



OFFICE OF THE PRESIDENT

Robert C. Dynes
President

1111 Franklin Street
Oakland, CA 94607-5200
Phone: (510) 987-9074
Fax: (510) 987-9086
<http://www.ucop.edu>

August 31, 2006

ACTION UNDER PRESIDENT'S AUTHORITY--AMENDMENT TO THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR VALLEY TERRACES – DINING EXPANSION, MERCED CAMPUS

It is recommended that:

Pursuant to Standing Order 100.4(q)

- (1) The President amend the 2006-07 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

Merced: Valley Terraces – Dining Expansion- preliminary plans, working drawings, construction, and equipment - \$9,700,000 to be funded from external financing.

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

- (2) The President approve and authorize external financing not to exceed \$9,700,000 to finance the Merced project, subject to the following conditions:
 - (a) Interest only, based on amount drawn down, shall be paid on the outstanding balance during the construction period;
 - (b) As long as this is outstanding, University of California Housing fees for the Merced 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 funding;
 - (c) The general credit of The Regents shall not be pledged.

A Key to the 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 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 2006-07
<u>Merced</u>		
Valley Terraces -	P	\$ 420,000 LB
Dining Expansion	W	\$ 505,000 LB
	C	\$8,550,000 LB
	E	\$ 225,000 LB
(\$9,700,000)		

DESCRIPTION

The Merced campus proposes to expand its only dining facility so that it can accommodate students on mandatory meal plans from both of its housing projects: Valley Terraces and Sierra Terraces (about 1,000 students). The project will expand the existing kitchen and support areas, and it will provide additional seating. This project is included in the Five-Year Capital Program, Non-State and State Funds 2005-06 to 2009-10. The project is also included in the campus 2006-07 & 2007-08 debt targets.

Background

The Valley Terraces and Dining Commons project (formerly known as “Garden Suites and Lakeview Dining”) was completed in Fall 2005 to house incoming students. Valley Terraces was the first housing and dining project at the new campus. The project included student residences, a community building, a dining facility, and a surface parking lot. The housing portion of the project was constructed to provide 586 student revenue beds, 16 resident assistant beds, and one staff coordinator’s residence for a total of 603 design beds. The project also included a dining facility with a production kitchen, servery, and dining area of 11,550 asf (15,000 gsf) to serve the initial students, staff and faculty on campus.

Sierra Terraces Housing is the second housing project at UC Merced, is currently under construction, and was approved for a final augmentation in July 2006. The project constructs new undergraduate housing, primarily for freshmen, with a total of 396 student revenue beds (406 design beds).

Students in both projects will participate in a mandatory meal plan. The existing Valley Terraces dining facility serves the initial campus population of about 900 students plus staff and faculty. The existing facility is already at capacity during lunch-time (Monday through Friday), when the greatest number of students, staff, faculty, and visitors are on campus. With the completion of Sierra Terraces Housing in Fall 2007, there would be increased demand for the dining facility, that would include 982 residential meal plan members, plus approximately 127 faculty, and about 650 staff.

Construction of the dining expansion project would begin in July 2007 and would be completed in July 2008. The campus anticipates the Fall 2008 population to include 2,700 students, 144 faculty, and about 800 staff members.

Project Description

The existing dining hall has a maximum capacity of 271 inside seats and 56 outside seats for a total of 327 seats. This proposed dining expansion project of 11,050 asf (17,540 gsf) would expand the existing kitchen by providing additional space for dish-washing, food preparation, and trash/storage areas. The existing servery would be reconfigured to accommodate more patrons. The new project would provide an additional 200 to 250 dining seats, which raises the total capacity to 527 to 577 total seats. The Dining Facility hours of operation and format will be expanded to provide meals served in several seatings during peak periods and to maximize use of the facility. A small amount of office/meeting space would be provided subject to affordability within the established budget. The project site is located in the West Neighborhood of the campus near the first set of academic buildings, and adjacent to the J. E. Gallo Recreation and Wellness Center.

CEQA Classification

In accordance with the California Environmental Quality Act (CEQA) and the University of California Procedures for the Implementation of CEQA, the project was fully analyzed in the UC Merced Long Range Development Plan Environmental Impact Report (EIR State Clearinghouse Number 2001021065). The LRDP EIR was approved and certified by The Regents in January 2002.

Financial Feasibility

The total project cost of \$9,700,000 would be funded from the Merced campus' share of University of California Housing System (UCHS) Net Revenue Reserves. Based on a debt of \$9,700,000 at 6.125 percent interest amortized over 30 years, the average annual debt service would be estimated at \$714,145. Payment of the debt would be from the Merced campus' share of the UCHS annual net revenues. The augmentation of Sierra Terraces Housing on July 2006 and this \$9,700,000 dining expansion project reduces the debt coverage ratio (DCR) of the Merced UCHS to 1.16x in 2009-10. The UCHS Housing Directors have agreed to backstop the UCHS Merced DCR until such time as the campus is able to meet the requirement.

**PROJECT STATISTICS
VALLEY TERRACES - DINING EXPANSION
CAPITAL IMPROVEMENT BUDGET
MERCED CAMPUS
CCCI 4789**

<u>Cost Category</u>	Amount	<u>% of Total</u>
Site Clearance	\$ 100,000	1.1%
Building	\$6,150,000	64.9%
Exterior Utilities	\$ 250,000	2.6%
Site Development	\$ 400,000	4.2%
A/E Fees	\$ 770,000	8.1%
Campus Administration ^(a)	\$ 350,000	3.7%
Surveys, Tests	\$ 90,000	1.0%
Special Items ^(b)	\$ 695,000	7.3%
Contingency	\$ 670,000	7.1%
<i>Total</i>	<u>\$9,475,000</u>	<u>100%</u>
Group 2 & 3 Equipment	<u>\$ 225,000</u>	
<i>Total Project</i>	\$9,700,000	

Statistics

Gross Square Feet (GSF) ^(c)	17,540
Assignable Square Feet (ASF) ^(c)	11,050
Ratio ASF/GSF (%) UC	63%
Building Cost/GSF ^(c)	\$351
Building Cost/ASF ^(c)	\$557

(a) Campus administration includes project management and inspection.

(b) Special items include: programming; environmental review; fire marshal and agency review; independent cost review; and value engineering/constructability analysis totaling \$125,000; and interest expense totaling \$570,000.

(c) 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: Valley Terraces – Dining Expansion ⁽¹⁾

Total Estimated Project Cost \$9,700,000

Proposed Sources of Funding

External Funding: \$9,700,000

Proposed Financing Terms

Interest Rate: 6.125%

Duration: 30 Years

Estimated Average Campus UCHS Revenue (2010-11) ⁽²⁾

Total Revenue \$11,095,146

Estimated Merced Annual Operating Expenses (2010-11) ⁽²⁾

Total Expense \$ 5,547,573

Net Revenues Available for Debt Service (2010-11) ⁽²⁾

\$ 5,547,573

Dining Expansion estimated average debt service

\$ 714,145

Sierra Terraces Housing Project estimated average debt service

\$ 2,316,629

Existing facility principal and interest

\$ 1,767,900

Total Debt Service

\$ 4,798,675

Debt Service Coverage

1.16

UC Housing System Information (2010-11)

Estimated average annual net revenues \$326,041,000

Estimated average loan payments \$210,859,000

Estimated annual surplus for major maintenance \$115,182,000

Estimated debt service coverage 1.55x

(1) Included in the Five-Year Capital Program, Non-State and State Funds 2005-06 to 2009-10

(2) First full year of principal and interest payments for all projects.