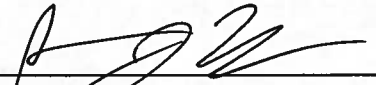


**THE UNIVERSITY OF BRITISH COLUMBIA**


**REQUEST FOR DECISION**

**FORWARDED TO:** BOARD OF GOVERNORS ON RECOMMENDATION  
OF PRESIDENT STEPHEN J. TOOPE

**APPROVED FOR SUBMISSION:**

  
\_\_\_\_\_  
Stephen J. Toope

**DATE:** 16.03.12

**PRESENTED BY:** Pierre Ouillet, Vice President, Finance, Resources & Operations   
Debbie Harvie, Managing Director, University Community Services  
John Metras, Managing Director, Infrastructure Development  
Al Poettcker, President & CEO, UBC Properties

**DATE OF MEETING:** April 3, 2012

**SUBJECT:** Bookstore Renovation & Expansion

**DECISION REQUESTED:** **Approval – Board 1**

Preliminary Capital Budget:	\$5,000,000
Preliminary Operating Budget:	\$ 47,747
Schedule	
Project in Principle	
Location	
Consultant Selection	
Program	
Proceed to Schematic Design	
Funding Release:	\$500,000
<b>Information:</b>	
Expenses to Date:	\$0

**EXECUTIVE SUMMARY:**

UBC Bookstore plans to add approximately 5,500 sq. ft. to the north and east side of the Bookstore building on the Vancouver campus. This renovation will support increased sales in the store and bring the store's entrance to grade level, complementing the public realm development at the corner of University Boulevard and East Mall. The project will be financed with an internal loan from UBC Treasury amortized over 10 years, with the loan repaid through the Bookstore's cash flow.

## ORIGIN OF REQUEST AND ADVANCED CONSULTATION

The UBC Bookstore moved to its current location in June 1983. When it opened, the new store was designed to sell course materials, general books, stationery, and a limited amount of clothing and gifts. Over the last 29 years the store has been renovated and updated to support new merchandise categories and services including sales of computer hardware and software, expanded clothing and giftware departments, IT Services Help Desk, UBCcard office and a café.

The Bookstore's current location and entrance is below grade level. This siting does not provide any active retail engagement with the streetscape and does not animate the University Boulevard/East Mall intersection.

The Bookstore renovation and expansion project will add approximately 5,500 sq. ft. The store's main entrance at, University Boulevard and East Mall, will provide an at-grade entry to a mezzanine area that will include new retail space, a new convenience store and a renovated café area to the North. The renovation will also enhance the connection of the store's entrance to the public realm that is being developed in the area.

The new space will be used for the following:

- Expanded clothing and giftware selling area (approx. 2,900 sq ft)
- New convenience store (approx. 1,000 sq ft)
- Expanded café (operated by UBC Food Services approx. 1,600 sq ft)

Sales in the clothing and gift departments have increased by +20% in the past two years and the new space will support further sales increases and the addition of new branded feature areas within the departments. Sales from the convenience store will be new revenue estimated at \$700,000 in the first full year of operation. The café will continue to be operated by UBC Food Services and is expected to continue to provide positive revenue. The project is targeted for completion by September 2013.

A preliminary estimate puts the project capital cost in a range from \$4.2 to \$5.25million. Scope will be managed to keep the project at or under \$5M. This preliminary estimate does not include seismic or code upgrades to the existing building. If the design feasibility study indicates these are required, and there is an adverse impact to the project budget, the project will be returned to the Executive with a revised scope.

## DISCUSSION SUMMARY

### **UBC Bookstore Vancouver Campus**

The UBC Bookstore is one of the largest university stores in North America. With over 1 million visitors annually, the Bookstore serves a wide range of customers including students, faculty, staff and campus visitors. Until 1983, the UBC Bookstore was located on Main Mall in the space currently occupied by the UBC Food Service's White Spot location. In 1983 the UBC Bookstore moved into a new building, funded by the Bookstore, at 6200 University Boulevard. The new

building included 35,000 sq ft of retail space and an additional 15,000 sq ft of warehouse and office space.

Over the last 29 years, the Bookstore’s product and services mix has changed to meet the needs of the University Community. In 1983, the store focused on providing books, course and general reading, stationery, art supplies and a small selection of clothing and gifts. In 2012, course materials now include new, used, rental and Ebooks, as well as custom course packs. General book sales and medical sales have declined and have been replaced by increasing sales in clothing, giftware and computer products.

The UBC Bookstore is the retail anchor on University Boulevard. With the enhancement of the public realm along University Boulevard, the development of the new Student Union Building, and the new Alumni Centre, this area of campus will be a prime location for campus activities.

## Retail Growth Strategy

**Table 1. Bookstore Sales Projection with \$5M Expansion**

Sales Category (000's)	Actual 2010/11	Fcast 2011/12	Plan 2012/13	Budget 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26
Book Sales	14,275	13,645	13,051	12,856	12,635	12,362	12,040	11,675	11,269	10,829	10,360	9,868	9,358	8,857	8,366	7,887
Stationery	1,215	1,366	1,477	1,595	1,706	1,809	1,899	1,988	2,082	2,180	2,282	2,374	2,457	2,530	2,600	2,665
Clothing & Gifts	1,961	2,369	2,616	3,532	3,709	3,894	4,089	4,293	4,508	4,733	4,970	5,169	5,349	5,510	5,675	5,845
Convenience Store	0	0	0	375	750	788	827	868	912	957	1,005	1,045	1,082	1,114	1,148	1,182
Computers	7,510	6,875	7,347	7,567	7,794	8,028	8,269	8,517	8,773	9,036	9,307	9,586	9,874	10,170	10,475	10,789
Others	278	440	442	444	446	448	451	453	455	457	460	462	464	467	469	471
Satellite Stores	4,792	5,460	6,206	6,794	7,376	7,941	8,475	9,047	9,659	10,037	10,431	10,840	11,266	11,709	12,058	12,418
<b>Total Sales</b>	<b>30,030</b>	<b>30,155</b>	<b>31,139</b>	<b>33,162</b>	<b>34,416</b>	<b>35,269</b>	<b>36,050</b>	<b>36,842</b>	<b>37,657</b>	<b>38,230</b>	<b>38,815</b>	<b>39,344</b>	<b>39,851</b>	<b>40,358</b>	<b>40,791</b>	<b>41,259</b>
<i>Annual Sales Growth Rate</i>		0.42%	3.26%	6.50%	3.78%	2.48%	2.21%	2.20%	2.21%	1.52%	1.53%	1.36%	1.29%	1.27%	1.07%	1.15%

Sales growth projections in Table 1 are based on historical sales trends and anticipated changes in the industry:

- Book Sales represents Course Materials, Medical Books and Trade Books. Annual sales are projected to decrease by 1.5% in 2012/13 to 6.5% in 2025/26.
- Stationery sales growth is projected to increase by 8% in 2012/13 and will gradually slow to an increase of 2.5% by 2025/26.
- Clothing & Gifts sales growth is projected to be at 35% in 2013/14 with the completion of the Bookstore expansion. Annual sales increases of between 3 – 5% are projected through 2025/26.
- Convenience Store sales projection of \$375K in 2013/14 represents sales in the first half year’s operation. 2014/15 is showing full year sales projection of \$750K – sales growth over the rest of the 15 years in projected to slow from 5% to 3% by 2025/26.
- Satellite Stores represents mainly UBC Okanagan Bookstore with a sales growth projection of 14% in 2012/13 and an average increase of 7% through 2025/26

**Table 2. Increased Sales due to \$5M Expansion**

(000's)	Actual 2010/11	Fcast 2011/12	Plan 2012/13	Budget 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Grand Total
Table 1. Sales w/ expansion	30,030	30,155	31,139	33,162	34,416	35,269	36,050	36,842	37,657	38,230	38,815	39,344	39,851	40,358	40,791	41,259	583,369
Sales w/out expansion	30,030	30,155	31,139	32,081	32,924	33,703	34,406	35,115	35,844	36,326	36,816	37,265	37,699	38,141	38,509	38,907	559,061
Increased Sales due to Expansion	0	0	0	1,081	1,492	1,566	1,645	1,727	1,813	1,904	1,999	2,079	2,152	2,216	2,283	2,351	24,308

An average annual sale per square foot in the Clothing & Gift departments is \$790 which generates an average gross margin per square foot of \$371. With the increase in retail space of 2,900 sq. ft. in

Clothing and Gifts and the 1,000 sq. ft. for the new Convenience store we are projecting a blended sales increase of \$479 sq. ft. or a gross margin increase of \$208 sq. ft. which equates to \$810K annually.

The net present value of the increase in gross margin of \$646k in 2014/15 (first full year of operation after the expansion) with a discount rate of 5.75% would provide a maximum capital spend of \$11.2 Million. The cost of the proposed capital expansion to the Bookstore is \$5 million, less than 50% of this net present value.

With the \$5M expansion, sales in Clothing & Gifts and the Convenience store will increase Bookstore sales by \$24.308 Million (see Table 2) over the 15 year period ending 2025/26.

### Current Project Status

The project has received Executive 1, 2 and 3. UBC Properties Trust has initiated a request for Expressions of Interest from architects; the shortlisted list of firms will be brought to the Board for approval on 3 April 2012.

<b>Preliminary Capital Budget</b>	<b>\$000s</b>	<b>\$/sq. foot</b>
Construction	2,226	\$ 405
Contingency	467	
<b>Subtotal Construction</b>	<b>2,693</b>	<b>\$ 485</b>
Planning & Design	565	
Furniture & Equipment & Signage	258	
Commissioning, Inspection Testing	10	
IIC, CAC, Permits, Insurance & Legal	150	
Project Management	120	
Interior renovation	809	
<b>Subtotal</b>	<b>1,912</b>	
Tax	156	
Retained Risk Contingency	117	
Construction Financing	122	
<b>Total Project Budget</b>	<b>5,000</b>	

NOTES:

- Assumes no major civil service relocations.
- No allowance for M&E, Seismic, Envelope or code upgrades of existing structure.
- Assumes high performance glazing and envelope for new addition.
- Construction includes significant demolition of existing concrete roof structure.
- Includes all M&E for café rough-in. Fit-out by others.
- Allowance for renovation subject to programme finalization.
- Designed to LEED gold but not certified

The design feasibility study will include a determination of whether seismic or building code upgrades to the existing building will be triggered by this addition and if so what is the approximate cost impact. If the result adversely affects the project budget, staff will return with a strategy to cost effectively address the necessary requirements.

## **Campus & Community Planning Review**

The existing bookstore is in a central location on campus and will retain this site with the proposed renovation. This is consistent with the *Vancouver Campus Plan*, and the *Land Use Plan*. The Bookstore is a key activity centre that adds to campus life, especially when new projects in nearby areas (i.e. the Alumni Centre and new SUB) are completed.

The below grade entry of the current configuration of the bookstore presents a difficult relationship to the campus with awkward stairs to the entry and a problematic accessibility ramp. In concept, the renovation will greatly improve the circulation and accessibility, and complement the forthcoming public realm project to convert the University Boulevard parking lot to a pedestrian promenade and landscape water feature, and the East Mall/University Boulevard intersection to a public place.

## **Preliminary Funding Sources**

The project will be financed with a \$5M internal loan from UBC Treasury amortized over 10 years at the projected interest rate of 5.5%. The total debt service of approximately \$6.568 million (or \$656,800 per year) will be paid through increased sales and related gross margin profit from the expanded sales areas.

## **Preliminary Operating Budget**

The incremental annual operating cost for this new space is estimated at \$47,747 (515 gross sq. m x \$92.57) based on current operating costs and will be funded by the Bookstore from its operating budget.

## **Preliminary Schedule**

Exec 1/2/3	February 2012
Board of Governors (Board 1)	April 2012
Board of Governors (Board 2/3)	September 2012
Commence Construction	October 2012
Substantial Completion	August 2013
Occupancy	September 2013
Board of Governors – Board 4	Feb 2015

This schedule is aggressive and will be confirmed once design feasibility is complete.

## **Consultant Selection**

A request for Expressions of Interests from architects has been initiated. A recommended shortlist of architects will be presented to the Board for approval.

## **Project Management**

UBC Properties Trust is the project manager for the Bookstore Expansion & Renovation project.

## **Sustainability Objectives**

Investing in and extending the usable life of the existing bookstore building, is a sustainable action in itself. At the same time it also presents the challenge of working with an underperforming

building, particularly with regard to energy performance. The goal will be to achieve a LEED Gold equivalent standard as a minimum with aggressive energy density targets (within the context of the existing building) set in collaboration with the Sustainability Office. LEED certification is likely not practical for this project given that it is an addition to an existing building.

### **Swing Space Requirements**

Swing space will be required to relocate Campus Security to open up an additional entrance to the Bookstore's retail floor during construction and to provide additional, ongoing, warehouse storage space to support the expansion of the clothing and giftware sales. One potential swing space option currently be reviewed is the Lower Mall Research Station 3<sup>rd</sup> Floor, which will be vacated when the Centre for Drug Research & Development moves into the new Pharmaceutical Sciences building in Fall 2012. In the longer term, Campus Security has been identified as a possible new tenant for the Old SUB building.

### **Funding Release**

Approval for funding release of \$500,000 is requested for project management, consultant retention and to take the project through schematic design.

### **Expenses to Date**

There have been no project expenses incurred to date.

### **Attachments**

1. Capital Project Accountability Scope & Planning
2. Capital Project Accountability Budget & Funding
3. Site Plan

# Attachment 1: Capital Project Accountability Scope & Planning

PROJECT NAME		CURRENT APPROVAL STATUS				
Project Name:	Bookstore Renovation & Expansion		Level	Approval Date		
Department/Unit:	University Community Services	Executive:	3	27-Feb-12		
Sponsor:	Debbie Harvie, Managing Director	Board:	1			
PROJECT DESCRIPTION		FUNCTIONAL PROGRAM				
Development Type:	Renovation & Expansion	Space Type	Net SM	Net SF	Gross SF	
Facility Type:	Bookstore					
Gross Building Area:	5500 gsf (511 gsm) - Approximate					
Capital Cost:	\$5,000,000					
Location/Site:	UBC Vancouver	<b>Total</b>	0		5,500	
Primary Users / Tenants:	Bookstore, University Community Services					
PROJECT RATIONALE & BENEFITS						
Need/Benefit Area	Description					
Learning & Research Environment						
Student Amenity	Provides course materials which include new, used, rental and Ebooks and custom course packs.					
Community Amenity	Offers sales of computer hardware and software, expanded clothing and giftware departments, IT					
Other Benefits:	Renovations at Bookstore's main entrance provides at-grade entry to mezzanine area with new retail space, a convenience store + renovated café. Enhances connection to public realm improvements.					
SCHEDULE		SUSTAINABILITY GOALS				
		Target	Actual	Indicator	Target	Actual
Board 1		Apr 2012		Certification:	None-Addition to an existing	
Board 2 +3		Sep 12		Energy Efficiency Level:	TBD % better than MNECB	
				Energy Use Intensity:	TBD (kWh/ft <sup>2</sup> )	
Construction Start		Oct 12		GHG Reduction:	TBD % better than standard	
Substantial Completion		Aug 13		Const Waste Recycling	TBC % recycling rate	
Occupancy		Sep 13		Water Use Efficiency	TBD % better than standard	
Board 4		Feb 15		Innovative Features:		
DEVELOPMENT PROCESS						
Project Manager	UBC Properties Trust (Crystal Roche)	Construction Manager				
Architect	To be determined	Infrastructure Development Rep		Suzanne Poohkay		
	<b>Date</b>	<b>Comments</b>				
AUDP Review						
Dev. Review Committee						
Public Open House						
Development Permit						
Building Permit						
CAMPUS & COMMUNITY PLANNING COMMENTS						
The existing bookstore is in a central location on campus and will retain this site with the proposed renovation. This is consistent with the Vancouver Campus Plan, and the Land Use Plan. The Bookstore is a key activity centre that adds to campus life, especially when the new projects in the Village Centre Academic area -- the Alumni Centre and new SUB -- are completed across the new plaza at East Mall/University Boulevard, which is part of the public realm plan.						

## Attachment 2: Capital Project Accountability Budget & Funding

PROJECT NAME									
Project Name:	Bookstore Renovation & Expansion								
Department/Unit:	University Community Services								
Sponsor:	Debbie Harvie, Managing Director								
CAPITAL BUDGET (\$000s)				LIFE-CYCLE OPERATING BUDGET					
Capital Development Cost		\$000s	\$/GSF	Operating Costs		Annual \$	\$ / GSF	Funding Source	
Construction		2,226	\$ 485	Ops & Maintenance*		\$ 35,353.50	\$ 6.37	Bookstore	
Planning & Design		565		Utilities		\$ 12,376.50	\$ 2.23	Bookstore	
Furniture & Equipment & Signage		258		<b>Gross Total O&amp;M Cost</b>		<b>\$ 47,730</b>	<b>\$ 8.60</b>		
Commissioning, Inspection Testing		10		Less: Savings from					
IIC, CAC, Permits, Insurance & Legal		150		Demolished Space					
Project Management		120		<b>Net O&amp;M Cost</b>					
Interior renovation		809		* Amt derived from Whitestone Research & excludes landscape, mgmt overhead					
Contingency		467							
<b>Subtotal</b>		<b>\$ 4,605</b>		Life-Cycle Capital Costs		Annual \$	\$ / GSF	Funding Source	
Tax		156		Cyclical Maintenance		\$ 19,481	\$ 3.51	Bookstore	
Retained Risk Contingency		117		Modernization/Upgrade		\$ 5,162	\$ 0.93	Bookstore	
Construction Financing		122		<b>Total Cap Renewal Cost</b>		<b>\$ 24,642</b>	<b>\$ 2.36</b>		
<b>Total Project Budget</b>		<b>\$ 5,000</b>							
Capital Budget Notes:				Operating Budget Notes:					
FUNDING AGREEMENTS (\$000s)				FINANCING AGREEMENTS					
Funding Source	Liability with:	Committed	Secured*	Debt Serviced By:	Loan Amt*	Amort.	Int.	Ann. Payment	
Donor Fundraising				Bookstore	\$ 5,000,000		5.50%	\$ 656,800	
GPOF - Faculty/Unit		\$ -	\$ -		\$ -			\$ -	
GPOF - Central Admin		\$ -	\$ -		\$ -			\$ -	
Grants/Other (WED)		\$ -	\$ -		\$ -			\$ -	
<b>Total</b>		<b>\$ -</b>	<b>\$ -</b>	<b>Total</b>	<b>\$ 5,000,000</b>			<b>\$ 656,800</b>	
* Funding paid or firmly committed to be paid before end of construction				* Loan amts in this case represent liabilities for unsecured funding sources					
Funding Notes:				Debt Capacity Impact:		No long term financing is required. Short term bridge financing may be required to cover timing differences between completion of construction and receipt of donations.			
PROJECT REQUIREMENTS CHECKLIST & SIGN-OFF									
CHECK	REQUIREMENT	NAME	SIGNATURE	DATE					
	Programmatic need and benefit	Vice Provost & AVP, Academic Facilities & Enrolment	N/A						
	Project scope and budget P3 screen Project manager assignment Swing space requirements	Infrastructure Development Managing Director	John Metras	5-Mar-12					
	Project site Development review process Sustainability measures	Campus & Community Planning Associate Vice President	Nancy Knight	8-Mar-12					
	Classroom/teaching lab review	Classroom Services Director	N/A						
	Food, housing and child care	Student Housing & Hospitality Services Managing Director	N/A						
	Funding & financing agreements	Project Sponsor Debbie Harvie, Managing Director	Debbie Harvie	5-Mar-12					
	Funding & financing agreements Debt capacity	Treasury Treasurer	Peter Smailes						
	Fundraising plan	Development Office AVP, Development Services	N/A						
	Life-cycle operating costs	Infrastructure Development Managing Director	John Metras	5-Mar-12					
	Security & access control Parking	University Community Services Managing Director							
ATTACHMENTS									



### Attachment 3. Bookstore Expansion Site Plan

