

**Office of the President**

**TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:**

**ACTION ITEM**

*For Meeting of November 14, 2006*

**AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR ARROYO VISTA REPAIRS, IRVINE CAMPUS**

**EXECUTIVE SUMMARY**

- Campus: Irvine
- Project: Arroyo Vista Repairs
- Proposed Action: Approval of project budget for \$20 million and approval of external financing for \$20 million
- Total Cost: \$20 million to be funded from external financing
- Previous Actions: None
- Project Summary: The project would repair extensive damage due to construction defects in the 800-bed portion of the Arroyo Vista housing complex completed in 1993. It would also reconstruct two buildings (24-bed and 36-bed) in which the campus performed destructive testing in order to identify damage and needed repairs.
- Issues:
- Approval of external financing of \$20 million.
  - Building cost per gsf: \$58.
  - In 2003, the University received an \$11 million settlement from the builder of the complex. To date, the Irvine campus has spent \$6 million of the settlement for litigation costs, testing and consultant studies, and the most urgent repairs. The remaining \$5 million is being set aside for future repair and maintenance costs related to construction defects that may not surface until after the completion of the renovations.
  - Project has been included in the Five-Year Program, Non-State and State Funds since 2004-05.

### RECOMMENDATION

The President recommends that the Committee on Grounds and Buildings recommend to The Regents that:

- (1) The 2006-07 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Irvine: Arroyo Vista Repairs – preliminary plans, working drawings, and construction – (\$20 million) to be funded from external financing
- (2) The President be authorized to obtain external financing not to exceed \$20 million to finance the Arroyo Vista Repairs 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 this debt is outstanding, University of California Housing System fees for the Irvine campus shall be established at levels sufficient to provide excess net revenues sufficient to pay the debt service and to meet the related requirements of the proposed funding.
  - 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 project description are attached.

**KEY**  
**Capital Improvement Program Abbreviations**

<b>S</b>	Studies
<b>P</b>	Preliminary Plans
<b>W</b>	Working Drawings
<b>C</b>	Construction
<b>E</b>	Equipment
<b>-</b>	State Funds (no abbreviation)
<b>F</b>	Federal Funds
<b>G</b>	Gifts
<b>HR</b>	Hospital Reserve Funds
<b>I</b>	California Institutes for Science and Innovation
<b>LB</b>	Bank Loans or Bonds (External Financing includes Garamendi, Bonds, Stand-By, Interim and Bank Loans)
<b>LR</b>	Regents' Loans (Internal Loans)
<b>N</b>	Reserves other than University Registration Fee (Housing and Parking Reserves)
<b>R</b>	University Registration Fee Reserves
<b>U</b>	Regents' Appropriations (President's Funds, Educational Fund)
<b>X</b>	Campus Funds
<b>CCCI</b>	California Construction Cost Index
<b>EPI</b>	Equipment Price Index

2006-07 Budget for Capital Improvements and  
 Capital Improvement Program  
 Scheduled for  
 Regents' Allocations, Loans, Income Reserves,  
 University Registration Fee Reserves, Gift Funds,  
 and Miscellaneous Funds

Campus and Project Title (Total Cost)	<u>Approved</u>	<u>Proposed</u> <u>2006-07</u>
Irvine	P	\$ 470,000 LB
Arroyo Vista Repairs	W	\$ 862,000 LB
	C	\$18,668,000 LB
(\$20,000,000)		

**DESCRIPTION**

The Irvine campus requests approval of the Arroyo Vista Repairs project for a total project cost of \$20 million, at CCCI 4927, to be funded from external financing. The project would repair extensive damage due to construction defects in the 800-bed portion of the Arroyo Vista housing complex completed in 1993. It would also reconstruct two buildings (24-bed and 36-bed) in which the campus performed destructive testing in order to identify damage and needed repairs.

***Background***

Arroyo Vista is an undergraduate housing complex comprised of 42 houses which accommodate 990 students. Built in two phases, the original complex opened in 1993 with 35 houses accommodating 800 beds; a subsequent infill project completed in 2004 added another seven houses with 190 beds.

Within the first few years after the first phase of Arroyo Vista opened, minor building problems began to surface. By the time the complex was about five years old, serious and pervasive construction defects became evident. Improperly installed windows, poorly constructed roofs, inadequate flashing, poorly installed shower pans and tiles, and inadequate plumbing components resulted in extensive water leakage, and moisture damage. Improper construction of exterior wooden staircases and bridges between buildings resulted in their deterioration and weakened structural integrity. In addition, the installation of obsolete fire alarm equipment made ongoing maintenance impossible due to the unavailability of parts.

The University filed suit against the builder of the complex, resulting in a settlement of \$11 million in 2003. To date, \$6 million has been used to cover litigation costs, testing, and

consultant studies, and to complete the most urgent repairs, including emergency staircase and bridge repairs, interim shower repairs, replacement of the card-key system, the replacement of faulty underground fire risers and fire sprinkler heads, and emergency repairs in buildings where corroded fire risers burst.

### ***Project Description***

This proposed Arroyo Vista Repairs project would address construction defects identified in the Arroyo Vista complex, including the following: the replacement and rerouting of bathroom ducts and exhaust fans to the building exterior in order to reduce indoor humidity; replacement of shower waterproofing membrane, tiles, and fixtures; removal, re-flashing, and replacement of doors and door frames at exterior and interior locations; sealing and re-flashing of steep slope roofs; removal and replacement of elevator equipment roofs and stair landing roofs; replacement of failing exterior pavers; replacement of the fire alarm system; replacement of stairs, bridges, and bridge decks at over 30 locations; treatment of window frames with topical water repellent; modification of concrete slabs and the addition of exterior drains to resolve water intrusion issues at doors; repairs to the base of exterior walls to facilitate water drainage; and painting as required. Finally, the project would fully reconstruct two buildings (24-bed and 36-bed) in the complex that were taken down to the studs as part of destructive testing to determine the extent of the damage. Proposed work on the two houses would include the reconstruction of walls, plumbing, lighting, electrical, windows, fixtures, interior and exterior finishes, and the installation of fire alarms.

Project construction would be phased, allowing buildings to remain occupied during the academic year. The most disruptive work, renovation of the bathroom interiors, would be scheduled over two summers when housing buildings are unoccupied. Completion is scheduled for May 2009.

The \$20 million project would be funded from external financing. Although this project would correct known defects, it is likely that some additional problems will surface over time and result in higher than usual ongoing maintenance and repair expenses. The remaining \$5 million in settlement funds will be used to support these future costs so that work can be accomplished in a timely manner, thereby minimizing further damage.

### ***Green Building Design and Clean Energy Standards***

This project complies with the UC Presidential Policy on Green Buildings Design and Clean Energy Standards. 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.

### ***CEQA Classification***

The project is consistent with the campus' 1989 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 categorically exempt as existing facilities.

***Financial Feasibility***

The total project cost of \$20 million at CCCI 4927 would be funded from external financing. Based on long-term debt of \$20 million amortized over 15 years at 5.75 percent interest, the estimated average annual debt service would be \$ 2,025,750. Payment of debt service would be from the Irvine campus' share of the UCHS annual net revenues. Additional information regarding the proposed project budget is included in Attachment 1.

As a result of the new obligation, student residence hall rents will increase an average of \$437 per bed per year and undergraduate student apartment rents will increase an average of \$207 per bed per year, including rate increases to cover campus housing operating costs. The net impact would be rate increases of about 4.19 percent for residence hall rents and 4.09 percent for student apartment rents each year through project completion. The 9-month rate for a bed space in Arroyo Vista is projected to increase from \$4,455 in 2006-2007 to \$5,249 in 2010-2011. This rate does not include a food program; it does include utilities, cable TV, internet conductivity, and custodial and student services. Since there are no new bed spaces, existing operating expenses have been increased for inflation.

Students at Arroyo Vista currently pay \$495 per student per month compared with \$543 per month in the nearest equivalent housing in the adjacent (off campus) community (current dollars and without meal plan). Arroyo Vista monthly costs are projected to increase to \$583 per student per month in 2010-11 (off campus costs are expected to increase proportionally). Demand for on campus housing continues to increase, as indicated by the current (September 2006) occupancy levels of 111 percent. The increment beyond 100 percent is the result of converting study space into residential units and tripling (adding a third bed in a unit designed for two). The Irvine Housing System rental rate increase through 2010-11 is summarized below.

University of California, Irvine Housing System Rate Increase Associated with Proposed Project				
Year	Operating <u>Increases</u>	Increase Associated with <u>This Project</u>	<u>Other Increases*</u>	Total Rate <u>Increase (%)</u>
2007-2008	2%		3%	5%
2008-2009	2%		2%	4%
2009-2010	2%	3%		5%
2010-2011	2%		2%	4%
Total (%)	8%	3%	7%	18%

\* Housing has planned increases above plan to generate additional reserve funds to enhance its ability to fund required projects.

Additional financial feasibility information can be found in Attachment 2.

**PROJECT STATISTICS  
ARROYO VISTA REPAIRS  
CAPITAL IMPROVEMENT BUDGET  
IRVINE CAMPUS  
CCCI 4927**

<u>Cost Category</u>	<u>Total</u>	<u>% of Total</u>
Site Clearance		
Building	\$ 14,920,000	74.6%
Exterior Utilities	45,000	0.2%
Site Development		
A/E Fees	747,000	3.7%
Campus Administration	896,000	4.5%
Surveys, Tests	222,000	1.1%
Special Items <sup>(a)</sup>	1,678,000	8.4%
Contingency	1,492,000	7.5%
Total	<b>\$20,000,000</b>	<b>100%</b>
Group 2 & 3 Equipment		
<b>Project Total</b>	<b>\$ 20,000,000</b>	

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**Statistics**

Gross Square Feet (gsf) <sup>(b)</sup>	257,275
Assignable Square Feet (asf) <sup>(b)</sup>	169,283
Ratio asf/gsf (%)	66%
Building Cost/gsf <sup>(b)</sup>	\$57.99

**Comparable University Projects at CCCI 4927**

Comparison projects are not provided due to the extreme difference in scope and existing building conditions between residential renovation and repair projects.

- (a) Special items include independent seismic review, value engineering/constructability review, agency review, EH&S during construction, mold abatement monitoring, topographic/as-built survey, totaling \$735,000, and interest during construction totaling \$943,000.
- (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.

