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ACTION UNDER PRESIDENT'S AUTHORITY--AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR HUNT HALL RENOVATION, DAVIS CAMPUS

It is recommended that:

Pursuant to Standing Order 100.4(q)

- (1) The President amend the 2006-07 Budget for Capital Improvements and the Capital Improvement Program to include the following project:
- (2) Davis: Hunt Hall Renovation - preliminary plans, working drawings, and construction - \$7,175,000 to be funded from campus funds (\$6,275,000) and external financing (\$900,000).

Pursuant to Standing Order 100.4(nn)

- (3) The President approve external financing not to exceed \$900,000 to finance the Hunt Hall Renovation, 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 financing shall be from the Davis campus share of Federal Indirect Cost Recovery deposited to Fund 19933, which shall be in amounts sufficient to pay the debt service and to meet the related financing requirements; and
 - c. The general credit of The Regents shall not be pledged.
- (4) 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.
- (5) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

A Key to the abbreviations and the project description is 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

Budget for Capital Improvements and
Capital Improvement Program
Scheduled for
Regents' Allocation, Loans, Income Reserves, University Registration Fee Reserves,
Gift Funds, and Miscellaneous Funds

Campus and Project Title (<u>Total Cost</u>)		<u>Proposed</u> <u>2006-07</u>	
<u>Davis</u>			
Hunt Hall Renovation	P	\$305,000	X
	W	\$372,000	X
	C	\$5,598,000	X
	C	\$900,000	LB
(\$7,175,000)			

DESCRIPTION

This project would renovate approximately 18,000 asf on the first floor of Hunt Hall, primarily to support the Landscape Architecture program. The project would provide modern teaching and research laboratories, drafting studios, faculty offices, and administrative space. Research space would consist of computer-based dry laboratories. A portion of this project would be funded by the deferred maintenance and capital renewal program, which addresses priority needs in buildings that house programs eligible for State funding. Continuing the program that addresses the existing backlog of deferred maintenance and the periodic need to renew facilities is one of the University's highest priorities.

Background

The Landscape Architecture program is currently housed in outmoded facilities in Walker Hall and five temporary buildings. The temporary buildings, now 40 years old, are in poor condition. The temporary buildings are deteriorating, with poor heating and cooling systems, inadequate utility capacity, and ineffective functional layouts that do not meet current standards for instruction and research in landscape architecture.

In addition to being outdated, the current space is inadequate in size to serve the 122 students enrolled in the program. The facilities have become undersized as the program has grown, crowding more students, faculty, and staff into the same facilities.

Hunt Hall was built in 1948 as a two-story reinforced concrete building, constructed to accommodate faculty and support staff conducting laboratory-based agricultural research. Programs that use wet-bench laboratory procedures have moved to newer or modernized buildings. The plumbing, electrical, and HVAC systems have exceeded their useful lives after 56 years and are unable to adequately support basic academic room uses, such as dry laboratories for teaching and research, offices for faculty and staff, and conference rooms for meetings and seminars.

Project Description

The proposed Hunt Hall Renovation project would provide facilities needed to support instructional and research programs in Landscape Architecture. The project would renovate approximately 18,000 asf to provide teaching and research laboratories, drafting studios, faculty offices, conference rooms, and administrative offices. New laboratories would include design studios, computer rooms and other types of “dry-lab” teaching and research facilities. The project would also renovate 600 asf for a general campus classroom. The deferred maintenance portion of this project would replace the fire alarm system, renew and replace the HVAC system serving the first floor, and replace defective electrical panels.

Construction of the project would begin in May 2007, with estimated completion in March 2008.

CEQA Classification

In compliance with the state guidelines and University of California procedures for the implementation of the California Environmental Quality Act (CEQA). The proposed project is classified generally exempt from CEQA under Title 14 California Administrative Code Section 15061 (b)(2) and categorically exempt under Section 15301 (Existing Facilities).

Deferred Maintenance and Facility Renewal Program

In February 1998, The Regents approved a new multi-year funding approach to address the need for regular, systematic renewal of existing facilities and to reduce the backlog of deferred maintenance projects. This approach used external financing, with repayment of bonds to be made from a portion of the increase over the prior year’s UC General Funds, specifically nonresident tuition funds. The amount of funding to be provided for debt service on an annual basis was limited to no more than 5% of the annual increase in UC and State General Funds. This new approach provided a significant level of funding for the systemwide program for the next several years, emphasizing a systems renewal rather than a repair approach in addressing the deferred maintenance backlog.

In the initial program year, 1998-99, this bond-financed program provided \$64.8 million for the systemwide deferred maintenance and capital renewal program. Additional debt was authorized by The Regents for the program in June 1999 (\$64 million), in May 2000 (\$66 million), and in May 2001 (\$45 million), resulting in an infusion of almost \$240 million for capital renewal over a four-year period. A total of approximately \$22 million per year in UC General Funds will be used to pay debt service for all four programs. Only high priority projects with long term benefits (minimum useful life of 15 years) were eligible to be funded through this mechanism. This program had a significant impact on reducing the backlog of the highest priority deferred maintenance projects as well as funding many facilities renewal projects.

In 2002-03, the systemwide debt-financing program for capital renewal and deferred maintenance was suspended because University funds used to support debt financing had to be redirected to offset State funding cuts. However, in order to allow individual campuses to continue to address their capital renewal and deferred maintenance needs, the University initiated a new funding program to authorize campuses to finance long-term debt for this program by pledging a portion of their UC General Fund income to fund high priority projects. Several campuses participated in this program during the three-year period 2002-03 to 2004-05, generating \$47 million in bond funding for this purpose.

**PROJECT STATISTICS
HUNT HALL RENOVATION
CAPITAL IMPROVEMENT BUDGET
DAVIS CAMPUS
CCCI 5445**

<u>Cost Category</u>	<u>Amount</u>	<u>% of Total</u>
Site Clearance	\$55,000	0.8%
Building	\$5,040,000	70.7%
Exterior Utilities	\$200,000	2.8%
Site Development	\$324,000	4.5%
Fees	\$550,000	7.7%
A&E/PP&C	\$335,000	4.7%
Surveys, Tests, Plans	\$111,000	1.6%
Special Items *	\$170,000	2.4%
Contingency	\$340,000	4.8%
Total P-W-C	\$7,125,000	100%
Group 2 & 3 Equipment	\$50,000	
Total Project Cost	\$7,175,000	

Statistics

Gross Square Feet (GSF) **	26,777
Assignable Square Feet (ASF) **	17,657
Ratio ASF/GSF (%)	66%
Building Cost/GSF	\$ 188
Building Cost/ASF	\$ 285

* Special items include value engineering and independent reviews; hazardous materials survey/monitoring; agency review; and surveying totaling \$157,000; and interest expense totaling \$13,000.

** Gross square feet (GSF) is the total area, including usable area, stairways, and space occupied by the structure itself. Assignable square feet (ASF) are the net usable area.

SUMMARY FINANCIAL FEASIBILITY ANALYSIS**Project Title: Hunt Hall Renovation**

Total Estimated Project Cost	\$7,175,000
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Proposed Sources of Funding

Campus Funding:	\$6,275,000
External Funding:	<u>\$ 900,000</u>
Total:	\$7,175,000

Proposed Financing Terms

Interest Rate: 5.75%

Duration: 15 Years

Pledged Source of Repayment:

Federal Indirect Cost Recovery	
Campus' allocation of Fund 19933 (actual 2005-06)	\$9,158,000
Projected annual debt service (2008-09) (1)	\$94,000
Debt Service Coverage	97.4x

(1) First full year of principal and interest payments for the project.