

**Office of the President**

**TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:**

**ACTION ITEM**

*For Meeting of January 22, 2025*

**SAN BENITO STUDENT HOUSING, SANTA BARBARA CAMPUS: BUDGET AND EXTERNAL FINANCING**

**EXECUTIVE SUMMARY**

The San Benito Student Housing project would construct approximately 2,238 beds (2,224 for undergraduate students and 14 for residential staff) in apartment-style units on the UC Santa Barbara Main Campus. The project will help meet the demand for on-campus housing and make progress toward the 2010 UCSB Long Range Development Plan (LRDP) goal to increase housing opportunities for students on campus.

In November 2024, the Regents approved an amended preliminary plans budget of \$32,076,000, approved the project scope, adopted California Environmental Quality Act fundings, approved an amendment to the LRDP, and approved the design. The Regents are now being asked to approve a project budget of \$624.4 million and approve external financing of \$624.4 million.

**RECOMMENDATION**

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

- A. The 2024-25 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:
  - From: Santa Barbara: San Benito Student Housing – preliminary plans – \$32,076,000 to be funded from campus funds.
  - To: Santa Barbara: San Benito Student Housing – preliminary plans, working drawings, construction, and equipment – \$624.4 million to be funded from external financing.
- B. The President be authorized to obtain external financing in an amount not to exceed \$624.4 million plus additional related financing costs to finance the San Benito Student

Housing project and declare that external financing may be used to reimburse prior expenditures. The President shall require that:

- (1) Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
- (2) As long as the debt is outstanding, the general revenues of the Santa Barbara 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.
- (4) Any reimbursements will meet all requirements set forth in Treasury Regulations Section 1.150-2.

## **BACKGROUND**

### ***Past Regents Actions***

- May 2024: Preliminary plans funding, \$19.15 million (campus funds).
- November 2024: Amended preliminary plans funding (\$32,076,000, campus funds), scope, Long Range Development Plan (LRDP) amendment, and design following an action pursuant to the California Environmental Quality Act.

The proposed San Benito Student Housing project remains consistent with the scope and design presented in the November 2024 Regents item.

### ***Project Background and Description***

San Benito Student Housing will provide approximately 2,238 new beds (2,224 for undergraduate students and 14 for residential staff) on the Main Campus and is a key component of plans to provide at least 3,500 new beds on campus in accordance with the UCSB 2010 LRDP. The project will support the campus's established goals to provide housing for all first- and second-year students and a four-year residential experience that would support a vibrant campus community. See Attachment 4, the May 2024 Regents action, and Attachment 5, the November 2024 Regents action, for further project details.

### ***Funding Plan and Financial Feasibility***

The total project budget of \$624.4 million would be funded through external financing. The estimated debt service for the \$624.4 million external financing over a 35-year term at a planning rate of 4.35 percent is \$24,206,838 interest-only in FY 2027-2029, and \$35,595,568 average annual principal and interest from FY 2030 through FY 2062. Over a ten-year period, the campus is projected to have a minimum modified cash flow margin of 5.9 percent and debt

service coverage of 1.1 times as required by the University's Debt Policy. Days' cash on hand is 58 days as of November 30, 2024, which does not meet the requirements of the University's Debt Policy. Minimum auxiliary system debt service coverage is projected to be 1.21, which meets the requirements of the University's Debt Policy. Minimum project debt service coverage is projected to be 0.64, which does not meet the requirements of the University's Debt Policy. The Executive Vice President–Chief Financial Officer has granted an exception to the Debt Policy for days' cash on hand and project debt service coverage.

Additional information regarding funding and financial feasibility is included in Attachment 2.

### ***Project Budget Drivers***

The project budget reflects actual bids from the Construction Manager at Risk (CMaR) and trade subcontractors. To date, 60 percent of the construction cost value has been bid. The budget does not include any contingency allowances for escalation, design, or bidding.

There are numerous factors unique to the San Benito project that affect the building cost relative to other systemwide housing projects or even past UCSB projects. Unique factors including seismic site concerns, foundation design, a constrained site, and the local labor market together add approximately \$79 million to the project cost.

*Seismic.* As a result of impacts from better identification and understanding of regional fault systems, the California Building Code requires that projects on the UCSB campus must be engineered to accommodate seismic forces nearly double that of previous projects on campus, at a premium cost of \$10 million.

*Foundation.* The San Benito site geology differs from and is more complex than any recently developed site on campus, including unusually deep and steep bedrock contours, a potential liquefaction zone under more than half of the buildings, and very high groundwater levels. To address these impacts, the foundation system design includes aggregate piers, extensive over-excavation, off-haul of soils and recompaction, and dewatering and foundation waterproofing, with an associated additional cost of \$17.5 million.

*Regional Labor.* The local market for labor and subcontractors is very limited. Labor for a major construction project such as San Benito must be imported from other areas in Southern California. Compared with projects built in larger markets, the combination of reimbursement for travel time and per diem allowances results in a labor premium for San Benito estimated at \$47.4 million.

*Constrained Site.* The San Benito site is constrained by roads on the north and west boundaries and by environmentally sensitive habitats on the east and south. The project itself is densely developed, with buildings in close proximity. Contractor staging, office trailers, and parking for the labor force are all located off site. Additionally, these site constraints and exclusion zone requirements in effect during the day require the façade

components to be erected after hours using swing shift labor and crane operators, with a resulting labor cost premium of \$4.1 million.

See Attachment 1, Project Sources and Uses, for more information on the budget.

**ATTACHMENTS**

Attachment 1:	Project Sources and Uses
Attachment 2:	Summary of Financial Feasibility
Attachment 3:	<b>Comparable Project Information – Scatterplot and Table</b>
Attachment 4:	May 2024: F6, San Benito Student Housing, Santa Barbara Campus: Preliminary Plans Funding, <a href="https://regents.universityofcalifornia.edu/regmeet/may24/f6.pdf">https://regents.universityofcalifornia.edu/regmeet/may24/f6.pdf</a>
Attachment 5:	November 2024: F7, San Benito Student Housing, Santa Barbara Campus: Preliminary Plans Funding Amendment, Scope, Long Range Development Plan Amendment #7 and Design Following Consideration of an Addendum to the 2010 Long Range Development Plan Environmental Impact Report Pursuant to the California Environmental Quality Act, <a href="https://regents.universityofcalifornia.edu/regmeet/nov24/f7.pdf">https://regents.universityofcalifornia.edu/regmeet/nov24/f7.pdf</a>

**ATTACHMENT 1**

**PROJECT SOURCES AND USES  
SAN BENITO STUDENT HOUSING**

<b>PROJECT SOURCES</b>	<b>Total</b>	<b>% of Total</b>
External Financing	\$624,400,000	100.0%
<b>Total Sources</b>	<b>\$624,400,000</b>	<b>100%</b>

<b>PROJECT USES</b>				
<b>Category</b>	<b>Residential</b>	<b>Dining</b>	<b>Total</b>	<b>% of Total<sup>1</sup></b>
Site Clearance	\$13,123,000	\$618,000	\$13,741,000	2.2%
Building	\$443,027,000	\$20,876,000	\$463,903,000	74.3%
Exterior Utilities	\$34,429,000	\$1,622,000	\$36,051,000	5.8%
Site Development	\$21,768,000	\$1,026,000	\$22,794,000	3.7%
A/E Fees <sup>2</sup>	\$35,019,000	\$1,650,000	\$36,669,000	5.9%
Campus Administration <sup>3</sup>	\$12,090,000	\$570,000	\$12,660,000	2.0%
Surveys, Tests, Plans	\$1,588,000	\$75,000	\$1,663,000	0.3%
Special Items <sup>4</sup>	\$8,877,000	\$418,000	\$9,295,000	1.5%
Contingency	\$26,381,000	\$1,243,000	\$27,624,000	4.4%
<b>Total P-W-C Cost<sup>5</sup></b>	<b>\$596,302,000</b>	<b>\$28,098,000</b>	<b>\$624,400,000</b>	<b>100%</b>
Group 2 & 3 Equipment	\$0	\$0	\$0	
<b>Project Total</b>	<b>\$596,302,000</b>	<b>\$28,098,000</b>	<b>\$624,400,000</b>	
Interest During Construction	\$0	\$0	\$0	
<b>Grand Total</b>	<b>\$596,302,000</b>	<b>\$28,098,000</b>	<b>\$624,400,000</b>	

1. Because of rounding, some totals may not correspond with the sum of the separate parts.
2. A/E Fees include contract fees for the executive architect and engineering team.
3. Campus Administration includes project management, contract administration, and inspection.
4. Special Items include pre-design and technical studies, environmental services consultants, CMAR Phase 1 fees, plan check, agency review, and commissioning agent.
5. Total cost for preliminary plans (P), working drawings (W), and construction (C).

<b>PROJECT STATISTICS</b>	<b>Residential</b>	<b>Dining</b>	<b>Total</b>
Gross Square Feet (GSF)	691,006	27,909	718,915
Assignable Square Feet (ASF)	578,128	26,918	605,046
Efficiency Ratio (ASF/GSF)	83.66%	96.45%	84.16%
Building Cost/GSF	\$641.13	\$748.00	\$645.28
P-W-C Cost/GSF	\$862.95	\$1,006.77	\$868.53

## SUMMARY OF FINANCIAL FEASIBILITY

SANTA BARBARA CAMPUS	
Project Name	San Benito Student Housing
Project ID	986410
Total Estimated Project Cost	\$624,400,000
Anticipated Interest During Construction	\$0

PROPOSED SOURCES OF FUNDING	
External Financing	\$624,400,000
Other Sources of Funding	-
Total	\$624,400,000

FINANCING ASSUMPTIONS	
External Financing Amount	\$624,400,000
Anticipated Repayment Source	General Revenues of the Santa Barbara Campus
Anticipated Fund Source	Housing Revenues
Financial Feasibility Rate	4.35%
First Year of Repayment	FY 2027
Term	35 years: three years interest-only (FY 2027-2029); 32 years principal and interest
Final Maturity	FY 2062
Estimated Average Annual Debt Service	\$24,206,838 average annual interest (FY 2027-2029); \$35,593,568 average principal and interest beginning 2030

CAMPUS FINANCING BENCHMARKS			
Measure	Campus Metric	Approval Threshold	Requirement
Modified Cash Flow Margin	5.9% (min), 2026	$\geq 0.0\%$	Must Meet
Debt Service Coverage	1.1x (min), 2027	$\geq 1.1x$	
STIP/TRIP Days Cash on Hand*	58 days, 11/30/2024	$\geq 90$ days	Must Meet for Auxiliary Projects
Project Debt Service Coverage (minimum)*	0.64 (min), 2031	$\geq 1.0x$	
Auxiliary System Debt Service Coverage	1.21 (min), 2027	$\geq 1.1x$	

\*Metric falls below the University's Debt Policy minimum requirement. [An exception to the Debt Policy has been granted by the Executive Vice President–Chief Financial Officer.]