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ACTION UNDER PRESIDENT'S AUTHORITY--AMENDMENT TO THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR FIFTH AVENUE HOUSING RENOVATION, SAN FRANCISCO CAMPUS

It is recommended that:

Pursuant to Standing Order 100.4(q)

- (1) The President amend the 2004-05 Budget for Capital Improvements and the Capital -- -- Improvement Program to include the following project:

San Francisco: Fifth Avenue Housing Renovation - preliminary plans, working drawings, construction, and equipment - \$2,844,000 to be funded from external financing (\$1,874,000), Housing Reserves (\$110,000) and proceeds from property sale per 1976 Regents' Resolution (\$860,000).

Pursuant to Standing Order 100.4(nn)

- (2) The President approve and authorize external financing not to exceed \$1,874,000 to finance the Fifth Avenue Renovation Housing 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. As long as the debt is outstanding, the San Francisco Campus Housing System (faculty housing) fees shall be established to provide net revenue sufficient to pay debt service and to meet related requirements of the 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

2004-05 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 2004-05	
<u>San Francisco</u>			
Fifth Avenue Housing	P	\$115,000	LB
Renovation	W	\$216,000	LB
	C	\$1,543,000	LB
	C	\$860,000	X
	C	\$110,000	N
(\$2,844,000)			

DESCRIPTION

The San Francisco campus requests approval of funding for the Fifth Avenue Housing Renovation project, at a total project cost of \$2,844,000. The project would supply seven units (17 bedrooms) for rent by faculty in three buildings. All three residential buildings were constructed circa 1911 and are uninhabitable in their current condition. 1432 Fifth Avenue, a single family residence, would have two, three-bedroom flats after renovation. 1440 Fifth Avenue, an eight studio apartment building, would have four, two-bedroom apartments after renovation. 1460 Fifth Avenue, a single-family house, would be renovated to have three bedrooms. These properties are located on a residential street at the western boundary of the Parnassus Heights campus site.

Background

Current plans are to demolish a four-plex faculty unit at 24/30 Kirkham Avenue in the spring of 2005 in order to construct a new child care center. After the Fifth Avenue Renovation project and demolition of 24/30 Kirkham for the proposed Kirkham Child Care project, there will be a total of 18 faculty units. The faculty units, excluding 24/30 Kirkham, include the following: (1) 1420 Fifth Avenue, one faculty unit; (2) 1422/24 Fifth Avenue, two faculty units; (3) 1428 Fifth Avenue; one faculty unit; (3) 1432 Fifth Avenue, vacant due to unsafe conditions and disrepair and to be renovated under this project for two faculty units; (4) 1440 Fifth Avenue, vacant due to disrepair and to be renovated under this project for four faculty units; (5) 1452 Fifth Avenue, one faculty unit; (6) 1454 Fifth Avenue, one faculty unit; (7) 1460 Fifth Avenue, vacant due to disrepair and to be renovated under this project for one faculty unit; (8) 1468 Fifth Avenue, four faculty units; and (9) 1490 Fifth Avenue, one faculty unit.

Approximately 75 faculty members inquire annually about housing. The high cost of housing, and more recently the state budget crisis have had an adverse impact on UCSF's success in recruiting and retaining faculty. This project will help meet demand by adding below-market-rate housing (at 6.7% below market). The three renovated buildings consist of two and three-bedroom units (apartments/flats/houses).

In the local market, affordable off-campus units for lease or purchase are very difficult to find. San Francisco housing prices are among the highest in the nation. In 2003, per a Legislative Analyst's report to the City's Mayor, only 6% of home sales in San Francisco were affordable to households earning the median income. The market remains relatively expensive even with the recent downturn in the economy. Current vacancy rates city-wide for all housing types is 4.8%.

Renovation of these units is required to make them habitable. The proposed project is needed to meet residential building codes related to structural integrity, electrical systems, infrastructure, etc. In addition, windows and roofs need replacing, and the exteriors must be painted. The properties are currently vacant because they are in such poor condition. They have been vacant for eight years. Prior to their being vacated, 1432 and 1460 Fifth Avenue was occupied by non-University residential tenants. 1440 Fifth Avenue was occupied by eight-students.

Project Description

The proposed project would be located at the western edge of the Parnassus Heights campus site, in the Sunset District of San Francisco. The project neighborhood is an ideal location for faculty as the campus, commercial district, and mass transit are within a block of the units to be renovated. These projects are consistent with UCSF's LRDP goal to increase faculty housing, and to renovate these particular properties to faculty housing or student family housing. UCSF currently has 15 faculty units at Parnassus Heights. The project would provide seven units, including faculty flats, apartments and one single family residence. The project renovates three existing timber frame houses (Type 1 Construction), which were built circa 1911. Each house has two floors above a basement. In total, there are 9,000 ASF (15,000 GSF) in the three buildings. Square footages would remain essentially the same. The project would not change the exteriors of the building substantially, except through paint and new windows. After completion of the construction, the buildings will be seismically rated as good. The buildings will not have any accessible units since the living levels are not at street level. The existing location of structural bearing walls and lack of site access makes adaptation for a wheelchair impossible.

1432 Fifth Avenue (2,680 ASF/ 4,296 GSF), a vacant, historically significant, single-family house over a basement, would be converted to two, three-bedroom flats, with two parking spaces (tandem parked).

The property at 1440 Fifth Avenue (3,788 ASF/ 7839 GSF), a vacant property with eight studios over a basement/garage, would be converted to four, two bedroom apartments, with two parking spaces (three if tandem parked).

1460 Fifth Avenue (2,646/ 3,290 GSF), a vacant single-family residence over a basement/garage, would be renovated and provide three bedrooms, and one parking space (two if tandem parked).

At each property, the project would demolish the interior of the building down to stud walls, reinforce the existing foundation, replace the roof, reconfigure the interior, replace the bathroom and kitchen components, replace all outdated infrastructure, install computer/data service and fire alarms, replace windows, replace decks and stairs where necessary, replace landscaping, and repair and paint the exterior.

Project Cost

Cost factors affecting the budget for these projects include:

- (1) The fact that the buildings must basically be gutted to their exterior walls to eliminate all the damage from water infiltration. Dry rot and mold are pervasive. All the plumbing, electrical, and heating systems have to be totally replaced;
- (2) UCSF has made a commitment to the neighbors that the exterior appearance of the properties will be as close to the original early 1920s detailing as possible. Removing and reinstalling old wood detailing is very expensive;
- (3) Each building must be seismically upgraded;
- (4) There are costs associated with renovating existing buildings that almost abut adjacent residential units;
- (5) The project site is very congested, making access, staging, and parking difficult and increasing the requirements for security; and
- (6) All infrastructures must be upgraded to be code compliant, and foundations reinforced.

In the preplanning for this project, a tear down/rebuild alternative was evaluated. Not only were new construction costs slightly higher than the renovation budgets, but there was strong community support for retaining the original exterior facades due to their character and the overall single-family (and flat) character of the block. Higher density re-builds were not supported by the community. The proposed renovation projects and occupancies are consistent with the existing mix of single-student and faculty housing on the east, and non-UCSF housing on the west. In addition, 1432 Fifth Avenue is considered to have historical merit. It is important to note that costs are also affected by the recent rise in wood and steel related to high demand overseas.

The projects would be completed by fall 2005.

Green Building Policy and Clean Energy Standard

This project would comply with the *Presidential Policy for Green Building Design and Clean Energy Standards* dated June 16, 2004. As required by this policy, the project would adopt the principles of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements. Specific information regarding energy efficiency and sustainability would be provided when the project is presented for design approval.

CEQA Classification

Pursuant to state law and University procedures for implementation of the California Environmental Quality Act (CEQA), a Supplemental Environmental Impact Report (SEIR) was prepared for the UCSF Parnassus Housing and Childcare Implementation Plan (State Clearinghouse Number 1995123032). The project described in this President's Item comprises one of the projects that were analyzed in the SEIR. The SEIR was certified by the Senior Vice President-Business and Finance on November 16, 2004.

Financial Feasibility

The total project cost, at CCCI 4446, is \$2,844,000 including capitalized interest of approximately \$46,000 incurred during construction. It is proposed that the Fifth Avenue Renovation project would be funded from external financing (\$1,874,000), Housing reserves (\$110,000), and from proceeds of property sale per the 1976 Regents Resolution (\$860,000). See Attachment II for a summary of the financial feasibility information.

Assuming a 30-year financing at a planning rate of 6.125%, the average annual debt service (principal and interest) for the Fifth Avenue Renovation project would be approximately \$138,000 for the first full year of principal and interest payment in FY 2007-08. The debt service would be paid from revenue from San Francisco's Campus Housing System (faculty housing). These funds are projected to be sufficient to meet debt service coverage of 1.25 for the term of the financing.

This property will be part of the UCSF Campus Housing System, whose operations and finances are managed by the campus, as distinguished from the University of California Housing System (UCHS) which is governed and financially administered by the Office of the President.

In addition to the three Fifth Avenue renovations, a separate President's Item will be developed in the immediate future for a graduate student/postdoctoral scholar housing project located at 145 Irving Street.

Rental Rates for San Francisco Campus Housing System (faculty housing)

The existing Campus Housing System provides limited housing for faculty, and is a mix of single-family houses and apartments. There are now 15 faculty units available on Fifth

Avenue and Kirkham Street. Four units will be lost after demolition of 24/30 Kirkham Street, which is required for construction of the planned Kirkham Child Care Center. After this project and the Kirkham Child Care project, there will be a total of 18 faculty units, with seven newly renovated under this housing project.

<u>Faculty Housing Type</u>	<u>Existing Total</u>	<u>Future Total*</u>
Single Family	5	6
Flats (2 and 3 BR)	2	4
Two- Bedroom Apartments	6	8
One- Bedroom Apartments	<u>2</u>	<u>0</u>
Total Faculty Units	15	18

*After 5th Ave projects and demo of 24/30 Kirkham Street (2, 1 BR efficiency units, and 2, 2BR apartments).

The following table summarizes rental rates for faculty housing in the current Campus Housing system through FY 2007-08 (the first full year of principal and interest payment) and presumes the demolition of 24/30 Kirkham faculty units (four units).

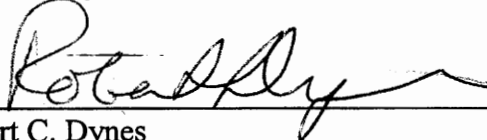
University Of California San Francisco Campus Faculty Housing System MONTHLY RENTAL RATE INCREASE <i>Excluding Proposed Project ⁽¹⁾</i>		
	<u>Monthly Rental Rate per Unit</u>	<u>% Increase</u>
2004-2005	\$ 2,091	3.0%
2005-2006	\$ 2,154	3.0%
2006-2007	\$ 2,218	3.0%
2007-2008 ⁽²⁾	\$ 2,285	3.0%
Total Increase	\$ 194	9.3%

Notes:

- (1) Proposed project does not result in rental rate increase.
- (2) First Full Year of Principal and Interest payment for proposed project.

Projected housing rates for the proposed project would average about \$2,800/month per 3-bedroom flat in 1432 Fifth Avenue, \$1,900/month per 2-bedroom flat in 1440 Fifth Avenue, and \$2,900/month for the single-family residence at 1460 Fifth Avenue in FY 2007-08. Rent includes water and garbage removal. All other utilities are the responsibility of the tenant. Rental rates for the proposed Fifth Avenue renovation project would average \$2,300 in 2007-08, which will be 6.7% below the City's current market rate of \$2,260 (per MetroRents July to September 2004, for two- and three-bedroom units, escalated to 2007-08). The debt service and operating costs for the units in this project would not affect current rental rates for the other existing faculty units in the San Francisco Campus Housing System at Parnassus Heights.

Approved by:



Robert C. Dynes
President of the University

5/6/05
Date

Attachments

**PROJECT STATISTICS
FIFTH AVENUE HOUSING RENOVATION
CAPITAL IMPROVEMENT BUDGET
SAN FRANCISCO CAMPUS
CCCI 4446**

Cost Category

	<u>Total</u>	<u>% of Total</u>
Site Clearance		0%
Construction	\$2,332,000	82.0%
Exterior Utilities		0%
Site Development		0%
Fees ^(a)	241,000	8.5%
A&E/PP&C ^(b)	77,000	2.7%
Surveys, Tests, Plans, Specs	18,000	0.6%
Special Items ^(c)	59,000	2.1%
Contingency	<u>117,000</u>	4.1%
Total P-W-C	\$2,844,000	100.0%
Group 2 & 3 Equipment		
Total Project	\$2,844,000	

Statistics

Gross Square Feet (GSF) ^(d)	14,975
Assignable Square Feet (ASF) ^(d)	9,042
Ratio ASF/GSF (%)	60.4%
Building Cost/GSF ^(d)	\$158
Building Cost/ASF ^(d)	\$258

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

(b) Campus administration includes project management and inspection.

(c) Special items include EH&S Services (\$9,000), Agency Fees (\$4,000), totaling \$13,000; and capitalized interest totaling \$46,000.

(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 II

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: Fifth Avenue Housing Renovation

Total Estimated Project Cost: \$ 2,844,000

Proposed Sources of Funding

External Financing \$ 1,874,000

Housing Reserves \$ 110,000

Proceeds from Property Sale per 1976 Regents' Resolution \$ 860,000

Total Funding: \$ 2,844,000

Proposed External Financing Terms:

Interest Rate: 6.125%

Term Years: 30

Estimated Annual Revenue (FY 2007-08 - First Full Year of Debt Service)

Estimated Annual Revenue (Proposed Project): ~~\$ 179,000~~

Annual Revenue (Existing System (faculty housing)) \$ 265,000

Total Estimated Annual Revenue: \$ 444,000

Estimated Annual Operating Expenses (FY 2007-08 - First Full Year of Debt Service)

Operating Expenses (Proposed Project): \$ 20,000

Operating Expenses (Existing System (faculty housing)) \$ 250,000

Total Operating Expenses \$ 270,000

Net Revenues Available for Debt Service (FY 2007-08 - First Full Year of Debt Service) \$ 174,000

Housing Debt Service

Principal and Interest (Proposed Project) \$ 138,000

Principal and Interest (Existing System (faculty housing)) \$ -

Total Housing Debt Service \$ 138,000

UCSF Campus Faculty Housing System (FY 2007-08 - First Full Year of Debt Service)

Estimated Annual Net Revenue \$ 174,000

Estimated Annual Debt Service \$ 138,000

Estimated Annual Surplus \$ 36,000

Total Housing Debt Service Coverage Ratio 1.26