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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 HIGHLANDER RIDGE
IMPROVEMENTS, RIVERSIDE 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:

Riverside: Highlander Ridge Improvements - preliminary plans, working drawings, and construction - \$1,200,000 to be funded by external financing.

Pursuant to Standing Order 100.4(nn)

- 2) President approve and authorize external financing not to exceed \$1,200,000 to finance the project listed in (1) above, 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 Riverside campus UCHS revenues which shall be established at levels sufficient to pay debt service and to meet the related requirements of the proposed 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.

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

2006-07 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 (<u>Total Cost</u>)	Proposed <u>2006-07</u>		
<u>Riverside</u>			
Highlander Ridge	P	6,000	LB
Improvements	W	10,000	LB
	C	1,184,000	LB
(\$1,200,000)			

DESCRIPTION

The Riverside campus proposes to complete facilities renewal and repair, code compliance and life safety upgrades on the recently purchased Highlander Ridge apartment complex. The proposed project scope also includes modest site improvements. The proposed work was identified in the course of due diligence investigations done in conjunction with the purchase of the property.

Background

At their March 2007 meeting, The Regents approved the acquisition of University House at Highlander Ridge at a total cost of \$32,600,000, to be funded from external financing. The purchase contract was contingent on the University's acceptance of the physical property. Following completion of due diligence, the University negotiated a reduced purchase price of \$31,400,000, to provide \$1,200,000 to be used to address needed renewal, repair and upgrade work on the property. The purchase closed on April 20, 2007.

Originally constructed in 1985, University House at Highlander Ridge is adjacent to the Riverside campus, close to other Riverside campus student housing. There are a total of 220 apartment units in 18 two-story buildings, consisting of 18 studios, 72 one-bedroom, and 130 two-bedroom, one- and two-bath units. The total gross square footage of the buildings is 162,270, with an average unit size of 738 gross square feet. With occupancy of two students per bedroom, the complex will provide up to 700 bed spaces for rental to students on an 11-1/2 month basis. The property has a total of 386 regular parking spaces (most covered, including some detached garages) and 6 handicap spaces, for an overall parking ratio of 1.8 spaces per unit.

The site covers 8.7 acres, for a density of 25.2 units per acre. Common amenities include a recreational pool, mature landscaping with large outdoor fountain, picnic area with gas grills, bicycle racks, a small leasing center building, and three separate laundry facilities. Current occupancy is 100 percent, with approximately 80 percent of the occupants UCR students.

Project Description

This project includes some facilities renewal and maintenance, code compliance and life safety associated repairs and upgrades to the 18 building complex. In addition, modest ADA related site improvements would be completed within the scope of the proposed project. The proposed renewal, repair and upgrade work were identified in the course of due diligence investigations undertaken in conjunction with the acquisition of the property. The scope of the project includes the following components:

- Building Envelope. Includes replacement of roof shingles and selected roof areas; patching and repair of damaged wall areas, replacement of exterior doors at tenant storage units, and repair and replacement of 1st floor patio fence rails.
- Common Areas and Dwelling Units. Includes repair of drywall ceilings in tenant units; replacement of carpet in tenant units; re-skinning of tubs and wash basins in all units; and replacement of appliances in all units.
- Mechanical and Electrical Systems. Includes replacement of all HVAC units; installation of waste clean outs for all kitchen units; and replacement of data and telephone lines to comply with campus standards.
- Fire Protection and Life Safety Systems. Includes replacement of all fire life safety systems, including fire pulls, horns, and alarm panels.
- Site Improvements. Includes replacement of electrical metallic tubing conduit at all exterior light standards; removal of trees with root systems that could potentially impact the structural integrity of the buildings; clean out of storm drain lines; repairs to freestanding carports; and remediation of potential mold in the apartment units.
- ADA Improvements. Includes replacement of site handrails and stair treads; addressing non-compliant features of bathrooms and kitchens in ADA units.

The proposed work will be scheduled and completed to minimize the impact on existing tenants. It is anticipated that the proposed scope of work would be completed by December 2007.

Green Building Design and Clean Energy Standards

This project will comply with the University of California Policy on Sustainable Practices (March 22, 2007). As required by this policy, the project will adopt the principles of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements.

CEQA Classification

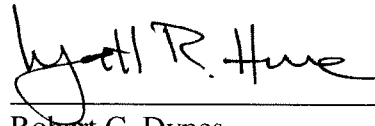

The proposed repairs and upgrades to the property and the associated improvements are Categorically Exempt under Class 1, Existing Facilities (Section 15301).

Financial Feasibility

The total cost of the proposed project is \$1,200,000, which will be funded from the external financing approved by The Regents in March 2007 for the purchase of the Highlander Ridge apartment complex. The source of repayment for the external financing is the Riverside campus

UCHS revenues. The proposed interest rate would be 5.75 percent for 30 years with an annual debt service payment of \$85,000. In FY 2008-09, this would provide debt service coverage of 1.38x at the campus level and 1.57x for UCHS systemwide.

Approved by:

Robert C. Dynes Date
President of the University

Attachment

ATTACHMENT 1

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: Highlander Ridge Improvements

Total Estimated Project Cost \$ 1,200,000

Proposed Sources of Funding

External Funding: \$ 1,200,000

Proposed Financing Terms

Interest Rate: 5.75%

Duration: 30 Years

Project Statistics (2008-09)

Estimated student rent (per student, per month) \$400 to \$1,140

Estimated UCR Housing Annual Revenue (2008-09) ⁽¹⁾

Highlander Ridge	\$ 3,163,000
Existing beds & dining operations	\$42,328,000
Interest Income	<u>\$ 563,200</u>
Total	\$46,054,200

Estimated UCR Annual Operating Expenses (2008-09) ⁽¹⁾

Highlander Ridge	\$ 929,000
Existing facilities operating expenses	<u>\$28,589,600</u>
Total	\$29,518,600

Net Revenues Available for Debt Service **\$16,535,600**

Highlander Ridge acquisition debt service	\$ 2,221,000
Existing facilities principal and interest	\$ 9,717,000
Proposed project	<u>\$ 85,000</u>
Total	\$12,023,000

Estimated Surplus For Major Maintenance **\$ 4,512,600**

Debt Service Coverage **1.27x**

UC Housing System Information (2008-09)

Estimated average annual net revenues	\$279,057,000
Estimated average loan payments	\$178,031,000
Estimated annual surplus for major maintenance	\$101,026,000
Estimated debt service coverage	1.57X

¹First full year of principal and interest payments