

Agenda item: ADM 17

Document C14/50-E
15 April 2014
Original: English

Report by the Secretary-General

A PROJECT TO REPLACE THE VAREMBE BUILDING

Summary

This document presents the key elements and the status of a project to replace ITU's oldest building (the Varembé building). Varembé was designed in the 1950s, and is now the oldest international organization building on Place des Nations. Having considered options of relocation, rental and renovation; ITU has held discussions with the appropriate organs of the Host Country on a project to replace Varembé with a high-performance, ecological building that will house ITU into the 22nd century. The Host Country has indicated that interest-free financing of this project can be considered.

Action required

The Council is invited to **examine** the principle of a replacement for the ITU Varembé building, to be constructed in the area immediately around ITU's existing buildings in Geneva and to be accompanied by the demolition of the existing Varembé building, provided that interest-free financing of the project is made available by the Host Country on terms acceptable to the Secretary-General within an overall financial envelope of CHF 150 million.

The Council is also invited to **instruct the Secretary-General to submit a report** on this issue to Plenipotentiary Conference for its consideration.

1 Background and Recent History

1.1 To fulfil the mandates of the Union over the next decades, ITU requires modern, efficient headquarters premises accessible to all with an increase in usable space over the current situation. This project aims to increase ITU's overall built floor area at headquarters by 4,100 m² (8%). These goals would be achieved by a demolition and replacement of the Varembe building with a building of 30% greater floor area.

1.2 The Varembe building is now over 50 years old and, while safety compliant for a building of its age, has a performance significantly short of current Host Country standards for new buildings in the areas of insulation, accessibility to disabled persons, fire safety, and seismic resistance. [Council Resolution 1142](#) (C-1999) instructs the Secretary-General, *inter alia*, "to ensure that the safety, health and environmental standards in force in the host country of the Union are applied at ITU ...". It would be impossible in practice to renovate Varembe to be compliant in accessibility, fire safety, and seismic resistance, since this would include adding staircases, enlarging lifts and corridors and providing structural strengthening. Thus while it is technically possible to upgrade insulation performance and make other renovations, that would not provide an effective solution overall.

1.3 This document provides a briefing on the recent history of discussions on this issue. The various options for replacing Varembe are compared mainly on their construction, finance and maintenance aspects.

1.4 The secretariat is in close collaboration with the Host Country Mission, the Foreign Ministry, and the appropriate Federal and Cantonal organs to explore options for providing headquarters space based on the requirements for growth and meeting space of the Union. In 2012, the Foundation for Buildings of the International Organisations Organisation (FIPOI, the Swiss Federal expert body in this area) conducted a technical survey on the stewardship and options for improvement of Varembe, and concluded¹ that demolition and replacement of the building was the logical option, rather than its renovation.

1.5 In June 2013, the Swiss Federal Council made known its position on major repair projects and on demolition/replacement projects. This position allows interest-free loans of 50-year term to finance justified demolition and replacement projects for International Organisations, also allowing low-interest loans of 30-year term for major repair projects.

1.6 In Council 2013, an information document ([C13/INF/18](#)) presented the Secretary-General's vision of a new building. A financial range of CHF 150-200 million for the entire project, including planning, studies, demolition, and construction was indicated at that time.

1.7 In late 2013, ITU received indications from Switzerland that a request for a demolition/replacement project could be submitted, financed by a 50-year interest-free loan.

1.8 This project is considered as providing a replacement space for the activities of the Varembe building and cafeteria extension, plus creating an extra capacity for headquarters activities. The ICT Discovery Centre would be enlarged and relocated to the new building. Thus, aside from providing swing space flexibility as a cost and risk reducer, the requirements for maintenance and renovation of the Tower and Montbrillant buildings are not affected by the project and will not be considered further in this document.

1.9 The **overall goal** of the project is to replace a critical obsolescent asset (Varembe building) with a cost-effective solution allowing the flexible development of the Union for

¹ The report was for the Swiss Foreign Ministry (DFAE). Switzerland has confirmed the conclusion to ITU.

the rest of the 21st century at an acceptable risk. As the project advances, risks will become better defined and will diminish: for instance cost ranges will narrow, and legal and technical risks will be resolved. Information in this document is the latest available.

2 Options

2.1 Varembe I replacement with a new owned building:

A modern, ecological, efficient building (“Varembe II”) would be constructed after an international design competition to replace Varembe and to link the Montbrillant and Tower buildings. The project would be conducted in full transparency and in close collaboration with the Host Country, under a Joint Coordination Committee with members from the Confederation’s Mission, the Foreign Ministry, the Canton of Geneva, FIPOI (four members in total from the Host Country), and ITU (four members).

The building would serve as an asset recognizable under IPSAS, which could offset liabilities in other areas (for instance ASH²) through revaluations based on the increase of property value in Geneva; lower maintenance costs would be expected for the early life of the building as compared with the existing building; lower utilities bills would ensue throughout the life of the building due to its increased thermal performance; the replacement of an obsolete structure with a high performance building that provides a harmony between the headquarters buildings would reflect the modernity of ITU; the internal spaces would be custom configured to ITU’s needs; the building would be fully accessible; the enlarged space would cater for growth in operations via increase of secretariat staffing, or via on-site consultants or academics/interns or enlarged meeting facilities; this is the option recommended by FIPOI, hence qualifying to be considered for interest-free 50-year mortgage.

The secretariat would seek to minimize the construction disturbance by a variant with the new building built next to Varembe before the old building is torn down and the site is made good, thus avoiding significant staff relocation costs. An external expert will assess this variant and report to the Secretariat before Plenipotentiary Conference (2014). Should this variant not be technically possible, the new building would be built on the Varembe building’s nominal footprint.

Replacement with a new owned building is the preferred option, with the variant as above if possible. A financial envelope of CHF 150 million is now deemed sufficient for all aspects of this project, on the assumption that it is entirely funded by an interest-free loan repaid over 50 years. Thus this loan would be repaid at CHF 3 million/year for 50 years interest-free by annual repayments, starting at the end of the year in which occupation starts (expected to be 2021).

2.2 Varembe II renovation with volume increase:

A study commissioned in 2009 from an external expert engineering consultancy reported that the thermal performance of the walls of Varembe could be improved by a heavy renovation. If that renovation raised the performance to current norms, and included replacement of adjacent in-office services (heating, cooling, electrical distribution) then when indexed to 2014 costs, CHF 30 million project funding would be needed, without considering staff relocation during works. This would leave the need to add extra staircases, replacement lifts, fire compartmentalization, and major structural works to increase

² After Service Health Insurance

performance in accessibility and safety. The total of these works has not been estimated, because such heavy renovation is not usual except in protected buildings, since it is not cost-effective.

Works could in principle be funded by 30-year mortgage at a non-zero rate of interest. A volume increase could be considered using a connected annex: if scaled from option 1 for a “+30%” increase in space, this would add a CHF 45 million additional project, which could perhaps be funded by a separate loan.

This option would not make a building that is accessible to current standards, nor in keeping with current fire and safety legislation for new buildings, nor earthquake legislation, nor is a unified structure of the desired volume. It would be impractical to increase building volume by raising extra floors, since the foundations are already pinned; there will be no savings in utilities bills or maintenance. Repayment of a CHF 30 million loan with interest is CHF 1 million per year plus interest. The cost of building the additional space needed would have to be taken into account.

2.3 Rental in Geneva:

This is a challenging option, which is both risky and costly, e.g. a typical rental of CHF 500 gross/m²/year + utilities + common area maintenance would equate to around CHF 600 total/m²/year. The Varembe building gross area is more than 13,000 m². Compressing space to save money, and renting 10,000 m² with overheads would amount to CHF 6 million rental/year).

Though there would be no need to maintain a building, there are ongoing onerous costs..

2.4 Relocation of ITU headquarters:

The IMAC has discussed this project and has recommended that the option of relocation of ITU Headquarters also be studied. This analysis will be carried out and reported in time for full information to be presented in Plenipotentiary Conference 2014 for final decision. The analysis will include consideration of the costs, advantages and disadvantages of this option.

3 Financial aspects

3.1 **Option 1** does not require Financial Plan (2016-2019) changes, since the first mortgage repayment would be at the end of the year of completion (December 2021 expected). Study, architectural competition and other costs during the 2014/2015 biennium and the period 2016-2019 would be accountable to the overall project loan.

3.2 **Option 2, 3 or 4** would each require Financial Plan Adjustment unless changes are deferred beyond 2019.

3.3 Cost summary

Option 1 is currently estimated at CHF 150 million overall costs, repayable via an interest-free loan over 50 years (annual payments expected at the end of the years 2021-2070).

Option 2 has not been estimated for overall costs, which will be in excess of CHF 100 million, and of which the majority would not qualify for an interest-free loan. Annual repayments would be at least comparable with those for option 1.

Option 3 would cost an ongoing CHF 6 million a year at least.

Option 4 is conditional upon a Member State providing headquarters buildings free of charge and absorbing some proportion of staff relocation/termination/hiring costs.
