



SUBJECT STUDENT HOUSING AT WALTER GAGE INFILL SITE

MEETING DATE JUNE 14, 2018

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

**APPROVED FOR
SUBMISSION**

Santa J. Ono, President and Vice-Chancellor

DECISION REQUESTED	<p>IT IS HEREBY REQUESTED that the UBC Board of Governors grant Board 1 approval for the Student Housing at Walter Gage Infill Site project with a funding release of \$1,000,000 to commence schematic design.</p> <p>Preliminary Capital Budget \$153,082,000 Preliminary Operating Budget See report Schedule Project in Principle Preliminary Program Award Full Architect Consultant Contract Proceed to Schematic Design Funding Release \$1,000,000</p> <p>Information Expenses to date \$0 Funding released to date \$0</p>
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Report Date May 18, 2018

Presented By Louise Cowin, Vice-President Students
Peter Smailes, Interim Vice-President Finance & Operations
Andrew Parr, Managing Director, Student Housing & Hospitality Services
John Metras, Acting Associate Vice-President, Facilities
Jennifer Sanguinetti, Acting Managing Director, Infrastructure Development
Michael White, Associate Vice-President Campus & Community Planning
Aubrey Kelly, President & CEO, UBC Properties Trust

EXECUTIVE SUMMARY

The Walter Gage Infill site (official name to be determined) has been identified in the Student Housing Growth Plan as an opportunity for relatively fast delivery of new student residence beds to meet significant demand. Currently, the Walter Gage Residence is a winter session residence (September – April) with a population of 1,334 upper-year students and a commons block that provides support services and amenities to this student population. The residence is used extensively in summer months (May – August) to provide accommodation for summer conferences, camps and academic programs. West Coast Suites, UBC’s 47-unit, year-round, suite-style hotel, is also located within Walter Gage Residence.

The proposed in-fill project is currently scheduled to open in summer 2021 and will add one winter session and four year-round residential buildings (“houses”) with a total of approximately 1,000 housing beds for upper-year students. Adding 1,000 residents to the existing Walter Gage Residence puts the existing commons block over capacity. As a result, this new residence development will operate as an independent student residence community with its own commons block and residential amenities.

The surface parking lot sites on the perimeter of the Walter Gage Residence complex along Student Union Boulevard and Wesbrook Mall offer an efficient opportunity to quickly add student housing capacity. These sites are already within an area identified for student housing in the Vancouver Campus Plan. This development also allows for greater vibrancy and an improved public realm within this precinct, ultimately creating an enhanced living and learning environment for the entire Walter Gage population. With the removal of approximately 110 grade-level parking stalls and the addition of over 1,700 new beds in the precinct (Exchange Residence and Walter Gage Infill site), a parking analysis is being undertaken to determine whether to incorporate new, resident and guest parking (possibly underground).

The estimated capital cost for the project is \$153.1 million, including provision for replacement parking. This amount will be financed, with debt repayment from student housing revenue. If internal financing is used the annual debt service cost will be \$11 million, assuming 6.0% interest and 30 year amortization, and the pro forma becomes cash flow positive in Year 15. Negative cash flow to that point will be covered within the system-wide Student Housing & Hospitality Services (SHHS) operating budget as is current practice for new Student Housing developments. If external financing options currently being considered for student housing projects are approved (e.g. through Government Business Enterprise or Provincial student housing financing pool), this would reduce annual debt service cost to \$8.25 million and make the project cash flow positive from the start of operations (assuming 3.5% interest over 30 years). The project team will also explore the possibility of applying to the Ministry of Advanced Education Skills & Training for a loan through the Province’s recently announced \$450 million financing pool for student housing.

This project received Executive 3 approval on May 1, 2018. To achieve the target project completion in summer 2021, an accelerated architect selection process is being undertaken. A shortlist of qualified architectural firms was selected through a Request for Expression of Interest process after Executive 2 approval. A modified contract will be awarded to one of the shortlisted firms prior to Board 1 with the condition that the chosen firm has authorization to proceed only to 50% Schematic Design. The balance of the design contract will be executed upon receipt of Board 1 approval. The cost exposure prior to Board 1 is estimated to be \$250,000 and can be managed by SHHS.

Attachments

- 1) Site Map
- 2) Generalized Massing Approach
- 3) Preliminary Operating Pro Forma - Internal Financing 6% and External Financing 3.5%

INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED

Learning
 Research
 Innovation
 Engagement
 International
 (Internal / External)

or Operational

DESCRIPTION & RATIONALE **Background & Rationale**

Access to student housing continues to be a key strategic initiative for UBC, both to address the significant demand for on-campus accommodation and to provide the best possible environment for student success. Despite a 43% increase in the number of student residence beds over the past seven years, from 8,273 beds in 2011 to 11,796 beds in 2018, waitlists for student housing continue to outpace supply. Waitlist numbers at the peak of summer in 2011 were approximately 3,200 students; in summer 2017 this number grew to 6,200 students. The Walter Gage Infill Site project provides an opportunity to relatively quickly help respond to this demand.

Program

The proposed program will add approximately 1,000 residence beds for upper year students in five new buildings (“houses”) located on the south and east perimeter of the Walter Gage Residence (see Attachment 1 for Site Map).

One of these buildings is proposed to be a winter session residence and four will provide year-round housing beds. Adding 1,000 residents to the existing Walter Gage Residence puts the existing commons block over capacity. As a result the new residence will operate as an independent student residence community with its own commons block and residential amenities including a front desk and lobby, fitness room, music practice rooms as well as a house lounge, floor lounges, laundry facilities, in-suite bike storage and a possible new food outlet. The overall area of this development is approximately 390,000 gsf.

Parking

With the removal of approximately 110 grade level parking stalls and the addition of over 1,700 new beds in the precinct (Exchange Residence and Walter Gage Infill site) a parking analysis is being undertaken to determine whether to incorporate new resident and guest parking as part of the project. Opportunities for alternative parking management approaches will be explored that reduce and/or redistribute parking demand, optimize the use of existing assets and encourage sustainable transportation choices. This precinct-level analysis will include: understanding current conditions, trends and context, interpreting existing UBC policy, and developing potential supply and demand scenarios.

Name

Walter Gage Infill site is a working name. SHHS will work with campus partners to create a residence name and will pursue approval via the University Naming Committee process.

Sustainability

The project 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. The Design Brief for the project will include environmental, economic and social sustainability goals and aspirations.

<p>BENEFITS Learning, Research, Financial, Sustainability & Reputational</p>	<p>Benefits</p> <ul style="list-style-type: none"> • Provides an additional 1,000 student housing beds to address significant demand • Utilizes an infill site adjacent to an existing residence to ensure efficient use of land • Stand-alone student housing project allows delivery of new beds in summer 2021
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<p>RISKS Financial, Operational & Reputational</p>	<p>Risks</p> <ul style="list-style-type: none"> • Access to debt capacity and financing. Sufficient liquidity is available to provide internal financing for the project. • Tight schedule for summer 2021 delivery. An accelerated architect selection process is being used to help mitigate this risk. Sequenced delivery of buildings may also be explored. • Resistance to impacts of increased density (noise, views, traffic) from residents in adjacent buildings. • Construction cost escalation continues to be a concern in the local market. An escalation allowance of \$6.477 million (6% of construction cost) has been included in the project budget.
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<p>COSTS Capital & Lifecycle Operating</p>	<p>Preliminary Capital Budget</p> <p>The preliminary capital budget for this development is estimated by UBC Properties Trust at \$153.1 million including a provision for replacement parking.</p>
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Project Capital Cost Breakdown		\$	\$/gsf
Construction Costs			
Construction		100,918,000	258
Public Realm ¹		750,000	
UBC Building Operations		250,000	
Service Relocation		2,000,000	
On-site Servicing		500,000	
Contingency		3,532,000	
	Total Construction	107,950,000	
Cash Allowances			
FF+E		3,517,000	
UBC IT ²		1,400,000	
Secure Access/Signage/Moving		150,000	
Audio Visual		50,000	
	Total Cash Allowances	5,117,000	13
Soft Costs			
Consultants		8,636,000	
IIC's		2,235,000	
Preconstruction/Permits		1,295,000	
	Total Soft Costs	12,166,000	31
Project Management		3,131,000	
	Building Total	128,364,000	329

Construction Period Financing	3,600,000	
Retained Risk	1,300,000	
Escalation	6,477,000	
GST	2,091,000	
PROJECT TOTAL	141,832,000	363
Replacement Parking ³	11,250,000	
PROJECT TOTAL with PARKING	153,082,000	

PROJECT STATS	
Area	390,733
Beds	1,010
Area/Bed	387
Cost/Bed	\$140,428
Cost/Bed + Parking Replacement	\$151,566

- 1 Does not include central plaza upgrade
- 2 To be confirmed by UBC IT
- 3 Need for replacement parking to be confirmed through parking analysis

Operating Cost

Student Housing & Hospitality Services (SHHS) will fund all operations and maintenance costs for the facility out of housing rental revenue.

FINANCIAL Preliminary Funding/Financing

Funding Sources, Impact on Liquidity

The \$153.1-million project cost is planned to be financed by one of two methods depending on timing:

- Through an internal loan at 6.0% annual interest paid back over 30 years from housing rental revenue. The annual debt service cost would be \$11 million.
- Through the creation of a Government Business Enterprise (GBE) for student housing which would allow borrowing, likely at a lower rate), possibly through the Provincial Off-Lending Program. The annual debt service cost in this case would be \$8.25 million, assuming 3.5% interest over 30 years.

The project team will also explore the possibility of applying to the Ministry of Advanced Education Skills & Training for a loan through the Province’s recently announced \$450 million financing pool for student housing.

Preliminary operating pro forma for both internal and external financing scenarios are provided in Attachment 3. If internal financing is used, the pro forma is cash flow positive in Year 15. Negative cash flow to that point will be covered within the system-wide Student Housing & Hospitality Services (SHHS) operating budget as is current practice for new Student Housing developments. If one of the proposed external financing options is approved by government, the pro forma would be cash flow positive from the start of operations (assuming 3.5% interest over 30 years).

SCHEDULE
Implementation
Timeline

Preliminary Schedule

Milestone	Target Date
Executive 1 + 2	Mar 2018
Property & Planning Advisory Committee + Senate Academic Building Needs Committee	May 2018
Exec 3	May 2018
Board 1	Jun 2018
Board 2	Feb 2019
Board 3	Sep 2019
Construction Start	Oct 2019
Construction Completion	Jul 2021
Occupancy	Aug 2021
Board 4	Sep 2023

CONSULTATION
Relevant Units,
Internal &
External
Constituencies

Student housing is part of the broader University Boulevard area vision to create a welcoming, vibrant academic social hub that contributes to UBC’s goal for a complete community. Between March 14 and April 8, 2018, public consultation was conducted on proposed student housing projects at the Walter Gage Infill site, Brock Commons Phase 2 and the D.H. Copp site. Input was also sought on the siting of the new Arts Student Centre in the Oak Bosque within the campus core. Approximately 120 people attended two Open Houses (at the AMS Nest and IK Barber Learning Centre) and about 140 people participated in the online survey.

Two massing options for the Gage Infill project were presented as part of the consultation material: Option 1 with a consistent 10 to 12 storey form along Wesbrook Mall and Student Union Boulevard; and Option 2 with a predominantly 6 storey form on the majority of the site with a 16 storey tower at its north end along Wesbrook Mall, and a 12 storey tower at its western end along Student Union Boulevard.

Themes emerging from the comments include concerns around building heights and associated impacts on privacy and shading of public areas and adjacent residential areas; increased traffic and noise; loss of green space; and obstruction of views due to increased development. Surrounding residential neighbours also raised concerns about the potential for late night noise of students within the residences; however as this project is targeted to upper year students, this is anticipated to be less of an issue. There were also a number of comments in support of increased density to provide more affordable access to student housing close to transit and the need for quality open spaces connected by a safe and accessible pedestrian network.

Based on the above and further technical analysis, staff recommend proceeding with a massing approach generally consistent with Option 2, but with further exploration of tower heights at both the northern and western ends of the site as part of more detailed design to reduce view and shadow impacts on adjacent buildings and residential areas, while ensuring student bed capacity is in an acceptable range to meet demand and achieve cost effective delivery.

In order to achieve the targeted summer 2021 project complete date, a modified architectural contract will be awarded prior to Board 1 under the condition that the selected firm is authorized to proceed only to 50% of the Schematic Design portion of their contract/fee. The balance of the design contract will be executed only upon receipt of Board 1 approval.

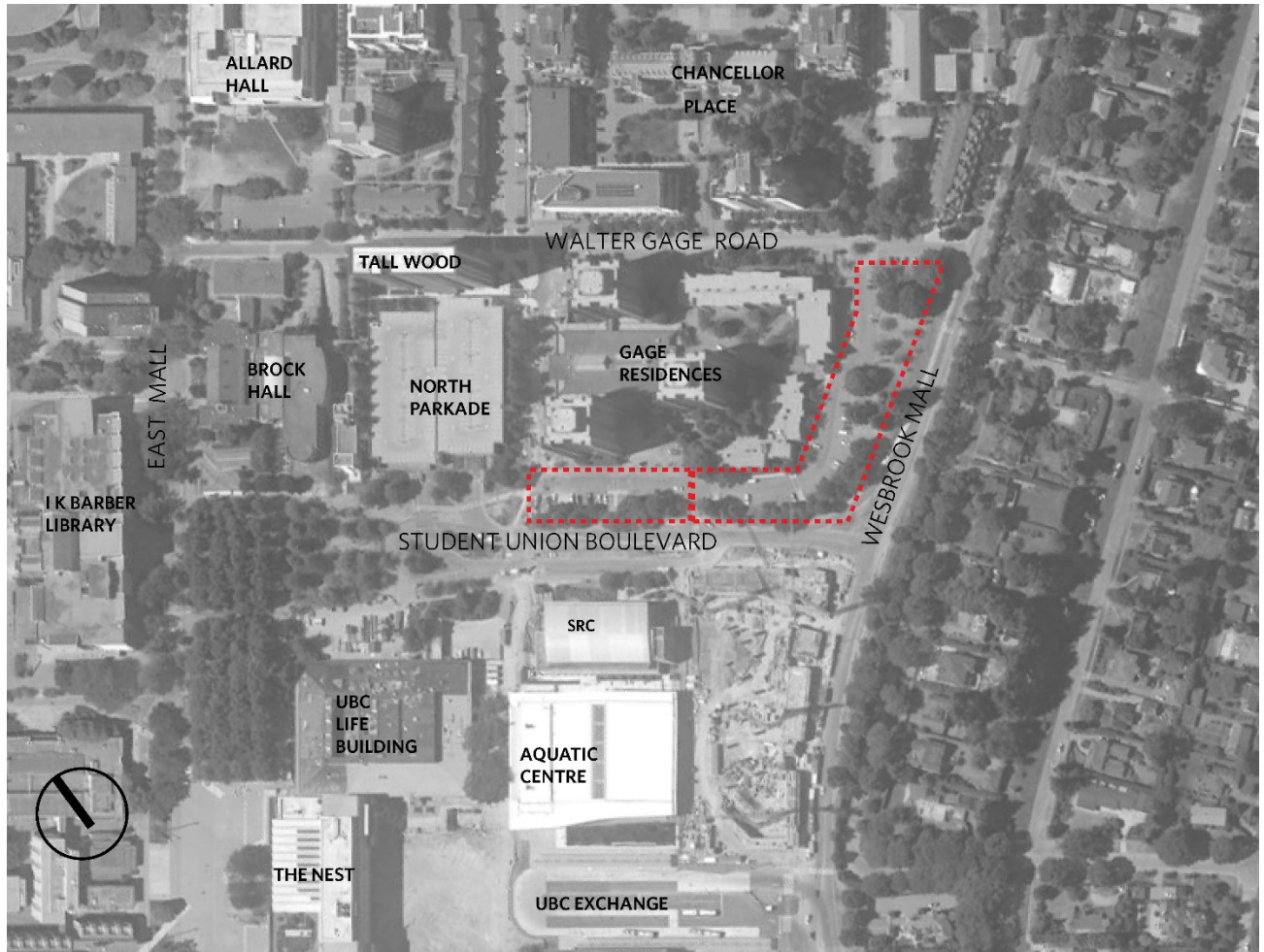
A commitment to 50% of the schematic design portion of the fee is expected to result in approximately \$250,000 in exposure to architectural costs. The shortlisted architectural firms are:

- Diamond Schmitt Architects
- Hughes Condon Marler Architects
- Public Architecture & Communications with Moriyama Teshima Architects
- Ryder Architects with Hotson Architects

The selected firm will be announced at the Board of Governors Property Committee meeting on June 5, 2018.

The project will be managed by UBC Properties Trust.

Attachment 1 - Site Map



Attachment 2 – Generalized Massing Approach¹



¹ Final massing subject to modification through the design and approval process to address issues identified herein.

Attachment 3 – Preliminary Operating Pro Forma (Internal Financing 6% and External Financing 3.5%)

Walter Gage Infill Development (Internal Financing 6%, 30 Year)

	2021/22	2022/23	2034/35	2035/36
Rental Revenue ¹	11,833	12,070	15,307	15,613
Conference Revenue ²	2,086	2,127	2,698	2,752
Less Rental Vacancy ³	(237)	(241)	(306)	(312)
	13,682	13,956	17,699	18,053
Less Student Housing Operating Costs ⁴	(4,142)	(4,224)	(5,358)	(5,465)
Less Conference Operating Costs ⁵	(1,147)	(1,170)	(1,484)	(1,514)
Less Public/Other Operating Costs	0	0	0	0
	(5,289)	(5,394)	(6,841)	(6,978)
Net Operating Income	8,393	8,561	10,858	11,075
Less Debt Service - Student Housing ⁶	(10,204)	(10,204)	(10,204)	(10,204)
Less Debt Service - Parking Replacement ⁶	(809)	(809)	(809)	(809)
Cash Flow	(2,620)	(2,452)	(156)	61

1 - Comparing current rates and current unit sizes, with a Rental Inflation factor applied.

2 - Conference Revenue is modeled at current rates for Studio and Shared-Apartment rates at 50% occupancy in the Summer months, with an inflation factor applied.

3 - Contemplates vacancy rates of 1% in Winter Academic term and 4% in Summer Academic term.

4 - Student Housing operating costs are 35% based on Marine Drive Residence and Ponderosa Commons operating figures.

5 - Conference & Accommodation direct operating costs are 55% based on current operations.

6 - Assumes financing at a rate of 6.0% amortized over 30 years.

Walter Gage Infill Development (External Financing 3.5%, 30 Year)

	2021/22	2022/23	2023/25	2024/25
Rental Revenue ¹	11,833	12,070	12,311	12,557
Conference Revenue ²	2,086	2,127	2,170	2,213
Less Rental Vacancy ³	(237)	(241)	(246)	(251)
	13,682	13,956	14,235	14,519
Less Student Housing Operating Costs ⁴	(4,142)	(4,224)	(4,309)	(4,395)
Less Conference Operating Costs ⁵	(1,147)	(1,170)	(1,193)	(1,217)
Less Public/Other Operating Costs	0	0	0	0
	(5,289)	(5,394)	(5,502)	(5,612)
Net Operating Income	8,393	8,561	8,732	8,907
Less Debt Service - Student Housing ⁶	(7,643)	(7,643)	(7,643)	(7,643)
Less Debt Service - Parking Replacement ⁶	(606)	(606)	(606)	(606)
Cash Flow	144	312	484	658

1 - Comparing current rates and current unit sizes, with a Rental Inflation factor applied.

2 - Conference Revenue is modeled at current rates for Studio and Shared-Apartment rates at 50% occupancy in the Summer months, with an inflation factor applied.

3 - Contemplates vacancy rates of 1% in Winter Academic term and 4% in Summer Academic term.

4 - Student Housing operating costs are 35% based on Marine Drive Residence and Ponderosa Commons operating figures.

5 - Conference & Accommodation direct operating costs are 55% based on current operations.

6 - Assumes financing under a GBE at a rate of 3.5% amortized over 30 years.