council@utoronto.ca](mailto:governing.council@utoronto.ca)

**REVISION HISTORY AND UPDATES**

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Date	Description of Change
	[Original Approval Date]

**KEYWORD INDEX**

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*See definitions above.*

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# UNIVERSITY OF TORONTO

University of Toronto  
Governing Council

## **Policy on Capital Planning & Capital Projects**

June 28, 2017

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# **POLICY ON CAPITAL PLANNING AND CAPITAL PROJECTS**

## **INTRODUCTION**

### **1. GENERAL PLANNING MATTERS**

- A. MASTER PLANS.**
- B. CAPITAL PRIORITIES**
- C. INFRASTRUCTURE RENEWAL PLANS**

### **2. PLANNING PRINCIPLES**

### **3. OVERVIEW OF THE PROCESS**

- A. PLANNING**
- B. APPROVALS**
- C. IMPLEMENTATION**
- D. COMPLETION**

#### **WEB LINKS:**

- CAMPUS PLANNING PRINCIPLES**  
<http://updc.utoronto.ca/campus-facilities-planning/planning-resources/campus-planning-principles/>
- CAMPUS MASTER PLANS**  
<http://updc.utoronto.ca/campus-facilities-planning/campus-master-plans/>
- DESIGN STANDARDS**  
<http://www.fs.utoronto.ca/DesignStandards/PartOne>  
<http://www.fs.utoronto.ca/DesignStandards/PartTwo>
- TYPICAL PROJECT PLANNING REPORT OUTLINE**  
<http://updc.utoronto.ca/campus-facilities-planning/reviews-approvals/project-planning-committees/>
- DESIGN REVIEW COMMITTEE**  
<http://updc.utoronto.ca/campus-facilities-planning/reviews-approvals/design-review-committee-drc/>
- CAPITAL PROJECTS AND SPACE ALLOCATION COMMITTEE AND EXECUTIVE COMMITTEE**  
<http://updc.utoronto.ca/campus-facilities-planning/reviews-approvals/capital-project-space-allocation-committee-caps/>

# **POLICY ON CAPITAL PLANNING AND CAPITAL PROJECTS**

## **INTRODUCTION**

The continuing development of a modern university campus is no easy challenge. For the University of Toronto, which possesses an extraordinary variety of architectural styles, this challenge is amplified and requires careful attention.

Given the interest of prospective faculty, students and staff in working, studying, and dreaming in an inspiring and creative physical environment, the University's commitment to inspirational design must be consistent with (and indeed, a core component of) its highest academic aspirations. It is essential that the University of Toronto, as Canada's leading research intensive university, and as an institution firmly determined to stand among the top publicly supported research intensive universities in the world, integrates this commitment to excellence into each and every dimension of planning and design related activities. The standards for design excellence should be no less exacting than those that are set in the academic sphere. Campus design has a profound impact on the character and quality of human interactions within the university community.

For the St. George Campus of the University of Toronto the challenge is to integrate new structures with the existing structures to achieve coherent design with intelligent green landscaping, to be cognizant of the cultural landscape that exists and to ensure that new landmark buildings incorporate quality designs, energy savings and sustainability features, and materials that systematically will serve to strengthen and enrich the campus, located in the heart of Canada's largest city.

The challenges and opportunities for the University of Toronto Mississauga and Scarborough campuses are distinct from those on the St. George campus. Both are located in park like settings with large conservation areas surrounding the core academic spaces. Their neighbourhoods are fast encroaching, but still held at arm's length from the core of the campus by virtue of the protected green space. Environments consistent with the highest academic aspirations, unique in character and reflective of the surrounding areas must be created.

The University's development of its physical assets should be guided by a best practices approach to physical planning, design and construction. Accordingly, this *Policy* enunciates the norms for carrying out such an approach, specifies the framework within which individual projects can evolve, and establishes the approval and reporting requirements.

This *Policy* replaces the *Policy on Capital Planning and Capital Projects* approved by the Governing Council in June 2001 and subsequently revised on June 25, 2012; October 30, 2013 and on June 28, 2017.

## **1. GENERAL PLANNING MATTERS**

General authority for capital planning and construction is delegated to the President, who in turn delegates it to the appropriate senior officers of the University.

The planning approach begins with the development of comprehensive Master Plans for each campus followed by the systemic establishment of Capital Priorities with specific Capital Projects that can be adequately supported by the appropriate Infrastructure Renewal Plans.

### **A. CAMPUS MASTER PLANS**

The Governing Council shall adopt, from time to time, Campus Master Plans for the University's St. George, Mississauga and Scarborough campuses, as well as for other University-owned properties as required. Master Plans provide a careful evaluation and review of each campus as a whole. Such Plans address the type and quality of the public space on each campus and identify potential uses and parameters for future development following the stated Planning Principles and in support of the University's academic objectives. Master Plans should normally be reviewed every ten years.

### **B. CAPITAL PRIORITIES**

The Administration will maintain a list of Capital Priorities. These Capital Priorities, which are the outcome of the University's academic planning processes, set out the major Capital Projects to which the University has assigned priority for a specified period of time. Such priorities are normally adopted for multi-year periods and are updated, as required, to reflect progress made and new or altered priorities. Capital Priorities include all capital projects (above a specified cost), for all campuses, which are expected to be in planning and or implementation stage during the defined planning period.

### **C. INFRASTRUCTURE RENEWAL**

The Administration shall establish within the annual budget framework, an allocation for infrastructure renewal and maintenance and deferred maintenance for each campus. Such work will be managed to maximize the effective expenditure of the available funding, leveraging other capital projects where possible. Much of the renewal and maintenance work is non-discretionary and is required to comply with legislation or regulations or to ensure safety of building occupants. Governance approvals are normally not required for individual projects, beyond the approval of the annual funding amount.

In addition to these more routine projects for maintenance and infrastructure upgrading, which are integral to Infrastructure Renewal, individual infrastructure projects above \$5 million dollars will require approval through the capital project approval process described in Section 3B below. The preparation of the capital approval request for such infrastructure projects will be the responsibility of the designated Facilities and Services Group on each campus and will be in a format established by the administration from time to time.

## **2. PLANNING PRINCIPLES**

Campus Master Plans and Capital Project Plans should be developed and implemented in the context of principles that express the University's commitment to the orderly and responsible development and use of its assets. Such principles extend to the development of individual projects that are integral to the academic mission of the University, and which should provide examples of high quality design that incorporate the appropriate functionality and environmental responsibility.

Furthermore, individual projects should be satisfactorily integrated into the comprehensive Campus Master Plans of the University. The Planning Principles, which are established from time to time by the Administration, constitute the enduring interests of the University and are to be taken into account in all detailed planning.

### **3. OVERVIEW OF THE PROCESS**

#### **A. PROJECT PLANNING**

- **PROJECT COMMITTEE.** A Project Committee shall be formed at the outset of project planning and will include representatives of the project's users, the staff responsible for campus and facilities planning, the staff responsible for project execution and the staff responsible for building operations. The project committee will continue to exist until the completion of a project.
- The membership of the Project Committee will be assembled by the Vice-President and Provost (or designate) with input from the Dean(s), Principal(s) of the relevant academic divisions and or sectors for whom the project is undertaken. All Project Committees will include faculty, staff and student representation and may include the Dean/Principal or designate.
- The Vice-President and Provost (or designate) will designate a representative from each of these constituencies to serve on a working project executive committee (PEC).
- The Vice-President and Provost (or designate) will appoint the Chair of the Project Committee from among the members of the project executive committee.
- A detailed Project Planning Report or equivalent capital request (see below) is required for all projects where the budget is anticipated to be greater than \$5 million.
- An abridged Project Planning Report, addressing appropriate issues, will be required for projects where the budget is anticipated to be \$5 million or less and where the services of an architect will be required.
- **PROJECT PLANNING REPORTS** are prepared for all individual Capital Projects for which Project Committees are established.
- The Project Planning Report typically will specify all desired functional requirements and/or special facilities consistent with the academic priorities and requirements and will address:
  - the program to be accommodated in the space;
  - the project's conformity with the University's overall physical planning principles;
  - reference to the quality standards anticipated for the particular project;
  - the special needs of the Project, e.g. exceptionally durable materials, architecturally significant exterior components, unique landscaping elements, etc. which should be identified for costing purposes.

- The Project Planning Report must include:
  - provisional estimates of the cost of the project (the project budget),
  - cost escalation,
  - the potential sources of funding,
  - the details of a projected cash flow analysis with respect to both revenues and expenditures,
  - the operating costs and sources of revenue to cover the operating costs, and
  - other key elements of the project including site and space.

## **B. PROJECT APPROVALS**

**The administration will establish a Capital Project and Space Allocation Committee (CaPS) and an Executive Committee** to review all project proposals with a projected total project cost greater than \$100,000. The CaPS and its Executive Committee membership is intended, collectively, to have expertise in capital planning, construction, design, property and utilities management, finance and budget. To that end, it will include senior staff from the institutional offices responsible for the financing, planning, implementation and maintenance of facilities, as well as, the appropriate academic and divisional representation. The Vice-President and Provost and the Vice-President, University Operations will receive advice on Level 2 and Level 3 capital projects from the Executive Committee of CaPS.

### **All projects requiring short and long term financing**

If a project will require financing as part of the funding, the project proposal must be considered by the Business Board.

#### **Project Budget \$5 million or less: (Approval Level 1)**

- Authority to approve projects on the St. George campus, with a value less than \$5 million and for all other applications that fall under the responsibility of the CaPS Committee is delegated to the CaPS Committee established by the Vice-President University Operations
- Authority to approve projects with a value less than \$5 million on the UTM and UTSC campuses is delegated to the UTM Space Planning and Management Committee and the UTSC Campus Design and Development Committee established by the Principal and Vice-President of the respective campus.

#### **Project Budget over \$5 million and up to \$20 million (Approval level 2)**

- Capital projects over \$5 million and up to \$20 million will be considered by the Planning and Budget Committee for projects at the St. George campus and by the respective Campus Affairs Committees and Campus Councils for projects at University of Toronto Mississauga and University of Toronto Scarborough and recommended to the Academic Board for consideration. It is expected that such projects will be placed on the Board's consent agenda and be confirmed by the Executive Committee of the Governing Council. Execution of such projects is approved by the Business Board.

#### **Project Budget over \$20 million (Approval level 3)**

- Proposals for capital projects exceeding \$20 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. The Planning and

Budget Committee will consider projects at the St. George campus and the respective Campus Affairs Committees and Campus Councils will consider projects at University of Toronto Mississauga and University of Toronto Scarborough and recommend them to the Academic Board for consideration. Normally, they will require approval of the Governing Council. Execution of such projects is approved by the Business Board.

### **Project Budget Increases**

Cumulative project budget increases up to 10% of the original Total Project Costs or less than \$5M can be approved by the Vice-President, University Operations as follows:

- For level 1 projects, cumulative budget increases that otherwise push the Total Project Cost into the level 2 approval level will not require additional governance approval, provided such increases are up to 10% of the original Total Project Cost. Should the cumulative budget increases exceed 10% of the original Total Project Cost and push the Total Project Cost into the level 2 approval level, the project will require the approval as outlined for a level 2 project.
- For level 2 projects, cumulative budget increases that otherwise push the Total Project Cost into the level 3 approval level will not require additional governance approval, provided such increases are up to 10% of the original Total Project Cost. Should the cumulative budget increases exceed 10% of the original Total Project Cost and push the Total Project Cost into the level 3 approval level, the project will require the approval as outlined for a level 3 project.
- For level 3 projects, cumulative budget increases that are less than \$5M of the original Total Project Cost will not require additional governance approval. Should the cumulative budget increases total \$5M or more, the project will require a revised level 3 project approval.

### **Changes in Scope**

The Vice-President of University Operations has the authority to approve minor scope changes falling within the stated purpose of the approved project as described in the Project Planning Report. Scope changes representing a cardinal deviation from the approved project purpose as determined by the Vice-President of University Operations must be approved by formal governance. Such a cardinal change would include, but not be limited to:

- An addition that is not related to the purpose, nature and intent of the approved project as described in the Project Planning Report;
- A modification that changes the purpose, nature and intent of the approved project as described in the Project Planning Report.



### **C. PROJECT IMPLEMENTATION**

The President will delegate responsibility for project implementation to the Vice President, University Operations or the Vice President UTM or UTSC (for Level 1 projects) as appropriate subject to the parameters established through the approval of the Project Planning Report and in consultation with the Project Committee, the Design Review Committee and other relevant bodies established from time to time. All three campuses will manage their capital projects according to standardized best practices and procedures to facilitate intercampus efficiencies.

The President is authorized to ensure that appropriate project management procedures are established to ensure proper implementation of approved capital projects. Such procedures must:

- Ensure that the interests of the University and of individual project users are taken into account in all projects.
- Ensure that design standards appropriate to the University are established, reviewed and updated regularly and provided to each Project Committee and to all architects and consultants engaged for any project.
- Ensure that each project which has an exterior design component or public area is reviewed from a design perspective by a committee established for this purpose (the Design Review Committee). In making this provision, the University seeks to obtain a level of advice commensurate with its desire to build in ways which provide outstanding examples of the work which the design profession can contribute to a university environment.
- Ensure that, in general, projects are completed on time and on budget.
- Ensure that any discrepancies that arise between the project as planned and the project as implementation progresses are resolved in a timely fashion.
- Ensure that procedures for the selection of architects, engineers, other professional services firms and contractors are established and that they comply with the University's procurement policy and with applicable legislation.
- Ensure that all regulatory requirements are met.
- Ensure that any project that is likely to exceed the approved budget has the increase approved by the appropriate level.
- Ensure that project status reports for all projects over \$5 million are provided on a timely basis to project committees, to funding agencies and to the Business Board.

### **D. PROJECT COMPLETION**

At the completion of a Capital Project, a Project Completion Report is required and submitted to the Business Board. The purpose of the report is to confirm that financial closure of the project has occurred and to identify any budget and schedule variances, positive or negative.

*Approved by the Governing Council, June 28, 2017.*