

23RD SESSION OF THE STANDING COMMITTEE
ON PROGRAMMES AND FINANCE

AGENDA ITEM 8

Update on Plans for the IOM
Headquarters Building

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BACKGROUND

- Triangular five-storey constructed 35 years ago, ending in 2033; financed through a 50 year interest-free mortgage of CHF 18 million by Switzerland.
- Currently occupied by approximately 260 staff; annex building situated next to the IOM Headquarters and in the World Council of Churches rented for additional 190 staff.
- Staff based at HQ envisaged to increase to approximately 600 out of a global workforce of approximately 11,000.
- Building never refurbished and a substantial renovation is required and it becomes more problematic as time passes due to deteriorating conditions.

OPTIONS TO ADDRESS SPACE ISSUE IN IOM

Option	Estimated Cost (CHF)	Observations
Option 1: Renovation + three additional floors based on the current building configuration	31 560 000	Requires ongoing costly maintenance
Option 2: Partial renovation + extension	34 920 000	Requires ongoing costly maintenance
Option 3: Partial renovation + extension + two additional floors	39 120 000	Requires ongoing costly maintenance
Option 4: Partial renovation + Annex rental	34 270 000	Requires ongoing costly maintenance. Not feasible option
Option 5: Demolition of existing building + construction of new building	41 660 000	Fully optimized* and cost-effective

* The term “optimized” refers to the level of conformity with the Swiss requirements for the amount of space available per person in office buildings.

ADVANTAGES FOR CONSTRUCTION OPTION

- Extension and renovation would only partially respond to the Organization's needs.
- Use of the latest construction technologies, installation of smart security measures, ventilation and insulation would significantly improve on-site safety and provide a secure working environment.
- Energy conservation and environmentally friendly working conditions.
- A rectangular building configuration as opposed to the current triangular one would enhance space optimization and internal layout possibilities.
- Conference facilities would result in significant savings.

ADVANTAGES FOR CONSTRUCTION OPTION

- Easier management of infrastructure and services, as any new building would be completely independent from adjoining buildings.
- Lower maintenance and utility costs.
- The current location is well served by public transport, which will support the implementation of a mobility plan as part of the Organization's efforts to protect the environment.
- The current location of the Headquarters is strategically positioned within close proximity to the UN Office and partner agencies.

ANNEX I

COST ESTIMATES FOR THE DIFFERENT BUILDING OPTIONS

		Baseline	Option 1	Option 2	Option 3	Option 4	Option 5
Project and building characteristics	Description of planned activities		Renovation + three additional floors based on the current building configuration	Partial renovation and extension	Partial renovation, extension and two additional floors	Partial renovation and Annex rental	Demolition of existing building and construction of new building
	Expected construction/renovation period		36 months	36 months	36 months	36 months	36 months
	Estimated cost saving on maintenance, running and other costs (cost as percentage of the baseline)	100%	10%	10%	10%	10%	30%
		CHF					
One-time investment (funded by loan)	Construction/renovation cost		31 560 000	34 920 000	39 120 000	34 270 000	41 660 000
	Construction management fee (12%)		3 787 000	4 190 000	4 694 000	4 112 000	4 999 000
	Contingency (7% of total cost)		2 474 000	2 738 000	3 067 000	2 687 000	3 266 000
	Subtotal: construction/renovation costs (to be capitalized)		37 821 000	41 848 000	46 881 000	41 069 000	49 925 000
		CHF					
Cost to IOM: Year 1 to Year 3	Interest on the new loan		1 134 630	1 255 440	1 406 430	1 232 070	-
	Subtotal: financing costs during the project period		1 134 630	1 255 440	1 406 430	1 232 070	-
	Project management costs		1 500 000	1 500 000	1 500 000	1 500 000	1 500 000
	Rental of temporary premises during the project period		4 860 000	4 860 000	4 860 000	4 860 000	4 860 000
	ICT and business continuity costs		1 500 000	1 500 000	1 500 000	1 500 000	1 500 000
	Moving costs		1 000 000	1 000 000	1 000 000	1 000 000	1 000 000
	Subtotal: project management and temporary office costs (to be expensed)		8 860 000	8 860 000	8 860 000	8 860 000	8 860 000
	TOTAL COST YEAR 1–YEAR 3		9 994 630	10 115 440	10 266 430	10 092 070	8 860 000

ANNEX I

COST ESTIMATES FOR THE DIFFERENT BUILDING OPTIONS

		Baseline	Option 1	Option 2	Option 3	Option 4	Option 5
		CHF					
Annual cost to IOM from Year 4	Amortization of the new loan	-	756 000	837 000	938 000	821 000	999 000
	Interest on the new loan	-	324 000	359 000	402 000	352 000	-
	Additional office space rental cost	684 000	360 000	720 000	360 000	1 224 000	-
	Conference venue rental cost	300 000	300 000	150 000	150 000	300 000	25 000
	Maintenance and running costs (Baseline for 450 staff, options 1–5 estimated for 600 staff)	985 160	1 182 000	1 182 000	1 182 000	1 182 000	919 000
	TOTAL RECURRING COSTS AFTER THE PROJECT PERIOD	1 969 160	2 922 000	3 248 000	3 032 000	3 879 000	1 943 000
		CHF					
Repayment of the existing loan	The existing loan will need to be repaid under all options to enable the signing of a new loan. A building reserve would be created using the excess overhead generated from 2018–2020		5 160 427	5 160 427	5 160 427	5 160 427	5 160 427

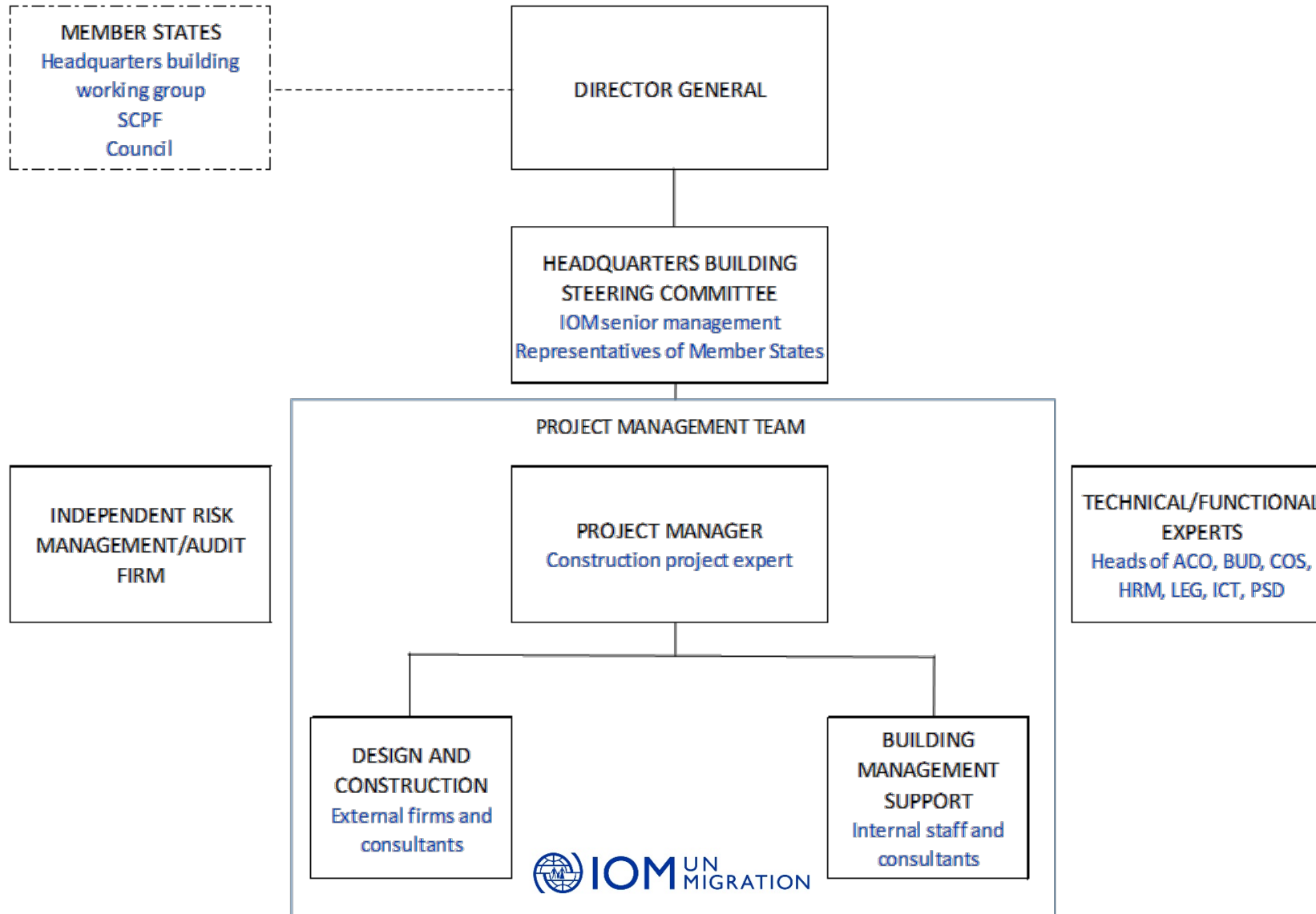
FINANCIAL IMPLICATIONS

- Annual cost of office space for IOM Headquarters is approximately CHF 2 million, comprising mortgage and running costs of CHF 1,353,760; CHF 684,000 for rented offices. Additional CHF 300,000 spent on rental of external conference facilities.
- With the estimated cost of CHF 49.9 million (Annex I-Document S/23/8), the annual mortgage payments over 50 years would be approximately CHF 834,000.
- The Administration undertakes to implement the project within available budget and any unanticipated costs will be covered by a drawdown for the Operational Support Income (OSI) reserve mechanism.

FINANCIAL IMPLICATIONS

- The administration will contribute towards the project by covering one-time moving costs.
- All financial considerations related to a new building would be carefully assessed and monitored and reported to Member States throughout the project life cycle.
- As of 2018, the remaining mortgage amount on the current Headquarters building is CHF 5,897,627.
- The Government of Switzerland generally offers an interest-free loan for new construction projects for international organizations, with a maximum repayment period of 50 years. Loan for the renovation options would incur interest.

GOVERNANCE STRUCTURE



GOVERNANCE STRUCTURE

- The Director General as the Project Owner will have the full accountability for the project and ensure regular reporting to Member States.
- Propose to establish Building Working Group which would comprise of all Member States and would provide oversight from project conceptualization through construction and final delivery.

GOVERNANCE STRUCTURE

- Establish a Steering Committee that would be the first oversight level for project review, planning and implementation, and would ensure coordination among the Project Management Team and reporting to Member States. It will be composed of IOM senior management and four representatives of Member States to be nominated by the Council Bureau.
- Establish a Project Management Team comprising of design and construction specialists who will guide the tender process, manage the daily project operations, planning of key activity milestones, resource requirements and produce project reports etc.

Post Pre-SCPF Update

- Following the initial assessment to determine the cost of the building, a study based on pre-requisites would need to be undertaken to determine the exact cost of the project.
- Final proposal will include cost of conference room and cafeteria equipment which can be considered as part of mortgage.
- The industry trend is about 20% - 25% more between the initial assessment and the study which details project specifications and costs.
- Experience of other Organizations suggest the importance of including an audit/risk management.
- Consistent with current practice, the yearly mortgage and running costs will be accommodated through yearly budget processes.

Post Pre-SCPF Update

- The environment, heritage, transport, roads, agriculture, water, office for authorization for construction have indicated they do not anticipate any objections.
- Project will be funded through 50 year mortgage and not from assessed contributions of Member States.
- The mortgage includes a loan for the study to be undertaken by Swiss construction experts in consultation with the Administration.
- There is no ceiling on a mortgage submission to the Government of Switzerland and each proposal is based on the merits of the case presented.
- Land lease is for 99 years and subject to renewal thereafter.
- A comparable project by another Agency for 390 staff cost CHF 59 million.

Post Pre-SCPF Update

Number of staff at HQ

Year	Number of Staff	Absolute Change	Proportional change
2008	330	-	-
2009	304	-26	-8%
2010	284	-20	-7%
2011	275	-9	-3%
2012	283	8	3%
2013	279	-4	-1%
2014	321	42	15%
2015	345	24	7%
2016	393	48	14%
2017	436	43	11%
2018	450	14	3%
Total Change (2008 to 2018)		120	36%
New Building		600	33%

NEXT STEPS

- Recommendation by SCPF to Council to adopt resolution authorizing the DG to submit a mortgage proposal to the Government of Switzerland.
- The proposal will initially cover costs of study to establish funding requirement.
- Subject to approval by Member States, a number of planning initiatives would need to be undertaken before construction works could start.
 - (a) Initiate formalities for a mortgage application to the Swiss authorities to first start with the study.
 - (b) Establish a Project Management team composed of construction experts.
 - (c) Call for expressions of interest for the project.
 - (d) Develop a temporary relocation plan during the construction period

THANK YOU