



EXECUTIVE VICE PRESIDENT –  
BUSINESS OPERATIONS

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July 13, 2007

**CHAIRMAN OF THE BOARD  
CHAIRMAN OF THE COMMITTEE ON GROUNDS AND BUILDINGS  
PRESIDENT OF THE UNIVERSITY**

**ACTION BY CONCURRENCE - AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR WEST VILLAGE BACKBONE INFRASTRUCTURE, DAVIS CAMPUS**

**AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR CAMPUS WASTEWATER TREATMENT PLANT EXPANSION PHASE 1, DAVIS CAMPUS**

**AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR RELOCATING AGRICULTURAL RESEARCH, DAVIS CAMPUS**

**EXECUTIVE SUMMARY**

- Campus:                    Davis
- Projects:                    1) West Village Backbone Infrastructure  
                                  2) Campus Wastewater Treatment Plant Expansion Phase 1  
                                  3) Relocation of Agricultural Research
- Actions:                    1) Approval of project budget and external financing for West Village Backbone Infrastructure.  
                                  2) Amendment of budget for Campus Wastewater Treatment Plant Expansion Phase 1 to change funding from campus funds to external financing and approval of external financing.  
                                  3) Approval of project budget external financing for relocating agricultural research.

Total Financing Cost

Cost: \$18,090,500 of external financing

Previous Actions:

**November 2003:** Adoption of the 2003 Long Range Development Plan (LRDP) for the Davis campus and certification of the 2003 LRDP Environmental Impact Report. The LRDP approval included approval of the Neighborhood Master Plan, a mixed use community for students, faculty, and staff.

**November 2003:** The Regents approved the 2004-05 Budget for Capital Improvements, which included the Campus Wastewater Treatment Plant Expansion Phase 1 project.

**December 2004:** Action By Concurrence to approve preliminary plans ("P") funding of \$750,000 for West Village Backbone Infrastructure project.

**November 2006:** Certification of Addendum to 2003 Long Range Development Plan Environmental Impact Report, Amendment to 2003 Long Range Development Plan, and Approval of West Village Implementation Plan. Approval of Business Terms of Ground Leases and Related Documents for Student, Faculty, and Staff Housing at West Village.

Project Summary:

The Davis campus requests project approval and external financing for the West Village Backbone Infrastructure project. This project would provide necessary extensions of the campus wastewater, domestic water, storm drainage, and roadway systems to the West Village residential community site.

In addition, this action requests approval to amend the budget for the Campus Wastewater Treatment Plan Expansion Phase 1 to replace campus funding with external financing for the portion of the project attributable to the development of the West Village.

It also requests external financing to fund the costs incurred in relocating agricultural uses from the West Village site.

Issues:

- External financing would be secured by a combination of ground rent derived from the project, utility service surcharges, and campus funds.

It is recommended that:

**Pursuant to Standing Order 100.4(q) and Standing Order 100.4 (nn)**

- (1) The President, subject to concurrence of the Chairman of the Board, and the Chairman of the Committee on Grounds and Buildings, amend the 2006-07 Budget for Capital Improvements and the Capital Improvement Program to include the following:
  - From: Davis: West Village Backbone Infrastructure - Preliminary Planning -- \$750,000 to be funded with campus funds.
  - To: Davis: West Village Backbone Infrastructure - Preliminary plans, working drawings, and construction --\$14,594,000 to be funded with external financing.
  
- (2) The President, subject to concurrence of the Chairman of the Board, and the Chairman of the Committee on Grounds and Buildings, amend the 2006-07 Budget for Capital Improvements and the Capital Improvement Program as follows:
  - From: Davis: Campus Wastewater Treatment Plant Expansion Phase 1 – Preliminary plans, working drawings, and construction -- \$7,166,000 funded from State funds (\$3,543,000) and campus funds (\$3,623,000).
  - To: Davis: Campus Wastewater Treatment Plant Expansion Phase 1 – Preliminary plans, working drawings, and construction -- \$7,166,000 to be funded from State funds (\$3,543,000), external financing (\$2,600,000), and campus funds (\$1,023,000).
  
- (3) The President, subject to concurrence of the Chairman of the Board, and the Chairman of the Committee on Grounds and Buildings, amend the 2006-07 Budget for Capital Improvements and the Capital Improvement Program as follows:

Davis: Relocating Agricultural Research - \$896,500 to be funded with external financing.
  
- (4) The President be authorized to obtain external financing not to exceed \$18,090,500 for items (1), (2), and (3), 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 the external financing shall be from project ground rent, utility surcharges, and funds available to the Chancellor, which shall generate net revenues sufficient to pay debt service and to meet all related financing requirements of the proposed funding.
  - 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 above.

A Key to abbreviations and the project description are attached.

KEY  
Capital Improvement Program Abbreviations

<b>S</b>	Studies
<b>P</b>	Preliminary Plans
<b>W</b>	Working Drawings
<b>C</b>	Construction
<b>E</b>	Equipment
<b>-</b>	State Funds (no abbreviation)
<b>F</b>	Federal Funds
<b>G</b>	Gifts
<b>HR</b>	Hospital Reserve Funds
<b>I</b>	California Institutes for Science and Innovation
<b>LB</b>	Bank Loans or Bonds (External Financing includes Garamendi, Bonds, Stand-By, Interim and Bank Loans)
<b>LR</b>	Regents' Loans (Internal Loans)
<b>N</b>	Reserves other than University Registration Fee (Housing and Parking Reserves)
<b>R</b>	University Registration Fee Reserves
<b>U</b>	Regents' Appropriations (President's Funds, Educational Fund)
<b>X</b>	Campus Funds
<b>CCCI</b>	California Construction Cost Index
<b>EPI</b>	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 (Total Cost)		<u>Prior Approval</u>			<u>Proposed 2006-07</u>	
<u>Davis</u> West Village Backbone Infrastructure	P	\$750,000	X	P	<\$750,000>	X
				P	\$978,000	LB
				W	\$815,000	LB
				C	\$12,801,000	LB
(\$14,594,000)						

		<u>Prior Approval</u>			<u>Proposed 2006-07</u>	
<u>Davis</u> Campus Wastewater Treatment Plant Expansion Phase 1	P	\$301,000				
	P	\$262,000	X			
	W	\$129,000				
	W	\$112,000	X			
	C	\$3,113,000		C	<\$2,600,000>	X
	C	\$3,249,000	X	C	\$2,600,000	LB
(\$7,166,000)						

		<u>Prior Approval</u>			<u>Proposed 2006-07</u>	
<u>Davis</u> Relocation of Agricultural Research		\$896,500	X		\$896,500	LB
(\$896,500)						

## DESCRIPTION

The Davis campus requests project and external financing approval for the West Village Backbone Infrastructure project. This project would provide necessary extensions of the campus wastewater, domestic water, storm drainage, and roadway systems to the West Village site, a mixed-use community.

The campus also requests approval to amend the budget for the Campus Wastewater Treatment Plant Expansion Phase 1 project to replace campus funding with external financing for the portion of the project attributable to development of the West Village. In November 2003, The Regents approved the 2004-2005 Budget for State Capital Improvements. This approval included the Campus Wastewater Treatment Plan Expansion Phase 1 project at a total cost of \$6,623,000 funded from State funds (\$3,543,000) and campus funds (\$3,080,000). In August 2006, the Vice President of Budget approved an augmentation of \$543,000 from campus funds for a revised total project cost of \$7,166,000 funded, from State funds (\$3,543,000) and campus funds (\$3,623,000).

Finally, this action requests project approval and external financing of \$896,500 to fund costs incurred in relocating agricultural uses from the West Village site, originally approved through the appropriate campus budget process.

### ***Background***

In November 2003, The Regents adopted the 2003 Long Range Development Plan (LRDP) for the Davis campus and certified the 2003 LRDP Environmental Impact Report (EIR). The LRDP approvals included approval of the Neighborhood Master Plan, which provides the planning framework for a mixed-use community for students, faculty and staff.

The campus prepared a neighborhood master plan utility study that identified alternatives and preliminary costs for off-site infrastructure improvements necessary to serve the West Village. Concurrently, preliminary concepts and cost opinions for on-site infrastructure systems were developed. Both studies evaluated the "built-out" condition of systems and associated costs to serve the entire development as proposed in the master plan. This information was used by the campus to evaluate the feasibility of the West Village project.

In December 2004, the campus received approval for preliminary design work on the West Village Backbone Infrastructure project. The campus conducted a number of studies and investigations under this approval that have helped to refine the scope and budget for this project.

The campus also has conducted an extensive selection process for a development partner to implement Phase 1 of the West Village project. During the past months of exclusive negotiations with West Village Community Partnership, LLC (WVCP), the campus and developer have collaboratively developed an implementation strategy that bifurcates responsibility for infrastructure. The development team, as part of their ground lease obligations, would design, fund, and construct all on-site infrastructure systems. UC Davis would design, fund, and construct the off-site infrastructure extensions to the site.

The requested approval action reflects the agreement and would enable the campus to deliver off-site infrastructure to the site.

### ***Project Description***

The **West Village Backbone Infrastructure** project would provide the following infrastructure improvements to serve the West Village project:

Domestic Water: A new 300,000 gallon water storage tank with four booster pumps would be constructed west of the West Village site near the intersection of Hutchison Drive and Road 98. Approximately 9,700 linear feet of 12 inch distribution pipe would be completed from the storage tank to the West Village. These improvements would provide both capacity and fire flow requirements for West Village, increase the campus domestic water system capacity, and improve over all system reliability.

Wastewater Conveyance: A new wastewater pumping station would be constructed with a planned capacity of 2.5 million gallons per day (mgd) to replace Sanitary Sewer Lift Station-12 and approximately 4,800 linear feet of new 12 inch sanitary sewer force main would be installed. Short segments of gravity sewer lines off the main line in Hutchison Drive would serve the West Village.

Storm Drainage: A 24 inch gravity discharge pipe would convey storm water runoff from the West Village on-site drainage collection ponds approximately 2,000 linear feet south to the Old North Fork of Putah Creek. A new pump and controls would be added to the existing pump station SDLS4 at the west end of the arboretum to discharge runoff to the south fork of Putah Creek.

Bicycle and Roadway Improvements: Bicycle and pedestrian crossing improvements would be constructed at the intersection of Russell Boulevard and Arthur Street and the intersection of Russell Boulevard and Eisenhower Street. The project would provide bicycle circulation improvements from the Highway 113 bicycle over crossing to Orchard Park Drive.

Roadway Improvements: The project would include improvement and realignment of Hutchison Drive west of the Highway 113 Caltrans right of way and also two new roundabouts and the new entrance to the West Village. The old section of Hutchison Drive that is outside of the new alignment would be demolished and the area restored. A new entry would be provided to serve Heidrick WCAE and a new connection to Campbell Road.

Electricity and Natural Gas: Electricity and natural gas service would be provided by Pacific Gas & Electric Company (PG&E). The backbone project would include coordination with PG&E to ensure timely delivery of electricity and natural gas. PG&E would pay for extending the necessary infrastructure to the site.

Telecommunications: Telecommunications would be provided by a designated third-party provider. The campus would work with the development partner to develop specifications for such service. The backbone project would include coordination with the developer's engineer and designated service provider to ensure timely delivery of infrastructure.



The West Village Backbone Infrastructure project would be constructed concurrent with Phase 1 of the West Village project. Additional information about the cost of the West Village Backbone Infrastructure project is presented in Attachment 1.

The campus has incurred infrastructure-related costs in support of the West Village project in addition to those described above. The total external financing requested includes a *pro rata* share (\$2,600,000) of the cost to expand the **Campus Wastewater Treatment Plant**, based on the estimated project impact on the plant. This strategy assures that the state-funded portion of treatment plan capacity is reserved for core academic, research and public service uses. The treatment plant expansion is now under construction.

The campus has incurred costs of \$896,500 to **Relocate Agricultural Research Uses** from the site where West Village would be developed. New research fields, including irrigation systems and security fencing, were developed for the Department of Plant Sciences in the campus C-tract area to replace those displaced by West Village. The linear move irrigation system for the Department of Biological and Agricultural Engineering (BAE) was moved from the West Village site. A new pole barn was constructed for BAE equipment storage that would be shared with Department of Land, Air and Water Resources. These projects were necessary to clear the site for the West Village project and were approved through the appropriate budget approval processes on the campus. The approval documents for these small projects stated the campus's intent to recapture these funds via the West Village backbone infrastructure debt mechanism.

### ***CEQA Classification***

The West Village Backbone Infrastructure Project was analyzed in the 2003 Long Range Development Plan (LRDP) Environmental Impact Report (EIR). The LRDP EIR was certified in November 2003 concurrently with approval of the LRDP and Neighborhood Master Plan. No additional CEQA review is required. Applicable mitigation measures from the 2003 LRDP EIR will be implemented with the proposed construction of the West Village Backbone Infrastructure project.

### ***Funding Plan***

The total external financing cost of implementing the West Village Backbone Infrastructure project, the related portion of the Campus Wastewater Treatment Plant Expansion, and the relocation of agricultural research from the West Village site is \$18,090,500. Debt repayment would be pledged from three sources: (1) utility surcharges, (2) ground rent, and (3) funds available to the Chancellor.

Under the business terms of the ground leases and related documents for the West Village, approved by The Regents in November 2006, the campus agreed to charge rates for water, sewer, and drainage services that do not exceed city rates. If the campus charged current city rates for the services, the campus would generate net revenues of \$181,740 annually, available for repayment of debt service, by 2011. Phase 1 is expected to be completed in the third year following initial occupancy. By the eighth year following initial occupancy, at completion of Phase 2, utility net revenues are projected to be more than \$300,000.

The approved business terms also specify the ground rent that will be returned to the campus. These terms specify that the campus will receive a percentage during the term of the agreement. The campus would pledge a portion (\$215,180 annually) of these ground rent payments for external debt, estimated to be approximately \$430,000 by the third full year of operation (completion of Phase 1). The balance of the pledged debt repayment would be from funds available to the Chancellor.

A summary of the financial feasibility analysis is presented in Attachment 2.

Approved:

  
 for Richard C. Blum  
 Chairman of the Board

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Joanne Kozberg  
 Chairman of the Committee on Grounds and Buildings

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Robert C. Dynes  
 President of the University

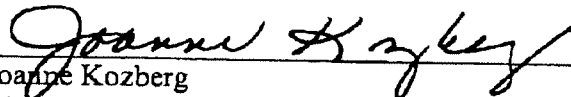
Attachments

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Chairman of the Board

  
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Joanne Kozberg  
Chairman of the Committee on Grounds and Buildings

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Robert C. Dynes  
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**Attachments**

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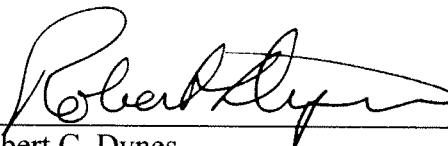
Approved:

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Chairman of the Board

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Joanne Kozberg  
Chairman of the Committee on Grounds and Buildings



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Robert C. Dynes  
President of the University

Attachments

ATTACHMENT 1

PROJECT STATISTICS  
WEST VILLAGE BACKBONE INFRASTRUCTURE  
CAPITAL IMPROVEMENT BUDGET  
DAVIS CAMPUS  
CCCI 5027

<u>Cost Category</u>	Amount	<u>% of Total</u>
Site Clearance	\$ 0	0%
Building	\$ 0	0%
Exterior Utilities	\$8,050,000	57.4%
Site Development	\$3,159,000	22.5%
A/E Fees	\$1,313,000	9.4%
Campus Administration <sup>(a)</sup>	\$522,000	3.7%
Surveys, Tests	\$211,000	1.5%
Special Items <sup>(b)</sup>	\$779,000	1.6%
Contingency	\$560,000	4.0%
Total	<u>\$14,594,000</u>	<u>100%</u>
Group 2 & 3 Equipment	\$0	
Total Project	<u>\$14,594,000</u>	

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Statistics and comparison projects are not included due to the unique and complex nature of this project.

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(a) Campus administration includes project management and inspection.

(b) Special items include special well consultant; hazardous materials survey/monitoring; value engineering, planning and environmental; interest during construction, Caltrans traffic study, and outside agency review.

**SUMMARY FINANCIAL FEASIBILITY ANALYSIS**

**Project Title:** West Village Backbone Infrastructure, Davis campus

**Total Estimated Cost:** \$18,090,500

West Village Backbone Infrastructure Project	\$14,594,000
Share of Campus Wastewater Treatment Plant Expansion	\$ 2,600,000
Agricultural research use relocation	\$ 896,500

**Proposed Sources of Funding:**

External Financing \$18,090,500

Projected Financing Terms:

External Financing:	\$18,090,500
Interest rate:	5.75%
Duration:	30 years

**Estimated Annual Revenue and Expenses (2010-11):<sup>1</sup>**

Annual project and campus revenues available for debt payments:

Utility surcharge	\$ 181,740
Ground rent (net of financial aid)	\$ 215,180
Chancellor's Unrestricted STIP <sup>2</sup>	<u>\$1,203,080</u>
Total Annual Revenue	\$1,600,000

Annual Debt Service \$1,280,000

Debt Service Coverage 1.25X

Note 1: The first full year of principal and interest.

Note 2: \$1,203,080 will be pledged annually from Chancellor's Unrestricted STIP to maintain 1.25x debt service coverage for the West Village Backbone Infrastructure project. The average annual STIP earnings available to the Chancellor over the last seven years have been \$6.6 million, with \$7.3 million available in 2005-06. There are permanent annual commitments of about \$800,000 from this source. An additional \$1,603,000 has been pledged for 30 years for debt service associated with the Graduate School of Management and Conference Center, approved by The Regents in May 2007.