

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM

For Meeting of March 15, 2017

APPROVAL OF BUDGET AND EXTERNAL FINANCING, MINNESOTA STREET GRADUATE STUDENT AND TRAINEE HOUSING, SAN FRANCISCO CAMPUS

EXECUTIVE SUMMARY

The San Francisco campus proposes to construct housing on recently acquired property at 566/590 and 600 Minnesota Street, located immediately south of Mission Bay. The Minnesota Street Graduate Student and Trainee Housing project (Minnesota Street Housing project) would provide 595 units to house 706 students and trainees in two separate buildings by 2019, helping to significantly reduce the shortfall of on-campus housing.

Demand for campus housing, with rental rates significantly below market levels, is high because the San Francisco rental housing market is now the most expensive in the country. In response to demand, UCSF is embarking on a series of student and trainee housing developments to provide housing beyond the 852 units that were anticipated and included in the 2014 Long Range Development Plan (LRDP). The LRDP was drafted just as San Francisco rental rates began to dramatically increase and, as such, could not capture the true implication of the market.

Additionally, the need for more housing is not related to an increase in students as the projected enrollment growth remains modest. Instead, the pressure on the campus housing supply is correlated to rapid increases in the cost of housing throughout San Francisco, with on-campus options being the most affordable and convenient option for students and trainees. The campus conducted a comprehensive demand study that identified the need to accommodate another 1,700 students and trainees through the addition of 1,400 units to the current housing inventory. The shortfall of campus housing is impeding recruitment and retention across all sectors, especially among students and trainees. Many prospective students and trainees receive offers from competitor institutions that include lower-cost campus housing, putting UCSF at a competitive disadvantage. As such, developing the proper amount of housing in the immediate future is of critical importance to UCSF.

The Minnesota Street Housing project is proposed to comprise five stories of housing over one level of garage parking with a unit mix of efficiency, studio, and two-bedroom units. The project would include courtyards, common spaces, retail space, and landscaping. The project will be funded by external financing and housing and parking reserves, with debt service covered by rental revenue. UCSF plans to set rents and manage operating costs so that net revenues from the campus housing portfolio will meet the debt service requirements established by the UC Debt

Policy, while maintaining the lowest possible rents for students and trainees.¹

At the July 2016 meeting, the Regents approved funding of preliminary plans for the Minnesota Street Housing project in the amount of \$12.8 million. The proposed project remains consistent with the concepts presented at that meeting.

In this action, the Regents are being asked to: (1) approve the project budget of \$231.3 million to be funded from external financing (\$213.9 million), housing reserves (\$7 million), and parking reserves (\$10.4 million); (2) approve the project scope; and (3) approve external financing in the amount of \$213.9 million.

Approval of design and action pursuant to the California Environmental Quality Act will be requested of the Regents in May 2017.

RECOMMENDATION

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

- A. The 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Francisco: Minnesota Street Graduate Student and Trainee Housing – preliminary plans – \$12.8 million to be funded from housing reserves (\$7 million) and campus funds (\$5.8 million).

To: San Francisco: Minnesota Street Graduate Student and Trainee Housing – preliminary plans, working drawings, construction, and equipment – \$231.3 million to be funded from external financing (\$213.9 million), housing reserves (\$7 million), and parking reserves (\$10.4 million).
- B. The scope of the Minnesota Street Housing project shall provide approximately 214,000 assignable square feet (asf) of space and 595 units to house approximately 706 graduate and professional students and trainees, along with retail, community spaces, and building support. The scope also includes garage parking with approximately 137 spaces.
- C. The President be authorized to obtain external financing not to exceed \$213.9 million 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.

¹ See Attachment 3 for details on the debt service requirements and specific exemptions granted for this project.

- (2) As long as the debt is outstanding, general revenues from the San Francisco 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

UCSF currently has 632 campus housing units for students and trainees, located on the Mission Bay and the Parnassus Heights campus sites. These units accommodate 900 students and trainees (14 percent of the student and trainee population). The vast majority of housing applicants were not accommodated for the current academic year. The campus has maintained a waitlist for campus housing in prior years; however the list was not an accurate forecast for demand since only first year students and trainees were eligible to be added. In June 2015 the campus conducted a comprehensive demand study that included a survey of students. The results of this study identified sufficient demand to accommodate another 1,700 students and trainees through the addition of 1,400 units to the current housing inventory.

In the summer of 2016, when UCSF students and trainees were securing their housing for the current academic year, a two-bedroom unit on campus was renting for \$3,000 a month. In contrast, the city-wide median rental for a two-bedroom apartment in San Francisco at that same time was \$4,800 a month. With potential monthly savings of more than 30 percent and locations proximate to academic and hospital facilities, campus housing options are highly desirable.

The most recently constructed UCSF housing complex, the Mission Bay Block 20 Housing project, was built a decade ago (2006) and includes 431 housing units. At the time of opening, the development of the Mission Bay area was just beginning and there was little supply of housing in the immediate area, either on- or off-campus. With most of the parcels in San Francisco's Mission Bay neighborhood now built-out or entitled, the demand for housing in the area has significantly increased. Although a substantial amount of private off-campus housing has recently opened or will open soon in the greater Mission Bay area, the majority of the new housing is market rate and is intended for well-compensated professionals.

Students and trainees have fluctuating schedules, overnight shifts, and are involved in laboratory research and patient care. Thus, proximity to campus hospitals, clinics, and laboratories limits the ability of students and trainees to live outside of San Francisco, where housing prices are slightly lower. Therefore, many students and trainees residing off-campus often live in less than desirable conditions and tight quarters in order to live near campus and keep housing costs reasonable.

Long Range Development Plan Housing Targets and Future Projects

The 2014 Long Range Development Plan (LRDP) proposed the addition of approximately 852 units at existing campus sites; however, this is insufficient compared to demand. As indicated in the LRDP, the student and trainee population is proposed to grow only modestly through 2035. Thus, pressure on campus housing supply among the student and trainee population is not a result of enrollment growth but is directly correlated to rapid increases in the cost of housing throughout San Francisco.

At the Parnassus campus, the LRDP projected the creation of new student and trainee housing by converting non-housing space in the existing UC Hall building into campus housing in two phases (115-120 units by 2021 and 60-65 units by 2035), as well as the conversion of the Millberry Union buildings into campus housing (80-85 units by 2035). Both UC Hall and Millberry Union have current uses that need to be relocated before the housing conversions could be implemented. UC Hall requires completion of other campus projects that are currently in development. Relocation of occupants in Millberry Union would occur following decommissioning of Moffitt Hospital. Since they rely on the completion of other projects, it is not feasible to accelerate the delivery of UC Hall and Millberry Union in order to address immediate housing needs.

The LRDP designated Block 15 on the Mission Bay campus site for future housing. Block 15 is adjacent to blocks zoned for instruction and research and near open space. When parcels on Minnesota Street became available for purchase in 2015, UCSF leadership decided to defer the development of housing on Block 15 and reassess the best use of this centrally located block. UCSF has experienced tremendous demand for research and clinical space as a result of growth in federally funded research and philanthropic support and changes to the delivery of clinical services. With limited locations in or near Mission Bay that could accommodate research and clinical operations and reasonable options available to develop housing nearby, deferring the development of Block 15 for housing was concluded to be in UCSF's best strategic interest.

Project Drivers

The following drivers have been identified for UCSF student and trainee housing projects:

- Burgeoning housing demand has overwhelmed the City of San Francisco's housing supply. This has resulted in unprecedented high rent rates and low inventory.
- UCSF's students and trainees have difficulty competing with working professionals for market-rate housing in areas close to campus facilities and convenient to public transportation.
- Difficulties in securing and paying for affordable nearby housing are impeding UCSF's recruitment and retention of top-tier graduate and professional students and trainees.

These current conditions affect UCSF's ability to maintain its status as a top-ranked health sciences university and require immediate action to address the problem. The Minnesota Street

Housing project addresses all three of the project drivers:

- With the project anticipated to open for occupancy in the summer of 2019, it will be available in the relatively near term.
- Current pro forma analysis indicates that the rental rates in this project (and across other UCSF housing) can continue to stay well below market and remain affordable for students and trainees.
- With up to 595 units accommodating at least 706 students and trainees, the project provides a supply of conveniently located and affordable campus housing and gives those who recruit and retain academic talent a competitive offering.

Other Options Considered

UCSF considered options to increase the supply of housing by master-leasing and/or purchasing already developed units. However, given high lease and/or purchase costs and construction standards which would potentially not meet University requirements, UCSF did not move forward with these efforts. UCSF determined that the most viable and cost-effective way to address the problem would be to increase its own campus housing inventory. The campus also engaged Century Urban, a third-party consultant, to consider a public-private partnership option to develop new housing stock. Among other benefits noted by their analysis, Century Urban determined that UCSF could build the proposed project in-house with the same capital investment, complete the project within the required timeline, and operate the facility while maintaining below-market rents.

Interim Support

To ensure the well-being of current students and to facilitate the recruitment of new students while new housing is in development, the Chancellor and campus leadership decided to support a cost-of-living supplement (COLS) for eligible students. The COLS provides a bridge solution between now and when the Minnesota Street Housing project would be delivered in 2019. Effective July 1, 2016, students who demonstrate financial need and who are not able to live in campus housing receive a \$200 per month supplement (\$2,400/year). In fiscal years 2016-17 and 2017-18, the COLS program is funded by a philanthropic gift, UCSF Health, and each of the campus' schools. Sources of funds for COLS thereafter will be identified year-to-year.

PROJECT DESCRIPTION

In September 2015 UCSF received approval from the Regents to purchase and finance the two parcels at 566/590 and 600 Minnesota Street, located in the Dogpatch neighborhood of San Francisco, just one block south of the Mission Bay campus. The parcels, each approximately 40,000 square feet, were acquired because of their proximity to the campus.

The City of San Francisco rezoned the Dogpatch neighborhood in the 1990s to promote housing development. Historically a mixed industrial/residential neighborhood, the Dogpatch has become more residential in character and many ground-up housing developments have been built or are

proposed in the area. The Dogpatch provides established retail offerings and residential life within a few blocks of the Mission Bay campus.

The Minnesota Street Housing project (approximately 373,000 gross square feet (gsf) or 214,000 assignable square feet (asf)) proposes construction of 595 units of housing and 137 parking spaces on the two parcels at 566/590 and 600 Minnesota Street. The project would comprise two buildings using Type 1 construction (fire-resistive, steel and concrete) of five stories of housing over one level of below-grade parking. The project also includes significant landscape improvements. The northern parcel (566/590 Minnesota) currently is developed with two warehouse buildings of approximately 30,000 gsf combined. The southern parcel (600 Minnesota) is developed with one warehouse building of approximately 49,000 gsf. The proposed project includes demolition of these three existing warehouse buildings.

The unit mix would include efficiency, studio, and two-bedroom unit types. Efficiency units are proposed to make up 64 percent of the project. These units (230-250 asf) are becoming increasingly popular in urban areas, as they provide an alternative of a smaller-sized living space for a lower rental rate. See Table 1 below for the distribution of unit types and corresponding rental rates.

**Table 1
Mix of Unit Types**

Unit Type	Estimated ASF/unit	Units	Leases	2019-20 Rental Rate
Efficiency	230-250	381	381	\$1,732
Studio	340-350	103	103	\$2,137
Two-Bedroom	500-540	111	222	\$3,375
Total		595	706	

In order to foster a sense of community and to add to the attraction of living in a complex with small units, the proposed project would include courtyards and a substantial amount of community space where residents can socialize, network, and study. In addition, the proposed project would include some retail space facing the street. Table 2 below summarizes the proposed area dedicated to residential space and project amenities.

**Table 2
Proposed Area Summary**

	ASF
Residential Units (efficiency, studio, two-bedroom)	188,000
Administration	1,600
Common/Shared Spaces:	
Group Study	4,750
Community Rooms	2,940
Lobby	2,800
Game Room	2,140
Bike Storage	1,400
Mail Room	850
Fitness	800

Laundry	480
Music	160
Lactation	80
Total Common/Shared Spaces	16,400
Building Services	4,000
Retail	4,000
Total Project (ASF)	214,000

Consistent with the Community Planning Principles as stated in the 2014 LRDP, UCSF has begun the process of engaging the community to identify mitigation measures (separate from what is required by the California Environmental Quality Act (CEQA)) to help integration of the project within the existing community. This separate process is under way to address cushioning any impacts related to the proposed project, as well as other proposed UCSF projects in the neighborhood.

Parking

The project includes 44,000 gsf of parking for approximately 137 spaces. Students and trainees living at Minnesota Street Housing will be advised not to bring cars to campus, but instead to walk or bike to campus, use rideshare vehicles, take nearby public transit, benefit from UCSF’s contract with on-demand car service providers, or take the well-established UCSF shuttle system. Although there will be parking in the complex, most of the parking is intended to accommodate rideshare vehicles, retail customers, staff in the adjacent 654 Minnesota administrative facility, and University vehicles from Facilities Services; only a few spaces would be available for student and trainee vehicles, for a separate monthly fee. The number of parking spaces proposed for the project was limited to an essential amount that would maximize the number of housing units on the site.

Local Zoning Requirements

Although the University is exempt from local zoning requirements, UCSF intends to be substantially consistent with the City of San Francisco’s use and height limitations. The City’s height limit for the property is 58 feet. The City, through its Eastern Neighborhood Plan, zoned the property “Urban Mixed-Use” (UMU), a designation intended to promote a mix of activities. The rules applying to this UMU zone allow residential development among other uses common to the Dogpatch neighborhood.

Project Schedule

The campus will seek Regents’ approval of design and action pursuant to CEQA in May 2017, with the goal of completing the project by June 2019.

FINANCIAL FEASIBILITY

The total project cost of \$231.3 million would be funded from external financing (\$213.9 million), housing reserves (\$7 million), and parking reserves (\$10.4 million). The debt service on this project would be paid with housing revenues.

The campus received approval for external financing to acquire the parcels at 566/590 and 600 Minnesota Street in September 2015. At the time of acquisition the development of housing was one of several options under evaluation. The cost of the land acquisition is not considered a cost of this specific project. The debt service on the financing used for the land purchase is funded by the campus, with the expectation of repayment from UCSF housing system reserves in the future once reserves are sufficient. The costs for the acquisition of the land are considered an expense factored into the calculations for compliance with the UC Debt Policy.

The campus is committed to providing housing to its students and trainees at substantially below-market rates in order to remain competitive and, in the case of professional students, to alleviate their debt burden. Each year, housing rates are established in consultation with a housing advisory committee. For the past ten years, UCSF Housing Services has increased rents at three or four percent per year - a rate just high enough to cover annual increases in operating expenses and fund reserves for renewals, ongoing repairs, existing debt including debt on land acquisitions, and future development. Financial analyses show that UCSF can build the proposed project and cover its costs, while maintaining project rents well below market levels and increasing rents no greater than four percent per year.

In keeping with the above, the project does not meet the 1.1x project debt service coverage requirement and 1.25x auxiliary debt service coverage set by the UC Debt Policy for auxiliary projects. The project meets the project debt service coverage requirement beginning in the 11th year of operations and UCSF Housing Services meets the auxiliary debt service coverage requirement after the first year of operations. The Office of the Chief Financial Officer has granted an exception to the UC Debt Policy as the campus has demonstrated the ability to service the debt from all UCSF Housing Services revenues and to meet the requirements over time. It is the intention of the campus to use revenues from the entire UCSF housing portfolio to support this project.

If financing is secured at a rate lower than the planning rate of six percent, and four percent rental increases are maintained, the project itself can meet the stated criteria sooner. For example, if five percent financing is secured, the project would achieve a debt service coverage ratio of 1.1x by the ninth year; the lowest ratio for the overall housing program would be 1.39x in the first year.

The campus evaluated proposed rental rate increases based on the estimated costs of construction, estimated financing rate, and current market conditions. Additional information regarding the project budget, comparable projects, and financial feasibility is included in Attachments 1, 2, and 3.

Market-Rate Comparison

Apartment rental rates in San Francisco are expected to increase moderately for the next four years, according to a real estate forecast issued in the third quarter of calendar year 2016 by REIS, Inc. The same report suggested the potential for declining rental rates in two years of the four years, as shown in the table.

**Table 3
Estimated Changes in Rental Rates (2017-2020)
San Francisco ⁽¹⁾ and UCSF ⁽²⁾ - Two-Bedroom Units**

Forecast	2017		2018		2019		2020	
	Rent	% Change	Rent	% Change	Rent	% Change	Rent	% Change
San Francisco Apartment Rentals (“Flat Growth”)	\$4,886	1.8%	\$5,009	2.5%	\$5,134	2.5%	\$5,262	2.5%
San Francisco Apartment Rentals (“Decline”)	\$4,469	-6.9%	\$4,415	-1.2%	\$4,442	0.6%	\$4,513	1.6%
UCSF Planned	\$3,120	4.0%	\$3,245	4.0%	\$3,375	4.0%	\$3,510	4.0%

- ⁽¹⁾ The rental rates are based on median costs for San Francisco as published in summer 2016 by Zumper, an online apartment listing agency, and escalated by the growth rates forecasted by REIS, Inc.
- ⁽²⁾ Monthly rental rates for two-bedroom apartments include internet service and all basic utilities except electricity.

With UCSF’s planned increase in campus housing rental rates of up to four percent annually, the campus housing rates still are projected to be significantly lower than market rates (between 24 percent and 35 percent in 2017) – even if San Francisco rates increase moderately or decline slightly as forecasted by REIS, Inc.

Other factors, in addition to price, further an increased demand for campus housing, including proximity to campus, waiver of deposit, fully furnished apartments, city ride-share programs built into the program, and abundance of community space.

PROJECT DELIVERY

The campus plans to deliver the Minnesota Street Housing Project using a campus-led Construction Manager at Risk approach, with Design/Build subcontractor trades using an integrated Target-Value Design strategy. It is anticipated that a high volume of construction will be under way in the Mission Bay area concurrent with the Minnesota Street Housing project, making construction logistics more difficult. The planned delivery method allows the campus to engage the construction professionals early in design to address the challenges of construction under these circumstances, explore constructability alternatives, including off-site modular and industrialized building techniques, and identify the most cost-effective approach.

This integrated approach also makes project delivery more efficient and predictable. Therefore, the campus expects to minimize unanticipated construction costs and/or delays. It is imperative that the project be completed early in the summer of 2019 in order to meet the student and trainee move-in period. Any delay would mean the project is delayed by one year, as UCSF graduate students and trainees tend to secure housing in the summer and typically do not move midyear.

UCSF firmly believes that an integrated Target-Value Design process will ensure the highest overall design quality and building performance. UCSF has a history of using similar approaches for campus delivery of major projects that have been on schedule and on budget. Recent successes include the Smith Cardiovascular Research Building, the Ray and Dagmar Dolby Regeneration Medicine Building, the Medical Center Phase 1 Parking Structure, the Mission

Hall Global Health & Clinical Sciences Building, and the Medical Center at Mission Bay.

Key to Acronyms

CEQA	California Environmental Quality Act
COLS	Cost-of-Living Supplement
GSF	Gross Square Feet
LRDP	Long Range Development Plan
Minnesota Street Housing	Minnesota Street Student and Trainee Housing project
UMU	Urban Mixed-Use

ATTACHMENTS:

- Attachment 1: Project Sources and Uses
- Attachment 2: Comparable Project Information
- Attachment 3: Summary of Financial Feasibility
- Attachment 4: Project Location Map

**PROJECT SOURCES AND USES
MINNESOTA STREET STUDENT & TRAINEE HOUSING
CCCI 6662**

PROJECT SOURCES

Source	Housing	Parking	Total	% of Total
External Financing	\$213,900,000		\$213,900,000	92.5
Housing Reserves	\$7,000,000		\$7,000,000	3.0
Parking Reserves		\$10,400,000	\$10,400,000	4.5
Total Sources	\$220,900,000	\$10,400,000	\$231,300,000	100.0

PROJECT USES

Category	Housing	Parking	Total	% of Total
Site Clearance	\$2,750,000	\$500,000	\$3,250,000	1.4
Building	\$167,000,000	\$7,500,000	\$174,500,000	76.4
Exterior Utilities	\$3,050,000	\$300,000	\$3,350,000	1.5
Site Development	\$3,200,000	\$200,000	\$3,400,000	1.5
A/E Fees ¹	\$9,300,000	\$500,000	\$9,800,000	4.3
Campus Administration ²	\$10,500,000	\$500,000	\$11,000,000	4.8
Surveys, Tests, Plans	\$800,000	\$100,000	\$900,000	0.4
Special Items ³	\$7,900,000	\$300,000	\$8,200,000	3.6
Interest During Construction	\$10,900,000	\$0	\$10,900,000	4.8
Contingency	\$2,500,000	\$500,000	\$3,000,000	1.3
Total	\$217,900,000	\$10,400,000	\$228,300,000	100.0
Group 2&3 Equipment	\$3,000,000		\$3,000,000	
Total Uses	\$220,900,000	\$10,400,000	\$231,300,000	

¹ A/E fees include the executive architect/engineer's basic services contract fee.

² Campus Administration includes project management and inspection.

³ Special items include detailed project program and other pre-design study consultants, EIR services consultants, plan check fees, major local jurisdiction fees, special design consultants, independent structural /seismic and MEP review, hazardous materials abatement/remediation design services, art work, commissioning agent, and legal fees.

Project Statistics	Housing	Parking
Gross Square Feet (GSF)	329,000	44,000
Assignable Square Feet (ASF)	214,000	n/a
Efficiency Ratio ASF/GSF	65%	n/a
Number of Beds or Parking Spaces	706	137
Building Cost/GSF	\$508	\$170
Project Cost/GSF ⁴	\$662	\$236
Building Cost/Bed or Parking Space	\$237,000	\$55,000
Project Cost/Bed or Parking Space ⁵	\$309,000	\$76,000

⁴ Excludes Group 2 & 3 Equipment.

⁵ Project cost excludes Group 2 & 3 Equipment.

COMPARABLE PROJECT INFORMATION

The cost metrics for comparable housing projects shown in the following table demonstrate how the proposed budget for the Minnesota Street Graduate Student and Trainee Housing project in San Francisco compares to recent UC and local projects.

<u>Comparable Housing Projects¹</u>						
Location – Project Name	CIB Date	No. of Beds	Building Cost/GSF	Project Cost²/GSF	Building Cost/Bed	Project Cost²/Bed
<i>Proposed Project - Housing</i>	<i>1/17</i>	<i>706</i>	<i>\$508</i>	<i>\$662</i>	<i>\$236,544</i>	<i>\$308,640</i>
UCSF – Mission Bay Housing (Block 20)	11/02	756	\$331	\$425	\$179,054	\$240,567
UCLA – Weyburn Terrace	9/13	500	\$366	\$503	\$199,866	\$296,106
Bancroft Student Housing	8/19	781	\$498	\$508	\$118,579	\$120,991
Private Developer A, San Francisco ^{3,5}	9/15	384	\$378	\$434	\$340,393	\$426,995
Private Developer B, San Francisco ^{3,5}	2/14	474	\$360	\$441	\$217,886	\$273,295
Private Developer C, San Francisco ^{3,5}	12/13	240	\$429	\$492	\$184,498	\$231,437
Stanford - Munger Graduate Residences	9/08	600	\$393	\$511	\$307,832	\$400,182
<u>Comparable Parking Projects¹</u>						
Location – Project Name	CIB Date	No. of Spaces	Bldg. Cost/GSF	Project Cost¹/GSF	Bldg. Cost/Space	Project Cost¹/Space
<i>Proposed Project – Parking⁴</i>	<i>1/17</i>	<i>137</i>	<i>\$170</i>	<i>\$236</i>	<i>\$55,000</i>	<i>\$76,000</i>
UCSF-Mission Bay Parking Structure	8/10	621	\$107	\$142	\$37,618	\$51,186
UCLA-Intramural Field Parking Structure	11/01	1,500	\$85	\$120	\$29,433	\$41,269
UCB-Underhill Parking	6/05	1,000	\$134	\$186	\$33,136	\$46,205

1. Projects have been adjusted to reflect proposed project's CCCI of 6662.
2. Project Cost excludes Group 2 & 3 Equipment.
3. Excludes Prevailing Wage
4. Cost of parking portion within housing project
5. Added 20 percent to construction costs to determine project costs.

SUMMARY OF FINANCIAL FEASIBILITY

SAN FRANCISCO CAMPUS	
Project Name	Minnesota Street Graduate Student and Trainee Housing
Project ID	9002844
Total Estimated Project Costs	\$231.3 million
Anticipated Interest During Construction	\$10.9 million

PROPOSED SOURCES OF FUNDING	
External Financing	\$213.9 million
Housing Reserves	\$7.0 million
Parking Reserves	\$10.4 million
Total	\$231.3 million

*Fund sources for external financing shall adhere to University policy on repayment for capital projects.
For Externally Financed projects, please refer to Section I below.*

Externally Financed Projects

Long-term external financing assumptions are listed below.

FINANCING ASSUMPTIONS	
Anticipated Repayment Source	General Revenues of the UCSF Campus
Anticipated Fund Source	Auxiliary Housing Revenues
Financial Feasibility Rate	6.0%
First Year of Principal	FY 2025 (interest-only through FY 2024)
Final Maturity (e.g. 20XX)	FY 2054
Term (e.g. 30 years)	35 years - 5 years interest-only, then 30 years principal & interest
Estimated Average Annual Debt Service	\$12,830,000 – Years 1-5 (interest-only) \$15,540,000 – Years 6-35 (principal & interest)

Below are results of the financial feasibility analysis for the proposed project using the campus's Debt Affordability Model. The model includes projections of the campus' operations and planned financings. A new Debt Affordability Model with revised metrics was implemented August 1, 2015.

Measure	10 Year Projections	Approval Threshold	Requirement
Modified Cash Flow Margin ¹	2.6%, FY 2022	≥ 0.0%	Must Meet
Debt Service to Operations ¹	4.8%, FY 2022	≤ 6.0%	Must Meet 1 of 2
Expendable Resources to Debt ¹	1.20 FY 2016 ⁴	≥ 1.00x	
Auxiliary Project Debt Service Coverage ²	0.83x FY 2020 (Yr 1) ⁵	≥ 1.10x	Must Meet for Auxiliary Projects ⁵
Housing Debt Service Coverage ³	1.23x FY 2020 (Yr 1) ⁶	≥ 1.25x	Must Meet for Housing Projects ⁶
Other Auxiliary Debt Service Coverage	n/a	≥ 1.25x	Must Meet for Other Auxiliary (Non-Housing) Projects

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

² Auxiliary Project Debt Service Coverage is an individual project metric.

³ Housing Debt Service Coverage is a campus' auxiliary system metric.

⁴ Expendable Resources to Debt is an estimate based on Final 2015-16 financial results. Estimate to be revised when the Office of the President releases final estimates of unfunded liabilities for pension and retiree health.

⁵ Project meets 1.1x coverage in Year 11. UCSF has been granted an exception to the UC Debt Policy from the Office of the Chief Financial Officer, as the campus has demonstrated the ability to service the debt from all UCSF Housing Services revenues and to meet the requirements over time.

⁶ Housing Debt Service Coverage meets 1.25x coverage all other years. The campus has been granted an exception to the UC Debt Policy from the Office of the Chief Financial Officer as UCSF Housing Services meets the auxiliary debt service coverage requirement after the first year of operations.

PROJECT LOCATION

