

UNIVERSITY OF CALIFORNIA

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September 20, 2004

IN CONFIDENCE

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 LECONTE HALL RENOVATIONS, 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 2004-05 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Berkeley: A. LeConte Hall Renovations -- preliminary plans, working drawings, construction, and equipment -- \$13,440,000, to be funded from external financing (\$12,000,000) and campus funds (\$1,440,000).

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

- (2) The President be authorized to obtain external financing not to exceed \$12,000,000 to finance a portion of the cost of construction of the LeConte Hall Renovations project, Berkeley campus, subject to the following conditions:
 - a. Repayment of the debt service shall be from the Berkeley campus's share of the University Opportunity Fund; and

b. 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 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

2004-2005 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 2004-05		
<u>Berkeley</u>	P	\$ 930,000	LB
	W	\$ 790,000	LB
LeConte Hall Renovations	C	\$ 10,280,000	LB
	C	\$ 1,240,000	X
	E	\$ 200,000	X
(\$13,440,000)			

DESCRIPTION

The LeConte Hall Renovations project would renovate approximately 53,200 asf in LeConte Hall (including minor renovations in Birge Hall) to accommodate changed space needs of the Department of Physics on the Berkeley campus. The project would reconfigure interior spaces, upgrade indoor air quality, improve the basic utility infrastructure, restore the historic skylight, and refurbish the architectural finishes throughout the building.

Background

LeConte Hall, which totals 90,800 asf, was constructed in two phases. Old LeConte, the original section completed in 1924, is presently vacant and is undergoing seismic corrections under a \$15.7 million, State-funded project scheduled for completion in June 2005. The 1950 addition, known as LeConte annex, remains in service. Prior to the seismic safety project, about 84 percent of LeConte Hall directly served the Department of Physics (75,600 asf); the remainder housed general assignment classrooms (10,000 asf), the Physics-Astronomy Library, a branch of the general library (4,700 asf), and miscellaneous uses (500 asf).

Old LeConte Hall is an historic structure both for its architecture and the great number of important scientific discoveries that have taken place there. Designed by University Architect John Galen Howard, it is a notable element of his master plan for the Berkeley campus. In 1929, E. O. Lawrence invented the cyclotron there, inaugurating the field of high energy physics and helping to establish the University of California's reputation as a leading research institution. While the field of physics has changed enormously in the intervening 80 years, the building has changed very little and old LeConte Hall's original interior configuration no longer meets the academic needs of the department.

In 1996 a new study of LeConte Hall lowered the seismic rating of the building's original wing from "fair" to "poor." As a result, a \$15.7 million project was approved and funded in the campus's State-funded capital improvement program (preliminary plans in 1998-99, working drawings in 1999-2000, and construction in 2001-02). Construction, which is now under way, was delayed as a result of the complex relocation plan required to empty the building. Concurrent with the seismic work, high priority deferred maintenance work was scheduled, including \$1.75 million in the 2001-02 State-funded deferred maintenance program for mechanical, electrical, and other systems restoration and exterior waterproofing.

Project Description

The proposed project would renovate approximately 53,200 asf in LeConte Hall and Birge Hall to accommodate modern space needs of the Department of Physics. The majority of the remodeling work would take place in old LeConte, while two small remodeling projects would also be constructed on the first floor of LeConte annex and the fourth floor of Birge Hall.

To the extent feasible, the general circulation patterns and historic architectural finishes in old LeConte would be retained or reproduced. Approximately 15,500 asf of classrooms, instructional laboratories, course centers, and related support spaces on the first and second floors would be reconfigured to meet the needs of the modern physics curriculum. Approximately 20,000 asf on the third and fourth floors would be remodeled to create groups of academic offices, meeting rooms, and interaction spaces related to several subfields such as theoretical physics, condensed matter physics, and astrophysics. The interaction spaces would be designed to foster both formal and spontaneous discussion among faculty colleagues, visitors, postdocs, and students. Other remodeling work would include about 4,100 asf of research laboratories and 10,100 asf of shops and support spaces.

In LeConte Annex, approximately 2,500 asf would be remodeled for classrooms and class laboratories on the first floor. Approximately 1,000 asf on the fourth floor of Birge Hall would be remodeled to provide an improved interaction area.

The project would also install an HVAC system, add a new transformer and switchgear to increase electrical capacity, restore the historic skylight, and refurbish the architectural finishes throughout old LeConte.

The work would respect the historic fabric of the structure to the extent practical. Construction would start following design approval by the campus and completion of the State-funded "Seismic Safety Corrections, LeConte Hall" project, projected to be summer 2005, and would be completed by summer 2006.

Green Building Policy and Clean Energy Standard

This project would comply with the Systemwide Green Building Policy and Clean Energy Standard authorized by The Regents at their meeting of July 2003, as well as with the University of California Policy on Green Building Design and Clean Energy Standards dated June 16, 2004. As required by these policies, the project would adopt the principles of energy efficiency and

sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements.

CEQA Classification

In accordance with the California Environmental Quality Act (CEQA) and the University of California Procedures for the Implementation of CEQA, this project has been classified as requiring an Initial Study. The project will be analyzed in consideration of the findings of the Initial Study prior to approval of the design.

Financial Feasibility

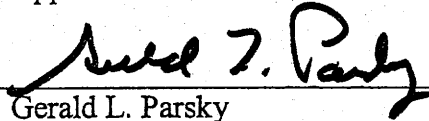
The total project cost for the LeConte Hall Renovations project is \$13,440,000. The project would be funded from campus funds (\$1,440,000) and external financing (\$12,000,000).

The \$12,000,000 of external financing will be funded from proceeds of a prior bond financing for another Berkeley campus project, Seismic Safety Construction Projects. The Seismic Safety project was funded from a combination of State funds, campus funds, Federal Emergency Management Agency (FEMA) funds and long term University financing. Since the bonds were issued, FEMA has provided an additional \$8,600,000 of funding for the Seismic Safety project which, combined with a surplus from the seismic safety project, will allow \$12,000,000 of bond proceeds to be spent on the LeConte Hall project.

The debt service associated with the \$12,000,000 of external financing is \$809,000 based on the actual bond debt service. Repayment for the debt would be from the Berkeley campus's share of the University Opportunity Fund. Opportunity Funds are a portion of the indirect costs recovered from federal contracts and grants. The University Opportunity Fund Debt Repayment Policy requires that campuses meet two financial tests: (1) that the amount pledged for debt payments shall not exceed 65 percent of the campus's total Opportunity Funds generated each year, and (2) that no more than 33 percent of the campus's total Opportunity Funds allocated each year are used for debt service payment. The Berkeley campus meets both tests. In fiscal year 2007-08, the second full year of occupancy for the project, 46 percent of the campus's total Opportunity Funds generated would be pledged for debt service.

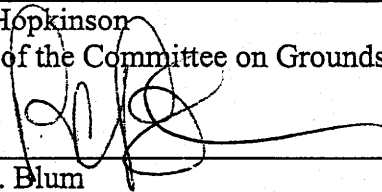
Additional financial feasibility information may be found in Attachment 2.

Approved:

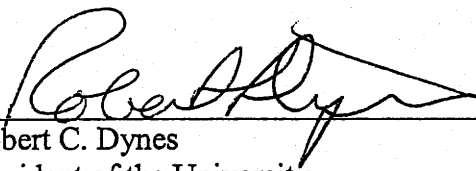


Gerald L. Parsky
Chairman of the Board

Judith L. Hopkinson
Chairman of the Committee on Grounds and Buildings



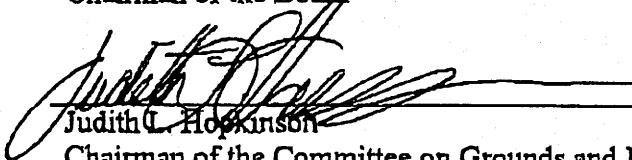
Richard C. Blum
Chairman of the Committee on Finance



Robert C. Dynes
President of the University

Approved:

Gerald L. Parsky
Chairman of the Board



Judith L. Hopkinson
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Robert C. Dynes
President of the University

LE Conte Hall

**PROJECT STATISTICS
LECONTE HALL RENOVATIONS
CAPITAL IMPROVEMENT BUDGET
BERKELEY CAMPUS
CCCI 4550**

<u>Cost Category</u>	<u>Amount (\$)</u>	<u>% of Total</u>
Site Clearance		
Building	10,210,000	77.1%
Exterior Utilities		
Site Development		
A/E Fees ^(a)	1,000,000	7.6%
Campus Administration ^(b)	425,000	3.2%
Surveys, Tests	125,000	0.9%
Special Items ^(c)	730,000	5.5%
Contingency	750,000	5.7%
Total	13,240,000	100.0%
Groups 2 & 3 Equipment	200,000	
Total Project	13,440,000	

Statistics

Gross Square Feet (GSF) ^(d)	90,300
Assignable Square Feet (ASF) ^(d)	53,200
Ratio ASF/GSF (%)	59%
Building Cost/GSF ^(d)	\$113
Building Cost/ASF ^(d)	\$192

Comparable University Projects at CCCI 4550

LeConte Hall Renovation involves the interior renovation and upgrade of a historic building. As such, a range of variables become problematic when attempting to make comparisons of construction costs to other projects. These variables include:

- The difference in the age and historic importance of the building;
- The different restrictions and requirements for renovation;
- The renovation objectives and the extent of renovation needed;
- The building's condition and type of construction.

Due to these circumstances, no comparable projects have been identified.

(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 \$290,000, and interest expense totaling \$440,000.

(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.

ATTACHMENT 2

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: LeConte Hall Renovations

Total Estimated Project Cost: \$ 13,440,000

Proposed Source of Funding:

External Financing (Prior Bond Proceeds) \$ 12,000,000

Campus Funds \$ 1,440,000

Total \$ 13,440,000

Projected Financing Terms:

Interest Rate: 5.11%

Duration: 30 years

Campus Opportunity Funds Information (FY2007-08)¹:

Pre-Off-the-Top Existing Garamendi Projects \$ 2,576,000

Opportunity Funds Generated \$ 24,175,000

Total Estimated Annual Revenue \$ 26,751,000

Estimated Average Annual Debt Service/O&M Expenditures (FY2007-08)¹:

Proposed Project Debt Service (Prior Bond Debt Service) \$ 809,000

Existing Garamendi Debt Service/O&M Expenditures \$ 2,576,000

Pledged Debt Service –Other Capital Projects \$ 9,003,000

Total \$ 12,388,000

Percentage of Opportunity Funds Pledged for Debt (FY2007-08)¹: 46%

Debt Service Coverage (2007-08): 2.17x

¹ Fiscal year 2007-08 represents second full year of occupancy.