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August 19, 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 CLARK KERR CAMPUS BUILDING 10 RENEWAL, BERKELEY 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, authorize that the 2003-04 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Berkeley: A. Clark Kerr Campus Building 10 Renewal -- preliminary plans, working drawings, construction, and equipment -- $12,385,000, to be funded from external financing ($11,000,000) and the Berkeley campus's share of the University of California Housing System Net Revenue Fund ($1,385,000).

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

(2) The President be authorized to obtain financing not to exceed $11,000,000 to finance the Clark Kerr Campus Building 10 Renewal 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 this debt is outstanding or has been refinanced into the General Revenue Bond indenture approved by The Regents in July 2003, University of California Housing System fees for the Berkeley 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 net revenues sufficient to pay the debt service and related requirements of the proposed financing; and

c. 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 excluded from gross income for purposes of 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 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

2003-2004 Budget for Capital Improvements
and 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)		Proposed 2003-2004	
Berkeley			
Clark Kerr Campus Building 10 Renewal	P	$300,000	N
	P	$1,000,000	LB
	W	$700,000	LB
	C	$9,300,000	LB
	C	$824,000	N
	E	$261,000	N
($12,385,000)			

DESCRIPTION

The Clark Kerr Campus Building 10 project would renovate Building 10, an 18,441 asf and 25,829 gsf food services facility located near the center of the Clark Kerr Campus, Berkeley campus, to correct seismic, fire and life safety, access, and other code deficiencies, upgrade the building's infrastructure, and provide program improvements to modernize and enhance Building 10's functionality as the food services center of the Clark Kerr Campus.

Background

The Clark Kerr Campus, a 50-acre property located southeast of the main Berkeley campus and used primarily for student housing and recreation, houses 835 undergraduate students in residence halls and suites. It also provides faculty housing and facilities to host summer conferences. Building 10, located near the center of the site, comprises 25,829 gsf of space. An additional 12,500 square feet of exterior courtyard areas are associated with the building. The building is used exclusively for food preparation, serving, and dining and has a seating capacity of about 430. The dining facility is a critical component of the residence hall experience, and also supports the campus's conference programs, providing additional income to the housing system and serving the campus by hosting programs that enrich and complement its academic mission.

Building 10 is in need of extensive renewal. It is rated seismically "Poor." Recent studies have shown that it poses a significant risk for the safety of its occupants and could sustain substantial damage in a large earthquake. The building also has significant fire, life safety, and accessibility deficiencies that must be addressed in conjunction with the seismic retrofit work. These deficiencies, typical in older buildings, include an obsolete fire alarm system, lack of an automatic sprinkler system, and exiting and other deficiencies. Building 10 also requires extensive site and building alterations to bring it into compliance with the Americans with Disabilities Act. The roofing underlay, foundation waterproofing, doors,

windows, toilet fixtures, and floor surfaces, as well as the mechanical, electrical, and plumbing systems, are approaching the end of their useful life and need replacement and upgrading. In addition, the twenty-year-old servery and certain kitchen areas need renovation to provide better food service delivery.

A comprehensive facilities condition assessment of Clark Kerr Campus, which assessed the condition of the site, its buildings, and its utility systems, confirmed the significant deficiencies of Building 10. The consultants also concluded that the basic elements of the Clark Kerr Campus and its buildings are sound and, if normal preventative maintenance and improvements are implemented within five to ten years, the facilities should continue to function well for the next thirty years.

Project Description

The proposed project would make structural improvements to Clark Kerr Campus Building 10 to bring its seismic rating to "Good." Work includes strengthening of roof diaphragms, improving connections between walls and roof diaphragms, providing supplemental support for trusses, and replacing foundation footings at specified locations. The project would make additional improvements to sustain and enhance the building's functionality for the next thirty years. This work includes installation of a comprehensive fire protection system, improvements to meet requirements of the Americans with Disabilities Act (ADA), and correction of various other building deficiencies. The servery would be redesigned to create a flexible space that could be used effectively throughout the year. The kitchen, dining rooms, and courtyard areas would be improved, and worn and outdated building systems and finishes would be replaced to extend the life of the building. The work would respect the historic fabric of the structure. Construction would occur during the summer and part of the fall semester, during which time the building would be closed and alternate dining options would be provided to students as necessary. Completion is anticipated during fall 2004.

Project Cost

The project would be funded by the housing system from a combination of cash reserves and long-term debt. The total project cost is estimated to be $12,385,000. While the budget is relatively high, there are several factors contributing to the cost for this particular project and site.

- Historic landmark status. The Clark Kerr Campus is listed on the National Register of Historic Places, and the proposed work would be conducted in conformance with the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings. Additional costs associated with a conforming design to upgrade the building's seventy-year old infrastructure are estimated to be from $290,000 to $340,000.

- Inefficient existing wall area ratio. The existing wall-to-floor area ratio (i.e., building envelope to floor area) is extraordinarily high. The wall area is approximately 29,480 square feet while the floor area is only 18,441 asf. The impact of this high ratio on the cost to renovate this historic but inefficient building is in the $95,000 to $125,000 range.

- Extensive site work. This project has an unusual amount of site work associated with it. Four courtyards, a service area, a loading dock, and the arcade are to be renovated. Additionally, accessibility ramps and a new fire service water main need to be installed. A premium of $390,000 to $430,000 is estimated for the large amount of site work in this project.

- Near-fault condition. The project site is within 900 feet of the Hayward Fault. The ground accelerations at the site are approximately 60% higher than what is typical for Zone 4 code requirements, requiring additional strengthening measures to address the near-fault condition. The planned removal of the entire historic clay tile roof and parts of the ceilings to provide access for the installation of the bracing has a significant impact on the project schedule and budget. Costs associated with this work are approximately $400,000 to $450,000.

- Accelerated construction schedule. To minimize the impact on students, construction is planned to occur over a 4.5-month period during summer and fall, and would require overtime and split shifts to ensure that the kitchen is completed by mid-August and that the servery passes all fire and food safety inspections prior to the fall rainy season. The increased allowance for work-around schedules and special shifts is $200,000 to $230,000.

- Temporary food service. Eight hundred and thirty-five students would occupy the Clark Kerr Campus residence halls during the fall construction period and they would require access to full food service. (The conference service program would be curtailed during summer 2004.) The closest alternative UCB dining facility for these occupants is over five city blocks (4,000 ft.) away.

The above factors significantly increase the cost of the project. Although the cost of the project is high, the factors above must be accounted for to accomplish the campus's continuing program to carry out needed seismic safety corrections and general infrastructure renovation work to provide safe, functional, and high-quality student living quarters and associated facilities. Seismic renovation is imperative to the campus in order to meet the safety goals set forth by The Regents for University facilities.

CEQA Classification

The project is considered categorically exempt under CEQA Class 31 (Section 15331) for Historical Resource Restoration/Rehabilitation.

Financial Feasibility

The total project cost of $12,385,000 at CCCI 4100 would be funded from external financing ($11,000,000) and the Berkeley campus's share of the UCHS Net Revenue Fund ($1,385,000). Assuming 30-year financing of $11,000,000 at 6.125% interest, the average annual debt service for the project would be $810,000. Payment of the debt service would be from the Berkeley campus's share of the UCHS annual net revenues. Operating expenses would be reduced as a result of new operating economies. This project would not change already-established rates for housing, dining, or child care.

Additional financial feasibility information may be found in Attachment 2.

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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PROJECT STATISTICS
CLARK KERR CAMPUS BUILDING 10 RENEWAL
CAPITAL IMPROVEMENT BUDGET
BERKELEY CAMPUS
CCCI 4100

Cost Category		Amount	% of Total
Site Clearance	$	458,000	3.8%
Building		6,845,000	56.8%
Exterior Utilities		158,000	1.3%
Site Development		935,000	7.7%
A/E Fees [a]		868,000	7.2%
Campus Administration [b]		358,000	3.0%
Surveys, Tests		230,000	1.9%
Special Items [c]		1,643,000	13.6%
Contingency		570,000	4.7%
Total	$	12,065,000	100.0%
Groups 2 & 3 Equipment		320,000	
Total Project	$	12,385,000	

Statistics

Gross Square Feet (GSF) [d]	25,829
Assignable Square Feet (ASF) [d]	18,441
Ratio ASF/GSF (%) UC	71%
Building Cost/GSF [d]	$265
Building Cost/ASF [d]	$371

Comparable University Projects at CCCI 4100

Date of Latest Approval*	Campus	Project	Ratio gsf/asf	Building Cost/GSF
8/26/02	Santa Barbara	Dining Commons Seismic Corrections	100%	$199
9/30/02	Davis	Tercero Dining Commons	96%	$190(e)
8/7/02	Los Angeles	Rieber-North & West Resid Halls	95%	$325(e)

*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 specialty consultants, environmental assessment and CEQA costs, code compliance fees, surge costs, and miscellaneous items totaling $1,393,000, and interest expense totaling $250,000.
(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.
(e) Includes dining commons portion of project only (housing portion excluded).

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: Clark Kerr Campus Building 10 Renewal project, Berkeley campus

Total Estimated Project Cost:		$12,385,000
Proposed Source of Funding:		
External Financing		$11,000,000
UCHS Net Revenues		$ 1,385,000
	Total	$12,385,000
Projected Financing Terms:		
Interest rate: 6.125%	Duration: 30 years	
Estimated Annual Revenue (2006-07)[1]:		
7,525 existing bed spaces and dining hall operations @ 97% occupancy[2]	Total	$97,305,000
Existing Facilities Operating Expenses		$55,121,000
Net Revenue		$42,184,000
Estimated UC Berkeley Housing And Dining Annual Expenses (2006-07)[1]:		
Proposed new principal and interest		$ 810,000
Existing principal and interest		$27,144,000
Total Debt Service		$27,954,000
UC Berkeley Housing And Dining Information (2006-07)[1]:		
Estimated annual net revenues		$42,184,000
Estimated annual loan payments		$27,954,000
Estimated surplus for major maintenance		$14,230,000
Estimated debt service coverage		1.51x
University of California Housing System Information (2006-07)[1]:		
Estimated annual net revenues		$311,873,000
Estimated annual loan payments		$199,155,000
Estimated surplus for major maintenance		$112,718,000
Estimated debt service coverage		1.56x

[1] Represents first full year of principal and interest payment.
[2] Includes estimated interest income.