IMPLEMENTATION

Preliminary Project Cost Model

For each of the three conceptual scenarios outlined in the previous chapter, "Opinions of Probable Cost" for the proposed capital improvements were developed. The "Opinion of Probable Cost" represents the total cost of the capital improvements required. The project costs are divided into two categories to achieve a Total Project Cost for each scenario as follows.

Category 1: Total Construction Cost. This category includes all costs associated with the construction improvements of the scenario. These costs include demolition, site work, utility upgrades, and all construction items included in Division 1-16 of the CSI Specification index for construction. General construction costs include contractor's overhead and profit; escalation to the midpoint of construction; phasing costs, which include temporary measures while the phased work occurs; and lastly bonds, insurance etc. The cost model does not include the provision for Owner imposed liquidated damages. If the University institutes liquidated damages against the contractor for any delays to this project, additional costs on the contractor's behalf may be incurred and result in an increase to the overall construction cost.

Category 2: Other Project Costs. These costs reflect the "soft" costs associated with the actual construction work. These costs include furniture fixtures and equipment; portable kitchen equipment; professional design fees; hazardous materials abatement; Owner administrative costs; and Owner's contingency.

The "Opinion of Probable Cost" models were developed based on the indication that the overall building would remain in operation during the work and the work would be phased. The cost data included in the models was developed from various sources of industry data; comparable cost data from other similar types of union renovation projects located across the United States; and from national standards including Engineering News-Record Cost Indexes for Building and Material. Finally individual cost factors that are unique to the University to construct the project were included. To be responsive to current local market conditions of Houston, Texas, ENR regional multipliers were used to provide the appropriate adjustment to the unit costs.

Construction market conditions in the past several years have reflected an industry of instability with highly variable ranges in prices and inflation of materials. Inflation has previously been attributed to material increases in areas that include steel, copper, concrete and other key building materials. More recently cost increases have been attributed to labor increases within the industry. While no cost model can fully predict future inflationary trends in the construction marketplace, these cost models have taken both historical changes into account and utilize current industry projections to the upcoming years. Due to current economic conditions, pricing in the Houston marketplace and the high cost of oil, the construction escalation for this project ranges from 12% to 15% per annum until the start of construction.

Escalation increases for the project are accounted for in two places in the cost model. The first accounting of escalation is identified as a total cost increase to the project from Fall 2008 to the start of the construction in 2011. This cost model assumes construction beginning 2011 on the initial phase. Should that timeline not be achieved, the cost model also includes a monthly escalation factor for the project should a delay occur. The impact of the delay can be calculated as the number of months construction begins after Fall 2008 multiplied by the escalation cost factor located at the bottom of the page.

Fundraising

Fundraising is often an important step towards the realization of a university center project. It is not uncommon to have a gap between what can be built with student fees and what the full vision of the building project maybe. At the University of Houston, both the multiuse space and cinema have been identified as programmatic elements that would enhance the UC but could only realistically be implemented from private giving.

Oklahoma State University current has a renovation and expansion project underway at the Student Union in Stillwater. While the student government voted to increase student fees, fundraising efforts are looking to secure another $20 million in contributions to add to the project. The

Begin Construction Dec 2011	OPTION 1			OPTION 2			OPTION 3		
	Unit	Unit Cost	Subtotal	Unit	Unit Cost	Subtotal	Unit	Unit Cost	Subtotal
CONSTRUCTION COSTS									
Site Improvements & Demolition									
A. Site Preparation		$ 4.50	$ -	20,000	$ 4.50	$ 90,000	35,000	$ 4.50	$ 157,500
B. Hazardous Materials			Inc Below			Inc Below			Inc Below
C. Select Demolition	244,150	$ 2	$ 488,300	109,868	$ 5.25	$ 576,804	170,905	$ 5.25	$ 897,251
D. Demolition of UC Building and UG HVAC	244,150	$ 2.50	$ 610,375	244,150	$ 2.50	$ 610,375	244,150	$ 2.50	$ 610,375
Subtotal			**$ 1,098,675**			**$ 1,277,179**			**$ 1,665,126**
Building Construction in 2008 Dollars									
A. Renovation of UC	188,804	$ 45.00	$ 8,496,180	84,962	$ 234.75	$ 19,944,783	84,962	$ 234.75	$ 19,944,783
B. Renovation UC Underground (below grade)	55,300	$ 45.00	$ 2,488,500	24,885	$ 169.75	$ 4,224,229	24,885	$ 169.75	$ 4,224,229
C. UC Satellite Upgrades access	40,837	$ 25.00	$ 1,020,925	40,837	$ 25.00	$ 1,020,925	40,837	$ 25.00	$ 1,020,925
D. Mechanical & Finish Upgrades	244,104	$ 78.50	$ 19,162,164	134,303	$ 130.00	$ 17,459,416	134,303	$ 130.00	$ 17,459,416
F. New Construction	3,500	$ 442.00	$ 1,547,000	-	$ 285.75	$ -	25,844	$ 345.00	$ 8,916,281
Subtotal	244,104		**$ 32,714,769**	244,150		**$ 42,649,352**	269,994		**$ 51,565,633**
Site work									
A. Landscape and Hardscape	30,000	$25.00	$ 750,000	30,000	$15.00	$ 450,000	30,000	$15.00	$ 450,000
B. Lighting and Site Signage		LS			LS			LS	
C. Utilities and Infrastructure			Inc			Inc			Inc
D. Site Mechanical / Electrical			Inc			Inc			Inc
Subtotal			**$ 750,000**			**$ 450,000**			**$ 450,000**
Subtotal Construction			**$ 34,563,444**	**244,150**	**$ 181.76**	**$ 44,376,532**	**269,994**	**$ 198.82**	**$ 53,680,759**
A. General Conditions, Overhead and Profit		13.2%	$ 4,562,375		13.2%	$ 5,857,702		13.2%	$ 7,085,860
B. Escalation to Start FY 09	1.0	15.0%	$ 5,868,873	1.0	15.0%	$ 7,535,135	1.0	15.0%	$ 9,114,993
C. Escalation to Start FY 10	1.0	12.0%	$ 5,399,363	1.0	12.0%	$ 6,932,324	1.0	12.0%	$ 8,385,794
D. Escalation to Start FY 11	1.0	12.0%	$ 6,047,287	1.0	12.0%	$ 7,764,203	1.0	12.0%	$ 9,392,089
E. Phasing Premium		0.0%	$ -			$ -			$ -
F. Phase 1 - 14 months (2011 - 2012)			$ 125,000			$ 225,000			$ 300,000
G. Phase 2 - 14 months (2012-2013)			$ 125,000			$ 225,000			$ 225,000
H. Phase 3 - 12 months (2014-2015)			$ 100,000			$ 200,000			$ 200,000
I. Liquidated Damage Penalty Fee			Not Included			Not Included			Not Included
J. Program and Architecture Contingency		5%	$ 1,956,291		5%	$ 2,511,712		5%	$ 3,038,331
K. Builder & Owner's Reserve Const. @ 5% Each		10%	$ 3,912,582		10%	$ 5,023,423		10%	$ 6,076,662
Total Construction Cost	244,104	$ 257	**$ 62,660,214**	244,150	$ 330	**$ 80,651,031**	269,994	$ 361	**$ 97,499,488**

Begin Construction Dec 2011	OPTION 1			OPTION 2			OPTION 3		
	Unit	Unit Cost	Subtotal	Unit	Unit Cost	Subtotal	Unit	Unit Cost	Subtotal
OTHER PROJECT COSTS									
FF & E in FY 08 Dollars									
A. Furniture - (NSF) New and Existing	188,996	$ 21	$ 3,968,916	170,905	$ 21	$ 3,589,005	188,996	$ 21	$ 3,968,916
B. Fixtures and Equipment	188,996	$ 5.00	$ 944,980	170,905	$ 5.00	$ 854,525	188,996	$ 5.00	$ 944,980
C. Retail Fixtures	-	$ 20.00	$ -	-	$ 20.00	$ -	-	$ 20.00	$ -
D. Moveable Equipment Food Svc			$ 250,000			$ 250,000			$ 250,000
E. FFE Design, Bid & Oversight		10%	$ 491,390		10%	$ 444,353		10%	$ 491,390
F. Escalation (FFE) - 4 years to Bid		24%	$ 1,357,269		24%	$ 1,233,092		24%	$ 1,357,269
Subtotal			**$ 7,012,554**			**$ 6,370,975**			**$ 7,012,554**
Professional Fees Subtotal			**7,719,915**			**9,210,962**			**11,047,444**
Misc. Costs									
A. A. % for the Arts		1.00%	$ 626,602		1.00%	$ 806,510		1.00%	$ 974,995
B. U of H Project Management Fee		3%	$ 1,879,806		3%	$ 2,419,531		3%	$ 2,924,985
C. Printing Photo Costs		0.25%	$ 156,651		0.25%	$ 201,628		0.25%	$ 243,749
D. D. Maintenance Endowment			**TBD**			**TBD**			**TBD**
E. Building Activation									
F. Data & Cabling Costs									
G. G. Security Equipment									
H. EOHA (Environmental + Health Safety)									
I. Moving Expenses			$ 125,000			$ 125,000			$ 125,000
J. Review Fees			$ 30,000			$ 30,000			$ 30,000
K. Permit Fees			$ -			$ -			$ -
L. Fire Marshall Fees			$ -			$ -			$ -
M. Surveys and Testing			$ 35,000			$ 35,000			$ 35,000
N. Houston Sewer and Storm Water Tap Fees			Not Included			Not Included			Not Included
O. Road Utility Permit Fees			Not Included			Not Included			Not Included
P. Haz Mat Abatement (Per Quote esc fy 2011)			$ 146,576			$ 146,576			$ 146,576
Subtotal Misc. Costs			**$ 2,999,635**			**$ 3,764,244**			**$ 4,480,304**
Subtotal Other Project Costs (Soft)			**$ 17,732,104**			**$ 19,346,182**			**$ 22,540,302**
Subtotal Funds Required for Project			$ 80,392,317			$ 99,997,213			$ 120,039,790
TOTAL PROJECT COST IN 2011 Dollars		**$ 329.34**	**$ 80,392,317**		**$ 409.57**	**$ 99,997,213**		**$ 444.60**	**$120,039,790**
Exclusions:									
Escalation / Month after 2011 Start @ .67% per Mo.			$ 334,971			$ 416,658			$ 500,170

University of Wisconsin-Madison has begun the design process for Union South, in addition to student fees and revenue generated by the union, the project is being funded in part with private donations.

Financial Analysis

To understand the financial implications of implementing a transformation of the University Center, Brailsford & Dunlavey developed an integrated financial model to analyze the project's feasibility and to determine a required student fee to support the total project cost estimate. While the model included is based on a $100 million project concept that emerged as the most viable from the study, several scenarios testing a variety of institutional assumptions, market conditions and development options were analyzed to identify the range of risks inherent in the proposed project. As the University refines the project parameters, the model should be updated so that decisions can be made using the most comprehensive information available.

The use of conservative assumptions throughout the analysis is intended to allow the University to proceed with the knowledge that detailed implementation and operating decisions can be made within the established financial parameters without compromising the project scope or quality. Due to unforeseeable circumstances beyond the project team's control, actual performance may vary significantly from projections. Therefore, B&D cannot ensure that the results highlighted in this report will portray the actual performance of the proposed project.

Methodology

To determine the projected financial performance of the University Center facilities, B&D relied heavily on financial records provided by UC staff, interviews with various University personnel, market analysis information gathered during other phases of the feasibility study, and prior experience planning similar projects. B&D's financial analysis uses the existing operating budget and income and expense projects as primary inputs for the model. Holzman Moss provided the project development budget, escalation projections, phasing plan and the estimated build-out cost for the Bookstore space which defined the contractor and / or Business Services contribution required to upgrade that space. Using assumptions for these variables, the model details projected revenues, expenses, project costs, and debt capacity. Any change in assumptions within one of these components automatically forces a corresponding adjustment elsewhere to maintain the models internal consistency.

All revenue and expense assumptions were developed in 2008 dollars then escalated for inflation. All University Center improvements outlined in the financial model are phased with the initial phase assumed to open for operation in 2012 and the two succeeding phases to be completed in one year each, opening in 2013 and 2014 respectively.

Any change in the opening years will result in changes to total project costs, therefore impacting the overall feasibility of the project within the revenue and expense assumptions herein. The assumptions underpinning the model are described below and the model in spreadsheet form is provided later in this chapter.

Financial Assumptions

Development Costs

The project tested through the financial modeling process is the product of the detailed market analysis and programming effort overseen by the UC Project Steering Committee. B&D's survey and demand-based programming served as baselines in determining the types and size of spaces for both the University Center and the UC Satellite. Costs of infrastructure improvements necessary in both facilities significantly impacted the scale of the renovations - and completely eliminated consideration of new construction - from the conceptual project budget developed by Holzman Moss Architecture used in the financial analysis.

The total project cost for renovation of 55% of the University Center (approximately 110,000 sq. ft.), finish / mechanical systems upgrades to the UC and minor access upgrades for the UC Satellite was estimated at $100 Million. The total project cost includes estimate for hard and soft costs and for escalation as well as for a three-phase implementation schedule with construction starting in 2010.

A major component of the program and the project budget is re-location, expansion and/or upgrade of the UH Bookstore. HMA estimated this element to cost $6.4 million to build out and that amount has been included as a "contribution to equity" from the Bookstore contract / University Auxiliary Services in the financial model.

The program that was used to develop the total project costs and required student fees included the following:

- Much larger and more visible student organization office space, including more workstations, resource, storage, and meeting space on the ground, rather than underground-level;

- A variety of social lounge spaces, including large social lounges, recreation / games activity areas and quiet study lounges with the possibility of late-night / 24-hour access;

- Significantly enhanced food service operations, including more appropriately scaled production space, more accessible serving areas and increased seating;

- Intentionally-developed outdoor programming / seating "rooms" linked to UC interior spaces through a more transparent building envelope;

- More meeting / function rooms, and some smaller meeting rooms that can also serve as small group study / project rooms;

- Re-configured administrative office and facility support spaces to improve client service and efficiency;

- Improved retail core with enhanced visibility and more efficient configurations;

- Re-location of Student Publication offices to the UC from the Communication building; and,

- An enhanced Bookstore with an additional 12,000 square feet of sales and storage space.

Semester Implemented (fee paid Fall & Spring semesters)	% of Total Fee Increase	Incremental Increase	Total New Fee (per student / semester	Total UC Fees (per student / semester
Fall 2010	25%	$34	$34	$69
Fall 2011	50%	$36	$70	$105
Fall 2012	75%	$32	$102	$137
Fall 2013	100%	$34	$136	$171
Fall 2014	0%	$0	**$136**	**$171**

Table 1

Student Fees

The financial model assumes an additional UC student fee would be established to fund both the capital requirements and on-going operating costs of the renovated UC facilities. This fee increase would be added to the existing UC fee of $35 per semester that has been collected for many years. The financial model uses a phased implementation of the fee, as shown in Table 1, to increase the UC fee to a total of $171 per student each fall and spring semester by the year the UC project is completed in 2014. This approach also assumes an additional summer session UC fee of 50% of the regular semester incremental increase would be implemented over the same schedule.

This phased fee implementation strategy creates an "early collection equity fund" that along with the Bookstore "build-out contribution" described above is utilized to reduce the amount of indebtedness from approximately $100 million to approximately $88 million. Based on current UH practice, the model does not include any interest earnings from the pre-opening fees accrued.

Currently, nearly $1.3 million from the Student Services Fee is allocated to the UC operating budget annually to support staff costs and program initiatives. The funding also offsets operating costs for the 6,300 square feet of Student Affairs office space in the UC. The financial model assumes this allocation will continue as it serves to offset the lack of any inflationary adjustments to the existing $35 UC fees for many years.

It is assumed that student fees will be calculated on a headcount basis and apply to all students enrolled on campus. Gradual enrollment growth to a total semester headcount of 40,000 was included in the model using official UH projections provided by the UC Administrative Office. The model also includes an annual inflationary adjustment to the new UC fee of 1% each year, starting in the 2015-16 academic year. Although this approach has not been applied to the existing UC fee, it will be necessary for the new fee to ensure that the debt coverage ratio of 1.15 is maintained throughout the assumed 30-year term of the bond obligation. A range of fee implementation strategies can be explored, once a fee tolerance threshold has been established by the University.

Revenues

In the 2007 fiscal, used as a base for projection in the financial model, student fees accounted for 73% of the total UC budget. The remaining 27% was generated through long-term leases, daily rentals and a percentage of profits generated within the facility. Although the financial model includes projected increases in all categories of revenue, the renovation project cost will require a substantial change in the ratio of fee revenue to speculative revenue. Approximately 12%-13% of the total University Center Facilities' budget will be derived from generated income once debt servicing begins as the project is completed.

In addition to student fees, revenue to support an enhanced University Center will be generated from the retail and other user charges. The user charges include retail tenant lease income, UC self-operated retail functions, meeting / event space rentals, food service commissions, recreation area user charges and miscellaneous other revenues.

B&D established a baseline revenue level by analyzing two years of actual data along with budgeted projections for Fiscal Year 2008. Survey demand data was factored with B&D's professional experience to develop an estimate of additional income of approximately 15% based on higher traffic volume and increased customer capture resulting from contemporary facilities that will be "right-sized" to ensure revenue per square foot grows. This 15% factor was applied to both lease-based as well as sales-based income, which results in a relatively conservative overall approach.

The models accounts for the impact of the phased construction project through the application of a "ramp up" factor to all speculative revenues over a five-year period. This strategy calculates 80% of potential income in 2010 due to "business disruption," 90% in 2011, 95% in 2012 and 100% in 2013, based on the assumption that the retail areas will be most impacted in the earlier phases of the project but can be fully operational during the Phase III / final year of renovations.

Expenses

Expenses required for the ongoing operation of the University Center and UC Satellite facilities have been summarized in the model as Personnel and Facility Operating expenses. Analysis of base year expenses showed that total operating cost for the existing 284,987 square feet of space averages to approximately $15.50 per square foot. Staff salaries and benefits account for 57% of total expenses, while non-personnel expenses, including utilities, service contracts, cost of sales, supplies, etc., make up the other 43%.

Personnel expenses included all salaries and benefits for full-time, part-time, student and work-study employees. The assumptions were developed based on the existing staffing plan and salary / wage schedule provided by University personnel. No additional staff positions were projected to support the renovated University Center since new systems, finishes and configurations are anticipated to increase efficiency significantly, but an increase of 4% annually in total personnel costs are assumed.

The total budget is sufficient to maintain the building and deliver University Center programs at a high level. However, some detailed adjustments will occur during the business planning phase and beyond. It is important that the University treat these numbers as a budget rather than as a projection of operating costs.

Pro Forma

B&D's financial analysis created a operating pro forma that reflects the year-to-year operations of the proposed University Center project through construction and opening for a ten-year period. Based on the revenues, expenses, and student fees described above, this financial model reflects a self-sustaining operation without deficits.

Also included within the pro forma are assumptions on an annual debt payment with a 1.15 debt coverage ratio. A facility and equipment reserve fund will begin to accumulate as the UC fee increase is implemented, providing a $100,000 annual contribution to the fund. This reserve fund will allow the University Center to plan for future capital projects and / or replacements to prevent deferred maintenance issues from reoccurring. This reserve account is important but the funding schedule is conceptual and could be adjusted if modifications to the model are necessary.

Debt Capacity

The financial model assumes that the proposed total project cost will be financed with debt to be repaid using student fee revenue and other income generated within the facilities. Because operating expenses are covered by student fee revenues, the model balances facility size and components, required operating expenses, and financing assumptions with projected revenues to determine the debt capacity of the project. Debt capacity is defined as the maximum amount of debt that can be supported by the net operating income of the development given the financing terms and debt coverage ratio. The debt coverage ratio is the minimum factor by which the annual net operating income must exceed the actual debt service payment to provide a buffer for financial risk.

The financial model scenario (following page) summarizes the model's assumptions and conclusions, highlighting the project's 1:15 debt coverage ratio, a tax-exempt interest rate of 5.25 and a 30-year debt service term that stabilizes in the second year of full operation, which is also year of the project's final phase. As a result of the phase fee increase approach, an interest-only debt service payment is necessary in the project's initial year to maintain the 1:15 debt coverage ratio.

UH bonding options and the overall state of the construction market may dictate that these assumptions be adjusted and the B&D financial modeling methodology can generate new scenarios as the realities of the project become more concrete.

Scenario Summary

DEBT ASSUMPTIONS

Amount of Issued Debt = $88 Million
Annual Debt Service Payment = $5.88 Million
Debt Capacity Based on Stabilized 2nd Year
Debt Coverage Ratio = 1.38 (1.15 Over Term)
Interest Rate = 5.25%
Term = 30 Years (Yr 1 - Interest Only)

REVENUE ASSUMPTIONS

Existing UC Student Fee = $ 35.00 per Student per Term
Total Existing UC Student Fee per Year = $ 87.50 per Student
New UC Student Fee = $ 136.00 per Student per Term after Phasing
Total New UC Fee per Year = $ 340.00 per Student per year after Phasing
Total UC Student Fee Per Year @ Opening=$ 428
New Fee inc. 1% Annual Inflation Increase After Phase 3 Opens in FY 2014

FACILITY ASSUMPTIONS

Total Gross Sq. Ft. = 284987 G.S.F.
Renovaton Gross Sq. Ft. = 284987 G.S.F.
Total Sq. Ft. Under UC Mgmt = 284987 G.S.F.
Operating Costs Per SF = 18.40 Per G.S.F.

EQUITY ASSUMPTIONS

UC Reserves for Capital Contribution	$0
Early Fee Collection	$5,761,118
Bookstore Contribution*	$6,420,500
Fundraising Contribution	$0
Total Equity	$12,181,600

Year 2 Debt Capacity	=	$105,452,000
Project Equity	=	$12,181,600
Total Funding Capacity	=	$117,633,600
Total Estimated Project Cost	=	$99,997,200
Yr 2 Project Balance (if -, then Add'l Funding Req'd)	=	$17,636,000

*Bookstore Contribution to pay for upfit beyond basic building systems / life safety upgrades funded by project.

Source	Base Year 2007	First Year Factor	2008	2009	2010	2011	Opening PI 2012	Opening P2 2013	Opening P3 2014
INCOME									
Existing Student Fee Income	$3,687,000	100%	$3,998,300	$4,025,000	$4,055,600	$4,086,200	$4,116,900	$4,147,500	$4,178,100
New Student Fee Income *	$0	100%	$0	$0	$1,891,900	$3,869,200	$5,803,100	$7,822,500	$7,907,500
Other Revenue	$1,356,000	100%	$1,383,213	$1,407,113	$1,150,400	$1,222,500	$1,530,200	$1,625,900	$1,665,600
INCOME SUBTOTAL	$5,043,000		$5,381,513	$5,432,113	$7,097,900	$9,177,900	$11,450,200	$13,595,900	$13,751,200
TOTAL INCOME	**$5,043,000**		**$5,381,513**	**$5,432,113**	**$7,097,900**	**$9,177,900**	**$11,450,200**	**$13,595,900**	**$13,751,200**
EXPENSES									
Personnel Expenses	$2,480,400	100%	$2,579,600	$2,682,800	$2,790,100	$2,901,700	$3,017,800	$3,138,500	$3,264,000
Non-Personnel Expenses	$1,927,000	100%	$1,984,800	$2,044,300	$2,105,600	$2,168,800	$2,236,463	$2,303,600	$2,372,700
EXPENSES SUBTOTAL	$4,407,400		$4,564,400	$4,727,100	$4,895,700	$5,070,500	$5,254,263	$5,442,100	$5,636,700
TOTAL EXPENSES	**$4,407,400**		**$4,564,400**	**$4,727,100**	**$4,895,700**	**$5,070,500**	**$5,254,263**	**$5,442,100**	**$5,636,700**
NET OPERATING INCOME	**$636,000**		**$817,000**	**$705,000**	**$2,202,000**	**$4,107,000**	**$6,196,000**	**$8,154,000**	**$8,115,000**
New Debt Service		100%					[1] $4,610,320	$5,876,352	$5,876,352
TOTAL DEBT SERVICE			**$0**	**$0**	**$0**	**$0**	**$4,610,320**	**$5,876,352**	**$5,876,352**
Debt Coverage Ratio							1.34	1.39	1.38
CASH FLOW AFTER DEBT SERVICE			$817,000	$705,000	$2,202,000	$4,107,000	$1,586,000	$2,278,000	$2,239,000
CUMULATIVE CASH FLOW AFTER DEBT SERVICE							$1,586,000	$3,864,000	$6,103,000
Non-Mandatory Cash Transfers:									
Facility Reserve			$0	$0	$50,000	$50,000	$50,000	$50,000	$50,000
Equipment Reserve			$0	$0	$50,000	$50,000	$50,000	$50,000	$50,000
Total Reserves			$0	$0	$100,000	$100,000	$100,000	$100,000	$100,000
CUMULATIVE REPLACEMENT RESERVE			$0	$0	$100,000	$100,000	$100,000	$200,000	$300,000
CASH FLOW AFTER EXPENDITURES			$817,000	$705,000	$2,102,000	$4,007,000	$1,486,000	$2,178,000	$2,139,000
CUMULATIVE CASH FLOW AFTER EXPENDITURES							$1,486,000	$3,664,000	$5,803,000

1. Year 1 debt service assumed as "Interest-only" to achieve 1.15 or better DCR with UC Fee phasing; see Amortization Schedule for detail.

Basic Operating Pro Forma

Source	Base Year 2007	First Year Factor	2015	2016	2017	2018	2019	2020	2021
INCOME									
Existing Student Fee Income	$3,687,000	100%	$4,208,700	$4,239,400	$4,270,000	$4,300,600	$4,331,200	$4,361,900	$4,392,500
New Student Fee Income *	$0	100%	$8,072,400	$8,239,800	$8,409,800	$8,582,400	$8,757,500	$8,935,300	$9,115,800
Other Revenue	$1,356,000	100%	$1,706,300	$1,748,300	$1,791,700	$1,836,200	$1,882,000	$1,929,400	$1,978,100
INCOME SUBTOTAL	$5,043,000		$13,987,400	$14,227,500	$14,471,500	$14,719,200	$14,970,700	$15,226,600	$15,486,400
TOTAL INCOME	**$5,043,000**		**$13,987,400**	**$14,227,500**	**$14,471,500**	**$14,719,200**	**$14,970,700**	**$15,226,600**	**$15,486,400**
EXPENSES									
Personnel Expenses	$2,480,400	100%	$3,394,600	$3,530,400	$3,671,600	$3,818,500	$3,971,200	$4,130,000	$4,295,200
Non-Personnel Expenses	$1,927,000	100%	$2,443,900	$2,517,200	$2,592,700	$2,670,500	$2,750,600	$2,833,100	$2,918,100
EXPENSES SUBTOTAL	$4,407,400		$5,838,500	$6,047,600	$6,264,300	$6,489,000	$6,721,800	$6,963,100	$7,213,300
TOTAL EXPENSES	**$4,407,400**		**$5,838,500**	**$6,047,600**	**$6,264,300**	**$6,489,000**	**$6,721,800**	**$6,963,100**	**$7,213,300**
NET OPERATING INCOME	**$636,000**		**$8,149,000**	**$8,180,000**	**$8,207,000**	**$8,230,000**	**$8,249,000**	**$8,264,000**	**$8,273,000**
New Debt Service		100%	$5,876,352	$5,876,352	$5,876,352	$5,876,352	$5,876,352	$5,876,352	$5,876,352
TOTAL DEBT SERVICE			**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**
Debt Coverage Ratio			1.39	1.39	1.40	1.40	1.40	1.41	1.41
CASH FLOW AFTER DEBT SERVICE			$2,273,000	$2,304,000	$2,331,000	$2,354,000	$2,373,000	$2,388,000	$2,397,000
CUMULATIVE CASH FLOW AFTER DEBT SERVICE			$8,376,000	$10,680,000	$13,011,000	$15,365,000	$17,738,000	$20,126,000	$22,523,000
Non-Mandatory Cash Transfers:									
Facility Reserve			$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000
Equipment Reserve			$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000
Total Reserves			$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000
CUMULATIVE REPLACEMENT RESERVE			$400,000	$500,000	$600,000	$700,000	$800,000	$900,000	$1,000,000
CASH FLOW AFTER EXPENDITURES			$2,173,000	$2,204,000	$2,231,000	$2,254,000	$2,273,000	$2,288,000	$2,297,000
CUMULATIVE CASH FLOW AFTER EXPENDITURES			$7,976,000	$10,180,000	$12,411,000	$14,665,000	$16,938,000	$19,226,000	$21,523,000

1. Year 1 debt service assumed as "Interest-only" to achieve 1.15 or better DCR

Basic Operating Pro Forma

						Opening PI	Opening P2	Opening P3
	Base							
Student Fee Revenue:	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Existing UC Student Fee Income	$2,417,900	$2,722,100	$2,748,800	$2,779,400	$2,810,000	$2,840,700	$2,871,300	$2,901,900
New UC Student Fee Income	$0	$0	$0	$1,891,873	$3,869,245	$5,803,118	$7,822,491	$7,907,491
Subtotal of UC Student Fee Income [1]	$2,417,900	$2,722,100	$2,748,800	$4,671,273	$6,679,245	$8,643,818	$10,693,791	$10,809,391
Student Service Fee Subsidy (SFAC)	$1,268,955	$1,276,195	$1,276,195	$1,276,195	$1,276,195	$1,276,195	$1,276,195	$1,276,195
Revenue Ramp Up Period				**80%**	**90%**	**95%**	**100%**	**100%**
Recreation / Games Area [2]	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Recreation Revenue	$347,568	$358,000	$368,700	$379,800	$391,200	$402,900	$415,000	$427,500
Subtotal Including Revenue Ramp Up Period	$347,568	$358,000	$368,700	$303,840	$352,080	$382,755	$415,000	$427,500
Bookstore [2]	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Bookstore - Common Area Management Agreement	$76,695	$79,000	$81,400	$83,800	$86,300	$90,800	$93,500	$96,300
Subtotal Including Revenue Ramp Up Period	$76,695	$79,000	$81,400	$67,040	$77,670	$86,260	$93,500	$96,300
Food Service [2]	**2007**	**2008**	**2009**	**2011**	**2011**	**2012**	**2013**	**2014**
Food Service Rent / Commissions	$326,515	$336,300	$346,400	$356,800	$367,500	$375,000	$386,300	$397,900
Subtotal	$326,515	$336,300	$346,400	$285,440	$330,750	$356,250	$386,300	$397,900
University Space Lease [2]	**2007**	**2008**	**2009**	**2011**	**2011**	**2012**	**2013**	**2014**
University Office Rental	$22,800	$23,500	$24,200	$24,900	$25,600	$26,400	$27,200	$28,000
Subtotal	$22,800	$23,500	$24,200	$24,900	$25,600	$26,400	$27,200	$28,000
Commercial Rentals [2]	**2007**	**2008**	**2009**	**2011**	**2011**	**2012**	**2013**	**2014**
5 lease stalls @ $14.66/sq ft average	$78,726	$78,726	$78,726	$78,726	$78,700	$99,560	$102,500	$105,600
Subtotal Including Revenue Ramp Up Period	$74,790	$78,726	$78,726	$62,981	$70,830	$94,582	$102,500	$105,600
Other Income [2]	**2007**	**2008**	**2010**	**2011**	**2011**	**2012**	**2013**	**2014**
Meeting / Conference User Charges	$248,415	$248,415	$248,415	$198,732	$178,859	$285,670	$294,240	$303,067
UC Retail Operations	$259,271	$259,271	$259,271	$207,417	$186,675	$298,250	$307,200	$307,200
Subtotal Including Revenue Ramp Up Period	$507,687	$507,687	$507,687	$406,149	$365,534	$583,920	$601,440	$610,267
EXISTING STUDENT FEE INCOME (inc. SFAC)	$3,686,855	$3,998,295	$4,024,995	$4,055,595	$4,086,195	$4,116,895	$4,147,495	$4,178,095
NEW STUDENT FEE INCOME	$0	$0	$0	$1,891,873	$3,869,245	$5,803,118	$7,822,491	$7,907,491
TOTAL STUDENT FEE INCOME	**$3,686,855**	**$3,998,295**	**$4,024,995**	**$5,947,468**	**$7,955,440**	**$9,920,013**	**$11,969,986**	**$12,085,586**
NON-STUDENT FEE INCOME	1,356,054	1,383,213	1,407,113	1,150,400	1,222,500	1,530,200	1,625,900	1,665,600
TOTAL INCOME	**$5,042,900**	**$5,381,500**	**$5,432,100**	**$7,097,900**	**$9,177,900**	**$11,450,200**	**$13,595,900**	**$13,751,200**
PERCENT OF BUDGET NOT SUPPORTED BY STUDENT FEE	27%	26%	26%	16%	13%	13%	12%	12%

Income from University Center Fees and Operations (Phased by Construction Schedule)

Notes: 1. Annual student fee increases shown based on enrollment growth projection and inflationary adjustment of 1% per year.

1. Increase in other revenues shown based on annual adjustment of 3%.

Student Fee Revenue:	2015	2016	2017	2018	2019	2020	2021
Existing UC Student Fee Income	$2,932,500	$2,963,200	$2,993,800	$3,024,400	$3,055,000	$3,085,700	$3,116,300
New UC Student Fee Income	$8,072,416	$8,239,848	$8,409,822	$8,582,372	$8,757,531	$8,935,336	$9,115,821
Subtotal of UC Student Fee Income [1]	$11,004,916	$11,203,048	$11,403,622	$11,606,772	$11,812,531	$12,021,036	$12,232,121
Student Service Fee Subsidy (SFAC)	$1,276,195	$1,276,195	$1,276,195	$1,276,195	$1,276,195	$1,276,195	$1,276,195
Revenue Ramp Up Period	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Recreation / Games Area [2]	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Recreation Revenue	$440,300	$453,500	$467,100	$481,100	$495,500	$510,400	$525,700
Subtotal Including Revenue Ramp Up Period	$440,300	$453,500	$467,100	$481,100	$495,500	$510,400	$525,700
Bookstore [2]	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Bookstore - Common Area Management Agreement	$99,200	$102,200	$105,300	$108,500	$111,800	$115,200	$118,700
Subtotal Including Revenue Ramp Up Period	$99,200	$102,200	$105,300	$108,500	$111,800	$115,200	$118,700
Food Service [2]	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Food Service Rent / Commissions	$409,800	$422,100	$434,800	$447,800	$461,200	$475,000	$489,300
Subtotal	$409,800	$422,100	$434,800	$447,800	$461,200	$475,000	$489,300
University Space Lease [2]	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
University Office Rental	$28,800	$29,700	$30,600	$31,500	$32,400	$33,400	$34,400
Subtotal	$28,800	$29,700	$30,600	$31,500	$32,400	$33,400	$34,400
Commercial Rentals [2]	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
5 lease stalls @ $14.66/sq ft average	$108,800	$112,100	$115,500	$119,000	$122,600	$126,300	$130,100
Subtotal Including Revenue Ramp Up Period	$108,800	$112,100	$115,500	$119,000	$122,600	$126,300	$130,100
Other Income [2]	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Meeting / Conference User Charges	$312,159	$321,524	$331,170	$341,105	$351,338	$361,878	$372,735
UC Retail Operations	$307,200	$307,200	$307,200	$307,200	$307,200	$307,200	$307,200
Subtotal Including Revenue Ramp Up Period	$619,359	$628,724	$638,370	$648,305	$658,538	$669,078	$679,935
EXISTING STUDENT FEE INCOME (inc. SFAC)	$4,208,695	$4,239,395	$4,269,995	$4,300,595	$4,331,195	$4,361,895	$4,392,495
NEW STUDENT FEE INCOME	$8,072,416	$8,239,848	$8,409,822	$8,582,372	$8,757,531	$8,935,336	$9,115,821
TOTAL STUDENT FEE INCOME	**$12,281,111**	**$12,479,243**	**$12,679,817**	**$12,882,967**	**$13,088,726**	**$13,297,231**	**$13,508,316**
NON-STUDENT FEE INCOME	1,706,300	1,748,300	1,791,700	1,836,200	1,882,000	1,929,400	1,978,100
TOTAL INCOME	**$13,987,400**	**$14,227,500**	**$14,471,500**	**$14,719,200**	**$14,970,700**	**$15,226,600**	**$15,486,400**
PERCENT OF BUDGET NOT SUPPORTED BY STUDENT FEE	12%	12%	12%	12%	13%	13%	13%

Income from University Center Fees and Operations (Phased by Construction Schedule)

Notes: 1. Annual student fee increases shown based on enrollment growth projection and inflationary adjustment of 1% per year.
1. Increase in other revenues shown based on annual adjustment of 3%.

Enrollment-based Fee Projections				BASE				Opening PI	Opening P2	Opening P3
				FY 07-08						
Enrollment Assumptions -		**Variables**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Student Enrollment - Headcount per Year (2 terms) [1, 2]	65,385		58,595	67,287	68,037	68,787	69,537	70,287	71,037	71,787
Student Enrollment - Headcount per Summer (1 terms) [1, 2]	18,760		20,750	20,976	21,000	21,250	21,500	21,750	22,000	22,250
Est. Headcount Enrollment - Fall - Spring applied to New UC Fee [1, 2]	68,000									
Est. Headcount Enrollment - Summer applied to New UC Fee [1, 2]	21,000									
Additional Full-time Students Per Year		750								
Additional Part-time Students Per Summer		250								
Percent Fee Increase Per Year		3.00%								
Existing UC Fee			**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
UC Fee per Student in Fall-Spring	$35.00		$35.00	$35.00	$35.00	$35.00	$35.00	$35.00	$35.00	$35.00
UC Summer Fee per Student	$17.50		$17.50	$17.50	$17.50	$17.50	$17.50	$17.50	$17.50	$17.50
Capture Rates [3]		100.0%								
New Student Fee for UC Project			**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Fee Increase Strategy		% / Year	0%	0%	0%	25%	50%	75%	100%	100%
New UC Fee per Student in Fall-Spring		$136.00	$0.00	$0.00	$0.00	$34	$70	$102	$136.00	$136.00
New UC Summer Fee per Student		$68.00	$0.00	$0.00	$0.00	$17.00	$34.00	$51.00	$68.00	$68.00
Annual Fee Income			**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
UC Student Fee / Year			$2,417,910	$2,722,117	$2,748,782	$2,779,407	$2,810,032	$2,840,657	$2,871,282	$2,901,907
New UC Student Fee per Year			$0	$0	$0	$1,891,873	$3,869,245	$5,803,118	$7,822,491	$7,907,491
Total Student Fee			**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Total Fee Income			$2,417,910	$2,722,117	$2,748,782	$4,671,280	$6,679,277	$8,643,775	$10,693,773	$10,809,398

NOTES:

1 FY07-08 Headcount Enrollment Data provided by UH University Center.

2 Headcount Growth Assumed based on enrollment growth plan to 40,000 provided by UH University Center.

3 Capture Rate assumes 100% of all students

Student Fee Scenarios (Per Student)	
Existing Fee per Term	**35.00**
Existing Fee per Summer Term	**17.50**
Total Existing Fee Per Year	**87.50**
New Fee Per Term	**136.00**
New Fee per Summer Term	**68.00**
Total New Fee Per Year	**340.00**
Total Fee per Year	**$428**

Enrollment-based Fee Projections

Enrollment-based Fee Projections									
Enrollment Assumptions -		**Variables**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Student Enrollment - Headcount per Year (2 terms) [1, 2]	65,385		72,537	73,287	74,037	74,787	75,537	76,287	77,037
Student Enrollment - Headcount per Summer (1 terms) [1, 2]	18,760		22,500	22,750	23,000	23,250	23,500	23,750	24,000
Est. Headcount Enrollment - Fall - Spring applied to New UC Fee [1, 2]	68,000								
Est. Headcount Enrollment - Summer applied to New UC Fee [1, 2]	21,000								
Additional Full-time Students Per Year		750							
Additional Part-time Students Per Summer		250							
Percent Fee Increase Per Year		3.00%							
Existing UC Fee			**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
UC Fee per Student in Fall-Spring	$35.00		$35.00	$35.00	$35.00	$35.00	$35.00	$35.00	$35.00
UC Summer Fee per Student	$17.50		$17.50	$17.50	$17.50	$17.50	$17.50	$17.50	$17.50
Capture Rates [3]		100.0%							
New Student Fee for UC Project			**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Fee Increase Strategy		% / Year	100%	100%	100%	100%	100%	100%	100%
New UC Fee per Student in Fall-Spring		$136.00	$137.36	$138.73	$140.12	$141.52	$142.94	$144.37	$145.81
New UC Summer Fee per Student		$68.00	$68.68	$69.37	$70.06	$70.76	$71.47	$72.18	$72.91
Annual Fee Income			**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
UC Student Fee / Year			$2,932,532	$2,963,157	$2,993,782	$3,024,407	$3,055,032	$3,085,657	$3,116,282
New UC Student Fee per Year			$8,072,416	$8,239,848	$8,409,822	$8,582,372	$8,757,531	$8,935,336	$9,115,821
Total Student Fee			**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Total Fee Income			$11,004,948	$11,203,005	$11,403,604	$11,606,779	$11,812,563	$12,020,993	$12,232,103

NOTES:

1 FY07-08 Headcount Enrollment Data provided by UH University Center.

2 Headcount Growth Assumed based on enrollment growth plan to 40,000 provided by UH University Center.

3 Capture Rate assumes 100% of all students

Student Fee Scenarios (Per Student)	
Existing Fee per Term	35.00
Existing Fee per Summer Term	17.50
Total Existing Fee Per Year	87.50
New Fee Per Term	136.00
New Fee per Summer Term	68.00
Total New Fee Per Year	340.00
Total Fee per Year	$428

Enrollment-based Fee Projections

Other Income - Existing Sources

Recreation/Games Area [1]	
Total Existing Recreation Revenue (07-08)	$ 347,568
Bowling	192,205
Pool - Table Tennis	$104,998
Video - Arcade Games	$50,365
Recreation Revenue (2012)	$ 379,800

Food Services [1,2]	
Food Service Commissions/Rent (07-08)	$326,515
Total Estimated Increase in Food Service Sales from Improvements	15%
New Food Service Commissions/Rent (2012)	$375,000

UC Retail Sales [1]	
Total UC Retail Revenue (07-08)	$259,271
Shasta's Cones & More	$80,049
Creation Station	$32,708
Miscellaneous Sales & Income (Business Office)	$146,514
Estimated % Increase in UC Retail Sales from Improvements	15%
New UC Retail Revenue (2012)	$298,250

Bookstore [1,2]	
Existing Common Area Management Agreement (07-08)	$76,695
Total Estimated Increase in Bookstore Sales from Improvements	15%
New Bookstore Contribution over Base Year (2012)	$88,200

Meeting & Conference Services [1]	
Total Conference / Mtg Services Revenue (07-08)	$248,415
Reservations Room Rental Revenue	$182,000
A/V - Equipment Rental	$66,000
Estimated % Increase in Conference/Mtg Sales from Improvements	15%
Total New Meeting & Conference Services Revenue (2012)	$285,670

University Space Revenue [1,2,3]	
Common Area Management Agreement (07-08)	$0
University Office Rentals (FY 07 Rental Rate = $0/sf.)	$22,800
CougarOne Card (1531 sf)	$22,800
Commuter Services (University Copies Space)	$0
Dean of Students/Veterans Affairs/Std Legal/WRC (Total-4540 sf)	$0
University Wellness Services (225 sf)	$0
Student Publications (4134 sf)	$0
Common Area Management Agreement (FY2012)	$0
University Office Rentals (2012)	$24,900

Commercial Rentals [1]	
Existing Commercial Rental Revenue (07-08 @$14.17 ave/sq ft)	$78,726
Woodforest Bank & 2 ATMs (Ext Rent=$13.07-New Rent=$15/sf)	$38,429
Jonorr's Salon (Ext Rent=$9.53/sf - New Space Rate = $11/sf)	$9,531
Cougar Bytes (Ext Rent=$16.80/sf - New Space Rate = $18/sf)	$30,766
New Retail Option #1 (@ $15/sf)	$3,000
New Retail Option #2 (@ $15/sf)	$4,500
Total New Commercial Rental Revenue (2012)	$99,560
5 lease spaces @ $14.66/sq.ft.	

SFAC Fee Contribution [1]	
Student Services Fee Contribution - Current (07-08)	$1,276,195
Student Services Fee Contribution after Improvements (2012)	$1,276,195

Revenue Ramp Up Period [4]	
Percent of Revenues in Year 1	80%
Percent of Revenues in Year 2	90%
Percent of Revenues in Year 3	95%
Percent of Revenues in Year 4	100%

NOTES:

1 Current revenue provided by UH UC Administrative Office.

2 Projected revenue for all areas based on model either a 15% sales volume increase; an inflationary rate of 3% annually or adjusted rates based on current and future sales, contracts / service agreements, if provided.

3 SFAC Contribution is provided in lieu of direct rental charges to DOS and other Student Affairs Units

4 Revenue Ramp Up assumes full operation of all revenue-generating operations may not possible as during construction or even after building opens, and that some operations may take 1+ years to establish stable traffic patterns.

Other Income Assumptions

STUDENT UNION EQUITY FROM OPERATIONS & FEE COLLECTION		1	
Total Reserved From Existing UC Operations For Capital Plan		$0	
Total Reserves from Operating Account		$0	
Phased Fee Collection Available Prior to Opening		$5,761,118	
With Interest (assume 2 years @ 0%)		$5,761,118	
Reserve Accounts as of July 2007			Available for Project
Facility & Equipment Reserve	$0	100%	$0
Total Reserve Accounts	$0		$0

Notes:

1 All expense data provided by UH UC Administrative Office.

Reserves

Total Building Envelope (GSF)		284,987				
Expense Category [1]	Notes	Current Costs Per SF	Current Costs Total	Cost/SF @ Opening	Total Costs @ Opening	Percent of Total
Facility Personnel	2	$8.70	$1,965,000	$8.40	$2,390,700	
Staff Benefits	2	$1.80	$515,396	$2.20	$627,000	
Total Personnel Expenses		$10.50	$2,480,400	$10.60	$3,017,700	57%
Non-personnel Expenses		$6.06	$1,727,867	$7.00	$2,003,000	
UC-paid Overhead (Administrative Charges)		$0.70	$199,600	$0.80	$233,463	
Total Facility Expenses	3	$6.76	$1,927,467	$7.00	$2,236,463	43%
Grand Total			$4,407,867		$5,254,163	
Grand Total Per SF			$15.47		$18.40	

Notes

1 All expense data provided by UH UC Administrative Office.

2 Facility Personnel consists of full-time, part-time, student staff and graduate assistants.

3 All costs "@Opening" (FY12) are based on the FY08 budget X 0.03 increases for FY 09, FY10 and FY11.

Expense Assumptions

Expense Assumptions	
Facility Personnel	
Full Time Staff	$1,637,974
Grad Asst. & Part Time Staff	$19,752
Student Staff	$307,716
Staff Benefits	$515,396
Total Staffing Expenses	$2,480,800
Expenses Inflated Until Building Opening	$495,000
Percent of FT Staff Salaries Incurred Yr 1	100.0%
Percent of Student Wages Incurred Yr 1	100.0%
Facility Expenses	
UC-paid Overhead (Administrative Charges)	$199,600
Facility Personnel Costs	$2,480,800
Facility Operating Costs	$1,727,867
Total Facility Costs	$4,408,300
Total UC Operating Expenses Per GSF	**$15.47**

Note:
1. All expense data provided by UH UC Administrative Office.

2. One percent (1%) of student staff funding was allocated as student work study.

Expense Assumptions

Debt Service Assumptions				
	Sq. Ft.			
Existing UC/UCG & UCS Square Feet (GSF)	284,987			
Renovation of UC	84,962	$235		
Renovation of UC Underground	24,885	$170		
Access Upgrades - UC Satellite	40,837	$25		
Mechanical & Finish Upgrades	134,303	$130		
Total Project Square Footage (GSF)	284,987			
Total Building Envelope (GSF)	284,987			
Project Cost Information [1]				
Project Square Footage	284,987			
Ave. Cost Per Square Foot	$156			
Total Construction Cost	$44,376,532		Escalation/Inflation Rate Per Year	13.5%
Inflation / Phasing Allowance	$28,739,364		Years to Midpoint of Construction	4
Other Project Costs (including FF&E)*	$19,346,182		Soft Costs (% of Construction Cost)	35%
Project Contingency	$7,535,135		Project Contingency	5%
* Other Project costs include A/E fees, PM fees, FF&E, Permiting, etc.				
LEED Certification / "Green Building" Upcharge	inc. in OPC			
Total Project Cost	**$99,997,213**			
Bond / Debt Service Terms [3]				
Tax-exempt Interest Rate	5.25%			
Term Tax-Exempt (Years)	30			
Debt Coverage Ratio	1.15			
Total Project Cost	$99,997,213			
Less: Fundraising	$0			
Less: Current Equity [4]	-$5,761,118			
Bookstore Contribution	-$6,420,500			
Total Issued Debt	$87,815,595			
Operating Assumptions				
Business Disruption Factor	75%			
Revenue Inflation Rate	103%			
Student Fee Inflation Rate	101%			
Expense Inflation Rate	103%			
Staff & Benefits Expense Inflation Rate	104%			
Years till Opening	5			
Revenue Inflation Factor	116%			
Expense Inflation Factor	116%			

NOTES:

1 Estimated Project Cost information provided by Holzman Moss via email dated 6/10/08.
2 Escalation based on Houston market estimated averages by Facilities Planning & Construction.
3 Bond / Debt Service Terms drawn from prior work on UH Student Affairs / Auxiliary facilities.
4 See Reserves / Equity section for additional information

Debt Service Assumptions

Amortization Schedule

Total Project Costs	**$99,997,213**
Project Equity	**$12,181,600**
Financed Project Cost	**$87,815,613**
Interest Rate	**5.25%**
Term	**30**
Annual Payment	**$5,876,352**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Remaining Balance	$87,815,613	$87,815,613	$86,549,581	$85,217,083	$83,814,628	$82,338,544	$80,784,966	$79,149,826	$77,428,840	$75,617,502
Interest	$4,610,320	$4,610,320	$4,543,853	$4,473,897	$4,400,268	$4,322,774	$4,241,211	$4,155,366	$4,065,014	$3,969,919
Principal	$0	$1,266,032	$1,332,499	$1,402,455	$1,476,084	$1,553,578	$1,635,141	$1,720,986	$1,811,337	$1,906,433
	$87,815,613	$86,549,581	$85,217,083	$83,814,628	$82,338,544	$80,784,966	$79,149,826	$77,428,840	$75,617,502	$73,711,070
Debt Service	**$4,610,320**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Remaining Balance	$73,711,070	$71,704,549	$69,592,687	$67,369,951	$65,030,522	$62,568,273	$59,976,756	$57,249,184	$54,378,415	$51,356,930
Interest	$3,869,831	$3,764,489	$3,653,616	$3,536,922	$3,414,102	$3,284,834	$3,148,780	$3,005,582	$2,854,867	$2,696,239
Principal	$2,006,520	$2,111,863	$2,222,735	$2,339,429	$2,462,249	$2,591,517	$2,727,572	$2,870,769	$3,021,485	$3,180,113
	$71,704,549	$69,592,687	$67,369,951	$65,030,522	$62,568,273	$59,976,756	$57,249,184	$54,378,415	$51,356,930	$48,176,817
Debt Service	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Remaining Balance	$48,176,817	$44,829,748	$41,306,959	$37,599,222	$33,696,830	$29,589,562	$25,266,663	$20,716,811	$15,928,092	$10,887,965
Interest	$2,529,283	$2,353,562	$2,168,615	$1,973,959	$1,769,084	$1,553,452	$1,326,500	$1,087,633	$836,225	$571,618
Principal	$3,347,069	$3,522,790	$3,707,736	$3,902,392	$4,107,268	$4,322,900	$4,549,852	$4,788,719	$5,040,127	$5,304,733
	$44,829,748	$41,306,959	$37,599,222	$33,696,830	$29,589,562	$25,266,663	$20,716,811	$15,928,092	$10,887,965	$5,583,232
Debt Service	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**	**$5,876,352**

Interest Only for how many years?	1

Amortization Schedule

Bookstore

There is significant upside sales and market share potential for the University of Houston Bookstore if it is located in a larger facility that is part of (or connected to) a vibrant, exciting University Center. Reasons for the significant sales and market share potential include the following:

1. The Bookstore's Key Financial Indicators are low when compared to the Industry Averages for Sales Per FTE Student and Textbook Sales Per FTE Student.

    - The Bookstore's Fiscal '07 Sales Per FTE Student figure was $395 vs. the Industry Average figure of $994. (Note: The Industry Average figure is difficult to compare with since many large university bookstores sell computer hardware, which drives up the Sales Per FTE Student figure. The UH Bookstore does not sell computer hardware.)

    - The Bookstore's Fiscal '07 Textbook Sales Per FTE Student figure was $330 vs. the Industry Average figure of $470.

2. The local competitor and online booksellers are taking a significant share of the market. The 2008 Student Survey administered as part of Holzman Moss Architecture's overall study yielded the following results pertaining to the Bookstore:

    - In response to Survey Question #36, 29.76% of the survey respondents (948 students of the 3,185 respondents) indicated that they bought "None" of their Spring 2008 semester textbooks from the Bookstore.

    - In response to Survey Question #37, 20.03% of the survey respondents (594 students of the 2,966 respondents) indicated that they bought "All" or "Most" of their Spring 2008 semester textbooks from the local competitor (Rother's/The College Store).

    - In response to Survey Question #38, 37.84% of the survey respondents (1,127 students of the 2,978 respondents) indicated that they bought "All" or "Most" of their Spring 2008 semester textbooks online.

3. CBC examined the financial potential of the UH Bookstore based on three estimates of the Bookstore's sales potential.

    - Estimate #1: Sales Per FTE Student= $445
    - Estimate #2: Sales Per FTE Student= $470
    - Estimate #3: Sales Per FTE Student= $495

It should be noted that a number of variables including management, future bookstore contract negotiations, enrollment, competition (local and online bookselling), industry trends, textbook trends, impact of technology on bookselling, facility, and the economy will impact the Bookstore's actual performance.

YEAR	ESTIMATED FTE ENROLL-MENT	ESTIMATED SALES	SALES INCREASE VS. FISCAL '07	INCREASED COMMISSION TO UH
2010	29,340	13,056,300	2,226,866	$244,955
2015	32,394	14,415,330	3,585,896	$394,449
2020	34,043	15,149,135	4,319,701	$475,167

Estimate #1: Sales Per FTE Student= $445

Estimate #1:
1. Actual Fiscal '07 sales figure was $10,829,434.
2. Actual Fiscal '07 Sales Per FTE Student figure was $395.
3. The increased commission to the University of Houston is the estimated commissions that would be paid to the University above and beyond the actual commissions paid during Fiscal '07. This is based on the following assumptions for Estimate #1:
   - The Bookstore will achieve a Sales Per FTE Student figure of $445.
   - The University will reach its enrollment projections (see #4 below).
   - A conservative commission rate of 11% of sales is applied to sales above and beyond the Fiscal '07 level.
4. Estimated enrollment figures were provided to CBC by Mr. Keith T. Kowalka, Director of the University Center and Associated Facilities. (Note: Estimated FTE enrollment was computed by applying the actual ratio of Fall '07 FTE enrollment to Headcount enrollment to the estimated Headcount enrollment for 2010, 2015, and 2020.)

YEAR	ESTIMATED FTE ENROLL-MENT	ESTIMATED SALES	SALES INCREASE VS. FISCAL '07	INCREASED COMMISSION TO UH
2010	29,340	13,789,800	2,960,366	$325,640
2015	32,394	15,225,180	4,395,746	$483,532
2020	34,043	16,000,210	5,170,776	$568,785

Estimate #2: Sales Per FTE Student= $470

Estimate #2:
1. Actual Fiscal '07 sales figure was $10,829,434.
2. Actual Fiscal '07 Sales Per FTE Student figure was $395.
3. The increased commission to the University of Houston is the estimated commissions that would be paid to the University above and beyond the actual commissions paid during Fiscal '07. This is based on the following assumptions for Estimate #2:
   - The Bookstore will achieve a Sales Per FTE Student figure of $470.
   - The University will reach its enrollment projections (see #4 below).
   - A conservative commission rate of 11% of sales is applied to sales above and beyond the Fiscal '07 level.
4. Estimated enrollment figures were provided to CBC by Mr. Keith T. Kowalka, Director of the University Center and Associated Facilities. (Note: Estimated FTE enrollment was computed by applying the actual ratio of Fall '07 FTE enrollment to Headcount enrollment to the estimated Headcount enrollment for 2010, 2015, and 2020.)

YEAR	ESTIMATED FTE ENROLL-MENT	ESTIMATED SALES	SALES INCREASE VS. FISCAL '07	INCREASED COMMISSION TO UH
2010	29,340	14,523,300	3,693,866	$406,325
2015	32,394	16,035,030	5,205,596	$572,616
2020	34,043	16,851,285	6,021,851	$662,404

Estimate #3: Sales Per FTE Student= $495

Estimate #3:
1. Actual Fiscal '07 sales figure was $10,829,434.
2. Actual Fiscal '07 Sales Per FTE Student figure was $395.
3. The increased commission to the University of Houston is the estimated commissions that would be paid to the University above and beyond the actual commissions paid during Fiscal '07. This is based on the following assumptions for Estimate #3:
   - The Bookstore will achieve a Sales Per FTE Student figure of $495.
   - The University will reach its enrollment projections (see #4 below).
   - A conservative commission rate of 11% of sales is applied to sales above and beyond the Fiscal '07 level.
4. Estimated enrollment figures were provided to CBC by Mr. Keith T. Kowalka, Director of the University Center and Associated Facilities. (Note: Estimated FTE enrollment was computed by applying the actual ratio of Fall '07 FTE enrollment to Headcount enrollment to the estimated Headcount enrollment for 2010, 2015, and 2020.)

The University Administration should review the operational issues that impact facility and space requirements identified in this Report and finalize the Bookstore Program. The next step of the planning stage should then be to agree upon the space allocation by department (i.e., approximate square footage for textbooks, clothing, supplies, etc.). (Note: Preliminary square footage allocations have been included in "UH Bookstore Square Footage- Existing vs. Proposed," Attachment 1.)

In summary, it is CBC's opinion that a new Bookstore facility located in the University Center, along with the continued development of a Bookstore Program that supports the UH campus community would result in significant improvements to the level of customer service and support to the University of Houston community. The new facility would also provide a foundation to increase sales and improve the Bookstore's financial contribution to the University of Houston.

Food Service

An analysis of the ARAMARK financial statements resulted in several, unanswered questions. One thing that is clear is that the ARAMARK administrative expenses for the campus are charged off entirely to the University Center accounts, even though the low participation rate in the residential units results in higher profit margins at Moody's and Oberholtzer than at the retail operations. On most campuses, the administrative costs are prorated to each of the dining venues, or the costs are tracked separately. This would allow the University to develop a better understanding of the true costs associated with the campus dining program.

The consulting team recommends that the University insist on receiving detailed financial statements for each dining venue from ARAMARK. Currently ARAMARK does not provide a separate profit and loss statements for each venue that they operate on campus. Consequently the University is not able to distinguish which venues are profitable and worthy of "prime real estate" and which ones are losing money and are being provided as a "service" to the campus community. In addition, the revenues through June 2008 indicate that the UC Satellite sales have decreased 4%, while sales at the University Center increased only 1%. Total campus sales were virtually flat and no explanation was provided to the University regarding this poor performance.

An analysis of ARAMARK's July 2007 year to date financial statements suggests that on the University of Houston's main campus, ARAMARK generated $10,373,640 in revenues but reported a $313,987 loss. Closer examination indicates that they assessed $518,691 in Administrative Fees, which resulted in a $204,694 profit prior to any manufacturer rebates. It was also noted that any commissions received from ARAMARK are used to cover operational costs, and as a result, the University does not have a "reserve" fund to invest in food service equipment replacement or future dining program enhancements. One approach to rectifying this situation is to assess an "override" on the meal plan program. With an "override", ARAMARK would not receive the full amount charged to the students. Instead, the University would receive a certain percentage off the top, and the difference would then be allocated to cover ARAMARK's daily rate.

Phasing and Construction Sequencing

During the exploration of the different scenarios, various phased construction sequencing options were investigated. The building's location in the center of campus poses several challenges due to the tight site constraints and proximity to existing structures. There is a limited staging area available to the contractors for use. The staging area would most likely be located in the parking area directly east of the building, however this will need to be investigated in future studies.

The study looked at a range of approaches to implement improvements, from a single work effort, to ones of multiple phases. To accomplish the work in one effort where improvements would be undertaken concurrently, would require the relocation all building tenants, functions and operations to another off-site location on the campus. This approach would minimize project costs and the inconvenience of construction to the building users and occupants. However, the limitation of other facilities of similar size that are empty and available on the campus may preclude this as a viable approach. Therefore a single phase of construction is deemed impractical unless space should become available in the future.

The second approach, a room by room, space by space, phased strategy was discussed but not explored in detail due to high costs associated with this type of sequencing and the high cost of temporary building systems that are required.

The preferred approach is a zoned, wing by wing approach. While the depth and breath of this study did not resolve all operational and technical hurdles of a wing by wing, zoned approach, the diagrams which follow illustrate the overall strategy. This was used to determine a construction timeline and to more accurately anticipate construction costs associated with the work.

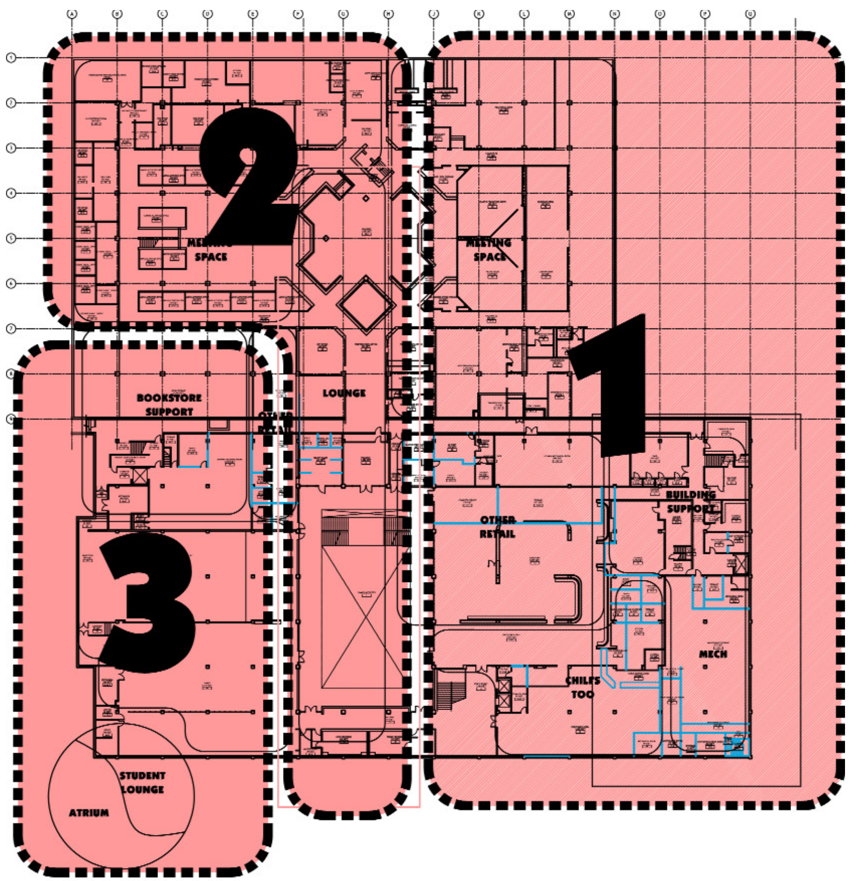
Several factors were considered in the phased zoning of the building including the revenue and operational requirements for certain spaces within the UC. It was determined by the committee that dining and the bookstore operations could not be fully closed or relocated off-site and would need to remain operational during all phases of work. After further discussion it was concluded that limited dining options in the University Center was possible. A similar approach occurred on the campus when the UC Satellite was upgraded following hurricane Allison. During that time, the University Center was the primary provider of food service on the campus. If a majority of the UC Dining services were reduced, it is anticipated that the UC Satellite would function as an alternative to students, faculty and staff. Phasing strategies for the building were developed to work within existing conditions that included consideration of major mechanical, electrical, and plumbing systems that are still in operation. Since there would be additional costs to provide temporary building systems, this phasing strategy attempts to capitalize on the current limits and zones of the building systems which act as a natural delineation line between the new work described.

The phasing strategies for all three scenarios are similar, based on the requirements described above. For simplicity of this report the phasing described below illustrates Scenario 2, however, the delineations indicating phase transitions are applicable to all scenarios.

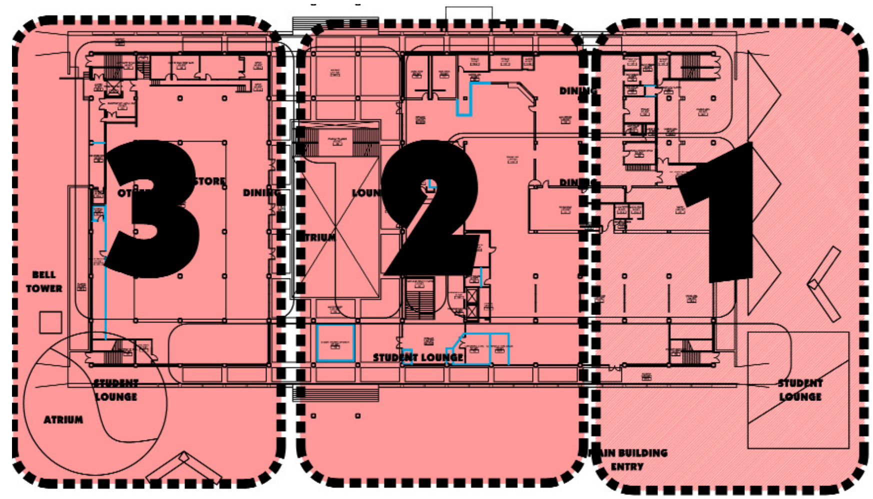
Phase 1 - This first phase of work is anticipated to last approximately 14-20 months and would require the interior demolition and reconfiguration of the east portion of the building which houses the dining, loading, Houston Room and meeting spaces. These large spaces like the Houston Room, once completed will function as swing spaces for displaced activities of future phases of construction. During this phase of work, there would be no ballroom large function in the building. This initial phase would also include the development of a service area and loading dock and a central building mechanical room which would service these areas of the building. During this phase of construction all kitchen deliveries would be minimized at the loading dock. Once this phase is completed the kitchen and back of house food service operations would be reopened to allow for the next phase of construction.

Phase 2 - This phase would include the renovation of all levels in the area indicated and include renovation and enclosing of the arbor, foodservice areas not completed in phase 1, retail and administrative offices and student areas on the upper and lower floors. The meeting rooms and the student organization areas located in the underground would require temporary relocation into the Houston Room. The construction duration is anticipated at 14 months.

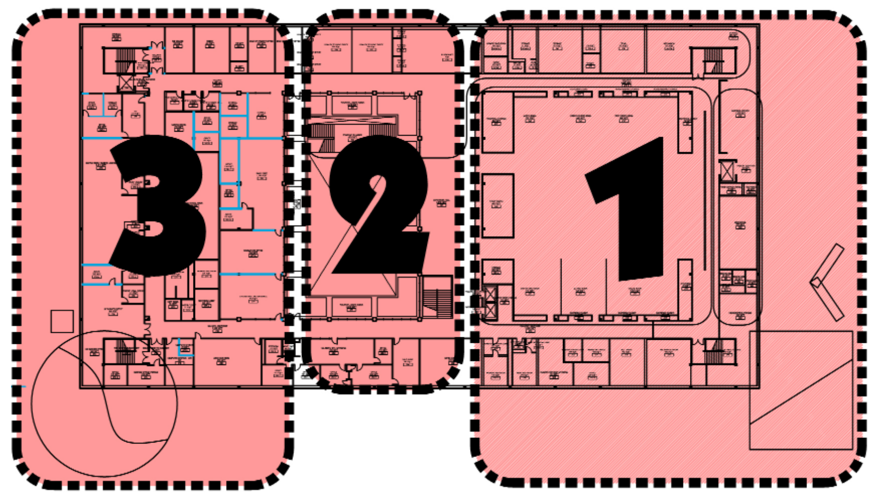
Phase 3 - This phase of work includes the Bookstore, the remainder of the retail office and meeting areas not included in phase 2. The games and recreation area would also be included. This phase will include the addition of a new student lounge and entry on the south west side of the building near the current Bookstore location. The construction duration is anticipated at 14 months.



Phasing - Floor 0



Phasing - Floor 1



Phasing - Floor 2

Proposed Project Schedule

Once adequate funding is secured by the University the design of the project will be able to commence following the hiring of a professional design team. While the sequencing of the project will ultimately dictate the overall schedule, a preliminary timeline has been provided to estimate the total project duration.

Part 1 - Design Phase

Program Confirmation and Phasing Review, and
Concept Design . . . . .4 months

Schematic Design . . . . .3 months

Design Development . . . . .4 months

Construction Documents .6 months

* The schedule is based on owner review of the documents at the completion of each phase and at 60% construction documents. The owner review period is estimated at 14 days.

Part 2 - Bidding

Bid, Bid Review and Award . . . . .2 months

Part 3 - Construction (Phased)

Phase 1 . . . . .14 – 20 months
(depending if new construction and or renovation in phase 1) *

Phase 2 . . . . .14 months *

Phase 3 . . . . .12 months *

Phase 4 . . . . .9 months *

* Duration assumes User's move occurs following Substantial Completion of each phase. The schedule does not account for the removal of hazardous materials from the building. If hazardous materials beyond those indicated by UH Facilities Planning and Construction are present the schedule would be adjusted accordingly.

Project Closeout & Final Building Commissioning . . . . .90 days