



OFFICE OF THE PRESIDENT

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**ACTION UNDER PRESIDENT'S AUTHORITY--AMENDMENT TO THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL FINANCING FOR 145 IRVING STREET HOUSING PROJECT, SAN FRANCISCO CAMPUS**

It is recommended that:

**Pursuant to Standing Order 100.4(q)**

- (1) The President amend the 2004-05 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

San Francisco: 145 Irving Street Housing Project- preliminary plans, working drawings, construction, and equipment - \$5,640,000 to be funded from external financing (\$3,950,000) and Housing Reserves (\$1,690,000).

**Pursuant to Standing Order 100.4(nn)**

- (2) The President approve and authorize external financing not to exceed \$3,950,000 to finance the 145 Irving Street Housing 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 the debt is outstanding, the San Francisco Campus' housing system (student housing) fees shall be established to provide net revenue sufficient to pay debt service and to meet related requirements of the financing; and
  - c. The general credit of The Regents shall not be pledged.
- (3) The 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) The 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.

(Attachments)

KEY  
Capital Improvement Program Abbreviations

<b>S</b>	Studies
<b>P</b>	Preliminary Plans
<b>W</b>	Working Drawings
<b>C</b>	Construction
<b>E</b>	Equipment
<b>-</b>	State Funds (no abbreviation)
<b>F</b>	Federal Funds
<b>G</b>	Gifts
<b>HR</b>	Hospital Reserve Funds
<b>I</b>	California Institutes for Science and Innovation
<b>LB</b>	Bank Loans or Bonds (External Financing includes Garamendi, Bonds, Stand-By, Interim, and Bank Loans)
<b>LR</b>	Regents' Loans (Internal Loans)
<b>N</b>	Reserves other than University Registration Fee (Housing and Parking Reserves)
<b>R</b>	University Registration Fee Reserves
<b>U</b>	Regents' Appropriations (President's Funds, Educational Fund)
<b>X</b>	Campus Funds
<b>CCCI</b>	California Construction Cost Index
<b>EPI</b>	Equipment Price Index

2004-05 Budget for Capital Improvements and  
Capital Improvement Program  
Scheduled for  
Regents' Allocation, Loans, Income Reserves, University Registration Fee Reserves,  
Gift Funds, and Miscellaneous Funds

Campus and Project Title (Total Cost)		Proposed 2004-05	
<u>San Francisco</u>	P	\$193,000	LB
145 Irving Street	W	\$413,000	LB
Housing Project	C	\$3,344,000	LB
	C	\$1,690,000	N
(\$5,640,000)			

**DESCRIPTION**

UCSF requests approval of the project budget for the 145 Irving Street Housing project at a total project cost of \$5,640,000, as well as approval of external financing in the amount of \$3,950,000. The project would construct a 14,000 asf (17,000 gsf) building comprising 18 two-bedroom apartments (36 beds) for students and post doctoral scholars.

**Background/Supply and Demand**

The UCSF campus housing currently offers housing to approximately 14 percent of the enrolled student body. At present there are 170 single students on the waiting list for UCSF Parnassus Heights housing.

In summer 2005, after demolition of obsolete structures at Aldea Student Family Housing, and before occupancy of the Mission Bay Housing project, UCSF will have 305 student beds at Parnassus Heights. When Mission Bay Housing opens in fall 2005, 756 beds (430 units) will become available to students and postdoctoral scholars. The 145 Irving Street project would add 36 beds by May 2006, by which time UCSF's inventory would reach 1,097 beds, serving only about 31 percent of the student body. UCSF's Long Range Development Plan establishes a goal to provide housing for 40 percent of the students, as well as 25 percent of the post doctoral scholars and post graduate researchers.

The above information is summarized in the following table:

<b>University of California, San Francisco</b>				
<b>University Residence Program Student Housing Inventory</b>				
<i>Ownership</i>	<i>Housing Complex</i>	<i>Single Student Spaces</i>	<i>Married Student Spaces</i>	<i>Total</i>
Campus	Avenue Housing (3 <sup>rd</sup> and 5 <sup>th</sup> Avenue)	110	0	110
	Turk Street Housing	<u>65</u>	<u>0</u>	<u>65</u>
	Subtotal	175	0	175
UC Housing System	Aldea Student Family Housing*		130	130
	Mission Bay Housing <sup>†</sup>		<u>756</u>	<u>756</u>
	Total Existing Housing	350	886	1,061
	145 Irving Street (proposed project)			36
	<b>Grand Total</b>			<b><u>1,097</u></b>

\* The total represents the number of spaces available after demolition of five obsolete buildings by the end of summer 2005.

† The split between single and married student spaces at Mission Bay Housing project has not yet been determined.

Not only does UCSF need to increase housing inventory at Parnassus Heights, it needs to make that inventory more diverse, providing more single occupancy rooms for students. The proposed project would address the deficiency in supply, as well as increase UCSF's inventory of single-occupancy units.

Although San Francisco's housing rates are among the highest in the nation, until recently the rental vacancy rate was less than one percent. Although that figure has begun to increase (currently 4.8 percent for all housing types), demand for affordable housing remains strong. Current vacancy rates for rental units are close to 8 percent. In the local market, affordable off-campus units for lease or purchase are very difficult to find. There is a particularly high demand for rental units close to Parnassus Heights and the UCSF Medical Center, increasing the demand for on-campus housing and driving up market rental rates.

### Project Description

The project would be targeted to graduate/professional or post-doctorate scholars, and would be located on the northern boundary of the Parnassus Heights campus, at the corner of Third Avenue and Irving Street. The development would occupy two side-by-side UCSF lots located in a residential neighborhood adjacent to campus buildings. 145 Irving Street is currently vacant, and the adjacent 1308-1310 Third Avenue building is planned for demolition (these 1926 buildings contain 3,200 gsf (2,500 asf) of office space, which would be relocated). Development of these sites for housing is consistent with the UCSF 1996 Long Range Development Plan and with the UCSF Housing Implementation Plan (October 2004).

The Type V (wood frame) four-story building would comprise 18 units, each approximately 700 gsf. Each unit would include two single-occupancy bedrooms (36 beds), as well as a living-dining-kitchenette area and one bathroom. The building would also include a common laundry room, bike storage, refuse/recycling room, and elevator.

The scope of work would include demolition of 1308-1310 3rd Avenue, excavation to shore up the adjacent house and provide retaining walls, and construction of a wood frame building with sloped, shingle roofing and concrete slab-on-grade foundation. The building would be 40 feet tall. The project also requires relocation of an exterior emergency exit path to provide egress for the residences on the east side of Third Avenue.

A survey has determined that half of UCSF students do not have cars, and this building would be targeted to that population. Additionally, consistent with the City of San Francisco's policy to encourage use of transit, the project would not provide parking, nor would tenants be eligible for City of San Francisco residential parking permits allowing them to park on the street. The main campus is within walking distance one block away. For other destinations, public transit is a very viable alternative as the project would be located on a main public transit corridor. Additionally, a City CarShare vehicle (owned by the City and available for use by anyone participating in the program) would be available next door in UCSF's parking garage.

The project would be constructed between May 2005 and July 2006.

### 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. Specific information regarding energy efficiency and sustainability would be provided when the project is presented for design approval.

### Project Cost

The total estimated project cost is \$5,640,000, or \$157,000 per bed. Cost factors affecting the budget for this project include: (1) the high cost associated with constructing a foundation on a steep hillside; (2) staging difficulties within the limitations of the surrounding neighborhood, where parking and staging opportunities are constrained; (3) the cost of shoring up the adjacent existing house and constructing retaining walls; and (4) escalating construction market costs.

### CEQA Classification

Pursuant to state law and University procedures for implementation of the California Environmental Quality Act (CEQA), a Supplemental Environmental Impact Report (SEIR) was prepared for the UCSF Parnassus Housing and Childcare Implementation Plan (State Clearinghouse Number 1995123032). The project described in this President's Item comprises one of the projects that were analyzed in the SEIR. The SEIR was certified by the Senior Vice President Business and Finance on November 16, 2004, in conjunction with approval of a LRDP Amendment.

### Financial Feasibility

The total project cost is \$5,640,000 to be supported with external financing (\$3,950,000) and Housing reserves (\$1,690,000). Assuming 30-year financing at a planning rate of 6.125 percent, the average annual debt service (principal and interest) for the 145 Irving Street Housing project would be approximately \$291,000 for the first full year of principal and interest payment in FY 2008-09. The debt service would be paid from revenue generated by UCSF's Campus Housing System (student housing). These funds are projected to be sufficient to meet debt service coverage of 1.25 for the duration of the financing.

This property will be part of the UCSF Campus Housing System, whose operations and finances are managed by the campus, as distinguished from the University of California Housing System (UCHS), which is governed and financially administered by the Office of the President.

In addition to the Irving Street project, a separate President's Item is concurrently being routed for approval which would renovate three properties on Fifth Avenue for Faculty Housing. (Faculty and Student housing units and finances are separately maintained.)

### Rental Rates for San Francisco (student housing)

The project is planned to provide the units at 10 percent to 15 percent below the overall San Francisco market rate, depending on market conditions at the time of occupancy.

The following table summarizes rental rates per bed for student housing in the current Campus Housing System through FY 2008-09 (the first full year of principal and interest payment).

University of California, San Francisco  
University Residence Program Student Housing  
**Monthly Rental Rate Increase**

<i>Fiscal Year</i>	<i>Average Monthly Rental Rate Per Bed</i>	
	<i>Rate</i>	<i>% Increase</i>
2004-2005	\$564	3.0%
2005-2006	\$581	3.0%
2006-2007	\$599	3.0%
2007-2008	\$617	3.0%
2008-2009 <sup>(1)</sup>	\$635	3.0%
<b>Total Increase</b>	<b>\$71</b>	<b>15.0%</b>

(1) First Full Year of Principal and Interest payment

The projected housing rate for the proposed project is \$1,892 in 2008-09, or \$946 per bed per month. This would be lower than the citywide average for two-bedroom apartments, which was \$2,075 in July 2004. However, it would be higher than the average rate within the UCSF Campus Housing System, because existing housing stock is older and occupancy is quite dense compared to the proposed project. UCSF expects that graduate and professional students and post-doctoral scholars will pay more to live in units with single-occupancy bedrooms, where common areas are shared with only one other student.

Rental rates have been established at the level required to cover debt service and operating costs. Debt service and operating costs for this project would not affect current rental rates for the existing units in the San Francisco Campus Housing System (student housing) at Parnassus Heights. Campus rental rates for all student housing units would remain under-market. Additional financial feasibility information may be found on Attachment 2.

Approved by:

  
Robert C. Dynes

President of the University

3/23/05  
Date

(Attachments)



**ATTACHMENT I**

**PROJECT STATISTICS  
145 IRVING STREET HOUSING PROJECT  
CAPITAL IMPROVEMENT BUDGET  
SAN FRANCISCO CAMPUS  
CCCI 4685**

**Cost Category**

	<b><u>Total</u></b>	<b><u>% of Total</u></b>
Site Clearance		0%
Construction	\$4,625,000	82.0%
Exterior Utilities	50,000	0.9%
Site Development	30,000	0.5%
Fees <sup>(a)</sup>	393,000	7.0%
A&E/PP&C <sup>(b)</sup>	130,000	2.3%
Surveys, Tests, Plans, Specs	0	0%
Special Items <sup>(c)</sup>	181,000	3.2%
Contingency	<u>231,000</u>	4.1%
<b>Total P-W-C</b>	<b>\$5,640,000</b>	<b>100%</b>
Group 2 & 3 Equipment		
<b>Total Project</b>	<b>\$5,640,000</b>	

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**Statistics**

Gross Square Feet (GSF) <sup>(d)</sup>	17,000
Assignable Square Feet (ASF) <sup>(d)</sup>	14,000
Ratio ASF/GSF (%)	82.4%
Building Cost/GSF <sup>(d)</sup>	\$272
Building Cost/ASF <sup>(d)</sup>	\$330
GSF/bed	472
Total project cost per bed	\$156,666

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(a) Fees include executive architect and other professional design contract costs.

(b) Campus administration includes project management and inspection.

(c) Special items include EH&S Services (\$18,000), Agency Fees (\$3,000), totaling \$21,000; and capitalized interest totaling \$160,000.

(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 II**

**SUMMARY FINANCIAL FEASIBILITY ANALYSIS**

**Project Title: 145 Irving Street Housing Project**

<b>Total Estimated Project Cost:</b>	<b>\$ 5,640,000</b>
<b>Proposed Sources of Funding</b>	
External Financing	\$ 3,950,000
Housing Reserves	<u>\$ 1,690,000</u>
<b>Total Funding:</b>	<b><u>\$ 5,640,000</u></b>
<b>Proposed External Financing Terms:</b>	
Interest Rate:	6.125%
Term Years:	30
<b>Estimated Annual Revenue (FY 2008-09 - First Full Year of Debt Service)</b>	
Estimated Annual Revenue (Proposed Project):	\$ 388,000
Annual Revenue (Existing System)	<u>\$ 714,000</u>
<b>Total Estimated Annual Revenue:</b>	<b><u>\$ 1,102,000</u></b>
<b>Estimated Annual Operating Expenses (FY 2008-09 - First Full Year of Debt Service)</b>	
Operating Expenses (Proposed Project):	\$ 54,000
Operating Expenses (Existing System)	<u>\$ 673,000</u>
<b>Total Operating Expenses</b>	<b><u>\$ 727,000</u></b>
<b>Net Revenues Available for Debt Service (FY 2008-09 - First Full Year of Debt Service)</b>	<b><u>\$ 375,000</u></b>
<b>Housing Debt Service</b>	
Principal and Interest (Proposed Project)	\$ 291,000
Principal and Interest (Existing System)	<u>\$ -</u>
<b>Total Housing Debt Service</b>	<b><u>\$ 291,000</u></b>
<b>San Francisco Campus Housing System (FY 2008-09 - First Full Year of Debt Service)</b>	
Estimated Annual Net Revenue	\$ 375,000
Estimated Annual Debt Service	\$ 291,000
Estimated Annual Surplus	\$ 84,000
<b><u>Total Housing Debt Service Coverage Ratio</u></b>	<b>1.29</b>