



SUBJECT	PACIFIC RESIDENCE
MEETING DATE	APRIL 18, 2019

Forwarded on the Recommendation of the President

APPROVED FOR SUBMISSION

for Santa J. Ono, President and Vice-Chancellor

DECISION REQUESTED	<p>IT IS HEREBY REQUESTED that <i>BOARD 2 approval be granted for the Pacific Residence project with authorization to issue the development permit and a funding release of \$2,000,000 to complete working drawings and tender documents.</i></p> <table border="0"> <tr> <td>Revised Capital Budget</td> <td>\$160,138,000</td> </tr> <tr> <td>Operating Budget</td> <td>See report</td> </tr> <tr> <td>Schedule Program</td> <td></td> </tr> <tr> <td>Authorization to Issue Development Permit</td> <td></td> </tr> <tr> <td>Proceed to Working Drawings & Tender</td> <td></td> </tr> <tr> <td>Funding Release</td> <td>\$2,000,000</td> </tr> <tr> <td colspan="2">Information</td> </tr> <tr> <td>Expenses to date</td> <td>\$1,327,056</td> </tr> <tr> <td>Funding released to date</td> <td>\$1,700,000</td> </tr> </table>	Revised Capital Budget	\$160,138,000	Operating Budget	See report	Schedule Program		Authorization to Issue Development Permit		Proceed to Working Drawings & Tender		Funding Release	\$2,000,000	Information		Expenses to date	\$1,327,056	Funding released to date	\$1,700,000
Revised Capital Budget	\$160,138,000																		
Operating Budget	See report																		
Schedule Program																			
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Information																			
Expenses to date	\$1,327,056																		
Funding released to date	\$1,700,000																		

Report Date	March 20, 2019
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Presented By Peter Smailles, Vice-President, Finance & Operations
Ainsley Carry, Vice-President, Students
Andrew Parr, Managing Director, Student Housing & Hospitality Services
John Metras, Associate Vice-President, Facilities
Michael White, Associate Vice-President Campus & Community Planning
Jennifer Sanguinetti, Managing Director, Infrastructure Development
Aubrey Kelly, President & CEO, UBC Properties Trust

<p><i>If this item was previously presented to the Board, please provide a brief description of any major changes since that time.</i></p>	<p>With additional funding release of \$700,000 by the Board in February 2019, the project team continued the design work and completed the Design Development. The overall bed count has been reduced from 1,010 to 934 as a result of feedback received from consultation on massing and building height. In addition, to compensate for the loss of 110 surface parking stalls and the needs of new student housing developments in the precinct, the project includes approximately 220 underground parking stalls. The estimated capital cost for the project is now estimated at \$160.1 million, including the provision of replacement parking. This is an increase of \$7.0 million from the \$153.1 million estimate at Board 1. The increase is primarily due to general market escalation (envelope, concrete, mechanical and civil being the key drivers), the expansion of scope on the public realm, and the higher quality finishes and features that are necessary to allow for the use of one building as hotel space in the summer months. Contingency and financing allowances were also increased.</p>
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EXECUTIVE SUMMARY

The Pacific Residence project, located adjacent to and infilling around the Walter Gage Residence, 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 934 housing beds for upper-year students. This is a reduction by 76 beds compared to Board 1 and a result of feedback received from public consultation, UBC Advisory Urban Design Panel and University Endowment Lands (UEL) Community Advisory Council on massing and building height. Adding 934 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. A food outlet is also included in the program, serving both the growing residential and broader campus community.

The surface parking lot sites on the perimeter of the Pacific 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 2,300 new beds in the precinct (Exchange Residence, Brock Commons Phase 2 and Pacific Residence), a parking analysis has been undertaken. As a result of this study, the Pacific Residence project will include approximately 220 below-grade parking stalls serving the new developments of Pacific Residence, Exchange Residence, Tall Wood and Brock Commons Phase 2 as well as short term guest parking.

The capital cost for the Pacific Residence project is now estimated at \$160.1 million, including provision for the much-needed replacement parking. This is an increase of \$7.0 million from the \$153.1 million budget estimate at Board 1. The increase is due to general market escalation (envelope, concrete, mechanical and civil being the key drivers), an expanded public realm scope that is in response to public consultation, and the higher quality finishes and features that are necessary to allow for the use of one building as hotel space in the summer months. It also includes an allowance for cost escalation. The breakdown of the cost increase is shown in detail in the Cost section. This estimate is based on 100% design development drawings implying an accuracy of approximately +/- 15%.

The capital costs will be financed with debt repayment from student housing and summer guest revenues. If internal financing is used the annual debt service cost will be \$11.5 million, assuming 6.0% interest and 30 year amortization. The pro forma becomes cash flow positive in Year 10 for this case. This is a reduction of 5 years compared to the Board 1 and is based on an updated comparison to existing buildings operated by SHHS. The first 10 years’ negative cash flow 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), the annual debt service cost would be reduced to \$8.6 million, making the project cash flow positive from the start of operations (assuming 3.5% interest over 30 years).

The project is being managed by UBC Properties Trust. The design consultants are Hotson Architecture and Ryder Architecture. This project received Board 1 approval on June 15, 2018.

Feedback from public consultation, UBC Advisory Urban Design Panel and University Endowment Lands (UEL) Community Advisory Council resulted in revisions made to the overall density of the project, removal of the proposed towers, general reduction of building heights and increase of the size and quality of the outdoor commons.

The development review process for this project has been completed and the project is ready for issuance of the Development Permit following Board 2 approval. The project is targeted for completion in summer 2021.

Attachments

1. Site Map
2. Site Massing
3. Schematic Design Renderings
4. Revised Operating Pro Forma - Internal Financing 6% and External Financing 3.5%

STRATEGIC CORE AREAS SUPPORTED

People and Places
 Research Excellence
 Transformative Learning
 Local / Global Engagement

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 Pacific Residence project provides an opportunity to relatively quickly help respond to this demand.

Program

The proposed program will add 934 residence beds for upper year students in five new buildings (“houses”) located on the south and east perimeter of the Walter Gage Residence complex (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. The winter session building will have approximately 189 beds and will convert to a hotel from May to August annually.

Adding 934 residents to the existing Walter Gage Residence puts the existing commons block over-capacity. As a result, the new Pacific 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 and in-suite bike storage. A new food outlet serving the residential and broader campus community has also been confirmed for the building. The overall area of this development is approximately 359,800 gsf for student housing and 89,128 gsf for the parkade below grade.

Parking

With the removal of approximately 110 grade level parking stalls and the addition of over 2,300 new beds in the precinct (Exchange Residence, Pacific Residence and Brock Commons Phase 2), a parking analysis has been undertaken to determine whether to incorporate new resident and guest parking as part of the project. This precinct-level analysis included understanding current conditions, trends and context, interpreting existing UBC policy, and developing potential supply and demand scenarios.

As a result of this study, the Pacific Residence project will include approximately 220 new, below-grade parking stalls serving the new developments of Pacific Residence, Exchange Residence, Tall Wood and Brock Commons Phase 2.

Name

The project name “Pacific Residence” was approved by the Board of Governors in September 2018. Specific house names are being contemplated now and will be brought forward for approval at a future Board meeting.

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 includes environmental, economic and social sustainability goals and aspirations.

BENEFITS Benefits

Learning, Research,
Financial,
Sustainability &
Reputational

- Provides an additional 934 student housing beds to address significant demand for on-campus student housing.
- 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

RISKS Risks

Financial,
Operational &
Reputational

- Access to debt capacity and financing. Sufficient liquidity is available to provide internal financing for the project.
 - Tight schedule for summer 2021 delivery. The delivery of the buildings can be phased if required to allow delivery of beds to commence in summer 2021.
 - Resistance to impacts of increased density (noise, views, traffic) from residents in adjacent buildings. The design of the complex has evolved to reflect the feedback of the community, responding with shifted and reduced density and a bigger public realm investment.
 - Construction cost escalation continues to be a concern in the local market. An escalation allowance of \$3.789 million (3% of construction cost) has been included in the project budget. This contingency has decreased since Board 1 reflecting the fact that there is less time left until the start of construction.
-

COSTS Revised Capital Budget
Capital & Lifecycle
Operating

The total cost for this development is estimated by UBC Properties Trust at \$160.1 million including a provision for replacement parking. This is a Class C estimate with an accuracy of +/- 15%.

The estimated costs increased by \$7.0 million from the \$153.1 million preliminary budget estimate at Board 1. The increase is due to general market escalation (envelope, concrete, mechanical and civil being the key drivers), the expansion of scope for the public realm (approximately \$1.2m), and higher quality finishes and features for one building serving the winter session but providing space that can be used as hotel rooms for UBC Summer Schools and conferences. This increase of approximately \$3.1m (overall construction costs plus furnishings) for the use of the rooms as hotel rooms is noted as a “Hotel factor allowance” in the capital cost table. In order to better reflect construction risk, the contingency was also increased by approximately \$1m. Financing costs also increased by approximately \$1m, reflecting the extended time to pay off the cost of the project and an increase in interest rate.

The impact of the higher excavation and shoring costs is that the underground parking costs have increased. The revised cost per stall at \$62,000 per stall is consistent with current market conditions.

As a result of precinct densification and subsequent comments from the Advisory Urban Design Panel (AUDP), a more ambitious public realm program was deemed appropriate compared to the more modest version previously envisioned. At approximately \$18 per square foot, the public realm cost is still economical. The team believes the expanded public realm is key to AUDP and community support. Formally programmed landscape space has been added to a number of locations around the project to better facilitate the addition of 950 new staff/residents and appropriately integrate the buildings in to the precinct. Particular attention has been paid to the plaza space between building 1 and building 2.

The removal of beds, in combination with rising construction costs has negatively affected the pro forma although this impact is not visible because the assumed operating costs have been reduced based on recent experience from other SHHS projects. Allocating the parkade stalls against fewer beds negatively impacts the overall cost per bed.

To ensure strong summer occupancy and rental rates and to meet customer expectations, design details, finishes and furnishings in the lobby, elevators, hallways and interior suites will be upgraded to hotel industry standards for the one building that will have winter session student rentals. These higher quality features will also result in slightly higher winter session rates for student residents within this particular building. This additional investment is justified by higher occupancies and average room rates. Additionally, these hotel upgrades will result in higher online ratings from guests, improving the attractiveness and reputation of UBC Vancouver to summer conferences thereby generating higher revenues in other summer residence areas. This additional cost is listed as the Hotel Factor in the budget table below.

Project Capital Cost Breakdown	Costs \$ Board 1	Costs \$ Board 2
Construction Costs		
Construction	100,918,000	101,100,000
Hotel Factor Allowance	-	2,650,000
Public Realm ¹	750,000	2,000,000
Service Requests to UBC Facilities	250,000	250,000
Service Relocation	2,000,000	1,500,000
On-site Servicing	500,000	INC
Contingency	3,532,000	4,790,000
Total Construction	107,950,000	112,290,000
Cash Allowances		
FF+E	3,517,000	3,238,000
Café FF+E	-	350,000
Hotel Factor FF+E	-	492,000
UBC IT ²	1,400,000	1,700,000
Secure Access/Signage/Moving	150,000	200,000
Audio Visual	50,000	150,000
Total Cash Allowances	5,117,000	6,130,000
Soft Costs		
Consultants	8,636,000	8,636,000
IIC's	2,235,000	2,274,000
Preconstruction/Permits	1,295,000	1,395,000
Total Soft Costs	12,166,000	12,305,000
Project Management	3,131,000	3,131,000
Building Total	128,364,000	133,856,000
Construction Period Financing	3,600,000	4,554,000
Retained Risk	1,300,000	1,479,000
Escalation	6,477,000	3,789,000
GST	2,091,000	2,460,000
PROJECT TOTAL	141,832,000	146,138,000
Replacement Parking ³	11,250,000	14,000,000
PROJECT TOTAL with PARKING	153,082,000	160,138,000
PROJECT STATS		
Area (gsf)	390,733	359,800
Beds	1,010	934
Area (gsf)/Bed	387	385
Cost/Bed⁴	\$140,428	\$153,101
Cost/Bed + Parking Replacement	\$151,566	\$171,454

1 Does not include central plaza upgrade. Does include several formally programmed landscaped areas added since Board 1

2 To be confirmed by UBC IT

3 Soft costs associated with Underground Parking carried above.

4 Hotel factor allowance is shown separately in order to more accurately compare cost changes from Board 1

Operating Cost

Student Housing & Hospitality Services (SHHS) will fund all operations and maintenance costs for the facility out of housing rental revenue. The SHHS operating budget for the Pacific Residence project is provided in Attachment 4.

FINANCIAL Preliminary Funding/Financing

Funding Sources,
Impact on Liquidity

The \$160.1-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 \$11.5 million.
- Through the creation of a Government Business Enterprise (GBE) for student housing which would allow borrowing at a lower rate. The annual debt service cost in this case would be \$8.6 million, assuming 3.5% interest over 30 years.

Revised operating pro forma for both internal and external financing scenarios are provided in Attachment 4.

If internal financing is used, the pro forma is cash flow positive in Year 10. This is a reduction of 5 years compared to the Board 1 based on an updated comparison to existing buildings operated by SHHS. In the first 10 years, negative cash flow will be covered within the system-wide Student Housing & Hospitality Services (SHHS) operating budget as is current practice for new Student Housing developments. If the proposed GBE is approved and established, the pro forma would be cash flow positive from the start of operations (assuming 3.5% interest over 30 years).

SCHEDULE Schedule

Implementation
Timeline

As noted in the Risk section, the team is investigating a phased delivery of buildings if required to allow delivery of beds to commence in summer 2021.

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

CONSULTATION Pre-application Consultation

Relevant Units,
Internal & External
Constituencies

The following consultation occurred during the early conceptual design for the project:

- March 14 to April 8, 2018: University Boulevard Area Public Consultation, included online information, a survey and two open houses (260 people submitted feedback)
- September 17 to October 5, 2018: University Boulevard Public Consultation, included online information, a survey, two open houses, and two pop-up information booths (132 people submitted feedback)
- Two presentations to the UBC Advisory Urban Design Panel (AUDP)
- Two presentations to the University Endowment Lands (UEL) Community Advisory Council

Resulting feedback included support for more student housing, concerns around building heights and associated impacts on adjoining UEL and Chancellor place residents' privacy and views; shading of public areas and adjacent residential areas; increased traffic and noise; ensuring good pedestrian connections and access; and loss of green space. Lastly, surrounding residential neighbours also raised concerns about the potential for late night noise from students within the residences; however, as this project is targeted to upper year students, this is anticipated to be less of an issue.

Development Application Consultation

The following significant revisions were made in the Development Application submission to address the above community concerns:

- Reduction of overall project density from approximately 1000 to 935 student beds
- Removal and replacement of previously proposed towers (12 and 16 storeys) on Wesbrook Mall with lower building heights
- General reduction of building heights
- Significant increase in the size and quality of the outdoor commons, to serve as a social heart for both the existing Gage and Pacific residents.

The resulting Development Application scheme includes 7 story buildings fronting Wesbrook Mall and Walter Gage Road and 8 and 10 story buildings fronting Student Union Boulevard.

When this Development Application was presented on-line and at two February 26, 2019, open houses and a student-focused pop-up event in Gage Residence, there was general support and recognition of the need for more student residences and more affordable units. However, concerns remain about the density and heights impacts on adjacent residents in Chancellor Place and the UEL; impacts from traffic and construction; loss of green space; and desire for more student amenities.

On March 6, 2019, UEL Community Advisory Council reviewed the Development Application proposal and expressed no concern about building massing nor heights. The Council's outstanding concerns were regarding the dark brick finish as seen from the UEL, ensuring tree survival during increasingly drier summers and ensuring the roof top mechanical design and enclosures mitigate noise impacts on UEL residents.

The AUDP reviewed and supported the Development Application on March 18, 2019.

In conclusion, Campus and Community Planning staff feel that the significant revisions included in the Development Application achieve a responsible balance between delivering sufficient student housing units and livability and compatibility with the exiting neighbours. As part of the Development Application approval process, staff will include requirement for: management of noise and traffic impacts during construction; mitigation of roof top mechanical equipment noise; review of the exterior material pallet; and review of the student amenities provided as part of the project.

Project Team

UBC Properties Trust is managing the project. The design consultants are Hotson Architecture and Ryder Architecture.

UBCPT COMMENTS Complete for all reports that include a property component	Review Date	March 19, 2019	Signed off by	Aubrey Kelly
		N/A		

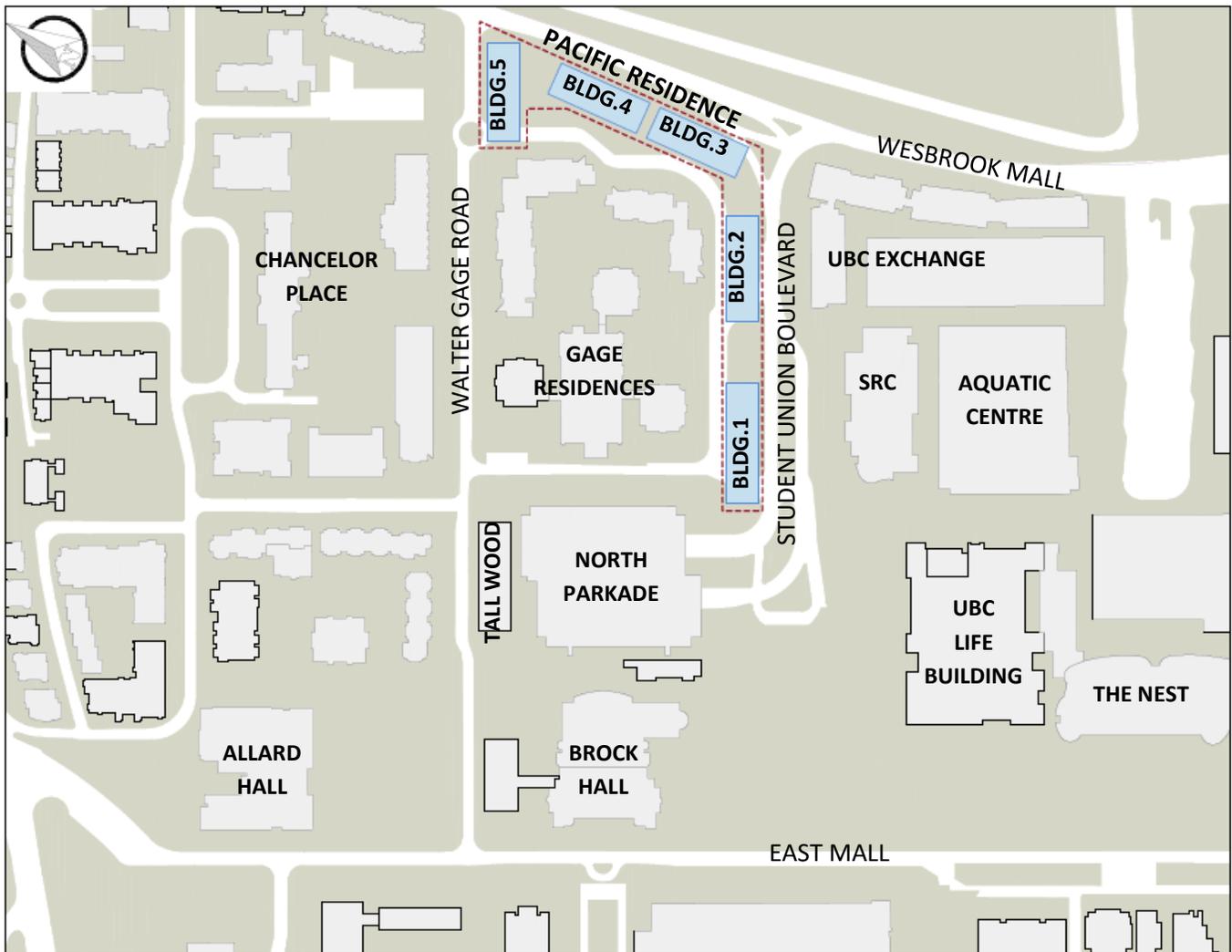
Previous Report Date	February 12, 2019		
Decision	Board approval for the Pacific Residence project with a funding release of \$700,000 to continue design work in advance of the April 2019 Board 2 approval request.		
	Capital Budget		\$153,082,000
	Operating Budget		See Board 1 Report
	Schedule		
	Funding Release		\$700,000
	Information		
	Expenses to date		\$704,597
	Funding released to date		\$1,000,000
Action / Follow Up	Continue design work		
Previous Report Date	September 13, 2018		
Decision	Board approval for the Class 1 Facility Naming Recommendation from the Naming Committee that the Walter Gage infill student housing complex be named Pacific Residence.		
Action / Follow Up	Approval of the official name for the new facility: Pacific Residence		
Previous Report Date	June 14, 2018		
Decision	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.		
	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
	Information	
	Expenses to date	\$0
	Funding released to date	\$0
Action / Follow Up	Initiate schematic design	

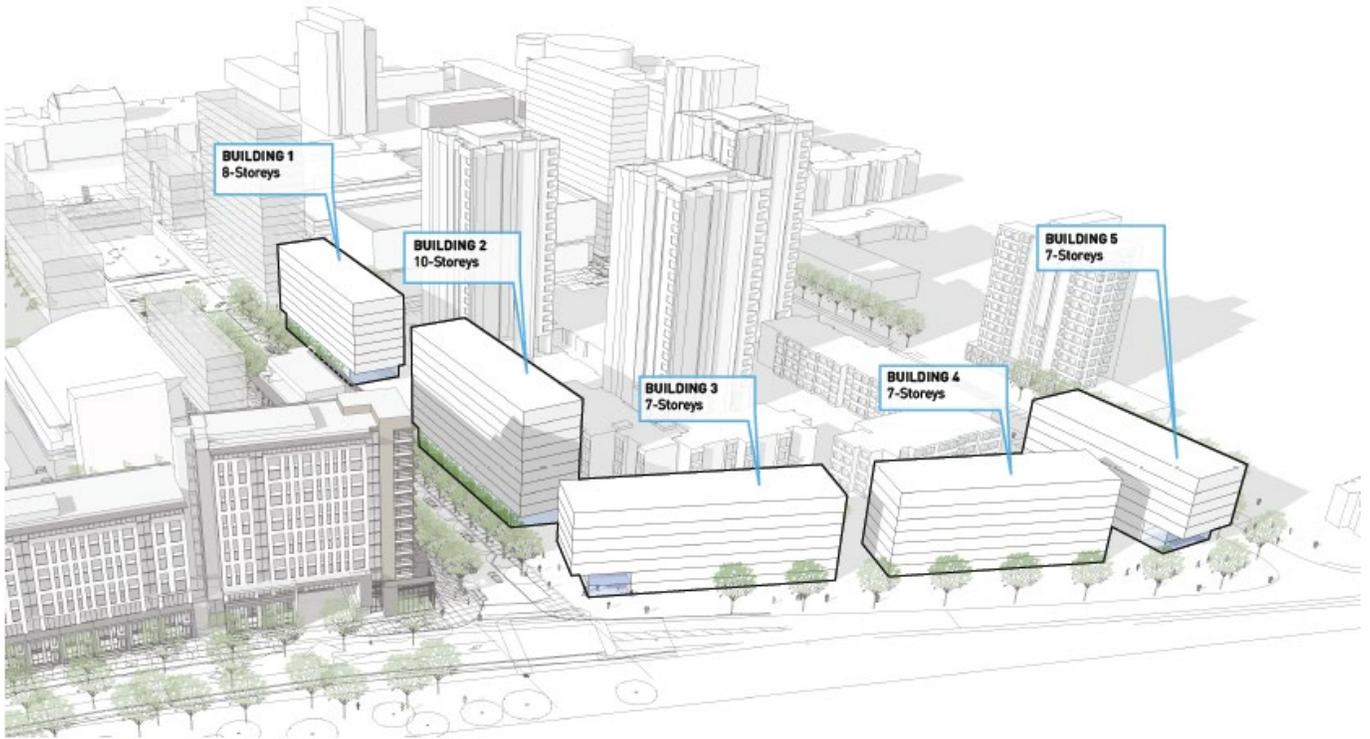
Attachments

- 1) Site Map
- 2) Site Massing
- 3) Schematic Design Renderings
- 4) Revised Operating Pro Forma - Internal Financing 6% and External Financing 3.5%

Attachment 1 - Site Map



Attachment 2 - Site Massing



Attachment 3 – Schematic Design Renderings

(Colours, materials and façade details to be refined)



(Perspective view looking East on Student Union Blvd)



(Perspective view looking South on Westbrook Mall)

Attachment 4 – Preliminary Operating Pro Forma (Internal Financing 6% and External Financing 3.5%)

Pacific Residence Infill Development (Internal Financing 6%, 30 Year)

		2021/22	2022/23	2029/30	2030/31
Rental Revenue ¹	2%	11,774	12,009	13,795	14,071
Conference Revenue ²	2%	1,940	1,979	2,273	2,319
Less Rental Vacancy ³	1%	(118)	(120)	(138)	(141)
		<u>13,596</u>	<u>13,868</u>	<u>15,930</u>	<u>16,249</u>
Less Student Housing Operating Costs ⁴	25%	(2,943)	(3,002)	(3,449)	(3,518)
Less Conference Operating Costs ⁵	45%	(873)	(891)	(1,023)	(1,044)
		<u>(3,817)</u>	<u>(3,893)</u>	<u>(4,472)</u>	<u>(4,561)</u>
Net Operating Income		<u>9,780</u>	<u>9,975</u>	<u>11,459</u>	<u>11,688</u>
Less Debt Service - Student Housing ⁶	6.0%	(10,178)	(10,178)	(10,178)	(10,178)
Less Debt Service - Parking Replacement ⁶	6.0%	(1,343)	(1,343)	(1,343)	(1,343)
Cash Flow		<u>(1,741)</u>	<u>(1,546)</u>	<u>(63)</u>	<u>166</u>

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

2 - Conference Revenue is modded at current rates for Studio rates at 55% occupancy in the Summer months, with an inflation factor applied.

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

4 - Student Housing operating costs are 25% based on Marine Drive Residence and Ponderosa Commons operating figures.

5 - Conference & Accommodation direct operating costs are 45% based on current operations.

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

Pacific Residence Infill Development (External Financing 3.5%, 30 Year)

		2021/22	2022/23	2023/24	2024/25
Rental Revenue ¹	2%	11,774	12,009	12,249	12,494
Conference Revenue ²	2%	1,940	1,979	2,019	2,059
Less Rental Vacancy ³	1%	(118)	(120)	(122)	(125)
		<u>13,596</u>	<u>13,868</u>	<u>14,146</u>	<u>14,429</u>
Less Student Housing Operating Costs ⁴	25%	(2,943)	(3,002)	(3,062)	(3,124)
Less Conference Operating Costs ⁵	45%	(873)	(891)	(908)	(927)
		<u>(3,817)</u>	<u>(3,893)</u>	<u>(3,971)</u>	<u>(4,050)</u>
Net Operating Income		<u>9,780</u>	<u>9,975</u>	<u>10,175</u>	<u>10,378</u>
Less Debt Service - Student Housing ⁶	3.5%	(7,623)	(7,623)	(7,623)	(7,623)
Less Debt Service - Parking Replacement ⁶	3.5%	(1,006)	(1,006)	(1,006)	(1,006)
Cash Flow		<u>1,151</u>	<u>1,346</u>	<u>1,546</u>	<u>1,749</u>

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

2 - Conference Revenue is modded at current rates for Studio rates at 55% occupancy in the Summer months, with an inflation factor applied.

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

4 - Student Housing operating costs are 25% based on Marine Drive Residence and Ponderosa Commons operating figures.

5 - Conference & Accommodation direct operating costs are 45% based on current operations.

6 - Assumes financing at a rate of 3.5% amortized over 30 years under a self supporting Government Business Entity model.