



SUBJECT PACIFIC RESIDENCE

MEETING DATE SEPTEMBER 24, 2019

Forwarded on the Recommendation of the President

APPROVED FOR SUBMISSION


Santa J. Ono, President and Vice-Chancellor

DECISION REQUESTED IT IS HEREBY REQUESTED that *the Board of Governors approve BOARD 3 for the Pacific Residence project as follows:*

- a. *\$161,334,000 final funding release to undertake construction, subject to construction tenders being received at or below budget;*
- b. *financing through an internal loan from the Student Housing Financing Endowment of \$165,034,000 at 6.00% annual interest paid back over 30 years from housing rental revenue; and,*
- c. *UBC Administration authorized to award construction contracts.*

Capital Budget	\$165,034,000
Operating Budget	See report
Schedule	
Program	
Award construction contracts	
Funding Release	\$161,334,000

Information	
Expenses to date	\$2,605,178
Funding released to date	\$3,700,000

Report Date September 23, 2019

Presented By Peter Smails, 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>Since Board 2, the overall bed count has increased from 934 to 940 beds. The number of parking stalls has decreased from 220 to 185. The estimated cost has increased by \$4.9 million from the \$160.1 million estimate at Board 2. The increase is due to general market escalation. On a cost per bed basis, the increase is largely offset by the addition of 6 beds. The project is 30% tendered, with 80% of tenders to be completed prior to the September Board of Governors committee meetings.</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 the Walter Gage Residence.

The proposed in-fill project is currently scheduled for phased occupancy, starting in fall 2021. It will add one winter session and four year-round residential buildings (“houses”) with a total of 940 housing beds for upper-year students. This is an increase of six beds from Board 2. Adding 940 residents to the existing Walter Gage Residence would put 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 Walter Gage Residence 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. The design consultants and UBC stakeholders have been mindful to ensure that this development 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 as well as residents located within the new Pacific Residence complex. With the removal of approximately 110 grade-level parking stalls and the addition of 2,600 new beds in the precinct (Exchange Residence, Brock Commons Tallwood House, 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 185 below-grade parking stalls serving the new developments of Pacific Residence, Exchange Residence, Tallwood House and Brock Commons Phase 2 as well as short term guest parking. This is a reduction of 35 stalls from Board 2, due to the capacity limitations of an efficient below grade parking structure.

The capital cost for the Pacific Residence project is now estimated at \$165.034 million, including provision for the much needed replacement parking. This is an increase of \$4.9 million over the \$160.14 million budget reported at Board 2. The increase is due to general market escalation. On a cost per bed basis the increase is largely offset by the addition to the project of 6 beds. The project is 80% tendered.

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 \$11.9 million, assuming 6.0% interest and 30 year amortization. The pro forma becomes cash flow positive in Year 11 for this case. This is an increase of 1 year compared to Board 2 and is based on an updated comparison to existing buildings operated by SHHS. The first 11 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 a Government Business Enterprise), the annual debt service cost would be reduced to \$8.9 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 and Board 2 approval on April 18, 2019.

With received tenders and updated costs at the time of the Board of Governors meeting, the project is ready for start of construction following Board 3 approval.

Attachments

1. Site Map
2. Site Massing
3. Design Development Renderings
4. Operating Pro Forma - Internal Financing 6% via SHFE or External Financing 3.5% under a Government Business Enterprise model if this model is approved.

STRATEGIC CORE AREAS SUPPORTED

People and Places
 Research Excellence
 Transformative Learning
 Local / Global Engagement

DESCRIPTION & Background & Rationale

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 50.5% increase in the number of student residence beds over the past eight years, from 8,273 beds in 2011 to 12,447 beds in 2019, waitlists for student housing continue to outpace supply. Waitlist numbers at the peak of summer in 2011 were approximately 3,200 students; in summer 2019 this number grew to 6,000 students. The Pacific Residence project provides an opportunity to help respond to this demand relatively quickly.

Program

The proposed program will add 940 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).

Building 1 is proposed to be a winter session residence that will have 196 premium studios built to a higher standard. The building will convert to a hotel from May to August annually. Buildings 2 to 5 will operate as year-round student housing and will include 53 four-bedroom shared suites and 532 studio units.

Adding 940 residents to the existing Walter Gage Residence would put 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, 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 365,876 gsf for student housing and 76,241 gsf for the parkade below grade.

A vibrant, new public realm is a key component of the project and consists of generously planted areas, multi-purpose lawn areas, including a revitalized Gage Court, smaller plazas and walkways, lighting, and integrated site furniture, which will encourage use throughout all seasons. The landscape will include a wide-range of native and drought tolerant plantings to support biodiversity and pollinators and rainwater from building roofs and paved areas will be managed in the landscape. The approach is based on best practice standards established by Sustainable Sites initiative (akin to LEED for landscapes). This work is being

undertaken as part of updates to the University Boulevard Precinct Design Guidelines, which envision a pedestrian and cyclist friendly street environment, wider sidewalks, street trees, and ecologically rich and inviting public realm for Student Union Boulevard and the adjacent sites.

The project will require the removal of a number of existing trees. UBC is committed to a 1:1 replacement of the trees at a minimum and is developing a campus wide strategy with faculty and technical experts for evidence-based biodiversity and tree removal compensation. This new approach is being applied to this project as a pilot. It will evaluate the impact of new development on existing biomass (trees, shrubs and other vegetation) against the future proposed biomass, 10 years from the completion of the development, with the aim of an equal or greater biomass, either directly on the site, or within the vicinity.

Parking

With the removal of approximately 110 grade-level parking stalls and the addition of over 2,600 new beds in the precinct (Brock Commons Tallwood House, 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 185 new, below-grade parking stalls serving the new developments of Pacific Residence, Exchange Residence, Tall Wood and Brock Commons Phase 2. This is a reduction of 35 stalls from the Board 2 report. This reduction is due to capacity limitations of an efficient below grade parking structure.

Name

The project name “Pacific Residence” was approved by the Board of Governors in September 2018. Specific house names have been submitted to the UBC Naming Committee for approval 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

Learning, Research,
Financial,
Sustainability &
Reputational

Benefits

- Provides an additional 940 student housing beds to address significant demand for on-campus student housing.
 - Building 1 will be constructed to support summer hotel use, including upgraded interior appliances and finishes and climate control adjustable by suite. These upgrades will also provide a premium residence experience to students during the academic year, and the combined building use will add to the units available to students exclusively during the academic year.
 - Utilizes an infill site adjacent to an existing residence to ensure efficient use of land
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- Enhanced outdoor public realm spaces for student residents of both Walter Gage and Pacific Residence and the broader campus community to enjoy.
- Stand-alone student housing project allows delivery of new beds by fall 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 fall 2021 delivery. The delivery of the buildings will be phased to allow delivery of beds to commence in fall 2021. The project is anticipating the completion of Building 1 (196 beds) in time for the 2021 fall term. The ambitious goal of completing Building 2 (256 beds) prior to the 2021 fall term will be reassessed early in 2021. The remaining buildings will be completed following the start of the 2021 fall term.
- 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.
- Due to market conditions, project cost continues to be a concern until all tenders are received. Value engineering options will be implemented if required to address this risk. Post-tender cost risk is mitigated through construction contingency and coverage by the Retained Risk Fund.

COSTS Capital Budget

Capital & Lifecycle
Operating

The capital cost for the Pacific Residence project is estimated at \$165.034 million, including provision for the much needed replacement parking.

The estimated cost has increased by \$4.9 million from the \$160.14 million estimate at Board 2. The increase is due to general market escalation. On a cost per bed basis the increase is largely offset by the addition of 6 beds, however market conditions remain a high risk. The escalation contingency of \$3.789 million reported at Board 2 is now incorporated into the project's construction budget. Construction period financing costs have also increased by \$446,000 reflecting the extended schedule for phased building occupancy starting in fall 2021 and ending in early 2022. Refer to schedule for detailed information about the phased building occupancy.

As of July 30 2019, 30% of the building construction value is tendered. A further 50% of tenders were complete at the end of August and prior to the September Board of Governors committee meetings, and this will meet the 80% threshold for Board 3 approval and release of funding. Project budget confirmation will be provided at the Board of Governors meeting September 24, 2019. In order to maximize tendering efficiencies, Public Realm related to Pacific Residence will be tendered along with a subsequent Gage Courtyard project.

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 support summer hotel 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	Costs \$ Board 3
Construction Costs			
Construction	100,918,000	101,100,000	109,518,000
Hotel Factor Allowance	-	2,650,000	2,650,000
Public Realm ¹	750,000	2,000,000	2,000,000
Service Requests to UBC Facilities	250,000	250,000	250,000
Service Relocation	2,000,000	1,500,000	1,500,000
On-site Servicing	500,000	INC	INC
Contingency	3,532,000	4,790,000	4,790,000
Total Construction	107,950,000	112,290,000	120,708,000
Cash Allowances			
FF+E	3,517,000	3,238,000	3,238,000
Café FF+E ²	-	350,000	-
Hotel Factor FF+E	-	492,000	492,000
UBC IT	1,400,000	1,700,000	1,700,000
Secure Access/Signage/Moving	150,000	200,000	200,000
Audio Visual	50,000	150,000	150,000
Total Cash Allowances	5,117,000	6,130,000	5,780,000
Soft Costs			
Consultants	8,636,000	8,636,000	8,636,000
IIC's	2,235,000	2,274,000	2,274,000
Preconstruction/Permits	1,295,000	1,395,000	1,395,000
Total Soft Costs	12,166,000	12,305,000	12,305,000
Project Management	3,131,000	3,131,000	3,131,000
Building Total	128,364,000	133,856,000	141,924,000
Construction Period Financing	3,600,000	4,554,000	5,000,000
Retained Risk	1,300,000	1,479,000	1,560,000
Escalation ³	6,477,000	3,789,000	-
GST	2,091,000	2,460,000	2,550,000
PROJECT TOTAL	141,832,000	146,138,000	151,034,000
Replacement Parking ⁴	11,250,000	14,000,000	14,000,000
PROJECT TOTAL with PARKING	153,082,000	160,138,000	165,034,000
PROJECT STATISTICS	Board 1	Board 2	Board 3
Area (gsf)	390,733	359,800	365,876
Beds	1,010	934	940
Area (gsf)/Bed	387	385	389
Cost/Bed	\$140,428	\$156,465	\$157,332
Cost/Bed + Parking Replacement	\$151,566	\$171,454	\$175,568

- 1 Public Realm related to Pacific will be tendered with the Gage Courtyard project to maximize tendering efficiencies.
- 2 Fit out of the café will be dealt with as a separate project. The allowance has been removed the budget.

- 3 Escalation allowance is incorporated into the project's construction budget.
- 4 Soft costs associated with Underground Parking carried above.

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 Funding & Financing

Funding Sources,
Impact on Liquidity

The project cost will be financed through an internal loan from the Student Housing Financing Endowment at 6.0% annual interest paid back over 30 years from housing rental revenue. The annual debt service cost will be \$11.9 million.

Should Government Business Enterprise (GBE) for student housing be approved, it would allow borrowing at a lower rate. The annual debt service cost in this case would be \$8.9 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 11. This is an increase of 1 year compared to Board 2 and is based on an updated comparison to existing buildings operated by SHHS. In the first 11 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 project is pursuing a phased delivery of buildings to allow delivery of some beds prior to commencement of the 2021 fall term. Occupancy of all buildings is anticipated by January 2022.

Milestone	Board 2	Board 3
Executive 1 + 2	Mar 2018	Mar 2018
Property & Planning Advisory Committee + Senate Academic Building Needs Committee	May 2018	May 2018
Executive 3	May 2018	May 2018
Board 1	Jun 2018	Jun 2018
Board 2	Apr 2019	Apr 2019
Board 3	Sep 2019	Sep 2019
Construction Start	Oct 2019	Oct 2019
Phased Occupancy:	Not phased	Phased
Building 1	Aug 2021	Aug 2021
Building 2-5	Aug 2021	Sep 2021-Jan 2022
Board 4	Sep 2023	Jan 2024

CONSULTATION

Relevant Units,
Internal & External
Constituencies

Through the Board 2 process, concern was heard over the general loss of green space and the important role the public realm plays in supporting liveability and student well-being. The project has made significant progress in this regard to deliver a comprehensive public realm plan that includes social and gathering spaces, landscaping that reflects best practice for plant selection and performance, and pathways and connections that ensure safe and direct pedestrian access between the residences and the rest of campus. Further refinement to the ground floor treatment, including locating the most active uses adjacent to pedestrian connections, will help create a supportive student environment. In addition, the project will adhere to UBC's commitment of a 1:1 replacement of the trees along with piloting with faculty and technical experts a new evidence-based method for biomass and tree removal compensation.

UBCPT

Review Date August 15, 2019

Signed off by Aubrey Kelly

COMMENTS

Complete for all
reports that include
a property
component

N/A

Previous Report Date

April 18, 2019

Decision

Board 2 approval for the Pacific Residence project with a funding release of \$2,000,000 to complete working drawings and tender documents.

Capital Budget	\$160,138,000
Operating Budget	See report
Schedule	
Program	
Authorization to Issue Development Permit	
Funding Release	\$2,000,000
Information	
Expenses to date	\$1,327,056
Funding released to date	\$1,700,000

Action / Follow Up

Complete working drawings and tender documents.

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.

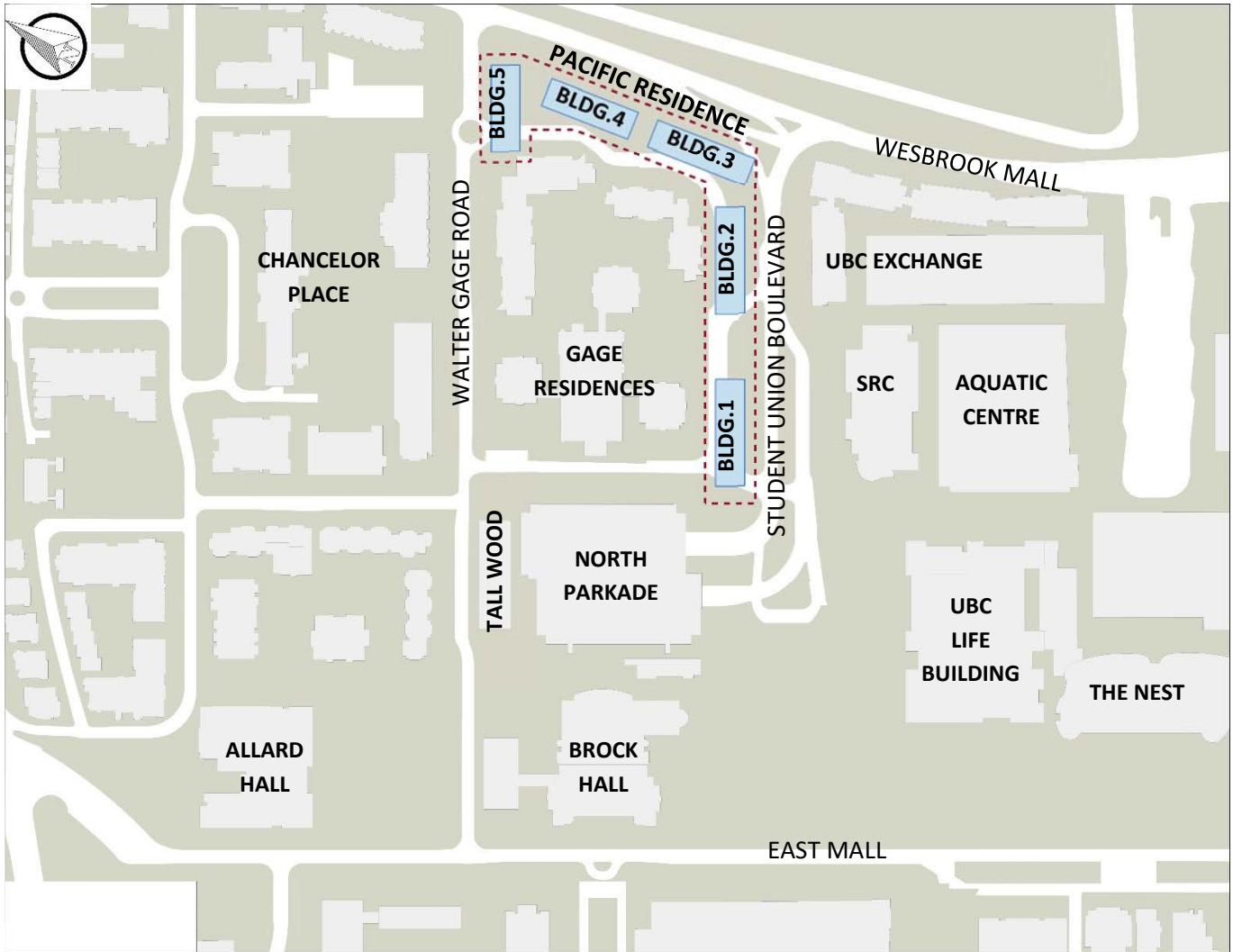
Capital Budget	\$153,082,000
Operating Budget	See Board 1 Report
Schedule	
Funding Release	\$700,000
Information	
Expenses to date	\$704,597
Funding released to date	\$1,000,000

Action / Follow Up

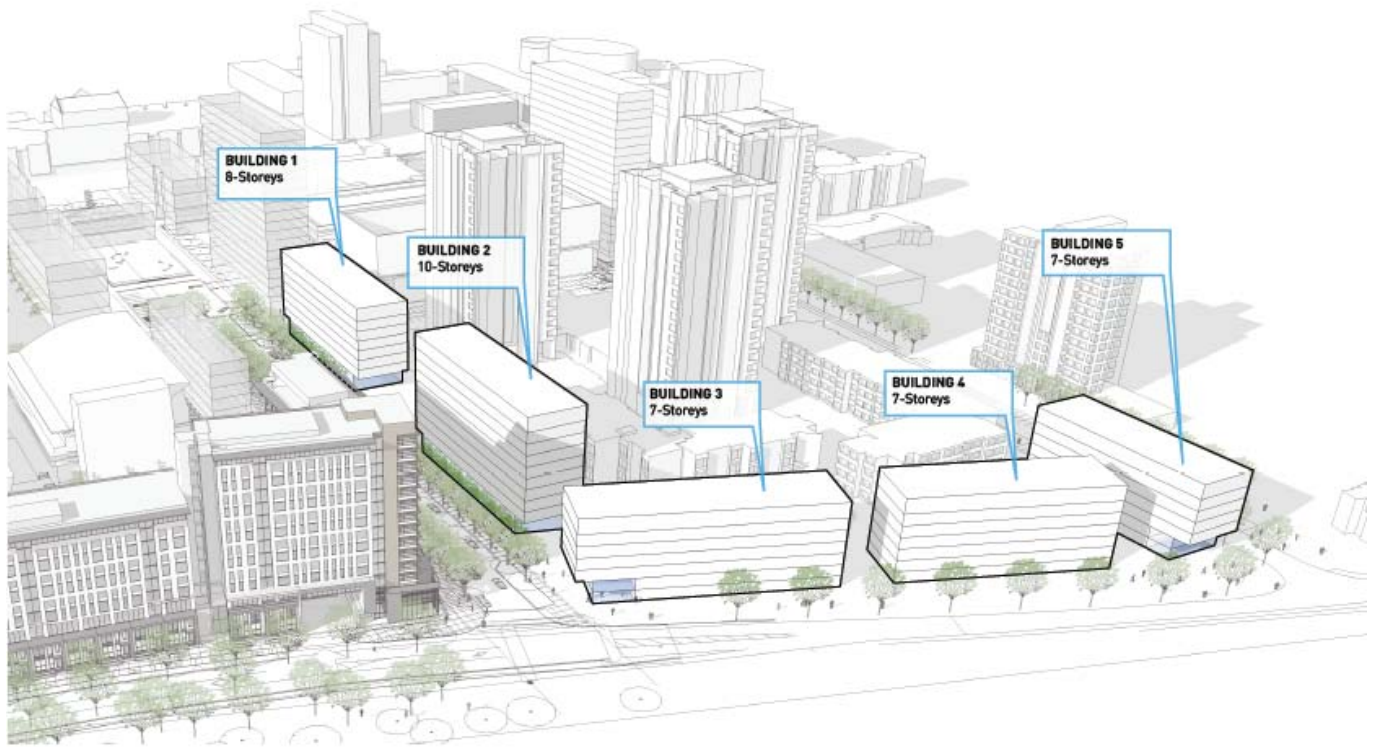
Continue design work

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	

Attachment 1 - Site Map



Attachment 2 - Site Massing



Attachment 3 – Design Development 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% via SHFE and External Financing 3.5%)

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

		2021/22	2022/23	2030/31	2031/32
Rental Revenue ¹	2%	1,864	12,094	14,170	14,453
Conference Revenue ²	2%	0	1,979	2,319	2,365
Less Rental Vacancy ³	1%	(19)	(121)	(142)	(145)
		<u>1,845</u>	<u>13,952</u>	<u>16,347</u>	<u>16,674</u>
Less Student Housing Operating Costs ⁴	25%	(466)	(3,023)	(3,542)	(3,613)
Less Conference Operating Costs ⁵	45%	0	(891)	(1,044)	(1,064)
		<u>(466)</u>	<u>(3,914)</u>	<u>(4,586)</u>	<u>(4,678)</u>
Net Operating Income		<u>1,379</u>	<u>10,038</u>	<u>11,761</u>	<u>11,996</u>
Less Debt Service - Student Housing ⁶	6.0%	(1,278)	(10,507)	(10,507)	(10,507)
Less Debt Service - Parking Replacement ⁶	6.0%	0	(1,367)	(1,367)	(1,367)
Cash Flow		<u>101</u>	<u>(1,836)</u>	<u>(112)</u>	<u>123</u>

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

2 - Conference Revenue is modeled 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%	1,864	12,094	12,336	12,582
Conference Revenue ²	2%	0	1,979	2,019	2,059
Less Rental Vacancy ³	1%	(19)	(121)	(123)	(126)
		<u>1,845</u>	<u>13,952</u>	<u>14,231</u>	<u>14,516</u>
Less Student Housing Operating Costs ⁴	25%	(466)	(3,023)	(3,084)	(3,146)
Less Conference Operating Costs ⁵	45%	0	(891)	(908)	(927)
		<u>(466)</u>	<u>(3,914)</u>	<u>(3,992)</u>	<u>(4,072)</u>
Net Operating Income		<u>1,379</u>	<u>10,038</u>	<u>10,239</u>	<u>10,444</u>
Less Debt Service - Student Housing ⁶	3.5%	(957)	(7,869)	(7,869)	(7,869)
Less Debt Service - Parking Replacement ⁶	3.5%	0	(1,024)	(1,024)	(1,024)
Cash Flow		<u>422</u>	<u>1,145</u>	<u>1,346</u>	<u>1,551</u>

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

2 - Conference Revenue is modeled 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.