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December 20, 2007

**CHAIRMAN OF THE BOARD
CHAIRMAN OF THE COMMITTEE ON GROUNDS AND BUILDINGS
PRESIDENT OF THE UNIVERSITY**

**ACTION BY CONCURRENCE - AMENDMENT OF THE BUDGET FOR CAPITAL
IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL
OF EXTERNAL FINANCING FOR LAW BUILDING RENOVATIONS STEP 3, BERKELEY
CAMPUS**

EXECUTIVE SUMMARY

Campus: Berkeley

Project: Law Building Renovations Step 3

Action: Approval of project budget of \$14,837,000 and external financing.

Total cost: \$14,837,000 to be funded from external financing.

Previous Actions: **None**

Project Summary: The Berkeley campus proposes to renovate approximately 17,056 asf of offices, student interaction space, and classrooms in the Berkeley Law complex.

Issues:

- Approval for external financing of \$14,837,000.
- First time Law School Professional Degree Fee (PDF) is being used for debt repayment.
- This project is currently included as part of the Five-Year Non-State Capital Program.

RECOMMENDATION

Pursuant to Standing Order 100.4(q)

- (1) The President amend the 2007-08 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

Berkeley: Law Building Renovations Step 3 - preliminary plans, working drawings, construction, and equipment - \$14,837,000 to be funded from external financing.

Pursuant to Standing Order 100.4(nn)

- (2) The President approve and authorize external financing not to exceed \$14,837,000 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. As long as the debt is outstanding, the Law School Professional Degree Fee (PDF) shall be maintained in amounts sufficient to pay the debt service and meet the related requirements of the authorized financing;
 - 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 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
Regent's Allocations, Loans, Income Reserves,
University Registration Fee Reserves, Gift Funds, and Miscellaneous Funds

Campus and Project Title (Total Cost)		Proposed <u>2007-08</u>	
<u>Berkeley</u>			
Law Building	P	\$600,000	LB
Renovations Step 3	W	\$850,000	LB
	C	\$11,917,000	LB
	E	\$1,470,000	LB
(\$14,837,000)			

DESCRIPTION

The Berkeley campus proposes to renovate 17,056 asf of offices, student interaction space, and classrooms in the Berkeley Law complex at a total cost of \$14,837,000 to be funded from external financing.

Background

UC Berkeley's School of Law is at capacity and can no longer meet the space needs of its students and faculty. The school is currently undergoing unprecedented growth with expanding programs, newly hired faculty, and an increase in total FTEs of more than 40% in the last four years. The Law Building Renovations Step 3 project is proposed in order to meet the need for faculty offices and accommodate the research and educational needs of its students by renovating existing space to create new faculty offices and a center for student journals, groups, and organizations. In addition, the project proposes to modernize existing classrooms and restore the west terrace of the Law Building.

In accordance with the campus's Strategic Academic Plan, the school had relocated student support facilities and many other non-academic functions to 26,000 square feet of off-campus leased space. However, it has determined that student support spaces need to be located within the school complex since many of the student activities and journal production are done in between classes. The journal production requires use of the library to research and verify information and edit articles. Student law journals are key components of the educational experience and are the primary vehicle for publishing legal scholarship. The law students select and edit the articles to be published each year. There are 11 journals at the Law School, including the *California Law Journal* and the *Ecology Law Quarterly*, which enhance the prestige of the school as well as provide an important pedagogical experience for students.

These activities are currently scattered in isolated and inefficient office space in the Simon Hall portion of the Law School. The quantity of student spaces is severely deficient compared to other top tier Law Schools. The school is affirming its commitment to the support of the students through the creation of a center for collaborative work. The center would have direct access to the west terrace. Student-run organizations, such as the Berkeley Law Foundation, and identity groups, such as La Raza Law Students Association and the Asian Pacific American Law Students Association, are also an important part of the Law School experience. Students involved in these activities need to work collaboratively to raise funds and organize conferences and speaker series.

Over the last three years, the Law School has studied its strategic priorities and developed a long-range plan for growth and improved space utilization within the existing law complex. Two phases of internal renovations, Steps 1 and 2, have been completed modernizing the most heavily used classrooms and greatly improving the quality of the teaching and learning experience. Critical space needs not addressed by the southeast campus planning effort would be addressed through a series of phased renovations and a major addition.

Step 3 would continue the classroom upgrade program and create quality faculty offices for incoming faculty on the fourth and fifth floors of Simon Hall, space that is currently occupied inefficiently by student journals, organizations and groups in an inefficient configuration. The relocation and consolidation of the student activities to the west terrace level effectively addresses two major problems for the Law School, as it allows the opportunity to correct these spaces and to deliver a flexible, high-performance environment for collaborative work, meeting spaces and publishing activities.

The fourth and most significant component of the long-range plan is a major addition proposed for the south courtyard of the law complex. At the January 2008 Regents' meeting, the Law School is planning to seek "P" approval for the proposed Law School Infill project. The total project is estimated between \$80 and \$90 million, and the campus would request approximately \$85 million of external financing. This Infill project would also identify the Professional Degree Fee (PDF) fees as a source of repayment along with the Law School's LLM fee. The project would provide about 40,000 asf of space to accommodate much needed medium and smaller classrooms, current library collections and their projected growth, student study and interaction functions, and law clinics. The existing courtyard would be removed to construct a two-level facility below-grade and a smaller one-story facility and two smaller courtyards above-grade. Although the addition divides the courtyard, the new open space created would provide the opportunity to improve accessibility and to revitalize this edge of the campus.

A primary objective of the long-range plan is rationalization of the interior layout of the existing building. The fourth phase would allow the Law School to relocate most of the collections, currently stored in the secured central stacks on the fourth, fifth, and sixth levels, into new compact shelving in the addition. This would lay the ground work for future funding opportunities that would allow more effective use of the existing stack area, integrating it with the surrounding functions and improving the circulation on those levels.

With the completion of these phased improvements, the Law School would meet its most urgent space needs, improve existing space utilization and functionality, rationalize existing building organization and flow, and provide more effective support to its students and faculty.

Project Description

The Law Building Renovation Step 3 project would include the renovation of existing administrative areas on the west terrace level to create space for student journals and organizations, installation of lockers in the corridor, renovation of the fourth and fifth floors of Simon Hall to create faculty offices, modernization of the remaining classrooms in the Law Building, and restoration of the west terrace exterior space.

At the west terrace level, the project would renovate approximately 6,165 asf (8,500 gsf) of existing administrative and storage space into a center for student organizations and journals, with flexible work areas, meeting rooms, and common amenities, such as a copy center, kitchen, and informal meeting areas. New lockers would be installed in the existing corridor. The work would include demolition and hazardous material abatement; fire and life safety upgrades; new partitions; accessibility upgrades; modifications to mechanical, electrical and telecom systems; new lighting and controls; a card key system; and new finishes (including ceilings, paint and carpet). Groups 2 and 3 furniture and equipment would include modular full height partition systems that allow for future reconfiguration, modular storage, height-adjustable desks, and ergonomic seating.

To accommodate this project, the career center, which is currently located on the west terrace level of the Law Building, would be moved to other space within the building. Rooms 287, 290 and 292 in the Law Building are being used for storage and vending machines, and the Women's Association would be consolidated into a new space (approximately 900 asf) to house the career center. The Women's Association would be given dedicated space created by internal consolidation within the Law Building. The project includes demolition and abatement; installation of new partitions; modifications to mechanical, electrical and telecom systems; and new lighting, carpeting, and ceilings. Existing furniture would be reused.

Administrative offices that occupy the west terrace level would be moved to leased off-campus space. Student organizations and journals currently occupying the fourth and fifth floors of Simon Hall would be surged to other on-campus space for the duration of construction. Surge and relocation costs are included in the project budget.

Simon Hall is an eight-story portion of the law complex that originally served as a dormitory for law students. In the early 1990s, it underwent a conversion to offices, including full renovation of levels six through eight to accommodate faculty offices. In this Step 3 project, levels four and five would be fully renovated to match the layout of existing faculty offices on the above levels, creating nine faculty offices and one administrative office on level four and nine faculty offices and two administrative offices on level five.

The renovation in Simon Hall would include demolition of existing partitions; abatement of hazardous materials; construction of new partitions and ceilings; modifications to heating, electrical and telecom systems; new lighting and controls; accessibility upgrades; and new carpeting. Groups 2 and 3 furniture and equipment would include new window blinds and office furniture. The existing bathrooms would need minor improvements to meet accessibility standards.

The proposed project would improve several classrooms to the same level as those renovated under the previous Law Building Step 1 and Step 2 classroom renovations projects. Rooms 13, 14, 116, 140, 215B, and 298 totaling 5,014 asf would undergo renovation to improve the image and functionality of these heavily used classrooms. The scope of work would include demolition of ceilings and flooring; abatement of hazardous materials; modifications to improve ventilation; power and lighting upgrades; and new flooring and ceilings. The rooms would require reconfiguration of the seating area to accommodate ADA requirements. Furniture and equipment (Groups 2 and 3) would include audio-visual equipment and new tables and seating.

In conjunction with the renovation of the west terrace level, the project would restore the exterior west terrace, as well as the west entrance, which serves as the campus gate to the Law School. The terrace is identified by a monumental wall with metal letter quotations, now obscured by overgrown trees on the terrace. It is neglected and underutilized with uneven brick pavers, no outdoor furniture and no lighting. The improvements to the west terrace are proposed to restore the image of the west entry and regain utilization of the terrace as a place of social interaction, accessible from the student organization space and overlooking the College Avenue plaza. The work would include demolition and replacement of the paver system, replacement of landscape, new lighting, and an integrated shading system for the west facing windows. Furniture and equipment (Groups 2 and 3) would include new fixed seating and tables.

Construction would begin April 2008 and be completed in October 2008.

Policy on Sustainable Practice

This project will comply with the *University of California Policy on Sustainable Practices*. 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. The project will use the LEED-CI program. In accord with that program, the project will attain a minimum of equivalency to 21 LEED CI (certified) credits and will strive to achieve 27 (Silver). Sustainability measures include maximizing daylight and views, thermal and lighting controls, and use of low-VOC and recycled materials.

CEQA Classification

In accordance with the California Environmental Quality Act of 1970 and the University of California Procedures for Implementation of CEQA, the proposed project is exempt under Article 19, Section 15301, Class 1, Existing Facilities.

Financial Feasibility

The total project cost of \$14,837,000 would be funded from external financing. Amortized over 30 years at a planning rate of 5.75%, the estimated annual debt service of the project would be \$1,049,000.

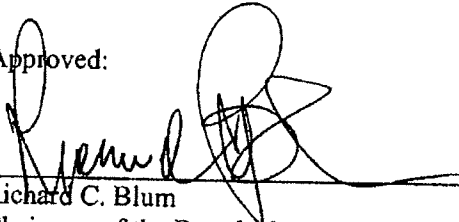
The Berkeley Law School has identified its PDF as a source of repayment for the external financing. This is the first time that this fund source is being used to support debt repayment, and such intent was disclosed to The Board of Regents at their September 2007 meeting in the approval of the three-year plan for professional degree fees. For the Berkeley Law School, the plan proposed to increase the PDF by approximately 19% in the three-year period from FY 2008-09 through FY 2010-11. A fee increase of 19.5% for FY 2008-09 with a return to aid of 35% of the fee increase was also approved by The Regents at the September meeting.

The proposed Law Building Infill project, to be presented in January 2008, would also identify the PDF as a source of repayment along with the Law School's LLM fee. In FY 2010-11, the first full year of principal and interest payments for this project, the PDF revenues are projected to be \$26 million assuming the approval of approximately 19% fee increases for FY 2009-10 and FY 2010-11 pursuant to the three-year plan presented to The Regents in September 2007. Also in this year, the Infill project is expected to be completed so a portion of the interest expense on the financing is also shown in the financing feasibility. The debt service coverage is projected to be 1.69 times in FY 2010-11 as shown on Attachment 2.

The external financing would be paid from specific revenue sources specified in the external financing documents; therefore, the general credit of the Regents will not be pledged.

Additional financial feasibility information may be found in Attachment 2.

Approved:



Richard C. Blum
Chairman of the Board of Regents

Joanne C. Kozberg
Chairman of the Committee on Grounds and
Buildings

Robert C. Dynes
President of the University

Attachments

- 8 -

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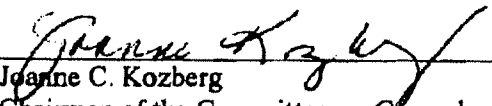
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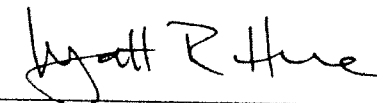
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**PROJECT STATISTICS
LAW BUILDING RENOVATIONS STEP 3
CAPITAL IMPROVEMENT BUDGET
BERKELEY CAMPUS
CCCI 5355**

<u>Cost Category</u>	<u>Amount</u>	<u>% of Total</u>
Site Clearance	\$0	0.0%
Building	8,787,000	65.7%
Exterior Utilities	0	0.0%
Site Development	1,000,000	7.5%
A/E Fees	1,210,000	9.1%
Campus Administration ^(a)	439,000	3.3%
Surveys, Tests	62,000	0.5%
Special Items ^(b)	890,000	6.7%
Contingency	979,000	7.3%
Total	\$13,367,000	100%
Group 2 & 3 Equipment	\$1,470,000	
Total Project	\$14,837,000	

Statistics

Gross Square Feet (GSF) ^(c)	25,300
Assignable Square Feet (ASF) ^(c)	17,402
Ratio ASF/GSF (%)	69%
Building Cost/GSF ^(c)	\$347
Building Cost/ASF ^(c)	\$505

Comparable University Projects at CCCI 5179

Comparison projects are not provided due to the extreme difference in scope and existing building conditions between renovation and repair projects.

- (a) Campus administration includes project management and inspection.
- (b) Special items include independent structural and historical reviews; hazardous materials survey/monitoring; acoustic, theater, audio visual, interior, color, roofing, graphics, lighting, multi-media and telecommunications consultants; planning and environmental; agency review; and moving costs totaling \$610,000; and interest expense totaling \$280,000.
- (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: Law Building Renovations Step 3

Total Estimated Project Cost: \$ 14,837,000

Proposed Source(s) of Funding:
External financing \$ 14,837,000

Projected Financing Terms:
Interest Rate: 5.75%
Duration: 30 years

Pledge Source of Repayment (FY 2010-11)¹:

Estimated Professional Degree Fee Revenue ²	\$ 26,081,000
Estimated Operating Expenses	<u>18,109,000</u>
Estimated Net Revenue Available for Debt Service	\$ 7,972,000
Proposed debt service for <u>Step 3</u>	\$ 1,049,000
Future proposed debt service for Infill ³	<u>3,666,000</u>
Total Proposed Future Debt Service	\$ 4,715,000
Estimated Annual Surplus	\$ 3,257,000
Debt service coverage	1.69 x

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

² Assumes approval of 19% fee increase for FY 2009-10 and 2010-11.

³ Project not yet approved and is expected to assume \$85 million of external financing. Projected interest expense for the project to be completed during 2010-11 with principal and Interest is expected to be approximately \$6 million in 2012-13.