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**IMMEDIATE
ATTENTION**

EBAP/97/72

July 21, 1997

To: Members of the Executive Board

From: The Secretary

Subject: **Phase III Fitout Budget—Part Three**

Executive Directors will be aware that it was estimated in 1994 that funds in the range of \$35 to \$40 million would be required to complete the fitout of Phase III (EBAP/94/16, 3/15/94; EBAP/95/77, 9/26/95), and that the Fitout Budget would be requested in three parts (EBAP/96/96, 9/12/96). Part One, in the amount of \$11.8 million, was approved in September 1995 (EBAP/95/77, 9/26/95). Part Two, in the amount of \$10.3 million, was approved in March 1997 (EBAP/97/22, 3/13/97). The attached paper requests the approval of \$17.0 million to complete the third and last part of the Fitout Budget, which approval would bring the total cost of the fitout portion of the Phase III project to \$39.1 million. The scope of the Part Three fitout work entails the fitting out of the office space in Phase III, and in the associated areas in Phases I and II, according to the plan to consolidate departments to the largest extent possible and to make the best use of the overall space in the headquarters building, while keeping costs and disruption to a minimum. There is no expectation at this time that the overall Fitout Budget will exceed \$40 million, the upper end of the estimated range.

In the absence of a request by an Executive Director, by noon on Thursday, July 24, 1997, that the topic of fitout be placed on the agenda for an Executive Board discussion, the draft decision that appears on page 7 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Ms. Prebensen (ext. 36313) is available to answer questions relating to the paper, and to the project more generally.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Phase III Fitout Budget—Part Three

Prepared by the Administration Department

**(In consultation with the Legal Department, Treasurer's Department and
the Office of Budget and Planning)**

Approved by Inger E. Prebensen

July 18, 1997

I. INTRODUCTION

1. Early in 1994, a paper was circulated (EBAP/94/16, 3/15/94) to Executive Directors discussing, *inter alia*, the Fund's space needs, the history of funding associated with the Phase III building project, and the proposed schedule and budget for the construction of the Phase III base building. At that time, a decision was made to proceed with the construction of the Phase III addition to the headquarters building with a total project budget of \$111 million. The paper also indicated that once the new base building was completed, it would need to be finished for occupancy (*i.e.*, the construction of offices). The occupation of Phase III will also entail extensive moves and renovations to existing offices in Phases I and II in order to consolidate departments to the largest extent possible, and to make the best use of the overall space available for offices while keeping costs and disruption to a minimum. The scope of this work, termed "fitout," also includes other support areas such as the renovation of the existing cafeteria and the new IMF Center.¹

2. The cost of fitout was excluded from the base building construction budget and was estimated in 1994 to amount to an additional \$35 to \$40 million. Part One of the Fitout Budget was approved in September 1995 (EBAP/95/77, 9/26/95) in the amount of \$11.8 million. Part II of the Fitout Budget was approved in March 1997 (EBAP/97/22, 3/13/97) in the amount of \$10.3 million, increasing the total approved Fitout Budget to \$22.1 million.

3. This paper presents the proposal for the third and last part of the Phase III Fitout Budget. Section II of the paper describes the proposed scope, budget and schedule for the Part III fitout work. Section III presents a description of new workspace standards, which involve bringing more natural light to offices, and which are proposed to be implemented over time throughout the headquarters building as office space is renovated. Section IV presents a summary of the Phase III Fitout Budget and includes a discussion of the financial controls that will apply. The final section contains the proposed decision.

¹A more detailed description of the scope of work for the entire Phase III project was included in Appendix II of EBAP/94/16, 3/15/94.

II. PART THREE FITOUT—SCOPE, BUDGET AND SCHEDULE

4. The Part Three Fitout Budget request consists primarily of the cost of the construction of staff offices, of the provision of associated furniture, furnishings and equipment, and of the relocation of staff and furnishings, following the master space utilization plan approved by management for the most effective use of space throughout the entire headquarters building. A total of approximately 530,000 square feet of office space will be constructed or renovated, comprising approximately 180,000 square feet in the Phase III addition and approximately 350,000 square feet in Phases I and II. Approximately 400,000 square feet of existing office space in Phases I and II will not be directly affected as part of the Phase III project.

5. In the Part Two budget request of March 1997 (EBAP/97/22, 3/13/97), it was estimated that the cost of the Part Three budget would be \$15.4 million. The revised estimate is \$17.0 million, bringing the total cumulative Fitout Budget to \$39.1 million, or slightly below the upper limit of the \$35 to \$40 million budget range provided in 1994. The increase of \$1.6 million from the earlier estimate is accounted for in paragraphs 7 and 8 below. Consistent with established accounting policies in the Fund,² the proposed expenditures will be capitalized and depreciated over the estimated useful life of the expenditures. When the building is ready for its intended use, the fitout costs will be charged to income over time, depending on the nature of the asset.

6. The Part Three budget comprises the following four categories of work:

• Construction	\$ 10.6 million
• New Workspace Standards	\$ 1.4 million
• Furniture, Furnishings and Equipment	\$ 2.0 million
• Office Moves	<u>\$ 3.0 million</u>
Total	\$ 17.0 million

Construction

7. The Construction budget category consists of the following major elements. The construction of offices in the Phase III addition is estimated to cost approximately \$3.2 million. The construction of offices to Phases I and II is estimated to cost approximately \$5.2 million. Approximately \$1.0 million is required for items such as air balancing, computer wire management within furniture, modifications to the food service facilities to enable the coffee bistro to remain in the second floor Atrium area, modifications to the new ground floor cafeteria to improve the flow of traffic between the two serving areas, and enhancements to the IMF Center that were not previously estimated. The cost of relocating the Joint Library to Phases I and III of the headquarters building is also included in this category, at an estimated cost of approximately \$1.0 million. The relocation of the Joint Library to the headquarters building, instead of to the Phase IV building as originally planned, will reduce the total number

²For a more detailed discussion, see Financing of Capital Expenditures in the Fund (EBS/93/40, 3/15/93).

of Fund staff and employees working in below-ground workspaces, and will improve the ease of user access to the Joint Library. As a result, the Bureau of Computing Services will not be relocated to the headquarters building as originally planned, but instead will go eventually to Phase IV. Finally, a \$200,000 allowance has been provided to cover the potential need to design and construct an additional smoking room in the new cafeteria; this amount was not included in the previous Part Three fitout estimate of \$15.4 million. As agreed at the recent Executive Board meeting on the Amendment of Fund Smoking Policy (EBM/97/68, 7/7/97), Executive Directors will be informed at a later date of the cost of building an additional smoking room in the cafeteria. This work will not be undertaken until the Executive Board has had an opportunity to review the proposal.

New Workspace Standards

8. This category of costs is for the new workspace standards, designed to bring more natural light into the office environment while maintaining the existing office size design limits for offices. The new workspace standards will be implemented in conjunction with the construction of new offices throughout Phase III (approximately 180,000 square feet) and as existing office space in Phases I and II (approximately 350,000 square feet) is renovated as part of the Phase III project. This work is estimated to cost \$1.4 million and was not included in the previous Part Three estimate of \$15.4 million. More detailed information describing the new workspace standards is presented in Section III below.

Furniture, Furnishings and Equipment

9. The Furniture, Furnishings and Equipment budget category consists of the following major elements. An estimated \$700,000 is for such items as standard office furniture, standard signage, standard window blinds, standard artwork and plants in public spaces, and for repairing/refinishing furniture. An estimated \$1.3 million is for non-standard or special furniture and equipment for areas such as the IMF Center and auditorium, the multipurpose room, the video teleconferencing room, the Joint Library, and meeting rooms.

Office Moves

10. The Office Moves budget category consists of the following major elements. Approximately \$550,000 is for data and telephone cabling work. Approximately \$680,000 is required to disconnect and reinstall personal computers and printers and associated data communication work. Approximately \$750,000 is for moving furniture and equipment within the headquarters building and from leased space into the headquarters building. Approximately \$200,000 is needed for disassembly and reassembly of office "cubicles" and to purchase additional parts where required for the panels to work in new configurations. Approximately \$150,000 is for relocation and installation of library shelving. Approximately \$670,000 is for security guard services required in conjunction with the many contractors that will be working in the building during day, night and weekend hours.

Project Contracting Arrangements

11. The fitout construction work within the Phase III addition was included in the scope of the original competitive bidding for the Construction Manager (CM), and as such, the Part Three fitout construction work is covered by the same contractual conditions governing the base building. For example, all subcontract work over \$5,000 must be competitively bid by the CM on a lump-sum, fixed-price basis, unless otherwise specifically approved by the Fund and the Architect. The work to be performed in the Phase I and Phase II parts of the building will not be performed by Tompkins but rather by the Fund's various term contractors that perform such work as office partitions, electrical, data and telephone work. These term contractors are selected through competitive bidding processes managed directly by the Fund. In addition, certain work within the Phase III addition, such as the data and telephone wiring, will be performed directly by the Fund's term contractors as this work is connected to existing systems. This will ensure that the computer and telephone systems in Phase III are smoothly integrated with the rest of the building.

Project Schedule

12. The attachment shows the current schedule for performing the Part Three fitout work, as well as the schedule for all other work on Phase III taking into account all current conditions (such as the delay in the receipt of the exterior sitework permit). The office fitout work, as noted above, involves the construction of offices in Phase III, related renovations in Phases I and II, and the relocation of staff into these newly-constructed and renovated areas. It had been planned previously that this work would take 18 to 24 months to complete, and would take place after the Certificate of Occupancy (C of O) was issued by the District of Columbia for the base building, which is currently scheduled for mid-January 1998. A new accelerated schedule has been developed, so that the construction of offices in Phase III will now begin before the base building C of O is issued, and will take place over a five-month period ending in February 1998. The renovation of all offices in Phases I and II will now take place over an estimated period of 15 months, ending on April 1999, and will commence after the C of O for the base building is issued. It should be noted that, due to our record throughout this project of delays in the issuance of permits by the District of Columbia, there is some concern about a possible delay in the timely issuance of the base building C of O. Accordingly, a small contingency has been allowed in the schedule in case the relocation of staff does not begin at the planned time. Accelerating the schedule of constructing offices throughout Phases I and II and within the Phase III addition will cost approximately \$100,000, the cost of which is included in the construction portion of this budget. The acceleration will permit an earlier relocation of staff to headquarters from leased space at International Square, and will result in an additional savings of approximately \$750,000 in avoided lease costs in the Administrative Budget.

III. NEW WORKSPACE STANDARDS

13. Due to the significant amount of office construction/renovation work to be performed as part of the Phase III project, it was felt that a due diligence study of office workspace standards would be a prudent task to undertake.³ A consultant was retained to assist in the study with the primary objective of either confirming that the Fund's standards were still appropriate or that modifications were in order, either for the Fund as a whole or for different organizational units. The goals, objectives and approach for the study were developed in conjunction with management, departmental representatives and the Staff Association Committee. User perspectives were gathered through a collaborative process which included over 90 staff representatives from all levels and across all departments and bureaus. Other contributors to the study included Fund staff members who are responsible for developing and implementing new technologies and personnel policies. Practices in private industry and in other international organizations were also reviewed. Through the involvement of all departments in the process, the secondary objective was to gain staff acceptance of any proposed changes. An underlying condition to the study was that, given the need to conserve space within the building and limit costs, no more total space would be allocated to departments than was presently available under existing workspace standards.

14. The study determined that the overall allocation of space to Fund departments was in line with the overall space utilization in other similar organizations. While some organizations are experimenting with different ways of using the overall space (for example, by creating more team working areas and shared common purpose spaces, and reducing the size of individual workspaces to free up shared use space), it was the almost unanimous view of the departments that the existing standards for the use of space within the Fund were the most appropriate for the way work is performed at the Fund, although there was room for improvement in how the standards were implemented. For example, departments expressed an interest in having the discretion to adopt flexible configurations of their existing non-office space if they felt this encouraged the best use of their staff and space within their existing boundaries. The departments also requested more flexibility in determining the size or number of meeting spaces within their existing boundaries without diminishing the usefulness of existing workspaces. These recommendations are being incorporated into departmental layouts when requested, subject to architectural and budgetary constraints.⁴

15. In addition, departments indicated a strong preference for adopting a new workspace standard that would introduce additional natural light into the work environment. Various

³ Workspace standards include the size of each staff member's workstation or office, how the overall space within a department is arranged as well as various architectural/engineering standards, such as wall and door details, lighting, furniture, etc.

⁴A similar approach was employed in the planning of each Executive Director's office suite. An information session on Executive Directors' space was held on May 2, 1996, followed by a series of individual meetings with Executive Directors and their staff. New office layouts were then produced that used existing space allocations and space standards as guidelines, but accommodated individual preferences and new requirements in the planning of the new suites.

methods of bringing in additional natural light have been reviewed in depth and designs and cost estimates have been developed. In order to achieve this new workspace standard, which is fully supported by management, ADM has determined that the most effective approach would be to install new 18" wide translucent floor-to-ceiling glass panels ("sidelights") adjacent to the existing solid wood doors to all offices located on the external perimeter wall of the building, all offices without windows and in the wall adjacent to the entrances to departments and divisions. All offices on the corridor on the atrium side of the building would have clear glass panels installed at the top of certain walls ("top lights") in a manner similar to the condition that now exists in some corridors. This new workspace standard, if approved by the Executive Board, would result in the inclusion of a glass feature in all staff offices. Lastly, departmental entrances would be enhanced by the use of double clear glass doors; divisional entrances would have single clear glass doors. Unless there was an objection, all of these new features could be incorporated into Executive Directors' office suites, within the cost limits noted above.

IV. SUMMARY

16. Based on the \$11.8 million approved for Part One of the Phase III Fitout Budget, the \$10.3 million approved for Part Two, and the proposed \$17.0 million for Part Three, the overall estimate of \$39.1 million for the entire Phase III Fitout Budget remains in the range of \$35 to \$40 million as previously reported to Executive Directors. Part Three of the Phase III fitout project funding is required at this time in order to proceed with the completion of the project and to avoid potential substantial cost increases if fitout work is delayed and leases are extended. Budget control mechanisms similar to those now in place for the Phase III base building construction budget (EBAP/94/15, 3/14/94) will also apply to this Part Three fitout portion of the Phase III project. They are designed to ensure that no commitment or expenditure will be made that would exceed the authorized budget ceilings.

Proposed Decision

The following draft decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

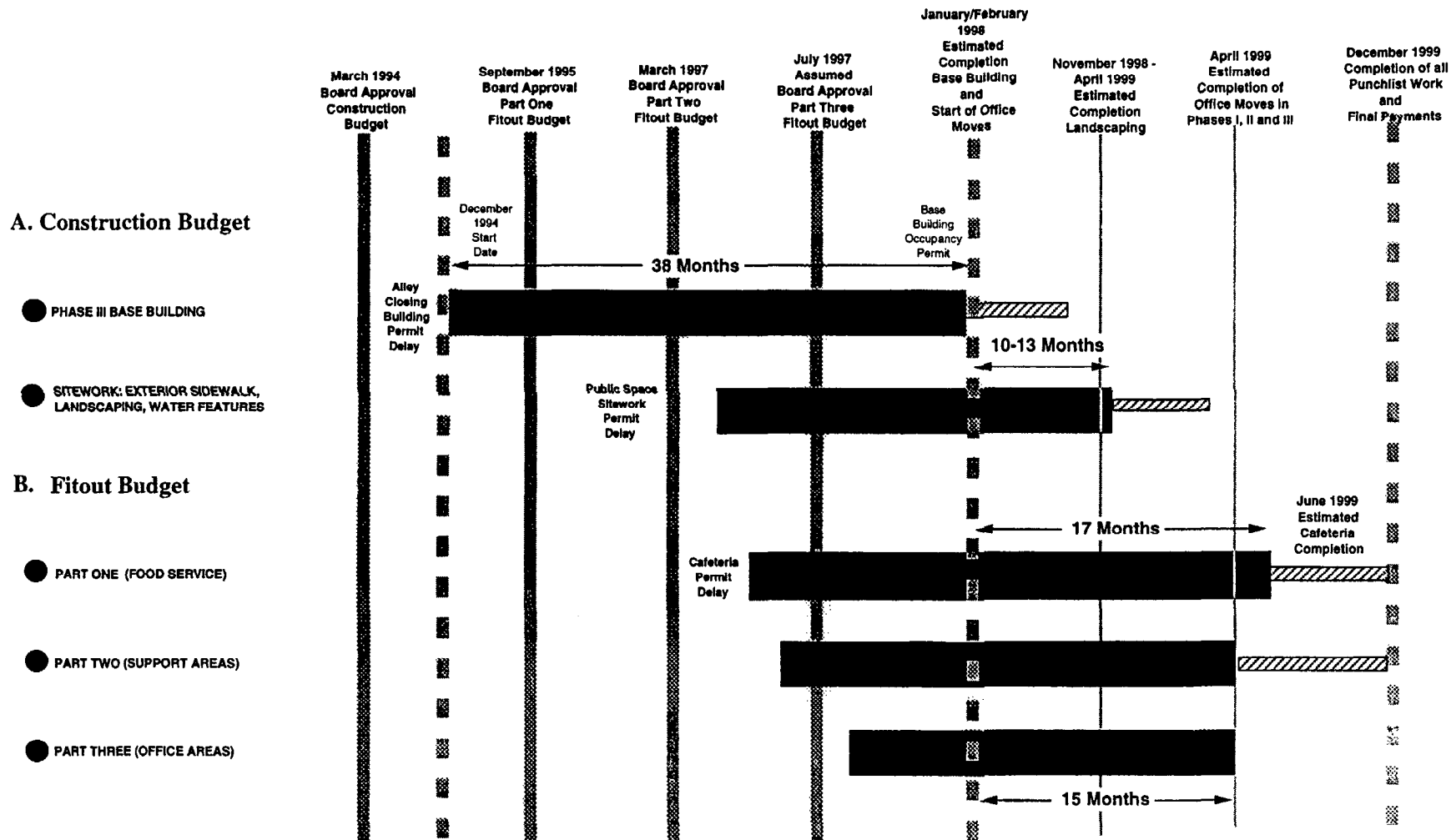
1. Appropriations for the construction of Part Three of the Phase III fitout work, including the new workspace standards as described in this EBAP/97/72 (7/21/97), are approved in the total amount of \$17.0 million. This amount will increase the current Phase III Fitout Budget of \$22.1 million to \$39.1 million.

2. No commitment will be made that causes the revised Phase III Fitout Budget of \$39.1 million to be exceeded without prior approval by the Executive Board.

Phase III Project Base Building Construction and Fitout: Sequence Of Major Activities

as of July 1997

(drawing not to scale)



Legend:

- This type of bar represents the bulk of work performed for each phase; its end date represents the date of "substantial completion" which usually is when the occupancy permit is issued.
- This type of bar represents the balance of minor work called the punchlist. The duration of the punchlist can vary depending on the situation and can range from 3 to 9 months or more.