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**ACTION UNDER PRESIDENT'S AUTHORITY – AMENDMENT OF THE BUDGET FOR
CAPITAL IMPROVEMENT AND THE CAPITAL IMPROVEMENT PROGRAM AND
APPROVAL OF EXTERNAL FINANCING FOR LAKRETZ HALL, LOS ANGELES CAMPUS**

It is recommended that:

Pursuant to Standing Order 100.4 (q)

- (1) The President amend the 2005-06 Budget for Capital Improvements and the Capital Improvement Program as follows:

From: Los Angeles: LaKretz Hall -- preliminary plans, working drawings, construction and equipment -- \$8,450,000 total project cost to be funded from gift funds (\$6,500,000) and campus funds (\$1,950,000).

To: Los Angeles: LaKretz Hall -- preliminary plans, working drawings, construction and equipment -- \$9,600,000 total project cost to be funded, gift funds (\$4,000,000), campus funds (\$1,100,000) and external financing (\$4,500,000).

Deletions shown by strikeout; additions by underscore

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

- (2) ~~The President approve and the Treasurer be authorized to obtain stand-by financing not to exceed \$2,000,000 and interim financing not to exceed \$2,500,000 (for a total of \$4,500,000) to finance the LaKretz Hall project, subject to the following conditions:~~
- (2) The President be authorized to obtain external financing not to exceed \$4,500,000 to finance the LaKretz Hall project, subject to the following conditions:
- a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

- b. Repayment of any financing shall be the Los Angeles campus' share of the University Opportunity Fund.
 - 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 abbreviations and the project description are attached.

KEY

Capital Improvement Program Abbreviations

S	Studies
P	Preliminary Planning
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 included 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
Q	Funds from sources yet to be determined
CCCI	California Construction Cost Index
EPI	Equipment Price Index

2005-06 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	Prior <u>Approval</u>	Proposed <u>2005-06</u>
<u>Los Angeles</u>		
LaKretz Hall	P \$399,000 G	C - \$2,500,000 G
	W \$411,000 G	C - \$ 850,000 X
	C \$5,490,000 G	C \$4,500,000 LB
	C \$1,950,000 X	
	E \$ 200,000 G	
(\$9,600,000)		

DESCRIPTION

This action requests approval of a \$1,150,000 budget augmentation, approval of change in fund source, and approval of external financing in the amount of \$4,500,000 for the LaKretz Hall project at the Los Angeles campus.

The campus originally planned to support \$6,500,000 of the project cost with gifts, but has not been successful in raising additional gifts beyond the \$4,000,000 LaKretz naming gift, which has fully been collected. Accordingly, the campus plans to terminate the gift campaign for this project and approval is sought to support the balance of gifts not collected (\$2,500,000), fund the budget augmentation (\$1,150,000), and replace previously allocated campus funds (\$850,000) for a total of \$4,500,000 with external financing.

Background

In May 1997, The Regents were presented with an overview of the proposed UCLA Academic Health Center Facilities Reconstruction Plan, which would repair and replace major portions of the Center for Health Sciences that were damaged by the 1994 Northridge earthquake.

In June 1998, The Regents approved the Orthopaedic Hospital J. Vernon Luck, Sr., M.D. Center in conjunction with a partnership agreement with the Orthopaedic Hospital, and in November 1998, The Regents approved the Health Sciences Seismic Replacement Building 2, which will replace seismically damaged Center for Health Sciences space. These adjacent and physically connected buildings will be constructed on the current site of the Life Sciences Auditorium wing and the Plant Physiology building. A project to build a replacement Plant Physiology building received Presidential approval in October 2000.

The LaKretz Hall project would replace the Life Sciences auditorium used for Life Science courses and allow consolidation of Institute of Environment Offices.

In February 2002, The President approved the LaKretz Hall project for inclusion in the 2001-2002 Budget for Capital Improvements for a total project cost of \$8,450,000 and approved stand-by financing of \$2,000,000 and interim financing of \$2,500,000 pending completion of the fund raising campaign for the project. In September 2002, The Regents certified the addendum to the Environmental Impact Report and approved the design for the LaKretz Hall project.

Project Description

LaKretz Hall is a three-story structure of 12,500 asf (22,000 gsf), rising 60 feet above grade. The building houses Life Sciences courses, conferences and presentations and offices for the Institute of Environment. The first floor includes an auditorium with 350 seats, a lobby, a 45-seat classroom, restrooms, a data room, an audio-visual room and storage. The auditorium is double-height space, with fixed seating sloped up to the second floor. Auditorium access is from the first floor Court of Sciences level, with additional access to the rear of the auditorium from the second floor. The second floor includes the auditorium, a lobby, two 24-seat seminar rooms, a projection room and related storage space. The third floor houses the Institute of Environment program, including administrative and academic offices, a research area, meeting rooms and related support space. Exterior spaces include a covered entrance porch and a walkway. An elevator services all floors and connects to the Court of Sciences.

Construction started in October 2003 and was substantially completed in September 2005.

Need for Budget Amendment

A project cost increase of \$1,150,000 is needed due to the following:

Construction Cost Increases (+\$772,000)

Construction costs have exceeded the original budget due to the lowest construction bid received exceeding the pre-bid estimate (+\$468,000), routine design coordination changes (+\$262,000), increased miscellaneous construction costs (\$22,000), and higher voice and data cabling costs (+\$20,000).

Soft Cost Increases (+\$443,000)

External fees increased due to amendments of the project's architect scope to add landscape architecture services (+\$17,000) and comply with schedule delays (\$60,000). Internal fees increased due to schedule delays and additional inspection requirements (\$312,000). Testing costs were higher due to changes in State Law that required the payment of prevailing wage to testing and inspection firms and underestimating necessary work (\$92,000). These additional costs were partially offset by a reduction in the allowance for consultant reimbursable (\$38,000)

Special Items (+\$245,000)

Loan interest has been increased from \$51,000 to \$305,000 due to increased project costs and schedule delays.

Contingency Decrease (-\$310,000)

The construction, soft costs and loan interest increases were partially offset by the allocation of available project contingency.

Financial Feasibility

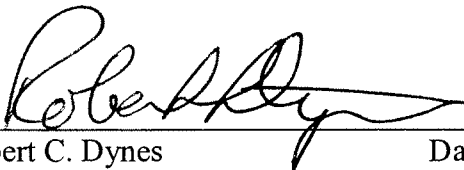
The total revised project cost of \$9,600,000 would be funded from gifts (\$4,000,000), campus funds (\$1,100,000), and external financing (\$4,500,000).

The campus had originally planned to support \$6,500,000 of the project cost with gifts but has not been successful in raising additional gifts beyond the \$4,000,000 LaKretz naming gift, which has fully been collected. Accordingly, the campus plans to terminate the gift campaign for this project and approval is sought to support the balance of gifts not collected (\$2,500,000), fund the budget augmentation (\$1,150,000) and replace previously allocated campus funds (\$850,000) with external financing for total external financing of \$4,500,000 including \$4,195,000 for project costs and \$305,000 for interest during construction costs. If approved, the current outstanding balance in stand-by and interim financing of \$4,500,000 would be replaced with external financing.

Assuming campus debt of \$4,500,000 amortized over 30 years at 6.125 percent interest, the average annual debt service is estimated at \$331,000 and would be repaid from the Los Angeles campus' share of the University Opportunity Fund. Opportunity Funds are a portion of the indirect cost recovery generated by 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% of the campus' total Opportunity Funds allocated each year, and (2) that no more than 33% of the campus' total Opportunity Funds allocated each year are used for debt service payment. The Los Angeles campus meets both tests. In fiscal year 2007-08, the first full year of principal and interest payments for the project, 42.5% 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.

Further financial information is shown on Attachment 2.

Approved by:



Robert C. Dynes
President of the University

Date

(Attachments)

ATTACHMENT 1

**LAKRETZ HALL
CAPITAL IMPROVEMENT BUDGET
LOS ANGELES CAMPUS
CCCI 4328**

<u>Cost Category</u>	<u>Amount</u>	<u>% of Total</u>
Site Clearance		
Building	6,933,000	73.8
Exterior Utilities		
Site Development	0	0
Fees	731,000	7.8
A&E/PP&C	909,000	9.6
Surveys, Tests, Plans	235,000	2.5
Special Items ^(a)	592,000	6.3
Contingency		
Total	9,400,000	100.0%
Group 2 & 3 Equipment	<u>200,000</u>	
Total Project	9,600,000	

Statistics

Gross Square Feet (gsf) ^(b)	22,000
Assignable Square Feet (asf) ^(b)	12,500
Ratio asf/gsf (%) UC	57%
Building Cost/gsf ^(b)	\$315

(a) Special items include EIR monitoring; programming consultant; signage consultant value engineering; structural peer review; and agency fees totaling \$287,000; and interest during construction (\$305,000).

(b) 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: LaKretz Hall

Total Estimated Project Cost: \$9,600,000

Proposed Sources of Funding

Gift Funds	\$ 4,000 000
Campus Funds	1,100,000
External Financing	<u>4,500,000</u>
Total	\$ 9,600,000

Projected Financing Terms

Interest Rate: 6.125%

Duration: 30 years

Campus Opportunity Fund Information

Estimated Annual Revenue (2007-08) ¹	
Opportunity Fund Allocation	\$42,923,000
Pre-Off-the-Top Generated (Garamendi Projects)	<u>7,090,000</u>
Total	\$50,013,000

Estimated Annual Debt Service (2007-08)

Campus Debt Service – Other Projects	\$13,813,000
Garamendi Debt Service and OMP	7,090,000
Estimated Debt Service – LaKretz Hall	<u>331,000</u>
Total	\$21,234,000

Percentage of Opportunity Funds Pledged for Debt (65% policy limit) 42.5%

Debt Service Coverage 2.36X

¹ First full year of principal and interest payment

² Included in the campus debt targets