

**Office of the President****TO MEMBERS OF THE COMMITTEE ON FINANCE:****For Meeting of November 17, 2004****AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR UNIVERSITY CENTERS EXPANSION AND RENOVATION, SAN DIEGO CAMPUS****EXECUTIVE SUMMARY**

- Campus: San Diego
- Project: University Centers Expansion and Renovation
- Action: Approval of Capital Budget and External Financing
- Total Cost: \$79,122,000 to be funded from external financing (\$67,394,000) and Bookstore reserves (\$6,000,000) and gift funds (\$5,728,000).
- Previous Actions: None
- Project Summary: The San Diego campus proposes to expand and redevelop the existing University Centers, comprised of the Price Center and Original Student Center. As the result of a successful student-initiated referendum in May 2003 supporting a new student fee, this project would provide 68,500 asf of new space and would renovate 20,650 asf of existing space to expand food services, meeting and event facilities, lounges and study areas, space for student organizations, and administrative space at the University Centers. In addition, 42,500 asf of new space would be constructed for the Alumni and Visitor Center, Bookstore expansion, Cross-Cultural Center, and Student Life. The existing Bookstore space of 39,000 asf would be renovated.
- Issues:
- Debt service on \$46,244,000 would be paid from student fees and University Center revenues. With their approval of the May 2003 referendum, students agreed to a new University Centers fee of \$39 per student quarter effective with project occupancy. This is in addition to the existing quarterly fee of \$37.50 for a total quarterly fee of \$76.50.
  - Commitment of campus funds to pay for Cross Cultural Center was made at the time of student referendum. Alumni Center to be paid for with gift funds to be raised.



### RECOMMENDATION

The President recommends that:

- (1) The Committee concur with the recommendation of the Committee on Grounds and Buildings, that the 2004-05 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:
  - San Diego: University Centers Expansion and Renovation – preliminary plans, working drawings, construction, and equipment – \$79,122,000 to be funded from external financing (\$67,394,000), Bookstore Reserves (\$6,000,000), and gift funds (\$5,728,000).
- (2) External financing be obtained not to exceed \$46,224,000 for the construction and related costs, 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 University Centers Expansion and Renovation student fees approved by student vote in May 2003 and by the President on June 19, 2003; and net revenues of the University Centers, which shall generate net revenues sufficient to pay debt service and to meet all related financing requirements of the proposed funding.
  - c. The general credit of The Regents shall not be pledged.
- (3) External financing be obtained not to exceed \$14,766,000 for the construction and related costs, 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 net revenues of the UCSD Bookstore, which shall generate net revenues sufficient to pay debt service and to meet all related financing requirements of the proposed funding.
  - c. The general credit of The Regents shall not be pledged.
- (4) External financing be obtained not to exceed \$1,724,000 for the construction and related costs, 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 Registration Fees.
  - c. The general credit of The Regents shall not be pledged.

- (5) External financing be obtained not to exceed \$4,680,000 for the construction and related costs, 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 revenues relating to the groundlease of the Blackhorse Farms property.
  - c. The general credit of The Regents shall not be pledged.
- (6) 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.
- (7) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

A Key to the abbreviations and the project description are attached.

(Attachments)

KEY  
Capital Improvement Program Abbreviations

<b>S</b>	Studies
<b>P</b>	Preliminary Plans
<b>W</b>	Working Drawings
<b>C</b>	Construction
<b>E</b>	Equipment
<b>-</b>	State Funds (no abbreviation)
<b>F</b>	Federal Funds
<b>G</b>	Gifts
<b>HR</b>	Hospital Reserve Funds
<b>I</b>	California Institutes for Science and Innovation
<b>LB</b>	Bank Loans or Bonds (External Financing includes Garamendi, Bonds, Stand-By, Interim and Bank Loans)
<b>LR</b>	Regents' Loans (Internal Loans)
<b>N</b>	Reserves other than University Registration Fee (Housing and Parking Reserves)
<b>R</b>	University Registration Fee Reserves
<b>U</b>	Regents' Appropriations (President's Funds, Educational Fund)
<b>X</b>	Campus Funds
<b>CCCI</b>	California Construction Cost Index
<b>EPI</b>	Equipment Price Index

2004-05 Budget for Capital Improvements  
and Capital Improvement Program  
Scheduled for  
Regents' Allocation, Loans, Income Reserves, University Registration Fee Reserves,  
Gift Funds, and Miscellaneous Funds

Campus and Project Title (Total Cost)		Proposed 2004-05	
<u>San Diego</u>	P	\$2,090,000	LB
	P	\$851,000	X
University Centers	P	\$235,000	G
Expansion and Renovation	W	\$2,651,000	LB
	W	\$1,080,000	X
	W	\$298,000	G
	C	\$61,003,000	LB
	C	\$4,069,000	X
	C	\$5,195,000	G
(\$79,122,000)	E	\$1,650,000	LB

**DESCRIPTION**

The San Diego campus proposes to expand and redevelop the existing University Centers, comprised of the Price Center and Original Student Center. As the result of a successful student-initiated referendum in May 2003 supporting a new student fee, this project would provide approximately 68,500 asf of new space and would renovate approximately 20,650 asf of existing space to expand food services, meeting and event facilities, lounges and study areas, space for student organizations, and administrative space at the University Centers. In addition, approximately 42,500 asf of new space would be constructed for the Alumni and Visitor Center, Bookstore expansion, Cross-Cultural Center, and Student Life. Approximately 39,000 asf of existing Bookstore space also would be renovated.

***Background***

The Original Student Center (18,652 asf) was built in 1972 and expanded in 1976. As the first student union, the Original Student Center is an important destination for the campus community, providing a serene environment for the occupants and users of the facilities. The current Price Center facility (122,871 asf) was completed in 1989, and is part of the growing University Center neighborhood, which is experiencing significant redevelopment.

When the Price Center was completed in 1989, the campus had an undergraduate enrollment of 13,222 FTE. Since then, enrollment has increased by approximately 47 percent to a total of 19,500 FTE in 2003-04. Undergraduate enrollments are expected to continue to grow to 20,660 FTE in 2009-10. The number of graduate students, faculty, staff, and campus visitors also are increasing, further constraining the existing University Centers' ability to serve the campus and resulting in a number of facility-related deficiencies.

The impetus for this project was provided by the *Associated Students UCSD Ad Hoc Task Force on University Centers Expansion Efforts* convened in winter 2002 to evaluate student interest

and funding options for expansion of the University Centers. The task force developed a survey to assess the students' desires for expanded facilities and services. The task force proposed a student fee referendum, which was supported by both the Associated Students and the Graduate Students Association. The referendum included specific program elements in the new facilities, as described below in the *Project Description* section. The referendum stated that the fee would be collected when the facilities were available to the students; estimated to occur in fall 2007. The fee was proposed as an addition to the existing University Centers fee to cover costs associated with constructing, operating, and maintaining the facilities.

A special election was held May 12-16, 2003. Prior to the weeklong election, the students organized an open debate at the Price Center to discuss the pros and cons of the proposed new fee. One important consideration by the students was the concurrent discussion by the Regents concerning increased student education fees for fall 2003. Students also wanted appropriate student responsibility over the use of the referendum funds and the related program decisions. On both sides of the debate, students considered seriously how their votes would affect students not yet matriculated; a "yes" vote would assess the fee on future students, but a "no" vote would risk further crowding and lack of available services for the same students.

Approximately 30 percent of the student body (6,415 students), including graduate and medical students, voted in the special election, which was held via the Web. The referendum passed with 54 percent of the voters endorsing a new \$39-per-quarter fee that would fund the planning, design, construction, and operation and maintenance of additional and improved facilities at the Price Center and the Original Student Center. The fee would be effective with project occupancy, and would increase the quarterly fee from \$37.50 to \$76.50 per student. Under the authority delegated by The Regents, President Atkinson approved the fee increase on June 19, 2003.

After the student vote and Presidential approval, a Building Advisory Committee (BAC) was appointed by the Chancellor in June 2003, and its members selected the architects in July 2003. Students, including a student co-Chair, comprise two-thirds of the BAC membership. The students worked with the architects during programming to ensure that the project met the requirements of the approved referendum. In addition, several town hall forums were held to provide information and gain feedback from other members of the student body and campus community.

The referendum provided for student-fee-funded expansion of the Price Center of 60,000 to 85,000 gsf, and for expansion of the Student Center of 10,000 to 15,000 gsf. The student-fee-funded portion of the Price Center is now expected to expand by 104,000 gsf – 19,000 to 14,000 gsf more than envisioned at the time of the referendum. The student-fee-funded portion of the Student Center is now expected to expand by 7,000 gsf; approximately 3,000 to 8,000 gsf less than reflected in the referendum. In total, the student-fee-funded portion of the project is planned to provide about 16,000 to 36,000 more gsf than was anticipated with the referendum. Students have participated in the programming that followed the passage of the referendum, and have been principal participants in determining both the amount and type of space to be delivered with the project.

***Project Description***

*Price Center (\$72,174,000)*

This project would construct approximately 105,000 asf of new space to accommodate expanded, enhanced, and new services at the Price Center. In addition, the project would reorganize space within the existing building, requiring renovation of approximately 53,200 asf to adapt current spaces and integrate the old and the new.

The student-fee-funded program comprises approximately 62,500 of new asf, of which 52,000 asf would include student activity space such as offices and support spaces for student organizations and Associated Students, a 24-hour lounge including a group study and computer lounge, conference and event space, gathering and seating space, and building administration and support space. Approximately 8,000 asf to accommodate food service enterprises would be added, and approximately 2,500 asf would be for retail. Renovated space of approximately 14,100 asf would include space for food service, retail services, student organizations, social and meeting space, and administration.

The UCSD Bookstore would expand by approximately 22,400 asf, to increase retail space for textbooks and other books, general merchandise, and bookstore administration and support. In addition, approximately 39,100 asf of the existing Bookstore would be renovated. The current convenience store would be replaced by a small grocery store. The new Bookstore space would be constructed to the south of the existing facilities, affording better visibility additional entrances. These new entrances also would provide easier access to the Price Center as a whole.

The Cross-Cultural Center is dedicated to supporting the needs of UCSD's diverse student, staff, and faculty communities. This campus resource office provides a network of services and programs related to UCSD's multiethnic, culturally conscious campus community. The Cross-Cultural Center is currently located in a vintage 1940s wood building that is planned for demolition as part of the proposed State-funded Structural and Materials Engineering Building. Approximately 7,000 asf would be constructed as part of the Price Center expansion. The new space would include lounge and library areas, meeting and event facilities, and office and administrative space for the resource center.

The campus currently lacks an Alumni Center and a Visitors Center. A UCSD Alumni and Visitors Center within the Price Center would facilitate the interaction of alumni with students and the University community. It would provide alumni with a focal point to return to UCSD as ambassadors, advocates, and supporters, and it would be a welcoming center for donors, the community, and prospective faculty, staff, students, and parents. Space for a new Alumni and Visitors Center would be approximately 9,200 asf and include meeting, exhibit, and conference space, along with office space. Locating the Alumni and Visitor Center in the expanded Price Center facilities will maximize the availability of usable space for meetings, reunions, and alumni gatherings.

In addition, new space of 3,900 asf would provide a one-stop center for the Student Life division, which would include offices and administrative support for the Student Leadership Engagement and Service Center, Student Organizations and Leadership Opportunities, and Student Programs Business Office. These spaces would be incorporated with the student-funded building



administrative offices in order to provide better service to the students in a single location where students can have access to the supporting services needed to plan and implement events and activities.

Complementary outdoor spaces would be developed to accommodate a variety of activities including dining, cultural and vendor fairs, student organization events, and concerts.

The site for the new construction at the Price Center is to the east and south of the existing facility. The project would include realignment of Lyman Lane to the south of the facility, relocation of the existing loading and service dock, and demolition of 9,640 asf of vintage World War II structures, the occupants of which would be relocated as part of other projects.

*Original Student Center (\$6,948,000)*

The project would construct approximately 6,080 new asf and renovate an additional 6,500 asf at the Original Student Center. As part of the student-fee-funded program, the Original Student Center component would provide additional meeting and student organization space, an expanded General Store, and additional indoor and outdoor dining areas. As with the Price Center component, complementary outdoor spaces would be developed to accommodate a variety of activities and improve pedestrian circulation within and through the Original Student Center.

Two older structures, totaling approximately 2,400 asf, would be demolished to provide the site for the new construction. This selective demolition also would provide more open outdoor spaces for gathering, dining, and pedestrian circulation.

Construction at the Price Center is projected to begin in winter 2006; completion of the expansion is expected to complete in fall 2007, with the remaining renovation work expected by summer 2008. Construction at the Original Student Center also is projected to begin in winter 2006, with completion in spring 2007. To date, the project schedule is in line with the estimated timeframe as stated in the referendum.

The project will comply with the *Presidential Policy for Green Building Design and Clean Energy Standards* by adopting the principles of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements. Specific information regarding energy efficiency and sustainability will be provided when the project is presented for design approval.

***Environmental Consideration***

In accordance with the University of California guidelines for the implementation of the California Environmental Quality Act, an environmental impact analysis will be prepared for consideration by The Regents in conjunction with the project design review and approval at a future meeting.

***Financial Feasibility***

The total project cost is \$79,122,000, including interest during construction, to be funded with external financing (\$67,394,000), bookstore reserves (\$6,000,000), and gift funds (\$5,728,000). Assuming 6.125 percent interest for 30 years, the average annual debt service on \$67,394,000 would be \$4,962,000. Additional information regarding the project budget and comparable projects is included in Attachment 1.

The debt service on \$46,224,000 would be paid from student fees and University Center revenues. In May 2003, students agreed to a new University Centers fee of \$39 per student per quarter, effective with project occupancy. This is in addition to the existing quarterly fee of \$37.50, for a total quarterly fee of \$76.50. Students enrolled in the summer would be charged \$38.25 per student per session. Although it is expected that the new student fee would be assessed in fall 2007, the financial analysis is based on the first full year (2009-10) of principal and interest payments on the new debt. Implementation of the new fee results in a projected annual revenue of approximately \$6,512,000 in 2009-10, as shown in the Table 1.

Table 1  
University Centers Fee – Projected Annual Revenue  
Fiscal Year 2009-10 <sup>(1)</sup>

University Centers Student Fee	Headcount Enrollment <sup>(2)</sup>	Existing Annual Fee	New Annual Fee	Total Annual Fee Revenue
Three-Quarter Average	26,861	\$112.50	\$117.00	\$6,164,600
Summer <sup>(3)</sup>	9,075	\$18.75	\$19.50	\$347,119
<b>Total</b>				<b>\$6,511,719</b>

- <sup>(1)</sup> First full year of principal and interest payments on the new debt.
- <sup>(2)</sup> Includes fee-paying Health Sciences students.
- <sup>(3)</sup> The summer fee for each summer session would be equal to one half of the fall/winter/spring fee, since the summer session is half the length of the standard quarter.

Projected revenues are sufficient to cover all existing and new debt obligations, maintenance, and operations expenses. After the University Centers' annual debt service (existing and proposed) of \$3,990,000 is paid, approximately \$2,522,000 of the student fee revenue in 2009-10 would be available for the annual operating and maintenance expenses of the facilities. In 2009-10, annual operating and maintenance expenses are estimated to be \$4,855,000; University Centers' revenues, which include retail and food service enterprises, would fund the remaining \$2,333,000. University Centers' revenue, excluding the student fees, is expected to increase to \$3,361,000 in 2009-10. In the first full year of principal and interest payments on the new debt, revenue exceeds debt by 1.26x coverage for the \$46,224,000 of external financing to be repaid from student fees.

The bookstore would fund its share of the project costs with external financing of \$14,766,000 and \$6,000,000 of reserves. The debt service would be repaid from Bookstore revenue, at an annual debt service of \$1,087,000 at 6.12 percent for 30 years. The Bookstore has an existing annual debt service of approximately \$398,000, which would increase to \$1,485,000 with the

new proposed debt. In the first full year of principal and interest payments on the new debt, revenue exceeds debt coverage by 1.41x coverage for all of the external financing to be repaid from bookstore revenue.

Student Affairs would fund its share of the project costs for the Student Life one-stop center with external financing of \$1,721,000. Registration fees are pledged for repayment of this debt, which would result in an annual debt service of \$127,000. In the first full year of principal and interest payments on the new debt, the debt service is 4.01x.

The project costs associated with the Cross-Cultural Center (\$4,680,000) would be externally financed. As the source of repayment of this debt, the campus would pledge the income derived from prepaid ground-lease revenues on the Blackhorse Farms property. Estimated annual debt service would be \$345,000 at 6.125 percent for 30 years. In the first full year of principal and interest payments on the new debt, related income from the pre-paid ground-lease revenues from the Blackhorse Farms property would provide debt coverage of 1.26x.

Fundraising efforts are under way to raise gifts to fund the Alumni and Visitors Center. The project costs associated with this component of the project total \$5,728,000. As gift funds would be collected over time, and in compliance with Regents' policy that all funds necessary to complete construction are to be in hand at bid, campus funds have been committed to cover pledges up to \$5,728,000.

Additional financial feasibility information can be found in Attachment 2.

(Attachments)

**PROJECT STATISTICS**  
**University Centers Expansion and Renovation**

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**Capital Improvement Budget**  
**San Diego Campus**  
**CCCI 4635**

<u>Cost Category</u>	<u>Price Center</u>		<u>Original Student Center</u>		<u>Total</u>	<u>% of Total</u>
	<u>New</u>	<u>Renovation</u>	<u>New</u>	<u>Renovation</u>		
Site Clearance	\$575,000	\$31,000	\$300,000	\$0	\$906,000	1.2%
Building	\$44,597,000	\$6,255,000	\$2,100,000	\$1,595,000	\$54,547,000	70.4%
Exterior Utilities	\$1,078,000	\$0	\$80,000	\$0	\$1,158,000	1.5%
Site Development	\$1,487,000	\$83,000	\$880,000	\$0	\$2,450,000	3.2%
A/E Fees <sup>(a)</sup>	\$4,250,000	\$605,000	\$461,000	\$231,000	\$5,547,000	7.1%
Campus Administration <sup>(b)</sup>	\$1,443,000	\$197,000	\$231,000	\$104,000	\$1,975,000	2.5%
Surveys, Tests	\$625,000	\$85,000	\$74,000	\$34,000	\$818,000	1.1%
Special Items <sup>(c)</sup>	\$5,102,000	\$771,000	\$374,000	\$165,000	\$6,412,000	8.3%
Contingency	\$2,952,000	\$388,000	\$219,000	\$100,000	\$3,659,000	4.8%
<b>Total</b>	<b>\$62,109,000</b>	<b>\$8,415,000</b>	<b>\$4,719,000</b>	<b>\$2,229,000</b>	<b>\$77,472,000</b>	<b>100%</b>
Group 2 & 3 Equipment	\$1,650,000	\$0	\$0	\$0	\$1,650,000	
<b>Project Total</b>	<b>\$63,759,000</b>	<b>\$8,415,000</b>	<b>\$4,719,000</b>	<b>\$2,229,000</b>	<b>\$79,122,000</b>	

**Statistics**

	<u>Price Center</u>		<u>Original Student Center*</u>	
	<u>New</u>	<u>Renovation</u>	<u>New</u>	<u>Renovation</u>
Gross Square Feet (GSF) <sup>(d)</sup>	175,000	70,930	7,150	7,740
Assignable Square Feet (ASF)	105,000	53,200	6,080	6,500
Ratio ASF/GSF (%)	60%	75%	85%	84%
Building Cost/GSF	\$255	\$88	\$294	\$206

\*Note: Construction costs for Original Student Center include building facade renovation of the entire student center, not just the added or renovated square feet.

**Comparable University Projects at CCCI 4635**

<u>Latest CIB</u>			<u>Building</u>	
<u>Dated</u>	<u>Campus</u>	<u>Project</u>	<u>Cost/GSF</u>	<u>Ratio gsf/asf</u>
7-Jun-03	Irvine	Student Center Expansion - Phase 4	\$ 242	69%
3-Jul-02	Riverside	Commons Expansion	\$ 236	65%

- (a) Fees include executive architect and other professional design contract costs.  
(b) Campus administration includes project management and inspection.  
(c) Special items include EIR studies, special consultants, value engineering, as well as interest during construction/finance costs.  
(d) Gross square feet (GSF) is the total area, including usable area, stairways, and space occupied by the structure itself. Assignable square feet (ASF) is the net usable area.

SUMMARY OF FINANCIAL FEASIBILITY ANALYSIS**Project Title:** *University Centers Expansion and Renovation, San Diego Campus*

\$79,122,000

**Total Estimated Project Cost****Proposed Sources of Funding**

Bookstore Reserves	\$6,000,000
External Financing	\$67,394,000
Gift Funds	\$5,728,000
Total	\$79,122,000

**Proposed Financing Terms**

- (A) External Financing -- \$46,224,000  
Interest Rate: 6.125% Duration: 30 years  
(Repayment of debt service from student fees and University Centers revenues)
- (B) External Financing -- \$14,766,000  
Interest Rate: 6.125% Duration: 30 years  
(Repayment of debt service from Bookstore revenues)
- (C) External Financing -- \$1,724,000  
Interest Rate: 6.125% Duration: 30 years  
(Repayment of debt service from registration fees)
- (D) External Financing -- \$4,680,000  
Interest Rate: 6.125% Duration: 30 years  
(Repayment of debt service from Blackhorse Farms pre-paid revenues)

**(A) University Centers Fund Information**

Estimated Annual Revenue (2009-10) <sup>(1)</sup>	
University Centers Student Fee	\$6,512,000
University Centers Revenues	\$3,361,000
Total Annual Revenue	\$9,873,000
Estimated Annual Operating Expenses	\$4,855,000
Estimated Net Revenues Available for Debt Service	\$5,018,000
Estimated Annual Debt Service	
Existing Debt Service	\$587,000
Potential Project Debt Service	\$3,403,000
Total Debt Service	\$3,990,000
Debt Service Coverage	1.26x

**(B) Bookstore Fund Information**

Estimated Annual Revenue (2009-10)	\$44,322,000
Estimated Annual Operating Expenses (2009-10)	\$42,225,000
Estimated Net Revenues Available for Debt Service	\$2,097,000
Estimated Annual Debt Service	
Existing Debt Service	\$398,000
Potential Project Debt Service	\$1,087,000
Total Debt Service	\$1,485,000
Debt Service Coverage	1.41x

**(C) Registration Fee Information**

Estimated Annual Revenue (2009-10)	\$19,152,000
Estimated Annual Operating Expenses (2009-10)	\$16,904,000
Estimated Net Revenues Available for Debt Service	\$2,248,000
Estimated Annual Debt Service	
Existing and Future Debt Service	\$433,000
Potential Project Debt Service for this Project	\$127,000
Total Debt Service	<u>\$560,000</u>
Debt Service Coverage	4.01x

**(D) Blackhorse Farm Property**

Estimated Annual Revenue (2009-10)	\$435,000
Estimated Annual Debt Service	\$345,000
Debt Service Coverage	1.26x

<sup>(1)</sup> First full year of principal and interest payments.