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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 SUNSET VILLAGE REPAIRS -
COURTSIDE, 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 2001-04 Capital Improvement Program to reflect the following changes:

From: Los Angeles: Sunset Village Repairs - Courtside - preliminary plans, working drawings, and construction -- \$ 6,500,000 to be funded from Housing Reserves.

To: Los Angeles: Sunset Village Repairs - Courtside - preliminary plans, working drawings, and construction -- \$ 6,727,000 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 \$6,727,000 to finance the Sunset Village Repairs - Courtside 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

S	Studies
A	Acquisition
P	Preliminary Planning
W	Working Drawings
C	Construction
A/C	Augmentation for Construction
E	Equipment
A/E	Augmentation for Equipment
-	State (no abbreviation)
F	Federal Funds
G	Gifts
HR	Hospital Reserve Funds
LB	Bank Loans or Bonds
LR	Regents' Loans
N	Reserves other than University Registration Fee
R	University Registration Fee Reserves
U	Regents' Appropriations
X	Others (Source known, but not included above, e.g., campus discretionary funds)
Q	Funds from sources yet to be determined
CCCI	California Construction Cost Index
EPI	Equipment Price Index

2002-03 Budget for Capital Improvements
and 2001-04 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)	Prefunded	Proposed 2002-03	Projected After 2001-02
<u>Los Angeles</u>			
Sunset Village Repairs -	---	P 72,000	LB
Courtside		W 347,000	LB
		C 6,308,000	LB
(6,727,000)			

DESCRIPTION

This action requests approval of a change of fund source, change of scope, and budget augmentation of \$227,000 for the Sunset Village Repairs – Courtside project on the Los Angeles campus, resulting in a new project total of \$6,727,000.

Background

In 1992, shortly after the completion of the Sunset Village Residential Complex, the 91,517 gsf Courtside component experienced severe damage due to water intrusion through its roof, exterior walls, and windows. A detailed forensic investigation uncovered additional structural deficiencies. Subsequent litigation against the general contractor, several sub-contractors, and members of the design team was settled in favor of the campus.

In July 2001, the Office of the President administratively approved the Sunset Village Repairs - Courtside project at a total project cost of \$6,500,000 to be funded by Housing Reserves from the litigation settlement. Since July 2001, the project has been designed and bid.

Project Description

The approved project corrects design and construction defects in Courtside's roof, exterior walls, and windows; repairs related water damage; corrects structural deficiencies; and corrects design deficiencies to enhance the quality of residential life in Courtside, including the addition of sound attenuation in existing stairwells, installation of a ducted ventilation system in corridor ceilings, and modifications to the exterior courtyard to include new pedestrian pathways, outdoor

furniture, and landscape elements; and constructs a second level within the existing two-story study lounges to gain additional study space for students.

Need for Fund Source, Budget Augmentation and Change of Scope

Change of Fund Source: The Office of the President has subsequently requested that the campus use Housing Reserves rather than external financing to fund the budget augmentation for the Northwest Housing and Parking, Phase II project approved by The Regents in July 2002. This request necessitates the transfer of Housing Reserve funds (\$6,500,000) from the Sunset Village Repair - Courtside project to the Northwest Housing and Parking, Phase II project, and the current request for Presidential approval to externally finance the Courtside project at the same amount.

Budget Augmentation: A proposed budget augmentation, representing a net increase of \$227,000, is needed to finance construction interest.

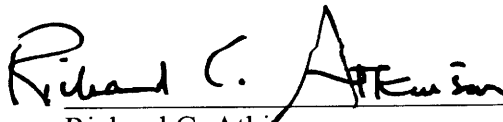
Change of Scope: In July 2002, bids were solicited with alternates for several scope items, including the construction of approximately 1,600 asf of mezzanine space within the existing two-story study lounges. The campus has evaluated the bid amounts associated with this work and has decided to eliminate construction of the mezzanine space in order to maintain the construction budget at the previously approved amount.

Financial Feasibility

Total project cost, estimated to be \$6,727,000 at CCCI 4179, would be funded from external financing. The debt of \$6,727,000, amortized over 30 years at 6.125% interest, results in estimated annual debt service of \$495,000. 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 campus rate structure for all other on-campus housing will increase by approximately \$88 per bed to support the cost of this project.

Additional financial feasibility information may be found on Attachment 2.

Approved By:


Richard C. Atkinson
President of the University

9/3/02
Date

Attachments

ATTACHMENT 1

**PROJECT STATISTICS
SUNSET VILLAGE REPAIRS - COURTSIDE
CAPITAL IMPROVEMENT BUDGET
LOS ANGELES CAMPUS
CCCI 4179**

<u>Cost Category</u>	<u>Amount</u>	<u>% of Total</u>
Site Clearance		
Building	5,283,000	78.6
Exterior Utilities		
Site Development		
A/E Fees ^(a)	646,000	9.6
Campus Administration ^(b)	47,000	0.7
Surveys, Tests	54,000	0.8
Special Items ^(c)	311,000	4.6
Contingency	<u>386,000</u>	<u>5.7</u>
Total	\$6,727,000	100.0%
Group 2 & 3 Equipment	<u>0</u>	
Total Project	\$6,727,000	

<u>Statistics</u>	<u>Proposed</u>
Gross Square Feet (GSF) ^(d)	91,517
Assignable Square Feet (ASF) ^(d)	58,753
Ratio ASF/GSF (%)	64%
Building Cost/GSF ^(d)	\$58
Building Cost/ASF ^(d)	\$90

Comparable University Projects at CCCI 4179

Building Cost per GSF

No comparable projects

NA

- (a) Fees include executive architect and other professional design contract costs.
 (b) Campus administration includes project management and inspection.
 (c) Special items include independent structural and cost reviews, fire/security watch, EH&S/Fire Marshal review, moving and staging (\$84,000); and interest expense (\$227,000).
 (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.

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

<u>Project Title:</u> Sunset Village Repairs - Courtside	
<u>Total Estimated Project Cost:</u>	\$ 6,727,000
<u>Proposed Source of Financing</u>	
External Financing	\$ 6,727,000
<u>Projected Financing Terms:</u>	
Interest Rate:	6.125%
Duration:	30 years
<u>Estimated UCLA UCHS Revenue (2004-05)</u> ¹	
Hedrick North New Bedspaces 4	\$ 8,772,000
Existing UCHS Facilities	\$ 109,431,000
Total Revenue:	\$ 118,153,000
<u>Estimated UCLA UCHS Expenses (2004-05)</u> ¹	
Hedrick North Residence Hall 4	\$ 5,788,000
Existing UCHS Facilities	\$ 66,573,000
Total Expenses:	\$ 72,361,000
<u>Estimated UCLA UCHS Surplus for Debt Services (2006-07)</u>	\$ 45,792,000
<u>Estimated UCLA Debt Services (2004-05)</u> ¹	
Sunset Village Repairs – Courtside	\$ 495,000
Sproul Hall First Floor Renovation 4	\$ 645,000
Hedrick North Residence Hall & First Floor Renovation 4	\$ 3,948,000
Rieber North & West Residence Halls and First Floor Renovation 4	\$ 298,000
Other Pending Projects ²	\$ 958,000
Subtotal Principal and Interest:	\$ 6,344,000
Principal and Interest from Existing UCHS Facilities	\$ 22,030,000
Total Principal and Interest:	\$ 28,374,000
<u>Estimated UCLA UCHS Surplus for Major Maintenance (2004-05)</u> ¹	\$ 17,418,000
<u>UCLA UCHS Summary Information (2004-05)</u> ¹	
Estimated Annual Net Revenues ³ :	\$ 45,792,000
Estimated Annual Debt Service:	\$ 28,374,000
Estimated Annual Surplus for Major Maintenance:	\$ 17,418,000
Average Debt Service Coverage:	1.61X
<u>University of California Housing System Information (2004-05)</u> ¹	
Estimated Annual Net Revenues:	\$ 228,793,000
Estimated Annual Debt Service:	\$ 139,489,000
Estimated Annual Surplus for Major Maintenance:	\$ 89,304,000
Average Debt Service Coverage:	1.64X

¹ – First full year of occupancy (2004-05)² – Projects either pending Presidential Approval or future Regental Approval³ – Excludes estimated interest income⁴ – Project approval being concurrently presented to the Board of Regents