

SUBJECT	HOUSING COMMONS & SKEENA RESIDENCE (OKANAGAN)
MEETING DATE	JUNE 14, 2017

Forwarded to the Board of Governors on the Recommendation of the President

**APPROVED FOR
SUBMISSION**



 Santa J. Ono, President and Vice-Chancellor

DECISION REQUESTED	IT IS HEREBY REQUESTED that the UBC Board of Governors grant BOARD 1 approval for the Housing Commons and Skeena Residence projects (Okanagan campus) with a funding release of \$1,500,000 to commence schematic design.	
	Preliminary Capital Budget	\$61,343,000
	Preliminary Operating Budget	see report
	Schedule	
	Project in Principle	
	Program	
	Architectural Consultant Selection	
	Proceed to Schematic Design	
	Funding Release	\$1,500,000
	Information	
Expenses to date	\$0	
Funding released to date	\$0	
Report Date	May 15, 2017	

Presented By Deborah Buszard, Deputy Vice-Chancellor and Principal, Okanagan
 Andrew Simpson, Vice-President Finance & Operations
 Rob Einarson, Associate Vice-President Finance & Operations, Okanagan
 Andrew Parr, Managing Director, Student Housing & Hospitality Services
 John Metras, Managing Director, Infrastructure Development
 Michael White, Associate Vice-President Campus + Community Planning
 Aubrey Kelly, President & CEO, UBC Properties Trust

EXECUTIVE SUMMARY

There is an institutional need to develop additional on-campus student housing at the Okanagan campus to meet current demand and to help realize enrolment targets and anticipated growth. The waitlist for student housing has grown by 200 students per year for the past three years, reaching 750 in July 2016. The rental vacancy rate in Kelowna has dropped from 4% in 2012 to <1% in 2016. Given that 72% of the campus population comes from outside the Okanagan region and the vast majority of first year students from outside the Okanagan (both domestic and international) live in residence in first year, the availability of on-campus housing is an important requirement for recruitment.

To address this need, the concurrent development of two new student residences – Housing Commons and Skeena Residence – with a total of approximately 440 beds for first-year students is proposed. Implementation of both projects would bring Okanagan campus student housing capacity from 1,680 beds to 2,120 beds, or 28% of student FTE.

The Housing Commons will be located north of the University Centre on Site 13 identified in the Okanagan Campus Plan and will include 220 residence beds in modified traditional format with two single bedrooms sharing a bathroom. A commons block component will include a new 500-seat dining hall with central kitchen, plus relocated and consolidated units under Business Operations, including Student Housing Administration, Residence Life and related residence amenities, Conferences and Accommodation, Building Services, Food Services and Parking Services. The dining hall facility is an essential requirement for any additional growth in student housing on the Okanagan campus and will also help serve the needs of the overall campus community.

The Skeena Residence will be located on Site 4 adjacent to the existing Purcell Residence and will also include 220 residence beds in modified traditional format. Standard housing amenities will be provided including house lounges, informal study space and laundry facilities. Two cityhomes (2 bedroom townhouses) will be included in the project, offering accommodation for visiting faculty or staff.

The total capital investment required for the two projects is currently estimated at \$61.34 million. This amount may be adjusted as the optimum bed count for the respective sites is determined through design. The Housing Commons project accounts for \$41.88 million of this total investment and is based on a 12,080 gsm (130,023 gsf), LEED Gold certified building. The Skeena Residence project is estimated at \$19.46 million based on a 6,959 gsm (74,907 gsf), LEED Gold certified building. An option for a highly sustainable “Passive House” design is being considered for Skeena which could add to the capital cost but provide on-going operating cost savings and avoid the cost for connecting the residence to the district energy heating system.

The capital cost is proposed to be internally financed over 30 years with debt service paid from student housing rental revenue and meal plan revenue. UBCO will contribute \$657,000 from its Central Operating budget to fund inclusion of Parking Services office and service desk space in the Housing Commons as well as washrooms and storage space to support general field activity on the adjacent Commons open space.

The combined proforma for the two projects does not become cash flow positive until Year 18. This is substantially longer than typical new student residence projects due to the inclusion of the business operations units and the dining facility which support not only the additional 440 new residences but also the existing 1,680 residents, the broader campus community and growing demand for summer conference and camp opportunities. The negative cash flow can be covered within the overall system-wide Student Housing & Hospitality Services (SHHS) operating budget as is standard practice for all new Student Housing developments. Despite the lengthy period of negative cash flow for this project, the SHHS annual dividend to the University would remain at current levels plus 2% annual growth.

The Housing Commons and Skeena Residence projects received Executive 3 approval on March 7, 2017. They are being brought forward for Board 1 approval with the recommendation that they proceed at the same time for a targeted completion in August 2020 to meet the need for student housing at UBC Okanagan.

INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED

✓ Learning

 Research Innovation✓ Engagement
(Internal / External)

✓ International

or ✓ Operational

**DESCRIPTION
& RATIONALE****Facility Need**

Student Housing is an important factor in recruitment for the Okanagan campus. With 72% of the campus population coming from outside the Okanagan Valley, the ability to offer residence accommodation is a key factor in successfully recruiting students. In addition to recruitment, Student Housing is also a driver in student retention and matriculation. Institutional research on the value of Student Housing at the Okanagan campus demonstrated that students living on campus in their first year had higher retention rates and higher graduation rates than those who lived off campus. This positive relationship was even greater for international students.

The room inventory on the Okanagan campus currently consists of 1,058 first-year student beds and 622 upper-year student beds (self-contained suites and apartments). With an annual incoming class of more than 2,000 students, many first-year students have had to live in upper year accommodation. The wait list for Student Housing for new students in July 2016 was 750, an increase of 200 students per year over recent years, while the demand for returning students has remained constant. Housing offer acceptance rates have also increased from 50% in 2014 to 72% in 2015 to 79% in 2016. The growing neighbourhood community to the south of campus is helping to support upper year students seeking accommodation, but this inventory has little impact on the demand of first-year students. The rental accommodation vacancy rate in Kelowna has dropped from a ten-year high of 4% in 2012 to <1% in 2014 – 2016 inclusive.

Development of the proposed Housing Commons and Skeena Residence projects, with planned completion in August 2020, will increase on-campus student housing capacity from 1,680 beds to 2,120 beds. This increase in student resident population, which will include approximately 1,500 students on meal plan, will necessitate provision of appropriate amenities and services for the on-campus population – similar to that provided in the Totem Park or Place Vanier Commons blocks at the Vancouver campus. The Housing Commons will include dining room and kitchen facilities, quiet study and informal gathering space, a fitness room as well as casual recreation space such as table tennis and pool tables, music practice rooms, a 24 hour front desk to oversee this space and provide extended services for student residents and a centre gathering / lobby area for summer conference visitors.

A dining room sized to serve 25-30% of the on-campus housing population on meal plan is an intrinsic component of the community building that occurs within first-year student housing. This community building is what helps connect resident students to the campus. This additional dining capacity is also part of an overall food service strategy for the campus to service students (both commuter and resident), faculty, and staff as well as support a more robust service offering for summer conference activities.

Community Impact and Broader Context

Increasing the number of students living on campus further enhances the goals of the institution by reducing the demand on parking, increasing the food service offerings to support the entire campus population, as well as enhancing campus vibrancy, particularly in evenings and on weekends, and increasing student leadership opportunities.

An assessment of Kelowna residential rental housing undertaken by Coriolus Consulting provides the following high level findings regarding the local market:

- Current rental market conditions are tight (very low <1% vacancy, rising rents).
- Total rental housing demand, from UBCO students and general population growth, will rise significantly over the next 10 years.
- While there is a surprisingly large number of market rental units in the proposal stage, overall rental market conditions are expected to remain tight.
- There is not likely to be a market situation that would create risk for UBCO of low vacancy or falling rent in existing or new student housing.

Site Confirmation

Housing Commons

The Housing is recommended to be located on Site 13 in the UBC Okanagan Campus Plan (2015), formerly Site K2 in the UBC Okanagan Master Plan (2009).

This site is located north of the existing University Centre Building and Plaza, at the south end of The Commons field. The Campus Plan identifies Site 13 for a new commons building, envisioned as a natural extension of the existing University Centre, with the primary goal of providing a home for a number of complimentary campus activities, including new co-located student services. The Campus Plan also includes the possible consideration of mixed-use projects and increasing the number of building storeys as opportunities to provide additional housing capacity. Utility services are available (with confirmation for gravity systems) in close proximity on University Way, University Walk and International Mews. Preferred loading access from the east will work to minimize impact on pedestrian access and circulation to the Housing Commons and along University Walk.

The site was reviewed for the revised program and approved by the Site Selection Committee on Jan 16, 2017. The recommended site will contribute to co-location opportunities and is generally consistent and compatible with adjacent University Centre and residence buildings. The project will contribute substantively to the definition and animation of the open Commons field to the north, as well as to the University Centre Plaza, University Walk and International Mews.

Skeena Residence

The Skeena Residence is recommended to be located on Site 4 in the UBC Okanagan Campus Plan (2015), formerly Site N in the UBC Okanagan Master Plan (2009 Update). The Campus Plan identifies this site for a future residence with an estimated area of 7,908

gsm (85,121 gsf). The current program for the Skeena Residence is 6,959 gsm (74,907 gsf). Campus Planning & Development (CP&D) has confirmed that the site can be expanded to accommodate a larger footprint for the 5-storey building, pending further confirmation of soil and grading conditions. Services are available (with confirmation for gravity systems) in close proximity on International Mews.

The UBC Okanagan Site Selection Committee supported approval of the expanded Site N for the Skeena Residence on August 18, 2014. Construction on this site will extend the building wall definition along the westerly side of International Mews northwards, and complete the built frame at the north end of The Commons. In addition to benefiting from co-location opportunities, the project is consistent and compatible with the adjacent residence use and buildings, and would contribute to the enclosure and animation of the open Commons field.

Preliminary Functional Programs

Housing Commons

The Housing Commons is envisioned as a 2-storey commons block with 4-storey student residence on top. The facility will have a gross area of approximately 12,080 gsm (130,023 gsf) and will include the following program elements:

- Student residence with 220 modified traditional units (two bedrooms sharing a bathroom)
- Residents Common Block/Housing support
- 500 seat Dining Hall, Convenience Store (1,200nsf)
- 24 hour access for students living in residence to social amenities and study space.
- 24 hour services at Student Housing and Conferences front desk for both resident students and seasonal hotel check-in
- Parking Services offices

Housing Commons Program		NSM	GSM	NSF	GSF
1	Main Entry, Dining Hall, Convenience Store	1,793	2,780	19,304	29,921
2	Secondary Entry and Student Commons	978	1,515	10,524	16,307
3	Parking Services	31	47	328	506
4	Student Housing and Hospitality Services	380	588	4,086	6,329
5	Shared Staff Support and Amenities	127	197	1,369	2,120
6	Housing Commons Residence	4,122	6,390	44,372	68,777
7	Service Entry, General Bldg Support, End of Trip	363	563	3,912	6,063
Total Areas		7,794	12,080	83,895	130,023

NSM – net square metres GSM – gross square metres
 NSF – net square feet GSF – gross square feet

Skeena Residence

The Skeena Residence will be a 5-6 story, 6,959gsm (74,907gsf) facility housing approximately 220 students in modified traditional bedrooms with standard housing amenities including house lounges, informal study space, activity room and laundry facilities. Two cityhomes (two-bedroom self-contained apartments) will provide short term (1 week to 1 term) accommodation for visiting faculty or staff.

Skeena Residence Program		NSM	GSM	NSF	GSF
1	Student Housing Units	3,598	5,577	38,731	60,033
2	Housing Support Areas	534	828	5,750	8,912
3	Residence Support Facilities	222	366	2,390	3,943
4	Building Support	134	188	1,442	2,019
Total Area		4,488	6,959	48,313	74,907

Sustainability Objectives

Both projects will target LEED Gold certification as a minimum standard with specific energy use intensity targets set to ensure that a high level of energy performance is achieved. A higher Passive House standard will be explored for the Skeena Residence which as noted above would entail additional capital cost but would provide significant energy cost savings over time.

BENEFITS

Learning,
Research,
Financial,
Sustainability &
Reputational

The Housing Commons and Skeena Residence will provide the following benefits:

- New residence beds to address growing demand for on-campus student housing and to support student recruitment and retention.
- Enhanced campus life environment and services which will help students succeed academically and socially.
- A new dining facility to serve the needs of existing and new student residences as well as the overall campus community.
- Consolidation of business service units which will free building space for other beneficial uses. For example, the residence cityhome currently occupied by Parking Services can be returned to the rental pool.
- Reduced commuter traffic to and from campus.
- Enhanced campus sustainability through provision of energy efficient, LEED Gold (and possibly Passive House) certified facilities.

RISKS

Financial,
Operational &
Reputational

Potential project risks and risk mitigation strategies include:

- Capital Cost – Construction cost risks will be managed through provision of contingency and cost allowances as well as coverage under the Retained Risk policy, though current market conditions still contain risk until contracts are fixed.
- Rental Occupancy – Occupancy risks associated with this project are limited as demand for student housing is in excess of current supply. The wait list for UBCO student housing in July 2016 was 750. An independent assessment of the local

residential rental market (by Coriolus Consulting) indicates that the overall rental market, with current <1% vacancy rate, is expected to remain tight and there is not likely to be a market situation that would create risk for UBCO of low vacancy or falling rent in existing or new student housing.

- Dining Capacity – The Housing Commons project with new dining hall must be completed to provide meal plan capacity for the increased student resident population resulting from the Housing Commons and Skeena Residence projects. Both projects are planned to be undertaken and completed at the same time.
- Financing Capacity – Treasury has confirmed that there is sufficient liquidity to provide internal financing for both projects from the Student Housing Financing Endowment (SHFE).

COSTS
Capital &
Lifecycle
Operating

Preliminary Capital Budget

The total capital investment required for the two projects is currently estimated at \$61.34m. This amount may be adjusted as the optimum bed count for the respective sites is determined through design.

Project Capital Cost Breakdown	Housing Commons	Skeena Residence	Total
Construction Costs			
Construction	\$29,649,000	\$13,857,795	\$43,506,795
Contingency	1,250,000	675,000	1,925,000
Cash Allowances			
Public Realm	750,000	500,000	1,250,000
Site Servicing	500,000	250,000	750,000
Kitchen/Convenience Equipment	1,200,000		1,200,000
FF+E	1,000,000	550,000	1,550,000
Audio Visual	250,000	50,000	300,000
Soft Costs			
Consultant Budget	2,600,000	1,275,000	3,875,000
Project Management	1,902,500	875,000	2,777,500
Preconstruction/Permits/Insurance	850,000	525,000	1,375,000
Building Subtotal	39,951,500	18,557,795	58,509,295
GST	667,000	295,000	962,000
Building Total	40,618,500	18,852,795	59,471,295
Construction Period Financing	861,000	425,000	1,286,000
Retained Risk	400,000	185,600	585,600
Project Total	\$41,879,500	\$19,463,395	\$61,342,895
Cost of residence component	\$19,463,395	\$19,463,395	\$38,926,790
Cost of commons component	\$22,416,105		\$22,416,105
Number of Residence Beds	220	220	440
Gross building area (sf)	130,023	74,907	204,930
Cost/bed	\$88,470	\$88,470	\$88,470
Cost/sf	\$322	\$260	\$299

Preliminary Operating Budget

Operating and maintenance costs for the building will be covered by SHHS through student housing rental revenue and meal plan revenue. The SHHS preliminary operating budget for the Housing Commons, including debt servicing, is provided in Attachment 3.

FINANCIAL Funding & Financing

Funding Sources, Impact on Liquidity

The capital cost is proposed to be internally financed with debt service paid from system-wide student housing rental revenue and meal plan revenue. UBCO will contribute \$657,000 from its Central Operating budget to fund the inclusion of Parking Services office and service desk space in the Housing Commons as well as washrooms and storage space to support general field activity on the adjacent Commons open space. The project has been identified as a priority in the UBC Capital Plan and therefore sufficient liquidity has been allocated for internal financing.

The project proforma does not become cash flow positive until Year 18. This is substantially longer than typical new student residence projects due to the inclusion of the business operations units and the dining hall which support not only the additional 440 new residences but also the existing 1,680 residents, the broader campus community and growing demand for summer conference and camp opportunities. The negative cash flow can be covered within the overall system-wide Student Housing & Hospitality Services (SHHS) operating budget as is standard practice for all new Student Housing developments. Despite the lengthy period of negative cash flow for this project, the SHHS annual dividend to the University would remain at current levels plus 2% annual growth.

SCHEDULE Preliminary Schedule

Implementation Timeline

Project Milestone	Completion Date
UBCO DVC Direct Reports Team Exec 1 (Skeena)	Mar 11, 2013
Executive 1 (Skeena)	Mar 25, 2013
UBCO DVC Direct Reports Team Exec 1 (Housing Commons)	Jun 13, 2014
Executive 1 (Housing Commons)	Jun 17, 2014
UBCO DVC Direct Reports Team Exec 2	Oct 28, 2014
Executive 2	Nov 7, 2014
UBCO DVC Direct Reports Team Exec 3	Feb 20, 2017
Executive 3	Mar 7, 2017
Architect Shortlisting	Mar – Apr 2017
Board 1	Jun 2017
Board 2	Dec 2017
Board 3	Apr 2018
Construction Start	Apr 2018
Occupancy	Aug 2020
Board 4	Sep 2022

CONSULTATION Consultation with Internal Working Group

Relevant Units, Internal & External Constituencies

Both projects have been included as priorities in the UBC Capital Plan and are top priorities for the Okanagan Campus. Infrastructure Development has worked with SHHS to develop the functional programs.

UBC Properties Trust has provided preliminary budget costing. Campus Planning & Development has provided input on off-site utilities and siting, and Okanagan Facilities Management have provided a preliminary assessment of utilities requirements.

Prior Approvals

Executive 1 approval was granted for the Skeena Residence project on March 25, 2013. Executive 1 approval was granted for the original Housing Commons (“Okanagan Commons”) concept on June 17, 2014. Executive 2 approval for both projects was granted on November 7, 2014. Executive 3 approval for both projects was received on March 7, 2017.

Project Management

UBC Properties Trust will provide project management services for both projects.

Architect Selection

A shortlist of architectural consultants will be presented at the June 6, 2017 meeting of the Board Property and Finance Committees. Once Board 1 approval is received, the shortlisted firms will be invited to submit detailed proposals from which a final selection will be made by the University Architect and the Project Manager in consultation with the project team.

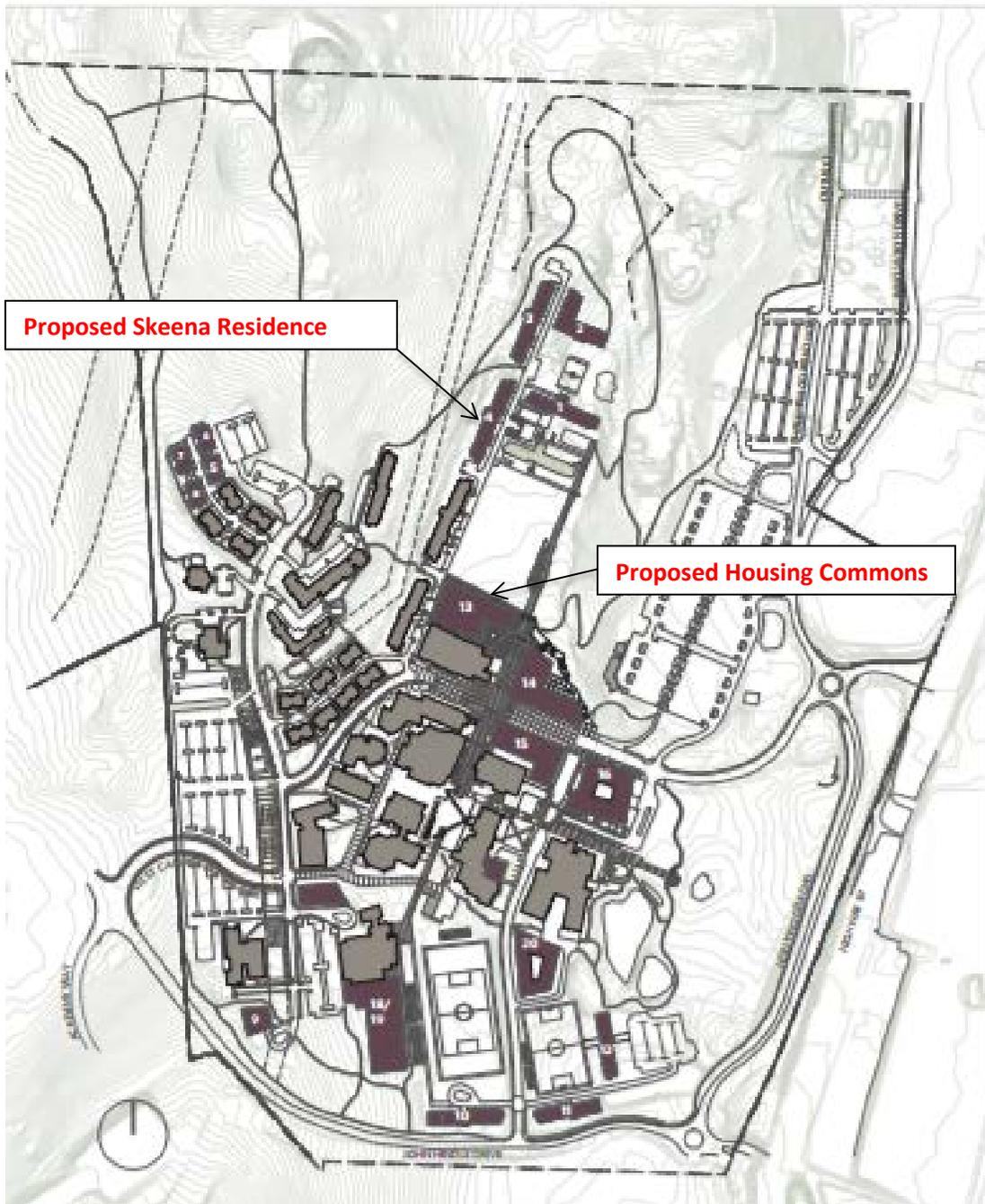
UBCPT COMMENTS Complete for all reports that include a property component	Date of Review:		Signed off by:	
		N/A		

Previous Report Date	N/A
Decision	
Action / Follow Up	

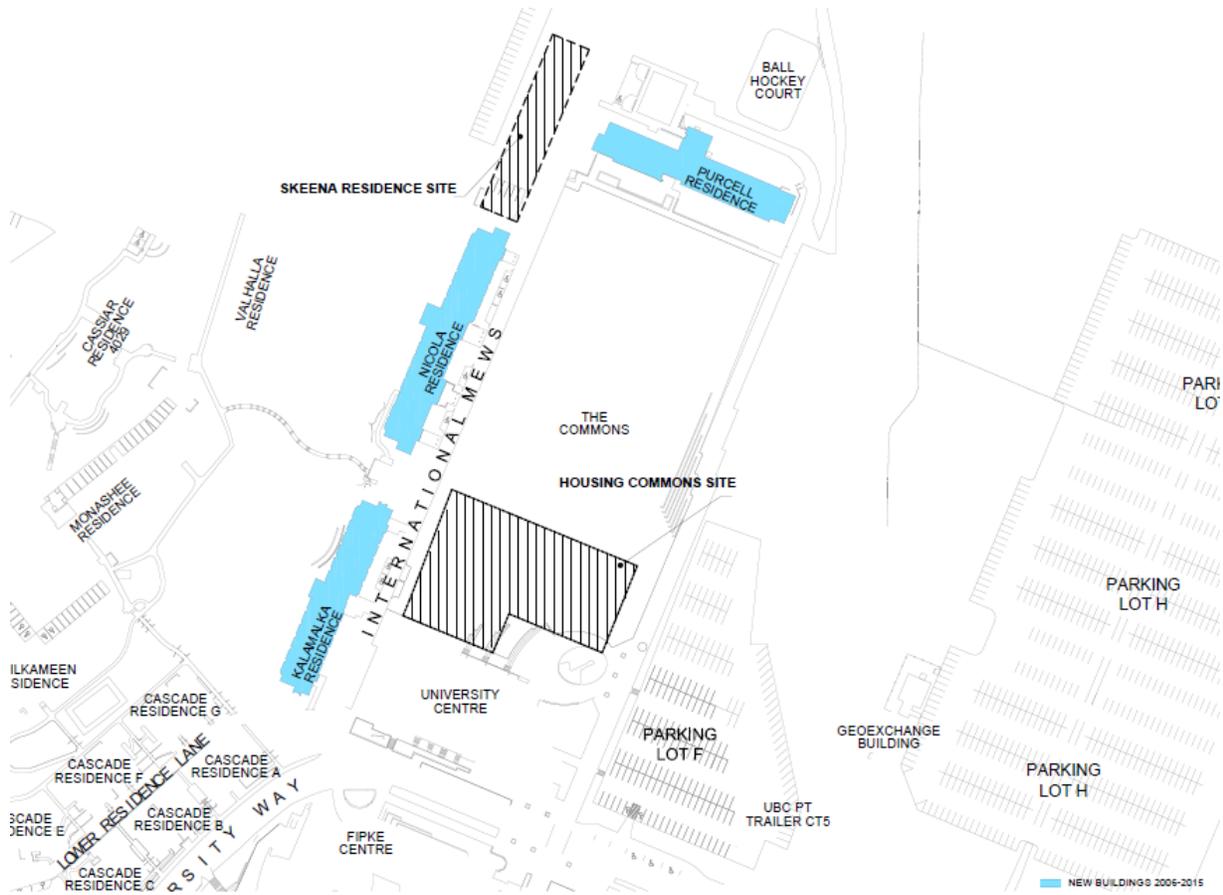
Attachments

- 1) Proposed Housing Commons and Skeena Residence Sites – Campus Context
- 2) Proposed Housing Commons and Skeena Residence Sites – Precinct View
- 3) Site Massing Perspectives
- 4) Preliminary Operating Budget Summary

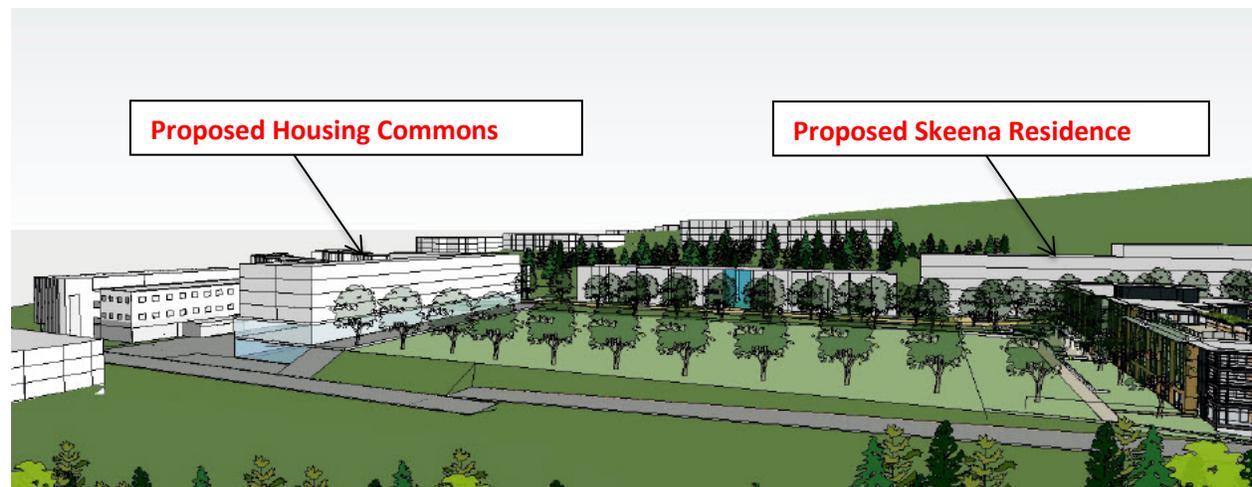
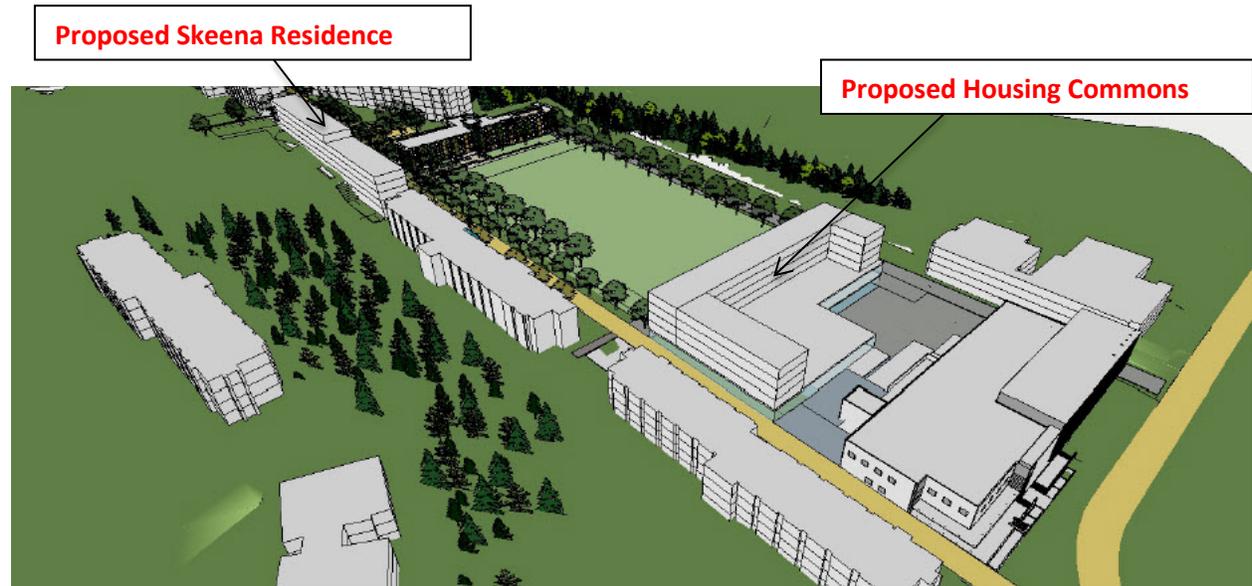
Attachment 1 – Proposed Housing Commons and Skeena Residence Sites – Campus Context



Attachment 2 – Proposed Housing Commons and Skeena Residence Sites – Precinct View



Attachment 3 – Site Massing Perspective



Attachment 4 – Preliminary Operating Budget Summary

UBC Student Housing & Hospitality Services - UBCO Housing Commons & Skeena Residence (Contracted Food Model & 8 month rental)

	2020	2021	2036	2037
Revenue				
Rental Income ¹	\$ 3,168,000	\$ 3,231,360	\$ 4,348,985	\$ 4,435,965
Rental Income - existing ²	\$ 573,440	\$ 584,909	\$ 787,210	\$ 802,954
Meal Plan Income ³	\$ 1,964,600	\$ 2,003,892	\$ 2,696,975	\$ 2,750,914
Meal Plan Income - existing ⁴	\$ 852,786	\$ 869,842	\$ 1,170,692	\$ 1,194,106
Meal Plan CIF ⁵	\$ 187,750	\$ 187,750	\$ 187,750	\$ 187,750
Conferences Income ⁶	-	\$ -	\$ -	\$ -
Rental Vacancy @ 1%	(31,680)	(32,314)	(43,490)	(44,360)
Total Revenue	\$ 6,714,896	\$ 6,845,439	\$ 9,148,123	\$ 9,327,330
Expenses				
Operating Costs - new units @ 22%	\$ 696,960	\$ 710,899	\$ 956,777	\$ 975,912
Food Delivery Costs @ 90%	\$ 2,535,647	\$ 2,586,360	\$ 3,480,901	\$ 3,550,519
Housing Utilities - new units @ 5.5%	\$ 174,240	\$ 177,725	\$ 239,194	\$ 243,978
Cable & Resnet - new units @ 3%	\$ 95,040	\$ 96,941	\$ 130,470	\$ 133,079
Total Direct Expenses	\$ 3,501,887	\$ 3,571,925	\$ 4,807,341	\$ 4,903,488
Direct Cash Flow	\$ 3,213,009	\$ 3,273,514	\$ 4,340,782	\$ 4,423,842
Debt Service - Housing ⁷	2,800,680	2,800,680	2,800,680	2,800,680
Debt Service - Amenity portion ⁷	1,577,220	1,577,220	1,577,220	1,577,220
	\$ 4,377,900	\$ 4,377,900	\$ 4,377,900	\$ 4,377,900
Total Cash Flow	\$ (1,164,891)	\$ (1,104,386)	\$ (37,118)	\$ 45,942

1 - The 8-month academic rental period rate for 440 new Modified-Traditional beds within the Housing Commons and Skeena Residences is anticipated to be \$900 for September 2020. Rental increase is 2% per annum thereafter.

2 - The rental rate for the 896 existing Modified-Traditional beds will be increased to \$860, in connection with this project.

3 - The average Residential Meal Plan price for the 440 new beds is assumed at \$4,465 for the 8-month term for September 2020. 10% commission on total food sales. Meal Plan increase is 2% per annum thereafter.

4 - The Meal Plan rates will be adjusted for 1,062 existing bed spaces that require a Meal Plan, in connection with this project.

5 - A Capital Improvement Fund (CIF) of \$125 per year on each Meal Plan sold is proposed to help pay for upgrades to UBCO Dining facilities.

6 - Assumes no marginal summer conference occupancy as a result of current Summertime availability.

7 - Assumes financing at a net effective rate of 6.0% amortization over 30 years.