

COMMITTEE ON FINANCE  
January 19, 1995

C. FINANCING FOR NORTH AND SOUTH HALLS/MEMORIAL UNION  
SEISMIC RENOVATION AND ASSESSMENT OF STUDENT FACILITIES  
SAFETY FEE, DAVIS CAMPUS

The President recommends that the Committee on Finance recommend to The Regents that subject to amendment of the Budget for Capital Improvements and the Capital Improvement Program to include the following project:

- (1) Funding for the North and South Halls/Memorial Union Seismic Renovation project, Davis campus, be approved as follows:

External financing	\$13,100,000
Student Facilities Safety Fee reserves	<u>2,900,000</u>
	\$16,000,000

- (2) The Treasurer be authorized to obtain financing not to exceed \$13,100,000 for the North and South Halls/Memorial Union Seismic Renovation project, Davis campus, subject to the following conditions:
- Interest only, based on the amount drawn down, shall be paid on the outstanding loan balance during the construction period;
  - As long as the debt is outstanding, the Student Facilities Safety Fee shall be established at levels which will be sufficient to pay the debt service and related requirements of the proposed financing; and
  - The general credit of The Regents shall not be pledged.
- (3) The Regents approve the assessment of a Student Facilities Safety Fee not to exceed \$66 per year per regularly enrolled student and \$11 per summer session student at the Davis campus, to begin in Fall 1995, with said fee to cease being collected when the proposed debt for seismic and life safety renovations to these three facilities has been fully retired.
- (4) Officers of The Regents be authorized to provide certification that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- (5) Officers of The Regents be authorized to execute documents necessary in connection with the above.

### BACKGROUND

The Davis campus proposes to renovate North Hall, South Hall, and the tower portion of the Memorial Union building to improve the safety of these buildings in accordance with The Regents' policy that all campus buildings be upgraded to a seismic rating of "good." The proposed project would also include work related to other life safety and health issues, and accessibility.

A structural survey of Davis campus facilities in 1989 identified North Hall, South Hall, and the Memorial Union, among others, as structures that were likely to perform poorly in response to a major earthquake. The buildings were rated "poor," which indicates they would likely sustain significant damage and that occupants would probably sustain injuries or fatalities. Subsequent seismic studies of each building confirmed these findings.

North and South Halls are located in the core campus on the east side of the central Quad. North Hall was built in 1908 as a student dormitory building and South Hall was built in 1912 as a companion dormitory. These buildings currently provide office space for eight student activity units within approximately 25,000 assignable square feet.

The Memorial Union (MU) complex is located on the north side of the central campus Quad and serves as a hub of student activity. It consists of a lower level games area and three one-story elements connected by a four-story office tower. The building was constructed in 1955 as a one-story structure, but was designed to accommodate a future tower structure. In 1964, the tower was added consisting of three additional stories with a covered deck, mechanical space, and a small conference room at the roof level. A recent expansion project, completed in 1992, provided seismic strengthening for the first floor areas but did not include expansion and strengthening of the tower structure. The tower currently provides office space for eight student activity units, an art gallery, meeting room, and lounge space totalling 16,400 asf.

#### Project Description

North and South Halls would undergo extensive structural work, including new footings, shear walls, and horizontal floor reinforcing. In addition, they would receive upgrades to correct problems related to health, life safety, and improved accessibility consistent with regulations set forth in the Americans with Disabilities Act of 1990.

The MU Tower would be seismically reinforced by the addition of a rigid structure on the south side. In addition, the fifth floor would receive a light-weight canopy to replace canopies removed earlier as seismic hazards. The project would also replace the adjacent Freeborn Hall Canopy, a free-standing concrete structure identified as structurally deficient.

New separate canopies at Freeborn and the MU north entrance would be constructed of lighter-weight materials. Landscape repair related to the construction work would be included for all three buildings.

The proposed renovations would require relocation of occupants to other facilities during construction. Occupants of North and South Halls would be relocated into the facility released by the completion of the new Social Sciences and Humanities building, Voorhies Hall, during the proposed 18-month construction period. If necessary, occupants of the Memorial Union Tower would be relocated to temporary trailers or other campus facilities. It is planned that construction for the proposed project would commence in June 1995 with completion of all phases planned for June 1997.

Further project description details are contained in a related item being presented to the Committee on Grounds and Buildings at today's meeting.

#### Student Facilities Safety Fee

Pursuant to the Student Facilities Safety Fee policy, approved by the President in November 1988:

"...a fee increase does not require a student referendum when the Chancellor determines that the increase is necessary for the maintenance of the safety of a building or facility funded wholly or in part by the students..."

The assessment of a Student Facilities Safety Fee at the Davis campus is proposed in accordance with this policy. Approval of the proposed fee of \$66 per regularly enrolled student per year will result in total campus-based fees for full-time undergraduates of \$366 per year. Consultation with various student groups has occurred in order to fully inform students of the fee. The fee, which will be assessed beginning Fall 1995, is being collected in advance of project completion in order to reduce the debt and consequently lower the annual cost to the students.

#### Financial Feasibility

It is proposed that the total cost of \$16,000,000 be financed with a combination of external financing (\$13,100,000) and income from the Student Facilities Safety Fee (\$2,900,000). Repayment of the loan would be from the Student Facilities Safety Fee.

Based on a \$13,100,000 debt amortized over 27 years at 7.75% interest, the estimated debt service is \$1,171,000. No additional operating expenses are anticipated as a result of the renovations. Estimated annual Student Facilities Safety Fee income is \$1,490,500. Further financial details are shown in the Attachment.

In accordance with the California Environmental Quality Act, appropriate environmental documents would be prepared for consideration prior to design approval.

Related items to amend the Budget for Capital Improvements and the Capital Improvement Program to include these projects are being presented to this Committee and the Committee on Grounds and Buildings at today's meeting.

SUMMARY FINANCIAL FEASIBILITY ANALYSISProject Title North and South Halls/Memorial Union Seismic Renovation, Davis CampusTotal Estimated Project Cost \$ 16,000,000Proposed Source of Financing

External financing	\$ 13,100,000
Student Facilities Safety Fee	<u>2,900,000</u>
Total	<u>\$ 16,000,000</u>

Projected Loan Terms

Interest rate: 7.75%      Duration: 27 years  
 Total estimated interest cost: \$18,517,000

Estimated Annual Revenues and Expenses

Student Facilities Safety Fee:	
\$66 x 21,500 regular session students <sup>1</sup>	\$ 1,419,000
\$11 x 6,500 summer session students	<u>71,500</u>
Total	\$ 1,490,500

Principal and interest	\$ 1,171,000
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<u>Estimated Annual Debt Service Coverage</u>	1.27X
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<sup>1</sup> Enrollment projections provided by the Planning and Budget Office based on current enrollment projections. These numbers do not include health science interns and residents and other students who do not pay the fee.