Governing Body

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Programme, Financial and Administrative Section
Programme, Financial and Administrative Segment

PFA

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THIRD ITEM ON THE AGENDA

Update on the headquarters building renovation project

Addendum

1. Since the publication of document GB.335/PFA/3 there have been further developments related to the approval process for the development and possible sale of the ILO land to finance phase 2 of the renovation of the headquarters building. Notably, the local authorities have provided a road map identifying steps to be followed, the anticipated timeline for each step, a selection of development criteria and contextual constraints.

2. The Office has continued to receive unsolicited expressions of interest in purchasing the ILO land or cooperating with the Office in a development project. Potential partners are fully aware of the publically available documentation and familiar with local development zoning requirements. Potential income streams previously communicated to the Governing Body [1] have not been contested and while the road map could have some impact on the final value, this is not anticipated to be excessive.

3. Following a review of the road map, discussions with external consultants and the host country, and after considering the continued and expanding interest from property developers in the ILO land, two broad options have been identified as being feasible.

4. One option would be to continue working with local authorities on developing a generic zoning plan over the next three years and then launch a competitive sale process at which time there would be certainty as to the construction potential. The lower risk for potential purchasers with an approved zoning would result in a higher sale value. The major disadvantage with this approach would be that any income flow would be deferred as it would only be at the conclusion of the official urban planning process that the land could be offered for sale. Further disadvantages would be that the approved plan might not align with individual developers' interests, the cost implications of extended delays in completing the renovation project, and that the full cost of the process would be the responsibility of the Office.

[1] GB.332/PFA/3, paragraph 27.

5. A second option would be to competitively seek a development partner prior to the commencement of the official urban planning process. The tendering process would be designed to seek offers comprising a contractual engagement to purchase all or part of the land once the approval process has been concluded. The total contract value would be dependent on the development potential finally approved by the local authorities but with parameters established in advance and including an initial advance payment. The partner would assume responsibility for driving and financing the urban planning process reducing the financial burden on the Office. Precedents exist in the local market for such an approach that would provide a sufficient level of protection for the ILO. The details could vary considerably based on the development partner. Development partners could, in parallel, submit a request for a construction permit, further reducing their risk and increasing the potential value of the land. The expectation is that development partners would be ready to assess the risk and the Office would encourage bidders to provide innovative contractual solutions.

6. The principal advantage of the second option would be an early inflow of resources which would allow some level of project continuity and constrain increased costs. The disadvantage is that while the road map provided by the local authorities provides an important element for projecting the development potential, the final value would only be known at the conclusion of the official urban planning process, and given the pre-financing and risk assumed by the partner, a reduced overall value should be anticipated. It will however only be through completing a competitive process that the benefit to the ILO can be objectively determined.

7. In order to move forward with such a tendering process, the Office would need approval in principle from the Governing Body for the sale of the ILO land. The Office could then launch the process and objectively assess the market including the terms of any proposals. The Office would report back to the Governing Body in October–November on the outcome of the tender at which time the Governing Body could decide whether the proposal recommended by the Office met the Governing Body's expectations and authorize the Director-General to enter into a contract.

Draft decision

8. ***The Governing Body:***

(a) ***approved in principle the sale of plot 4057 on terms to be negotiated by the Director-General;***

(b) ***authorized the Director-General to commence a tendering process to identify a potential development partner to collaborate with the Office through the planning and approval process; and***

(c) ***requested the Director-General to seek final approval from the Governing Body on the general terms of any sale arising from the tendering process.***