UNIVERSITY of TASMANIA

Introduction to Finance Committee briefing note 21/06/2016

The following document provides briefing note that was considered at the meeting of the University's Finance Committee on 21 June 2016 regarding the proposed submission to Infrastructure Australia of a Hobart STEM Precinct Business Case.

FINANCE COMMITTEE

To Finance Committee

From David Clerk – Chief Operating Officer

Date 21 September 2016

Subject **Hobart STEM Precinct Business Case**

RECOMMENDATION

The COO recommends that Finance Committee:

- considers the draft Hobart STEM Precinct Business Case for submission to Infrastructure Australia at the end of September 2016; and
- notes the estimated funding requirements for the STEM Precinct project should it proceed.

EXECUTIVE SUMMARY

A business case for the STEM Precinct proposal is currently under development by the University.

ISSUES

Background

- In August 2015, the University submitted a preliminary bid to Infrastructure Australia (IA) for construction of a new STEM Precinct on the 'Websters' site owned by the University at an estimated cost of $400M.
- In early 2016, the project was endorsed by IA as a 'priority initiative' – only one of four projects in Tasmania to be listed as such.
- The University has now been approached to submit a more detailed business case for consideration at the IA Board meeting later in 2016.
- To make this timeframe, the business case must be submitted to IA by the end of September 2016 for assessment.
- Should the business case be endorsed by the IA Board, it will then be listed as a national priority project within the Australian Infrastructure Plan and is expected to be the only education initiative in Australia to be listed.
- IA is not a funding body but is required to assess any infrastructure proposals to the Commonwealth valued at more than $100M. The Commonwealth Government funding to support this initiative may potentially come from the Prime Minister's Cities Plan.
- Support is also being sought from the State Government for the STEM Precinct and early conversations indicate that this is likely to come in the form of in-kind contribution of state-owned buildings in the Hobart CBD to the value of $75M.
- The University will also need to make a commitment of funding to the project, initially estimated at $75M cash. Where the State contribution is in-kind, the University will need to fund the additional $75M for STEM. The final amount will need to be determined prior to lodgement of the business case with IA (see separate paper on Strategic Capital Management Framework).

- With the focus of IA in supporting 'foundation' national building infrastructure and alignment with the Cities Plan, the draft business case is pitching the STEM Precinct as a catalyst for Hobart CBD revitalisation and economic renewal, rather than an education project per se.
- The business case is also not looking to provide any altered building designs and will use those developed for the preliminary case. The focus is very much on the financial aspects of the proposal including economic (direct and indirect), social and environmental benefits.
- The business case is currently in draft stage and is structured in four sections: problem, solution, benefits and feasibility.
- The full Business Case will be in the format of a written submission using the IA template and guidelines.

Consideration of options for STEM

As part of the preparation of the preliminary IA bid, two options were considered:

1. Redevelop STEM facilities on the Sandy Bay campus; or
2. New build of STEM Precinct in Hobart CBD on UTAS land.

Issue	1. Redevelop Sandy Bay STEM	2. Move to city
Construction	Staged over 10 years	Single build – 3 years
Estimated cost*	$550M+	$400M
Operational costs	Status quo	Improved
Use efficiency	Status quo:17.5m^2/EFTSL – improved over time	Greatly increased – 8m^2/EFTSL
Impact on University operations	Ongoing disruption over 10 years	Single move of all STEM functions
Student experience	Access to Sandy Bay facilities; isolated from wider community	Integrated with city ready access to all facilities
Transport access	Poor	Hub for public transport
Quality of facilities	Poor – improving over time	High quality fit-for-purpose facilities
Teaching	Poor – improving over time	Flexible – adaptable to changing pedagogy
Research opportunities	Poor – improving but still with discipline separation	Encourage multi-disciplinary research
Growth	Status quo	Greater ability to attract students

**based on initial QS estimates*

The current STEM buildings on Sandy Bay campus require significant capital spend to make them fit for purpose:

- Constructed during 1960s
- Current STEM area: over 50,000 sq m (GFA- gross floor area)
- Backlog maintenance of STEM buildings in the order of $81.5 million

- Lowest quality buildings are in our highest priority research areas – ERA5
- Does not achieve key strategic objective of central city integration and improving student access

STEM Precinct proposal
The STEM Precinct proposal for the Hobart CBD includes:

- Construction of the precinct proposed on a 6,700m^2 site owned by the University in the Hobart CBD between Elizabeth, Melville, Argyle and Bathurst streets (known as the 'old Websters' site)
- Seven stories with basement parking
- 40,000m^2 gross floor area of new, fit-for-purpose, world-class teaching, research facilities including laboratories, interactive
- Outside landscaping and walk-through design to encourage community to be part of the University
- Potential for glasshouse and associated facilities to be based close by at the old Beaumaris Zoo site near the Domain should they not be located on site in the city

---

FINANCIAL IMPACT

- The Quantity Survey (QS) work has estimated the construction of the STEM Precinct at $400M.
- The amount being sought from the Commonwealth Government is expected to be in the order of $250M.
- Funding from the State Government is still being negotiated, but is expected to be largely in-kind contributions in the form of buildings to support further transition of Sandy Bay campus activities into the Hobart CBD overtime. This will form part of a Southern Campus Revitalisation project.
- The actual amount to be contributed by the University is yet to be determined, but is expected to be $75M+, depending on the State's contribution being in-kind or cash.
- With respect to the development of the Business Case for IA, the University is leading the work with the assistance of the Nous Group and ACIL Allen at an estimated total cost of $100K.

RISKS

There are limited financial risks to the University in proceeding to lodge the business case with IA for the Hobart STEM Precinct. It is not making a commitment of any University funding at this stage nor is it committing to proceeding with the development should the IA Board endorse it as a priority project.

Other risks are considered minor, but worth of note:

- There is a risk that IA do not assess the STEM Precinct business case as a priority project, potentially jeopardising the ability of the University to secure Commonwealth funding.
- Projected direct benefits to be delivered by the project are not realised, for example new student enrolments fail to meet expectations.
- Impact of a move to STEM on the broader Sandy Bay campus and potential dislocation between campuses.

COMMUNICATIONS

- In preparing the business case, the Dean of SET and Acting Head of ODVC-R have provided input to support the key modelling and benefit assumptions.
- Ongoing workshops are being coordinated with the STEM academic staff on designing a 'campus of the future'.
- Hobart City Council has been briefed on the proposal and are seeking a more detailed presentation on the business case by the Vice-Chancellor in late September. Given the focus

of the business case on Hobart CBD economic revitalisation, the support of the HCC for this project is critical.

- Discussions are progressing with State Government to confirm support for the proposal and in what form this will take.
- Discussions will be progressed with key contacts in the Commonwealth to further confirm likely funding sources for the project.

RESPONSIBLE OFFICER

David Clerk
Chief Operating Officer
6226 1848
David.Clerk@utas.edu.au