To: University of Toronto Clients

From: Dave Lehto, Chief, UPDC

MEMO: UPDC PM Fee Adjustment effective April 1, 2025

This memo is to provide an update on UPDC's Project Management fees.

We have finalized our approach following consultation with a number of CAOs who represent the bulk of capital project expenditures. Their input resulted in adjustments to the fee schedule and updates to the UPDC Service Catalog.

Our primary rationale for a PM fee adjustment is to better serve our Clients.

Over the past 10 years, there has been a noticeable increase in Client project requests. In parallel, post-pandemic construction in Toronto continues to be the most active market in North America but has become significantly more difficult to manage – contractors have become more litigious, supply-chain issues have extended timelines, and skilled labour is in short supply, which take up more PM time.

To meet these challenges, UPDC has grown and upskilled our team.

While Project Management is self-funded from PM fees, these fees now cover almost two-thirds of our University Planning and Project Development & Controls teams. A conscious decision was made to no longer access the DAC/uwc bucket to seek base increases for these teams but rather rely progressively more on a cost-recovery model.

These PM fee adjustments will allow our PMs to work on less projects simultaneously, which translates into better management of risks and control of costs and delays.

A. PM Fee Rate Adjustment

For all UofT Projects, the PM fee rates will be:

- 5.0% = Feasibility Studies
- 5.0% = Level 1 projects (TPC <$10M)
- 4.0% = Level 2 projects (TPC $10M to $50M)
- 3.0% = Level 3.1 projects (TPC $50M to $150M)
- 2.5% = Level 3.2 projects (TPC $150M to $400M)
- 2.0% = Level 3.3 projects (TPC >$400M)

B. PM Fee Rate Collection

PM fee collection milestones* will be:

- 10% at start of Schematic Design
- 10% at start of Design Development
- 10% at start of Contract Documents
- 20% at award of Construction
- 20% at 30% Construction Spent
- 20% at 60% Construction Spent
- 10% at Occupancy

*Prior to UofT fiscal year end, PM fees earned-to-date may be drawn down prior to milestones.
PM fees earned will not be returned if projects are cancelled.

C. PM Fee Rate Application

- PM fees will be calculated based on the pre-tax overall TPC, excluding Insurance and Financing Charges.
- After achieving Ready-for-Takeover, PM fees will be reconciled to the actual pre-tax project costs, excluding Insurance and Financing Charges.
- If TPC approvals are phased, then PM fees will be based on a draft overall TPC that is submitted with the initial TPC approval request and adjusted to align with the overall TPC approved at governance.