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May 21, 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 STUDENT LIFE SEISMIC
CORRECTIONS, SANTA CRUZ CAMPUS**

EXECUTIVE SUMMARY

- Campus: Santa Cruz
- Project: Student Life Seismic Corrections
- Action: Approval of project budget of \$15,232,000 and external financing of \$14,632,000
- Total cost: \$15,232,000 to be funded from student seismic/life safety fee reserves (\$600,000) and external financing (\$14,632,000).
- Previous Actions: **None**
- Project Summary: The Santa Cruz campus proposes to correct the building structural systems in the Cowell Student Health Center and Field House West to achieve a "good" seismic performance rating.
- Issues:
- At the March 2007 meeting, The Regents approved continuation of the Santa Cruz Campus seismic/life safety fee through spring 2038 to finance seismic improvements. The Regents also approved an increase in the fee from \$25 to \$40 per student per quarter, for the period beginning summer 2007 through spring 2038. The fee revenue, net of

financial aid, will be used to repay debt associated with external financing for the planned seismic improvements.

- Approval for external financing of \$14,632,000.
- This project is currently included as part of the Five-Year Capital Program, Non-State and State Funds.

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:

UC Santa Cruz: Student Life Seismic Corrections - preliminary plans, working drawings, and construction - \$15,232,000 to be funded from student seismic/life safety fee reserves (\$600,000) and external financing (\$14,632,000).

Pursuant to Standing Order 100.4(nn)

- (2) The President approve and authorize external financing not to exceed \$14,632,000 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 seismic/life safety fee; 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 (Total Cost)		Proposed <u>2006-07</u>	
<u>Santa Cruz</u>			
Student Life Seismic	P	587,000	R
Corrections	W	13,000	R
	W	1,250,000	LB
	C	13,382,000	LB
(\$15,232,000)			

DESCRIPTION

The Santa Cruz campus proposes to correct the building structural systems in the Cowell Student Health Center and Field House West to achieve a “good” seismic performance rating. Work in both buildings would include selective demolition and associated repair or replacement of building components and finishes as required to comply with current building code and to accomplish the structural corrections. The project cost would be \$15,232,000 funded from student seismic/life safety fee reserves (\$600,000) and external financing (\$14,632,000).

Background

UC Santa Cruz is located in a region of high seismicity. The campus lies 10 miles west of the San Andreas fault, 8 miles east of the San Gregorio fault, 22 miles west of the Sargent fault, and 28 miles west of the Calaveras and Evergreen faults. In light of experience with the effects of major earth movement on the structural integrity of buildings, such as that seen following the Loma Prieta, Northridge, and Kobe earthquakes, the campus has evaluated the seismic performance of student fee-supported facilities.

Following appropriate engineering examinations and analyses, the following student facilities were recently assigned a Department of General Services (DGS) seismic rating of “Poor”: the Cardiff House Women’s Center, Cowell Student Health Center (Health Center), Field House West, Merrill College Recreation Room (Cantu GLBTI Center), Stone House, Student Music East – KZSC Radio Station, Student Union, and Student Union Redwood buildings. The Health Center and Field House West facilities are included in this project based on project cost, building condition, and the timing of another planned project to renovate and expand the Cowell Student Health Center. Combining structural upgrades to the two facilities into one project enables the campus to achieve cost efficiency in doing similar scope of work in both facilities. The campus

is analyzing options for the other student fee-supported structures with a “Poor” rating, and these facilities may be addressed in a future projects.

In September 2003, The Regents approved a \$25 per student per quarter compulsory seismic life safety fee to fund the planning and construction of seismic and other health and safety related improvements for student fee-supported buildings. Since its inception, the approved fee has been used for small seismic and safety improvements, fire sprinkler and alarm replacements, and seismic re-evaluations of student fee-supported spaces. The fee has also been used to pay a proportional amount for seismic upgrades in the student fee-supported portion of the Hahn Student Services building and to create the detailed plans that are required to determine the cost and scope of work to be performed in the Health Center and Field House West. The fee was due to expire after spring 2007.

At the March 2007 meeting, The Regents approved continuation of the Santa Cruz Campus seismic/life safety fee through spring 2038 to finance seismic improvements to the structural systems of the Cowell Student Health Center and the Field House West facilities. This approval also included an increase in the fee from \$25 to \$40 per student per quarter, for the period beginning summer 2007 through spring 2038, to repay debt associated with external financing for the planned seismic improvements.

One-third of the fee revenue will be directed to student financial aid. The remaining two-thirds will provide a revenue stream to pay the debt service for the proposed project. If funds are available, they will be used to complete the detailed plans required to determine the cost and scope of correcting other poorly rated student fee-funded facilities, to provide funding for other eligible seismic corrections and/or eligible small safety projects, and to fund the cost of necessary relocation of employees and/or equipment while a facility undergoes an eligible seismic and/or safety correction.

Project Description

The Student Life Seismic Corrections project would correct the building structural systems in the Health Center and Field House West to achieve a “good” seismic performance rating. As a part of this project, the campus is also required to bring the buildings into compliance with the State of California Building Code and Title 24 Accessibility Standards¹.

The seismic deficiencies identified in the Health Center seismic evaluation, dated September 2006, include, but are not limited to, discontinuous shear walls, lack of redundancy in lateral force resisting systems, inadequate connections between walls and the foundation, and inadequate reinforcement in shear walls, collector elements, drilled piers, and lateral force resisting systems.

¹ As part of this *Student Life Seismic Corrections* project, approximately 700 asf will be removed from the north-east wing of the existing Health Center to provide a new building entrance in compliance with Title 24 and the State of California Accessibility Standards. The proposed design of the associated *Cowell Student Health Center Expansion and Renovation* project would compensate for this loss of space by renovating the remaining existing facility to achieve greater building efficiency of assignable space over gross area.

The seismic deficiencies identified in the Field House West seismic evaluation, dated December 2005, include, but are not limited to, a lack of elastic capacity in the lateral force resisting systems, lack of reinforcing ties for the roof truss, and a lack of hold-downs around the perimeter of the structure.

During a major earthquake, the seismic deficiencies noted above could result in partial structural collapse and/or other significant structural and non-structural damage. Corrections for the Health Center include the installation of additional foundation piers, installation of steel jackets around existing piers, thickening of existing walls, and the installation of new collector beams, support columns and/or boundary elements. To comply with Title 24 and the State of California Accessibility Standards, the campus would also be required to relocate the Health Center building entrance, provide access to the interior north wing, and provide accessible parking areas, elevators, bathrooms, showers, drinking fountains, and public service areas (pharmacy, insurance, billing, etc.).

Specific locations within the Field House West facility require installation of additional seismic bracing and plates at the roof trusses and installation of hold-downs between the shear walls and the foundations. To comply with Title 24 and the State of California Accessibility Standards, the campus would be required to reconfigure the men's and women's bathrooms, showers, and lockers, and install a new elevator.

Additional project cost information is shown on Attachment 1.

CEQA Classification

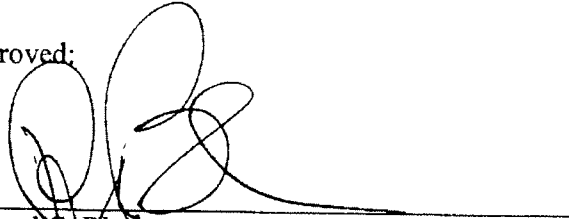
The project is consistent with the campus's 2005 Long Range Development Plan. For purposes of compliance with the California Environmental Quality Act of 1970 (CEQA) and Amended University of California Procedures for Implementation of CEQA, this project has been reviewed and determined to be Categorically Exempt as a Class 1 Existing Facility.

Financial Feasibility

The total project cost of \$15,232,000 would be funded from a combination of external financing (\$14,632,000) and Seismic/Life Safety Fee Reserves (\$600,000). Based on external financing of \$14,632,000 amortized over 30 years at 5.75% interest, the annual debt service for this project would be approximately \$1,034,720. The seismic/life safety fee at UC Santa Cruz, at \$40 per student per quarter, is expected to generate net revenue of \$1,316,000 for debt service in 2008-09, following completion of this project. This would provide debt service coverage of 1.27x.

Additional financial feasibility information is shown on Attachment 2.

Approved:

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right, positioned above a horizontal line.

Richard C. Blum
Chairman of the Board

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

Robert C. Dynes
President of the University

Attachments

Additional financial feasibility information is shown on Attachment 2.

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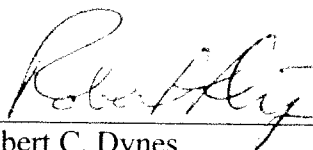
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Attachments

**PROJECT STATISTICS
STUDENT LIFE SEISMIC CORRECTIONS
CAPITAL IMPROVEMENT BUDGET
SANTA CRUZ CAMPUS
CCCI 5354**

<u>Cost Category</u>	<u>Cowell Student Health Center</u>	<u>Field House West</u>	<u>Total</u>	<u>% of Total</u>
Site Clearance	\$ 509,000	\$ 6,000	\$ 515,000	3.4 %
Building	9,141,000	1,906,000	11,047,000	72.5 %
Exterior Utilities	55,000	55,000	110,000	0.7 %
Site Development	0	0	0	0.0 %
A/E Fees	1,080,000	240,000	1,320,000	8.7 %
Campus Administration ^(a)	470,000	125,000	595,000	3.9 %
Surveys, Tests	75,000	35,000	110,000	0.7 %
Special Items ^(b)	669,000	141,000	810,000	5.3 %
Contingency	600,000	125,000	725,000	4.8 %
Total	\$ 12,599,000	\$ 2,633,000	\$ 15,232,000	100 %

<u>Statistics</u>	<u>Cowell Student Health Center</u>	<u>Field House West</u>	<u>Total</u>
Gross Square Feet (GSF) ^(c)	25,054	17,531	42,585
Assignable Square Feet (ASF) ^(c)	13,610	10,009	23,619
Ratio ASF/GSF (%) UC	54 %	57 %	55 %
Building Cost/GSF ^(c)	\$ 365	\$ 109	\$ 259

- (a) Campus administration includes project management and inspection.
- (b) Special items include acoustical consultant, agency reviews, asbestos testing consultant, energy management system consultant, biotic study, geotechnical consultant, independent seismic review, and value engineering and constructability review, totaling \$439,000, and interest during construction totaling \$371,000.
- (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: Student Life Seismic Corrections, Santa Cruz Campus

Total Estimated Project Cost: \$15,232,000

Proposed Sources of Funding:

External Financing: \$14,632,000
Campus Seismic/Life Safety Fee Reserves \$ 600,000

Proposed Financing Terms

Interest Rate: 5.75% Duration: 30 Years

Campus Seismic/Life Safety Fee Information (2008-09): ⁽¹⁾

Estimated Student FTE 16,450
Fee per Student - \$40 per quarter x 3 quarters \$ 120
Estimated Revenue \$ 1,974,000
1/3 Return to Financial Aid \$ 658,000
Net Revenue Available for Debt Service \$ 1,316,000

Annual Debt Service:

Principal and Interest – Student Life Seismic Corrections \$ 1,034,720

Debt Service Coverage

1.27 x

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