

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM

For Meeting of November 15, 2017

**APPROVAL OF BUDGET, SCOPE, AND EXTERNAL FINANCING, RIDGE WALK
ACADEMIC COMPLEX, SAN DIEGO CAMPUS**

EXECUTIVE SUMMARY

The University of California, San Diego proposes to construct the Ridge Walk Academic Complex (Complex) to consolidate departments and programs in UC San Diego's Division of Social Sciences and Division of Arts and Humanities, creating academic synergies and connections across various disciplines. The project would also allow reassignment of released space to several growing departments significantly affected by student enrollment growth.

Over the past decade, UC San Diego undergraduate and graduate student enrollment has increased by approximately 30 percent. Enrollment increases at UCSD will continue, in particular increases in California resident students, consistent with the UC systemwide goal of adding 10,000 California resident students by the 2018-19 academic year.

The proposed project would provide approximately 128,000 assignable square feet (approximately 195,000 gross square feet) on a 1.4-acre parcel. The Complex would be developed at a floor area ratio (FAR) of approximately 3.1. Space would be provided for departments and programs within the Divisions of Social Sciences and Arts and Humanities, including research offices, scholarly activity, graduate student offices, and conference and collaborative spaces. The project would also provide three new active learning classrooms to accommodate the growing demand for these spaces due to enrollment growth.

The proposed Complex would be part of an innovative, mixed-use community (the North Torrey Pines Living and Learning Neighborhood) that would enrich the student experience by integrating housing, residential life, teaching, learning, and social spaces in one location.

In July 2017, the Regents approved preliminary plans and working drawings funding in the amount of \$12 million funded from campus funds. The Regents are being asked to: (1) approve the project budget of \$118,138,000 to be funded with external financing (\$68,138,000), and external financing supported by State General Funds (\$50 million); and (2) approve \$68,138,000 of external financing. This action will reimburse the \$12 million in campus funds used for preliminary plans and working drawings with external financing.

The Ridge Walk Academic Complex project is part of the *2018-19 Budget for State Capital Improvements* being presented concurrently to the Regents for acceptance at this meeting, and the project was submitted to the Legislature and State Department of Finance on August 28, 2017.

The campus anticipates returning to the Regents in March 2018 for design approval following action pursuant to the California Environmental Quality Act (CEQA).

RECOMMENDATION

The President of the University recommends that the Finance and Capital Strategies Committee recommend to the Regents that:

- A. The 2017-18 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:
- From: San Diego: Ridge Walk Academic Complex – preliminary plans and working drawings – \$12 million to be funded from campus funds.
- To: San Diego: Ridge Walk Academic Complex – preliminary plans, working drawings, construction, and equipment – \$118,138,000 to be funded with external financing (\$68,138,000) and external financing supported by State appropriations under the process described in Sections 92493 through 92496 of the California Education code (\$50 million).
- B. The scope of the Ridge Walk Academic Complex project shall provide approximately 128,000 assignable square feet, including academic and administrative offices, instructional and seminar spaces, areas to support scholarly activity, as well as conference and collaborative spaces.
- C. The President be authorized to obtain external financing in an amount not to exceed \$68,138,000 plus additional related financing costs. The President shall require that:
- (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - (2) As long as the debt is outstanding, general revenues from the San Diego campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - (3) The general credit of the Regents shall not be pledged.
- D. The President be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.

BACKGROUND

Enrollment growth at UC San Diego in the past ten years has been significant and continued growth is expected. Over the past decade, there has been an increase in undergraduate and graduate student enrollment of approximately 30 percent. The total number of undergraduate Full Time Equivalents (FTEs) is expected to grow by 13 percent from 2016-17 (27,097) to 2022-23 (30,500). This enrollment growth at UC San Diego has been accompanied by growth in faculty numbers, increased academic program development, research activity, and cross-disciplinary interactions. Campus projections of general campus faculty growth driven by student growth is for an increase of ladder-rank faculty from 999 (fall 2016) to 1,150 (fall 2020).

Even though construction of new space has met some of the existing campus needs, serious space deficiencies have continued to exist – campus space has not been able to meet enrollments. The campus is addressing these space needs with a careful prioritization and balancing of new construction and renovation. New buildings allow reassignment of space in older buildings and repurposing of these buildings to adapt to evolving space needs.

Division of Social Sciences

The Division of Social Sciences is home to ten academic departments, six interdisciplinary degree programs, 21 organized research units, and more than ten affiliated minors. Collaboration among the departments and programs takes place in all activities. The fields and subjects of study encompass the broadest range on campus, including DNA and RNA in archaeological specimens, synapses in the nervous system, distributed and computational cognition, economic and political theory, studies in ethnography, societies, and religion, and training the teachers of tomorrow.

Division of Arts and Humanities

The Division of Arts and Humanities supports the academic, instruction, and research missions of six academic departments (Literature, History, Philosophy, Music, Visual Arts, and Theatre and Dance) and the newly launched Institute of Arts and Humanities (IAH). Established in 2015, IAH serves as a nexus for more than 11 multidisciplinary programs, and is home to 17 major and minor programs, and three small research centers. IAH provides administrative support services to a variety of students and faculty from a wide range of disciplines.

Currently, the Division of Social Sciences and Division of Arts and Humanities are fragmented in different locations across the campus. This proposed project would allow for a strategic consolidation, bringing together the Social Sciences and some Arts and Humanities Divisions' programs and departments that are currently housed in disparate locations across the campus.

PROJECT DRIVERS

Undergraduate majors in the Social Sciences are very popular at UC San Diego and represent close to 50 percent of all majors at the campus. To accommodate this demand, 30 new Social Sciences faculty have been hired in the past five years with no increase in space during this period. The lack

of space hinders efforts to expand current programs for instruction and research, and without new construction, the campus must continue to grapple with this problem.

Many Social Sciences departments now face a shortage of space, as construction of new facilities has not kept pace with changing programs and prior campus enrollment growth. For example, Urban Studies and Planning, an interdisciplinary program within the Division of Social Sciences, requires space to accommodate its expanded curriculum and a new degree program in real estate planning. The Division is also home to outreach and mentoring programs serving undergraduate students, including the Center for Research on Educational Equity, Assessment and Teaching Excellence (CREATE). Some programs are currently located in a 1942 structure slated to be demolished; the programs require replacement and expansion space for new student affairs officers and learning skills counselors.

Programs under the Division of Arts and Humanities also face space shortfalls due to enrollment growth. One example, the Analytical Writing Program, is projected to grow between five percent and ten percent annually in order to keep pace with increased undergraduate enrollment. The Program had 18 lecturers, three teaching assistants, and 10 to 14 undergraduate mentors serving 1,647 students for the 2016-17 academic year, an increase of 15 percent from the previous year. Currently the Analytical Writing Program has four to six people assigned to each shared office.

Student enrollment growth has driven faculty growth and increased space requirements for the programs and departments planned to be housed in the Complex. To fill current vacancies and meet future instructional requirements for both the Division of Social Sciences and the Division of Arts and Humanities, faculty positions (ladder rank faculty and lecturers) are expected to increase by approximately 20 percent from 2016-17 to 2022-23.

Shortage of Active Learning, Flexible Teaching Spaces

Sustained enrollment growth has resulted in a shortage of teaching spaces on the campus, in particular, spaces that are designed for active learning and allow for flexible configurations. Technologically-enhanced, flexible, active learning spaces that allow tables and chairs to be rearranged are needed to enable student-teacher and student-student collaboration.

Currently the campus has only three flexible rooms designed to accommodate active learning, breakout sessions and one-on-one interactions between the lecturer, teaching assistant, and students. They are heavily utilized throughout the day. General assignment classrooms do not allow for modifying the set-up throughout the day since they are scheduled back-to-back. The three active learning rooms in the proposed project would serve the entire campus and play an integral role in the delivery of the curriculum for undergraduate students at UC San Diego and improve the quality of instruction and education.

Secondary Benefits of Ridge Walk Academic Complex

The opportunity for repurposing vacated space to accommodate enrollment growth would be a secondary benefit of consolidating and relocating the Division of Social Sciences and Division of

Arts and Humanities departments and programs to the proposed building. These opportunities would include: 1) expansion space for departments experiencing significant growth due to increased enrollment, 2) space for the future seventh college, and 3) space to consolidate other programs and departments into one location.

After completion of the proposed Complex, approximately 86,000 assignable square feet (asf) would be reassigned, repurposed/renewed, or demolished in eight buildings across the campus. Released space would be reassigned to accommodate enrollment and faculty growth in departments such as Mathematics, Economics, Biology, and Political Science.

As the space is released, the San Diego campus will be able to address deferred maintenance issues in some of the vacated space. For example, the Humanities and Social Sciences Building of 26,900 assignable square feet (asf) is nearly 50 years old and has never had a significant renovation. Capital renewal of this building is a high priority, but due to the type and extent of refurbishment needed, the building would need to be at least partially vacated to accomplish the work.

PROJECT DESCRIPTION

The proposed Complex would provide a total of 128,000 asf (195,000 gross square feet) on a 1.4-acre parcel. The Complex would be developed at a floor area ratio (FAR) of approximately 3.1. The site is now a surface parking lot. The Complex would be constructed adjacent to new undergraduate student housing, classroom, residential life, and administrative space supporting UC San Diego's Sixth College.

Proposed space would include academic and administrative offices, instructional and seminar spaces, areas to support scholarly activity, as well as conference and collaborative spaces for departments and programs in the Divisions of Social Sciences and Arts and Humanities. In addition, the project would provide three active learning spaces with flexible configurations to accommodate varying teaching modalities among different departments (refer to Table 2 for the proposed space types and approximate asf for each type).

Table 2
Proposed Area Summary

Department/Program	Space Type	ASF
Division of Arts and Humanities (Institute for Arts & Humanities, Analytical Writing Program, History, Literature, Philosophy, Division Dean)	Instructional/Seminar	11,600
	Academic Office	39,600
	Administrative Office	9,100
	Office Support	4,400
	Scholarly Activity/Collaborative	2,200
	Conference Room	2,700
	Subtotal	69,600
Division of Social Sciences (Education Studies, Urban Studies and Planning, Outreach and Mentoring Programs, Division Dean)	Instructional/Seminar	8,300
	Academic Office	12,000
	Administrative Office	9,000
	Office Support	2,200
	Scholarly Activity/Collaborative	2,000
	Flex/Workshop Space	1,500
	Conference Room	3,700
Subtotal	38,700	
Medium Active Learning Room (1)	75 seats; flexible arrangement for different teaching modes	2,500
Small Active Learning Rooms (2)	50 seats each; flexible arrangement for different teaching modes	3,200
Community Serving Retail		8,000
Facilities Management (ancillary space for building operations)		6,000
	Total	128,000

Project Site

The proposed Complex would be built on a 1.4-acre parcel that is currently a surface parking lot. Construction of the proposed project would eliminate approximately 115 spaces. Replacement parking is not included as part of the proposed Complex scope and budget.

Project Schedule and Delivery Model

It is anticipated that the campus would return to the Regents in March 2018 for design approval following action pursuant to the California Environmental Quality Act. The campus plans to begin construction in July 2018 and complete construction in fall 2020.

The campus is utilizing the fixed-price, design-build delivery process that supports the completion schedule for the proposed project. The process allows the University to pre-qualify design-build teams and establish a comprehensive Request for Proposals (RFP). A Maximum Allowable Price

and a Design/Construction Schedule were built into the RFP. Three pre-qualified design-build teams were short-listed and invited to participate in a competition to create a schematic design technical proposal. Each proposal was reviewed and scored by a selection committee consisting of UC San Diego staff and faculty. The design-build team was selected on March 8, 2017.

The competitive nature of this approach has shown that the teams strive not only to meet the minimum program requirements, but also offer enhancements as part of their technical proposals.

Financial Feasibility

The total project budget for preliminary plans, working drawings, construction, and equipment is estimated to be \$118,138,000, funded from external financing (\$68,138,000), and external financing supported by State General Funds (\$50 million).

The Ridge Walk Academic Complex project is part of the *2018-19 Budget for State Capital Improvements* being presented concurrently to the Regents for acceptance at this meeting, and the project was submitted to the Legislature and State Department of Finance on August 28, 2017.

This action is proposing approval of \$68,138,000 in external financing. Amortized over 30 years at the six percent planning rate, the estimated annual principal and interest debt service payment for the project would be approximately \$5,014,000. The Summary of Financial Feasibility is provided in Attachment 3.

Key to Acronyms

ASF	Assignable-Square-Feet
FTE	Full Time Equivalent
GSF	Gross-Square-Feet
LRDP	Long Range Development Plan
FAR	Floor Area Ratio
RFP	Request for Proposal

ATTACHMENTS:

- Attachment 1: Project Sources and Uses
- Attachment 2: Comparable Project Information
- Attachment 3: Summary of Financial Feasibility
- Attachment 4: Alternatives Considered
- Attachment 5: Project Location Map
- Attachment 6: Project Site Map

**PROJECT SOURCES AND USES
RIDGE WALK ACADEMIC COMPLEX
(CCCI 6815)**

PROJECT SOURCES		
Sources	Total	%
External Financing	\$68,138,000	57.7
State Funds	\$50,000,000	42.3
Total Sources	\$118,138,000	100.0

Cost Category		%
Site Clearance	\$200,000	0.2
Building Construction	88,034,000	82.0
Exterior Utilities	325,000	0.3
Site Development	1,175,000	1.1
A/E Fees ⁽¹⁾	5,512,000	5.1
Campus Administration ⁽²⁾	1,566,000	1.5
Surveys, Tests, Plans	557,000	0.5
Interest During Construction	5,196,000	4.8
Special Items ⁽³⁾	1,037,000	1.0
Contingency	3,805,000	3.5
<i>Total P-W-C</i>	107,407,000	100%
Group 2 & 3 Equipment ⁽⁴⁾	10,731,000	
Total Project Uses	\$118,138,000	

PROJECT STATISTICS	
ASF ⁽⁵⁾	128,000
GSF ⁽⁵⁾	195,000
Efficiency Ratio: ASF / GSF ⁽⁵⁾	66%
Building Cost / GSF ⁽⁵⁾	\$451
Project Cost / GSF ⁽⁵⁾⁽⁶⁾	\$551

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- (1) A/E Fees include executive architect as part of the design-build team, and other professional design contract costs.
 - (2) Campus Administration includes project and contract management staff and campus inspection services.
 - (3) Special items include: preparation of the detailed project program; environmental documentation; special design consultants; value engineering; and other costs.
 - (4) Groups 2 and 3 Equipment consists of equipment which is not built-in or permanently affixed to the structure of the building.
 - (5) 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 useable area.
 - (6) Project Cost excludes Group 2&3 Equipment.

COMPARABLE PROJECT INFORMATION

The cost figures shown in the following table demonstrate that the proposed budget for the Ridge Walk Academic Complex at UC San Diego compares favorably to UC and private sector projects. The proposed budget was confirmed through the competitive design-build process previously described.

Comparable Projects at CCCI 6815⁽¹⁾:			
Location – Project Name	Date⁽⁴⁾	⁽⁵⁾Building Cost/GSF	Project Cost ⁽²⁾/GSF
<i>UCSD Proposed Project – Ridge Walk Academic Complex</i>	<i>9/17</i>	<i>\$451</i>	<i>\$547</i>
UC Merced – Classroom and Academic Office	3/13	\$534	\$726
UCI – Classroom Office Building	4/16	\$653	\$932
UCSD – Structural and Materials Engineering	3/10	\$492	\$594
UCSF – Global Health and Science Building	9/13	\$441	Unavailable
Private Developer, Park and Market	6/17	\$457	Unavailable
University of Washington – PACCAR Hall ⁽³⁾	8/09	\$726	Unavailable
Los Angeles Community College District – Math & Science	8/14	\$597	Unavailable

- (1) California Construction Cost Index of 6815 used to escalate comparable projects
- (2) Project Cost excludes Group 2 & 3 Equipment
- (3) Non-Prevailing Wage project, Construction costs reporting excludes UC System and Public Institution requirements
- (4) For UC projects, date of Capital Improvement Budget is used, for non-UC projects, Mid-point of construction date used
- (5) Building construction costs only, including telecommunications, builders risk insurance, University controlled insurance program and bonds

SUMMARY OF FINANCIAL FEASIBILITY

San Diego Campus	
Project Name	Ridge Walk Academic Complex
Project ID	962890
Total Estimated Project Costs	\$118,138,000
Anticipated Interest During Construction (included in estimated project cost)	\$5,196,000

Proposed Sources of Funding	
External Financing	\$68,138,000
External Financing – supported by State appropriations under the process described in Sections 92493 through 92496 of the California Education Code	\$50,000,000
Sources of Funding Total	\$118,138,000

Fund sources for external financing shall adhere to University policy on repayment for capital projects.

Financing Assumptions	
External Financing Amount	\$68,138,000
Anticipated Repayment Source	General Revenues of the San Diego Campus
Anticipated Fund Source	Campus Core Funds
Financial Feasibility Rate	6%
First Year of Principal (e.g. year 10)	Year 2, 2022-2023
Term (e.g. 30 years)	30 years
Final Maturity	FY 2050-2051
Estimated Average Annual Debt Service	\$5,014,000

External Financing Assumptions	
External Financing Amount	\$50,000,000
Anticipated Repayment Source	State Appropriations under the process described in Sections 92493 through 92496 of the California Education Code
Anticipated Fund Source	State Appropriations under the process described in Sections 92493 through 92496 of the California Education Code
Financial Feasibility Rate	6%
First Year of Principal (e.g. year 10)	Year 2, 2022-2023
Term (e.g. 30 years)	30 years
Final Maturity	FY 2050-2051
Estimated Average Annual Debt Service	\$3,632,000

Below are results of the financial feasibility analysis for the proposed project using the campus' Debt Affordability Model. The model includes projections of the campus' operations and planned financings.

	CAMPUS FINANCING BENCHMARKS		
Measure	10 Year Projections	Approval Threshold	Requirement
Modified Cash Flow Margin ¹	1.1% (FY 2026)	$\geq 0.0\%$	Must Meet
Debt Service to Operations ^{1, 2}	6.0% (FY 2022)	$\leq 6.0\%$	Must Meet 1 of 2
Expendable Resources to Debt ¹	n/a	$\geq 1.00x$	
Auxiliary Project Debt Service Coverage ³	n/a	$\geq 1.10x$	Must Meet for Auxiliary Projects
Auxiliary System Debt Service Coverage ⁴	n/a	$\geq 1.25x$	Must Meet for Auxiliary Projects

¹ Modified Cash Flow Margin, Debt Service to Operations, and Expendable Resources to Debt are campus metrics.

² The campus' debt service to operations ratio is at the maximum 6% approval threshold in FY 2022 and, as a result, its debt capacity is currently constrained. The campus' debt model is inclusive of other anticipated external financing for future projects. Approval for additional future external financing will be contingent upon the campus maintaining debt metrics within the approval thresholds.

³ Auxiliary Project Debt Service Coverage is an individual project metric.

⁴ Auxiliary Debt Service Coverage is a campus' auxiliary system metric.

ALTERNATIVES CONSIDERED

The campus evaluated the following alternatives to meet the program needs of the Division of Social Sciences and the Division of Arts and Humanities.

Option 1 - Reassign Existing Space on Campus

With enrollment growth, the campus as a whole is experiencing space inadequacies in all functional areas: general academic campus, School of Medicine, Scripps Institution of Oceanography, and administrative and support units. The campus continues to take steps to improve and maximize the utilization of existing facilities. These steps include renewal of existing instructional and research spaces to modernize building systems and improve efficiencies. Reassigning existing space is not feasible.

Option 2 - Build a Building of Smaller Size

The space program proposed for the new project reflects the critical needs to consolidate the departments and programs described previously. Constructing a smaller facility would not allow for a full consolidation and would present disadvantages for the expanding instruction and research programs, leading to restrictions on available course offerings and associated hands-on learning opportunities for students. In addition, construction of small additions to multiple existing buildings could be done to accommodate the required square footage; however, this would increase the total project cost significantly and cause increased disruption to classroom and research activity in those buildings. This alternative does not meet the critical needs.

Option 3 – Purchase or Lease Academic Space Off-Campus

Leasing academic space off campus is not a viable option for undergraduate students and faculty. Recent evaluations of private market properties indicate that, due to the type of space and adjacency requirements associated with University-caliber academic space, appropriate inventory is unavailable. Furthermore, academic buildings in dispersed off-campus locations would result in operational, space, and service inefficiencies.

Leasing academic space off campus would remove faculty from the vitality of the campus. It would also have negative effects on collaboration with students, departmental cohesion and interdepartmental cooperation, and the recruitment of top faculty to the University, key goals of the Strategic Plan.



