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December 4, 2002

**ACTION UNDER PRESIDENT'S AUTHORITY--AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR THE COVEL COMMONS DINING RENOVATION PROJECT, LOS ANGELES CAMPUS**

It is recommended that:

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

- (1) The President amend the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program to reflect the following changes:

Los Angeles: Covel Commons Dining Renovation - preliminary plans, working drawings, construction, and equipment -- \$3,585,000 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 \$3,585,000 to finance the Covel Commons Dining Renovation project, 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, University of California Housing System fees for the Los Angeles campus shall be established at levels sufficient to meet all requirements of the University of California Housing System (UCHS) Revenue Bond Indenture and to provide excess revenues sufficient to pay the debt service and to meet the related requirements of the proposed financing; and
  - c. The general credit of The Regents shall not be pledged.
- (3) 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.

- (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

A Key to abbreviations and the project description is attached.

KEY  
Capital Improvement Program Abbreviations

<b>S</b>	Studies
<b>P</b>	Preliminary Planning
<b>W</b>	Working Drawings
<b>C</b>	Construction
<b>E</b>	Equipment
<b>-</b>	State (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

2002-03 Budget for Capital Improvements  
and 2002-05 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)	Preapproved	Proposed 2002-03
<u>Los Angeles</u>		
Covel Commons Dining	---	P \$120,000 LB
Renovation		W 301,000 LB
		C 2,489,000 LB
		E 675,000 LB
(\$3,585,000)		

**DESCRIPTION**

The Los Angeles campus proposes to renovate Covel Commons Dining Service, a 648-seat undergraduate student dining facility in the northwest quadrant of the campus, for a project cost of \$3,585,000.

**Background**

Covel Commons Dining Service is a 648-seat, 21,800 asf (27,500 gsf) undergraduate student dining facility located on the A-level of the Covel Commons component of the Sunset Village Housing complex in the northwest quadrant of the campus. The facility serves over 3,000 meals each day with a varied menu. In addition to the dining facility, Covel Commons houses student programming, academic counseling, and meeting facilities in a four-story 122,816 gsf building constructed in 1992.

The dining facility has been in continuous service since operations commenced in 1992. Since that time, a greater than anticipated volume of business has resulted in functional and operational deficiencies that adversely impact customer access, product workflow, and cost of operations. These deficiencies include: pedestrian circulation conflicts and lack of queuing space at the main entrance; dishwashing facilities that are undersized and compromise the use of the nearby dining space; a layout of the food preparation and serving areas that limits the visual connection between the customers and the preparation of their food; and existing fixed service counters that are not conducive to serving the wide variety of foods preferred by UCLA students.

**Project Description**

The proposed project would renovate the Covel Commons Dining facility to correct existing functional and operational deficiencies, improve the quality of service, and increase seating capacity. The project would renovate approximately 12,575 asf (13,325 gsf) and increase seating capacity from 648 to 681.

The proposed project would replace existing food serving and preparation areas with modular, stand-alone platforms that store, prepare, cook, and serve a variety of foods. The new serving platforms, located within some of the seating areas, would be mounted on mobile casework so that they can be arranged for special occasions and to facilitate the introduction of new menu items. This concept has been successfully implemented in the Hedrick, Rieber, and DeNeve dining facilities. The project would also relocate the main entry and adjacent student lockers to improve access and circulation; relocate and expand the dishwashing room; screen the return tray area; and provide an enclosed dining room for special functions.

The work would involve the demolition of the existing interior, constructing walls, ceilings, and floors, installing modular serving platforms, specialty food preparation, and dishwashing equipment; installing lighting; reconfiguring mechanical, electrical, and plumbing systems; installing signs; and providing finishes. Group 2 and 3 equipment would include the serving platforms: food service and dishwashing equipment, display cases and meal plan authorization check stands.

The proposed project would require the complete shutdown of the dining facility during construction. The work would be scheduled at the same time that the adjacent Courtside Residence Hall is off-line for repairs under a separate project. With Courtside's 600 residents temporarily relocated to other campus housing facilities, the demand for food service in this part of the Northwest Campus would be reduced while the proposed renovations are underway. Construction is scheduled to begin in February 2003 with completion by July 2003.

#### CEQA Classification

In accordance with the California Environmental Quality Act and University of California procedures for the implementation of CEQA, the proposed project is categorically exempt under Article 19, Section 15301, Class 1, Existing Facilities.

#### Financial Feasibility

Total project cost, estimated to be \$3,585,000 at CCCI 3979, would be funded from external financing. The debt of \$3,585,000, amortized over 30 years at 6.125% interest, results in estimated annual debt service of \$264,000. Repayment of the debt would be from net revenues of the UCHS generated by housing fees at the Los Angeles campus, which fees would be established at a level sufficient to meet the requirements of the UCHS indenture. In the first full year of operations of this project, the academic year room and board rate structure for all other on-campus housing will increase by approximately \$47 per bed per year to support the cost of this project.

The campus has developed a rate increase strategy to meet the financial obligations associated with the housing program's capital development plan. The planned rate increases encompass the ongoing operational increases, as well as debt associated with recently approved projects and projects to be proposed for Regents' and Presidential action, including the proposed project, within the planning horizon. These rate increases accommodate the capital program while spreading the overall increases over five years. Table 1 illustrates anticipated rate increases for the next five years.

**Table 1**


<b>University of California, Los Angeles</b> <b>Anticipated Housing System Annual Rate Increases, On-Campus Housing</b>					
<u>Fiscal Year</u>	<u>Normalized Projected Rate Increase</u>	<u>Rate Increases associated with Capital Development Plan</u>	<u>Total Projected Rate Increase</u>	<u>Projected Range of All On-Campus Housing Rates<sup>1</sup></u>	
				<u>Low <sup>2</sup></u>	<u>High</u>
2002-03	3.0%	4.5%	7.5%	7,355	10,625
2003-04	3.0%	5.0%	8.0%	7,945	11,475
2004-05	3.0%	4.5%	7.5%	8,540	12,335
2005-06	3.0%	1.0%	4.0%	8,880	12,830
2006-07	3.0%	1.0%	4.0%	9,235	13,340
Total Increase over 5 years (compounded)			<b><u>34.9%</u></b>		

1- Includes meal plan.

2- Low range represents rooms in existing triples.

Additional financial feasibility information may be found on Attachment 2.

Approved by:

  
 Richard C. Atkinson  
 President of the University

12/4/02  
 Date

Attachments

**PROJECT STATISTICS  
COVEL COMMONS DINING RENOVATION  
CAPITAL IMPROVEMENT BUDGET  
LOS ANGELES CAMPUS  
CCCI 3979**

<u>Cost Category</u>	<u>Amount</u>	<u>% of Total</u>
Site Clearance		
Building	\$2,131,000	73.2
Exterior Utilities		
Site Development		
A/E Fees <sup>(a)</sup>	200,000	6.9
Campus Administration <sup>(b)</sup>	72,000	2.5
Surveys, Tests	87,000	3.0
Special Items <sup>(c)</sup>	285,000	9.8
Contingency	135,000	4.6
<b>Total</b>	<b>\$2,910,000</b>	<b>100.0%</b>
Group 2 & 3 Equipment	675,000	
<b>Total Project</b>	<b>\$3,585,000</b>	

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<u>Statistics</u>	<u>Proposed</u>
Gross Square Feet (GSF) <sup>(d)</sup>	13,325
Assignable Square Feet (ASF) <sup>(d)</sup>	12,575
Ratio ASF/GSF (%)	94%
Building Cost/GSF <sup>(d)</sup>	\$160
Building Cost/ASF <sup>(d)</sup>	\$169

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**Comparable University Projects at CCCI 3979**

Comparable project information is not available for interior renovation projects.

- (a) Fees include executive architect and other professional design contract costs.
- (b) Campus administration includes project management and inspection.
- (c) Special items independent structural review, independent cost review, kitchen consultant, lighting consultant, agency fees, Fire Marshal, PPG preparation, fire watch and moving expenses (\$228,000); and interest expense (\$57,000).
- (d) Gross square feet (GSF) is the total area, including usable area, stairways, and space occupied by the structure itself. Assignable square feet (ASF) is the net usable area.

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## SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: Covel Commons Dining RenovationTotal Estimated Project Cost: \$ 3,585,000Proposed Source of Financing

External Financing (UCHS Bond) \$ 3,585,000

Projected Financing Terms:

Interest Rate: 6.125%

Duration: 30 years

Total Estimated Interest Cost: \$ 4,333,000

Estimated UCLA UCHS Revenue (2003-04) <sup>1</sup>

Revenues from existing UCHS facilities \$ 92,926,000

Total Revenue: \$ 92,926,000

Estimated UCLA UCHS Expenses (2003-04) <sup>1</sup>

Expenses from existing UCHS facilities \$ 61,517,000

Total Expenses: \$ 61,517,000

Estimated UCLA UCHS Surplus for Debt Services (2003-04) \$ 31,409,000Estimated UCLA Debt Services (2003-04) <sup>1</sup>

Covel Commons Dining Renovation \$ 264,000

Other Pending Projects <sup>2</sup> \$ 693,000

Principal and Interest from Existing UCHS Facilities \$ 16,044,000

Total Principal and Interest: \$ 17,001,000

Estimated UCLA UCHS Surplus for Major Maintenance (2003-04) <sup>1</sup> \$ 14,408,000UCLA UCHS Summary Information (2003-04) <sup>1</sup>Estimated Annual Net Revenues <sup>3</sup>: \$ 31,409,000

Estimated Annual Debt Service: \$ 17,001,000

Estimated Annual Surplus for Major Maintenance: \$ 14,408,000

Average Debt Service Coverage: 1.85X

University of California Housing System Information (2003-04) <sup>1</sup>

Estimated Annual Net Revenues: \$ 181,664,000

Estimated Annual Debt Service: \$ 102,464,000

Estimated Annual Surplus for Major Maintenance: \$ 79,200,000

Average Debt Service Coverage: 1.78X

<sup>1</sup> – First full year of occupancy (2003-04)<sup>2</sup> – Includes debt associated with other projects expected to be approved and in service in FY 2004<sup>3</sup> – Excludes estimated interest income