



OFFICE OF THE PRESIDENT

1111 Franklin Street
Oakland, CA 94607-5200
Phone: (510) 987-9074
Fax: (510) 987-9086
<http://www.ucop.edu>

March 14, 2003

**CHAIRMAN OF THE BOARD
CHAIRMAN OF THE COMMITTEE ON GROUNDS AND BUILDINGS
CHAIRMAN OF THE COMMITTEE ON FINANCE
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 CAMPUS SURGE BUILDING,
IRVINE CAMPUS**

It is recommended that:

Pursuant to Standing Order 100.4(q)

- (1) The President, subject to the concurrence of the Chairman of the Board, the Chairman of the Committee on Grounds and Buildings, and the Chairman of the Committee on Finance, amend the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program to include the following project:

Irvine: Campus Surge Building- preliminary plans, working drawings, and construction -- \$12,860,000 to be funded from external financing.

Pursuant to Bylaw 21.4(d) and Standing Order 100.4(nn)

- (2) The President be authorized to obtain financing not to exceed \$12,860,000 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 debt for the Campus Surge Building shall be from the Irvine campus' share of the University Opportunity Fund; and

- c. The general credit of The Regents shall not be pledged.
- (4) 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) 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

2002-2003 Budget for Capital Improvements and
2002-2005 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>)		Proposed <u>2002-03</u>	
<u>Irvine</u>			
Campus Surge Building	P	738	LB
(991960)	W	299	LB
	C	11,823	LB
\$12,860,000			

DESCRIPTION

To provide space for growing academic and administrative units, a 40,000 asf surge building would be constructed.

Background

Based on the current enrollment plan, UCI's student body is projected to grow from 19,719 FTE in 2001-02 to 24,540 FTE in 2005-06, an increase of over 24 percent. Steady growth is projected to continue through the end of the decade, increasing at an average of 800 students per year to 28,540 FTE in 2010-11.

Projected enrollment growth would result in unmet facility needs for academic and administrative units over the next several years. Although the campus's state-funded capital program will address some of the highest priority needs for academic space, state funding is not adequate to keep pace with all of the space needs associated with this growth. Even with completion of projects currently planned, the campus would only have about 85 percent of the space allowed in 2005-06 according to CPEC space guidelines; this ratio translates to a deficit of approximately 231,000 asf. The campus also has a critical shortage of administrative space and has been forced to lease approximately 125,000 square feet of office space in private buildings adjacent to the campus. Alternative solutions are required to provide space for academic and administrative units, particularly in the short term.

The campus has found it to be cost-effective to build office buildings directly adjacent to parking structures to provide generic surge space that can be assigned to units on a temporary basis, until permanent facilities can be provided. This type of space can be used to address the needs of successive groups as the initial occupants move out into long-term space assignments.

Project Description

This building would provide approximately 40,000 asf (60,000 ogsf) of generic office space within a four-story building. Interior build-out would provide a combination of open and closed offices, conference rooms, and dry laboratories suitable for a number of academic and administrative units. Initial occupancy of this space will be determined on the highest priorities at the time the building is completed. If needs of the units assigned space in the building exceed budgeted allowances for basic build-out, changes will be funded with campus funds. Currently the existing programs that could benefit include: the Schools of Humanities, Social Sciences and Social Ecology; organized research units such as the Institute of Transportation Studies; academic support programs such as computing services and the Division of Undergraduate Education; and administrative offices such as Administrative and Business Services, University Advancement, and Student Affairs.

The project would be sited on parking lot 18C in the Engineering/Computer Science Quad, located on Peltason Drive south of Gabrielino Drive, which is located next to and implemented in conjunction with the Parking and Transportation Improvements Program, Step 6 project being presented for approval at the March Regents' meeting. Although the contract would be awarded and the site would be mobilized at the same time as the parking structure, the campus does not want the contractor's attention to the tight schedule for the parking structure to be diverted by the surge building; the tenant improvements will not be designed until the users are identified. Construction is scheduled to start in July 2003 and be completed in Fall 2005.

CEQA Compliance

The project is consistent with the campus's 1989 Long Range Development Plan. An initial study would be prepared to determine if a Negative Declaration or Environmental Impact Report is presented to The Regents for consideration at the time of the project's design approval.

Financial Feasibility


The total cost for the Campus Surge Building project is estimated at \$12,860,000, and would be funded from external financing. Based on long-term debt of \$12,860,000 amortized over 30 years at 6.125% interest, the estimated average annual debt service would be \$946,800.

Repayment for the Campus Surge Building debt would be from campus Opportunity Funds. Opportunity Funds are a portion of the indirect cost recovery generated by federal contracts and grants. By University policy, up to 65% of the campus's total Opportunity Funds may be pledged for debt service, but only up to 33% of actual debt service may be paid from Opportunity Funds. In fiscal year 2007-08, the second full year of occupancy, 49.8% of Opportunity Funds are pledged for debt service. Inclusive of this amount for the external financing, the campus is within the prescribed Opportunity Fund pledge and payment limits.

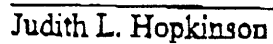
Approved by:




Richard C. Atkinson
President of the University



George M. Marcus
Chairman of the Committee on Grounds and Buildings



Judith L. Hopkinson
Chairman of the Committee on Finance



John Moores
Chairman of the Board

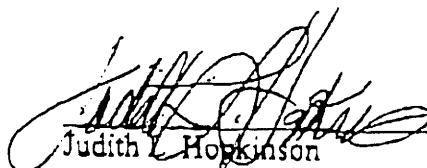
Attachments

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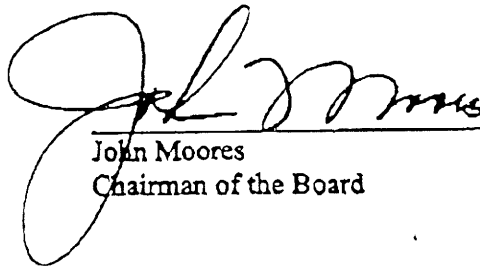
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**PROJECT STATISTICS
CAMPUS SURGE BUILDING
CAPITAL IMPROVEMENT BUDGET
IRVINE CAMPUS
CCCI 4300**

<u>Cost Category</u>	<u>Amount</u>	<u>% of Total</u>
Site Clearance	\$228,000	1.8%
Building	8,777,000	68.3%
Exterior Utilities	519,000	4.0%
Site Development	231,000	1.8%
A/E Fees ^(a)	829,000	6.4%
Campus Administration ^(b)	390,000	3.0%
Surveys, Tests	146,000	1.2%
Special Items ^(c)	1,350,000	10.5%
Contingency	390,000	3.0%
Total	\$12,860,000	100.0%
<u>Group 2 & 3 Equipment</u>		
Total Project	\$12,860,000	100.0%

Statistics

Gross Square Feet (gsf) ^(d)	60,000
Assignable Square Feet (asf) ^(d)	40,000
Ratio asf/gsf (%): UC	67%
Building Cost/gsf ^(d)	\$146
Building Cost/asf ^(d)	\$219
Project Cost/Space	

Comparable Projects @ CCCI 4300

Date of Latest Approval*	Campus	Project	Ratio gsf/asf	Building Cost/GSF
7/6/2000	Riverside	Campus Surge Building	69%	\$162
6/17/2002	San Diego	Multipurpose Building	65%	\$214
11/2/1999	Los Angeles	Southwest Campus Staging Building	75%	\$165

*Date of latest approved CIB

^(a) A/E fees include executive architect basic services, and other professional design contract costs.

^(b) Campus administration includes project management and inspection.

^(c) Special Items include independent seismic review, value engineering/constructability review, agency review, acoustical consultant, as-built utility survey, Environmental Impact Report, wind tunnel study, and interest during construction.

^(d) Gross square feet (gsf) is the total area, including all usable areas, stairways, and space occupied by the structure itself. Assignable square feet (asf) is the net program area. Unit cost reflects minimal fit-out of building interior.

SUMMARY OF FINANCIAL FEASIBILITY ANALYSISProject Title: Campus Surge BuildingTotal Estimated Project Costs: \$12,860,000Proposed Source of Funding:

External Financing \$ 12,860,000

Projected Financing Terms:Interest Rate: 6.125% Duration: 30 years
Annual Debt Service: \$946,800Campus Opportunity Funds Information (FY 2007-08): ⁽¹⁾Pre-Off-the-Top Existing Garamendi Projects \$ 3,329,000
Opportunity Funds Generated \$14,697,000
Total Estimated Annual Revenue \$18,026,000Estimated Average Annual Debt Service/O&M Expenditures (FY 2007-08): ⁽¹⁾Proposed Project Debt Service \$ 946,800
Existing Garamendi Debt Service and O&M Expenditures \$ 3,329,000
Pledged Expenditures – Other Capital Projects \$ 4,707,000
Total Estimated Annual Expenses \$ 8,982,800Percentage of Opportunity Funds Pledged for Debt: 49.8%Debt Service Coverage: 2.00x

(1) Fiscal Year 2007-08 represents second full year of operation for the project