

# **ANNUAL \$500 BUILDING RENEWAL FEE**

Congruent to the **Sauder Building Renewal Project Memorandum of Understanding**, the \$500 annual Building Renewal Student fee which begins at earliest September 2012 holds the following key clauses:

1. The annual student building renewal fee of \$500 which will be the same for international students, domestic students, and students away on exchange. Students will not pay the fee during any academic terms while on co-op placement.
2. No student will pay the fee before completion of the building renewal project, by earliest September 2012.
3. The fee will be indexed to inflation based on the BC Consumer Price Index (CPI) to ensure equity in real contributions over time and to ensure future renovation and renewal of the School facilities and equipment.
4. Revenue from the fee will only be used to make payments on a mortgage and ensure building and facilities continue to be updated into the future. The fee will support a mortgage of approximately \$20 million. Inflationary increases in the fee will be set aside in a discrete fund that will only be used with student consultation for the purpose of updating and renewing the facility. The fee will remain in effect for the duration of the mortgage of approximately 35 years.
5. When the mortgage is paid in full on or after the 35 year amortization period, whichever comes first, the building renewal student fee will expire.
6. Consistent with existing University policy, no student will be prevented from attending the Sauder School of Business purely on the basis of financial need. The building renewal student fee will be included in financial need calculations.
7. Students will have formal input into Phase II building design through representation on a building user committee.



At Sauder, we are all very lucky to have world-class resources and facilities at our disposal. Through the annual Building Renewal Student fee each of you contribute along with the contributions of MBA's, alumni and faculty. The following phases of Building Renewal covered by your \$500 annual student fee follow.

## **Phase 1 Scope (Completed in January 2010)**

- 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 (Completed Winter 2011)**

- Renovations to Henry Angus classrooms and E.D. McPhee north/south as well minor renovations to David Lam and the Henry Angus Tower
- Computer and research labs in Henry Angus basement
- 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 was included within the Phase 1 budget and held in reserve in the event that Phase 2 did not go forward)

### **Phase 3 Scope**

The Phase 3 scope includes the following renovation work in the Henry Angus tower:

- Reconfiguration and re-finishing of academic and administrative offices
- Upgrades to washrooms and elevator lobby areas
- Upgrades to electrical distribution system to increase capacity
- Repairs to exterior building envelope to address spalling concrete and exposed re-bar
- Replacement of end of life single pane windows with high efficiency double pane glazing

The following, taken from the Request for Decision: Board of Governors on Recommendation of President Stephen J. Toope dated April 15, 2010 contains the structure of the student fee.

**Revised Capital Budget (\$000's)**


	<b>Phase 1 (Approved)</b>	<b>Phase 2 (Approved)</b>	<b>Phase 3 (For Approval)</b>	<b>Total</b>
Construction	\$27,961	\$11,584	\$4,091	\$43,636
Phase 2 Seismic + Code Upgrades	\$4,514			\$4,514
Consultants	\$3,155	\$1,951	\$530	\$5,636
FFE Allowance	\$1,550	\$804		\$2,354
UBC IT/AV/Security	\$1,700	\$320	\$200	\$2,220
Permits, Inspections, Testing, Insurance	\$190	\$200	\$50	\$440
Relocation Allowance	\$2,000	\$500	\$100	\$2,600
Project Management	\$870	\$452	\$120	\$1,442
Contingency	\$3,501	\$1,500	\$327	\$5,328
Retained Risk	n/a	n/a	\$82	\$82
<b>Sub Total</b>	<b>\$45,441</b>	<b>\$17,311</b>	<b>\$5,500</b>	<b>\$68,152</b>
Tax	\$909	\$589	\$184	\$1,682
<b>Total</b>	<b>\$46,350</b>	<b>\$17,900</b>	<b>\$5,684</b>	<b>\$69,934</b>

**Operating Budget**

Operating costs for the Phase 3 renovated space will remain the same as that previously approved for Phase 1 and 2.

	<b>m<sup>2</sup></b>	<b>\$/m<sup>2</sup></b>	<b>Cost (\$)</b>
<b>Phase 1</b>			
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	<u>(181,631)</u>
<b>Total Phase 1 – Incremental Cost (Approved Jan 2007)</b>			<b>514,855</b>
<b>Phase 2</b>			
Renovated Space (APPA Level 2)	16,968	90.16	1,529,835
Less: Renovated Space (Current APPA Level 5 Budget)	16,968	59.61	<u>(1,011,462)</u>
<b>Total Phase 2 – Incremental Cost</b>			<b>518,373</b>
<b>Phase 3</b>			
<b>Total Phase 3 – Incremental Cost</b>			<b>Costs covered in Phase 2</b>
<b>Total Phase 1, 2 and 3 – Incremental Cost</b>	<b>24,693</b>		<b>\$1,033,228</b>

## Capital Project Accountability – Budget and Funding

PROJECT NAME								
		Project Name:	Sauder Building Project					
		Department/Unit:	Sauder School of Business					
		Sponsor:	Dan Muzyka, Dean, SSB					
CAPITAL BUDGET (\$000s)				LIFE-CYCLE OPERATING BUDGET				
<b>Capital Development Cost</b>		<b>\$000s</b>	<b>\$/GSF</b>	<b>Operating Costs</b>		<b>Annual \$</b>	<b>\$/ GSF</b>	<b>Funding Source</b>
Phase 1 - Construction/Renovations		\$ 33,986		Ops & Maintenance*		\$ 1,634,627	\$ 6.15	UBC Central
Phase 1 - Relocation		\$ 1,500		Utilities		\$ 591,694	\$ 2.23	UBC Central
Phase 1 - Seismic & Code Upgrades		\$ 4,514		<b>Gross Total O&amp;M Cost</b>		<b>\$ 2,226,321</b>	<b>\$ 8.38</b>	
Phase 1 - Façade		\$ 6,100		Less: Current Level 5		\$ (1,193,093)		
Phase 1 - Additional social space FF&E		\$ 250		Budget				
<b>Sub-Total Phase 1 (Complete)</b>		<b>\$ 46,350</b>		<b>Net O&amp;M Cost</b>		<b>\$ 1,033,228</b>	<b>\$ 6.59</b>	<b>UBC Central</b>
Sub-Total Phase 2		\$ 17,900		* Includes: building maintenance, custodial, municipal and security services				
Sub-Total Phase 3		\$ 5,684		<b>Life-Cycle Capital Costs</b>		<b>Annual \$</b>	<b>\$/ GSF</b>	<b>Funding Source</b>
Total Project Budget		\$ 69,934	\$ 263	Cyclical Maintenance		\$ 642,500	\$ 4.10	Student Fees
				Modernization/Upgrade		\$ 321,250	\$ 2.05	Student Fees
				<b>Total Cap Renewal Cost</b>		<b>\$ 963,750</b>	<b>\$ 6.15</b>	
Capital Budget Notes:				Operating Budget Notes: Facility to be maintained at APPA Level 2 standard				
FUNDING AGREEMENTS (\$000s)				FINANCING AGREEMENTS				
<b>Funding Source</b>	<b>Liability with:</b>	<b>Committed</b>	<b>Secured*</b>	<b>Debt Serviced By:</b>	<b>Loan Amt*</b>	<b>Amort.</b>	<b>Int.</b>	<b>Ann. Payment</b>
Donor Fundraising	Sauder	\$ 26,897	\$ 26,897		\$ -			
Faculty/Unit	Sauder	\$ 5,000	\$ -	Sauder (MBA/MM fees)	\$ 5,000	35	5.75%	\$ 335
Faculty/Unit	Sauder	\$ 4,356	\$ -	Sauder (Operations)	\$ 4,356	35	5.75%	\$ 292
Faculty/Unit	Sauder	\$ 17,900	\$ -	Sauder (BComm fee)	\$ 17,900	35	5.75%	\$ 1,199
Faculty/Unit	Sauder	\$ 5,684	\$ 5,684		\$ -			
Central Administration	UBC Central	\$ 9,847	\$ 1,985	UBC Central (Trek)	\$ 7,862	35	5.75%	\$ 526
Grants/Other	Classm Services	\$ 250	\$ 250		\$ -			
<b>Total</b>		<b>\$ 69,934</b>	<b>\$ 34,816</b>	<b>Total</b>	<b>\$ 35,118</b>			<b>\$ 2,352</b>
* Funding paid or firmly committed to be paid before end of construction				* Loan amts in this case represent liabilities for unsecured funding sources				
Funding Notes:				Debt Capacity Impact:				

## FREQUENTLY ASKED QUESTIONS

### Can I have some Background Information?

The sequence of events began in 1999 with the arrival of Dean Dan Muzyka to the Faculty of Commerce and Business Administration at UBC. There he found that alumni and key members of the business community on the Faculty Advisory Board, the university administration, and the provincial government, were seeking to increase the prominence and reputation of the faculty. In fact, they had been continually lobbying and negotiating with the government for over 10 years in a bid to increase funding to the faculty.

When hiring managers came to Sauder from major corporations, they were not shy to report that the space looked more like a high school than a Business School educating top quality professionals. The Accreditation agencies (AACSB and EFMD) echoed this sentiment and pointed out that the physical space was a definite weakness in the school. They highlighted the need for the physical structure to be modernized and updated, and asked us to commit to an endeavour that would work towards fulfilling that need.

The initial plan was to fund a new building through fund-raising and government support (Plan A). However, despite years of lobbying, the government has still not committed capital funding to the Sauder renewal. Instead, it has provided substantial capital funding of the

expansion of the Medical School, the building of a new campus for the University of British Columbia-Okanagan, and a number of other projects at UBC and around the province. Understandably, the government has been faced with difficult decisions to make and has chosen to prioritize healthcare and broader access.

### **How much should the fee be?**

Of the \$65 million needed for the new building, \$45 million was available. \$20 million was therefore still needed. The \$500 annual fee for undergraduates and \$1000 for MBAs was what was needed to support a mortgage for \$20 million. If we assume a steady state of 2700 BCOM students per annum (although this may fluctuate, we hope this is a conservative estimate), paying 5.75% mortgage interest rate over 35 years, this would support a little less than a 20 million dollar mortgage.

Therefore, the fee will be \$500 in constant 2012 dollars—in “real” dollars, students will pay the same over time. The nominal increase (from \$500) will be used to maintain the building so that future students who pay the fee get a good facility for their money. A substantial donation beyond the fund-raising target or government grant would lead to a reduction of the fee accordingly.

### **Should we be building the building?**

For many years the members of the Faculty Advisory Board, who represent influential alumni and the business community, have believed that building renewal was necessary. It was based on the observed need for an updated teaching space, increased group-work space, and a more professional school image that would keep us esteemed in the eyes of the business community.

It was not the accreditation bodies that told Sauder to renovate but both accreditation bodies made it clear that the building was out-dated and lacked adequate space for teaching, group work, and informal interaction. The 2006 referendum provided strong evidence that students were of a similar opinion.

### **How do other faculties and universities do it?**

In a March 2008 referendum, AMS members passed the SUB Renewal Fee for the purpose of constructing a new Student Union Building. This fee, levied on all active members on a yearly basis, will be \$20 in 2008/09 and will increase by an increment of \$10 per year (\$30 – 2009/10) up to and including 2016/17 after which the fee will remain constant. In addition, the Architecture faculty (SALA) recently held a referendum to raise student fees by \$300 (\$50 to \$350) (item 10, page 11 AMS Council Minutes January 2009). The justification given for the fee was “It’s an IT fee to cover a deficit in the IT budget and create a buffer for the

future. It's being passed on to the School." Our system of provincially-funded higher education means that it is difficult to compare across provinces.

For example, Ontario has deregulated professional program tuition and provided substantial capital grants for new building construction at business schools. Quebec has deregulated tuition for MBA programs but has kept undergraduate tuition very low. Queen's University has an opt-out provision in its student building fee, but only because it is required to do so by government regulation. Also, rather than supporting a mortgage, this fee is fundraising a fixed amount. In any case, the more students opt out from paying the fee, the longer the fee will be in place until that fixed amount is raised.

### **What is this accreditation thing anyway?**

Accreditation is a stamp of approval from a major association of university business schools. We have two types of approval—from government oversight and from independent accreditation bodies. American Association of Collegiate Business Schools (AACSB) and EFMD (European Federation of Management) are the two accreditation bodies that we work with. Virtually all of our exchange partners are accredited by one of these two bodies.

How does the process work? Prior to the Accreditation visit, the school fills out a 50-page report that describes the operation of the school, including majors and minors, all courses, all professors and their training and publications, the office and advising structure, the career centre and relationship with major employers, etc. Then, 3-4 deans from comparable business schools visit for 2-3 days and interview students, professors, and staff; tour classrooms and libraries; visit with the dean, provost, and university president; and examine financial records, class outlines, and discuss teaching philosophy. They are completely independent. However, for many rankings you must be accredited before you can be measured in the rankings.

### **What is the total building cost?**

As noted in the Board of Governors document, the Phase 1 budget was 46.1million and the proposed Phase 2 capital budget is 17.9 million. Phase 2 was originally approved conditional on the 2006 student fee being approved, then conditional on provincial funding in the amount of 18 million dollars in lieu of the student fee that has been turned down. Now that this previously promised government funding has been withdrawn, Phase 2 will only be approved conditional on the current student referendum. The university has provided bridge funding and loan guarantees in the amount of 20.1 million dollars. This amount must be paid back. Fund-raising has provided about 24 million dollars. Another 12 million dollars will be sought through further fundraising. An MBA student fee along with several small on-campus funding sources will yield a further \$8 million. A \$20 million mortgage will be raised through the annual student fees to support the Sauder building renewal to cover the rest of the total building cost of just under 65 million. In the next two years, Phase 2 will renovate existing

classrooms in Henry Angus floors 2 through 4, provide an expanded and updated Learning Commons; develop a trading room; and provide additional conference rooms.

**Is this fee included in the CUS Constitution?**

As per policy, fees are not included in the CUS Constitution, and subsequently this fee has no bearing on the upcoming referendum on updating the constitution.

**If this fee is structured as a mandatory donation, will students be receiving any recognition on the wall of donors?**

Yes, students will be recognized for their contributions. The architectural firm in charge of the building project has been mandated with designing the recognition piece and incorporating it with the wall.