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August 5, 2008

ACTION UNDER PRESIDENT'S AUTHORITY--AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL EXTERNAL FINANCING, HOTEL SITE PREPARATION AND UTILITIES, DAVIS CAMPUS

It is recommended that:

Pursuant to Standing Order 100.4(q)

- (1) The President amend the 2008-09 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

Davis: Hotel Site Preparation and Utilities - preliminary plans, working drawings, and construction - \$2,541,000 to be funded from external financing (\$2,035,000) and campus funds (\$506,000).

Pursuant to Standing Order 100.4(nn)

- (2) The President approve external financing not to exceed \$2,035,000 to finance the Hotel Site Preparation and Utilities, 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. As long as the debt is outstanding, the Davis campus' share of the University Education Fund shall be maintained in amounts sufficient to pay debt service and to meet the related requirements of the authorized financing; and
 - c. The general credit of The Regents shall not be pledged.
- (3) 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 are attached.

KEY
Capital Improvement Program Abbreviations

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

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)	Proposed 2008-09		
<u>Davis</u>			
Hotel Site Preparation and Utilities	P	\$231,000	X
	W	\$275,000	LB
	C	\$275,000	X
	C	\$1,760,000	LB
(\$2,541,000)			

DESCRIPTION

The Davis campus requests project approval for the Hotel Site Preparation and Utilities project at a total cost of \$2,541,000 to be funded from campus funds (\$506,000) and external financing (\$2,035,000). The proposed project would prepare a building site and utilities for a 75-room, 55,000-gsf hotel on the Davis campus.

Background

In September 2007, The Regents approved the amendment of the business terms of a ground lease transaction with the private developer, University Hospitality Group, LLC (UHG), for development of a hotel in the Mondavi Center Neighborhood. The hotel project will be constructed on former agricultural research lands in the South Entry District of the Davis campus. The South Entry Utilities (SEU) Phase 1 project, currently under construction, expands the utility and roadway infrastructure to serve the South Entry District, including the extension of Old Davis Road east to serve the Hotel/Conference Center and Graduate School of Management site. The SEU project was designed and began construction before design of the hotel. As a result, the points of connection for the hotel were located at the boundary of the hotel site. This project would extend the utilities to within five feet of the hotel building footprint.

Project Description

The proposed Hotel Site Preparation and Utilities project includes site grading of the hotel site to an elevation consistent with the Old Davis Road extension and construction of a building pad for the hotel. The project extends basic utility infrastructure from the points of connection provided by the SEU project to within five feet of the hotel building footprint. The on-site work would be delivered by UHG to insure close coordination with construction of the hotel construction.

Project Delivery Strategy:

The on-site scope of work will be constructed by UHG under the terms of the ground lease and will constitute an integral component of the hotel improvements to be owned and operated by UHG. However, as part of the business transaction and to allow for proper construction coordination, it has been agreed the University will reimburse UHG for the cost of constructing the on-site work. Certain off-site improvements required by the hotel are not currently part of the SEU scope of work, including the completion of the domestic water loop which requires a connection to existing infrastructure east of the hotel site and the extension of natural gas pipe from the north east corner of the South Entry Parking Structure site. These will be delivered through a change order agreement with the contractor currently constructing the SEU project.

The campus will provide inspection and project management oversight for the Hotel Site Preparation and Utilities project, and the construction of the hotel and the cost of these inspection services are included in this authorization.

The on site project includes the following elements:

Electric Service: Providing the electric duct bank, vault, wire, transformer and appurtenances, metering set, and secondary cable and duct.

Telecommunications: Providing telecommunication infrastructure to the hotel from a point of connection with American Telephone and Telegraph Company (AT&T). The infrastructure would be coordinated with campus Information and Education Technology, Communication Resources (IETCR).

Storm Drainage and Utility Water: Providing a point of connection one foot from the back of the sidewalk adjacent to the Old Davis Road extension and extending the storm drainage system to the storm water detention pond that is adjacent to Old Davis Road.

Sanitary Sewer: Providing a point of connection five feet from the hotel building footprint, piping, and a manhole.

The on site and off site projects include the following elements:

Domestic Water: Constructing the domestic water loop with fire hydrants to serve the hotel project consistent with the Campus Domestic Water Master Plan and to meet fire flow requirements.

Natural Gas: The hotel natural gas needs would be served by Pacific Gas and Electric (PG&E). The campus would provide the trench for the natural gas piping, and PG&E would install the pipe in the trench.

Construction of the site preparation and utilities would begin in August 2008 with an estimated completion in November 2008. The hotel project is anticipated to begin in October 2008 with estimated completion in December 2009.

Policy on Sustainable Practices

This project will comply with the *University of California Policy on Sustainable Practices*. As required by this policy, the project will adopt the principles of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements.

CEQA Classification

In compliance with the state guidelines and University of California procedures for the implementation of the California Environmental Quality Act (CEQA), Hotel Site Preparation and Utilities project was approved as part of the Conference Center, Hotel, and Graduate School of Management Building Project, for which an Environmental Impact Report (EIR) was certified by The Regents in March 2002.

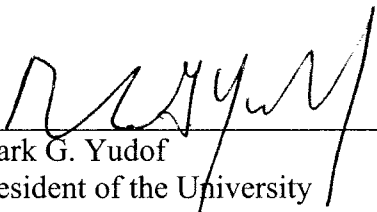
Financial Feasibility

The total cost for the Hotel Site Preparation and Utilities project is estimated to be \$2,541,000, funded from external financing (\$2,035,000) and campus funds (\$506,000). Based on long-term debt of \$2,035,000 amortized over 30 years at 5.75 percent, the estimated annual debt service would be \$144,000.

The University Education Fund Debt Repayment Policy requires that campuses meet two financial tests: (1) that the amount of projected maximum annual debt payments payable from the campus' Education Funds shall not exceed 65 percent of the campus' total Education Funds allocated each year, and (2) that no more than 33 percent of the campus' total Education Funds allocated each year are used for debt service payment. The Davis campus meets both tests. In fiscal year 2011-12, the second full year of occupancy and first full year of principal and interest for the project, 12.2 percent of the campus's total Education Funds allocation would be applied to debt service. The external financing will be paid from revenue sources specified in the external financing documents; therefore, the general credit of The Regents will not be pledged.

Additional details are provided on Attachment 2.

Approved by:

 8/7/08

Mark G. Yudof Date
President of the University

Attachments

ATTACHMENT 1

**PROJECT STATISTICS
HOTEL SITE PREPARATION AND UTILITIES
CAPITAL IMPROVEMENT BUDGET
DAVIS CAMPUS
CCCI 5272**

<u>Cost Category</u>	<u>Amount</u>	<u>% of Total</u>
Site Clearance	\$ 372,000	14.6%
Building	\$ 0	0.0%
Exterior Utilities	\$ 882,000	34.7%
Site Development	\$ 373,000	14.7%
A/E Fees	\$ 247,000	9.7%
Campus Administration	\$ 135,000	5.3%
Surveys, Tests	\$ 94,000	3.7%
Special Items (*)	\$ 362,000	14.2%
Contingency	\$ 76,000	3.1%
<i>Total</i>	\$ 2,541,000	100%
Group 2 & 3 Equipment	\$ 0	
<i>Total Project</i>	\$ 2,541,000	

Statistics

Gross Square Feet (GSF) **	NA
Assignable Square Feet (ASF) **	NA
Ratio ASF/GSF (%)	NA
Construction Cost/GSF	NA
Construction Cost/ASF	NA

* Special items include value engineering, agency review, independent structural and seismic review, special consultants for traffic, elevator, fire protection, arborist, and interest during construction.

** 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: Hotel Site Preparation and Utilities, Davis Campus

Total Estimated Project Cost: \$ 2,541,000

Proposed Sources of Funding:

Campus Funds: \$ 506,000

External Financing: 2,035,000

Total: \$ 2,541,000

Projected Financing Terms:

Interest Rate: 5.75%

Duration: 30 Years

Davis Campus Education Fund Information: (2011-12) ⁽¹⁾

Davis Campus Education Fund Allocation ⁽²⁾ \$16,231,000

Estimated Education Fund Debt Service:

Proposed Debt \$144,000

Additional Concurrent Proposed Debt – J1 Renovation \$283,000

Additional Concurrent Proposed Debt – Tupper Hall \$267,000

Existing Approved Debt Service \$1,294,000

Total Estimated Annual Debt Service \$1,988,000

% Education Fund Allocated for Debt Service 12.2%

Debt Service Coverage 8.16X

¹ Second full year of operation.

² Includes clinical trial income.