

AGENDA

JOINT COMMITTEES ON FINANCE AND CAMPUS PLANNING, BUILDINGS AND GROUNDS

Meeting: 9:15 a.m., Wednesday, January 31, 2018
Glenn S. Dumke Auditorium

Committee on Finance

Peter J. Taylor, Chair
John Nilon, Vice Chair
Jane W. Carney
Adam Day
Hugo N. Morales
Jorge Reyes Salinas
Lateefah Simon

Committee on Campus Planning, Buildings and Grounds

John Nilon, Chair
Jane W. Carney, Vice Chair
Adam Day
Thelma Meléndez de Santa Ana
Romey Sabalius
Peter J. Taylor

- Consent**
1. Approval of Minutes of the Meeting of November 15, 2016, *Action*
 2. Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments and Approval of Related Actions for the Extended Learning Building and Parking Structure Project at California State University San Marcos, *Action*
- Discussion**
3. Summary of California State University Public-Private Partnerships, *Information*

**MINUTES OF THE JOINT MEETING OF THE
COMMITTEES ON FINANCE AND
CAMPUS PLANNING, BUILDINGS AND GROUNDS**

**Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

November 15, 2016

Committee on Finance

Peter Taylor, Chair
Debra S. Farar, Vice Chair
Jane W. Carney
Adam Day
Jean P. Firstenberg
Hugo N. Morales
Lateefah Simon
Rebecca Eisen, Chair of the Board
Timothy P. White, Chancellor

**Committee on Campus Planning,
Buildings and Grounds**

Steven G. Stepanek, Chair
Jane W. Carney
Adam Day
Thelma Meléndez de Santa Ana
J. Lawrence Norton
Peter J. Taylor

Trustee Steven G. Stepanek called the meeting to order.

Public Comment

Mr. Hector Fernandez, representative of the SETC United spoke about the importance of SETC employee services to maintain campus facilities. He advocated for the creation of a state-of-the-art preventative maintenance program that will allow campuses to better plan maintenance across the entire lifespan of assets.

Approval of Minutes

The minutes of September 20, 2016 were approved as submitted.

**Approval of the 2017-2018 Capital Outlay Program, 2017-2018 through 2021-2022
Five-Year Facilities Renewal and Improvement Plan, and Multi-Year Bond Authorization**

The 2017-2018 Capital Outlay Program, five-year facilities renewal and improvement plan, and the multi-year financing plan were presented.

The 2017-2018 Capital Outlay Program request of \$1.98 billion is made up of academic, self-support, and other donor and energy projects. Categories and criteria used to prioritize the projects were shared.

New to the five-year renewal and improvement plan is the inclusion of campus co-funding of capital projects, which reflects stewardship of all campus facilities. The multi-year financing plan approach will provide greater flexibility and increase funding certainty for campuses. Projections of future capital program debt service reflecting the impact of the State Public Works Board debt restructuring under the CSU Systemwide Revenue Bond Program and the proposed new financing plan were reviewed.

President Willie Hagan commented about the impact of having adequate instructional facilities on campuses and the importance of approving the proposed plan for capital program development.

Following the presentation the trustees asked questions relating to the inclusion of self-support project budgets in reserves for facilities maintenance and solar energy costs.

The committee recommended approval of resolution (RFIN/CPBG 11-16-02).

Trustee Steven G. Stepanek adjourned the meeting.

**JOINT COMMITTEES ON
FINANCE AND CAMPUS PLANNING, BUILDINGS AND GROUNDS**

Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments and Approval of Related Actions for the Extended Learning Building and Parking Structure Project at California State University San Marcos

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Robert Eaton
Assistant Vice Chancellor
Financing, Treasury, and Risk Management

Elvyra F. San Juan
Assistant Vice Chancellor
Capital Planning, Design, and Construction

Summary

This agenda item requests the following actions by the California State University Board of Trustees with regard to the Extended Learning Building and Parking Structure project at California State University, San Marcos:

- Approval of the Final Development Agreement.
- Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for the project.
- Amendment of the 2017-2018 Capital Outlay Program for the Real Property Acquisition
- Approval of the Schematic Design for the project.

Background

In March 2017, the trustees approved a conceptual plan authorizing the campus to pursue a public-private partnership to construct a new Extended Learning and Student Services Building on privately owned land adjacent to the CSU San Marcos campus. The owner of the land, “University Village San Marcos” or “UVSM” (acting through its wholly owned subsidiary, North City University One, LLC.) will also act as the development partner on the project. The project name has now been changed to the Extended Learning Building and Parking Structure project.

The original terms of the proposal presented to the trustees for the March 2017 concept approval called for the project to be financed and constructed by a special purpose entity, and upon completion of the project, the California State University San Marcos Corporation (the "Corporation")¹ would lease the academic space from the special purpose entity for a term of thirty years. Based upon this structure, the financing would be indirectly based upon CSU credit strength, but would not be a direct obligation of the CSU nor would the debt be guaranteed by the CSU. Following the March 2017 board approval, staff discovered, through further discussions with the UVSM finance team, that the financing was in fact predicated on a requirement that the CSU guarantee the lease payments and that the financing would be marketed as a CSU obligation. Without this guarantee, the bonds issued by the special purpose entity would be less than investment-grade rating, thus jeopardizing the viability of the project.

Current Structure and Financing

In order to continue forward with the project and control the credit risk and cost of financing associated with the project, the proposed structure now calls for the CSU to issue Systemwide Revenue Bonds (SRB) or related debt instruments to finance the project. Under this change in financial structure, the project will be delivered under a build-to-suit, shared ownership model where UVSM will construct the building with SRB funds following final board approval and convey an 89 percent interest in the building and a 71% interest in the parking structure to the Corporation pursuant to a grant deed upon completion of the project construction. This shared ownership of the project, or condominium structure, is consistent with the original concept approval. Also consistent with the original concept approval, the Corporation will receive payments from the campus extended learning and parking programs via a facility lease, which the Corporation will in turn apply toward meeting the debt service payments on the SRB debt. In effect, the SRB debt will be an obligation of the extended learning and parking programs of the campus.

The proposed Systemwide Revenue Bonds or related debt instruments will be issued at a not-to-exceed par amount of \$63,950,000, consisting of \$57,145,000 in tax-exempt debt and \$6,805,000 in taxable debt. The not-to-exceed amount is based on a total project budget of \$81,468,000 with contributions of \$5,000,000 from the campus extended learning program, \$6,000,000 from the campus parking program, and \$6,925,000 from UVSM. A portion of the bonds will also fund approximately \$407,000 in additional net financing costs. The bonds will be secured by a general obligation pledge of the Corporation's unrestricted revenues, including project revenues derived from lease payments by the campus' extended learning and parking programs.

¹ The March 2017 concept approval noted that University Auxiliary Research and Services Corporation or UARSC would be the campus auxiliary through which the project would be structured. In July 2017, UARSC merged with another campus auxiliary and the successor auxiliary is now named California State University San Marcos Corporation.

The following table summarizes key information about this financing transaction.

Not-to-exceed amount	\$63,950,000
Amortization	Approximately level debt service over 30 years
Projected maximum annual debt service	\$4,250,202
Projected minimum net revenue debt service coverage ² :	
Extended Learning Program:	1.34
Parking Program	1.53
The Corporation:	2.68
Campus aggregate:	1.56

The not-to-exceed amount, maximum annual debt service, and ratios shown above are based on an all-in interest cost of 5.25 percent, inclusive of a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. Based on the financial plan, in FY 2019-20, the first full year of debt service repayment for the project, the minimum debt service coverage is projected at 1.34 for the extended learning program and 1.53 for the parking program. These coverages exceed the CSU benchmark of 1.10 for enterprise programs. The debt service coverage ratio is projected to be 2.68 for the Corporation, compared with the CSU benchmark of 1.25 for both the project and the auxiliary debt program. When combining the project with forecasted information for all campus pledged revenue programs, the campus' overall net revenue debt service coverage for the first full year of operations is projected to be 1.56, exceeding the CSU campus benchmark of 1.35.

Final Development Agreement and Summary of Key Deal Terms

Construction Funding. The \$81,468,000 total project cost will be funded primarily through the issuance of CSU Systemwide Revenue Bonds at a not-to-exceed par amount of \$63,950,000, cash contribution of \$5,000,000 from the campus Extended Learning Program and \$6,000,000 from the Parking Program to cover design costs and developer fees.

Parking Funding. A total of 709 parking stalls will be constructed, of which 563 will be funded by the Corporation and 146 by UVSM.

Developer Land Contribution. UVSM will contribute the land to the project free and clear of all monetary liens. Such contribution will be at no cost to the campus. The appraised value of the land as contributed is \$3.7 million.

Building Construction. UVSM will construct the building with no builder profit other than a customary development management fee. Construction is to begin March 2018 and expected to be completed by August 2019. California prevailing wage requirements shall apply to the development.

² Based on campus projections of 2019-2020 operations of the project with full debt service.

Project Acquisition. Following final board approval, the Corporation will enter into a purchase-sale agreement with UVSM to purchase the project.

Project Ownership: The Corporation will own an 89 percent proportional share of the building and UVSM will own the remaining 11 percent. The Corporation will own 71 percent of the parking structure and UVSM will own the remaining 29 percent. The Corporation's ownership share will include the extended learning space (120,000 SF), 503 parking stalls, and a proportional 89 percent share of the land and common areas of the building parcel. UVSM will own the retail space (14,600 SF), 206 parking stalls, and a proportional 11 percent share of the land and common areas of the building parcel.

Developer Fee. The Corporation shall pay UVSM a \$3,250,000 (4 percent) fee for developer's construction management services.

Operating Expenses. The Corporation will be responsible for operating expenses associated with its 120,000 SF of the building. UVSM will be responsible for operating expenses associated with its 14,600 SF of the building. The Corporation and UVSM will share on a pro-rata basis the operating expenses associated with the common area space. Operating expenses for the parking structure will be based upon pro-rata usage.

Major Building Systems. The Corporation will be responsible for maintaining the major building systems and will pay into a Replacement Reserve to fund major capital replacements for the Corporation's proportional share. UVSM will be responsible for funding its pro-rata share of the major building systems including its share of Replacement Reserve, which will be paid to the Corporation.

Right of First Offer.

Educational Benefits

With this project, the campus has an opportunity to partner with the private sector to provide instructional classrooms and laboratories, thereby providing relief for bottleneck courses and enhancing student pathways to graduation. Four academic programs with faculty offices will be located in the new facility, along with space for the growing Extended Learning programs, Global Education, the American Language and Culture institute, and other support service departments. The Corporation, the campus sponsored programs' auxiliary, will relocate providing closer access to support faculty research. Importantly, the secondary effects of vacated space on the campus will create additional capacity for various uses, including the emerging engineering program, additional classroom space, and faculty offices. Student success centers will be brought together in one location: the Academic Success Center, STEM Center, Math Lab, Language Learning Center, and Writing Center, along with the faculty and staff that support them.

Amend the 2017-2018 Capital Outlay Program

CSU San Marcos wishes to amend the 2017-2018 Capital Outlay Program for the acquisition, design, and construction of the Extended Learning Building (#902³), Parking Structure (#903), and Pedestrian Bridge (#904) project. The proposed site for the project is a two-acre privately-owned parcel located north of Barham Drive and west of Campus Way.

The site for the proposed Extended Learning Building project is part of a larger development named the University District Specific Plan within the City of San Marcos that will provide mixed-use residential and commercial buildings. The site is currently identified to house a mixed-use building with retail on the ground floor and office, administration, and educational uses on the upper floors. The development agreement will include the transfer of the campus' share of the land, to be conveyed to the Corporation upon construction completion, preserving existing open space on campus for future academic growth.

Extended Learning Building and Parking Structure Schematic Design

Developer: University Villages San Marcos (UVSM)

Special Purpose Entity/Wholly Owned Subsidiary of UVSM: North City University One, LLC

Project Architect: Safdie Rabines Architects

Design/Build Contractor: Turner Construction

Background and Scope

The new six-story building (134,584 gross square feet (GSF)) will provide 14,600 GSF retail space operated by the developer, with the remaining 120,000 GSF for CSU San Marcos to house Extended Learning operations, including Global Education and American Language and Culture Institute. The project will include classrooms, laboratories, and administrative offices as well as student academic support centers. The 226,000 GSF parking structure will provide 709 parking spaces, of which 503 will be for university use, and the remaining 206 spaces will serve the retail and adjacent developments. A pedestrian bridge, afforded by the developer, will connect the building and parking structure to the main campus.

The Extended Learning program currently occupies two temporary Foundation Classroom Buildings (#55, 56), which will be vacated upon completion of this project and repurposed to accommodate lecture, teaching lab, and faculty office space for engineering.

The new Extended Learning Building is made up of concrete columns, shear walls, and nine-inch post tensioned flat slabs supported on spread foundations. The skin of the building is comprised of stucco exposed concrete slab edges, aluminum storefront, and curtain-wall systems with insulated glazing. A concrete pedestrian bridge will connect the Extended Learning Building with the campus to the south, while a steel-framed bridge with concrete topping will connect the building to the parking structure to the west.

³ The facility number is shown on the master plan map and recorded in the Space and Facilities Database.

The parking structure will be constructed using post-tensioned slabs and conventionally reinforced concrete slabs supported by concrete columns, held on conventional shallow foundations. The lateral framing system utilizes specially reinforced concrete shear wall cores, also supported on conventional shallow foundations.

Exterior building materials are consistent with the campus architectural vocabulary. The durability and sustainability of the building materials has been considered, with integral color and factory finished materials favored for the purposes of color fastness and minimization of long-term maintenance. Interior building materials are specified to be durable and low maintenance. Flooring finishes include sealed concrete flooring, porcelain tile, vinyl tile, and carpet tile. Wall surfaces will be soil and scuff resistant with a painted drywall finish. Interior millwork will be finished with durable laminates, chemical resistant solid surfacing countertops, and other quality materials consistent with similar higher education facilities.

The building will include sustainable features such as water-efficient landscaping, low-flow plumbing fixtures, LED lighting, a cool roof containing a high solar reflective color, and other energy-efficient materials and systems. The parking structure will include infrastructure for the future installation of solar photovoltaic panels and electric car charging stations.

Timing (Estimated)

Preliminary Plans Completed	February 2018
Working Drawings Completed	March 2018
Construction Start	March 2018
Occupancy	August 2019

Basic Statistics

Gross Building Area	134,584 square feet
Assignable Building Area	106,646 square feet
Efficiency	79 percent
Gross Parking Structure Area	217,320 square feet
Assignable Parking Structure Area	225,592 square feet
Efficiency	96 percent

Cost Estimate – California Construction Cost Index (CCCI) 6255⁴

Building Cost (\$345 per GSF)	\$46,470,000
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⁴ The July 2017 *Engineering News-Record* California Construction Cost Index (CCCI). The CCCI is the average Building Cost Index for Los Angeles and San Francisco.

<i>Systems Breakdown</i>	<i>(\$ per GSF)</i>	
a. Substructure (Foundation)	\$ 10.32	
b. Shell (Structure and Enclosure)	\$ 104.37	
c. Interiors (Partitions and Finishes)	\$ 63.95	
d. Services (HVAC, Plumbing, Electrical, Fire)	\$ 101.42	
e. Built-in Equipment and Furnishings	\$ 2.45	
f. Special Construction and Demolition	\$ 0.00	
g. General Requirements	\$ 10.54	
h. General Conditions and Insurance	\$ 52.23	
Parking Structure Cost (\$61 per GSF - \$19,344 per space)		\$13,715,000

<i>Systems Breakdown</i>	<i>(\$ per GSF)</i>
a. Substructure (Foundation)	\$ 11.09
b. Shell (Structure and Enclosure)	\$ 30.15
c. Interiors (Partitions and Finishes)	\$ 1.72
d. Services (HVAC, Plumbing, Electrical, Fire)	\$ 7.78
e. Built-in Equipment and Furnishings	\$ 0.28
f. Special Construction and Demolition	\$ 0.00
g. General Requirements	\$ 0.58
h. General Conditions and Insurance	\$ 9.20

Pedestrian Bridge	3,035,000
Site Development	<u>3,442,000</u>
Construction Cost	\$66,662,000
Fees, Contingency and Services	<u>12,806,000</u>
Total Project Cost (\$221 per GSF)	\$79,468,000
Fixtures, Furniture, & Moveable Equipment	<u>2,000,000</u>
Grand Total	<u>\$81,468,000</u>

Cost Comparison

Building Cost

This project's building cost of \$345 per GSF is lower than the CSU Construction Cost Guidelines for Classroom and Administration buildings of \$407 per GSF including Group I equipment, as well as the \$541 per GSF for the CSU Monterey Bay Academic III Building, the \$527 per GSF for the Continuing and Professional Education Classroom Building at CSU Long Beach, both approved in November 2016, and the \$371 per GSF of the Extended Learning Center at CSU Northridge approved in September 2013, all adjusted to CCCI 6255.

Some factors that led to a lower building cost include regional cost factors, a non-public works contract process, less costly shell (exterior skin), and mechanical/electrical/plumbing services.

Parking Structure

The parking structure cost of \$19,344 per space is higher than the \$18,243 per space for Parking Structure V, Phase I at California State University, Sacramento, approved in November 2016, and the \$18,452 per space for Parking Structure I, Phase 2A for California State University San Marcos, approved in July 2008, both adjusted to CCCCI 6255.

The cost per stall on this parking structure is higher due to additional visual screening requirements by the City of San Marcos, applicable to all parking structures within the University District Specific Plan area.

California Environmental Quality Act (CEQA) Action

Since the development site is not currently owned by the California State University, the City of San Marcos is responsible for the approval of entitlements for the CSU San Marcos Extended Learning Building and Parking Structure project. The site is within the City of San Marcos University District Specific Plan (specific plan) area. A Final Environmental Impact Report (FEIR) for the University District Specific Plan was certified by the City of San Marcos City Council in October 2009 and a subsequent addendum to the FEIR was adopted in 2014 to address modifications to the specific plan.

In support of the CSU San Marcos Extended Learning Building and Parking Structure project, an addendum to the University District Specific Plan FEIR and a traffic study were prepared for the City of San Marcos. The traffic study identified required traffic measures, which will be the responsibility of Urban Villages San Marcos, LLC (UVSM) and will be incorporated into the agreement between UVSM and CSU San Marcos. On October 16, 2017, the City of San Marcos Planning Commission approved a conditional use permit for the CSU San Marcos Extended Learning Building and Parking Structure project which relied upon a CEQA determination that the project is within the scope of the Specific Plan EIR.

Recommendation

The following resolutions are presented for approval:

RESOLVED, by the Board of Trustees of the California State University, that:

1. The financing resolutions for the project as described in this Agenda Item 2 of the Joint Committees on Finance and Campus Planning, Buildings and Grounds at the January 29-31, 2018, meeting of the CSU Board of Trustees are approved. Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing resolutions to be presented at this meeting that authorize interim and permanent financing for the projects described in this agenda. The proposed resolutions will be distributed at the meeting and will achieve the following:

- a. Authorize the sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds, and/or the sale and issuance of related Systemwide Revenue Bond Anticipation Notes, and/or the issuance of related debt instruments, including shorter term debt, variable rate debt, floating rate loans placed directly with banks, or fixed rate loans placed directly with banks, in an aggregate amount not-to-exceed \$63,950,000 and certain actions relating thereto.
 - b. Provide a delegation to the chancellor; the executive vice chancellor and chief financial officer; the assistant vice chancellor, Financial Services; and the assistant vice chancellor, Financing, Treasury, and Risk Management; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the revenue bonds, bond anticipation notes, or related debt instruments.
2. Provide a delegation to the chancellor to approve the final execution of the purchase and sale agreement for the construction of academic facilities on privately owned land adjacent to the CSU San Marcos campus.
3. The board hereby acknowledges the City of San Marcos Final Environmental Impact Report for the Extended Learning Building and Parking Structure project dated October 13, 2009, and the subsequent Addendum to the Final Environmental Impact Report adopted in October 2017 as complete and in compliance with CEQA.
4. The 2017-2018 Capital Outlay Program is amended to include \$81,468,000 for preliminary plans, working drawings, construction, and equipment for the California State University San Marcos Extended Learning Building and Parking Structure project.
5. The schematic plans for the California State University San Marcos Extended Learning Building and Parking Structure project are approved at a project cost of \$81,468,000 at CCCI 6255.

**COMMITTEES ON
FINANCE AND CAMPUS PLANNING, BUILDINGS, AND GROUNDS**

Summary of California State University Public-Private Partnerships

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Robert Eaton
Assistant Vice Chancellor
Financing, Treasury, and Risk Management

Summary

This item provides a summary of public-private partnerships at the California State University. While public-private partnerships can be defined broadly, the focus of this item is to present a summary of public-private partnerships that meet capital development and financing needs of CSU campuses. The summary also includes several public-public partnerships.

Background

Public-private and public-public partnerships can be structured in a number of ways, but the typical structure calls for a campus or auxiliary to lease a portion of its land to a third party development partner over a long period of time, who then develops a capital project on the land, assuming development, financing, construction, and operating risk on the project. The benefits to the campus can include a project that meets its particular educational needs, the monetization of land value to create a stream of revenue that can be used to meet campus educational needs, and the transfer of some amount of project development, financing, construction, and operating risk to the third party. The third party benefits financially from the successful development and operation of the project. A key component of a typical public-private or public-public partnership is the analysis and negotiation of risk transfer and benefits to ensure that there is an appropriate balance between risk and reward for both parties.

Because of the commitment of CSU or auxiliary land to third parties for long periods of time and because of the risks involved, public-private or public-public partnerships are usually approved by the board in a two-step process consistent with board policy (RFIN 05-08-00): a concept approval, whereby the board is presented with the general idea and purpose of a project and authorizes the campus and staff to continue working toward a final development plan and agreement with a third

party; and a final approval, whereby the board is presented with the final development plan and agreement for approval. If appropriate, the board will also see and approve other actions related to the project, such as California Environmental Quality Act approvals, master plan amendments, or schematic designs.

With the passage of legislation in 2014 that shifted responsibility for non-revenue generating capital projects from the state to the CSU, campus interest in public-private partnerships has increased significantly as the CSU has sought ways to meet its capital needs with limited capital resources. Since November 2014, the board has granted concept or final approvals for sixteen projects at twelve campuses.

Summary of Public-Private Partnership Projects

In total, there are presently twenty public-private or public-public partnerships projects in the CSU that are in operation. In addition, there are thirty public-private or public-public partnerships that are in development or under evaluation, including twelve that have received concept approval from the board and six that have received final approval from the board.

The following table summarizes, by type of project, public-private and public-public partnerships projects that are in operation, in development, or under evaluation at the CSU:

Project Type	In Operation	In Development	Under Evaluation	Total
Commercial/Mixed Use	8	1	9	18
Housing	3	1	9	13
Charter/High School	4	1	1	6
Athletic	1	1	2	4
Other	4	-	5	9
Total	20	4	26	50

In addition to the many opportunities that these projects provide to campuses and auxiliaries to develop facilities for students and staff, create internships, and strengthen community engagement and partnership, these projects also provide opportunities to monetize underutilized land and provide cash flow that can also address campus needs. Total revenues to CSU campuses and auxiliaries generated from public-private partnerships currently in operation are approximately \$4.4 million per year.