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July 8, 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 CAMPUS MULTIPURPOSE BUILDING, SAN DIEGO 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:

San Diego: Campus Multipurpose Building - preliminary plans, working drawings, and construction -- \$18,525,000, total project cost to be funded from external financing (\$18,050,000 and campus funds (\$475,000).

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

- (2) The President be authorized to obtain external financing not to exceed \$18,050,000 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;
 - Repayment of the debt shall be from the UC San Diego campus' share of the University Opportunity Fund; and
 - The general credit of The Regents shall not be pledged.

- (3) The Officers of The Regents be authorized to provide certification 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 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

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

Campus and Project Title (Total Cost)	<u>Prefunded</u>	<u>Proposed 2002-03</u>	<u>Proposed After 2002-03</u>
<u>San Diego</u>			
Campus Multipurpose Building	---	P \$ 812,000 LB W \$ 993,000 LB C \$16,245,000 LB E \$475,000 X	---
(\$18,525,000)			

DESCRIPTION

The San Diego campus requests approval of an \$18,525,000 multi-use building consisting of approximately 44,400 asf (68,300 gsf) of offices, meeting rooms, classrooms, lecture halls, and instructional support.

Background

The San Diego campus is experiencing significant space shortfalls for administrative and academic units as the campus staff grows to meet the burgeoning student enrollment. Overall, academic and student administrative space needs are expected to grow an average of 30% between 2000 and 2010. This growth in staff is driven by a student population that will increase by 50% during this decade. The campus is expected to experience a shortfall of about 70,500 asf in administrative and academic space in 2005-06. In order to help alleviate this space shortfall, the campus proposes to construct a permanent facility for administrative and academic units that benefit the entire campus community by being located centrally in the University Center/Sixth College neighborhood.

Low-density neighborhoods on the campus are experiencing substantial in-fill development to promote greater land utilization. The Campus Multipurpose Building is one of several multi-story projects planned for the University Center/Sixth College neighborhood to centrally locate growing departments, some of which reside in vintage World War II wood structures. Two additional projects planned for this neighborhood are the recently approved state-funded Student Academic Services Facility (focused on "one-stop-shopping" for student academic support and services) and a proposed state-funded Music Building (focused on instruction and research).

The unprecedented increase in student enrollment also will intensify the demand for classroom space. Current classroom utilization patterns for the campus indicate that classrooms with capacities of 101-200 seats and 201-300 seats are the most heavily used. In Fall 2001, classrooms of 101-200 capacity averaged

91.8% utilization of the current standard, and those of 201-300 capacity averaged 96.8% utilization. However, the campus will grow by about 1,000 students each year during this decade. To address the most immediate need identified through this assessment, the campus anticipates including two lecture halls and two or three flat-floored classrooms in the proposed project. With this facility, the campus classroom utilization in 2010 would still exceed the state standard.

The campus has investigated alternatives to meet the program needs, including reassigning space that currently exists on campus, building onto existing facilities, leasing off-campus space, and building a new facility. A new permanent facility was determined to be the most reasonable and cost-effective way to achieve the program needs for administrative and academic space.

Project Description

The proposed Campus Multipurpose Building would include approximately 44,400 asf (68,300 gsf). The majority of the space would be programmed with a combination of private office and open architecture, administrative support, and meeting spaces. The remaining space would be devoted to classrooms, lecture halls, and instructional support. Space vacated by staff relocated to the Campus Multipurpose Building would then be reassigned to other administrative and academic units, based on the campus process for prioritizing and assigning space; final determinations of the units would be based on the campus needs at the time the new building was completed.

It is anticipated that two or three classrooms would be designed and outfitted to serve a variety of disciplines and types of instruction. Seats in the back of the classrooms would be raised on risers to aid in visibility and sight lines. Two lecture halls would include fixed seating and sloped floors to aid in visibility and sight lines. In addition, the lecture halls would be outfitted with separate projection booths to accommodate audio-visual equipment and operators.

The project budget includes movable equipment costs to outfit the classrooms and lecture halls (for example, projectors, microphones, speakers, lecterns, and instructor computer stations). Although most equipment and furnishings will be relocated with current staff moving into the building, the equipment budget does include some additional furnishings and equipment for growth space.

The project would be sited in the University Center/Sixth College neighborhood, on the east side of Russell Lane and north of the Gilman Parking Structure. Site improvements would include landscape and enhanced pavement. Privacy and sound attenuation elements would be incorporated as needed. The building would connect to the future state-funded utility loop improvement project (West Campus Utilities Improvements) for chilled and high temperature water; all other utilities being available in the area for connection.

The project is in compliance with the campus Long Range Development Plan. Construction on the project would begin in January 2003 and would be completed by June 2004.

CEQA Classification

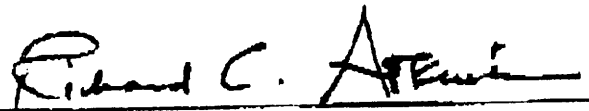
In accordance with University of California guidelines for the implementation of the California Environmental Quality Act, environmental documentation will be prepared for consideration in conjunction with the project design review.

Financial Feasibility

The total project cost for the Campus Multipurpose Building at CCCI 4019 is estimated to be \$18,525,000, including capitalized interest of approximately \$847,000 incurred during construction. The project will be funded with external financing (\$18,050,000) and campus funds (\$475,000). Based on long-term debt of \$18,050,000 amortized over 30 years at 6.125% interest, the estimated average annual debt service will be \$1,329,000. Repayment of the 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' total Opportunity Funds may be pledged for debt service, but only up to 33% of the actual debt service may be paid from Opportunity Funds. In fiscal year 2004-05, the first full year of occupancy, 56% of Opportunity Funds are pledged for debt service. Inclusive of this amount and other planned projects for external financing from Opportunity Funds, the campus is within the prescribed Opportunity Fund pledge and payment limits.

Additional financial feasibility information is shown on Attachment 2.

Approved:



Richard C. Atkinson
President of the University



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

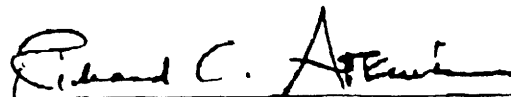
Peter Preuss
Chairman of the Committee on Finance

John Moores
Chairman of the Board

Attachments

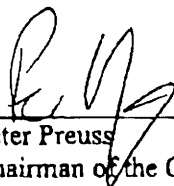
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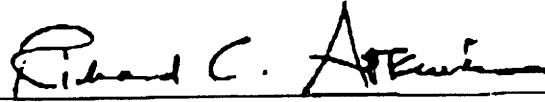
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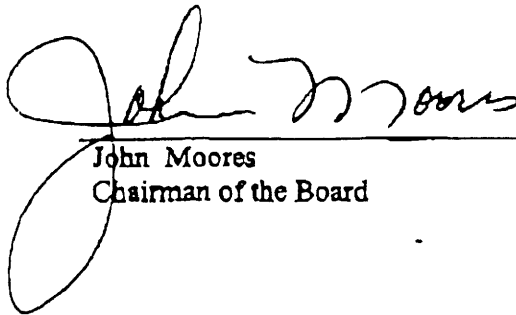
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Attachments

**PROJECT STATISTICS
CAMPUS MULTIPURPOSE BUILDING
CAPITAL IMPROVEMENT BUDGET
SAN DIEGO CAMPUS
CCCI 4019**

<u>Cost Category</u>	<u>Amount</u>	<u>% of Total</u>
Site Clearance	\$ 365,000	2.0
Building	13,640,000	75.6
Exterior Utilities	150,000	0.8
Site Development	276,000	1.5
A/E Fees ^(a)	1,147,000	6.4
Campus Administration ^(b)	633,000	3.5
Surveys, Tests	211,000	1.2
Special Items ^(c)	1,028,000	5.7
Contingency	600,000	3.3
Total	\$ 18,050,000	100.0
Group 2 & 3 Equipment	475,000	
Total Project	\$ \$18,525,000	100.0

Statistics

Gross Square Feet (GSF) ^(d)	68,335
Assignable Square Feet (ASF) ^(d)	44,418
Ratio ASF/GSF (%)	65%
Building Cost/GSF ^(d)	\$200
Building Cost/ASF ^(d)	\$307

Comparable University Projects at CCCI 4019

<u>Date of Latest Approval*</u>	<u>Campus</u>	<u>Project</u>	<u>Ratio gs f/as f</u>	<u>Building Cost/GSF*</u>
7/6/00	Riverside	Campus Surge Building	69%	\$151
11/2/99	Los Angeles	Southwest Campus Staging Building	75%	\$155
1/15/02	Berkeley	Seismic Replacement Building 1	64%	\$227

* Date of latest approved CIB

- (a) Fees include executive architect and other professional design contract costs.
 (b) Campus administration includes project management and inspection.
 (c) Special items include EIR studies, special consultants, value engineering, as well as interest during construction/finance costs.
 (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 OF FINANCIAL FEASIBILITY ANALYSIS

Project Title: Campus Multipurpose Building, San Diego Campus

Estimated Project Cost: \$ 18,525,000

Proposed Sources of Funding:

Campus Funds	\$ 475,000
External Financing	\$ 18,050,000
Total	<u>\$ 18,525,000</u>

Project Financing Terms:

Interest Rate: 6.125% Duration: 30 years

Campus Opportunity Fund Information (2004-05): ⁽¹⁾

Pre-Off-the-Top Existing Garamendi Projects	\$ 13,583,000
Opportunity Funds Generated	\$ 29,719,000
Total Estimated Annual Revenue	<u>\$ 43,302,000</u>

Estimated Average Annual Debt Service/O&M Expenditures (2004-05): ⁽¹⁾

Estimated Debt Service – Proposed Project	\$ 1,329,000
Existing Garamendi Debt Service and O&M Expenditures	\$ 13,583,000
Pledged Expenditures – Other Capital Projects	\$ 9,310,000
Total Estimated Annual Expenses	<u>\$ 24,222,000</u>

Percentage of Opportunity Funds Pledged for Debt: ⁽²⁾ 56%

Debt Service Coverage: ⁽²⁾ 1.79x

(1) Fiscal Year 2004-05 represents first full year of operation for project.

(2) In Fiscal Year 2005-06, with the commencement of debt service of an approved Cancer Center capital project, the campus has pledged 61% of its Opportunity Funds for a debt service coverage of 1.63x.