


THE UNIVERSITY OF BRITISH COLUMBIA**REQUEST FOR DECISION****FORWARDED TO:**BOARD OF GOVERNORS ON RECOMMENDATION
OF PRESIDENT STEPHEN J. TOOPE**APPROVED FOR SUBMISSION:**
Stephen J. Toope**DATE:**1 December 2009.**PRESENTED BY:**David Farrar, Vice President - Academic and Provost
Pierre Ouillet, Vice President - Finance, Resources & Operations
Wes Pue, Vice Provost and Associate VP, Academic Resources
Daniel Muzyka, Dean, Sauder School of Business
John Metras, Managing Director, Infrastructure Development
Al Poettcker, President & CEO - UBC Properties Trust**DATE OF MEETING:**

December 3, 2009

SUBJECT:

SAUDER SCHOOL OF BUSINESS BUILDING PROJECT

DECISION REQUESTED:

For Information

Phase 1 Capital Budget:	\$46,350,000
Phase 2 Capital Budget:	<u>\$17,900,000</u>
Total Phase 1 + Phase 2	\$64,250,000
Expenses to Date:	\$30,554,000
Funding Releases to Date:	\$46,100,000

Executive Summary: The Sauder School of Business is undergoing a significant renewal of its physical infrastructure to meet the expanding and changing needs of its faculty and students. The project was planned in two phases. Phase 1, including construction of new space, renovation of the ground floor of the Henry Angus building and a new façade for the Henry Angus Building will be completed by December 31, 2009. Phase 2 is intended renovate the remainder of the Henry Angus classroom block and complete the required fire-safety to seismic upgrades to the Henry Angus classroom block and tower. It is hoped this work can begin in April 2010.

At the April 2009 Board of Governors meeting, Board 3 was granted for Phase 2 conditional upon government funding of \$18.0 million and tenders being received at or below budget. As the funding shortfall has yet to be resolved, this project is being presented to the Board for information only.

Background

The Sauder School of Business is located in three facilities at the intersection of Main Mall and University Boulevard. These include the 1965 Henry Angus Building, the adjoining 1976 E.D. MacPhee Building and the 1992 David Lam Management Research Centre.

The Sauder School has participated in three independent academic reviews over the past 4 years. The accrediting body, the European Foundation for Management Development (EQUIS) had identified that the School was at risk for accreditation if there was not progress on building renewal by 2008. They had the following to say in regard to the building renovations in their June 2009 review: "On the side that still needs improvement, there is, as the most important point, the need to further upgrade the facilities. There have been delays with the project, which was originally anticipated to be complete in 2009. A first phase is likely to be completed in the course of 2009, but the second phase will take a few more years. The School is very aware of the constraint related to this problem and the required fundraising necessities in order to complete the entire expansion and refurbishing project."

The report went on to say: "The completion of the second phase of the refurbishing plan is also crucial for the School in order to implement the anticipated increase in the number of students in the graduating programmes. Hence, the Peer Review Team finds the completion of the overall refurbishment plan, including the remaining fundraising for phase 2, to be perhaps the most important challenge for the School."

The project supports TREK 2010 and the academic plan, furthering the university's academic and research missions. The renovations and additional space meet the goals of UBC's Planning Principles and the Main Campus Plan.

Current Project Status

The renewal project was broken into two phases to permit work to begin prior to the completion of all fundraising efforts. Further to the above, Phase 1 of the project can be summarized into the following elements:

- (i) Addition of 2,600 net sq. meters of space for lecture halls, classrooms, study space and offices;
- (ii) Renovation of first level of the Henry Angus building and adjacent E.D. MacPhee buildings;
- (iii) Seismic and life-safety upgrades to basement and first level of Henry Angus and E.D. MacPhee buildings;
- (iv) Attachment of new façade. (Approval to move all façade improvements to Phase 1 received from Board in April 2009.)

It is planned to apply for the occupancy permit for Phase 1 by the end of November with handover to the faculty occurring in early December. The replacement of the façade along Main Mall, approved in April, is complete.

The occupancy for the new addition was delayed from the official date of November to December 2009. The construction manager was striving to have the building complete by September 2009 to accommodate the start of classes, however, delays caused by the forming contractor and issues with asbestos in the renovated areas have forced the occupancy date to be shifted to December 2009.

The original project budget had cash allowances for A/V and security based on standard projects constructed at UBC in the past. During the design process and through interaction with the user committees, the budget allocation for both A/V and security was deemed insufficient to meet the current needs, and has consequently been increased. Video conference capabilities were introduced into a number of classrooms and meeting rooms as well as security cameras and a security desk.

The faculty have also requested enhanced environmental graphics and donor recognition program that is beyond the standard wayfinding signage for projects. These revisions resulted in changes to the budget which were presented to the Board in April 2009.

To ensure continuity of the project, the Faculty was given approval (by VP Finance) in August 2009 to request UBCPT to commence design work on Phase 2 prior to Board approval. Design work for Phase 2 started in October and the schematic design will be complete by December.

While approval to commence the construction of Phase 2 is contingent upon resolving the funding shortfall, as mentioned above, the Faculty has committed to cover the costs incurred to date for the Phase 2 design as well as the enhanced AV, security and environmental graphics scope should funding asks be unsuccessful. These items which total approximately \$2.320 million are currently underway.

If Phase 2 is not approved, the University is obliged to complete all the code upgrades on the facility within 5 years. This includes seismic upgrade of the Henry Angus classroom block and upgrade of the fire alarms in all three buildings as well as sprinklering the remainder of the Henry Angus classroom block and tower. While this work has not yet started (in hopes that it could be done concurrently with the Phase 2 work), funding has already been included and approved within the Phase 1 budget (see capital budget). If Phase 2 is approved, the funding allocated for the code upgrades will be added to the construction budget for Phase 2.

DISCUSSION SUMMARY

Program (sq.m.)

Level	Phase 1		Phase 2		Total
	New Construction	Major Reno	Minor Reno	Major Reno	
Service Level	124.5	0.0	0.0	0.0	124.5
B1	793.4	0.0	0.0	1,844.1	2,637.5
L1	1,001.4	3,047.2	0.0	0.0	4,048.6
L2	874.7	0.0	1,588.7	2,532.7	4,996.1
L3 – Office	0.0	0.0	613.5	0.0	613.5
L4/L3	957.8	0.0	1,588.4	2,574.0	5,120.2
L5/L4	925.9	0.0	1,063.8	2,514.3	4,504.0
L6/L5	0.0	0.0	959.1	0.0	959.1
L7 – Office	0.0	0.0	567.2	0.0	567.2
L8 – Office	0.0	0.0	567.6	0.0	567.6
L9 – Office	0.0	0.0	51.1	503.7	554.8
Total	4,677.7	3,047.2	6,999.4	9,968.8	*24,693.1

**265,820 sq.ft.*

Phase 1 Scope

- New addition of classrooms and lecture halls and Leadership Centre
- Renovations to existing Level 1, including seismic upgrades.
- Façade upgrade to the remainder of building (approved in April 2009)

Phase 2 Scope

- Renovations to Henry Angus classrooms and MacPhee north/south as well minor renovations to David Lam and the Henry Angus Tower
- Conference Centre at the top floor of the HA Tower
- Phase 2 audio visual, security, code, seismic and life safety upgrades (budget for the code and life safety upgrades has been included within the Phase 1 budget in the event that Phase 2 does not go forward)
- Enhanced environmental graphics
- Extra relocation costs

Revised Capital Budget (\$000's)

	Board Approved	Additional Request	Total
Phase 1			
Relocations Costs (1)	1,500		
Construction of new building & renovation of Angus Level 1 (2)	33,986		
Seismic & Code Upgrades (3)	4,514		
Subtotal	40,000		
Façade (4)	6,100		
Additional social space FF&E (5)		250	
Subtotal Phase 1	46,100	250	46,350
Phase 2			
Renovations less façade (6)		10,262	
Program Revisions (conf ctr, enhanced AV, security & graphics) (7)		7,638	
Subtotal Phase 2		17,900	17,900
TOTAL	46,100	18,150	64,250

Notes:

¹ Approved March 2007

² Approved May 2007 subject to receiving gov't approval for student building fee prior to commencement of construction

³ Approved September 2007

⁴ Approved April 2009. "Approval to proceed with revised budget of \$46.1M should gov't funding of \$18M not be received"

⁵ This is a \$250,000 contribution from Classroom Services towards the furniture in the social areas of Phase 1.

⁶ Design work for Phase 2 has already commenced with the Faculty agreeing to cover any costs incurred to date should Phase 2 not proceed. Design work is estimated at \$300k to date.

⁷ The Faculty have agreed to fund the enhanced security & AV work (\$1.7M) and enhanced environmental graphics (\$320k) portion of this scope should the Provincial grant or approval for student building fees not be successful.

Revised Schedule

Board of Governors	Sept 2007
Construction Start	Sept 2007
Phase 1 Substantial Completion	December 2009
Phase 1 Occupancy	December 2009
Phase 2 Substantial Completion	August 2011
Phase 2 Occupancy	September 2011
Board of Governors (Board 4)	September 2012

Operating Budget

Phase 1	m ²	\$/m ²	Cost (\$)
New Space (APPA Level 2)	4,678	90.16	421,768
Renovated Space (APPA Level 2)	3,047	90.16	274,718
Less: Renovated Space (Current APPA Level 5 Budget)	3,047	59.61	(181,631)
Total Phase 1 – Incremental Cost (Approved Jan 2007)			514,855
Phase 2			
Renovated Space (APPA Level 2)	16,968	90.16	1,529,835
Less: Renovated Space (Current APPA Level 5 Budget)	16,968	59.61	(1,011,462)
Total Phase 2 – Incremental Cost			518,373
Total Phase 1 + 2 – Incremental Cost			1,033,228

The operating budget includes costs for provision of building system maintenance, custodial, municipal and utilities services at the APPA Level 2 standard. The total figures shown represent incremental new costs net of APPA Level 5 operating budget already in place for existing space.

Revised Funding Sources (\$000's)

Phase 1

Sauder Fundraising (confirmed)	21,226	
Sauder Fundraising (verbal commitment)	850	
Sauder Fundraising (underway)	<u>1,815</u>	
	23,891	(1)

MBA Student Fee (Bridge financed by GPOF)	5,500	
Sauder Borrowing (for façade)	4,400	
BCom Student Fee (Bridge Financed by GPOF)	<u>10,224</u>	
	20,124	(2)

UBC Match	1,985	
Classroom Services (Social Space FF&E)	250	
Provincial Grant (Allocation to Phase 1)	<u>100</u>	(3)
	2,335	

Total Phase 1 **46,350**

Phase 2

Provincial Grant (Allocation to Phase 2)	17,900	(4)
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TOTAL PHASE 1 & 2 **64,250**

Notes:

¹Fundraising has proven quite successful to date. The faculty has established a fundraising committee and established a campaign called "Opening Worlds". In the past year, \$3.035 million has been confirmed from private sources. Fundraising will continue for the balance of funding required for the project.

²Sauder has committed to servicing \$4.4 million of debt (through the Faculty operating budget) and GPOF will service the remaining \$15.724 million (\$10.224 million + \$5.5 million) of bridge financing until building fees are approved by the government, at which time the debt will be fully serviced from the building fees.

³Sauder will cover this amount should Provincial grant or approval for student building fees not be successful.

⁴In the absence of a Provincial grant, approval of student building fee alone would provide sufficient annual revenue to support debt financing for both Phase 1 and 2.

Attachments

1. Previous Board Action

PREVIOUS BOARD ACTION

BOARD ACTION (2009)

1. April 7, 2009 – Revised Board 3

Approval:

Revised Capital budget:	\$46,100,000
Revised Program	
Revised Schedule	
Revised Funding	
Funding Release:	\$24,000,000

Information:

Expenses to Date:	\$16,745,000
Funding Releases to Date:	\$40,000,000

- Phase 1 nearing completion
- Project brought to Board for Conditional Board 3 approval for Phase 2.
- Phase 2 construction budget remained unchanged \$16.4M
- Additional scope was deemed necessary for current needs (conference centre, and additional AV, security, and enhanced environmental graphics) and increased the Phase 2 budget by \$7.6M (\$24.0M total Phase 2)
- Approval subject to provincial funding in the amount of \$18.0M.
- Provincial funding was not approved. Phase 2 not able to proceed, however the façade work (\$6.1M) from Phase 2 was moved to Phase 1 and undertaken.
- Revised Phase 1 approved capital budget: \$46.1M
- Phase 2 capital budget: \$17.9M
- Total project budget: \$64.0M

BOARD ACTION (2007)

2. September 27, 2007 – Revised Board 3

Approval:

Revised Schedule	
Revised Capital budget:	\$40,000,000
Revised Funding	
Funding Release:	\$4,514,000

Information:

Expenses to Date:	\$1,837,000
Funding Releases to Date:	\$35,486,000

- 60% of the tenders had been received in July 2007, but due to the issues surrounding the funding sources (student fee not being approved) the construction start for the new wing was put on hold.
- Revised Board 3 approved for Phase 1
- A budget reallocation of \$4.5M was made from Phase 2 to Phase 1 in order to cover the required seismic, code and life safety upgrades for Phase 2 in the event that this phase did not proceed.
- Phase 1 approved capital budget: \$40.0M.
- Phase 2 capital budget: \$16.4M (gst rate change)
- Total project budget: \$56.4M

- Financing approved in the amount of \$18.0M to be debt serviced by UBC discretionary funds or MBA student fees.
- Phase 1 construction commenced in September 2007.

3. May 22, 2007 – Conditional Board 3*

Approval:

Capital budget:	\$35,486,000
Operating budget:	\$514,855
Funding Release:	\$34,636,000

Information:

Funding Releases to Date:	\$850,000
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*Approval for Board 3 is conditional on tenders being received on or below budget and is also conditional on receiving provincial government approval for the student building fee prior to the commencement of construction.

- In order to maintain the project schedule and in order for demolition to occur during the summer months, Phase 1 was split into two phases.
- Conditional Board 3 approval granted for the new construction portion (new wing) of Phase 1 only, subject to tenders being received at or below budget and subject to the student fee being approved by the government.
- Approval for the renovations portion of Phase 1 was to come in the Fall.
- Financing for Phase 1 in the amount of \$16.08M also approved which was to be debt serviced by the student fees once approved.

4. March 22, 2007 – Completion of Board 2*

Approval:

Revised Capital budget:	\$35,486,000
Approval to proceed to working drawings & tender	
Funding Release:	\$750,000

Information:

Funding Releases to Date:	\$550,000
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- Full Board 2 approval granted
- \$1.5M added to the Phase 1 budget for relocation costs
- Phase 1 approved capital budget: \$35.5M
- Phase 2 capital budget received for information: \$21.0M
- Total project budget: \$56.5M
- Project approval still conditional upon the student fee.
- Under separate cover, the student fee was approved by the UBC Board of Governors, however approval to levy this fee was also required by the provincial government.

5. January 25, 2007 – Conditional Board 2

Approval:

Capital Budget:	\$33,986,000
Preliminary Operating Budget:	\$514,855
Schedule	
Authorization to issue Development Permit	

Proceed to Working Drawings & Tender
Funding Release: \$200,000

Information:

DP Application Review Summary
Funding Releases to Date \$350,000
Schematic Design

- Conditional Board 2 received for Phase 1 subject to approval of the student fee
- Program revised to carry out Level 1 renovations in Phase 1 as opposed to Phase 2
- Budget consequently amended.
- Phase 1 approved capital budget: \$34.0M
- Phase 2 capital budget received for information: \$21.0M
- Total project budget: \$55.0M

BOARD ACTION (2006)

6. September, 28 2006 – Board 1*

Approval:

Preliminary Capital Budget: \$23,973,000
Preliminary Operating Budget: \$465,729
Schedule
Consultant Selection
Program
Proceed to Schematic Design
Funding Release: \$350,000

Information:

Expenses to Date: \$21,500

- Due to funding shortfalls and schedule constraints, project is split into 2 phases
- Phase 1 includes the construction of the new wing to the west of the Henry Angus as well as some minor renovation work to the existing buildings (Grad Centre, café, lobby).
- Phase 1 construction is entirely free standing and self sufficient, so that if for any reason the renovations in Phase 2 did not proceed, the new areas would be fully useable.
- Phase 2 was to include the renovation of the three existing buildings.
- Phase 1 approved capital budget: \$24.0M
- Phase 2 budget received for information: \$31.2M
- Total project budget: \$55.0M

*Please note that this project was brought back for Board 1 subsequent to the revision of the project management process, approved by the Board in December 2005. The project received approval in principle and its location in July 2005 under the former project management process.

BOARD ACTION (2005)

7. Date of Meeting July 14, 2005 – Board 1
Resolution: Approval in principle and its location.

- Project scope includes renovations and new construction in the Henry Angus office tower and classrooms, E.D. MacPhee north and south and the David Lam Centre, as well as a new addition to the west of the Henry Angus.