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August 15, 2005

**ACTION UNDER PRESIDENT'S AUTHORITY- AMENDMENT OF THE BUDGET FOR
CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND
APPROVAL OF EXTERNAL FINANCING FOR LIFE SCIENCES REPLACEMENT BUILDING
SITE PREPARATION, 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 to include the following project:

Los Angeles: Life Sciences Replacement Building Site Preparation - preliminary plans, working drawings, and construction -- \$5,817,000 to be funded by external financing.

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

- (2) The Treasurer be authorized to obtain financing not to exceed \$5,817,000 to finance construction of the Life Sciences Replacement Building Site Preparation 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. Repayment of any financing shall be from the Los Angeles campus' share of Opportunity Funds; 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 is attached.

KEY
Capital Improvement Program Abbreviations

S	Studies
P	Preliminary Planning
W	Working Drawings
C	Construction
E	Equipment
-	State (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

2005-06 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		Proposed <u>2005-06</u>	
<u>Los Angeles</u>			
Life Sciences Replacement	P	\$ 395,000	LB
Building Site Preparation	W	\$ 416,000	LB
	C	\$5,006,000	LB
(\$5,817,000)			

DESCRIPTION

The proposed project would prepare a site for the State-funded Life Sciences Replacement Building (a separate project, the work of which is not included herein) on a site adjacent to Mira Hershey Hall on the Los Angeles campus. Non-historic portions of Hershey would be demolished, site utilities would be relocated, and fire/life safety systems would be re-established following demolition. The total project cost would be \$5,817,000, to be supported with external financing.

Background

The Life Sciences Building was constructed in phases between 1954 and 1964 and has never undergone a major renovation, renewal or upgrade. The building lacks code-compliant fire-rated construction, life safety, mechanical and utility systems, and is obsolete for contemporary biological research and teaching. Studies demonstrated that it would not be feasible to renovate the building for contemporary life sciences uses and that the most cost-effective strategy would be to construct a modern laboratory science building on a nearby site. Planning studies also showed that a portion of the site occupied by Mira Hershey Hall could be redeveloped for a new building sized to accommodate a replacement laboratory building for the life sciences.

In November 2003, The Regents approved the Life Sciences Replacement Building (LSRB) project for inclusion in the State-funded Capital Improvement Program, and the State appropriated funds for preliminary plans in the 2004 Budget Act. (The total project cost for LSRB as approved is \$91,630,000. The campus has proposed to amend the scope and budget of the project to include expanded research laboratory space and replacement of the existing Life Sciences Vivarium. Regental approval of such an amendment would be separately requested in accordance with University policy.) As described under the Replacement Building project, a portion of Hershey Hall would be demolished and site utilities relocated to prepare a site for the new building under a separate project. This scope of work for Hershey Hall is the subject of this approval request.

Hershey Hall, a former graduate student residence hall, consists of an historic 26,947 asf (45,241 gsf) Italian Renaissance style building constructed in 1931, and a 23,342 asf (40,084 gsf) addition and separate free-standing annex constructed in 1957 and 1968, respectively. The addition and free-standing annex, both considered non-contributing and obsolete, would be demolished to create a site for the Life Sciences Replacement Building.

Hershey Hall has been used on an interim basis since 1998 as a staging facility for occupants of campus buildings undergoing seismic renovation. Following the completion of a series of these projects in 2006, it will be vacant with the exception of the former kitchen wing at the northeast corner of the 1931 building, which currently accommodates an anthropological repository operated by the Fowler Museum. This function, representing approximately 5,574 asf, would remain in place during construction of LSRB due to a lack of appropriate space elsewhere on campus.

Project Description

The proposed project would prepare a site for the Life Sciences Replacement Building project adjacent to historic Mira Hershey Hall. The work would include demolition of the 23,342 asf (40,084 gsf) Hershey Hall addition and free-standing annex; abatement of hazardous materials; removal and replacement of storm drain, fire water, electrical and irrigation service lines; removal of landscape and hardscape elements; provision of preliminary site grading; and repairs to the remaining portions of Hershey impacted by the demolition.

As required by campus building and fire safety officials, the project would involve re-establishment of fire/life safety systems in the 1931 building following the proposed demolition, and installation of temporary utilities and seismic improvements in the Fowler space.

Construction is scheduled to commence in December 2005 with completion by November 2006.

Sustainability

In conjunction with the development of the replacement building, this project will comply with the *Presidential Policy for Green Building Design and Clean Energy Standards* dated June 16, 2004. As required by this policy, the project will adopt the principals 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, an Environmental Impact Report will be prepared to analyze the potential environmental effects of the proposed site preparation project and replacement building. This document will be presented to The Regents for review at the time of project design consideration. The project is in compliance with the current approved campus Long Range Development Plan. Site preparation construction would not commence until Regents' design approval is requested and approved at a subsequent meeting.

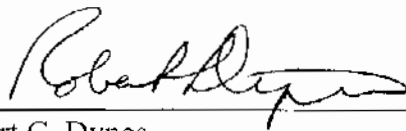
Financial Feasibility

The total project cost of \$5,817,000 at CCCI 4687 would be funded from external financing.

Assuming campus debt of \$5,817,000 amortized over 30 years at 6.125% interest, the average annual debt service is estimated at \$428,000 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 on federal contracts and grants. By University policy, up to 65% of campus Opportunity Funds may be pledged for debt service, but only 33% of actual debt service may be paid from Opportunity Funds. The campus is within the prescribed Opportunity pledge and payment limits. In FY 2008-09, the first full year of occupancy, 42 % of Opportunity Funds are pledged for debt service.

Further financial information is shown in Attachment 2.

Approved by:



Robert C. Dynes
President of the University

8/15/05
Date

(Attachments)

**PROJECT STATISTICS
LIFE SCIENCES REPLACEMENT BUILDING
SITE PREPARATION
CAPITAL IMPROVEMENT BUDGET
LOS ANGELES CAMPUS
CCCI 4687**

<u>Cost Category</u>	<u>Amount</u>	<u>% of Total</u>
Site Clearance Construction Exterior Utilities Site Development A/E Fees ^(a)	3,900,000	67.0%
Campus Administration ^(b) Surveys, Tests Special Items ^(c) Contingency	588,000 273,000 188,000 368,000 <u>500,000</u>	10.1% 4.7% 3.3% 6.3% <u>8.6%</u>
<u>Total</u>	<u>\$5,817,000</u>	<u>100%</u>
Group 2 & 3 Equipment		
Total Project	\$5,817,000	

Statistics and comparison projects are not included due to the complex nature of this project.

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

(b) Campus administration includes project management and inspection.

(c) Special items include Environmental Impact Report, hazardous material monitoring, historic preservation consultant, agency fees, and moving expense totaling \$188,000; and interest expense totaling \$180,000.

(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: Life Sciences Replacement Building Site Preparation

Total Estimated Project Cost: \$ 5,817,000

Proposed Source of Financing

External Financing \$ 5,817,000

Projected Financing Terms

Interest Rate: 6.125%

Duration: 30 years

Campus Opportunity Fund Information

Estimated Annual Revenue (2008-2009) ⁽¹⁾

Opportunity Funds Allocation \$ 44,898,000

Pre-Off-the-Top Generated (Garamendi Projects) \$ 9,106,000

Total \$ 54,004,000

Estimated Annual Debt Service (2008-2009) ⁽¹⁾

Campus Debt Service – Other Projects \$ 13,296,000

Garamendi Debt Service and OMP \$ 9,106,000

Estimated Debt Service – LSRB Site Preparation \$ 428,000

Total \$ 22,830,000

Percentage of Opportunity Funds Pledged for Debt (65% policy limit) 42%

Debt Service Coverage 2.37X

⁽¹⁾ First full year of principal and interest payments for the project.