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CAPITAL PROJECTS DEPARTMENT

TO: Business Board

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DATE: April 24th, 2003 for May 5th, 2003

AGENDA ITEM: 4(c)

ITEM IDENTIFICATION:

Capital Project Report – Economics Building Expansion and Renovation

JURISDICTIONAL INFORMATION:

Pursuant to Sector 5.2.(b) of its Terms of Reference, the Business Board approves expenditures for, and the execution of, approved Capital Projects.

PREVIOUS ACTION TAKEN:

None. This is the first time that this project is being presented to the Business Board.

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.

The Faculty of Arts & Science, supported by the Department of Economics, has recommended that this project proceed in a two phased approach. What is proposed is to proceed to 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, 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. If the full Phase 2 funding is not secured at the completion of the design stage then only Phase 1 will proceed and Phase 2 will be delayed.

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.

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.

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 all of 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

The creation of new facilities and increased operating space give rise to increased operating and utility costs. The estimated maintenance, operating and utilities costs of the new facilities is expected to be \$251,000 annually. The operating costs are comparable with new, modern air-conditioned buildings on campus. There will be a loss of 13 reserved parking spaces which equates to a loss of \$20,800 per annum to the parking ancillary as a result of the expansion. 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:

THAT the Vice-President – Business Affairs be authorized to:

- (a) Execute the design and the construction of Phase 1 of the Economics Building and the schematic design of Phase 2 at a cost not to exceed \$6,000,000, and
- (b) Arrange a mortgage in the amount of \$6,000,000; to be repaid over a 25 year amortization period by the Faculty of Arts and Science to coincide with the needs of the Project.
- (c) Subject to the Faculty of Arts and Science raising \$8,300,000 from external sources, to execute the remaining design work and the construction for Phase 2 of the project.