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May 24, 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 COWELL STUDENT HEALTH CENTER EXPANSION AND RENOVATION, SANTA CRUZ CAMPUS

EXECUTIVE SUMMARY

- Campus: Santa Cruz
- Project: Cowell Student Health Center Expansion and Renovation
- Action: Approval of project budget of \$11,012,000 and external financing of \$10,762,000
- Total cost: \$11,012,000 to be funded from Registration Fee reserves (\$250,000) and external financing (\$10,762,000)
- Previous Actions: **None**
- Project Summary: The proposed project would construct a new wing of 7,600 asf (10,000 gsf) to the Health Center and would renovate the existing 13,610 asf (25,054 gsf) facility to provide an additional 300 asf for a total of approximately 21,510 asf (35,054 gsf).
- Issues:
- Approval for external financing of \$10,762,000.
 - Approval for the associated proposed Student Life Seismic Corrections project is being sought concurrently. The seismic project would address seismic, and life/safety deficiencies in the Health Center and Field House West facilities and is separately funded through a compulsory Seismic/Life Safety Fee.

- This project is currently included as part of the Five-Year Capital Program, Non-State and State Funds.

RECOMMENDATION

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:

UC Santa Cruz: Cowell Student Health Center Expansion and Renovation - preliminary plans, working drawings, and construction - \$11,012,000 to be funded from Registration Fee reserves (\$250,000) and external financing (\$10,762,000).

Pursuant to Standing Order 100.4(nn)

- (2) The President approve and authorize external financing not to exceed \$10,762,000 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 Santa Cruz campus' Student Health Center Facilities Fee and revenues from the Health Center Fee for Service; 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 abbreviations and the project description are provided below.

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 (<u>Total Cost</u>)		Proposed <u>2006-07</u>	
<u>Santa Cruz</u>			
Cowell Student Health Center	P	250,000	R
Expansion and Renovation	P	207,000	LB
	W	1,317,000	LB
	C	9,238,000	LB
(\$11,012,000)			

DESCRIPTION

The Santa Cruz campus proposes to add a new wing (7,600 asf) to the Health Center and renovate 13,610 asf of the existing facility, at a total project cost of \$11,012,000. The project would be funded from Registration Fee reserves (\$250,000) and external financing (\$10,762,000).

Background

The Cowell Student Health Center (Health Center), built in 1970, is the primary facility used to deliver health services to the Santa Cruz campus student population. The original facility design was based on an infirmary model and included inpatient hospital rooms and overnight nursing care to accommodate a student population of approximately 8,500 students. The building also included ancillary service areas for laboratory, radiology, and pharmacy functions as well as an emergency treatment area. Student Health Services, Counseling and Psychological Services, and the campus Environmental Health and Safety offices originally shared occupancy of the facility.

As health care delivery changed over time, delivery of inpatient services in the Center was discontinued. This allowed the campus to provide new ambulatory care services and to accommodate services to a student population in excess of 8,500. Additional employees were housed in the Health Center by using the old inpatient rooms as examination rooms and offices. As the student population continued to increase, Environmental Health and Safety vacated the facility.

In recent years, dental care and physical therapy services were eliminated to provide sufficient space for other basic health services. By 2002, it became apparent the Health Center could not support the increased student population. As a temporary solution, the campus considered installing a modular structure to accommodate additional staff; however, the proposed project proved to be too costly and would have reduced funding available for a more permanent solution.

In July 2003, the campus completed a feasibility study for the Cowell Student Health Center, which evaluated the existing space, identified program requirements, described a proposed project scope, and provided a preliminary estimate. The study concluded the Health Center space was marginally adequate for the existing student population and that functional inefficiencies had limited the overall effectiveness of the delivery of basic health services. Following the study, the campus evaluated a variety of funding strategies involving Registration Fees, Health Center Fees for Service, and Student Fees. The campus concluded the project would primarily need to be funded using student fees; however, one-time and annual contributions from other funding sources would be needed to reduce the debt service and keep the proposed student fee to a minimum.

In spring 2005, Santa Cruz students approved the Student Health Center Facilities Fee referendum (Measure 18) to assess graduate and undergraduate students a fixed fee of \$27 per student per quarter. The fee was included in a list of compulsory campus-based fees approved under the President's delegated authority in July 2005. Pending project approval, collection of the fee will begin the first quarter following the completion of the construction of the renovation and addition (estimated to be October 2008). The fee would be used to pay the debt service associated with the planning, site selection, design, approval, and construction of the facility and future building maintenance. The Registration Fees and/or Health Center Fees for Service would be available for funding any additional debt service required for the construction of the project.

Construction of this project is scheduled to begin approximately two months after the start of the associated proposed *Student Life Seismic Corrections* project for which approval is being sought concurrently. The seismic project would address seismic, and life/safety deficiencies in the Health Center and Field House West facilities and is separately funded through a compulsory Seismic/Life Safety Fee.

Project Description

The proposed Cowell Student Health Center Expansion and Renovation project would add a new wing of 7,600 asf (10,000 gsf) to the Health Center and would renovate the existing 13,610 asf (25,054 gsf) facility to provide an additional 300 asf, for a total of 21,510 asf (35,054 gsf).

The new addition would be a two-story structure, connected by a new entrance and lobby to the east end of the existing facility. The proposed addition would include multipurpose office space, meeting, health services spaces, and a new pharmacy.

The renovation of the existing facility space would include office, meeting, and health service spaces. This would enhance patient confidentiality and achieve additional functional efficiencies by co-locating health services that are currently separated. The renovation also includes corrections to existing restrooms and service counters that are not included in the associated *Student Life Seismic Corrections* project, but are required by the State of California Building Code and Title 24 Accessibility Standards.

The following table identifies the existing and proposed assignable spaces:

Unit	Existing Facility asf	Proposed		
		Renovated asf	Addition asf	Total asf
Administration	2,824	2,000	900	2,900
Business and Information Services	853	800	100	900
Counseling and Psychological Services	1,381		3,900	3,900
Laboratory	470	600		600
Medical Services – Clinical Care	2,403	5,400		5,400
Medical Services – Urgent Care	2,514	3,300		3,300
Patient Support	1,419	1,200		1,200
Pharmacy	362		1,100	1,100
Radiology	405	600		600
Rape Prevention	225		100	100
Student Health Outreach & Promotion	754		1,500	1,500
Totals:	13,610	13,900	7,600	21,500

Additional project cost information is shown on Attachment 1.

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. Specific information regarding energy efficiency and sustainability will be provided when the project is presented for design approval.

CEQA Classification

The project is consistent with the campus’s 2005 Long Range Development Plan. For purposes of compliance with the California Environmental Quality Act of 1970 (CEQA) and Amended University of California Procedures for Implementation of CEQA, an Initial Study will be prepared to determine if the project may have a significant effect on the environment that has not been substantially and adequately analyzed in a certified program EIR.

Financial Feasibility

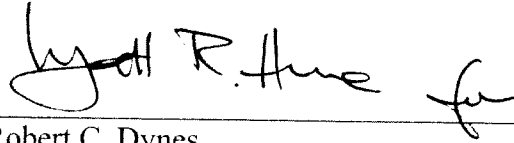
The total project cost of \$11,012,000 would be funded from a combination of external financing (\$10,762,000) and Campus Registration Fee Reserves (\$250,000). Based on a debt of \$10,762,000 amortized over 30 years at 5.75% interest, the annual debt service for this project would be \$761,048 with a debt service coverage of 1.25x.

Sources pledged for debt repayment would be a combination of a compulsory Student Health Center Facilities Fee approved in 2005 and revenue from the Health Center Fee for Service. The compulsory Student Health Center Facilities Fee is fixed at \$27 per student per quarter, and would be assessed the first quarter following the completion of construction. The Health Center Fee for Service is charged to students as they receive services from the Health Center. Revenue from the Health Center Fee for Service would contribute \$30,000 per year over the life of the debt.

Additional financial information is shown in Attachment 2.

(Attachments)

Approved:

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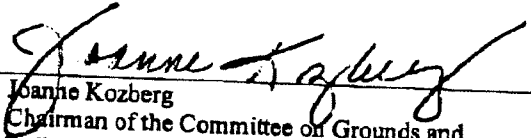
Robert C. Dynes
President of the University

Joanne Kozberg
Chairman of the Committee on Grounds and
Buildings

Richard Blum
Chairman of the Board of Regents

Approved:

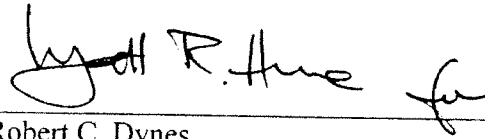
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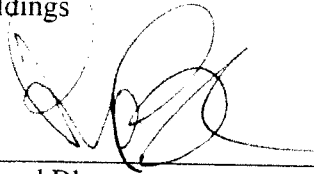
Richard Blum
Chairman of the Board of Regents

Approved:

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Robert C. Dynes
President of the University

Joanne Kozberg
Chairman of the Committee on Grounds and
Buildings

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Richard Blum
Chairman of the Board of Regents

**PROJECT STATISTICS
COWELL STUDENT HEALTH CENTER EXPANSION AND RENOVATION
CAPITAL IMPROVEMENT BUDGET
SANTA CRUZ CAMPUS
CCCI 5501**

<u>Cost Category</u>	<u>Total</u>	<u>% of Total</u>
Site Clearance	\$ 94,000	0.9 %
Building	7,477,000	67.9 %
Exterior Utilities	261,000	2.4 %
Site Development	574,000	5.2 %
Fees	828,000	7.5 %
Campus Administration	468,000	4.2 %
Surveys, Tests	70,000	0.6 %
Special Items ^(a)	735,000	6.7 %
<u>Contingency</u>	505,000	4.6 %
Total	\$ 11,012,000	100 %

<u>Statistics</u>	<u>Total</u>
Gross Square Feet (GSF) ^(b)	35,054
Assignable Square Feet (ASF) ^(b)	21,500
Ratio ASF/GSF (%) UC	61 %
Building Cost/GSF ^(c)	\$ 213

- (a) Special items include acoustical consultant, agency reviews, asbestos testing consultant, energy management system consultant, biotic study, geotechnical consultant, independent seismic review, value engineering and constructability review totaling \$389,000, and interest during construction totaling \$346,000.
- (b) 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: Cowell Student Health Center Expansion and Renovation

Total Estimated Project Cost \$11,012,000

Proposed Sources of Funding

External Financing: \$10,762,000
Campus Registration Fee Reserves \$ 250,000

Proposed Financing Terms

Interest Rate: 5.75% Duration: 30 Years

Campus Student Health Center Facilities Fee Information (2009-10) ⁽¹⁾

Estimated Student FTE (including summer session) 16,835
Fee per Student - \$27 per quarter x 3 quarters \$ X 81
Estimated Revenue \$ 1,363,635

Less: 25% Return to Financial Aid \$ 340,909
Less: Estimated Building Maintenance \$ 104,000
Net Revenue Available for Debt Service \$ 918,726

Estimated Health Center Service Fees \$ 30,000
Total Available for Debt Service \$ 948,726

Annual Debt Service

Principal and Interest –
Cowell Student Health Center Expansion and Renovation \$ 761,048

Debt Service Coverage 1.25x

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