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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 RESIDENCE HALLS UNIT 3 DINING COMMONS RENOVATION, BERKELEY CAMPUS

It is recommended that:

Pursuant to Standing Order 100.4(q)

- (1) The President amend the Budget for Capital Improvements and the Capital Improvement Program as follows:

From:

Berkeley: Residence Halls Unit 3 Dining Commons Renovation -- preliminary plans -- \$325,000 to be funded from the Berkeley campus's share of the University of California Housing System Net Revenue Fund.

To:

Berkeley: Residence Halls Unit 3 Dining Commons Renovation -- preliminary plans, working drawings, construction, and equipment --\$5,220,000 to be funded from external financing (\$4,220,000) and the Berkeley campus's share of the University of California Housing System Net Revenue Fund (\$1,000,000).

Pursuant to Standing Order 100.4(nn)

- (2) The President be authorized to obtain external financing not to exceed \$4,220,000 to finance a portion of the Residence Halls Unit 3 Dining Commons Renovation project, Berkeley campus, 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, University of California Housing System fees for the Berkeley campus shall be established at levels sufficient to provide excess net revenues sufficient to pay the debt service and to meet the related requirements of the proposed financing;
- (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

Budget for Capital Improvements
and Capital Improvements 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	\$250,000	LB
	W	\$345,000	LB
Residence Halls Unit 3 Dining Commons Renovation	C	\$3,625,000	LB
	C	\$462,000	N
	E	\$538,000	N
(\$5,220,000)			

DESCRIPTION

In November 2004, the President authorized the preparation of preliminary plans ("P") for the Residence Halls Unit 3 Dining Commons project, Berkeley campus, using up to \$325,000 from housing reserves. Programming and design have been carried out to determine the appropriate scope of work and required budget for the project (\$5,220,000), and approval of the complete project is now requested, to be funded with \$1,000,000 from housing reserves and \$4,220,000 from external financing. The project would update the seating and kitchen areas of the facility, located a block south of the central campus in the center of the Residence Halls Unit 3 complex, and expand its food service stations. It would improve the 16,908 asf facility's functionality and attractiveness and significantly increase its use.

Background

The current design of the Unit 3 Dining Commons does not allow for the delivery of dining services in the manner that today's students demand. The central kitchen is in relatively good condition, but is organized for bulk banquet-type food preparation and is not open to the dining area. Many of the dining areas are sequestered from view and are dimly lit. User flow through the facility is constricted and fragmented, making the commons feel dull and not promoting variety and socialization.

Use of the Unit 3 dining facility declined sharply when a major new dining facility ("Crossroads") was opened in 2003, just two blocks away. Crossroads set a new campus standard for student dining and has been highly successful. Although Crossroads was intended primarily to serve the residents of Units 1 and 2, many residents of Unit 3 now opt to walk to the newer, more attractive space, and Crossroads is currently serving meals well beyond its designed capacity. With the completion of the Units 1 and 2 in-fill housing project later this year, more than 800 new patrons will need to be accommodated by Crossroads, creating even more demand and overcrowding.

Renovation of Unit 3 Dining Commons would result in better service to students and would distribute the student population more evenly among campus facilities, easing congestion at Crossroads and improving the dining experience for students. With renovation, the facility would be able to accommodate students who do not eat during the typical breakfast, lunch, and dinner time periods by providing late evening and some 24-hour services. The campus expects that with the increase in efficiency and a change of services, Unit 3 would provide food service to approximately 1,500 patrons a day, compared with the current patron count of 740 a day. In turn, this would significantly reduce capacity problems at Crossroads.

Project Description and Schedule

The project would remodel and update the existing food service facility (16,908 asf) with a new layout, new finishes, and furnishings to allow an expanded menu selection and service capacity. The remodeled dining facility would seat up to 400 people. Outmoded kitchen equipment would be replaced, and additional food and beverage stations would be added. The project would include a new student convenience store and a new student lounge at the east end of the building. An adjacent outdoor seating area to create a dining patio would be bid as an alternate. The store would provide snacks, sundries, and other products. The proposed design would separate the store and lounge area from the main dining area, permitting extended hours of use when the main dining hall was closed. The project would also include upgrades to building systems, such as new fire sprinkler and alarm system, modifications to the ventilation system, and restroom facilities.

To increase visibility between the facility and the street, a new north-facing entry would be created, exterior graphics and lighting would be installed, and trees would be trimmed as required. The planned renovation for the dining function would provide new food service platforms and self-service areas. New seating and tables designed to minimize the institutional feel of the dining facility would be provided. The current restroom facilities would be expanded and upgraded to meet current accessibility code requirements.

The new convenience store would be approximately 2,000 square feet and provide basic necessities for students as well as take-out food and beverages. The student lounge would be approximately 1,600 square feet and would serve as a meeting place where socialization and study activities could occur, including times when the servery and dining hall are closed. It would be furnished with soft seating, small tables, a large-screen television, and other amenities.

Construction of the project is planned to begin in June 2005 and to be complete in November 2005.

Green Building Policy and Clean Energy Standard

This project would comply with the *Presidential Policy for Green Building Design and Clean Energy Standards* dated June 16, 2004. As required by this policy, 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

This project has been classified "categorically exempt" in accordance with the California Environmental Quality Act (CEQA) and the University of California procedures for the implementation of CEQA.

Financial Feasibility

The total project cost of \$5,220,000 would be funded from external financing (\$4,220,000) and the Berkeley campus's share of the University of California Housing System Net Revenue Fund (\$1,000,000). External financing of \$4,220,000, amortized over 15 years at a planning rate of 5.75%, results in an estimated annual debt service of \$427,000. Payment of the debt service would be from the Berkeley campus's share of the University of California Housing System annual net revenues.

To cover operating costs and debt service for this project as well as all approved Housing and Dining Services projects, annual increases of 5% for the next 3 years and 3% thereafter have been established. See the table below.

Additional financial feasibility information may be found in Attachment 2.

UC Berkeley Housing and Dining Services has established an annual (year over year) housing rate increase as displayed in the following table:

Rate Increase Associated with Proposed and Planned Projects

<i>Year</i>	<i>Operating Increase</i>	<i>Increase Associated with Approved Projects Not Yet On Line</i>		<i>Increase Associated with This Project</i>	<i>Other Increases</i>	<i>Total Rate Increase (%)</i>
2004-05	3.0%	2.0%	a			5.0%
2005-06	3.0%	1.5%	b	0.5%		5.0%
2006-07	3.0%	2.0%	c			5.0%
2007-08	3.0%	2.0%	c			5.0%
2008-09	3.0%					3.0%
2009-10	3.0%					3.0%
2010-11	3.0%					3.0%

- a. Units 1 and 2 Infill Student Housing and Common Areas (residence halls and single unit apartments)
- b. Clark Kerr Campus Building 10 Renewal (dining)
- c. University Village Redevelopment, Step 2 (family housing)

The proposed rate increases do not reflect the effect on rates from projects that have not yet been approved.

Approved:

 4/20/05

Robert C. Dynes
President of the University

Date

Attachments

PROJECT STATISTICS
RESIDENCE HALLS UNIT 3 DINING COMMONS RENOVATION
CAPITAL IMPROVEMENT BUDGET
BERKELEY CAMPUS
CCCI 4550

<u>Cost Category</u>	<u>Amount (\$)</u>	<u>% of Total</u>
Site Clearance	0	0.0%
Building	3,632,000	77.6%
Exterior Utilities	0	0.0%
Site Development	0	0.0%
A/E Fees ^(a)	555,000	11.8%
Campus Administration ^(b)	60,000	1.3%
Surveys, Tests	39,000	0.8%
Special Items ^(c)	143,000	3.1%
Contingency	253,000	5.4%
<i>Total</i>	4,682,000	100.0%
Groups 2 & 3 Equipment	538,000	
Total Project	5,220,000	

Statistics

Gross Square Feet (GSF) ^(d)	18,300
Assignable Square Feet (ASF) ^(d)	16,908
Ratio ASF/GSF (%)	92%
Building Cost/GSF ^(d)	\$198
Building Cost/ASF ^(d)	\$214

- (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, and miscellaneous items totaling \$73,000 and interest expense totaling \$70,000.
(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

Project Title: Residence Hall Unit 3 Dining Commons Renovation

Total Estimated Project Cost: \$ 5,220,000

Proposed Source of Funding:

External Financing		\$ 4,220,000
UCHS Net Revenues		<u>\$ 1,000,000</u>
	Total	\$ 5,220,000

Projected Financing Terms:

Interest Rate:	5.750%
Duration:	15 years

Estimated Annual Net Revenue (2007-08)¹:

7154 existing bed spaces and dining hall operations @ 96% occupancy ²		\$ 96,774,000
Existing Facilities Operating Expenses		<u>\$ 59,164,000</u>
Net Revenue	Total	\$ 37,610,000

Estimated Annual Debt Service (2007-08)¹:

Proposed new principal and interest		\$ 427,000
Existing principal and interest		<u>\$ 28,974,000</u>
	Total	\$ 29,401,000

UC Berkeley Housing and Dining Information (2007-08)¹:

Estimated net revenue		\$ 37,610,000
Estimated debt service		\$ 29,401,000
Estimated surplus for major maintenance		\$ 8,209,000
Estimated debt service coverage		1.28x

University of California Housing System Information (2007-08)¹:

Estimated net revenue		\$ 337,394
Estimated debt service		\$ 187,343
Estimated surplus for major maintenance		\$ 150,051
Estimated debt service coverage		1.49

¹ Represents first full year of principal and interest payments.

² Includes estimated interest income.