

The Regents of the University of California

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

March 15, 2001

The Committees on Grounds and Buildings and on Finance met jointly on the above date at the James E. West Alumni Center, Los Angeles campus.

Members present: Committee on Grounds and Buildings: Regents Atkinson, Connerly, Davies, Fong, Hopkinson, O. Johnson, S. Johnson, Kohn, Kozberg, and Marcus; Advisory members T. Davis, Morrison, and Seymour
Committee on Finance: Regents Atkinson, Connerly, Davies, Fong, Hopkinson, S. Johnson, Kozberg, Lee, Miura, Parsky, and Preuss; Advisory member Morrison

In attendance: Regents Lansing, Montoya, Moores, and Sayles, Faculty Representatives Cowan and Viswanathan, Secretary Trivette, General Counsel Holst, Provost King, Senior Vice Presidents Darling and Mullinix, Vice President Gomes, Chancellors Berdahl, Cicerone, Dynes, and Vanderhoef, Executive Vice Chancellor Simpson representing Chancellor Greenwood, Laboratory Director Shank, and Recording Secretary Bryan

The meeting convened at 2:50 p.m. with Committee on Finance Chair Preuss presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of January 17, 2001 were approved.

2. AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL FINANCING FOR CROUL HALL, IRVINE CAMPUS

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the appropriate Budgets for Capital Improvements and the Capital Improvement Programs be amended as follows:

From: Irvine: Croul Hall – preliminary plans, working drawings, construction, and equipment – \$23,756,000 to be funded from campus funds (\$2,156,000), funds available to the President (\$2,000,000), and gift funds (\$19,600,000).

To: Irvine: Croul Hall – preliminary plans, working drawings, construction, and equipment – \$26,807,000 to be funded from campus funds (\$2,156,000), funds available to the President (\$2,000,000), gift funds (\$8,310,000), and external financing (\$14,341,000).

- B. The Committee on Finance recommend that the funding approved by The Regents in July 2000 and November 2000 with respect to Croul Hall, Irvine campus, be amended as shown below:

deletions shown by strikeout, additions by shading

<u>Fund Source</u>	<u>Amount</u>	<u>Amount</u>
Campus funds	\$ 2,156,000	\$ 2,156,000
Funds available to the President	2,000,000	2,000,000
Gift funds	19,600,000	8,310,000
External financing	<u>0</u>	14,341,000
Total:	\$23,756,000	\$26,807,000

- C. The Treasurer be authorized to obtain external financing not to exceed \$14,341,000 to finance a portion of the construction of Croul Hall, Irvine campus, subject to the following conditions:
- (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - (2) Repayment of the debt shall be from the Irvine campus' share of the University Opportunity Fund.
 - (3) The general credit of The Regents shall not be pledged.
- D. 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.
- E. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

It was recalled that an augmentation to the scope and budget of the John V. Croul Hall (Croul Hall) project is necessary for the purpose of constructing a "shell" basement that will be built out at a later date to provide additional space to consolidate the Department of Earth System Science. The project's square footage will increase by approximately 28 percent. External financing is sought in direct proportion to the reduction in gift funds and the augmentation in the project costs.

At the July 2000 meeting, The Regents approved the Croul Hall project for the Irvine campus at a total project cost of \$23,756,000 to be funded from campus funds, funds available to the President, and gift funds. At the November 2000 meeting, The Regents approved the design of Croul Hall. The campus proposed to construct a building that would provide research laboratory, office, and conference space to accommodate most of the School of Physical Sciences' Department of Earth System Science. Currently, the department occupies fragmented space in two separate buildings originally planned for other physical sciences departments. This fragmentation negatively affects the multidisciplinary, collaborative nature of the department. In addition, a shortage of research laboratories and offices and the absence of seminar and colloquia space negatively affects the department's ability to accommodate growth.

The construction of Croul Hall was planned to address the department's needs, housing all but approximately 6,500 assignable square feet of the department's required space, with the remainder left in existing space in Rowland Hall. However, during the design process for Croul Hall, it became apparent that the construction of a basement in the facility would provide a cost-effective way of creating additional space in which to relocate the remaining component of the department. Additionally, the relocation of the department from Rowland Hall will provide expansion space for the School of Physical Sciences' Department of Chemistry, which is slated for significant growth.

Change in Fund Sources

Projections for private fund raising have been reduced from \$19,600,000 to \$8,310,000 for construction of Croul Hall. To date, \$6,310,000 in cash and pledges has been raised for project costs. An additional \$2 million will be secured from a variety of sources including individuals, corporations, and private foundations.

The decision to reduce the goal for private fund raising is the result of a \$10 million proposal for construction of the facility being postponed by a prospective donor and a large foundation. The delay is not a reflection of the foundation's interest in this project but rather a possible change in the funding policy of the foundation. The campus has elected to move forward with the completion of Croul Hall by requesting external financing rather than delaying the project construction schedule.

Environmental Classification

At the November 2000 meeting, The Regents approved the Initial Study/Mitigated Negative Declaration for Croul Hall and adopted the Findings and Mitigation Monitoring Program. The increase in square footage will not result in any environmental impacts beyond those analyzed in the Initial Study/Mitigated Negative Declaration.

Financial Feasibility

The total project cost of \$26,807,000 is to be funded from a combination of campus funds, funds available to the President, gift funds, and external financing. As of January 31, 2001, gifts and pledges totaled \$6,310,000, of which \$2,260,000 are gifts received and \$4,050,000 are gifts pledged. In compliance with Regents' policy, all funds necessary to complete construction will be in hand prior to issuing the project for bids.

Repayment of the external financing will be from campus Opportunity Funds. Based on a debt of \$14,341,000 amortized over 27 years at 6.5 percent interest, the average annual debt service is \$1,140,000. Existing debt service pledged from Opportunity Funds equals \$1,964,000, bringing the total debt service from Opportunity Funds to \$3,104,000. In FY 2004-05, the first year of operation, 49 percent of estimated Opportunity Funds generated will be pledged from debt. Both Opportunity Fund pledge and payment levels fall within prescribed limits.

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

3. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL FINANCING FOR CAL-(IT)² FACILITY, SAN DIEGO CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

San Diego: Cal-(IT)² Facility – preliminary plans, working drawings, construction, and equipment – \$102.5 million, to be funded from the State through the California Institutes of Science and Innovation program (\$66.5 million), external financing using the “Garamendi” funding mechanism (\$20 million), and gifts funds (\$16 million).

- B. The Committee on Finance recommend that the Treasurer be authorized to obtain financing not to exceed \$20 million to finance the Cal-(IT)² Facility project, subject to the following conditions:
- (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - (2) Repayment of the debt shall be from the San Diego campus' share of the University Opportunity Fund;
 - (3) The general credit of The Regents shall not be pledged.
- C. 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.
- D. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

It was recalled that the Cal-(IT)² Facility at San Diego is one of two facilities being built for the California Institute for Telecommunications and Information Technology. The second facility will be constructed at the Irvine campus. The California Institute for Telecommunications and Information Technology will combine UCSD and UCI faculty, students, and research professionals leading California telecommunications, computer, and software companies with research the scientific and technological components required to bring about the "new internet." Major changes in the structure and scale of internet telecommunications will occur over the next decade as large numbers of mobile end points (information appliances, sensor arrays, and embedded processors) are added to digital wireless extensions of the current Internet. At the same time, tens of millions of households and businesses will move from modems to broadband connections to gain Internet access. This combination implies a huge increase in the demand on the Internet's backbone capacity, which will necessitate the development of an all-optical core architecture.

The California Institute for Telecommunications and Information Technology will conduct integrated research on the following areas:

- Novel molecular materials and devices critical for the new infrastructure; optical, wireless, and storage components; and micro-electro-mechanical system devices.
- Digital wireless, broadband, network architecture; protocols and management; photonics; sensors; and storage.

- Distributed system software, mobile agents, knowledge management and data mining, and human-computer interfaces.
- Environmental and civil infrastructure assessment; intelligent transportation; telemedicine, bioinformatics, and digitally enabled genomic medicine; and the new media arts.
- Privacy and intellectual property issues, and networked enterprises.

In addition, UCSD and UCI will commit to improving the wired and wireless networks on campus to support the distributed nature of the Institute and to establish the two campuses as a test-bed for new information technologies. The Institute will provide a research base on the two partner campuses in a geographic area that is home to a concentration of telecommunications and information technology companies widely predicted to be the stimulus for major economic growth in California over the next decade.

Project Description

The Cal-(IT)² Facility at San Diego will be approximately 127,000 assignable square feet consisting of research neighborhoods, specialized laboratories, general and public spaces, and administrative spaces.

The research neighborhoods will consist of office space, related support space, and open project areas known as “cluster research space.” These spaces will be able to be reconfigured for individual project needs.

The Cal-(IT)² Facility administration areas will include offices and support spaces for the director, associate director, and other administrative staff. The building will also include public and general use spaces that are conceived as centers of interaction among researchers, both within the building and at other locations throughout the world. The facility will be designed to allow for public observation of ongoing research, both for campus and off-campus visitors.

The project site is within the Warren College neighborhood, adjacent to the future privately-funded Bioengineering Building and the State-funded Computer Science and Engineering Building. Construction of the facility is scheduled to begin in June 2002, with occupancy in May 2004.

CEQA Compliance

Appropriate environmental documentation will be prepared and presented for consideration at the time of the project's design approval.

Financial Feasibility

It is proposed that the cost of the Cal-(IT)² facility, estimated at \$102.5 million, be funded with State funds through the California Institutes of Science and Innovation program (\$66.5 million), gift funds (\$16 million), and external financing Garamendi funding (\$20 million). Garamendi funding allows increased federal indirect cost recovery generated as a result of the new building to pay debt service and maintenance costs. Under this mechanism, incremental indirect cost recovery generated by federal contracts and grants made possible as a result of the project is used to pay for operations and maintenance of the project and for debt service. The project is forecasted to pay for itself with net new federal indirect cost recovery. Although it is not anticipated there will be early-year shortfalls, the Government Code allows these to be reimbursed in future years, recognizing that as research buildings are completed, faculty, and therefore research dollars, will come on line gradually. If shortfalls occur on a project-to-project basis, the campus' share of the University Opportunity Fund will provide the amounts required. If the shortfalls occur throughout the first three years of full occupancy, the campus may be reimbursed from overhead above and beyond debt service and costs of operations and maintenance that is generated as a result of the building in later years. To the extent that there are annual surpluses, they flow through the regular distribution process for indirect costs. For purposes of placing debt in the market, the University pledges the University Opportunity Fund as the repayment source for these projects.

As of January 31, 2001, firmly committed pledges totaled \$16 million. The San Diego campus is within the guidelines governing the pledging of Campus Opportunity Funds for all projects.

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

4. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND AMENDMENT OF EXTERNAL FINANCING FOR ELEANOR ROOSEVELT COLLEGE HOUSING AND DINING FACILITIES, SAN DIEGO CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended as follows:

From: San Diego: Eleanor Roosevelt College Housing and Dining Facilities – preliminary plans, working drawings, construction, and equipment – \$83,323,000 to be funded from external financing (\$76,176,000), University of California Housing System net revenue funds (\$5,061,000), and gift funds (\$2,086,000).

To: San Diego: Eleanor Roosevelt College Housing and Dining Facilities – preliminary plans, working drawings, construction, and equipment – \$106,020,000 to be funded from external financing (\$95,804,000), University of California Housing System net revenue funds (\$7,316,000), and campus funds (\$2,900,000).

- B. The Committee on Finance recommend that the financing actions approved by The Regents in March 1999 with respect to Eleanor Roosevelt College Housing and Dining Facilities, San Diego campus, be amended as shown below, with the understanding that all other financing actions of The Regents regarding said project remain unchanged:

deletions shown by strikeout, additions by shading

That the Committee on Finance recommend that the Treasurer be authorized to obtain financing not to exceed ~~\$76,176,000~~ **\$95,804,000** to finance the Eleanor Roosevelt College Housing and Dining Facilities project, subject to the following conditions:

* * *

It was recalled that at the March 1999 meeting, The Regents approved the Eleanor Roosevelt College Housing and Dining Facilities project for the San Diego campus at a total project cost of \$83,323,000 to be funded from external financing (\$76,176,000), University of California Housing System net revenue funds (\$5,061,000), and gift funds (\$2,086,000). In June 1999, The Regents approved the design for the project and certified the tiered Environmental Impact Report. The project consisted of

373,033 assignable square feet of new, on-campus undergraduate residence halls and apartments, including 1,238 total beds, and associated dining and support facilities. Of the total number of beds, 980 beds will serve Eleanor Roosevelt College, the newest of UCSD's five colleges, and 258 will serve UCSD's International House.

The University is experiencing unprecedented market-driven changes in design and construction costs, due to a robust State economy. University campuses have recently experienced low numbers of general contractor and subcontractor bidders. This trend reflects labor and material shortages that have, in turn, led to construction bids for individual projects significantly above pre-construction estimates and budgets. In the short term, labor and materials scarcity, as opposed to inflation, is less predictable in its impact on project planning.

The project has six primary bid packages with multiple sub-components in order to facilitate construction scheduling for a project of this magnitude. Bids for five packages had been received by December. A majority of the sub-component bids exceeded cost estimates developed by two independent external cost estimators.

Basis of March 2001 Augmentation

The previously approved budget, based on estimates developed two years ago, is inadequate to support the project. Most sub-components of the project are being re-bid. Based on the bids received to date and the latest cost estimates, it is proposed that the previously approved funding be increased by \$22,697,000, for a new total of \$106,020,000. This augmentation amount is the latest and most accurate assessment of cost after a reconciliation of two independently prepared estimates at this point in the bidding process. It is important for the campus to continue on its schedule in order to respond to the significant unmet housing need projected for fall 2003.

The project covers approximately 12 acres, and there is substantial utility and infrastructure to be accommodated. More extensive utilities are required than were originally budgeted. The height and length of a site retaining wall increased, and the sewage system had to be modified from the original design.

Strategies for Savings

The project went through a process of value engineering at various stages of design. The campus will implement four cost saving measures: (1) deletion of 7,900 asf of conference space; (2) deletion of 4,800 asf throughout the project with no program reduction; (3) re-design from metal stud to wood frame; and (4) rescheduled completion date from fall 2002 to fall 2003. Architectural features were eliminated, certain building materials were substituted with lower cost alternatives, the design was simplified, and exterior covered square footage was reduced. In addition, approximately 7,900 asf of conference space under the dining facility was deleted from the scope of the project. This includes a multipurpose assembly room that had

a total seating capacity of 400. This reduction in space is preferable to decreasing bed space, as the loss of beds would decrease revenues and prevent the campus from meeting its on-campus housing demand.

In addition to the reduction in conference space, approximately 4,800 asf throughout the project was eliminated. The campus has worked with the construction manager, executive architect, and cost consultants to implement additional value engineering items and to re-bid packages that received few or no bids or for those that were significantly over the estimates. These bid results indicate the strong demand and limited supply of labor and materials in the current San Diego construction market.

The completion of the project in 2003 will leave the campus 2,545 beds short in meeting its LRDP goal to house 50 percent of all students.

Change in Fund Source

The March 1999 Regents' action included a gift-funded component for the Great Hall, a stand-alone, 6,200 asf multipurpose event facility to accommodate International House activities. In addition, this facility will accommodate some of the assembly activities previously planned for the multipurpose space that will be eliminated from the project to lower the cost as described above. To date, the gift funds needed for the Great Hall have not been secured. To allow construction of the Great Hall to proceed with the remainder of the project, and pending receipt of gift funds, campus funds will be used to construct the Great Hall. Housing will benefit by use of the space for summer conference program activities that would have been housed in the 7,900 asf deleted from the scope of the project. In addition, the Great Hall will be used by other international academic programs in Eleanor Roosevelt College.

Status of Bids and Contract Awards

Construction contracts essential to the project completion date have been awarded, and construction work has been under way since fall 2000. These contracts total \$3,279,000.

Financial Feasibility

The budget augmentation of \$22,697,000 will be funded from external financing (\$19,628,000), campus funds (\$814,000), and University of California Housing reserves (\$2,255,000). The revised total project cost of \$106,020,000 will be funded from a combination of external financing, University of California Housing System reserves, and campus funds. Assuming debt of \$95,804,000 amortized over 27 years at 6.5 percent interest, the average annual debt service is estimated at \$7,619,000. The debt service will be repaid from the San Diego campus' housing fees.

At UCSD, housing fee increases resulting from new facilities are charged to students in new housing as well as students in existing housing. Repayment of the debt from this project will be from student rents in the proposed facilities, fees from University of California Housing System dining facilities, and existing bed spaces. Compared with student rents in 2002-03, student room rates for all on-campus apartments will increase by \$462 per year to \$5,235 per year for doubles in 2003-04. Student room rates for all campus residence halls will increase by \$560 per year to \$9,198 per year in 2003-04. Fees for residence halls are higher than for apartments because they include room and board; the apartment fee is for housing only. As cited in the March 1999 Regents' item, with a 5 percent adjustment for inflation, market rate for single rooms is \$740 per month or \$6,660 per year. These UCSD rates remain slightly below local market rates, adjusting for the UC meal plan and comparing room-only costs with projected local apartment costs.

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

5. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND INCREASE OF EXTERNAL FINANCING FOR SAN RAFAEL STUDENT HOUSING ADDITION PROGRAM, SANTA BARBARA CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended as follows:

deletions shown by strike out, additions by shading

From: Santa Barbara: A. San Rafael Student Housing Addition – preliminary plans, working drawings, construction, and equipment – \$57,860,000 to be funded from external financing (\$54,860,000) and

University of California Housing System net revenue funds (\$3,000,000).

To: Santa Barbara A. San Rafael Student Housing Addition – preliminary plans, working drawings, construction, and equipment – \$65,158,000 to be funded from external financing (\$60,658,000) and University of California Housing System net revenue funds (\$4,500,000).

- B. The Committee on Finance recommend that the Treasurer be authorized to obtain financing not to exceed ~~\$54,860,000~~ **\$60,658,000** to finance the San Rafael Student Housing Addition project, subject to the following conditions:

* * *

It was recalled that in January 1998, The Regents approved the San Rafael Student Housing Addition, Santa Barbara campus, at a total project cost of \$45 million. At the same meeting, The Regents approved external financing of \$42 million to be paid from University of California Housing System net revenues. In September 1998, The Regents approved a \$1,951,000 increase of project costs to cover increases related to a change in the seismic scope, to total \$46,951,000, and approved the schematic design and Mitigated Negative Declaration.

In July 2000, the project returned to The Regents for an additional budget increase due to conditions imposed as a result of California Coastal Commission actions and mitigation measures requiring additional setbacks from identified wetlands. The ensuing review process and redesign caused a two-year delay in the construction schedule. The Regents approved an increase in the project budget and external financing of \$10,909,000, bringing the total approved budget to \$57,860,000.

Project Description

The San Rafael Student Housing Addition, Santa Barbara campus, will consist of three interconnected components: (1) the construction of an 800-bed student housing complex and associated student support facilities; (2) an addition to the adjacent Carrillo Commons, the existing San Rafael Residence Hall and dining complex; and (3) life-safety and building code corrections and renovation of Carrillo Commons.

Carrillo Commons Addition

The project includes the expansion of the existing food service operations at Carrillo Commons. It is necessary to double the occupancy of the dining hall from 300 to 600 seats to accommodate the increased student population using the dining facilities associated with the new housing. Associated kitchen, bakery, food preparation, serving, storage, and loading dock areas will also be enlarged.

Carrillo Commons Life-Safety and Code Compliance

The project includes seismic strengthening, installation of fire sprinklers, asbestos and lead abatement, ADA improvements, and upgrades to the building's utility system, including the fire alarm and security systems.

Bid Process

To achieve the scheduled opening of the 800 beds by fall 2002, three separate bid packages were developed to facilitate construction scheduling. The first bid package consisted of site grading and the renovation and expansion of Carrillo Commons. That package bid was slightly under the estimated budget. The second bid package was the 800 residential housing units and site development work. The lowest bid was \$6,137,831 over the estimated budget. The third bid package is the construction of the multipurpose student support building. Based on the overage of the second bid package, this bid is expected to exceed the budget by approximately \$400,000.

Basis of March 2001 Augmentation

The significant difference between the estimate at the end of working drawings and the actual bid was due to an 85 percent overbid in the following trades: (1) finish carpentry bid \$1,679,000 over the estimate; (2) concrete and paving bid \$1,440,000 over the estimate; (3) structural steel bid \$602,000 over the estimate; and (4) drywall lath and plaster bid \$1,491,000 over the estimate. The fluctuation between the estimate completed at the end of working drawings and the actual bids in these trades is consistent with other recent bids within the University and in the local private sector. The boom in construction is causing unpredictable fluctuation in prices of certain materials such as concrete, steel, drywall, and wood. This boom is also creating a high demand for skilled workers resulting in higher labor costs.

Status of Bids and Contract Awards

Construction contracts for Phase 1 Carrillo Commons dining hall renovation and expansion were bid in November 2000. In addition, contracts essential to the fall 2002 completion date for the residence halls were bid at the same time. This work was bid slightly under the estimated budget, and these contracts total \$6,896,754. The contracts were awarded and all work is presently under construction.

Critical Need for Project

New freshman enrollments are the primary drivers for demand of on-campus housing at Santa Barbara. Since the mid-1990s, Santa Barbara has experienced a trend of increasing freshman enrollments. In fall 1999, approximately 4,200 new freshmen applied for housing in combination with 900 applications from returning residence hall students and 500 applications from transfer students. UCSB began the 1999 academic year with 2,670 residence hall spaces and generated an additional 164 spaces by converting double rooms into triples and converting study areas into bed space. In order to meet the total demand for 5,600 spaces, the campus initiated an aggressive program to engage private-sector landlords to accommodate the remaining 2,766 students. As a result, 2,077 additional students were offered affordable student housing, resulting in a waiting list of 700 students after the fall term began.

In fall 2000, the campus was able to house only 21 percent of its undergraduate student population. There continues to be a growing shortage of rental housing in the Santa Barbara area, with vacancy rates at approximately 1 percent. Due to a shortage of supply, rental costs have increased dramatically. In order for the campus to accommodate the projected growth in the number of students, it is essential to complete new housing as quickly as possible.

Financial Feasibility

The project cost is to be funded from a combination of external financing and University of California Housing System net revenues. Based on a debt of \$60,658,000 at 6.5 percent interest amortized over 27 years, the average annual debt service is \$4,824,000 and annual operating expenses are estimated at \$3,268,000, for a total annual expense of \$8,092,000. Repayment of the debt will be from student rents generated by the proposed addition and from UCHS dining facilities and existing bed spaces at the Santa Barbara campus.

Rates for a double room will be \$865 per month for the first full year of occupancy. Rates for a single will be \$977 per month. This augmentation has increased the annual rate per bed by \$423 per year. Rates for existing on-campus residence halls will be increased 9.72 percent, or approximately \$733 per year. Santa Barbara's housing rates will remain below the two private-sector-held residence halls.

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

6. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL FINANCING FOR INFILL APARTMENTS, SANTA CRUZ CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended as follows:

From: Santa Cruz: A. Infill Apartments – preliminary plans – \$2,221,000 to be funded from campus University of California Housing System net revenue funds (\$2,221,000).

To: Santa Cruz: A. Infill Apartments – preliminary plans, working drawings, construction, and equipment – \$56,162,000 to be funded from external financing (\$54,062,000) and University of California Housing System net revenue funds (\$2,100,000).

- B. The Committee on Finance recommend that the Treasurer be authorized to obtain financing not to exceed \$54,062,000 to finance the Infill Apartments project, subject to the following conditions:
- (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, University of California Housing System fees shall be established at levels sufficient to meet all requirements of the University of California Housing System Revenue Bond Indenture, and to provide excess net revenues sufficient to pay the debt service and to meet the related requirements on this proposed financing.
 - (3) The general credit of The Regents shall not be pledged.
- C. 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.
- D. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

It was recalled that at the January 2001 Regents meeting, \$2,221,000 in net revenue funds was approved to complete preliminary plans and develop an accurate cost estimate for the remaining phases of the Infill Apartments project. At that time, the total project cost was estimated at up to \$61 million. As a result of value engineering and other cost-saving measures, the total project cost has been reduced to \$56,162,000.

Over the last four years, student demand for housing on the Santa Cruz campus and in the local community has surpassed the supply of available housing. The increased demand stems from both campus enrollment growth and the rental crunch that is being experienced throughout Silicon Valley and the greater San Francisco Bay Area. The situation is further exacerbated by the projection of future enrollment growth. The combination of a tight local housing market and a resurgence in campus enrollment has greatly increased the demand for on-campus housing. In order to meet this demand, the timely delivery of new permanent housing is imperative.

Project Description

The project will provide apartment units totaling 640 bed spaces at Cowell, Stevenson, and Porter Colleges. The apartments will provide a combination of single, double, and triple rooms, a living and dining area, a kitchen, and compartmentalized bathrooms. Laundry rooms, common lounge/activity spaces, maintenance spaces, and a few housing administrative offices will be included. An architectural style will be pursued that is appropriate to each college and will relate the new housing to the existing college architecture. There will be space for drop-off and residential staff parking.

CEQA Compliance

In accordance with the California Environmental Quality Act and University procedures for Implementation of CEQA, an Environmental Impact Report will be prepared to analyze the potential environmental impacts of the project. In addition, the project involves a minor Long Range Development Plan boundary adjustment to change less than one acre from Physical Education and Recreation to Colleges and Graduate Housing. The EIR will be forwarded to The Regents for review and consideration at the time amendment of the LRDP and design approval are requested.

Financial Feasibility

The budget of \$56,162,000 will be funded from University of California Housing System net revenue funds and external financing. Assuming a debt of \$54,062,000 amortized over 27 years at 6.5 percent interest, the average annual debt service is estimated at \$4,299,000. The external financing will be repaid from UCHS housing fees. Single-student room rates for all on-campus housing in 2003-04 will be increased by \$321 per year, raising the apartment rates to \$7,387 per year for double and triple rooms and \$8,113 per year for a single room.

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

The meeting adjourned at 2:52 p.m.

Attest:

Secretary