COMMITTEE ON FINANCE  
March 17, 2005

B. AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL FINANCING FOR C. V. STARR EAST ASIAN LIBRARY, BERKELEY CAMPUS

Campus: Berkeley

Project: C. V. Starr East Asian Library

Action: Approval of a budget augmentation in the amount of $6,725,000; approval of new external financing in the amount of $9,000,000; and approval of stand-by financing in the amount of $3,600,000, as well as interim financing in the amount of $6,300,000.

Total Cost: $46,400,000 to be funded from gifts ($37,400,000) and external financing ($9,000,000)

Previous Actions: September 2003: Approval of project budget in the amount of $39,675,000 (gifts), inclusive of stand-by financing in the amount of $5,900,000, and interim financing in the amount of $13,900,000.

Project Summary: This action requests approval of a $6,725,000 budget augmentation to reflect increases in construction costs and changed market conditions, and requests approval of project design. The project as designed would construct 67,000 gsf of new space to house the East Asian Library (EAL), consolidate the EAL’s collections in one location, address various functional deficiencies, accommodate 13 years of future growth, and provide modern technology for the library.

Issues:
- Augmentation of $6,725,000.
- Authorization of new external financing of $9,000,000.
- Decrease in stand-by financing from $5,900,000 (approved at September 2003 Regents meeting) to $3,600,000; and decrease in interim financing from $13,900,000 (also approved at September 2003 Regents meeting) to $6,300,000.
RECOMMENDATION

The President recommends that subject to the concurrence of the Committee on Grounds and Buildings:

(1) The budget for the C. V. Starr East Asian Library be amended as follows:

From: Berkeley: C. V. Starr East Asian Library – study, preliminary plans, working drawings, construction, and equipment – $39,675,000, to be funded from gift funds

To: Berkeley: C. V. Starr East Asian Library – study, preliminary plans, working drawings, construction, and equipment – $46,400,000, to be funded from gift funds ($37,400,000) and external financing ($9,000,000).

(2) The Committee on Finance concur with the recommendation of the Committee on Grounds and buildings to include this project, as described in (1) above.

(3) The Committee on Finance recommend that:

Deletions shown by strikeout, additions by shading

(a) External financing be obtained in an amount not to exceed $9,000,000 to finance the C. V. Starr East Asian Library project, subject to the following conditions:

(i.) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;

(ii.) Repayment of the debt shall be from the Berkeley campus’ share of the University Opportunity Fund; and

(iii.) The general credit of The Regents shall not be pledged.

(4) The President be authorized to obtain stand-by financing not to exceed $13,900,000 $3,600,000, and interim financing not to exceed $13,900,000 $6,300,000, for a total of $19,800,000 $9,900,000, prior to awarding a construction contract for any gift funds not received by that time and subject to the following conditions:

a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.

b. Repayment of any financing shall be from gift funds and, in the event such gift funds are insufficient, from the Berkeley campus’ share of the University Opportunity Fund.

c. The general credit of The Regents shall not be pledged.
(5) 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.

(6) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

A Key to abbreviations and the project description are attached.
KEY
Capital Improvement Program Abbreviations

S  Studies
P  Preliminary Plans
W  Working Drawings
C  Construction
E  Equipment
-  State Funds (no abbreviation)
F  Federal Funds
G  Gifts
HR  Hospital Reserve Funds
I  California Institutes for Science and Innovation
LB  Bank Loans or Bonds (External Financing includes Garamendi, Bonds, Stand-By, Interim and Bank Loans)
LR  Regents’ Loans (Internal Loans)
N  Reserves other than University Registration Fee (Housing and Parking Reserves)
R  University Registration Fee Reserves
U  Regents’ Appropriations (President’s Funds, Educational Fund)
X  Campus Funds
CCCI  California Construction Cost Index
EPI  Equipment Price Index
2004-05 Budget for Capital Improvements
and Capital Improvement Program
Scheduled for
Regents’ Allocations, Loans, Income Reserves,
University Registration Fee Reserves, Gift Funds,
and Miscellaneous Funds

<table>
<thead>
<tr>
<th>Campus and Project Title</th>
<th>Approved</th>
<th>Proposed 2004-05</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S $ 750,000</td>
<td>G</td>
</tr>
<tr>
<td></td>
<td>P $ 1,900,000</td>
<td>G</td>
</tr>
<tr>
<td>Berkeley</td>
<td>W $ 2,900,000</td>
<td>G</td>
</tr>
<tr>
<td></td>
<td>C $ 33,225,000</td>
<td>G</td>
</tr>
<tr>
<td></td>
<td>C ($ 2,400,000)</td>
<td>G</td>
</tr>
<tr>
<td></td>
<td>E $ 900,000</td>
<td>G</td>
</tr>
<tr>
<td>C. V. Starr East Asian Library</td>
<td>E $ 125,000</td>
<td>G</td>
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</tbody>
</table>

($46,400,000)

BACKGROUND

At the September 2003 meeting, The Regents approved the C. V. Starr East Asian Library project budget in the amount of $39,675,000, to be supported entirely with gift funds. Approval is requested to augment the existing budget by $6,725,000, for a revised total project cost of $46,400,000, and to obtain $9,000,000 of external financing for the project. As described more fully below, the augmentation to the budget is requested to accommodate recent increases in construction costs and market conditions that were unanticipated at the time the project was originally budgeted.

Project Description

The East Asian Library at Berkeley contains one of the most comprehensive collections of materials in East Asian languages in the United States, including rare and valuable items that make it a unique resource for scholars from around the world. The library has grown from 75,000 volumes at its founding in 1947 to more than ten times that number today. Its combined holdings in Chinese, Japanese, Korean, and other East Asian languages form one of the top two collections in the United States outside of the Library of Congress. The EAL currently occupies 22,429 assignable square feet in three campus buildings (Durant Hall, California Hall, and 2223 Fulton), and approximately fifty-five percent of its collections are in remote storage at the Northern Regional Library Facility. The library’s dispersed holdings pose problems that are detrimental to scholarly use. Its rare books, many of which are national treasures, are inadequately housed in overcrowded conditions with no temperature or humidity control, posing a serious risk to such valuable University assets. The lack of space also affects other functions of the library, such as use of reference materials, access to computer technology, and the introduction of new digital library technologies. A new, expanded library facility is needed to house the existing collections adequately and to provide for their future growth and use.
The C. V. Starr East Asian Library will replace an existing 36-space surface parking lot at the south base of Observatory Hill, directly across Memorial Glade from Doe Library. The new library of 46,054 asf (67,000 gsf) will be divided evenly among four floors. In addition to the book stacks, the project will house a rare book collection, a media and digital materials center, reference and periodical reading rooms, study rooms, offices, and a book processing center. The lower two floors will house the majority of stacks, and the top two floors will house the public elements of the library.

Regental budget approval of the C. V. Starr Library predated the adoption of the UC Presidential Green Building and Clean Energy Policy; nevertheless, the project has been designed to include several sustainable features in accordance with both University policy and the policies of the 2020 Long Range Development Plan. The project will achieve equivalency with LEED certification.

Construction is anticipated to begin in September 2005 and to be complete in November 2007.

Need for Augmentation

Dramatic increases in the construction bidding market over the past year have affected projects throughout the University system and the state. Projects in the San Francisco Bay Area are affected additionally by the high demand for building materials and skilled labor in this region.

In response to this upsurge in the market, the campus undertook extensive value engineering efforts to limit the budget increase to the greatest extent possible, resulting in a cost savings of over $1,750,000, or about twenty-five percent of the projected cost increase. Cost-cutting changes to be incorporated in the final design include:

- Reduction in materials used
- Simplification of details
- Selection of more economical materials
- Building Exterior
  - Deletion of major retaining walls and ramps
  - Revisions to the roofing system and grillwork
  - Reduction of the first floor topping slab to four inches.
  - Switch to aluminum windows rather than a bronze window system.
- Building Interior
  - Reduction of display features
  - Simplification of HVAC and related elements
  - Elimination of custom components of the library stack shelving system
  - Purchase of most furniture and equipment by campus directly, eliminating general contractor markup and installation charges.

As further protection against the volatile bidding environment, the campus will create deductive bid alternates. The campus also continues its ongoing efforts to achieve cost savings by encouraging bidder participation and expanding product and material sources.
Environmental Impact Summary

An Environmental Impact Report was prepared in accordance with the requirements of the California Environmental Quality Act to analyze the environmental effects of the 2020 LRDP, including the Chang-Lin Tien Center for East Asian Studies (Tien Center). In January 2005, The Regents certified the EIR before approving the 2020 LRDP. The City of Berkeley has filed a CEQA lawsuit challenging the EIR.

Financial Feasibility

The total project cost is $46,400,000 at CCCI 5054 and would be funded from gift funds ($37,400,000) and external financing ($9,000,000).

At the meeting of September 2003, The Regents approved stand-by financing of gift funds in the amount of $5,900,000 and interim financing of gifts in the amount of $13,900,000, for a total of $19,800,000. Since that time, the gift campaign for the project has been completed, and as of October 31, 2004 the status is as follows:

<table>
<thead>
<tr>
<th>Gifts Received</th>
<th>$27,500,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledges Received</td>
<td>$3,600,000 (subject to stand-by financing)</td>
</tr>
<tr>
<td>Gifts To Be Raised</td>
<td>$6,300,000 (subject to interim financing)</td>
</tr>
<tr>
<td>Total:</td>
<td>$37,400,000</td>
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</tbody>
</table>

Gifts to be raised of $6,300,000 consist of pledges raised which have indeterminate payment schedules. Approval of stand-by financing of $3,600,000 and interim financing of $6,300,000 is requested in order to meet The Regents’ funds-on-hand requirement. To the extent gifts are received prior to completion of the project, the amount of the stand-by and interim financing will be reduced and outstanding balances will be repaid. The campus anticipates that it will be able to collect the $6,300,000 in pledges with indeterminate payment schedules, but in the event the collection is insufficient, the campus has pledged the Berkeley campus Opportunity Fund as a source of repayment. Opportunity Funds are a portion of the indirect costs recovered from federal contracts and grants. Should the campus be unable to raise the additional gifts, the $6,300,000 of interim financing may have to be repaid over 30 years at 6.125 percent, for potential annual debt service of $464,000, which is included in Attachment 2, Summary Financial Feasibility Analysis. Should it prove necessary, the campus will return to The Regents at the end of construction to request the conversion of any remaining portion of the interim financing to external financing.

Based on long-term debt of $9,000,000 amortized over 30 years at 6.125 percent interest, the estimated average annual debt service would be $663,000. Repayment of the debt would be from the Berkeley campus’ share of the University Opportunity Fund. The University Opportunity Fund Debt Repayment Policy requires that campuses meet two financial tests: (1) that the amount pledged for debt payments shall not exceed 65 percent of the campus’ total Opportunity Funds allocated each year, and (2) that no more than 33 percent of the campus’ total Opportunity Funds allocated each year are used for debt service payment. The Berkeley campus meets both tests. In fiscal year 2009-10, the first full year of principal and interest for the
project, 48 percent of the campus’s total Opportunity Funds allocated would be pledged for debt service.

In compliance with Regents’ policy, all funds necessary to complete construction will be in hand prior to issuing the project for bid.

(Attachments)
PROJECT STATISTICS
C. V. STARR EAST ASIAN LIBRARY
CAPITAL IMPROVEMENT BUDGET
BERKELEY CAMPUS
CCC 5054

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Amount ($)</th>
<th>% of Total</th>
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<tbody>
<tr>
<td>Site Clearance</td>
<td>350,000</td>
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<tr>
<td>Building</td>
<td>29,718,000</td>
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<tr>
<td>Exterior Utilities</td>
<td>706,000</td>
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<tr>
<td>Site Development</td>
<td>2,494,000</td>
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<tr>
<td>A/E Fees (a)</td>
<td>4,283,000</td>
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<tr>
<td>Campus Administration (b)</td>
<td>1,450,000</td>
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<tr>
<td>Surveys, Tests</td>
<td>622,000</td>
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<tr>
<td>Special Items (c)</td>
<td>2,852,000</td>
<td>6.5%</td>
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<tr>
<td>Contingency</td>
<td>2,900,000</td>
<td>6.4%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>45,375,000</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td>Groups 2 &amp; 3 Equipment</td>
<td>1,025,000</td>
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<tr>
<td><strong>Total Project (d)</strong></td>
<td><strong>46,400,000</strong></td>
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Statistics

- Gross Square Feet (GSF) (e) 67,000
- Assignable Square Feet (ASF) (e) 46,054
- Ratio ASF/GSF (%) 69%
- Building Cost/GSF (d) $444
- Building Cost/ASF (d) $645

Comparable University Projects at CCC 5054

The C. V. Starr East Asian Library project is not comparable to typical library projects in the UC system. This project combines the programs of a highly secure rare book repository and an art museum. The Library will house unique and valuable collections of East Asian manuscripts and art objects of international significance. A robust building structure allows installation of compact shelving on all levels and protects the collections in case of earthquake, while strict temperature and humidity controls protect the collections from decay. Museum-quality display capabilities will be integrated into the common areas of the building, as well as developed within more specialized programmed display areas. The building will occupy a site due north of Doe Library and will be comprised of similar materials shaped with a level of craftsmanship consistent with other buildings in the classical core of the campus.

(a) A/E fees include executive architects’ basic services contract of $2,105,380, which represents 7.91 percent of the approved construction budget.
(b) Campus administration includes project management and inspection.
(c) Special items include special consultants, code compliance fees, hazardous materials assessment, advance planning and environmental reviews, project reviews, and special security, totaling $2,502,000, and interest expense totaling $350,000.
(d) Current formal estimates verify that projected costs are within the approved budget.
(e) Gross square feet (gsf) is the total area, including usable area, stairways, and space occupied by the structure itself. Assignable square feet (ASF) is the net usable area.
SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: C. V. Starr East Asian Library

Total Estimated Project Cost: $46,400,000

Proposed Sources of Funding:
- Gifts $37,400,000
- External financing $9,000,000

Total $46,400,000

Proposed Financing Terms:
- Interest Rate: 6.125%
- External Financing Duration: 30 years

Campus Opportunity Fund Information (2009-10)¹:

Estimated Revenue
- Pre-Off-the-Top Generated Existing Garamendi Projects $2,742,000
- Opportunity Funds Generated $23,683,000
  Total $26,425,000

Estimated Debt Service
- Long Term Financing Starr Library $663,000
- Potential Long Term Financing Starr Library $464,000
- Existing Garamendi Projects Debt Service and OMP $2,742,000
- Other existing projects – debt service $8,773,000
  Total $12,642,000

% Opportunity Funds Pledged 48%

Debt Service Coverage 2.1x

¹Fiscal year 2009-10 represents first full year of principal and interest payments.