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EBAP/94/16

March 15, 1994

To: Members of the Executive Board  
From: The Secretary  
Subject: Phase III Construction Budget

Attached for consideration by the Executive Directors is a paper on the construction budget for Phase III, which will be scheduled for Board discussion following its consideration by the Committee on the Budget on Monday, March 21, 1994. A draft decision appears on page 7.

Mr. T. Cole (ext. 38206) is available to answer technical or factual questions relating to this paper.

Att: (1)

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Department Heads



INTERNATIONAL MONETARY FUND

Phase III Construction Budget

Prepared by the Administration Department  
in consultation with the Office of Budget and Planning

Approved by Graeme Rea

March 15, 1994

I. Introduction

On February 28, 1994, a paper was circulated to Executive Directors discussing the Fund's future space needs (EBAP/94/9, 2/28/94), and recommending inter alia that the Fund proceed with the third and final phase of constructing the headquarters building (Phase III). In that paper, which provided considerable background on the Phase III project, it was noted that a second paper, requesting approval of a construction budget, would be forthcoming. This paper serves that purpose. Section II addresses the total project scope and reviews the associated appropriations to date. In Section III, the construction schedule is outlined, with significant dates highlighted. Section IV presents the construction budget, and briefly reviews estimated fitout costs. The final section contains the proposed decision.

Discussion of the Phase III project began in 1987, and since then more than a dozen papers have been issued to, and discussed by, the Executive Board reviewing various aspects of the project. For the convenience of Executive Directors, a summary listing of these papers is appended as Appendix I. A description of the budget mechanisms that are in place to help control the costs of this project and other capital projects is contained in EBAP/94/15, 3/14/94.

II. The Phase III Project Scope

The Phase III project comprises several distinct elements of work, funding for several of which has already been approved. Specifically:

1. In June 1987, the Executive Board approved the expenditure of \$150,000 to study the feasibility of acquiring the Western Presbyterian Church (WPC) site as a necessary step to the construction of the Phase III addition (EBAP/87/61, Supplement 1, 5/15/87).

2. In November 1988, \$30 million was approved for the purpose of acquiring the WPC site, constructing a new church building, and obtaining zoning approval for the construction of Phase III, with the associated alley closing (EBM/88/169, 11/21/88). In April 1993, an additional \$1.75 million was approved at EBM/93/55, April 16, 1993, to cover expenses not anticipated when this project was initiated.

3. In 1991, as part of the Medium Term Budgetary Outlook exercise (EBM/91/91, 7/12/91) an additional budget of \$8.3 million was approved to allow for completion of the full Phase III building design, including construction drawings, the employment of a Construction Manager/General Contractor (CM/GC) to assist in developing estimates, and the completion of various space planning studies and reviews of existing building systems. Supplementary appropriations of \$1.6 million were approved at EBM/93/40, March 26, 1993, to cover an increase in the scope of the project.

These appropriations, totaling \$41.80 million, have been used to achieve the following pre-construction work:

- Acquisition of the adjacent WPC property: this is completed.
- Construction of the new WPC building: the administrative wing is completed, and the sanctuary is more than 80 percent completed.
- Acquisition of Phase III zoning, and alley closing approvals by the District of Columbia (DC) governmental authorities: the zoning process is completed; the alley closing is still not completed, but a hearing on the subject is scheduled for April.
- Development of a medium-term space utilization planning regarding Phase III, and associated spaces in Phases I and II, and a capital investment plan to upgrade existing building systems: these are completed.
- Long-term space planning studies of alternatives to Phase III, and a possible Phase IV: these are completed.
- Selection of the construction manager/general contractor (CM/GC) for the Phase III addition through an international competitive procurement process: this step has been completed. In this regard, Executive Directors should be aware that the original CM/GC, the Heery Donohoe Joint Venture, has been replaced, for the construction Phase of the project, for reasons that were mutually agreed. They are replaced by the Charles H. Tompkins Company, which received the second highest rating by the outside consulting firm that reviewed the bids, and assisted in the original selection of the CM/GC.

- Submission of the drawings to DC authorities for the Phase III building permit: they have been submitted, though not yet approved.
- Development of the design drawings (includes schematic drawings, design development drawings, and construction drawings and documents) for the Phase III building: these are 75 percent completed.

The next step is to commence construction of the Phase III building. Appendix II summarizes what the proposed building will contain. 1/

The current funding request, discussed in the following Section, applies to construction of the base structure only. It is important to recognize that, in addition to base construction work, the new building will need to be finished for occupancy (fitout). The lack of sufficiently precise information precludes the presentation of a fitout budget at this time. However, some broad concepts, and an estimate, are discussed below in order to provide Executive Directors with the likely additional financial impact associated with the approval of a construction budget.

It is estimated that fitout of Phase III will cost approximately \$12.4 million. 2/ However, the occupation of Phase III, when completed, will also entail extensive moves and changes to offices in Phases I and II in order to consolidate departments on one floor to the extent possible. The office renovations in Phases I and II could affect a total area ranging from 300,000 to 550,000 square feet. In addition, a major renovation of the cafeteria and kitchen will be needed in order to accommodate the increase in staff occupying Phase III. Sufficient information should be available within the next 12 to 18 months to develop an accurate budget for full fitout of Phases I, II, and III, at which time a proposal will be brought to the Executive Board. At present the total cost is anticipated to be in the range of \$35 to \$40 million.

### III. Construction Schedule

Construction of Phase III is expected to extend over 36 months. It will commence, following demolition of the church which is scheduled in April, with the demolition of the Visitors' Center, then proceed with the excavation, followed by the concrete superstructure, the electrical and mechanical systems, and the various building finishes. The last portion to

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1/ A discussion of design issues is also contained in EBAP/93/68, 10/28/93.

2/ \$8.4 million for office space, \$4.0 million for special areas such as snack bar seating, Visitors' Center, and multi-purpose room.

be completed will be the exterior landscaping. 1/ The new 19th Street entrance, primarily being undertaken to enhance building security, 2/ will be completed in parallel with the demolition and excavation. Attachment III presents a summary schedule showing the major sequence of events for the construction and fitout as currently envisaged. A listing of key milestones is provided below:

- Base construction work is expected to start in June 1994 and to be substantially complete by May 1997. Mobilization on the job site by the CM/GC, however, will commence immediately following Board approval of the construction budget.
- The process of occupying Phase III should begin in May 1997, and will continue for up to two years until all staff are located in their final offices. This is an important schedule to maintain because a large majority of the leases at International Square fall due for renewal in 1998. The plan is to move as many staff as possible into Phase III before renewals are required.
- Construction of the new 19th Street entrance to the existing building is scheduled to start in July 1994 and be completed in mid-1995.

While the closing of the alley that at present exists on the headquarters block beside the old church has not yet been approved by District of Columbia officials, the Fund has been advised by our outside zoning counsel that it is probable that the authorities will permit the excavation work to proceed in the interim. WPC is scheduled to relocate to its new premises on April 17, which should strengthen the case to close the alley, scheduled to be heard by the City Council on April 22, 1994. In any event, the formal closing of the alley must occur by mid-1995, when the concrete work is scheduled to reach the ground level. Inasmuch as the alley closing was being used as leverage by the local community, in hopes of keeping the WPC from moving, it is expected that the issue will be resolved quickly following the establishment of the church at its new location.

Any major construction project adding to an existing building necessarily involves inconvenience and disruption to the existing office environment due to noise, dirt and water. While measures will be taken to control the extent of these disturbances, it is inevitable that some disturbance will occur and at times it may reach unacceptable levels. Various provisions have been included in the cost estimate to deal with the

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1/ The landscape plan represents a significant part of the construction budget (about \$10.0 million). It is a condition of the zoning order, intended to "replace" the mini-park at the corner of 19th and N Streets that will be eliminated when construction of Phase III begins: see EBAP/93/68, 10/28/93, page 3.

2/ Ibid, page 4.

problem. Among the measures to be taken are: temporarily stopping the work during business hours; having the contractors do the noisiest and dirtiest work at night; and providing environmental health monitoring of dust and of the control measures undertaken by the contractor. The construction of Phase III will also cause disruption to a number of areas of high visibility. For example, the Visitors' Center will be closed for the duration of construction. When the new 19th Street entrance work is underway this summer and fall, the main entrance to the building will be partially blocked for several months: this will require the 20th Street entrance to be renovated to serve as a supplemental main entrance for a period. In addition, the existing H Street entrance will be virtually lost for the duration of construction, and the doors will be relocated to a new entrance/exit on 20th Street near the corner of H Street. Perhaps the greatest disruption, however, will be associated with the new exterior landscaping, which involves replacing the sidewalk and planter beds around the entire block.

#### IV. Cost Estimate and Budget

The proposed budget for the construction stage of the Phase III project is \$111.0 million. It consists of four categories described below:

- Construction Services	\$ 95.0 million
- Design Services	4.5 million
- Project Operations	<u>7.5 million</u>
Sub Total	\$ 107.0 million
- Management Contingency	<u>4.0 million</u>
Total:	\$ 111.0 million

The Construction Services category is based primarily on the detailed drawings and specifications prepared by the Architect in accordance with approved zoning drawings. The CM/GC prepared the estimate in close collaboration with the Architect and the Fund's project management team to ensure that the CM/GC's interpretation of the drawings was as intended by the Architect and the Fund. As a check on the CM/GC's estimate, a separate estimate was prepared by an independent consulting firm that specializes in construction cost estimating.

Executive Directors will note a difference between the base construction numbers shown in Table 2 1/, and in this paper. When the table was prepared, the best hard construction estimate available was \$92.5 million. Today, the base construction figure has been revised upward to \$95.0 million. The increase is attributable to three factors.

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1/ EBAP/94/9, 2/28/94.

1. Over the past month, several drawings have been completed, providing detail that was not earlier available which has driven up estimated costs somewhat also.

2. The new contractor is more concerned about the excavation part of the project than was his predecessor. Contributing to this concern is an increased awareness of the potential impact of the Bank's excavation process being conducted simultaneously with the Fund's, directly across 19th Street.

3. The CM/GC has estimated a higher number for concrete work than was contained in the earlier estimate. The new estimate is based on the contractor's experience with buildings requiring the exposed waffle slab construction method.

In this regard, it is important to explain that the construction work will be performed on a cost/plus basis. This methodology requires each element of the project to be competitively bid, and those bids will be reviewed by the architect, and the Fund project team. It is expected that, through competition, some of the elements of the project will actually be bought out for less than is currently estimated. Any savings achieved in this process would accrue to the Fund.

The Design Services category is intended to cover the architect's services over the period of the construction phase, including the cost of on-site representatives.

The Project Operations category includes items such as: the cost of commercial leased space at 2121 K Street for staff temporarily displaced by the construction; project management and space planning staff; additional security guard services; environmental consulting services to monitor construction dust, etc.; and the costs of moves because of disruptions within headquarters caused by the construction.

The Management Contingency category is an amount to be held in reserve to cover any unforeseen events that might cause the budget appropriation to be exceeded. Release of any part of this amount will require approval by the Fund management. Because in the normal course of events the amount would not be needed, it is shown below the line and should be excluded when making cost comparisons with other projects.

Applying the same methodology as was used in calculating square foot costs in EBAP/94/9, 2/28/94, the cost of Phase III based upon the budget proposed herein is about \$264 per square foot (excluding the management contingency category). The architects and the CM/GC, however, argue that the methodology should be altered by increasing the scope of work (the square footage) to include the 58,000 square feet of landscaping, and 27,000 square feet of construction in Phases I and II required where the buildings connect. By increasing the square footage to reflect this increase in scope, to 490,000 (note Appendix II), the costs are reduced to about \$218 per square foot. Either approach is arguably appropriate and, most

importantly, indicates why great care must be taken in making square foot cost comparisons unless the scope of the comparators is clearly defined.

The budget control mechanisms now in place (EBAP/94/15, 3/14/94) are designed to ensure that no expenditure or commitments will be made that would exceed the authorized ceilings, without prior approval of the Executive Board. Equally important, however, is the fact that the budget proposed in this paper has been developed after drawings are substantially completed, and on the advice of both the CM/GC and an independent estimator. Unlike prior major construction projects, a thorough understanding of the construction issues has been achieved at this stage, greatly limiting uncertainties, and thus reducing the risk of overruns. 1/

#### V. Proposed Decision

The following draft decision is proposed for adoption by the Executive Board:

1. Appropriations for the construction of the Phase III addition to the headquarters building, and associated landscaping, project operations, and other work as described in EBAP/94/16, 3/15/94, are approved in the total amount of \$111,000,000. This amount will be allocated among the following categories:

I.	Design services	\$ 4,500,000
II.	Project operations	7,500,000
III.	Construction services	95,000,000
IV.	Management contingency	<u>4,000,000</u>
	Total Project Budget	\$111,000,000
2. Authority and responsibility for managing the project within the budget ceilings specified for categories I, II, and III will be delegated to officials of the Administration Department designated for the purpose by the Managing Director. Any commitment requiring the use of resources in category IV, Management Contingency, will be subject to prior approval of the Managing Director. No commitment will be made that causes the total budget of \$111,000,000 to be exceeded, without prior approval by the Executive Board.
3. Progress reports on the status and costs of the Phase III project will be provided to the Executive Board from time to time.

Appendices (3)

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1/ Reference EBAP/93/68, 10/28/93, pages 4-5.

Phase III

Relevant Executive Board Documents

1. EBAP/87/61, Supplement 1, May 15, 1987  
Leasing of Additional Office Space
2. EBAP/88/197, August 9, 1988  
Acquisition of Western Presbyterian Church Property and  
Enlargement of Fund Headquarters Building
3. EBAP/88/257, October 25, 1988  
Fund Space Requirements: Additional Background Information
4. EBAP/88/265, November 1, 1988  
Acquisition of Western Presbyterian Church Property--Financing
5. EBAP/90/22, January 26, 1990  
Budgetary Outlook in the Medium Term
6. EBAP/91/5, January 10, 1991  
Acquisition of Western Presbyterian Church Property and Zoning  
Application for Phase III of the Headquarters Building  
- Progress Report
7. EBAP/91/159, June 20, 1991  
Headquarters Building - Need for Phase III
8. EBAP/92/86, April 10, 1992  
Acquisition of Western Presbyterian Church Property and Zoning  
Application for Phase III of the Headquarters Building  
- Progress Report
9. EBAP/92/113, June 8, 1992 (Legal Department)  
Acquisition of Western Presbyterian Church - Intervention  
in Judicial Appeal of Zoning Order
10. EBAP/92/129, July 22, 1992 (Administration Department)  
Long-Term Office Space Study
11. EBAP/93/10, March 12, 1993 (Administration Department)  
The Provision of Office Space for the Fund
12. EBAP/93/68, October 28, 1993 (Administration Department)  
Briefing for Executive Directors on Phase III
13. EBAP/94/9, February 28, 1994  
The Fund's Future Space Needs

Phase III Construction Budget  
Description of Building

The scope of work to be accomplished under the Phase III construction budget involves a total of 490,000 gross square feet of construction in three areas:

- Approximately 405,000 gross square feet of space in the base building. Of this amount, approximately 325,000 is for office and associated support space such as the expanded second floor atrium gallery, expanded Visitors' and Fitness Centers, and expanded cafeteria seating; and, 80,000 is for mechanical and electrical equipment rooms.
- Approximately 58,000 gross square feet of space for the new exterior landscaping around the entire block. This includes much needed waterproofing of the office space beneath the landscaping as well as a renovation to the existing main entrance to the headquarters building on 19th Street, involving moving the current front doors out about 15 feet and adding a porte cochere.
- Approximately 27,000 square feet of the existing building will be under construction in order to make the structural connections between Phase III and Phases I and II.

The fundamental purpose of, and therefore the design rationale for, the Phase III addition is to provide owned office space, and the necessary ancillary support spaces, to bring back and support as many staff as possible, currently in leased space. Specifically, efforts have been made to maximize office space in the new addition within the limits set by the zoning authorities, and the need for budget stringency. In accordance with zoning requirements, the design of the new addition will match the existing building in many respects, such as height and exterior appearance (limestone facade and recessed windows).

The rationale behind the new exterior landscaping plan and the expanded Visitors' Center being designated as "public amenities" was to assist in the zoning approval process for the Phase III addition. Within this context, the design concept for the exterior landscaping and the Visitors' Center (which includes a 150-seat auditorium) is to create a more open, interactive and friendly atmosphere between the Fund and the local community in a way that does not compromise the Fund's physical security needs. In light of recent concerns in this regard, the renovation of the 19th Street entrance is a key element in a comprehensive program to improve the physical security of the perimeter of the headquarters building. In order to construct Phase III, the current public amenity consisting of the park, and Visitors' Center below, at the corner of 19th and H Streets will need to be demolished. This amenity was required by the District of Columbia

authorities in order for the Fund to construct the Phase II addition in the early 1980's because it exceeded the allowable zoning limits on total office space for the block. Phase III exceeds these same limits even more. Therefore, not only was a new amenity required to replace the existing one, but the substitute had to be perceived by District of Columbia authorities as being more beneficial to the public than the current one. Making this task of devising an acceptable substitute even more difficult was the fact that the church's courtyard, coupled with the park, presented a very attractive open space. All of this led the architect to the plan of shifting the existing park to the entire block, as well as the unique features along 19th Street, in order to increase the amount of public seating, interest and interaction. The new exterior landscaping plan will be a visible, and interesting, public amenity.

In addition to the exterior features noted above, the interior of the Phase III addition will also match, or replicate, many features of the existing building. For example, there will be 13 floors of offices above ground with the corridors lining up with existing ones so that the new addition will blend into the existing building; Phase III offices will look very much the same as in Phases I and II with the exposed concrete coffer ("waffle") ceilings and light fixtures, enabling space planning and renovations to be conducted in a cost-effective and non-disruptive manner; and the same polished natural stone flooring in the existing second floor atrium will extend into a new three-story gallery in the new addition leading to the Meeting Hall.

There will also be some notable differences between Phase III and the existing building. There will be no new parking spaces as the below grade space is needed for other purposes and due to zoning limitations severely restricting new parking on this block. Phase III offices will be fully sprinklered in compliance with new fire and life safety building codes. Phase III will not have a second full atrium as originally planned but rather a three-story gallery, which can be closed off with doors for private functions or security purposes. In addition to being significantly less expensive, the new gallery offers many advantages over the full atrium design. It will enhance the functions occurring in the space by providing a more intimate atmosphere; it is significantly less expensive; it enables an outside garden and seating area, within a deep courtyard open to the sky, to be provided at the fifth floor level; and, it enables more outside window offices to be provided instead of atrium window offices. Other new features of Phase III, added to cope with an increased staff size as well as some new functionalities, include an expansion of the existing Fitness Center, more seating for the cafeteria, space for the press during Annual and Interim Meetings that will not require staff to be displaced, a large multi-purpose room on the Blue Level, and a smaller multi-purpose room on the second floor near the Meeting Hall. It should be noted that both of these multi-purpose rooms will be equipped with audio/visual capabilities, and will be within a physical security "envelope" during the Annual and Interim Committee Meetings.

**Phase III Construction and Fitout Phases:  
Sequence Of Major Activities**

as of March 8, 1994



