



SECOND ITEM ON THE AGENDA

**Follow-up to the technical study
on the headquarters building:
Financial considerations**

Introduction

1. At its November 2006 session, after examining the independent technical study on the renovation of the headquarters building, the Building Subcommittee requested some additional financial information.

Landownership

2. In the 1960s, when the lakeside building became too small for it, the ILO examined various options for its extension. In the end, it decided to sell the building and to negotiate an exchange of land with the host country, Switzerland. The decision was approved by the Governing Body at its 165th Session in May 1966.¹
3. The agreement on the exchange of land was signed in 1967 by the ILO and the Property Foundation for International Organizations (FIPOI), representing the host country. The land by the lake owned by the ILO (33,669 m²) was transferred to FIPOI without monetary compensation in exchange for a plot of undeveloped land (approximately 100,000 m²) located on route des Morillons. The ILO's headquarters on the lake was sold to FIPOI for 18 million Swiss francs.
4. In 1974 the ILO transferred its headquarters to route des Morillons. The new building cost 146,203,099 Swiss francs.

¹ Document GB.165/FA/BS/D1/2.

5. The financing of the new building was as follows:

	Swiss francs
FIPOI loan	117 000 000
Sale of lakeside building	18 000 000
Sale of Petit Saconnex Annex	5 642 000
Gifts	778 504
Building and Accommodation Fund	4 782 595
	146 203 099

6. At its 195th Session in February-March 1975,² the Governing Body approved a second exchange of land without financial compensation, as follows:

- The ILO transferred to the Canton of Geneva the 13,442 m² property known as “Les Fougères” that it owned on the lake, together with the buildings used by the International Institute for Labour Studies.
- The Canton of Geneva, for its part, transferred to the ILO the 40,500 m² of plot 4057 on route des Morillons, next to the current headquarters of the ILO.
- The Canton of Geneva granted the ILO surface rights for 99 years to the 21,114 m² of plot 3924, to be used for international activities, subject to an undertaking that the land be open to the public. Up until 2005, the ground rent for the surface rights was fixed at the nominal rate of 100 Swiss francs, which has never been claimed by the State of Geneva.

7. Plot 4057 was transferred to the ILO by the Canton of Geneva subject to two conditions imposed by the State of Geneva (the establishment and maintenance of a trig point, and the destination of the road), which are not liable to influence an eventual sale of the property.

8. At present, the land owned by the ILO in Geneva covers 145,192 m², distributed as follows:

- 97,450 m² on which the current headquarters building stands;
- 7,242 m² on which the statue of Don Miguel Idalgo y Costilla (Mexico) stands; and
- 40,500 m² of undeveloped land.

To this should be added the surface rights mentioned above.

9. As at the end of 2006, the FIPOI loan stood at 70,343,410 Swiss francs, interest free and reimbursable up to 2025 at the rate of 3,702,300 per annum.

² Document GB.195/PFA/BS/1/1.

Land occupancy and potential buyers

10. The development potential of the land owned by the ILO was outlined at the November 2003 session of the Building Subcommittee.³
11. To summarize, the plots of land owned by the ILO and the land to which it has surface rights are today in a private housing zone; at the time of transfer, the local authorities had granted the ILO a dispensation to build its headquarters. A project to have the zone declassified, known as “Jardin des Nations”, is in the process of being adopted. This may well define the development potential and the occupancy of each of the plots of land in the area where the international organizations are located.
12. In the event of the ILO deciding to sell the land that is undeveloped and to give up its surface rights, the buyer or buyer would have to be in a position to abide by the conditions referred to above, as well as any occupancy plan scheduled under the declassification project, i.e. respecting Geneva’s reputation as an international venue.
13. The host State, through FIPOI, could be interested in acquiring these plots of land, whose value is currently estimated at a maximum of 1,000 Swiss francs per m². (To avoid any kind of real estate speculation, Geneva sets a maximum value on land in all zones that are liable to be declassified.) Subject to negotiation, therefore, their sale could generate a maximum of 45 million Swiss francs.

Renovation versus construction

14. The study that was carried out in August 2006 by Techdata SA concluded that it would cost approximately 120 million Swiss francs to renovate a volume of 483,840 m³, i.e. roughly 250 Swiss francs per m³.
15. As indicated at the November 2006 session, this would not include restaurants and conference rooms covering some 111,160 m³ in all.
16. For a building of the same type as the ILO’s present headquarters, the estimated cost of a new construction would be around 620 Swiss francs per m³.⁴ The construction of 483,840 m³ would therefore come to approximately 300 million Swiss francs, plus another 70 million Swiss francs for restaurants and conference rooms.

Environmental aspects

17. The Techdata renovation study considered a number of “environmental aspects”. These included:
 - improving the insulation of the facades and putting in new windows and blinds so as to be able to control heat transfer and energy loss;
 - changing part of the air conditioning system in the offices to reduce energy consumption;

³ Document GB.288/PFA/7.

⁴ Source: Techdata SA.

- converting the existing heating and cooling systems to a heat exchanger using the constant deep-water temperature of the lake. The principle would be to stock calories produced by a common power station serving all the international organizations in Geneva. This project is currently being studied by the local Geneva authorities;
- putting in a drainage system and replacing materials containing asbestos; and
- replacing the lighting system so as to reduce electricity costs and improve efficiency.

18. *The Subcommittee may wish to propose that the Programme, Financial and Administrative Committee recommend to the Governing Body that the Office be authorized:*

- *to negotiate the sale of the land located in Geneva and identified in the appendix (plots 4057 and 3844);*
- *to negotiate the termination, sale or transfer of the leasehold located in Geneva and identified in the appendix (plot 3924); and*
- *to proceed with such negotiations in the context of a broader financial agreement for the renovation of the ILO headquarters building.*

19. *The Subcommittee may also wish to invite the Programme, Financial and Administrative Committee to propose that the Governing Body recommend to the International Labour Conference at its 96th Session (June 2007) that, in derogation of article 11.1 of the Financial Regulations, the net proceeds from the sale of land in Geneva, Switzerland, be credited to the Building and Accommodation Fund and that it adopt a resolution in the following terms:*

The General Conference of the International Labour Organization decides, in derogation of article 11.1 of the Financial Regulations, to credit the net proceeds from the sale of land located in Geneva, Switzerland, to the Building and Accommodation Fund.

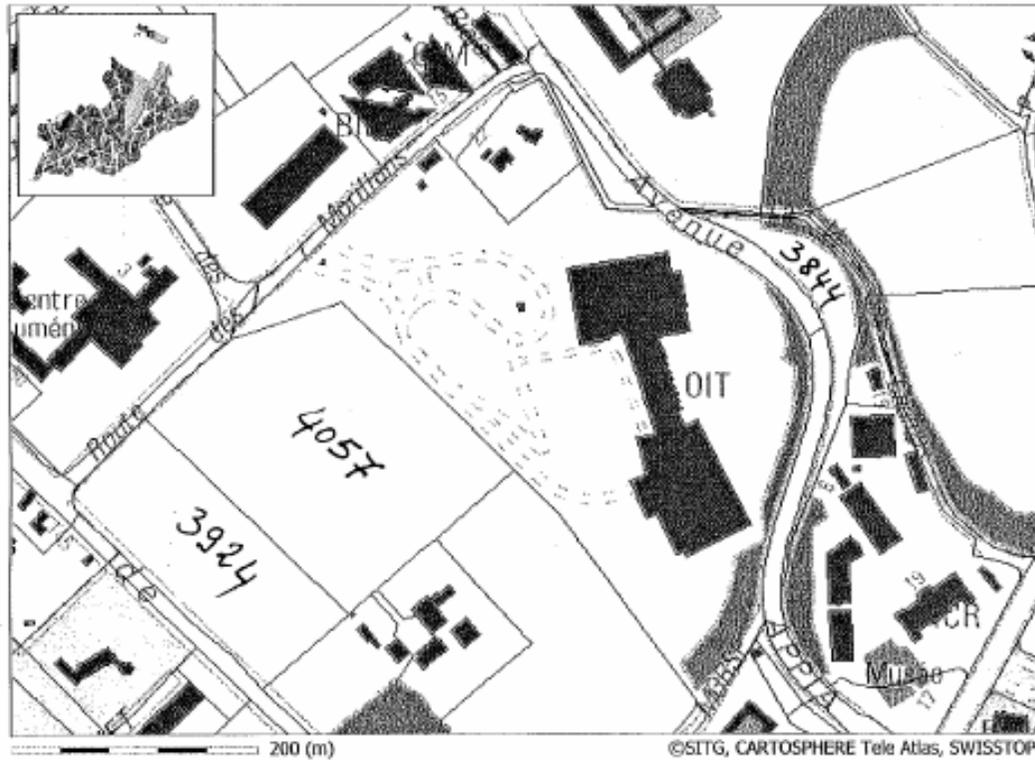
Geneva, 20 February 2007.

Points for decision: Paragraph 18;
Paragraph 19.

Appendix

Plots 4057, 3844, 3924
Scale: 1:4771

Date: 29.09.2006



Key:

- Buildings above ground
- ▣ Plots
- ▧ City plan, general

Coordinates:

 Xmin=498856
 Xmax=499696
 Ymin=120318
 Ymax=120918

