

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM

For Meeting of November 18, 2020

**BUDGET, SCOPE, AND EXTERNAL FINANCING FOLLOWING ACTION
PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, THEATRE
DISTRICT LIVING AND LEARNING NEIGHBORHOOD, SAN DIEGO CAMPUS**

EXECUTIVE SUMMARY

At the September 2020 Regents meeting, the San Diego campus presented the Theatre District Living and Learning Neighborhood (TD LLN) project for approval of budget, scope, external financing, and design following action pursuant to the California Environmental Quality Act (CEQA). The Regents had questions related to the project's financial feasibility as well as the project cost and requested that the campus return in November to request full budget and financing approval. The September action was amended to authorize partial working drawings funding of \$35 million to enable development of working drawings, and to approve the project design pursuant to CEQA. The Regents also requested that the campus reduce the total project budget and provide updated financial forecasts that demonstrate the campus' ability to repay the debt on the project.

In response, the campus has provided financial results and forecasts demonstrating its financial strengths under various scenarios. The campus has also reduced the project costs by 12.4 percent by reducing construction and financing costs and making additional adjustments to reflect a post-pandemic reality.

Consistent with the scope presented at the September 2020 Regents meeting, TD LLN would provide approximately 2,000 undergraduate student beds, plus 50 beds for resident advisors and live-in staff for a total of 324 total units (574,000 assignable square feet). The project would also provide 71,000 assignable square feet (ASF) of non-residential space including flexible classrooms, offices for residential life and administrative staff, campus meeting spaces, student dining hall, a restaurant for students and campus community, including Theatre District patrons, and 1,500 ASF for one or two convenience retailers focusing on student needs. Together with the housing, the project would total approximately 645,000 ASF, or 929,000 outside gross square feet (OGSF) with five buildings ranging in height from nine to 21 stories on 5.5 buildable acres. The proposed density equates to a floor-area-ratio of 3.9. The approximate density of the residential space would be 373 beds per acre, or 59 units per acre.

Beyond the 5.5 buildable acres of the total 11.8 acre site, the remaining 6.3 acres would consist of public realm and vehicular circulation improvements. The project would provide below-grade replacement parking for approximately 1,165 cars (325 net new spaces), for faculty, staff, and patrons of the adjacent La Jolla Playhouse. This number of spaces reflects the final design and layout of the parking structure, as determined by internal circulation requirements and building infrastructure and systems coordination.

The Regents are now being asked to: 1) adopt the California Environmental Quality Act Findings; 2) approve the project budget of \$565 million (reduced from \$645 million in the September Regents item), to be funded from external financing (\$564 million) and housing auxiliary reserves (\$1 million); 3) approve the project scope; and 4) approve \$564 million in external financing.

RECOMMENDATION

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

- A. The 2020-21 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Diego: Theatre District Living and Learning Neighborhood – preliminary plans and partial working drawings – \$35 million to be funded from housing reserves (\$34 million) and campus funds (\$1 million).

To: San Diego: Theatre District Living and Learning Neighborhood – preliminary plans, working drawings, construction, and equipment – \$565 million to be funded with external financing (\$564 million) and housing auxiliary reserves (\$1 million).

- B. The scope of the Theatre District Living and Learning Neighborhood (TD LLN) project shall provide: 1) residential space of approximately 574,000 assignable square feet (ASF) comprised of 2,000 undergraduate student beds, 50 beds for resident advisors and live-in staff, and residential support space; 2) non-residential space of approximately 71,000 ASF comprised of flexible classrooms (17,100 ASF), offices for residential life and administrative staff (10,900 ASF), campus meeting spaces (9,000 ASF), student dining hall (17,700 ASF), a restaurant for students and campus community, including Theatre District patrons (3,800 ASF), convenience retail (1,500 ASF), and building maintenance and operations space (11,000 ASF); 3) underground parking for approximately 1,165 cars (325 net new spaces); and 4) public realm and vehicular circulation improvements including an improved campus entry at Revelle College Drive, realignment of Scholars Drive South, an extension of Ridge Walk, a valet/drop-off zone for the adjacent performing arts venues; a transit hub for campus shuttles; and recreation and outdoor wellness areas throughout the site.

- C. The President be authorized to obtain external financing in an amount not to exceed \$564 million plus additional related financing costs. 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, general revenues from the San Diego 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. Following review and consideration of the environmental consequences of the proposed TD LLN project, as required by California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of the Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:
- Adopt CEQA Findings, affirming that the proposed project is consistent with and covered by 2018 Long Range Development Plan Environmental Impact Report for the La Jolla Campus and Addendum No. 5 to the 2018 Long Range Development Plan Environmental Impact Report for the Theatre District Living and Learning Neighborhood, previously considered by the Regents on September 17, 2020.
- E. The President be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.

BUDGET REDUCTION STRATEGIES

The campus has identified three strategies described below to achieve a 12.4 percent reduction (\$80 million) in the total project budget of \$645 million presented to the Regents in September. The revised total project budget is \$565 million.

1) Reduction in Construction Costs (\$46.5 million savings)

Reductions under this category have been achieved by price concessions from the design-builder and its key trade partners, aggressive assumptions about lower prices from the near-term competitive bidding market, and by reducing owner contingency (from three percent to one percent) and contractor contingency (from five percent to four percent).

As a result of these changes, the costs are more in alignment with benchmarks as shown in Table 1 below.

Table 1: Cost Benchmarks

	Building Cost per Bed*	Building Cost per Parking Space
TD LLN – <i>proposed</i>	\$149,000	\$51,000
UC Benchmark	\$162,000	\$67,000
NTP LLN	\$145,000	\$43,000

* *Excluding study spaces, the cost per bed for the proposed project would be \$139,000.*

The difference in parking costs between the North Torrey Pines Living and Learning Neighborhood (NTP LLN) project and the proposed project is driven by three factors:

- NTP LLN benefitted from a sloping site, which reduced shoring, earthwork, and waterproofing;
- TD LLN includes an additional level below grade due to site constraints;
- TD LLN needs more circulation infrastructure due to use by patrons of the Theatre District.

The housing costs for TD LLN are slightly higher than NTP LLN for three reasons:

- A premium for the exterior skin due to the strategic location and feedback from the neighboring community;
- Higher tower height (21 floors at TD LLN, 14 floors at NTP LLN);
- Additional investments to reflect a post-pandemic reality including additional kitchens and bathrooms; the routing of make-up air through the roof rather than the exterior wall; and HVAC upgrades to common spaces above and beyond what was installed at NTP LLN, resulting in a cleaner exterior and higher quality.

2) Reassessment of Scope Due to Pandemic (\$4.5 million savings)

Due to the COVID pandemic, the campus has reevaluated certain program elements including the student dining hall and lecture hall, given several evolving trends following the pandemic. The campus has reconfigured these space plans to better adapt to changes in social distancing guidelines, remote learning, and student needs. Changes to each program element are described below.

Student Dining Hall – The budget presented to the Regents in September included a tenant improvement (TI) allowance for vendor customization. The TI allowances for more customized spaces have been eliminated so that the space can provide more flexibility for post-COVID occupancy. Reconfiguration of the student dining hall would provide adequate physical distancing for queuing and seating, and flexible student seating and lounge space, which could also be utilized for study and co-working when the dining operation is closed, allowing for additional decompression space. Functions such as the main kitchen, refrigeration, and storage would be centralized for efficiency and cost savings.

Reconfiguration of Instructional Space – As a result of the pandemic, social distancing guidelines, and the success of transitioning some coursework to hybrid methods (in-person and online), the campus is reconfiguring the space that was previously identified as a 480-

fixed-seat, sloped-floor lecture hall. The need for additional classroom and learning spaces at UC San Diego is still present given sustained undergraduate enrollment growth and a shortage of teaching spaces; however, it is anticipated that, after completion of the TD LLN project in 2023, there will be less demand for traditional fixed-seat lecture halls that do not allow for flexibility in a changing instructional environment. The proposed lecture hall space would be reconfigured to provide smaller, flexible classrooms with moveable furniture that can be adapted to many different teaching styles and room configurations.

3) Reduction in Construction Financing Costs (\$29 million savings)

UC's traditional planning rate of six percent for interest during construction is well above current rates. Actual taxable commercial paper rates have ranged between 1.7 percent and 2.3 percent in the past three years. Rather than use a rate which is significantly higher than the actual market rate, the campus has budgeted the estimated interest during construction for the project at three percent interest which is still a conservative rate.

Project Implementation and Schedule

The campus is utilizing the progressive design-build delivery process. Partial working drawings funding authorized at the September Regents meeting allowed the campus to continue development of construction documents for site demolition, earthwork and excavation, and structural and foundation-only packages, and to support ongoing preconstruction services for the make-ready scope. The approval requested now would enable the campus to begin construction in late 2020 / early 2021 and achieve a phased delivery of the project, focusing on completion of most residences by fall 2023 to meet the critical housing needs of that incoming class.

FUNDING PLAN AND FINANCIAL FEASIBILITY

The total project budget of \$565 million would be funded from external financing (\$564 million) and housing auxiliary reserves (\$1 million). The original source of the \$1 million was from two allocations from the UC Housing Assistance fund in 2017 and 2018.

The distribution of project cost is as follows (refer to Attachment 1, Project Sources and Uses for additional information):

- \$87 million related to the non-residential program, which includes academic spaces and public realm, would be sourced from campus funds.
- \$404 million related to housing and \$74 million related to parking, to be recovered through rents and parking revenues

The campus is meeting or exceeding the required margin and coverage debt ratios.

The primary financial impact of the pandemic is a permanent reduction in State funding of \$30 million for UC San Diego. The campus responded by implementing the UC-wide salary freeze

for non-represented staff and faculty, yielding annual savings of \$19 million (represented staff received increases as per union agreements). In addition, the campus implemented a permanent budget cut of four percent across all operations, mostly delivered through attrition and strict position control, worth another \$48 million in annual savings. These measures fully mitigate the impact and would allow the campus to mitigate additional risk.

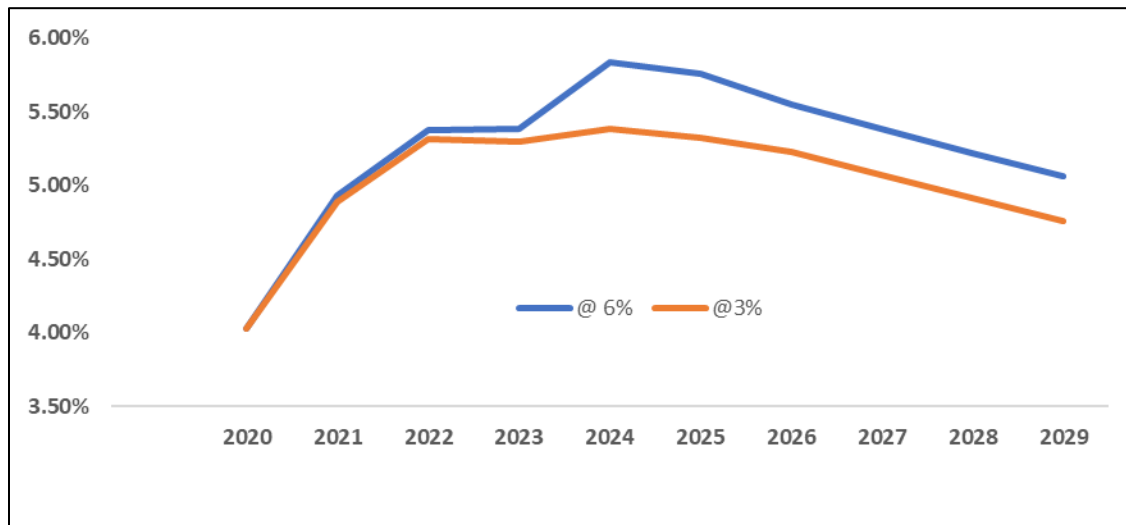
It is worth noting that UC San Diego achieved its largest undergraduate enrollment ever this fall (approximately 31,840 students, according to fall quarter 2020 third week enrollment data¹), for both Californians and non-residents.

Over a ten-year period, and even when using a planning rate of six percent, the campus is projected to have a positive modified cash flow margin: it is in fact forecasted to be consistently greater than three percent:

	<i>\$'s millions</i>	Forecast									
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
A	Total Revenues	3,747.4	3,809.	4,065.7	4,171.6	4,336.8	4,454.1	4,572.4	4,699.2	4,825.	4,955.2
B	Total Expenses	3,740.9	3,802.5	3,912.7	4,033.2	4,196.8	4,313.2	4,445.8	4,582.9	4,724.5	4,872.5
C	Net Income (A-B)	6.4	6.5	153.	138.4	140.	140.8	126.6	116.4	100.5	82.7
D	Depreciation	212.0	218.3	224.9	231.6	238.6	245.7	253.1	260.7	268.5	276.6
E	Principal Payments	59.2	64.6	84.1	86.9	80.5	87.0	89.3	93.2	97.0	101.5
	Net Cash Flow (C+D-E)	159.2	160.2	293.8	283.2	294.3	295.7	286.8	280.2	268.4	254.2

In addition, to err on the side of conservatism, UC San Diego has deferred a number of planned capital projects worth \$1.3 billion on the campus side. This allows the debt service to operations maximum to remain within policy even when using a planning rate of six percent, well above market rates.

¹ Link to data source: <https://ir.ucsd.edu/third-week/index.html>



The Housing Auxiliary has the demand and the revenues to support the debt

UC San Diego housing prices are at least 20 percent below market and the campus offers the most affordable housing in the UC system despite having opened new residential spaces with 5,525 beds in the last five years. As a result, student demand for beds remains very high, estimated at 29,000 before COVID. After permanently eliminating triples, the campus is falling very short of the demand, with a supply of only 18,000 beds after the opening of the North Torrey Pines Living and Learning Neighborhood this academic year. As a result, the campus is no longer able to offer a two-year guarantee to its undergraduate population.

Even through the pandemic, undergraduate singles are near full occupancy: 2,000 undergraduates taking all classes remotely still decided to live on campus (because of attractive prices and amenities, broadband Wi-Fi, convenient access to health services and testing, and peer networking).

The one-time impact on housing from reduced 2020 and 2021 revenues is estimated at \$92 million and will be bridged with the recent working capital financing. If single occupancy continues through the entire 2022 academic year (i.e. for another 18 months), another \$38 million would be needed for a total of \$140 million, well within the \$200 million UC San Diego borrowed.

While UC San Diego’s housing program is facing one-time impacts associated with COVID and the opening of the NTP LLN (approved previously), its long-term forecast demonstrates that it has the margin required to repay the debt and meet the required system coverage by the second year of occupancy (2025):

\$'s millions		Projected		Forecast							
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Bed Inventory		N/A	9,939	17,778	17,778	19,778	19,778	19,778	19,778	19,778	19,778
A	Total Revenues	157.8	188.3	253.5	265.5	306.0	320.2	335.2	350.9	367.4	384.8
B	Total Expenses	157.5	146.4	161.6	174.4	190.7	197.5	210.8	219.6	244.7	238.7
C	Net Income (A-B)	.3	41.9	91.9	91.1	115.3	122.7	124.4	131.3	122.7	146.1
D	Debt Service	49.2	82.8	97.2	97.0	107.7	107.6	112.0	112.2	111.9	112.3
E	Margin (C-D)	(48.9)	(40.9)	(5.3)	(5.9)	7.6	15.1	12.4	19.1	10.8	33.8
F	Debt Service Coverage (C/D)	0.01	0.51	0.95	0.94	1.07	1.14	1.11	1.17	1.10	1.30

TD LLN will have a positive cash flow

Using a market rate of three percent, the project is forecasted to generate positive margin at time of completion in fiscal 2024.

\$'s millions		Forecast									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
A	Total Revenues	29.9	31.4	33.0	34.6	36.3	38.1	40.0	42.0	44.1	46.4
B	Total Expenses	10.1	10.4	10.8	11.3	11.7	12.3	12.8	13.3	13.9	14.5
C	Net Income (A-B)	19.8	21.0	22.1	23.3	24.6	25.8	27.3	28.7	30.3	31.9
D	Debt Service	12.1	12.1	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4
E	Margin (C-D)	7.7	8.9	2.7	3.9	5.2	6.4	7.9	9.3	10.9	12.5
F	Debt Service Coverage (C/D)	1.64	1.74	1.14	1.20	1.27	1.33	1.41	1.48	1.56	1.64

The Transportation Services Auxiliary has the demand and the revenues to support the debt

The project would provide approximately 1,165 spaces, a 325 space increase over the surface lots that will be demolished. On average, the spaces are between 96 and 98 percent occupied during peak academic hours (mostly by faculty and staff). During off-peak hours, including both the evening and weekend, parking in this neighborhood has a similarly high occupancy rate because these lots provide parking for patrons of the La Jolla Playhouse and other performing arts events in the Theatre District. As explained in previous Regents items, this parking would not be for student residents, nor would it be paid for by student-residents of the project. The parking spaces included in this project are important because they will not only serve the needs described above but would also encourage UC San Diego community members to park on campus rather than parking in adjacent residential neighborhoods, which has been a constant concern raised by local residents.

The one-time impact on the transportation services auxiliary from reduced 2020 and 2021 revenues is estimated at \$22 million and will be bridged with recent working capital financing. While the transportation services auxiliary is facing one-time impacts associated with the COVID pandemic, the long-term forecast demonstrates it has the margin required to repay the debt:

\$'s millions	Projected	Forecast									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
A Total Revenues	32.9	29.4	47.8	50.5	53.7	56.7	59.9	64.8	66.7	68.7	
B Total Expenses	32.7	32.6	32.7	34.4	35.2	36.2	37.7	39.3	40.3	41.3	
C Net Income (A-B)	.2	(3.2)	15.1	16.1	18.5	20.5	22.2	25.5	26.4	27.3	
D Debt Service	7.9	8.0	8.4	8.4	10.36	10.4	11.7	11.7	11.7	11.7	
E Margin (C-D)	(7.7)	(11.1)	6.7	7.7	8.2	10.1	10.5	13.8	14.7	15.7	
F Debt Service Coverage (C/D)	0.03	(0.39)	1.81	1.92	1.79	1.98	1.90	2.18	2.26	2.34	

The project is forecasted to generate positive margin and cover the required project debt service coverage at time of completion. Visitor parking is projected to generate two-thirds of the required revenues through both peak and off-peak usage. The remaining one-third will be generated through peak usage by academic faculty, staff, and non-residential student parking revenues.

CALIFORNIA ENVIRONMENTAL QUALITY ACT COMPLIANCE

Pursuant to the California Environmental Quality Act (CEQA), Addendum No. 5 to the 2018 Long Range Development Plan Environmental Impact Report (EIR) (SCH#2016111019) was prepared for this project. There are no changes to the project, nor have there been changes to the circumstances under which the project was undertaken, nor is there new information since the CEQA findings were adopted in support of project design approval at the September 2020 Regents meeting. None of the circumstances that would trigger subsequent or supplemental environmental review under Public Resources Code Section 21166 and CEQA Guidelines Sections 15162 or 15163 have occurred or are present. Therefore, this action would not require revisions to Addendum No. 5 nor would the project require revisions to the certified 2018 LRDP EIR (Attachment 3). CEQA findings for this project were adopted by the Regents at their September 2020 meeting. Because this action item involves another discretionary approval, pursuant to CEQA, it requires a separate CEQA determination, and therefore includes adoption of the CEQA Findings included in Attachment 6.

KEY TO ACRONYMS:

ASF	Assignable-Square-Feet
CEQA	California Environmental Quality Act
EIR	Environmental Impact Report
FFE	Funds Functioning as an Endowment
OGSF	Outside-Gross-Square-Feet
LRDP	Long Range Development Plan
NTP LLN	North Torrey Pines Living and Learning Neighborhood
TD LLN	Theatre District Living and Learning Neighborhood
TI	Tenant Improvement

ATTACHMENTS:

Attachment 1:	Project Sources and Uses
Attachment 2:	Summary of Financial Feasibility
Attachment 3:	Financial Slides

Attachment 4:	Addendum 5 to the 2018 LRDP https://drive.google.com/file/d/1o9LWJA6IvtUhF5D9g5nVVHEmlhyexL1a/view Appendices: https://drive.google.com/file/d/1eGMeSUqPKodRcwNZ01cm2rj9VmjMKWK4/view
Attachment 5:	UC San Diego 2018 LRDP EIR https://plandesignbuild.ucsd.edu/planning/lrdp/la-jolla.html#Environmental-Impact-Report
Attachment 6:	CEQA Findings

PROJECT SOURCES AND USES – PAGE 1 OF 2
THEATRE DISTRICT LIVING AND LEARNING NEIGHBORHOOD (CCCI 7456)

PROJECT SOURCES	Total	% of Total
External Financing	\$564,000,000	99.8%
Housing Auxiliary Reserves (UCOP Housing Assistance Allocations)	\$1,000,000	0.2%
Total Sources	\$565,000,000	100.0%

USES	Student Housing	Non-Residential	Parking	Total	% of Total
Cost Category					
Site Clearance ^(a)	579,000	113,000	108,000	800,000	0.2
Building ^(b)	305,450,000	55,319,000	59,235,000	420,004,000	79.2
Exterior Utilities ^(c)	-	9,300,000	-	9,300,000	1.8
Site Development	24,353,000	4,740,000	4,560,000	33,653,000	6.3
A/E Fees	22,396,000	4,692,000	3,002,000	30,090,000	5.7
Campus Administration ^(d)	5,391,000	1,048,000	1,011,000	7,450,000	1.4
Surveys, Tests, Plans, Specs	3,162,000	622,000	586,000	4,370,000	0.8
Special Items ^(e)	13,996,000	2,695,000	2,642,000	19,333,000	3.6
Contingency	3,200,000	2,100,000	200,000	5,500,000	1.0
Total P-W-C	378,527,000	80,629,000	71,344,000	\$530,500,000	100.0%
Groups 2 & 3 Equipment	12,240,000	2,420,000	300,000	14,960,000	
Project Total Uses	390,767,000	83,049,000	71,644,000	\$545,460,000	
Interest During Construction	13,076,000	4,041,000	2,423,000	19,540,000	
Grand Total	403,843,000	87,090,000	74,067,000	\$565,000,000	

(a) Includes abatement of assumed quantity of hazardous materials in the utilities found beneath the existing surface parking lots and cost of the demolition; removal and proper disposal of some assumed quantity of contaminated soils.

(b) Includes Prime General Contractor costs within 5' of building perimeter, University Facilities Management, Security, and ITS costs, temporary utility costs, Builders Risk Insurance and UCIP."

(c) Exterior Utilities include connections to existing utility tunnel for a number of different systems including high temperature water, chilled water, and redundant telecommunications pathways.

(d) Campus Administration includes campus staff time for planning and management, plan reviews and construction inspection.

(e) Special Items includes progressive design build competition fees, detailed project program, pre-design studies, environmental documentation and monitoring, specialty consultants, commissioning, agency fees, and peer seismic reviews.

FUNDING SCHEDULE BY PHASE	
Preliminary Plans	30,000,000
Working Drawings	14,800,000
Construction	485,700,000
Total P-W-C	530,500,000
Financing Costs	19,540,000
Groups 2 & 3 Equipment	14,960,000
Total Project	\$565,000,000

PROJECT STATISTICS	Student Housing	Non-Residential	Total
ASF ^(f)	574,000	71,000	
OGSF ^(g)	823,000	106,000	
Total Number of Beds ^(h)	2,050	n/a	n/a
Total Number of Units ⁽ⁱ⁾	324	n/a	n/a
Efficiency Ratio: ASF / OGSF	0.70	0.67	n/a
Building Cost / OGSF	\$371	\$522	n/a
Total PWC Cost / OGSF	\$460	\$761	n/a
Grand Total Cost / OGSF	\$491	\$822	n/a
Building Cost / Bed	\$149,000	n/a	n/a
Total PWC Cost / Bed	\$184,647	n/a	n/a
Grand Total Cost per Bed	\$196,997	n/a	n/a
Parking Structure			Parking Total
Number of Parking Spaces	n/a	n/a	1,165
GSF	n/a	n/a	519,000
Building Cost / GSF	n/a	n/a	\$114
Total PWC Cost / GSF	n/a	n/a	\$137
Grand Total Cost / GSF	n/a	n/a	\$143
Bldg. Cost / Parking Space	n/a	n/a	\$50,845
Grand Total Cost / Parking Space	n/a	n/a	\$63,577
<i>(f) ASF is the Assignable Square Footage and represents the net usable area.</i>			
<i>(g) OGSF (Outside Gross Square Footage) is the sum of all covered or roofed areas of a building located outside of the enclosed structure for all stories or areas that have floor surfaces. This area is calculated at 50% of the Covered Unenclosed Gross Area</i>			
<i>(h) Includes 2,000 undergraduate student beds (908 apartment beds and 1,092 residence hall beds), 42 beds for Resident Advisors (RA's), and 8 beds for professional/staff use.</i>			
<i>(i) Includes 278 undergraduate units and 46 resident advisor and professional/staff use units.</i>			

SUMMARY OF FINANCIAL FEASIBILITY – PAGE 1 OF 2

San Diego Campus	
Project Name	Theatre District LLN
UCOP Project #	963040
Total Estimated Project Costs	\$565,000,000
Anticipated Interest During Construction (included in estimated project cost)	\$19,540,000

Proposed Sources of Funding	
External Financing – Tax-Exempt (Non-Residential)	\$87,090,000
External Financing – Tax-Exempt (Housing & Parking)	\$476,910,000
Housing Auxiliary Reserves – UCOP Housing Assistance Allocation	\$1,000,000
Sources of Funding Total	\$565,000,000

Fund sources for external financing shall adhere to University policy on repayment for capital projects.

Financing Assumptions – Non-Residential	
External Financing Amount	87,090,000
Anticipated Repayment Source	General Revenues of the San Diego Campus
Anticipated Fund Source	Campus Funds
Financial Feasibility Rate	6.0%
First Year of Principal (e.g. year 10)	FY 2026
Term (e.g. 30 years)	35 years (2 years interest only)
Final Maturity	FY 2058
Estimated Average Annual Debt Service	\$6,120,000

Financing Assumptions – Housing & Parking	
External Financing Amount	\$476,910,000
Anticipated Repayment Source	General Revenues of the San Diego Campus
Anticipated Fund Source	Housing and Parking Revenues
Financial Feasibility Rate	6.0%
First Year of Principal (e.g. year 10)	FY 2026
Term (e.g. 30 years)	35 years (2 years interest only)
Final Maturity	FY 2058
Estimated Average Annual Debt Service	\$33,514,000

Below are results of the financial feasibility analysis for the proposed project using the campus’ Debt Affordability Model. The model includes projections of the campus’s operations and planned financings.

CAMPUS FINANCING BENCHMARKS			
Measure	10 Year Projections	Approval Threshold	Requirement
Modified Cash Flow Margin ¹	4.2% min (FY 2021)	≥ 0.0%	Must Meet

Debt Service to Operations ¹	5.8% max (FY 2024)	≤ 6.0%	Must Meet 1 of 2
Expendable Resources to Debt ¹	n/a	≥ 1.00x	
Auxiliary Project Debt Service Coverage ^{1,2}	Housing .78x min (FY 2026)	≥ 1.10x	Must Meet for Auxiliary Projects
	Parking .75x min (FY 2026)		
Auxiliary System Debt Service Coverage ^{1,3}	Housing .97x min (FY 2022)	≥ 1.25x	Must Meet for Auxiliary Projects
	Parking 1.37x min (FY 2024)		

Notes:

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. This project does not meet the minimum 1.10x requirement at the planning rate and an exception to the University's Debt Policy has been granted by the Office of the Chief Financial Officer as the campus has demonstrated its plans to service the debt from overall housing program revenues if necessary and to meet the required minimum project debt service coverage ratio over time.

³ Auxiliary System Debt Service Coverage is a campus auxiliary system metric. The campus does not meet the minimum 1.25x requirement at the planning rate and an exception to the University's Debt Policy has been granted by the Office of the Chief Financial Officer as the campus has demonstrated that the auxiliary system is projected to meet the required debt service coverage ratio over time. The campus will also pledge the withdrawable portion of its unrestricted Funds Functioning as an Endowment (FFE) as a backstop to meet the required debt service coverage ratios during the period of the exception.