



UNIVERSITY OF TORONTO

University of Toronto
Governing Council

Capital Planning and Capital Projects Policy

October 28, 2021

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UNIVERSITY OF
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Capital Planning and Capital Projects Policy

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PREAMBLE

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

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

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

ROLES AND RESPONSIBILITIES

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

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

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 3 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.

3. 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.¹

¹ 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.

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.

(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

[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

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

REVISION HISTORY AND UPDATES

Date	Description of Change
<i>October 28, 2021</i>	<i>Original Approval Date</i>

KEYWORD INDEX

See definitions above.
