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**Report on the Future Permanent Premises of the International
Criminal Court***

Financial Comparison of Housing Options

* Previously issued as ICC-ASP/4/CBF.2/4* and submitted to the Assembly pursuant to paragraph 80 of the report of the Committee on Budget and Finance on the work of its fifth session (ICC-ASP/4/27).

**REPORT ON THE
FUTURE PERMANENT PREMISES
OF THE
INTERNATIONAL CRIMINAL
COURT**

The seal of the International Criminal Court is a circular emblem. It features a central scale of justice, symbolizing fairness and law. The scale is flanked by two olive branches, which represent peace. The entire emblem is enclosed within a circular border.

**FINANCIAL
COMPARISON OF
HOUSING OPTIONS**

**A comparative evaluation of the possible range of costs
for each of the three housing options**

Elaborated by the International Criminal Court. This report is submitted further to paragraph 31 of the report of 15 April 2005 of the Committee on Budget and Finance on the work of its fourth session, held in The Hague from 4 to 6 April 2005 (ICC-ASP/4/2)

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This report was prepared by the Inter-Organ Committee on the Permanent Premises (IOCPP) of the International Criminal Court under the chairmanship of Judge Hans-Peter Kaul.

The Court would like to express its appreciation for the contributions and data provided by the ICC Task Force at the Ministry of Foreign Affairs of the Netherlands, the Netherlands Government Building Agency and the Registry of the International Criminal Tribunal for the former Yugoslavia (ICTY).

Foreword

This report entitled “Financial comparison of housing options” is the third of five reports submitted by the International Criminal Court in 2005 on the future permanent premises of the Court.

1. “Report on the future permanent premises of the International Criminal Court – Project Presentation” (ICC-ASP/4/CBF.1/3), submitted further to paragraph 4 of the report of the Committee on Budget and Finance (CBF) to the Assembly of States Parties (the Assembly) regarding discussions on the permanent premises of the Court, dated 17 August 2004 (ICC-ASP/3/17);
2. “Report on the future permanent premises of the International Criminal Court – Housing options” (ICC-ASP/4/1) requested by the Assembly of States Parties at its third session held in The Hague from 6 to 10 September 2004;
3. The present “Report on the future permanent premises of the International Criminal Court – Financial comparison of housing options” (ICC-ASP/4/CBF.2/4) requested by the CBF at its fourth session held in The Hague from 4 to 6 April 2005;
4. “Report on the future permanent premises of the International Criminal Court – Estimated staffing levels” (ICC-ASP/4/CBF.2/5) requested by the CBF at its fourth session held in The Hague from 4 to 6 April 2005;
5. “Report on the future permanent premises of the International Criminal Court – Financing methods used for the premises of other international organizations” (ICC-ASP/4/CBF.2/6) requested by the CBF at its fourth session held in The Hague from 4 to 6 April 2005.

The Court believes that this set of five reports shows that significant progress has been made during the past year and that many important issues regarding the future permanent premises project have been clarified. This pace of progress will continue to be necessary if the objective of completing the permanent premises before the end of the rent-free period in 2012 is to be attained.

The Court hopes that this series of reports will provide the CBF and the Assembly with a solid basis for further in-depth consideration of key issues relating to the future permanent premises of the Court, including the question of appropriate financing modalities for its construction.

Lastly, the Court is of the view that efforts to achieve agreement on financing modalities that States Parties find satisfactory will be the main priority of this project in 2005/2006.

Executive summary

Objectives

This report presents estimates of the possible range of costs for each of the three housing options, including maintenance and energy costs, over a period of 25 years from 2012, setting out the net present value of each option, as requested by the CBF in its report on the work of its fourth session, held in The Hague from 4 to 6 April 2005 (ICC-ASP/4/2).

It will be recalled that the report on housing options (ICC-ASP/4/1) compared three options for the future permanent premises of the Court, as suggested by the Assembly at its session in 2004, namely:

- Staying indefinitely in the interim premises (the Arc);
- Moving into the premises of the International Criminal Tribunal for the former Yugoslavia (ICTY) once the Tribunal has finalized its work ; or
- Moving into new purpose-built premises, to be located at the Alexanderkazerne.

While the report on housing options covers mostly non-financial aspects of the comparison, this report sheds further light on the financial parameters that should be considered. Accordingly, this report should be regarded as complementary to the report on housing options.

Methodology and findings

The main characteristics of the three options are:


- | | |
|----------------------|--|
| 1. Arc: | Rented high-rise office building, built in 1993, suitable for a maximum of 850 staff |
| 2. ICTY: | Rented 5-storey office building, built in 1956, suitable for a maximum of 700 staff |
| 3. Alexanderkazerne: | New purpose-built premises, to be completed in 2012, suitable for a range of between 950 and 1,300 staff |

In order to compare these quite different options from the financial point of view, a hypothetical levelling was needed to make the three options comparable in terms of size and quality in order to calculate and compare their costs. The applied references for this hypothetical calculation are the requirements as defined in the Project Presentation (ICC-ASP/4/CBF.1/3), i.e. premises for a staffing level of 950 to 1,300 persons.

In the case of the Arc and the ICTY, new building parts have been hypothetically added to the existing rented buildings in order to match these requirements. Subsequently, the annual costs of each of the options have been calculated, considering all relevant costs such as rent/construction costs, operating costs, maintenance costs and financing costs. It should be noted that the calculation for the purpose of this comparison has been made on the basis of commercial terms. This approach does not exclude the possibility of more favourable terms¹ eventually being agreed upon by the States Parties.

¹ It should be noted that the CBF has requested the Court to prepare a separate report on financing methods used in respect of the new premises of other major international organizations, including comparable international judicial institutions.

Application of the above assumptions results in the following range of annual costs:

Annual costs ² (millions of €)	10	12	14	16	18
1. Arc:	~ €14.3 million				
2. ICTY:	~ €15.4 million (+8.0%)				
3. Alexkaz. ³ :	~ €15.2 million (+6.3%)				

For all three options, a possible variance of +/-15%, as shown in the above table, has to be taken into account to cover unforeseeable increases or decreases in financial, real-estate or building costs.

Conclusions

- The financial comparison of the three options over a period of 25 years, under equal conditions, shows slight cost advantages for the existing interim premises, the Arc.
- New purpose-built premises on the site of the Alexanderkazerne would be approximately 6.3% more expensive than the Arc.
- Reuse and extension of the ICTY would be approximately 8% more expensive than the Arc.
- Reuse and extension of the ICTY would be approximately 1.7% more expensive than the new purpose-built premises on the Alexanderkazerne site.

Other important considerations may be:

- The report on housing options (ICC-ASP/4/1) identified clear advantages for the Alexanderkazerne in terms of, functionality, security, identity etc. The question therefore arises whether the additional investment of 6.3% for the Alexanderkazerne, in preference to the hypothetical option of staying at the Arc⁴, would not be fully justified in light of these advantages.
- The new premises on the site of the Alexanderkazerne may, as assumed in this report, be fully owned by the Court, which would mean that after the pay-back period the premises would be free of rent. This possibility does not seem likely for the other two options, because the buildings are privately owned and currently not for sale.

² The annual costs mentioned here are at the price level of 2012, see chapter 4.6.

³ Alexanderkazerne.

⁴ It should be noted that this report is based on hypothetical extensions of the Arc. It is unlikely that these extensions could be realized in practice.

1. Introduction

1. The realization of the permanent premises is of great importance for the Court, which needs the premises not only as a working place but also as a symbol of its permanent and universal character. Only when the Court moves from the interim premises to its permanent premises will it be fully established in the eyes of the outside world.

2. The ICC is currently housed in the “Arc”, an office building made available free of rent until 2012. It will be recalled that the report on housing options (ICC-ASP/4/1) compared three options for the future permanent premises of the Court as suggested by the Assembly at its session in 2004, namely:

- Staying indefinitely in the interim premises (the Arc);
- Moving into the premises of the International Criminal Tribunal for the former Yugoslavia (ICTY) once the Tribunal has finalized its work; or
- Moving into new purpose-built premises, to be located at the Alexanderkazerne.

3. Obviously, there are many parameters to be considered before taking a final decision, such as functionality, security, identity etc. These topics are covered in the report on housing options. That report and its conclusions have been presented to the CBF, the Working Group of the Bureau of the Assembly of States Parties in The Hague, the Bureau of the Assembly, and the Friends of the ICC in New York.

4. As was shown in the report on housing options, there are considerable differences between the three options (new versus reconstruction, high-rise versus campus-style, existing buildings of different size and quality). As many of the most relevant parameters are quite different, comparing such different options is like comparing “chalk and cheese”.

5. The present report, requested by the CBF, sheds further light on the financial impact of the three options and is restricted to financial issues. This report should therefore be seen as complementary to the report on housing options, expanding on one aspect of the overall comparison, namely costs (see section III.4 of the report on housing options).

6. The financial comparison is a complicated venture. A hypothetical levelling was needed to make the three options comparable in terms of size and quality in order to calculate and compare their costs. Moreover, it should be pointed out that the applied figures are quite conservative throughout, so that the results presented here are likely to be at the higher end of the possible range. The calculations are based on benchmarks from other comparable projects.⁵ However, the same benchmarks have been applied consistently to all three options.

⁵ Main sources of information: Drees & Sommer Project Management Consultants and Jones Lang Lasalle.

2. Options

7. The options that are compared in this report are the same as in the report on housing options, i.e. the current interim premises (the Arc), the ICTY and the new premises on the site of the former Alexanderkazerne.

1. ARC

Gross floor area:	32,910 m ²
Maximum capacity:	850 staff
Year of construction:	1993
Building quality in 2012: ⁶	Good



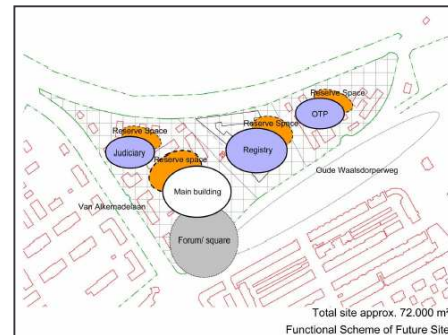
2. ICTY

Gross floor area:	24,5480 m ²
Maximum capacity: ⁷	700 staff
Year of construction:	1956
Building quality in 2012: ⁶	Major reconstruction necessary to attain required quality



3. Alexanderkazerne

Gross floor area:	44,820 m ²
Maximum capacity:	1,300 staff
Year of construction:	2012
Building quality in 2012:	New



8. For more detailed information see the report on housing options.

⁶ The building quality of the Arc and the ICTY has been assessed by visual inspection. No detailed technical due diligence analysis has been carried out.

⁷ The main building can host a maximum of 700 staff. To host the ICTY staff level of more than 1,000 staff in 2003/2004, two additional buildings have been rented.

3. Methodology

9. As may be seen from the foregoing short description, the three options are quite different in terms of size and quality. Two, the Arc and the ICTY, are existing buildings, while the permanent premises on the Alexanderkazerne site would be newly designed and built. Furthermore, while the first two options would be (partly) for rent, the permanent premises development on the Alexanderkazerne site is assumed to be an ownership model.

	Age	Size	Ownership
Arc	10 years old	Max. 850 staff	Rent/own
ICTY	50 years old	Max. 700 staff	Rent/own
Alexanderkazerne	New	1,300 staff	Ownership

10. As many of the most relevant parameters are different, comparing such different options is like comparing “chalk and cheese”. For example, it would not be appropriate to compare the cost of a building for 700 staff to that of a building for 1,300 staff, nor would it be appropriate to compare the cost of a new building with that of a 50-year-old building, without levelling the options first.

3.1 Levelling of options

11. For a correct and fair comparison, all three options have to be made comparable in terms of size and quality. The requirements as defined in the Project Presentation report will serve as references⁸ for this levelling:

- Staff: 1,300
- Parking spaces: 568

12. These requirements have been translated into a functional programme⁹ of 44,820m² of gross floor area (GFA) + 17,000m² GFA for parking. For more detailed information see the Project Presentation report. (ICC-ASP/4/CBF.1/3).

13. While the Alexanderkazerne option would be designed according to this requirement, the other two options are – hypothetically¹⁰ – raised to the same size and quality level by adding floor area and improving building quality.¹¹

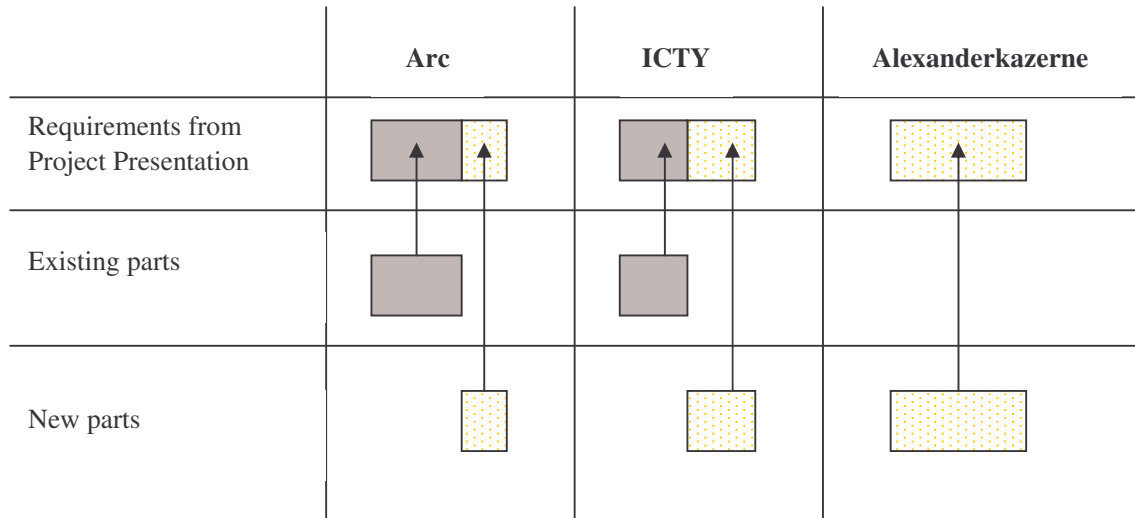
⁸ Modifications of the reference figure of 1,300 staff are further analysed in the sensitivity analysis in section 5.3.

⁹ Room schedule/study by the host State.

¹⁰ It should be borne in mind that the necessary addition of floor area may be difficult to realize in reality, due to limited availability of land, etc. However, this assumption is made for a fair comparison in terms of building size.

¹¹ Improvement of building quality applies to the ICTY only.

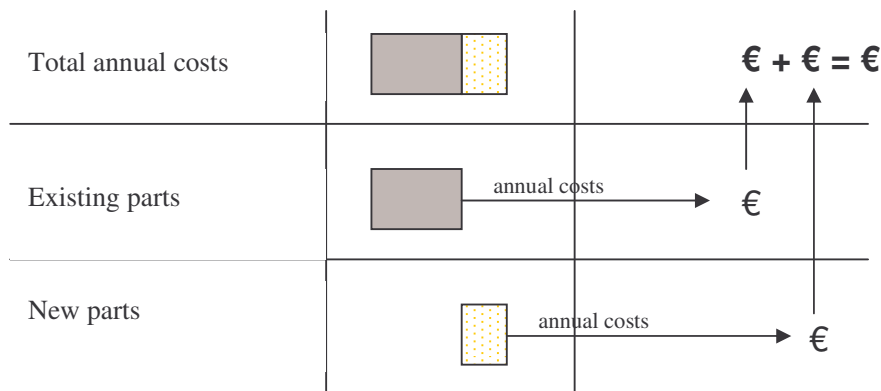
14. The following chart depicts this levelling approach:



It is important to recognize that the Arc and the ICTY are not, and cannot, be fully raised to the same level as the Alexanderkazerne.

3.2 Financial comparison

15. The logic underlying the financial comparison of the three options is the same as that described above: annual costs are estimated for the new building parts and added to the rent for the existing building. The same parameters are used for all three options.



16. Different parameters for each of the options are important. While the cost of an existing building part is defined mainly by the rent, the cost of a new building part is largely influenced by the construction costs. The following section explains the individual parameters for each option.

17. All costs used in the following calculations are based on the 2005 price level. In section 5, they are aggregated and extrapolated to the 2012 price level.

4. Basic Assumptions

18. The overall costs of each option are composed of the sum of the individual parameters. Some of the parameters apply to all options (e.g. operating costs), while others apply only to the existing rented parts or only to the new building parts.

19. The following matrix shows the parameters and their relevance to each of the options:

	Ref.	Arc	ICTY	Alexander-kazerne
Existing parts:				
• Rent for buildings	4.1	X	X	-
• Cost of the necessary reconstruction and adjustment	4.2.1	-	X	-
• Rent for the parking space	4.1	X	X	-
• Operating costs	4.4.1	X	X	-
• Maintenance costs	4.4.2	(X) ¹²	(X) ¹²	-
New parts:				
• Cost of the construction of new office space	4.2.2	X	X	X
• Cost of the construction of new parking space	4.2.2	X	X	X
• Cost of the land	4.3	X	X	X
• Cost of external works/landscaping	4.2.3	X	X	X
• Operating costs	4.4.1	X	X	X
• Maintenance costs	4.4.2	X	X	X

For each of the parameters shown here, a figure has to be established. The figures chosen are explained in the following paragraphs.

20. Financing costs are taken into consideration within the individual parameters and explained further in section 4.5. The financing conditions that an organization like the Court should be able to obtain remain to be determined – hence the following figures can only be rough first assumptions. The exploration of financing methods and subsequent fine-tuning (financial engineering) will be an important task in the development of the permanent premises.

21. It is important to recognize that at this early stage, without concrete design or approved specifications, the following assumptions are derived from benchmarks pertaining to comparable projects and can be seen only as preliminary rough assumptions with a possible

¹² Included in the rent.

variance of +/- 15% in relation to the overall final costs. This applies equally to all three options. For the purpose of this comparison, these assumptions provide a reasonable basis, since it follows that any change in costs will influence all three options in the same direction. In order to quantify this possible influence, a sensitivity analysis has been carried out (see section 5.3).

4.1 Rent

22. For the Arc and the ICTY, the annual rent as indicated by the host State has been taken into consideration for the existing premises.

	Main building	Parking space
Arc: ¹³	€5,311,200 per year	€296,738 per year
ICTY:	€2,540,900 per year	€379,100 per year

4.2 Construction costs

23. The construction costs are estimated on the basis of square-metre benchmarks of similar projects (court buildings, offices, high-security buildings such as banks, prisons), taken from a database with detailed information on more than 1,300 projects¹⁴.

24. The square-metre costs for the different options are extremely different: The Arc is considered to have been handed over by the host State in good condition, whereas the ICTY will need major reconstruction to be suitable for the Court. The premises on the Alexanderkazerne site will be a completely new construction.

25. The construction costs per m² (4.2.5) are composed of the basic construction costs (4.2.1 – 4.2.3), the incidental building costs (4.2.4) and a margin for unforeseen expenses. The total construction costs are calculated at the end of this section (4.2.7).

4.2.1 Necessary reconstruction

26. The following assumptions have been made to estimate the construction costs:

Arc:	€0/m ²	The assumption here is that the building is in good condition and would be handed over in a condition that is comparable to a new building.
ICTY:	€1,000/m ²	The underlying assumption is that only the concrete core and the main structure of the facade can be reused. All building technology, windows, interior, etc. will be renewed.
Alexanderkazerne:	€0/m ²	N/A

¹³ Until 2012, the premises of the Arc are provided free of rent. According to the information provided by the host State, the rent of € 5.3 million is reflects local market conditions.

¹⁴ Drees & Sommer Project Management Consultants.

4.2.2 New construction

27. Due to the high security and functional needs of the premises, particularly conservative assumptions (i.e. at the higher end of the market range) have been made in estimating building costs for the new parts.

Main building	€1,750/m ²	New building according to the requirements of the project presentation Including high-security measures
Underground ¹⁵ parking space	€600/m ²	

Note: For all three options, costs of interior finishing (carpeting, etc.) are included; furniture costs are not included.

4.2.3 External works

28. External works comprise anything done externally or outside the building, such as landscaping (soft landscaping) and circulation areas and roads or pathways (hard landscaping) that are on the site.

29. The underlying assumption is that 30% of the land is covered with buildings and that the remaining 70% is therefore subject to external works.

30. The cost of external works is estimated at an average of €80/m² plus 10% for unforeseen expenses.

	Area of land	Price	Total	Annual
Arc	10,860 m ²	€88/m ²	€955,700	€63,097
ICTY	14,480 m ²	€88/m ²	€1,274,267	€84,129
Alexanderkazerne	31,374 m ²	€88/m ²	€2,760.912	€182,279

4.2.4 Incidental building costs

31. The incidental building costs comprise the costs in respect of designers, project managers, management, permission fees, samples, tests, etc. Depending on complexity, they account for between 16% and 20% of the overall construction costs. Because of the increased planning effort in the case of reconstruction, the incidental building costs are around 4% higher. The following figures are chosen to reflect the high degree of complexity, especially in terms of security:

- 20% for new construction
- 24% for reconstruction and refurbishment
- 16% for underground parking space

¹⁵ Underground but not underneath the building.

4.2.5 Total construction costs per square metre

32. Total construction costs per square metre consist of construction costs (4.2.1 to 4.2.3), incidental costs and a 10% supplement for unforeseen expenses.

	Reconstruction		New parts		
	Arc	ICTY	All options	Parking (underground)	Landscaping
Construction costs	€0	€1,000	€1,750	€600	€80
Incidental building costs	(24%)	24%	20%	16%	incl.
Supplement for unforeseen expenses	€0	€100	€100	10%	10%
Total (/m² GFA)	€0	€1,340	€2,200	€756	€88

It should be pointed out again that these total assumptions are quite conservative (i.e. at the higher end of the market range).

4.2.6 Calculation of required area

33. The Project Presentation defines a requirement of 44,820m² GFA¹⁶ for a staffing level of 1,300. The average¹⁷ for each staff member is therefore 34.5 m² GFA.

34. The difference between the required staffing level of 1,300 and the maximum capacity of the Arc (850) and the ICTY (700) determines the requirement for additional area. Office space for 450 additional staff must therefore be created for the Arc and office space for 600 staff in the case of the ICTY option.

	Requirement	Max. capacity	New	Average m ² per staff (GFA)	Required new area (GFA)
- Arc	1,300	850	450	34.5 m ²	15,515 m²
- ICTY	1,300	700	600	34.5 m ²	20,686 m²

¹⁶ GFA: gross floor area.

¹⁷ Total area divided by number of staff: 44,820m²/1,300=34.5m². This average includes the office space as well as circulation areas, communal areas, conference rooms, etc. Hence, the m² average should not be confused with the actual size of the individual offices. For this information, see the Project Presentation, section III.6: Offices, p. 19.

4.2.7 Total construction costs

35. The table below shows total construction costs for the different building parts:

	Size	Price	Total	Annual
Reconstruction				
- ICTY	24,548 m ²	€1,340/m ²	€32,894,320	€2,913,301
New construction:				
- Arc	15,515 m ²	€2,200/m ²	€34,132,154	€2,209,015
- ICTY	20,686 m ²	€2,200/m ²	€45,509,538	€2,945,353
- Alexanderkazerne	44,820 m ²	€2,200/m ²	€98,604,000	€6,381,598
New parking:				
- Arc	5,821 m ²	€756/m ²	€4,400,359	€290,518
- ICTY	5,127 m ²	€756/m ²	€3,875,964	€255,896
- Alexanderkazerne	17,130 m ²	€756/m ²	€12,950,280	€854,995

4.3 Size and cost of land

4.3.1 Size

36. For the Arc and the ICTY, the existing buildings do not provide sufficient capacity to accommodate the required staffing level of 1,300 persons. Additional office space will therefore have to be rented or constructed. For purposes of comparability, the ratio between the required gross floor area of the buildings and the required land is assumed to be 1:1. Thus, according to the calculation in subsection 4.2.6, the additionally required land for the Arc is assumed to be 15,515m² and for the ICTY 20,686m².

37. In the interest of a fair comparison, the hypothetical price for the Alexanderkazerne land does not include the entire site of 72,000m² but relates solely to the area that is necessary for “Full capacity” as defined in the Project Presentation (44,820m²). The remaining square metres can be treated as a potential later option in case of an unforeseen need to expand.

4.3.2 Costs

38. In the light of this comparison, a local market value¹⁸ of €500/m² has been assumed.

	Size of land	Market price	Total	annual
Arc	15,515 m ²	€500/m ²	€7,757,308	€492,750
ICTY	20,686 m ²	€500/m ²	€10,343,077	€657,001
Alexanderkazerne	44,820 m ²	€500/m ²	€22,410,000	€1,423,501

¹⁸ Market value as indicated by the host State (Future permanent premises of the International Criminal Court: Financing models (ICC-ASP/4/CBF.1/INF.1), p. 10).

4.4 Operating and maintenance costs

39. Operating costs comprise mainly electricity, heating, sewage, local authority charges, cleaning and other normal running expenses.

40. Maintenance costs include inspection, overhaul, repair, preservation and the replacement of parts. Maintenance activities keep an asset in good working condition throughout its estimated useful life.

4.4.1 Operating costs

41. The assumptions for operating costs are derived from a survey of European office buildings.¹⁹ In the case of a high-rise building like the Arc, the operating costs are, on average, around 10% higher.

Arc:	€46.20/m ² /year
ICTY:	€42.00/m ² /year
Alexanderkazerne:	€42.00/m ² /year

42. Optimizations and savings in operating costs in respect of the new building parts are desirable and achievable. However, according to the approach followed in this report, a conservative assumption would be that the operating costs for the old and the new building parts are similar.²⁰

43. The following table shows expected annual operating costs:

	Size	Price	Annual
Reconstruction			
- Arc	32,910 m ²	€46.8/m ²	€1,540,188
- ICTY	24,548 m ²	€42.0/m ²	€1,031,016
New construction:			
- Arc	15,515 m ²	€42.0/m ²	€651,614
- ICTY	20,686 m ²	€42.0/m ²	€868,818
- Alexanderkazerne	44,820 m ²	€42.0/m ²	€1,882,440

4.4.2 Maintenance costs

44. For maintenance, servicing and inspection, the following benchmarks²¹ have been applied as average figures for 25 years:

Rented space:	€5/m ² /year (for small repairs that are not covered by the rent)
New space:	€20/m ² /year
Rented parking space:	€2/m ² /year
New parking area (underground)	€8/m ² /year
External surfaces/Landscaping:	€18/m ² /year

¹⁹ Office Service Charge Analysis Report 2004 by Jones Lang Lasalle.

²⁰ Except for the difference that arises from the Arc being a high-rise tower.

²¹ Source: Drees & Sommer Facility Management Consultants.

45. The following table shows the maintenance costs for the different parts:

	Size	Price	Annual
Rented			
- Arc	32,910 m ²	€5/m ²	€164,550
- Arc parking	11,250 m ²	€2/m ²	€22,500
- ICTY	24,548 m ²	€5/m ²	€122,740
- ICTY parking	7,020 m ²	€2/m ²	€13,331
New construction:			
- Arc	15,515 m ²	€20/m ²	€310,292
- ICTY	20,686 m ²	€20/m ²	€413,723
- Alexanderkaserne	44,820 m ²	€20/m ²	€896,400
New parking:			
- Arc	5,790 m ²	€8/m ²	€46,320
- ICTY	5,100 m ²	€8/m ²	€40,800
- Alexanderkaserne	17,040m ²	€8/m ²	€136,320
External / Landscaping:			
- Arc	5,790 m ²	€18/m ²	€195,484
- ICTY	5,100 m ²	€18/m ²	€260,646
- Alexanderkaserne	17,040m ²	€18/m ²	€564,732

4.5 Financing costs

46. Besides the rent, construction costs, land costs, operating costs and maintenance costs, the financing costs are the last crucial parameter of total costs. The financing conditions that an organization like the Court should be able to obtain remain to be negotiated. The following figures can therefore only be first rough assumptions. Exploration of financing methods and subsequent fine-tuning (financial engineering) will be an important task in the development of the permanent premises.

47. For the purpose of this comparison, the same favourable market conditions have been assumed for all three options.

4.5.1 Interest rate assumptions

48. Interest rate assumptions for a 25-year loan:

For the Court	4.5%
For an external investor	5%

4.5.2 Financing scheme for the reconstruction of the ICTY

49. The reconstruction and refurbishment of the ICTY is assumed to be carried out by the owner of the building, i.e. an external investor. During the following rent period (as of 2012), these costs will be reflected in the rent for the Court.

50. Before the long-term loan during the rent period, building projects are often (pre-)financed by bridge loans. A bridge loan, as a type of short-term loan, is typically used to cover financial demands during the construction phase while alternative long-term funding is being arranged.

51. The assumed interest rate is 5%. For the redistribution of the costs of the bridge loan, a discount rate of 8% has been applied.

52. For detailed calculations see Annex (Calculation of total costs: Annual costs).

4.5.3 Financing of new parts

53. In contrast to the rented (existing) building parts of the Arc and the ICTY, the new building parts are assumed to be financed through a typical ownership (annuity) model with a pay-back period of 25 years.

54. For the land, these financing costs arise from the outset, since the land has to be bought as a whole. In the case of financing costs for construction, however, only a portion (e.g. 50%²²) of such costs arises in the initial phase. This is because the need for financing is spread over the period of construction (at the very beginning the required loan to be financed is very low, whereas at the end the entire loan has to be financed).²³

55. For detailed calculations see Annex (Calculation of total costs: Annual costs).

4.6 Other considerations

56. The costs are extrapolated to the 2012 price level with an average annual inflation rate of 3.0%, which results in an increase of 23% compared to 2005.

57. Furniture, furnishings and inventory will be similar for all three options and are usually not part of the building costs. These items are therefore not taken into consideration here.

58. Taxes are not considered.

²² Simplified formula.

²³ Simplified formula: Cost of bridge loan = Costs (for land or construction) x Interest rate x Time (years).

5. Financial Comparison

5.1 Total annual costs

59. Based on the assumptions of section 4, the following table provides the main cost components that add up to total annual costs. The structure of the table follows the same pattern as the model introduced in the methodology: the annual costs for both the existing parts and the new parts are determined and then added up to yield the total annual costs for each option.

Annual costs for		Arc	ICTY	Alexanderkazerne
Existing premises				
Office building				
4.1	Rent	€5,311,200	€2,540,900	€0
4.2	Reconstruction necessary	€0	€2,913,301	€0
Parking				
4.1	Rent	€296,738	€379,100	€0
4.4	Operating	€1,540,188	€1,031,016	€0
Maintenance				
4.4	Office building	€164,550	€122,740	€0
4.4	Parking	€22,500	€13,331	€0
Subtotal existing premises		€7,335,176	€7,000,388	€0
New premises				
Office building				
Construction necessary				
4.2	Main building (incl. incidental costs, etc.)	€2,209,015	€2,945,353	€6,381,598
Parking				
Construction necessary				
4.2	Construction costs (underground)	€290,518	€255,896	€854,995
4.3	Land (purchase)	€492,750	€657,001	€1,423,501
4.2	External works (landscaping, etc.)	€63,097	€84,129	€182,279
4.4	Operating	€651,614	€868,818	€1,882,440
Maintenance				
4.4	Office building	€310,292	€413,723	€896,400
4.4	Landscaping	€195,484	€260,646	€564,732
4.4	Parking	€46,320	€40,800	€136,320
Subtotal new premises		€4,259,090	€5,526,366	€12,322,265
Total (price level 2005)		€11,594,266 100,0%	€12,526,754 108,0%	€12,322,265 106,3%
Total (price level 2012) (assuming 3% inflation per year)		€14,259,484	€15,406,327	€15,154,832

5.2 Net present value

60. Although the annual burden for the ICC is the most relevant figure, the net present value for each option is the sum of the annual costs multiplied by their respective time-value. The applied discount ratio is 7%. The price level is 2012.

	Arc	ICTY	Alexanderkazerne
Annual costs	€14.3 million	€15.4 million	€15.15 million
Net present value (25 years)	€180.9 million	€194.9 million	€191.7 million

5.3 Sensitivity analysis

61. The sensitivity analysis reveals the impact on the total result of changes in individual parameters. What happens, for example, if the interest rate is 1% higher than expected?

62. The following table presents an overview of the impact on each of the three options of a change in one of the parameters:

	Change:	Impact on total annual burden		
		Arc	ICTY	Alexkaz.
Interest rate	+ 1%	2.9%	4.0%	8.0%
Interest rate	- 1%	-2.8%	-3.8%	-7.6%
Construction price/m ²	+ 10%	2.1%	4.7%	5.8%
Land price/m ²	+ 10%	0.4%	0.5%	1.2%
Operating costs/m ²	+ 10%	1.9%	1.5%	1.5%
Maintenance costs/m ²	+ 10%	0.6%	0.7%	1.3%
Staffing level	+ 100 staff	8.0%	7.4%	7.2%
Staffing level	- 100 staff	-8.0%	-7.4%	-7.2%

63. The following paragraphs explain the reasoning behind these figures:

Interest rate

64. The impact of the interest rate depends on the percentage of the newly added part: the more new premises involved (as in the case of the Alexanderkazerne), the greater the influence of the interest rate. Accordingly, the lowest possible interest rates will be necessary, especially in the case of the Alexanderkazerne.

Construction price

65. The influence of changes in the construction price is related to the number of portions of newly built premises: the more new parts, the greater the influence of the construction price. The construction price has the next greatest impact to the interest rate on overall costs. Consequently, construction costs should be closely monitored during the design and construction period.

Land price

66. The influence of the land price again depends on the amount of land that is required for each option: the more land purchase the option requires, the greater the influence of its price.

67. It should be taken into consideration that the amount of land plays a crucial role in respect of two important requirements: security and scalability:²⁴

- Security, because a larger recess from the street decreases the impact of an attack; and
- Scalability, because reserve space must be available in case unforeseen expansion necessitates additional construction.

Operating and maintenance costs

68. These two parameters have a very similar influence on all three options, since the basis (space for 1,300 staff) is similar.

Staffing level

69. The sensitivity of the staffing level parameter is of particular importance, since the estimated staffing levels of the organizational units of the Court are still under active and ongoing review. However, the analysis shows that the influence of the staffing levels is similar for all three options, and that the influence is as one would naturally expect: the smaller the Court, the less expensive it will be.

70. Another important consideration in this context is the question of limiting the Court to the existing premises. In other words, what are the costs if the Court decides to limit its (future) capacity to a level that fits in the existing Arc building?

	Arc	ICTY	Alexkaz.
Staffing level 850	€9,021,341	€10,134,338	€10,272,922
	100%	112.3%	113.9%

71. As one would expect, the option to limit the Court to the existing Arc premises is cheaper than opting for new premises on the Alexanderkaserne site. However, the potential negative consequences are considerable:

- The Court would be confined to a capacity of 850 staff members, even if currently unforeseeable developments necessitated higher staffing levels and hence a further possible enlargement of the permanent premises.
- The Court's spatial, functional and security requirements could not be met adequately.

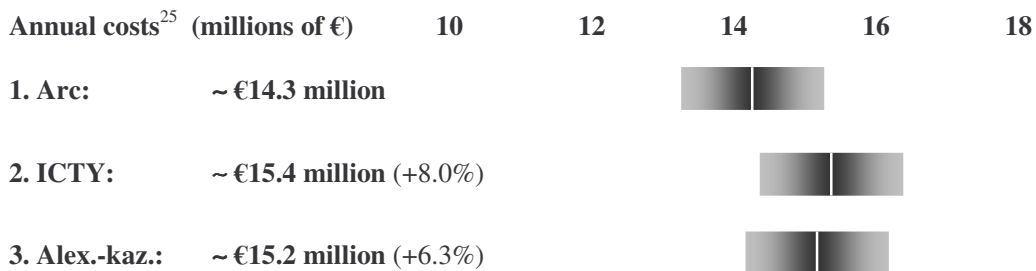
The question thus remains whether, even with a hypothetical maximum medium-term requirement of 850 staff, the potential savings of 14% outweigh the above-mentioned limitations.

²⁴ With regard to the possibility of adding extensions, see the report on housing options, subsection III.1.4.

6. Conclusion

72. The following main conclusions can be drawn from the above:

- The financial comparison of the three options over a period of 25 years, under equal conditions, shows slight cost advantages for the existing interim premises, the Arc.
- New purpose-built premises on the site of the Alexanderkazerne would be approximately 6.3% more expensive than the Arc.
- Reuse and extension of the ICTY would be approximately 8% more expensive than the Arc.
- Reuse and extension of the ICTY would be approximately 1.7% more expensive than the new purpose-built premises on the Alexanderkazerne site.



73. Other important considerations may be:

- The report on housing options (ICC-ASP/4/1) identified clear advantages for the Alexanderkazerne in terms of functionality, security, identity, etc. The question arises whether these advantages would not justify the additional investment of 6.3%.
- The new premises on the Alexanderkazerne site may, as assumed in this report, be fully owned by the Court, which would mean that after the pay-back period the premises would be free of rent. This possibility does not seem likely for the other two options because the buildings are privately owned and currently not for sale.

	Arc	ICTY	Alexanderkazerne
Annual costs for 25 years (2012)	€14.3 million	€15.4 million	€15.2 million
Annual costs <u>after</u> 25 years (2037)	OP&M + rent	OP&M + rent	OP&M (Court can be the owner!)

OP = operating costs; M = maintenance costs

²⁵ For all three options, a possible variance of +/-15%, as shown in the table above, has to be taken into account to cover unforeseeable increases or decreases in financial, real estate or building costs.

Annex

year	2009	2010	2011	2012	2017	2022	2027	2032	2037
	-3	-2	-1	0	5	10	15	20	25
	construction period			operation period					

capital expenditure -> rent

Refurbishment - Arc

Intermediate financing

Cap-Ex (loan)	0 €								
time	1,0 years								
Interest rate (for intermed. Financing)	5,0%								
Costs for Interm. Finance	0 €			0 €	0 €	0 €	0 €	0 €	0 €
Discount rate for later Int-Fin-Payments	8,0%			1,000	0,681	0,463	0,315	0,215	0,146
Net Present Value	0 €			0 €	0 €	0 €	0 €	0 €	0 €

Rent

Cap-Ex (loan)	0 €								
assumed profit	8,0%			0 €	0 €	0 €	0 €	0 €	0 €
Int-Fin-Costs spread				0 €	0 €	0 €	0 €	0 €	0 €

Total (yearly)

				0 €	0 €	0 €	0 €	0 €	0 €
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Reconstruction - ICTY

Intermediate financing

Cap-Ex (loan)	32.894.320 €								
time	2,0 years								
Interest rate (for intermed. Financing)	5,0%								
Costs for Interm. Finance	3.289.432 €			281.755 €	281.755 €	281.755 €	281.755 €	281.755 €	281.755 €
Discount rate for later Int-Fin-Payments	8,0%			1,000	0,681	0,463	0,315	0,215	0,146

Net Present Value	3.289.432 €	281.755 €	191.758 €	130.507 €	88.821 €	60.450 €	41.141 €
Rent							
Cap-Ex (loan)	32.894.320 €						
assumed profit	8,0%	2.631.546 €	2.631.546 €	2.631.546 €	2.631.546 €	2.631.546 €	2.631.546 €
Int-Fin-Costs spread		281.755 €	281.755 €	281.755 €	281.755 €	281.755 €	281.755 €
Total (yearly)		2.913.301 €	2.913.301 €	2.913.301 €	2.913.301 €	2.913.301 €	2.913.301 €

year	2009	2010	2011	2012	2017	2022	2027	2032	2037
	-3	-2	-1	0	5	10	15	20	25
	construction period			operation period					

capital expenditure -> yearly financing costs

Land

Arc

Cap-Ex (loan)	7.757.308 €	7.757.308 €	7.613.636 €	7.463.499 €	7.306.606 €	6.409.666 €	5.291.916 €	3.898.995 €	2.163.163 €	0 €
Interest rate	4,5%	349.079 €	342.614 €	335.857 €	328.797 €	288.435 €	238.136 €	175.455 €	97.342 €	0 €
paying back (amortisation)	1,9%	143.672 €	150.137 €	156.893 €	163.953 €	204.315 €	254.614 €	317.296 €	395.408 €	492.750 €
total yearly payment	6,4%	492.750 €	492.750 €	492.750 €	492.750 €	492.750 €	492.750 €	492.750 €	492.750 €	492.750 €

ICTY

Cap-Ex (loan)	10.343.077 €	10.343.077 €	10.151.515 €	9.951.332 €	9.742.142 €	8.546.222 €	7.055.888 €	5.198.660 €	2.884.217 €	0 €
Interest rate	4,5%	465.438 €	456.818 €	447.810 €	438.396 €	384.580 €	317.515 €	233.940 €	129.790 €	0 €
paying back (amortisation)	1,9%	191.562 €	200.182 €	209.191 €	218.604 €	272.421 €	339.486 €	423.061 €	527.211 €	657.001 €
total yearly payment	6,4%	657.001 €	657.001 €	657.001 €	657.001 €	657.001 €	657.001 €	657.001 €	657.001 €	657.001 €

Alexanderkazerne

Cap-Ex (loan)	22.410.000 €	22.410.000 €	21.994.949 €	21.561.220 €	21.107.974 €	18.516.814 €	15.287.757 €	11.263.764 €	6.249.137 €	0 €
Interest rate	4,5%	1.008.450 €	989.773 €	970.255 €	949.859 €	833.257 €	687.949 €	506.869 €	281.211 €	0 €
paying back (amortisation)	1,9%	415.051 €	433.729 €	453.246 €	473.642 €	590.245 €	735.552 €	916.632 €	1.142.290 €	1.423.501 €
total yearly payment	6,4%	1.423.501 €	1.423.501 €	1.423.501 €	1.423.501 €	1.423.501 €	1.423.501 €	1.423.501 €	1.423.501 €	1.423.501 €

New construction

Arc

Cap-Ex (loan)	34.132.154 €		34.132.154 €	33.459.086 €	32.755.730 €	28.734.722 €	23.723.814 €	17.479.310 €	9.697.523 €	0 €
Interest rate	4,5%		1.535.947 €	1.505.659 €	1.474.008 €	1.293.062 €	1.067.572 €	786.569 €	436.389 €	0 €
paying back (amortisation)	2,0%		673.068 €	703.356 €	735.007 €	915.952 €	1.141.443 €	1.422.446 €	1.772.626 €	2.209.015 €
total yearly payment	6,5%		2.209.015 €	2.209.015 €	2.209.015 €	2.209.015 €	2.209.015 €	2.209.015 €	2.209.015 €	2.209.015 €

ICTY

Cap-Ex (loan)	45.509.538 €	45.509.538 €	44.612.115 €	43.674.307 €	38.312.962 €	31.631.751 €	23.305.747 €	12.930.030 €	0 €
Interest rate	4,5%	2.047.929 €	2.007.545 €	1.965.344 €	1.724.083 €	1.423.429 €	1.048.759 €	581.851 €	0 €
paying back (amortisation)	2,0%	897.424 €	937.808 €	980.009 €	1.221.270 €	1.521.924 €	1.896.594 €	2.363.501 €	2.945.353 €
total yearly payment	6,5%	2.945.353 €	2.945.353 €	2.945.353 €	2.945.353 €	2.945.353 €	2.945.353 €	2.945.353 €	2.945.353 €

Alexanderkazerne

Cap-Ex (loan)	98.604.000 €	98.604.000 €	96.659.582 €	94.627.666 €	83.011.419 €	68.535.461 €	50.495.785 €	28.015.066 €	0 €
Interest rate	4,5%	4.437.180 €	4.349.681 €	4.258.245 €	3.735.514 €	3.084.096 €	2.272.310 €	1.260.678 €	0 €
paying back (amortisation)	2,0%	1.944.418 €	2.031.917 €	2.123.353 €	2.646.084 €	3.297.502 €	4.109.287 €	5.120.920 €	6.381.598 €
total yearly payment	6,5%	6.381.598 €	6.381.598 €	6.381.598 €	6.381.598 €	6.381.598 €	6.381.598 €	6.381.598 €	6.381.598 €

year	2009	2010	2011	2012	2017	2022	2027	2032	2037
	-3	-2	-1	0	5	10	15	20	25
	construction period			operation period					

capital expenditure -> yearly financing costs

New parking

Arc

Cap-Ex (loan)	4.400.359 €		4.400.359 €	4.307.858 €	3.779.036 €	3.120.028 €	2.298.785 €	1.275.366 €	0 €
Interest rate	4,5%		198.016 €	193.854 €	170.057 €	140.401 €	103.445 €	57.391 €	0 €
paying back (amortisation)	2,1%		92.502 €	96.664 €	120.461 €	150.116 €	187.072 €	233.126 €	290.518 €
total yearly payment	6,6%		290.518 €	290.518 €	290.518 €	290.518 €	290.518 €	290.518 €	290.518 €

ICTY

Cap-Ex (loan)	3.875.964 €		3.875.964 €	3.794.486 €	3.328.685 €	2.748.212 €	2.024.836 €	1.123.379 €	0 €
Interest rate	4,5%		174.418 €	170.752 €	149.791 €	123.670 €	91.118 €	50.552 €	0 €
paying back (amortisation)	2,1%		81.478 €	85.145 €	106.106 €	132.227 €	164.779 €	205.344 €	255.896 €
total yearly payment	6,6%		255.896 €	255.896 €	255.896 €	255.896 €	255.896 €	255.896 €	255.896 €

Alexanderkazerne

Cap-Ex (loan)	12.950.280 €		12.950.280 €	12.678.047 €	11.121.723 €	9.182.260 €	6.765.336 €	3.753.409 €	0 €
Interest rate	4,5%		582.763 €	570.512 €	500.478 €	413.202 €	304.440 €	168.903 €	0 €
paying back (amortisation)	2,1%		272.233 €	284.483 €	354.518 €	441.793 €	550.555 €	686.092 €	854.995 €
total yearly payment	6,6%		854.995 €	854.995 €	854.995 €	854.995 €	854.995 €	854.995 €	854.995 €

External works

Arc

Cap-Ex (loan)	955.700 €		955.700 €	935.610 €	820.757 €	677.629 €	499.266 €	276.993 €	0 €
Interest rate	4,5%		43.007 €	42.102 €	36.934 €	30.493 €	22.467 €	12.465 €	0 €
paying back (amortisation)	2,1%		20.090 €	20.994 €	26.163 €	32.603 €	40.630 €	50.632 €	63.097 €
total yearly payment	6,6%		63.097 €	63.097 €	63.097 €	63.097 €	63.097 €	63.097 €	63.097 €

ICTY

Cap-Ex (loan)	1.274.267 €	1.274.267 €	1.247.480 €	1.094.343 €	903.506 €	665.688 €	369.324 €	0 €
Interest rate	4,5%	57.342 €	56.137 €	49.245 €	40.658 €	29.956 €	16.620 €	0 €
paying back (amortisation)	2,1%	26.787 €	27.992 €	34.883 €	43.471 €	54.173 €	67.509 €	84.129 €
total yearly payment	6,6%	84.129 €	84.129 €	84.129 €	84.129 €	84.129 €	84.129 €	84.129 €

Alexanderkazerne

Cap-Ex (loan)	2.760.912 €	2.760.912 €	2.702.874 €	2.371.076 €	1.957.596 €	1.442.324 €	800.201 €	0 €
Interest rate	4,5%	124.241 €	121.629 €	106.698 €	88.092 €	64.905 €	36.009 €	0 €
paying back (amortisation)	2,1%	58.038 €	60.650 €	75.581 €	94.187 €	117.375 €	146.270 €	182.279 €
total yearly payment	6,6%	182.279 €	182.279 €	182.279 €	182.279 €	182.279 €	182.279 €	182.279 €