



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

March 4, 2009

**ACTION UNDER PRESIDENT'S AUTHORITY – AMENDMENT TO THE BUDGET
FOR CAPITAL IMPROVEMENTS AND CAPITAL IMPROVEMENT PROGRAM AND
APPROVAL OF EXTERNAL FINANCING, ALDEA SAN MIGUEL HOUSING
RENOVATION, SAN FRANCISCO CAMPUS**

It is recommended that:

Pursuant to Standing order 100.4(q)

- 1) The President amend the 2008-09 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

San Francisco: Aldea San Miguel Housing Renovation - preliminary plans, working drawings, and construction - \$5,228,000 to be funded from external financing (\$3,934,000) and the San Francisco campus' share of University of California Housing System Net Revenues Reserves (\$1,294,000).

Pursuant to Standing order 100.4(nn)

- 2) The President authorizes external financing not to exceed \$3,934,000 to finance the Aldea San Miguel Housing Renovation Project. The President requires that:
 - 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, University of California Housing System fees for the San Francisco campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing, and
 - c. The general credit of the Regents shall not be pledged.
- 3) Officers of the Regents be authorized to execute all documents necessary in connection with the above.

2008-09 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 2008-09	
<u>San Francisco</u>			
Aldea San Miguel	P	\$213,000	Housing Reserves
Housing Renovation	W	\$434,000	Housing Reserves
	C	\$647,000	Housing Reserves
	C	\$3,934,000	External Financing
(\$5,228,000)			

DESCRIPTION

The San Francisco campus requests approval of the Aldea San Miguel Housing Renovation project at a total project cost of \$5,228,000 to be funded from external financing of \$3,934,000 and the San Francisco campus' share of University of California Housing System Net Revenues Reserves of \$1,294,000. This renovation project would provide 42 single occupancy one-bedroom apartments.

Background and Statement of Need

In 1997, the UCSF began implementation of the 1996 LRDP proposal to rebuild the Aldea San Miguel Housing complex with contemporary housing within the same square footage consistent with the space ceiling. As part of the plan, five of the original apartment buildings (Buildings 8, 9, 10, 12 and 13) were to be demolished and not replaced. With the support of the community, these five original buildings were occupied for five additional years after the completion of the new Aldea housing in 2000. The occupants remained there until they could be transferred to the housing at Mission Bay (Block 20) that opened in 2005. The campus has now received support from the community to renovate three (Buildings 8, 10 and 12) of the five buildings. The renovated apartments would be single occupancy and operational for fifteen years, after which time the University plans to move forward with the demolition of the five buildings. This is consistent with the LRDP. These 42 remodeled units would help to reduce the waitlist and address the housing shortage by providing affordable housing for single occupancy students. The renovation improvements have a useful life equal to the project's financing terms; therefore, UCSF would have fully depreciated the improvements when it comes time to demolish the property.

Overview of Housing Demand at UC San Francisco

All Housing Services facilities are currently 100 percent occupied. UCSF’s housing goal is to provide 40 percent of eligible students and 25 percent of the post doctoral scholars with convenient, reasonably-priced housing per the 2004 UCSF Housing Implementation Plan.

Currently, San Francisco Housing Services provides 1,047 housing units/beds for students, postdoctoral scholars, resident interns, and faculty. This figure is equivalent to approximately 27 percent of UCSF’s total student and postdoctoral population of 2,750 enrolled students and 1,100 postdoctoral scholars (spring 2008). The following table summarizes the UCSF’s current and proposed housing inventory.

Current and Proposed Housing Inventory				
Ownership	Housing Complex	Single Occupancy Bed Spaces	Family Apartment Spaces	Total
Campus	Avenue Housing (3 rd & 5 th Avenue)	107	0	107
	145 Irving	36	0	36
	5 th Avenue Faculty Housing		18	18
UC Housing System	Aldea Student Family Housing		130	130
	Mission Bay Housing (Block 20), mixed use*			756
Total Existing Housing (units/beds)**				1,047
Proposed Project:	Aldea Bldg 8, 10, 12 Apartments	42		42
Future Grand Total				1,089

* There are 431 apartments. The split between single occupancy and married students, postdoctoral scholars, resident interns and faculty fluctuates.

** The total represents the number of spaces available excluding the 2 Aldea vacant obsolete buildings.

UCSF has pursued all financially-feasible opportunities to expand the supply of student housing. Even with the recent addition of 18 apartments (36 beds) at 145 Irving Street (at the Parnassus campus) and 431 apartments at the new Mission Bay campus, there continues to be a demand for on-campus student housing, with an average of 140 students and postdoctoral scholars and interns on the wait list. Housing demand continues to increase in San Francisco. While the proposed project would offer one bedroom units at \$1,360 per month, a new housing complex opening at Mission Bay in the private sector is advertising new one bedroom units for over \$2,300 per month opening in February 2009. Renovation of the existing UCSF Aldea housing supply represents the fastest way to temporarily meet this demand. UCSF hopes to have identified a site to develop new housing by the time that the old Aldea apartments are demolished in 15 years.

Project Description

This proposed housing project would include the renovation of each building (Buildings 8, 10 and 12) and complete remodel of the kitchens and bathroom fixtures. Stairwell and balconies would be renovated, solid riser stairs installed, and roofing systems repaired as needed. Finished flooring systems would be installed, and all unit interiors and exteriors would receive new paint.

The scope of renovation involves full interior demolition to the stud wall and hazardous material abatement. Improvements would bring major mechanical systems, electrical systems and fire protection systems to current code. This includes the fire rating of certain rooms that require an upgraded rating due to their increased susceptibility to fire (i.e., boiler rooms, laundry rooms, and storage rooms). The crawl spaces under the buildings would get fire-rated to provide additional protection to the units directly above the area. The scope provides new fire sprinkler and fire alarm systems, adds ADA adaptability features to some of the units, and provides new energy efficient heating and domestic hot water systems. Communication wiring would be installed to provide access to the campus data network.

Project construction is anticipated to begin in February 2009, with completion in September 2009.

Policy on Sustainable Practices

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.

Sustainability components to be included in the project include: (1) recycling materials wherever possible; (2) installing energy efficient boiler systems for both heating and domestic hot water; (3) providing an alternate for dual flow, water conserving toilets if affordable; and (4) installing weather stripping.

CEQA Classification

Pursuant to State law and University procedures for implementation of the California Environmental Quality Act (CEQA), it is anticipated that the project would be Categorically Exempt under CEQA Section 15301, Class 1, Existing Facilities. The University will conduct CEQA review at the time of project approval.

The project does not represent a permanent increase in campus square footage under the 1996 LRDP space ceiling, and is consistent with the LRDP principle to reduce total square footage over time. Further, the project meets many of the LRDP Goals and Objectives for Student Life, Housing and Transportation services, such as reducing pressure on the local rental stock, and decreasing vehicle travel to and from the campus. The demolition of two other structures and potential new construction of a small community facility would be approved as a separate project

and would undergo separate environmental review. No cumulative impacts from the two projects would occur.

Financial Feasibility

The total project cost of \$5,228,000 would be funded from external financing (\$3,934,000) and the San Francisco campus' share of University of California Housing System Net Revenues Reserves (\$1,294,000). Assuming a 15-year financing at a planning rate of 5.75 percent, the average annual debt service (principal and interest) for the Aldea San Miguel Housing Renovation Project would be approximately \$398,000 for the first full year of principal and interest payment in FY 2011-12. The external financing will be paid from specific revenue sources specified in the external financing documents; therefore, the general credit of the Regents will not be pledged. These funds are projected to be sufficient to meet debt service coverage of 1.28 for the duration of the financing.

Rental Rates for San Francisco (student housing)

UCSF plans to provide the one-bedroom units at \$1,360 per month for the first year of occupancy. The rental rates have been set at the level required to cover debt service and operating costs. The debt service and operating costs for the units in this project do not affect current rental rates for the other existing units within the San Francisco Housing Services (student housing) for Parnassus Heights.

The following table summarizes rental rates per unit for the proposed student housing through FY 2013-14.

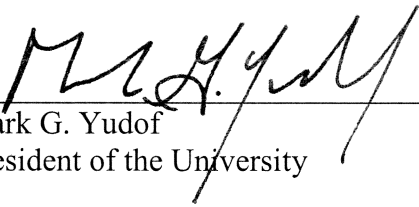
**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO CAMPUS
ALDEA SAN MIGUEL HOUSING RENOVATION
MONTHLY RENTAL RATE INCREASE**

Fiscal Year	Average Monthly Rental Rate Per Bed	
	<u>Rate</u>	<u>% Increase</u>
2009-2010	\$1360	3.0%
2010-2011	\$1401	3.0%
2011-2012 ⁽¹⁾	\$1443	3.0%
2012-2013	\$1493	3.5%
2013-2014	\$1546	3.5%
Total Increase	\$186	13%

⁽¹⁾ First Full Year of Principal and Interest payment

Additional financial feasibility information can be found in Attachment 2.

Approved by:

 3/5/09
Mark G. Yudof Date
President of the University

Attachments

PROJECT STATISTICS
ALDEA SAN MIGUEL HOUSING RENOVATION PROJECT
CAPITAL IMPROVEMENT BUDGET
SAN FRANCISCO CAMPUS
CCCI 5501

<u>Cost Category</u>	<u>Total</u>	<u>% of Total</u>
Site Clearance	0	0.0%
Building	\$4,235,000	81.0%
Exterior Utilities	0	0.0%
Site Development	0	0.0%
A/E Fees	402,000	7.7%
Campus Administration ^(a)	208,000	4.0%
Surveys, Tests, Plans, Specs	23,000	0.4%
Special Items ^(b)	158,000	3.0%
Contingency	<u>202,000</u>	<u>3.9%</u>
Total P-W-C	\$5,228,000	100.0%
Group 2 & 3 Equipment		
Total Project	\$5,228,000	

<u>Statistics</u>	<u>Total</u>
Gross Square Feet (gsf) ^(c)	23,400
Assignable Square Feet (asf) ^(c)	19,800
Number of Beds	42
Ratio asf/gsf	85%
Building Cost/gsf	\$181
GSF/bed	557
Building Cost/bed	\$100,833

(a) Campus administration includes project management and inspection.

(b) Special items include structural review, sewer inspection, EH&S services, ENS (data/telecommunications), agency fees/plan review, legal fees, hazmat remediation design services, fire protection consultant, building condition survey, acoustical design consultant, totaling \$158,000 and capitalized interest totaling \$58,000.

(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 II

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: Aldea San Miguel Housing Renovation Project

Total Estimated Project Cost: \$5,228,000

Proposed Sources of Funding

External Financing \$3,934,000
Housing Reserves \$1,294,000
Total Funding: \$5,228,000

Proposed External Financing Terms:

Interest Rate: 5.75%
Term Years: 15 years

Estimated Annual Revenue (FY 2011-12) ⁽¹⁾

Estimated Annual Revenue (Proposed Project): \$ 705,000
Annual Revenue (Existing System) \$12,285,000
STIP Income \$ 436,000
Total Estimated Annual Revenue: \$13,426,000

Estimated Annual Operating Expenses (FY 2011-12) ⁽¹⁾

Operating Expenses (Proposed Project): \$ 268,000
Operating Expenses (Existing System) \$4,824,000
Total Operating Expenses \$5,092,000

Net Revenues Available for Debt Service (FY 2011-12) ⁽¹⁾ \$8,334,000

Housing Debt Service

Principal and Interest (Proposed Project) \$ 398,000
Principal and Interest (Existing System) \$6,103,000

Total Housing Debt Service \$6,501,000

San Francisco Campus Housing System (FY 2011-12) ⁽¹⁾

Estimated Annual Net Revenue \$8,334,000
Estimated Annual Debt Service \$6,501,000
Total Estimated Annual Surplus \$1,833,000

Total Housing Debt Service Coverage Ratio 1.28

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