

**FOR DEBATE AND GUIDANCE**

## FIRST ITEM ON THE AGENDA

**Status report on ongoing renovation activities and preparations for future activities at the headquarters building****I. Completed and ongoing renovation activities at the headquarters building**

1. The purpose of this document is to inform the Building Subcommittee of the status of the ongoing renovation activities and to provide an overview of activities completed since the March 2008 session of the Subcommittee.

**Urgent work at headquarters**

2. Following the international invitation to tender, the cost of the work on the roofs of the main building, the east and west terraces, the car parks and the two service lifts has been deemed to be within the financial limits accepted by the Governing Body of 7.7 million Swiss francs (CHF).<sup>1</sup> Regarding the roofs and the car parks, a contract was signed with the enterprise selected and work began on 15 August 2008. At this stage, it is estimated that work will be completed by the end of September 2009. As to the work on the two service lifts, this will begin at the end of 2008 and will be completed by the end of 2009.
3. An internal project team has been set up with the support of CB Richard Ellis, the external consultant. The team plans, organizes and monitors all work and ensures that the budget and planning, as well as all the ILO's own financial and administrative rules, are respected. It also oversees coordination between all internal and external actors. In particular, the project team ensures that the enterprises carrying out the work comply with safety and health standards. The site is inspected regularly and particular attention is paid to the protective measures put in place for the workers, as well as to the possible presence of any suspect material which might require the immediate application of additional measures. To this end, through the Swiss Mission, the Office can also count on the support of local administrative bodies specializing in worksite safety and health issues.

<sup>1</sup> GB.297/PFA/3.

4. Civil servants and other persons working in the headquarters building are regularly informed of the status of work by email and through posters put up at entry points. Two information sessions were organized for all staff members in August and September 2008.
5. The Advisory Committee on Safety and Health (ACOSH) is kept informed of developments concerning the work and measures taken in the field of safety and health.

### **Lift for persons with disabilities**

6. As was explained to the Building Subcommittee at the March 2008 session,<sup>2</sup> the results of the additional tests carried out in the underground car parks led the Office to suspend the tendering procedure for work to construct the lift for persons with disabilities. In the meantime, an engineering consultant has confirmed that the lift is compatible with the structural condition of that part of the building and the implementation plan has consequently been altered.
7. The work could be carried out between the summer of 2009 and the end of the same year.

### **Work in the restaurants and kitchens**

8. Replacement of defective equipment in the kitchens will take place at the end of 2008 and will cost CHF390,000 in total. The costs will be met by the current contractor under the terms of the existing contract with the Office.
9. Under the same contract, any restaurant furniture or surfaces that have been damaged are to be replaced once the invitation for tender procedure has been finalized. This work, which according to estimates will cost around CHF485,000, should take place during the summer of 2009.
10. The cost of a more complete renovation of the restaurants and kitchens is estimated at CHF4.5 million. This renovation will form a part of the next invitation for tender to run the kitchens which will be launched in 2009, given that the current contract will expire at the end of 2009.

### **Work in the meeting rooms**

11. The desks in meeting rooms III and IV have been equipped with electric sockets to allow laptop computers to be plugged in and mobile phones to be recharged. This work, costing a total of CHF20,000, was funded out of the current maintenance budget for the building.
12. Although the interpreting equipment in meeting rooms I, VI, VII and XI was renovated at the end of 2006, it is partially defective and cannot be used to full capacity. A technician was mandated by the Office to assess the exact causes and responsibility for these defects. Following the technician's report, the enterprise responsible for carrying out this work was called on to perform the necessary repair work.

<sup>2</sup> GB.301/PFA/BS/2/1.

## II. Future renovation works

13. In March 2008, the Governing Body authorized the Director-General to develop a master plan for the renovation and upgrading of the headquarters building for a total estimated cost of CHF182 million over a ten-year period (including provisions for cost increases). While starting to prepare for the development of a master plan, the Office considered it prudent to review all issues and ideas in relation to the renovation of the headquarters building, including the possible construction of a new building. This paper provides information on both options.
14. The master plan will include a detailed schedule of the works as well as technical, financial, legal and organizational aspects of works. It would clarify the conditions under which the Office could continue to function while works are under way, or vacate the building fully or partly, which could lead to a shortening of the duration of the works. A shorter duration would reduce the total estimated cost, but this would be at least partially offset by the need, if confirmed, to lease temporary office space.
15. As a matter of due diligence the Office has explored with an established architect the option of constructing a new ILO headquarters building on adjacent ILO property. The preliminary estimated cost is CHF268 million (at 2008 value) for a building of 40,000 square metres with capacity for 1,500 employees. Such a building would incorporate the latest environmental and security standards and would also be fully accessible to people with disabilities. A new building would offer more opportunities for efficient use of space, including parking. A building of this size would require approximately 20,000 square metres, or one half of the construction rights, of land held by the ILO.
16. The Office has continued to explore funding arrangements for both options, keeping in mind the following elements.
17. First, the Office recognizes that the host Government has consistently argued that it considers the renovation of the ILO building to be the responsibility of the owner/occupier of the building, i.e. the ILO.
18. Second, the ILO continues to repay a loan obtained in 1973 for the construction of its present building with a balance of some CHF66 million as at 31 December 2007, to be fully repaid in 18 annual instalments of CHF3.7 million. Any funding arrangements would have to account for the continued repayment of this loan.
19. Third, the Office was encouraged to consider public-private partnerships as possible arrangements of relevance. The Office has consulted with the Ecole Polytechnique Fédérale de Lausanne (EPFL), which has applied such partnerships to build and operate various facilities of its campus, and with Bouygues/Losinger, a private construction company with experience in public-private partnerships in Switzerland and the United Kingdom. These preliminary discussions have confirmed the relevance of such partnerships.
20. A public-private partnership would provide access to investment capital provided by private or public investors. One option would be for private or public investors to build on ILO-held land and operate office premises or conference facilities under a long-term lease arrangement with the ILO. Investment capital would be provided by private or public investors with the guarantee that they could build and operate such facilities. The Office is further exploring the financial terms of a possible partnership with public or private investors for the construction and/or management of buildings. Preliminary indications

suggest that, in view of the strong demand for office space in Geneva, such prospects are of potential interest to public or private investors.

21. Fourth, the Office has continuously maintained that the benefits of selling land adjacent to the ILO building needed careful assessment in order to safeguard the best interest of the Organization. The value of the freehold land (two plots of respectively 40,500 and 7,200 square metres) and that of the leasehold land (one plot of 21,100 square metres) held by the ILO could be considerably enhanced if these were associated with the construction of new facilities under a public–private partnership. Such an arrangement could provide a valuable income stream for the ILO that could be credited either to the Building Accommodation Fund or to repay outstanding loans.
22. A similar public–private partnership arrangement could be made to lease the current ILO building if it is decided to construct a new headquarters building. A property management contract with an external public or private party could be negotiated. Preliminary estimates are that rental of the entire office space and parking of the existing building (excluding conference facilities) could generate some CHF6 million per year after providing for maintenance, the repayment of the existing loan and a renovation reserve of 1 per cent.
23. In the event of a lease on the entire building the remaining renovation costs would be borne by the entity managing the lease and ultimately by the tenant(s). However, the ILO would have to undertake those renovation works required that are the responsibility of the owner. These renovation works are estimated at some CHF15–20 million, based on the estimates of the Techdata study of August 2006.
24. In the eventuality of the ILO fully renovating the current building, a public–private partnership could still be relevant to lease part of the office space made available as a result of the renovation, thus generating an income for the ILO.
25. The Office has had contacts with various organizations in Geneva (United Nations Office in Geneva, World Meteorological Organization and others) and elsewhere (International Fund for Agricultural Development in Rome, UNESCO in Paris, and the United Nations Secretariat in New York). These have shared their experience, both in construction and in managing buildings in compliance with up to date environmental standards.
26. A detailed financial plan for funding the construction of a new headquarters building or the renovation of the current building, would include the following:
  - (i) resources available in the Building Accommodation Fund as a result of the decisions taken by the Governing Body<sup>3</sup> and the International Labour Conference<sup>4</sup> in, respectively, March and June 2008 amounting to some CHF57 million;
  - (ii) proceeds from the lease, sale or otherwise ceding of the leasehold land held by the ILO;
  - (iii) any loan to be negotiated with public and/or private institutions;
  - (iv) income streams generated through public–private partnerships;
  - (v) possible specific contributions from member States.

<sup>3</sup> GB.301/10/1(Rev.).

<sup>4</sup> *Provisional Record* No. 11-2, International Labour Conference, 97th Session, Geneva, 2008.

27. According to Swiss legislation, the federal Government is authorized to grant interest-free loans of up to 50 years to international organizations for the construction of new buildings but not for the renovation of existing buildings. Loans for new buildings are decided on a case-by-case basis.
28. Recruitment for a position of project manager to lead the Office's plans to either build a new building or renovate the current one and interface with public authorities, construction firms and technical consultants is under way.
29. The Office is assembling further information, seeking expert advice, and commissioning a series of feasibility studies to examine the two options presented above. These studies include possible partnerships with the private and public sectors and other international organizations in the construction and management of new facilities, and management of all or parts of the current headquarters building that could be rented out.
30. A detailed financial analysis of the two options, the construction of a new building or the renovation of the current building, will be presented to the March 2009 Governing Body for decision.
31. The Office is closely associating the Swiss Building Foundation for International Organisations (FIPOI) in these studies and has regular consultations with the Foundation.
32. The further development of these plans will require close and frequent consultations with the Governing Body and the Building Subcommittee of the Programme, Financial and Administrative Committee.
33. In order to better assess the different options on hand, the Office intends to establish an expert advisory body composed of independent architects, engineers, construction specialists, and local authorities (State and City of Geneva, and the FIPOI). The role of such an advisory body would be to guide the Office in relation to the renovation and construction projects under consideration. Such an advisory body was also established during the planning and construction of the current headquarters building.
34. The Building Subcommittee is requested to review the proposals presented in this document and provide guidance on the proposed way forward.

Geneva, 24 October 2008.

*Submitted for debate and guidance.*