

# GB2B

Office of the President

TO MEMBERS TO THE COMMITTEE ON GROUNDS AND BUILDINGS:

## ACTION ITEM – CONSENT

*For the Meeting of January 18, 2011*

### **APPROVAL OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING, TERCERO STUDENT HOUSING PHASE 3, DAVIS CAMPUS**

<b>CAMPUS</b>	Davis
<b>PROJECT</b>	Tercero Student Housing Phase 3
<b>PROJECT NUMBER</b>	951800
<b>PROPOSED ACTIONS</b>	<ol style="list-style-type: none"><li>1. Approve the project budget of \$80,243,000</li><li>2. Approve external financing of \$60,182,000</li></ol>
<b>PREVIOUS ACTIONS</b>	None
<b>RELATED ACTIONS</b>	<ul style="list-style-type: none"><li>• Tercero Housing and Dining Commons Regents budget approval November 2002, and Administrative augmentation approvals October 2004 and June 2006.</li><li>• Tercero Student Housing Phase 2 Regents preliminary plans (“P”) only approval January 2008, and budget approval June 2008.</li></ul>
<b><u>PROJECT SUMMARY</u></b>	
<b>PROJECT PROGRAM</b>	This project is part of the Student Housing Strategic Plan and will allow Student Housing to provide on-campus housing for first-year freshmen, first-year transfer students and second-year returning students. The Tercero Student Housing Phase 3 project will demolish and replace twelve three-story seismically deficient residence halls and construct a new 1,200 bed complex targeted to serve first-year freshmen. The complex follows a similar design as Tercero Phase 1 and Phase 2. Additional program elements include storage space, custodial break room, custodial office, residential staff office, Senior Resident Advisor apartment, study lounges, community space and laundry facilities.
<b>TOTAL PROJECT COST</b>	\$80,243,000
<b>FUNDING SOURCE(S)</b>	<ul style="list-style-type: none"><li>• \$60,182,000 External Financing (Davis Housing Revenues)</li><li>• \$20,061,000 Davis Housing System Reserves</li></ul>
<b>SQUARE FOOTAGE</b>	<ul style="list-style-type: none"><li>• 280,940 Gross Square Feet [GSF]</li><li>• 216,108 Assignable Square Feet [ASF]</li><li>• Efficiency ratio – ASF/GSF: 77 percent</li></ul>

<b>BED SPACES</b>	1,200 Beds
<b>UNIT COSTS</b>	<ul style="list-style-type: none"><li>• Building Cost/GSF: \$202</li><li>• Project Cost/GSF: \$286</li><li>• Building Cost/Bed: \$47,245</li><li>• Project Cost/Bed: \$66,869</li></ul>
<b>FUTURE ACTIONS</b>	The campus anticipates returning in late 2011 to request design and CEQA approval.
<b>DRIVERS</b>	The twelve three-story Tercero Residence Halls were completed in 1967 with capacity to house 800 students. Seismic studies during 2009-10 found the buildings to be “poor” to “very poor” under University of California seismic policy. The Davis campus needs to provide 400 new beds to meet projected housing demand and address the seismic deficiency of 800 existing beds in the 1967 Tercero complex. The proposed project would complete the Tercero neighborhood.

**RECOMMENDATION**

The President recommends that the Committee on Grounds and Buildings recommend to the Regents that:

- A. The 2010-11 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:  
  
Davis Campus: Tercero Student Housing Phase 3 – preliminary plans, working drawings, construction, and equipment – \$80,243,000, to be funded from external financing (\$60,182,000) and the Davis Housing System Reserves (\$20,061,000)
- B. The scope of the Tercero Student Housing Phase 3 project shall include approximately 216,108 assignable square feet which is anticipated to accommodate 1,200 beds.
- C. The President is authorized to obtain external financing not to exceed \$60,182,000 to finance the Tercero Student Housing Phase 3 project. The Davis campus shall satisfy the following requirements:
  - (1.) Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
  - (2.) Repayment of any debt shall be from the General Revenues of the Davis campus and as long as the debt is outstanding, General Revenues 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 to execute all documents necessary in connection with the above.

**ATTACHMENTS:**

- Attachment 1: Project Description
- Attachment 2: Project Budget
- Attachment 3: Cost Data
- Attachment 4: Funding Plan
- Attachment 5: Summary Financial Feasibility Analysis
- Attachment 6: Supplemental Information for Housing Projects

ATTACHMENT 1

**PROJECT DESCRIPTION**

**A. CONTEXT AND GOALS**

UC Davis Student Housing program strives to deliver an excellent living experience by providing a safe, comfortable environment that will foster community interaction and educational development. Completion of the proposed Tercero Student Housing Phase 3 project will allow UC Davis Student Housing to meet its goal of providing sufficient inventory to house all first-year freshmen and first-year transfer students. The proposed project will also include enough units to house a limited number of 2<sup>nd</sup>- and 3<sup>rd</sup>-year students who wish to remain in a residence hall environment that includes a dining facility where they can purchase a meal plan.

General goals include:

- Create environments that encourage social interaction among residents while achieving privacy, comfort, and safety.
- Integrate learning and living in an enriched campus environment that fosters academic success.
- Create connections among communities within the facility and to the larger campus community.
- Meet students' basic needs for eating, sleeping, studying, and personal space while providing opportunities to interact with other students through group study and social activities.
- Maintain facilities that are safe including seismic integrity under University of California seismic policy and California Building Code.
- The proposed project would complete the Tercero neighborhood.

**B. PROJECT PROGRAM AND SCOPE <sup>(a)</sup>**

The proposed Tercero Student Housing Phase 3 project will include 1,200 beds in a combination of single and double rooms and a number of common facilities such as laundry and lounges. The project will replace 800 beds currently housed in twelve three-story buildings that will be demolished due to seismic safety concerns. Six Tercero Pierce and six Tercero Thille residential halls totaling 158,004 GSF will be "retired" as shown in Table II (Pierce/Thille).

The residence element of the project is comprised of groups of 50 students living in proximity to one another. This ratio has proven effective in assisting new students in making the transition from home life to the University. Recent residence hall projects have been built this way and have proved to be very successful and popular with students. The physical boundaries of these groupings are clearly delineated, typically as a whole floor of a separate building.

Common facilities serving several groups of residents, typically about 200 students in a building, include a main lobby lounge, laundry, and a study room of about 800 square feet. The project will also contain a large lecture hall which may be used for events and lectures serving the entire

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<sup>(a)</sup> Additional information on project budget and cost drivers may be found in *Attachment 2* (Project Budget) and *Attachment 3* (Cost Data).

Tercero district.

## BACKGROUND

### *Seismic*

The Tercero Residence Halls that currently occupy the project site were constructed in 1967 and house 800 students in twelve three-story buildings. The concrete structures employ steel connections to connect floors to supporting walls, which was consistent with then-current building codes but do not comply with current seismic standards. Under University of California seismic policy, the buildings were determined to be “poor” to “very poor.”

A risk assessment conducted in 2010 concluded that the risk of continued occupancy for one additional year was comparable to the risk of occupying a new building that meets current codes. (Even new buildings carry some risk.) Beyond one year, the risk of continuing occupancy grows exponentially. The campus has thus decided to close the buildings no later than fall 2012.

The campus originally planned to build Tercero Student Housing Phase 3 as a redevelopment of the current site of Leach Hall. This project would have replaced 175 beds with a new 400 to 600 bed project. The new information regarding the seismic risk of the twelve Tercero Residence Halls caused the campus to recast this project to include replacement of the twelve seismically deficient halls.

### *Options*

The campus evaluated options to correct the seismic deficiencies and renew the existing buildings and to replace them. The project cost to correct and renew the existing twelve Residential Halls (800 beds) was approximately \$51 million (\$63,750 per bed). The total project cost of the proposed 1,200 bed project is approximately \$81 million (\$67,500 per bed). Although the per-bed cost of renovation is slightly less, there are several compelling advantages to demolition and replacement, including:

- Redistributing buildings in a more efficient arrangement, which allows additional beds on the same site.
- Reconfiguring the typical floor to 50 beds, which optimizes the ratio of students to residence assistants and achieves Student Housing goals related to student life.
- Adding quality residence halls comparable to other Segundo and Tercero facilities, so that some students do not feel they are living in second-class facilities, even if recently renovated.
- Renovation of the existing buildings will never be as efficient or durable over the next 30 years as the planned new buildings; thus future operating and maintenance costs will be lower in the proposed project.
- When Tercero Student Housing Phase 3 is complete, Leach Hall can be taken off-line and demolished, creating a new building site for a future project.

## C. LOCATION

Site	One Shields Ave, Davis, California
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<b>D. SCHEDULE</b>	
Demolition Phase	March 2012 - August 2012
Construction Start	September 2012
Completion	May 2014
<b>E. SUSTAINABILITY</b>	
Target LEED™ Rating	Achieve LEED™ NC Gold USGBC (Platinum to be discussed) and implement sustainability practices and educational programs into the living environment and facility operation. Because of baseline campus conditions relating to transportation, recycling, and other standard operating procedures, the incremental cost of achieving LEED Gold above the Regents' standard of Silver is generally quite small if measurable. Moving to Platinum will only occur if deemed appropriate after careful analysis of operational implications and life-cycle cost analysis.
<b>F. PROJECT CONFORMANCE</b>	
Ten Year Capital Financial Plan	The proposed Tercero Student Housing Phase 3 project is consistent with the accepted 2010-2020 Capital Financial Plan (CFP).
California Environmental Quality Act (CEQA)	Appropriate CEQA review will be completed prior to consideration of design approval.
Tercero University Controlled Insurance Program <sup>(a)</sup>	<ul style="list-style-type: none"> <li>• The University has implemented a University Controlled Insurance Program (UCIP), effective as of January 1, 2010, with a term of five years.</li> <li>• This project is subject and will comply with the UCIP policy.</li> <li>• Contractors' proposals will be submitted net bid (excluding the cost of insurance).</li> <li>• All other insurance not provided under the UCIP will be provided in manner consistent with existing University policy.</li> </ul>

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<sup>(a)</sup> The UCIP provides workers' compensation/employer's liability insurance, commercial general liability insurance, and excess liability insurance for all University construction projects with a projected construction value in excess of \$25 million at the time of request for bid.

ATTACHMENT 2

<b><u>PROJECT BUDGET</u></b>		
<b>Category</b>		<b>% of Total</b>
Site Clearance	\$ 1,200,000	1.5
Building	56,694,000	70.7
Exterior Utilities	5,050,000	6.3
Site Development	1,800,000	2.2
A/E Fees <sup>(a)</sup>	4,250,000	5.3
Campus Administration <sup>(b)</sup>	2,320,000	2.9
Surveys, Tests, Plans	340,000	0.4
Special Items <sup>(c)</sup>	5,352,000	6.7
Contingency	3,237,000	4.0
Total	\$80,243,000	100%
Group 2 & 3 Equipment <sup>(d)</sup>		
<b>Project Total</b>	<b>\$80,243,000</b>	

**Additional notes:**

- Hazardous materials survey and monitoring is an allowable expense under UCOP guidelines for Special Items.
- Group 2 & 3 equipment is not part of the project and will be supplied by Davis Student Housing outside of the project.
- Performance-Based Design/Build has been selected as the delivery method. Davis has completed three other freshmen student housing projects in the last six years with the same arrangement of beds, bathrooms, and common space. Davis Student Housing has refined the program and operations to optimize benefits to first-year students. The program is well documented and can be communicated clearly to design/build teams without 100 percent construction documents and a design/bid/build method.

<sup>(a)</sup> Fees include architectural and engineering services.

<sup>(b)</sup> Campus Administration includes project and contract management staff.

<sup>(c)</sup> Special items include: Detailed Project Program (\$400,000), Environmental (\$20,000), Value Engineering (\$100,000), Agency Review (\$270,000), Regents Presentation (\$30,000), Seismic Review (\$40,000), Haz Mat Survey & Monitoring (\$200,000), Archaeological Monitoring (\$10,000), SWPP Filing Fee (\$20,000), Special Consultant Waterproofing (\$30,000), Approval Graphics (\$10,000), Special Consultant, Fire Code (\$50,000), LEED Review (\$40,000), Campus Utility Connection Fee (\$1,300,000), Special Consultant Signage & Graphics (\$70,000), and IDC (\$2,762,000)

<sup>(d)</sup> Group 2 and 3 equipment consists of equipment which is not built-in or permanently affixed to the structure of the building.

ATTACHMENT 3

<u><b>COST DATA</b></u>			
<b>A. ANALYTICAL DATA</b>			
			<b>Total Project</b>
GSF <sup>(a)</sup>			280,940
ASF <sup>(b)</sup>			216,108
Efficiency ratio: ASF/GSF			77%
Bed Count			1,200
Building Cost/GSF			\$202
Building Cost/Bed			\$47,245
Project Cost/GSF <sup>(c)</sup>			\$286
Project Cost/Bed			\$66,869
<b>B. COMPARABLE UNIVERSITY PROJECTS AT CCCI 6049*</b>			
Campus	CSU Sacramento	Davis	Davis
Project Name	Student Housing	Tercero Housing Infill	Tercero Student Housing Phase 2
Budget Date	Fall 2009	November 2002	June 2008
GSF	209,000	105,940	108,567
ASF	167,200	78,063	155,259
Efficiency ratio: ASF/GSF	82%	74%	70%
Bed Count	600	400	592
Building Cost/GSF	\$44,300,000	\$223	\$185
Building Cost/Bed	\$79,600**	\$59,133	\$48,572
Project Cost/GSF	Not Available	\$359	\$262
Project Cost/Bed	Not Available	\$65,000	\$60,100
<b>C. NOTES (IF NECESSARY)</b>			
The Tercero Student Housing Phase 2 project received very favorable bids resulting in a post bid 35.5% budget reduction. The campus is in the process of a project re-budget to reflect these savings. The data above is based on the post bid project budget.			

\*CCCI 6049: UCOP guidelines for Non-State funded projects are to index to the midpoint of construction. The midpoint of construction is a moving target as the schedule evolves during design. The 6049 was based on the projected schedule.

\*\*CSU Sacramento project area apartments: Deduct cost for 194 kitchenettes at \$10,000 each, 97 bathrooms at \$8,000 each, and adjust CCCI from 5264 to 6049. The extra site costs at Tercero for demolition offset the cost of the CSU project central plant and mechanical system's costs.

(a) Gross Square Feet (GSF) is the total area, including usable area and space occupied by the structure itself.

(b) Assignable Square Feet (ASF) is the net usable area.

(c) Excludes the cost of Group 2 and 3 Equipment.



ATTACHMENT 4

<b><u>FUNDING PLAN</u></b>			
<b>A. TOTAL PROJECT COST (\$ 80,243,000)</b>			
Funding Source	<ul style="list-style-type: none"> <li>• Davis Housing System Reserves: \$20,061,000</li> <li>• External Financing: \$60,182,000</li> </ul>		
<b>B. FUNDING SCHEDULE</b>			
<b>Phase</b>	<b>Proposed 2010-11</b>	<b>Funding Source</b>	
Preliminary Plans	\$ 2,310,000	Davis Housing System Reserves	
Working Drawings	4,245,000	Davis Housing System Reserves	
Construction	13,506,000	Davis Housing System Reserves	
Construction	60,182,000	External Financing	
<b>TOTALS:</b>	<b>\$80,243,000</b>		
<b>C. DAVIS HOUSING SYSTEM RESERVES</b>			
Amount	\$60,182,000		
<ul style="list-style-type: none"> <li>• Summary financial feasibility analysis may be found in Attachment 5 that details the ability of the Davis Housing Revenues to both service the debt and support Student Housing priorities.</li> </ul>			
<b>D. EXTERNAL FINANCING</b>			
Tax-Exempt Amount	\$60,182,000		
Tax-Exempt Planning Rate	6%	Term	30 Year
Annual Estimated Debt Service:	\$4,349,000	Anticipated Fund Source(s):	Davis Housing Revenues
<ul style="list-style-type: none"> <li>• The external financing will be paid from specific revenue sources identified in the external financing documents; therefore the general credit of the Regents will not be pledged.</li> <li>• Additional information may be found in Attachment 5, Summary of Financial Feasibility.</li> </ul>			

ATTACHMENT 5

SUMMARY OF FINANCIAL FEASIBILITY

Davis Campus	
Project Name	Tercero Student Housing Phase 3
Project ID	951800
Total Estimated Project Costs	80,243,000

Proposed Sources of Funding	
External Financing	\$60,182,000
Campus Funds	20,061,000
Total	80,243,000

Below are results of the financial feasibility analysis for the proposed project using the campus' debt affordability model. The financial projections take into consideration market conditions, new sources of revenue and all previously approved projects.

Financing Assumptions	
Anticipated Repayment Source	General Revenues of the Davis campus
Anticipated Fund Source	Davis Housing Revenues
Financial Feasibility Rate	6.00%
First Year of Principal (e.g. year 10)	FY 2017
Final Maturity (e.g. 30 years)	30 years
Estimated Average Annual Debt Service	4,349,000

Measure	Campus Financing Benchmarks	
	10 Year Projections (as of 12/15/10)	Approval Threshold
Debt Service to Operations	2.4% (max) <sup>a</sup>	6.0%
Debt Service Coverage	5.3x (min) <sup>a</sup>	1.75x
Expendable Resources to Debt	n/a	1.0x
Auxiliary Financing Benchmarks		
Debt Service Coverage	1.9x (min)	1.25x

Financing approval requires the campus to meet the debt service to operations benchmark and one of the two other benchmarks for approval.

Measure	Definition
Debt Service to Operations (%)	$\frac{\text{Annual Debt Service}}{\text{Total Operating Expenses}}$
Debt Service Coverage (x)	$\frac{\text{Operating Income} + \text{Depreciation} + \text{Interest}}{\text{Annual Debt Service}}$
Expendable Resources to Debt (x)	$\frac{\text{Expendable Financial Resources (unrestricted net assets} + \text{temporarily restricted net assets} - \text{net investment in plant)}}{\text{Total Debt Outstanding}}$

<sup>a</sup> For Fiscal Year 2017, the first year of principal and interest payment on this proposed project

ATTACHMENT 6

SUPPLEMENTAL INFORMATION FOR HOUSING PROJECTS

**Demand Analysis Table**

Table I shows current and projected near-term enrollment and housing demand for first-year residence hall beds. Demand estimates range from 4,705 to 4,575 beds depending on the number of transfer students assumed to be accommodated. Current housing supply constraints limit the ability of the campus to provide housing for transfer students. If there are any vacancies, the campus will offer housing to the waiting list for returning students.

**Table I: Expected Enrollement: First-Year Residence Hall Demand**

	Current Figures (2010-11)			Projected Figures (2011-12)		
	Enrollment	Demand Pct	Demand Count	Enrollment	Demand Pct	Demand Count
Student Population First-Year						
Freshman Students	4,575	90%	4,118	4,450	90%	4,005
First-Year Transfer Students	2,959	13%	385	2,800	13%	364
Returning Students	4,050	5%	203	4,118	5%	206
<b>Total</b>	<b>11,584</b>		<b>4,706</b>	<b>11,368</b>		<b>4,575</b>

Table II illustrates the supply of current and projected campus housing by year, including the proposed Tercero Student Housing Phase 3, as part of a comprehensive strategy to meet housing demand. This strategy involves new construction, replacing aging facilities and renovating existing facilities. The net result is the addition of 286 beds to Residence Hall design capacity by fall 2014. As shown, the total supply will fluctuate as the plan is implemented. However, at no point will the campus be over-built relative to demand.

**Table II: Residential Hall Bed Space- Supply and Demand**

	FY 07/08	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
<b>Design Capacity- Current Supply</b>	<b>4,443</b>	<b>4,443</b>	<b>4,443</b>	<b>4,443</b>	<b>4,443</b>	<b>4,443</b>
<b>Design Capacity- Changes</b>						
Tercero South Phase II (New Fall 2010)		578	578	578	578	578
Tercero Student Housing Phase 3 (new Fall 2014)						1,200
Pierce/ Thille (Retire)			-812	-812	-812	-812
Leach Hall (Retire)						-175
Castilian Hall (Retire)			-505	-505	-505	-505
Segundo High Rise (Renovation) (1)		-798				
<b>Subtotal of Changes</b>		<b>-220</b>	<b>-739</b>	<b>-739</b>	<b>-739</b>	<b>286</b>
<b>Design Capacity- Total Supply</b>		<b>4,223</b>	<b>3,704</b>	<b>3,704</b>	<b>3,704</b>	<b>4,729</b>
<b>Projected Demand</b>	<b>4,647</b>	<b>4,706</b>	<b>4,575</b>	<b>4,575</b>	<b>4,575</b>	<b>4,575</b>
<b>Excess Demand (Demand- Supply) (2)</b>	<b>204</b>	<b>117</b>	<b>149</b>	<b>149</b>	<b>149</b>	<b>-154</b>

(1) Segundo High Rise facilities off-line for one year for renovation, fire life safety improvements, and seismic corrections.

(2) Excess demand during this planning period will be partially met by tripling.

The proposed Tercero Student Housing Phase 3 project combined with the other elements of the strategic plan illustrated in Table II allows the Davis campus to achieve programmatic goals and meet student housing demand. Excess capacity shown in Table II for FY2014/15 is based on projections that are typically more conservative than actual enrollment growth and are balanced with actual demand through reducing tripling and marketing to the returning students segment of the campus community who typically populate the waiting list. In addition, excess demand will be met partially in some years (fully in others) by “tripling” double occupancy rooms. This strategy has been successfully implemented in the past in response to over-enrollment and high take rates. As student interest in triple occupancy rooms has also risen, tripling serves a dual purpose and is a win-win for the University and students.

**Table III: On-Campus Monthly Rate Increases**

<b>Fiscal Year</b>	<b>Operating &amp; Equity Increases</b>	<b>Improvements to Housing Inventory</b>	<b>Total Rate Increase</b>
<b>11/12</b>	2.0%	3.0%	5.0%
<b>12/13</b>	2.0%	2.3%	4.3%
<b>13/14</b>	2.0%	2.3%	4.3%
<b>14/15</b>	2.0%	2.3%	4.3%
<b>15/16</b>	2.0%	2.3%	4.3%

Tables III and IV illustrate planned rate increases for on-campus student housing to support both the Housing capital plan and operations based on assumptions illustrated in the Student Housing Ten Year Plan and the 2010-2020 Davis Capital Financial Plan. On-campus housing rates are expected to remain average among rates UC system-wide and competitive with off-campus rates in Davis, as shown in Table IV. By providing quality academic and student support programs and services in the residence halls, the campus expects to continue to attract first-year students and maintain strong occupancy overall (Table I & II). With the completion of the Tercero Student Housing Phase 3 project in fall 2014, 37 percent of the campus' residence halls will be new (less than five years old) and 55 percent will be less than ten years old. All dining facilities are also new or newly renovated. The combination of new facilities and quality programs and services are important for continued strong demand and occupancy in on-campus housing.

**Table IV: Market Analysis – On-Campus and Local Off-Campus Rates**

<b>2016/17 Forecasted Rates</b>	
<u>Proposed Project Rent</u> : Amenities excluding meals but including utilities, cable TV, internet connectivity, custodial and student services	\$981
<u>Comparative Local Market</u> : 2-bedroom apartment with double occupancy	\$781
• Adjustment for Campus Life Amenities	\$159
<u>Adjusted Comparative Local Market Rent</u>	\$940