

The Regents of the University of California

**COMMITTEE ON GROUNDS AND BUILDINGS
COMMITTEE ON FINANCE**

May 17, 2000

The Committee on Grounds and Buildings and the Committee on Finance met jointly on the above date at Covell Commons, Los Angeles campus.

Members present: Representing the Committee on Grounds and Buildings: Regents Atkinson, Connerly, Davies, Hopkinson, Kozberg, and Pannor; Advisory member Kohn
 Representing the Committee on Finance: Regents Atkinson, Connerly, Davies, Hopkinson, Montoya, Pannor, and Preuss; Advisory member Miura

In attendance: Regents Khachigian, Sayles, and Vining, Regent-designate Fong, Faculty Representatives Coleman and Cowan, Secretary Trivette, General Counsel Holst, Provost King, Senior Vice President Kennedy, Vice Presidents Broome, Darling, Gomes, and Gurtner, Chancellors Berdahl, Bishop, Carnesale, Cicerone, Dynes, Greenwood, Tomlinson-Keasey, Vanderhoef, and Yang, and Recording Secretary Bryan

The meeting convened at 8:45 a.m. with Committee on Finance Vice Chair Preuss presiding.

1. **APPROVAL OF THE MINUTES OF THE MEETING OF MARCH 15, 2000**

Upon motion duly made and seconded, the minutes of the meeting of March 15, 2000 were approved as submitted.

2. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR ACTIVITIES AND RECREATION CENTER, DAVIS CAMPUS**

The President recommended that:

A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 1999-2000 Budget for Capital Improvements and the 1999-2002 Capital Improvement Program be amended to include the following project:

Davis: B. Activities and Recreation Center – preliminary plans, working drawings, construction, and equipment – \$46.5 million to be funded from external financing.

- B. The Committee on Finance recommend that:
- (1) The Treasurer be authorized to obtain financing not to exceed \$46.5 million to finance the Activities and Recreation Center project, subject to the following conditions:
 - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
 - b. Repayment of the debt shall be from the Activities and Recreation Center portion of the Facilities and Campus Enhancement Student Fees approved by student vote in February 1999 and by The Regents in May 1999, the Activities and Recreation Center portion of the Legal Education Enhancement and Access Program Fee approved by student vote in April 1999 and by The Regents in May 1999, facility user fees and a portion of the Davis campus Registration Fee, which shall generate net revenues sufficient to pay debt service and to meet all related financing requirements; and
 - c. The general credit of The Regents shall not be pledged.
 - (2) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
 - (3) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

It was recalled that the building will provide approximately 105,710 assignable square feet of student recreation and activity space, including multipurpose athletic courts, weight and exercise areas, a gymnasium, shower and locker rooms, a ballroom/banquet room, and administrative office and meeting space for student organizations.

Background

One of the distinguishing features of UC Davis is the broad range of on-campus activities available for student participation. Surveys indicate that the availability and variety of activities at UC Davis contribute to students' decisions to attend this campus. Current recreation and activity facilities were built in 1960s and 1970s when enrollment was about one-half of the current enrollment. The existing facilities are designed to serve 18,900 students. Currently, 23,151 students are enrolled, and a total of 26,850 are expected by 2005. Besides being inadequate for current enrollment, the existing facilities fall short of providing the types of recreation opportunities sought by incoming students. Existing facilities can neither meet the overwhelming time and space requests to satisfy program and meeting schedules, nor can they be configured to meet changing activity and recreation trends. The size and lack of versatility of existing facilities limit the amount of programming that can be provided for hosting intercollegiate athletics events and other large campus programs. The difficulty in scheduling facilities has become increasingly frustrating to students.

In October 1998, student leaders and student affairs administrators participated in a recreation facility planning retreat to identify and quantify future athletic, recreation, and student activity facility needs. Students felt strongly that student participation in a broad range of recreation, athletic, and co-curricular activity is a distinguishing campus value, one that has become increasingly compromised by inadequate and dated facilities and reduced access resulting from increased enrollment.

Current enrollments exceed campus recreational facilities design capacity by 22 percent and by 2005 will exceed capacity by 43 percent. The quality of the facilities does not compare favorably to those at the California State Universities, other UC campuses, and private institutions. The majority of students supported an initiative that would provide them with the facilities equipped to meet the broad range of their recreation, activity and athletic needs.

A recent million-dollar gift for a new aquatic complex will serve as a focus to generate additional support for an initiative to fund new facilities.

Given the critical need for new facilities, combined with a climate of student support, the student leader and student affairs administrators group developed the Facilities and Campus Enhancements Initiative (FACE). This initiative called for a student fee that would fund a variety of facilities and programs, including three new capital projects: an activities and recreation center, an aquatics complex, and a multi-use stadium. The FACE initiative was passed by the students in February 1999 and was approved by The Regents in May 1999. A similar initiative for law students, the Legal Education Enhancement and Access Program (LEEAP) fee was approved by the law students in April 1999 and was approved by The Regents in May 1999. The Activities and Recreation Center (ARC) will be the first project developed with FACE and LEEAP funds. The fees allocated to the Activities and Recreation Center are \$68 of the \$126

per quarter total FACE fee and \$102 of the total \$183.50 per semester LEEAP fee. Other portions of the FACE and LEEAP fees have been approved to fund future projects: the aquatics complex and multi-use stadium, equestrian center enhancements, recreation hall improvements, and program costs for sports clubs and intramural sports.

Project Description

The new ARC facility will provide students with a health club environment that will accommodate the large and increasing number of campus intramural activities that compete for space in Recreation Hall and Hickey Gymnasium. In addition, the new facility will provide students and student groups with much needed activity and programming space and will serve as a student center on the western side of campus that would provide students with a comfortable and attractive place to meet, relax, dine, exchange ideas, exercise, organize, and socialize.

The Activities and Recreation Center has two major components: a "Free Zone" and a "Controlled Zone." The free zone (23,746 asf) will have unrestricted access containing social activity space, meeting rooms, student organization office space, band space, staff office space, computer lounge, food service, dining/lounge space, and retail. The controlled zone (81,964 asf), accessible to those with registration or membership cards, will house a state-of-the-art facility dedicated to student recreation and fitness. This building will not include large audience seating and thus will not compete with Recreation Hall for special events.

The new building is anticipated to be steel frame with concrete block and pre-cast concrete cladding and roofing that is a combination of sloping, standing-seam metal, and flat, single-ply or built-up material. It will be constructed primarily at grade with racquetball and squash courts approximately six to eight feet below grade to accommodate the additional ceiling height. The exterior materials will be compatible with the fluted concrete block of the existing Recreation Hall. This building should provide architectural expression appropriate to the ARC's use as a social activity and fitness center without competing with or overwhelming Recreation Hall.

Other work in the proposed project will include a recreation field to replace the current field that will be displaced by the ARC, minor modifications of Hickey Gym to provide relief for overcrowded gymnastics space currently located in Recreation Hall, and realignment of the access road to Parking Lot 25 to make better use of the proposed site.

CEQA Classification

In accordance with the California Environmental Quality Act, and the University of California Procedures for the Implementation of CEQA, an Environmental Impact Report will be prepared to analyze the potential environmental effects of the proposed Activities and Recreation Center project. This document will be presented to The Regents for review when the design is presented.

Financial Feasibility

The total project cost of \$46.5 million will be funded from external financing. Repayment of the external financing will be from a portion of the FACE fee approved by the students in February 1999, a portion of the LEEAP fee approved by the law students in April 1999, facility user fees, and a portion of the Davis campus registration fees. The Chancellor in consultation with the Vice Chancellor – Student Affairs, has approved the pledge of University registration fees.

Assuming 27-year financing of \$46.5 million at 6.5 percent interest, the average annual debt service for the project will be \$3,698,000. Estimated annual operating expense will be \$1,993,000 and estimated annual revenue from the sources of repayment will be \$6,620,000 in 2004-05, the first full-year of operation for the facility.

Upon motion duly made and seconded, the Committees approved the President's recommendations and voted to present them to the Board.

3. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND AMENDMENT OF EXTERNAL FINANCING FOR COLLEGES NINE AND TEN RESIDENCE HALLS, SANTA CRUZ CAMPUS**

The President recommended that:

- A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the appropriate Budgets for Capital Improvement and Capital Improvement Programs be amended to reflect the following changes:

From: Santa Cruz: A. Colleges Nine and Ten Residence Halls – preliminary plans, working drawings, construction, and equipment – \$63,831,000 to be funded from external financing (\$57,889,000), University of California Housing System net revenue funds (\$4,423,000), University Center reserves (\$1,012,000), gift funds (\$400,000) and Student Facilities Fee reserves (\$107,000).

To: Santa Cruz: A. Colleges Nine and Ten Residence Halls – preliminary plans, working drawings, construction, and equipment – \$73,122,000 to be funded from external financing (\$67,180,000), University of California Housing System net revenue funds (\$4,423,000), University Center reserves (\$1,012,000), gift funds

(\$400,000) and Student Facilities Fee reserves
(\$107,000).

- B. The Committee on Finance recommend that the financing actions approved by The Regents in September 1991 and amended in March 1999 with respect to Colleges Nine and Ten Residence Halls, Santa Cruz campus, be amended as shown, with the understanding that all other financing actions by The Regents regarding said project remain unchanged:

Deletions shown by strikeout, additions by shading

The Treasurer be authorized to obtain financing not to exceed ~~\$57,889,000~~ **\$67,180,000** to finance a portion of the construction and related costs of Colleges Nine and Ten Residence Halls, Santa Cruz campus, subject to the following conditions:

- i. interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
- ii. as long as the housing portion of the debt ~~(\$56,508,000)~~ **(\$65,542,000)** is outstanding, UC Housing System (UCHS) fees for the Santa Cruz campus shall be established at levels sufficient to meet all requirements of the UC Housing System Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and related requirements on the proposed financing;

- iii. as long as the student facilities portion of the debt (~~\$1,381,000~~ **\$1,638,000**) is outstanding, the Student Facilities Fee shall be established at a level sufficient to meet all debt service and related requirements on this proposed financing; and

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History of Approvals

It was recalled that the University Club project was approved in October 1985 and subsequently amended in July 1986 and March 1987 for a total cost of \$1,045,000 to provide a 4,000-asf facility containing a large dining room, three small dining rooms, a lounge, and a kitchen.

In September 1991, The Regents amended the Capital Improvement program to include the College Nine Residence Hall project at a total project cost of \$16,917,000 (and related external financing) to provide 400 bed spaces and support space in College Nine residence hall and a kitchen and dining complex.

Subsequent to approval of the College Nine Residence Hall, enrollment and demand for on-campus housing were no longer increasing, and the College Nine Residence Hall project was deferred. Beginning in fall 1996, enrollment began to increase, and it is expected to continue to rise. Based on current and projected need for more permanent on-campus bed spaces and the need to expand the previously approved University Club to include conference facilities, The Regents amended the existing external financing for the College Nine Residence Halls project in March 1999 and amended the CIP to include an entirely new project: College Nine and Ten Residence Halls.

Financing for the Colleges Nine and Ten Residence Halls project was approved at a total project cost of \$63,831,000 (\$57,899,000 from external financing, \$4,423,000 from UCHS Net Revenue Funds, \$107,000 from student facilities fee reserves, \$1,012,000 from University Center reserves, and \$400,000 from gift funds). In January 2000, The Regents approved the design for the project and certified the Supplemental Environmental Impact Report (EIR).

Project Description

The approved project proposed construction of new residence halls that will provide 808 bed spaces (401 bed spaces in College Nine and 407 bed spaces in College Ten) and support space. A new dining facility that will serve both Colleges Nine and Ten is part of this project and will be located between the new College's residence halls. The dining facility will also contain the University Center, planned to house the University Club. Student recreation spaces for both Colleges Nine and Ten will be housed in the dining facility and in the residence halls. The project will include moving 21 modular student housing units currently located on the construction site to the

campus' lower quarry, a different site than originally planned; this new site requires some additional scope of work.

Need for Augmentation

The project is nearly ready to go to bid for construction. Based on the changing scope and a current cost estimate to construct the proposed facilities, it is proposed that previously approved funding be increased by \$9,291,000, for a new total of \$73,122,000. The previously approved budget, based on estimates developed over a year ago, is inadequate to support the updated project.

Current market conditions for construction (approximately \$3,573,000)

Given the current state of the construction industry and the exceptional amount of construction activity throughout California, the year-old estimates are significantly lower than estimates recently received. Traditional estimating practices used for the previously approved budget could not anticipate the volatile nature of the current bid market. This request for an increase in project financing is based on the 50 percent construction drawings that have been evaluated by both a cost estimating firm and independently by a construction management firm that bases pricing on anticipated bid amounts. Unprecedented construction activity in the Bay Area has resulted in a limited pool of bidders on projects. Regionally, high demand for construction materials has resulted in premium pricing for materials such as concrete, steel, and cement plaster. The high demand for skilled workers in the construction trades caused by this boom further contributes to higher costs. Additionally, a revision to Workers' Compensation laws has resulted in increases to insurance from 50 to 100 percent, which has resulted in a 2 percent overall construction cost increase.

Cost premiums for staging (approximately \$1,073,000)

The current cost estimate reflects an increase in prices to account for complex staging activities due to the extremely restrictive access to this site. The terrain, trees, and proximity to occupied facilities in this project will require remote and off-site staging, stockpiling, and contractor parking operations.

The Colleges Nine and Ten residence halls and dining facility will be delivered by a construction management method using multiple bid packages. The complexity of site constraints, site features, and the critical time line have forced the campus to look at ways to gain added control over work sequencing and costs. Given the complexity of this project and the difficult site, the construction manager delivery/multiple bid package method is the most viable option to bring the project to completion in time for fall 2001 and 2002.

Phasing of the project (approximately \$3,069,000)

The budget approved by The Regents in March 1999 was based on scheduling the six residence halls and dining facility for concurrent construction. The project now requires two phases to compensate for the fact that the modular student housing units cannot be removed from the dining hall and College Ten residence halls site until the summer of 2000. The original cost estimate for this project was based on moving residents of the modular housing units into the completed College Nine Apartments by winter 2000. That would have permitted the removal of the modular housing units in spring 2000 and allowed the construction of the College Ten residence halls and the dining facility to proceed along with the construction of the College Nine residence halls. However, the College Nine Apartments are not ready for occupancy this spring to house the students who now reside in the modular units. Phase one of the project is the construction of the College Nine residence halls, and phase two is the construction of the College Ten residence halls and the dining facility. The split phasing will extend project completion time from fall 2001 to fall 2002. This results in added project costs for construction administration and contractor overhead and significantly increased interest costs.

New site for relocation of modular student housing units (approximately \$1,576,000)

The budget approved by The Regents in March 1999 provided for the cost of relocating 21 modular student housing units from their current location on the Colleges Nine and Ten site to an area designated for future Colleges Eleven and Twelve. However, during evaluation of potential sites for the relocated modular units, the Colleges Eleven and Twelve site was rejected in favor of a site in the north end of the campus' lower quarry. This new site has resulted in added project costs, including the cost of relocating several Agroecology Program modular units currently located on a portion of the proposed site for the modular student housing units from the north end of the quarry to the south end. Other factors contributing to the increased costs associated with this site are the need for improvements to the on-site access road, installation of a higher capacity storm drainage system, extension of data and telecommunications lines, installation of netting for protection from loose rocks, and EIR-required mitigation measures.

Of the 21 modular housing units, two will be sold to the Agroecology Program (with the compensation going back into the UC Housing System) and will be located in the south end of the quarry alongside the relocated Agroecology Program modular units mentioned above. The remaining 19 modular housing units plus one new unit will be located in the northern end of the lower quarry in order to provide 153 student bed spaces and associated support space.

Financial Feasibility

The budget augmentation of \$9,291,000 will be funded from external financing. Assuming debt of \$67,180,000 amortized over 27 years at 6.5 percent interest, the average annual debt service is estimated at \$5,342,000. Of the external financing,

\$65,542,000 will be for the housing portion to be repaid from UCHS housing fees and University Center revenues, and \$1,638,000 will be for the student facilities portion to be repaid from the student facilities fee.

Repayment of the housing portion of the debt will be from student rents in the proposed facilities, fees from UCHS dining facilities, and existing bed spaces and other income generated by UCHS' management of the University Center. Single student room rates would be increased by \$890 per year, to \$7,662 per year for a single room and \$6,936 per year for a double room. These rates fall within the range of off-campus housing. Total campus UCHS revenues will be \$49,236,000, and after total operating expenses of \$30,457,000, net revenues available for debt service will be \$18,799,000, which are sufficient for debt service requirements for the project and existing financing.

Repayment of the student facilities portion of the debt will be from a \$21-per-year-per-undergraduate student facilities fee increase, for a total of \$243,000. In a 1987 student referendum, students approved an automatic fee increase for up to 4,700 asf in facilities for each new college project. The Student Assembly and Housing Advisory Committee have been consulted during this process.

Upon motion duly made and seconded, the Committees approved the President's recommendations and voted to present them to the Board.

The meeting adjourned at 8:50 a.m.

Attest:

Secretary