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Programme, Financial and Administrative Section
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FIFTH ITEM ON THE AGENDA

Building questions: Headquarters building renovation project

Purpose of the document

At its 309th Session (November 2010), the Governing Body approved a comprehensive plan for the renovation of the ILO headquarters building. This paper provides information on the developments since the 319th Session (October 2013) of the Governing Body.

The Governing Body is invited to take note of the proposed reduced scope of the project required to retain the total cost approved in the 2010 plan while implementing necessary safety and environmental measures, and to encourage the Director-General to explore options for additional financing beyond that approved in the comprehensive plan to enable the full scope of the project to be realized.

Relevant strategic objective: None.

Policy implications: None.

Legal implications: None.

Financial implications: None.

Decision required: Paragraph 29.

Follow-up action required: Further report in November 2014.

Author unit: Headquarters building renovation project (Deputy Director-General for Management and Reform).

Related documents: GB.317/PFA/2; GB.309/PFA/BS/2(&Corr.); GB.309/PFA/11/1; GB.310/PFA/BS/1; GB.312/PFA/5(&Corr.); GB.313/PFA/INF/2; GB.313/PFA/INF/2(Add.); GB.313/PFA/3/2; GB.315/INS/6/1; GB.316/PFA/3; GB.170/FA/BS/D1/2 and GB.319/PFA/4.

Key developments

1. The building renovation project design phase has been completed, concluding with the filing of a request for a building permit on 11 December 2013. Subsequent discussions with the local authorities have raised a number of additional requests relating to further fire safety measures and the building's architectural heritage. The impact of these requests is being assessed and negotiations will continue with the local authorities to identify appropriate solutions.
2. Although a thorough assessment of the project costs has been carried out, the additional requests raise some uncertainty as to the final costs. A re-evaluation of the cost estimates will be required once all the additional work emerging from the building permit process is known.
3. A request for loan funding for the renovation project has been submitted to the host State. The review and approval process is expected to take some 12 months. A representative of the Swiss Federal Department of Foreign Affairs with responsibility for reviewing loan applications has joined the ILO Swiss Coordination Committee.
4. The report presented to the Governing Body in October 2013 provided three scenarios relating to the plan approved by the Governing Body in November 2010 ("the 2010 plan"). While undertaking the full renovation as outlined in the 2013 report remains the preference, in view of uncertainty as to the capacity of the Office to finance the full scope, it is proposed to reduce the scope of the renovation in order to remain within the resource level identified in the 2010 plan of some 205 million Swiss francs (CHF).

Financial aspects

5. The Governing Body will recall that the 2010 plan¹ included the following resources:

Table 1. Available and projected resources

	Swiss francs (millions)
Available resources	79.1
Projected resources	
■ Land sales	
– Avenue Appia	26.3
– Route de Ferney	50.5
■ Loan financing	50.0
Total	205.9

6. Progress on development for sale or disposal of the two non-strategic plots of land has been constrained pending the promulgation of a new law modifying the zoning of ILO lands. The law was passed in September 2013 and the period during which objections could be lodged has now expired. This development will enable the Office to pursue the elaboration of local development plans for both plots, as necessary, and to seek potential investment partners to develop and ultimately dispose of the land. The local development

¹ GB.309/PFA/BS/2(&Corr.).

plan (PLQ) drafted for the Avenue Appia plot² will be reviewed in light of the new law and the current real estate market.

7. The Route de Ferney plot is held by the ILO under a leasehold with 60 years remaining on the lease. The Office has responded favourably to contact from the local authorities indicating their interest in resuming discussions on the arrangements for the disposal of this leasehold interest and a meeting is planned for the month of April 2014.
8. The Office will engage expert assistance to guide its negotiations with the local authorities to ensure potential development proposals for the land and zoning approvals are processed efficiently and contribute to achieving the financial goals established for the project. Expert assistance may also be engaged to ensure a broad search for development and investment partners to optimize the value of the two non-strategic plots.
9. Independently of the above activity, updated valuations of the ILO land holdings have been requested following the promulgation of the new zoning law. Even though the estimated values previously shared with the Governing Body included assumptions based on the then proposed law, which from a valuation perspective has remained unchanged, the real estate market is constantly changing and the revised valuations will reflect any evolution in this market.
10. Since the presentation of the 2010 plan, the host Government has announced a revised policy with respect to financial assistance for major renovation projects. Such assistance includes loan finance at preferential rates. Access to preferential arrangements would result in an increased capacity to service a loan and therefore potentially absorb additional scope elements identified elsewhere in this document. However, there has been some softening of the commercial rental market, which could have a countering impact on potential income from vacant space in the renovated building to finance such a loan.
11. In December 2013 the Office submitted a request to the host Government for its consideration of the eligibility of the headquarters building renovation project for loan finance under preferential terms. In order to allow sufficient time for the loan application to be considered by the Swiss federal authorities (which they estimate to be in the order of 12 months), an indicative loan amount including possible peak levels due to the need for bridge financing pending the sale or disposal of the non-strategic land was requested. The servicing costs of additional loan finance to achieve the full scope of the project at current preferential interest rates would amount to some CHF3 million per annum.
12. The Office has also resumed its exploratory discussions with a financial institution on the possibility of a commercial lending arrangement as an alternative to lending that may be offered by the host Government. A shorter approval process would be possible; however, servicing costs would be increased. The additional costs for a 30-year loan as foreseen in the 2010 plan could be between CHF4.6 million and CHF9 million. These discussions are also exploring development and investment opportunities associated with ILO land available for disposal.
13. The conclusion the Office has reached is that, having explored available funding options with the Governing Body during the development of the 2010 plan, in the absence of grant financing, an increase in regular budget assessments to service an additional loan or other as yet unidentified sources of funding, the resource plan approved in November 2010 remains a prudent basis upon which to continue progress on the project, albeit with a significantly reduced scope.

² GB.309/PFA/BS/2, para. 49.

14. Should additional funding become available from the eventual disposal of the land, or from other sources, the Office may return to the Governing Body for approval to extend the renovation to those areas which cannot be undertaken within the planned resource level of CHF205.9 million.

Reduced scope

15. The origin of the renovation project was an assessment that, following some 30 years of limited maintenance, a major refurbishment of the ILO building was required. The mechanical, electrical and plumbing installations were reaching the end of their useful life and were in need of replacement. In addition to which a number of structural and weather proofing measures had to be taken. The different technical studies and design processes had also identified issues relating to safety and environmental factors which needed to be addressed. The proposed scope reduction takes into account the initial requirements and also the more recently identified safety requirements. It would ensure that all immediately essential works are undertaken. The remaining works could be deferred and reassessed once funding has materialized.
16. The final definition of the reduced scope of works will be determined with the assistance of the local authorities in identifying regulatory priorities.

Main building fully renovated

17. It is proposed to carry out the full renovation of the main Office building, including safety and environmental measures and mechanical, electrical and plumbing works. This will provide staff and visitors with a safety-compliant working environment, while significantly reducing the carbon footprint of the building and its energy costs.
18. Discussions are continuing with the local authorities to minimize the number of further changes emerging from the construction permit process.

Lower floors

19. It is proposed to address the immediate safety compliance requirements and recommended environmental measures of the lower floors. The ILO conference rooms, the library and the restaurant do not meet current standards with respect to emergency exits. In order to comply with the current standard, the large bay windows in the conference rooms and restaurant area would be replaced, adding emergency exits. Insulated glass would be used, thereby improving the energy efficiency of the conference centre and the restaurant area.
20. As the large bay windows would be changed, this would provide an opportunity to renovate the remaining conference rooms (GB, II, III, IV, V, IX and X) without significant disruption to the ongoing operations of the conference centre, by accessing the rooms from the outside. The renovation would be limited in scope to match the refurbishments made in 2008 to rooms I, VI, VII and XI.

Car park

21. The reduced scope would include safety elements, such as sprinklers, the removal of storage areas, and repairs to the Gerber supports in the parking facility.

22. Table 2 below illustrates the various elements that have been retained in the proposed revised scope.

Table 2. Headquarters building renovation project (thousands of Swiss francs)

Description	Total		
	2010 plan	Revised estimate	2014 scope
Asbestos survey	336	292	292
Kitchens	4 144	5 250	5 250
Floors 1 to 11	85 680	124 919	121 138
Replacement of Gerber supports	1 792	1 484	1 000
Sprinkler in car parks	1 568	4 140	2 100
Treatment of exposed concrete	2 688	1 140	500
Electrical substations	2 240	1 835	–
Conference rooms	8 960	26 896	18 671
Lower floors	22 064	31 754	6 300
Double glazing colonnade	3 584	2 996	2 545
Remaining elevators	1 792	2 312	500
Remaining roofs	4 032	3 827	–
Triple glazing office windows	1 008	251	200
Use of “Genève–Lac–Nations” project for heating	9 184	1 500	– *
Temporary offices	7 500	6 625	6 625
Moving costs	2 000	1 500	1 500
Project management (project staff)	9 000	12 769	12 769
Insurance and miscellaneous	900	900	900
Subtotal	168 472	230 390	180 290
Unforeseen	17 300	23 730	18 570
Inflation	17 600	8 558	6 689
GRAND TOTAL	203 372	262 678	205 549

* Although removed from the budget, there remains a possibility to install the “Genève–Lac–Nations” system for heating, through collaboration with the local energy service provider (SIG).

Out-of-scope items

23. Appendix I contains a list of work that has been removed from the full scope of the project and would have to be undertaken in a subsequent phase. The financial implications would have to be reassessed at that time to incorporate additional site preparation and mobilization costs.
24. Appendix II lists the options identified in the enhanced scope and how they are affected by the reduced scope.

Building permit

25. A request for a building permit was filed on 11 December 2013, based on a full design option as presented to the Governing Body in October 2013. The scheduled period for review of the application by the authorities was set as five months. Following initial discussions with local authorities, this has been extended, due to the complexity of the operation. It is anticipated that the permit will be finalized this summer. Work is required to commence within one year of issuance of the building permit.

Design progress

26. The design work for the full scope of the project has been completed. In addition, detailed specifications have been prepared by the engineers and architects for the renovation works of the main building. These will be reviewed and amended once the building permit process has been completed, and calls for tenders will then be launched. A contract for the preparation of specifications on the lower floors will be awarded shortly to ensure that the work retained in the reduced scope can also be put to tender.

Possible new construction

27. In response to questions raised during the October 2013 session of the Governing Body, the Office has reviewed the feasibility and cost of constructing a new office on vacant land adjacent to the current premises rather than undertaking the renovation. The principal argument against this option would be the value of the existing building in its current state. The need for a significant investment in its refurbishment would deter potential investors, as would the restrictions on the use of the building, especially given its size, and the availability of other office facilities recently completed or being planned in the area. The cost of a new building with the same capacity as the current headquarters building, adapted to more efficient space techniques and technologies now available, would amount to some CHF436 million. This estimate does not include new conference facilities but does include the renovation of the existing conference facility and assumes the Office would retain the right to use that part of the current building. The inclusion in a new construction of a comparable conference centre, foregoing the renovation of the existing facility, would increase the estimated costs to some CHF483 million.
28. A delay of two to three years should be anticipated, due to the need to undertake preliminary studies and architectural competitions and to follow local construction approval procedures.

Draft decision

29. *The Governing Body takes note of the proposed reduced scope of the project required to retain the total cost within the amount approved in the 2010 plan while implementing necessary safety and environmental measures, and encourages the Director-General to explore options for additional financing beyond that approved in the comprehensive plan to enable the full scope of the project to be realized.*

Appendix I

Changes from the revised estimate

The following list identifies the works which have been removed from the scope of the project and which would have to be undertaken in a subsequent phase.

- (1) **Floors 1 to 11** – The reduced scope includes all design elements planned prior to filing for the building permit; the difference in costs is due to design simplifications. No new additional requirements from the permit process have yet been quantified or included.
- (2) **Replacement of Gerber supports** – The Gerber supports will only be renovated in the areas where renovations are taking place. The completion of this work to protect the steel reinforcements in the remaining areas will be deferred.
- (3) **Sprinklers in the car parks** – The mandatory requirement for sprinklers in the car parks will be met, as will the removal of storage areas and increased signage. The additional fire compartmentalization and evacuation measures will be carried out at a later time.
- (4) **Treatment of exposed concrete** – The exposed concrete will only be treated in the areas where renovations are taking place. Further treatment will have to be carried out as regular maintenance over an extended period of time, funding permitting.
- (5) **Electrical substations** – The replacement of the outdated electrical substations is not foreseen in the reduced scope; they will continue to be used. Increased maintenance will be necessary.
- (6) **Conference rooms** – The air-handling units will not be replaced and will not be connected to a building management system. The interpreters' booths will be renovated, but there will be no widening of the booths to meet the new dimensional standards. The central display screen in the Governing Body room and refurbishment of conference rooms' fixtures will not be done in the context of the renovation project. The central areas (such as Gobelins and the library) will remain as they are.
- (7) **Lower floors** – The archive rooms will be protected from fire hazards, but not renovated. The offices on the lower floors and the support services (such as mail services, workshop and storage) will not be renovated.
- (8) **Double glazing colonnade** – The glazing will be changed to improve the environmental impact but no other refurbishment will be undertaken in this area.
- (9) **Remaining elevators** – Some alterations will be made to the goods lift beside the archives room for fire safety reasons, but no other renovation of goods lifts or central lifts will be carried out.
- (10) **Remaining roofs** – No waterproofing of the remaining roofs will be carried out, other than repairs due to the renovation works. Leaks will have to be addressed through periodic maintenance rather than the proposed comprehensive refurbishment.
- (11) **Triple glazing office windows** – Triple glazing will be installed in the renovated offices only, not in other offices located on the lower floors.
- (12) **Use of “Genève–Lac–Nations” project for heating** – No works will be carried out to extend the current cooling system for heating purposes. This could be carried out at a later stage.

Appendix II

Options in the enhanced scope ¹

The following explains the impact which the reduced scope would have on the options identified in the October 2013 report as the enhanced scope, and identifies whether they could be undertaken in a subsequent phase.

- (1) **Gas extinction** – The gas extinguishing system for the electrical and IT rooms is not included, but could be added at any time in the future, as a business continuity measure.
- (2) **Main entrance** – The proposed main entrance is not included in the reduced scope. An alternative secure fire escape from the first floor will have to be defined, as will a means of improving the security of the building. The escape routes out of the central space of the main office building are heavily dependent on a main entrance. In the event that a decision on the main entrance is postponed, it would have to be made prior to works starting on the central third of the office building and prior to changing the glazing in the colonnade. This option is considered by the local authorities as having an undesirable impact on the building’s architectural heritage and could prevent a building permit from being issued.
- (3) **Library** – The library will not be renovated, nor will the M2 sanitary facilities. These works could be carried out at a later stage. This option is also considered as having an undesirable impact on the building’s architectural heritage and could prevent a building permit from being issued.
- (4) **Archive fire protection** – Instead of installing a fire extinguishing system to the archives room located on level P2, the likelihood of a fire will be reduced by removing all sources of ignition from the rooms. A gas extinguishing system could be added to the rooms at a later stage, to protect the valuable historical records of the ILO.
- (5) **Grey water** – This water-saving system is not included in the scope, and could not be introduced at a later stage in renovated areas.
- (6) **Air conditioning of conference rooms** – Replacement of the air-handling units is not included in the reduced scope, but could be added at any time.
- (7) **Insulation of lower floors** – Insulation of the lower floors is not included in the reduced scope, as no renovations are planned in the lower-floor offices.
- (8) **Efficient heating of conference rooms** – The heating of the conference rooms will continue using the static heaters on the periphery of the rooms and the obsolete air handling units. However, the proposed insulated glass will improve the current situation.
- (9) **Identification of conference room entrances** – The proposed clearer signage of the meeting rooms can be added at any time.
- (10) **Transforming the cinema into an exhibition space** – No works will be carried out in the cinema. The proposed repurposing of this room as an exhibition area, where the history of the ILO could be displayed and up-to-date presentations and conferences hosted, will still be possible in the future.

¹ “Enhanced scope” relates to the works described in GB.319/PFA/4 which the pilot considers will bring additional benefit to the ILO headquarters, but which were not part of the originally approved scope.