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October 11, 2002

**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 DINING COMMONS SEISMIC CORRECTIONS AND
RENOVATIONS-PHASE I, SANTA BARBARA 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 include the following project:

Santa Barbara: Dining Commons Seismic Corrections and Renovation – Phase I preliminary plans, working drawings, construction, and equipment – \$12,471,000 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 \$12,471,000 to finance the project listed in (1) above, subject to the following conditions:
- Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
 - As long as this debt is outstanding, University of California Housing System fees for the Santa Barbara campus shall be established at levels sufficient to meet requirements of the UC Housing System Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and related requirements of the proposed funding;
 - The general credit of The Regents shall not be pledged.

- (3) Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is exempt from federal income taxation under existing law.
- (4) 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

2002-03 Budget for Capital Improvements
and 2002-05 Capital Improvement Program
Scheduled for
Regents' Allocations, Loans, Income Reserves,
University Registration Fee Reserves, Gift Funds,
And Miscellaneous Funds

Campus and Project Title (Total Cost)	Prefunded	Proposed 2002-03	Projected after 2002-03
<u>Santa Barbara</u>	P	\$ 859,000	LB
De La Guerra Dining	W	\$ 554,000	LB
Commons Corrections and	C	\$10,558,000	LB
Renovations – Phase I	E	\$ 500,000	LB
(\$12,471,000)			

DESCRIPTION

The Santa Barbara campus proposes to seismically improve the De La Guerra Dining Commons and to provide associated building upgrades, at a total project cost of \$12,471,000.

Background

The De La Guerra Dining Commons (27,761 asf, 36,968 gsf) is one of three dining commons providing meal service to the 3,468 residential students at the Santa Barbara campus. Carrillo Dining Commons is currently undergoing seismic correction and renovation as part of the San Rafael Student Housing Addition project to be completed by summer 2002. Seismic correction and renovation to Ortega Dining Commons is anticipated to follow this proposed project as Phase II. De La Guerra Dining Commons was originally constructed in 1958 and modified with an addition in 1961 and 1977. Only moderate interior improvements and refurbishments have been made since its original construction.

A seismic analysis in August 1998 determined that De La Guerra Dining Commons has structural irregularities and insufficient shear wall strength.

In the event of an earthquake, the failure of these uncorrected building systems could lead to a collapse of the building. Other life safety, code, and renovation work in areas impacted by the seismic upgrade have been included in the project.

Work of this nature would necessitate vacating the De La Guerra Dining Commons for the months from December 2002 through February 2004 (approximately 15 months). Because resident students can choose among the three dining commons, both Carrillo and Ortega Dining Commons would be available during the De La Guerra renovation.

Project Description

The De La Guerra Corrections and Renovations would improve the seismic performance of De La Guerra Dining Commons from “poor” to “good.” The proposed work would consist of the installation of seismic strengthening elements, new shear wall structure, and new roof blocking. While buildings are out of service for seismic repairs, additional building system replacement and upgrade and general refurbishments would also be made.

Seismic Corrections

Corrective structural work to improve the seismic performance of the dining commons to “good” would be performed as follows:

- Remove existing tile roof and roofing membrane and replace with new roof blocking and associated nailing of new plywood;
- Strengthen perimeter beams of the high roof at their connections to resist the drag and chord forces associated with the plywood roof diaphragm;
- Strengthen the connection between masonry walls and wood roof with installation of new wood framing and epoxied steel connector bolts;
- Add new shear wall structure at north end of building, install additional blocking and bolting to existing concrete walls;
- Transfer seismic loads from roof diaphragm to north and south shear walls;
- Seismically anchor kitchen equipment.

Renovations and Deferred Maintenance

Work to upgrade life-safety and building systems, update and modernize kitchen and food service equipment, as well as to insure continued attractiveness to students and continued financial viability of the facility, would include the following:

- Install new fire protection systems with a fire sprinkler system and replace all fire alarm equipment with analog addressable fire alarm system to comply with current codes;
- Replace plumbing, electrical, and mechanical systems;
- Modify design of kitchen and servery to improve efficiency and address modernized food preparation and delivery techniques;
- Replace exterior window unites with new energy efficient units for improved safety and energy conservation (existing units are at the end of useful life);
- Modify facilities as necessary to ensure compliance with ADA codes;

- Repair or replace architectural finishes to accommodate new structural elements and associated demolition.

CEQA Compliance

In accordance with the California Environmental Quality Act and University of California procedures for the implementation of CEQA, the project is categorically exempt per CEQA Guidelines section 15301 Class 1 Existing Facilities.

Financial Feasibility

The estimated total project cost of \$12,471,000 would be funded entirely by external financing. Assuming 30 year financing of \$12,471,000 at 6.125% interest, the average annual debt service for the project would be \$918,000. Payment of the debt service would be from the Santa Barbara campus' share of the University of California Housing System Net Revenues.

As a result of this project, student rents would be increased \$243 per student per year. The campus would mitigate the impact of this increase by spreading the project costs over six years, consistent with the rate increase strategy recorded in the last housing budget approved by The Regents at the May 2002 meeting (San Clemente Housing). In fiscal year 2004-05 (the first full year of project occupancy), residence hall single rooms would be increased to \$790 per month, or \$7,110 per year (exclusive of meal plan); and double room rates would increase to \$670 per month, or \$6,030 per year (exclusive of meal plan). The campus has developed a rate increase strategy to meet the financial obligations associated with the housing program's capital development and seismic corrections through the academic year 2007-08. The planned rate increases encompass the ongoing operational increases, as well as debt associated with recently approved projects and projects anticipating Regents' action within the 2007-08 planning horizon. These rate increases accommodate the capital program while spreading the overall rate increases over six years. The table below illustrates planned rate increases for the next six years. The table also provides the adjusted rental rates at residence halls (although rental rates would also increase for all student housing).

University of California, Santa Barbara			
Residence Hall Rental Rate Increases ^{(1) (2)}			
Fiscal Year	Total % Increase	Adjusted Average Monthly Rental Rate per Bed	
		Single	Double
2002-03	7.95%	\$ 704	\$ 597
2003-04	5.95%	\$ 746	\$ 632
2004-05	5.95%	\$ 790	\$ 670
2005-06	5.95%	\$ 837	\$ 710
2006-07	5.95%	\$ 887	\$ 752
2007-08	5.95%	\$ 940	\$ 797
Total Increase*	37.70%		

⁽¹⁾ All figures exclusive of meal plan.

⁽²⁾ Excluding data associated with the purchase of the Francisco Torres property.

*Inclusive of the proposed project, of all previously approved projects, and of all operating or other increases.

Source: UCSB Housing Office

Santa Barbara's housing rates would remain below the two private sector residence halls. Furthermore, as the table below indicates, the on-campus rates less meal program expenses would be somewhat less than off-campus market rate housing. The table cannot, however, reflect the non-quantifiable benefits of on-campus housing that are not offered in any off-campus living situation. These benefits include availability of housing, proximity to campus, resident advisors, relative quality of housing, security, resources such as study and meeting space and computer labs, and social activities and other student programs.

Santa Barbara Campus v. Local Rental Market
Comparison of Monthly Rents
Residence Halls ⁽¹⁾

	<i>Fiscal Year 2004-05 ⁽²⁾</i>	
	<i>Single Occupancy</i>	<i>Double Occupancy</i>
Campus Rate After Adjustment for Proposed Dining Commons Seismic Correction and Renovation Project ⁽³⁾	\$ 790	\$ 670
Comparative Local Market Rate ^(1, 4)	\$ 1,025	\$ 765
Adjustment for Campus Life Amenities	\$ 93	\$ 93
Adjusted Comparative Local Market Rate	\$ 1,118	\$ 858
Difference	\$ (328)	\$ (188)

⁽¹⁾ The Residence Halls comparison is approximate, as there is no exact equivalent in the private market.

⁽²⁾ First full year of operation of proposed project.


⁽³⁾ Exclusive of meal plan to allow comparison.

⁽⁴⁾ Assumes 6% annual inflation.

Additional financial feasibility information may be found on Attachment 2.

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Approved by:


Richard C. Atkinson
President of the University


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

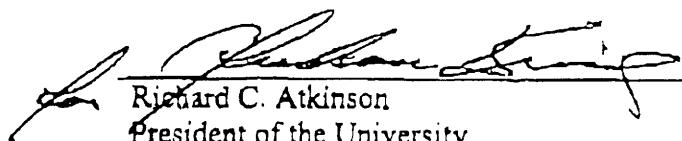
Judith L. Hopkinson
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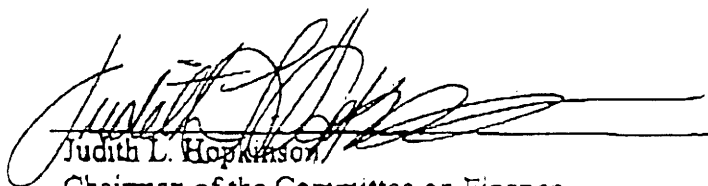
Attachments

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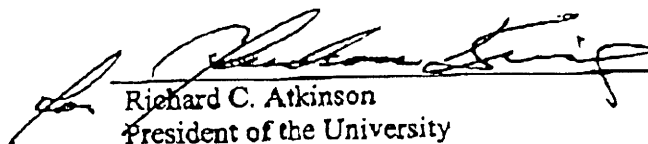

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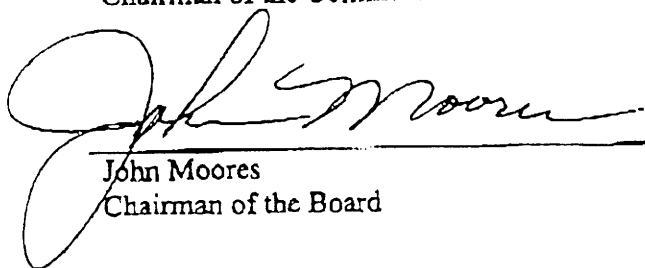
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Attachments

PROJECT STATISTICS
DINING COMMONS SESIMIC CORRECTIONS & RENOVATION PHASE I
CAPITAL IMPROVEMENT BUDGET
SANTA BARBARA CAMPUS
CCCI 4048

Cost Category	Renovation	% of Total
Site Clearance	\$ 608,000	5.1
Building	\$ 7,278,000	60.8
Exterior Utilities	\$ 131,000	1.1
Site Development	\$ 590,000	4.9
A/E Fees ^a	\$ 1,141,000	9.5
Campus Administration ^b	\$ 352,000	2.9
Surveys, Tests, Plans	\$ 265,000	2.2
Special Items ^c	\$ 1,001,000	8.4
Contingency	\$ 605,000	5.1
Total	\$11,971,000	100.0
Group 2 & 3 Equipment	\$ 500,000	
Total Project	\$12,471,000	

Statistics and Comparable Projects

Project statistics and comparable projects are not provided because this project consists of a seismic retrofit of an existing building. The project costs are driven by circumstances unique to this particular building's structural design configuration and structural deficiencies under current seismic codes.

^a A/E fees for basic services by the Executive Architect, and other design professionals who are part of the Design/Build Team. These services are carefully identified and delineated in the Design/Build contract.

^b Campus administration includes project management and inspection.

^c Special Items include interest during construction, independent seismic review, value engineering/constructability/ cost review, agency review, building system shutdowns, topographic surveys, geotechnical review, code consultants, focus EIR, & programming/detailed project program.

^d Gross square feet (gsf) is the total area, including useable area, stairways, and space occupied by the structure itself. Assignable square feet (asf) is the net program area.

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: Dining Commons Seismic Corrections and Renovations-Phase 1
Santa Barbara Campus

<u>Total Estimated Project Cost</u>	\$12,471,000
<u>Proposed Source of Financing</u>	
External Financing	\$12,471,000
<u>Projected Bond Terms</u>	
Interest rate: 6.125% Duration: 30 years	
<u>Estimated UC Santa Barbara Housing Revenue (2004-05) ¹</u>	
Total Existing Beds and Dining Operation at 95% Occupancy	\$46,192,000
<u>Estimated UC Santa Barbara Operating Expenses (2004-05) ¹</u>	
Total Existing Facilities Operating Expenses	\$29,285,000
<u>Net Revenues Available for Debt Service (2004-05) ¹</u>	\$16,907,000
<u>Estimated Housing Debt Service (2004-05)</u>	
Dining Commons Correction & Renovation Debt Service	\$ 918,000
Existing Facility Principal and Interest	<u>\$ 9,210,500</u>
	\$10,128,500
<u>Estimated Housing Surplus for Major Maintenance</u>	\$ 6,778,500
<u>Debt Service Coverage</u>	1.67X
<u>UC Housing System Information (2004-05)</u>	
Estimated average annual net revenues	\$228,793,000
Estimated average annual loan repayments	\$139,489,000
Estimated annual surplus for major maintenance	\$ 89,304,000
Estimated debt service coverage	1.64 X

¹ First full year of operation.