



# University of Toronto

**John Bisanti, B.Tech.**

Chief Capital Projects Officer

**Memorandum to:** Business Board

**From:** John Bisanti

**For:** Meeting of June 20, 2002

**Agenda Item:** 5(a)

**Item Identification:** Capital Project: Woodsworth College Residence

**Sponsor:** John Bisanti, Chief Capital Projects Officer  
Call 416-978-4322 for further information

**Jurisdiction Information:**

Basis of Board's Jurisdiction:

- Once Governing Council approves a capital project, Business Board has approval of execution of the capital project.
- Pursuant to Section 5C of the Policy on Capital Planning and Capital Projects, the Business Board is charged to assess the "cost effectiveness of the project, the extent to which full funding is committed or obtainable, and whether there are any significant outstanding and unresolved issues with respect to the project".

**Previous Action Taken:**

- In the summer of 2000 the Summer Executive Authority approved the expenditure of \$2.5 million for the design and site development work related to the new Woodsworth College Residence. This approval was reported to the Business Board in the fall of 2000.

**Highlights:**

- The proposed residence as designed by Architects Alliance at the corner of St. George and Bloor Streets will be 17 storeys high and provide 371 beds. In addition, 1,170 nasm of classroom space, 713 nasm of audio visual storage space in the basement, 85 nasm of street level retail space on St. George Street, and 429 nasm of street level retail space on Bloor Street will be included in the building.
- The project has gone through a difficult and protracted rezoning and Ontario Municipal Board hearings which recently concluded favourably for the University. The cost of these hearings is now estimated at \$670,000. These costs, once final, will need to be addressed and are presently included in the project costs identified below.
- The targeted opening date is January 2004.
- The building will be approximately 16,900 gross square meters and the total project cost is \$32.0 million. The residence component is estimated to be \$28.3 million.
- The project is currently out to tender to seven general contractors. The tenders were originally scheduled to close on June 19<sup>th</sup>. However, as a result of the volume and magnitude of other projects currently being tendered in the marketplace we have postponed our closing date to June 26, 2002.

**Action Sought:**

Subject to the understanding that the rate of the Woodsworth College Residence Ancillary Operation will be increased sufficiently to ensure that the operation continues to cover its own cost, and that the tender prices are within the approved funding envelope;

That the Vice-President, Business Affairs be authorized:

- i. To expend up to \$32.0 million for the construction of the Woodsworth College Residence.
- ii. To arrange such interim and long-term financing as required.

**Financial Implications:**

The capital project costs for Woodsworth College Residence has three components:

- I. The AV/classroom space costing \$2.85 million will be funded by the University of Toronto Library and the Facilities Renewal Fund;
- II. The retail space costing \$0.692 million will be funded by Real Estate Ancillary;
- III. The residences will be funded as part of the residence ancillary operation costing \$28.3 million.

All U of T ancillary operations operate like businesses, having responsibility to cover all costs. The four financial objectives for all ancillaries are 1) to operate without a subsidy from the operating fund; 2) to provide for all costs of capital renewal, including deferred maintenance; 3) to generate sufficient surplus to cover operating contingencies; and, after the first three requirements have been met, and where possible, 4) to contribute net revenue to operating budgets.

The need for residence expansion has presented a financial challenge, in that the costs of building new residences have risen faster than residence rates. To maintain financial health with room rates at an affordable level, the four objectives were modified for this project as follows:

Objective 1: financial health was defined as the break even of the combined residence operation, annually in year 5 and cumulatively in year 8. An annual subsidy of \$1.204 million has been allocated from the Academic Priorities Fund (APF) for a period of eight years to assist Woodsworth to meet these targets.

Objective 2: the capital renewal provision of 1.5% will commence in the 6<sup>th</sup> year of operation, rather than in year 1.

Objective 3: remains unchanged.

Objective 4: restrictions were placed on transfers of funds to college operating budgets.

Based on this evaluation, the residence ancillary for Woodsworth College Residence is financially viable. The projected construction cost of \$28.3 million will be funded as part of the residence operation. It is projected to break even annually in year 5 and cumulatively in year 8 as required, as the result of: (i) a subsidy arrangement of \$1,204,000 annually for eight years, (ii) the capital renewal allowance of 1.5% for the new residence commencing in year 6 and, (iii) residence rates increasing by 5% per year until the fifth year of operation and 3% thereafter.

It is particularly important to note that the Woodsworth residence ancillary rates are approved annually by the University Affairs Board. Implicit in the Business Board approval is the understanding that residence rates will be increased each year by no less than the percentages projected here in order to maintain the financial viability of the residence operation.