MEMORANDUM

TO: Randolph G. Moore  
   Chair, Board of Regents

VIA: David Lassner  
    President

VIA: Jan Gouveia  
    Vice President for Administration

VIA: Robert Bley-Vroman  
    Chancellor

FROM: Dean Avi Soifer  
    Associate Dean Denise Antolini

SUBJECT: RECOMMENDATION FOR APPROVAL OF CONSTRUCTION CONTRACT FOR THE WILLIAM S. RICHARDSON SCHOOL OF LAW COMMUNITY LEGAL OUTREACH CENTER (CLOC) BUILDING PROJECT

SPECIFIC ACTION REQUESTED:

In accordance with Board of Regents' Policy Section 8.201, the Planning and Facilities Committee is requested to recommend to the full Board the approval of a capital improvements program (CIP) construction contract for the University of Hawai‘i William S. Richardson School of Law Community Legal Outreach Center (CLOC).

COST:

The total construction cost for this project is $7,000,000, to be financed with $3.5 million in GO Bonds and $3.5 million in Revenue Bonds (to be issued by the University of Hawai‘i upon approval of the immediate request).

RECOMMENDED EFFECTIVE DATE:

Upon Board approval.
BASIC PROJECT INFORMATION:

The total scope of the project includes the development of approximately 8,130 gross sq. ft. of new space and renovation of 270 sq. ft. of existing space (8,400 total sq. ft. program space). The project includes the development of office, meeting, and other related spaces to support the Community Legal Outreach Center, as more fully described below. The base construction cost is estimated at $7,000,000, and an additional $700,000 for contingency (10% construction contingency). Additionally, private funds will be used for furniture, fixtures, and equipment.

The latest cost-per-square-foot estimate is $833.33 per sq. ft. Unit costs are high for this project primarily due to a lack of economies of scale and higher utility connection costs due to the distance to available service. The building will meet national law school accreditation standards for clinical training facilities, include a much-needed elevator, and provide an attractive new entry to the Law School. Details on the cost are provided in Attachment B (Justification Memo).

At this time, the design of CLOC is 20% complete and will be ready for bidding through an Invitation for Bids no later than 2/26/16. Under this schedule, NTP is expected to be approximately 11/30/16 (assumes 9 months for permitting), and construction to be completed by 12/31/17.

FINANCING AND APPROVAL HISTORY:

The CLOC project began formally in 2006 when the Legislature authorized $500,000 for a Law School master building plan. In 2012, the Legislature specifically authorized an additional $825,000 for design work for CLOC.

In 2013, the Legislature authorized $3.5 million in Revenue Bonds and $3.5 million in GO Bonds for construction of this project. The Law School will pay the annual debt service on the Revenue Bonds, which is anticipated to be $215,000 (assuming 4.5%, taxable bonds) for 30 years, through a combination of 1% of its tuition return, two UHF accounts with over $1 million available for the building project, and projected future revenue increases. Attachment B, the Justification Memo, provides further details on the debt service for CLOC and financing sources.

Over the past ten years, the Law School has obtained all required approvals from UH Mānoa, UH System, and the Legislature. The Law School has diligently moved this project through the University CIP process, to the current design phase and the imminent preparation of the construction bid package, relying on the issuance of the bonds as authorized by the Legislature in 2013.

OPERATION AND MAINTENANCE COST:

The annual building maintenance (estimated by OPF on 4/17/15 as $6 per sq. ft. @ 8,200 sq. ft. = $49,000 for utilities and .5 FTE at $24,000 for custodial), totals $73,000 per year.
PROJECT PURPOSE:

The purpose of the CLOC project is to provide critically needed and dedicated clinical and professional training space that will also meet national accreditation standards for the Law School’s advocacy and trial practice, clinical, and community outreach programs. As part of the Law School accreditation process (site visit in Spring 2017), the American Bar Association Standards require “suitable and sufficient space appropriate for conducting in-house clinical programs” (ABA Standard 702(a)(7)).

This is the Law School’s 42nd year of operation, and we have graduated approximately 2,500 leaders and lawyers in local, national, and global legal communities, yet the Law School still does not have any dedicated in-house clinical space for students, faculty, or staff. Our existing buildings were completed in 1982-1983, and they have had little upgrading and no major renovations over the past 30+ years.

Our faculty, staff, and students have filled the existing facilities to maximum capacity, and we are simply out of classroom and office space. The current clinical programs – such as Elder Law, Veterans Law, Small Business Clinic, Immigration Law, Native Hawaiian, Prosecution, Defense, and Innocence clinics and project – are unable to function at national standards given the lack of dedicated facilities for students, faculty, staff, and visitors.

KEY CONSIDERATIONS:

The Law School’s CLOC project and the future, separate, larger Law Library 2nd Floor project were included in the UH Mānoa Long Range Development Plan/PRU (2007 Update). The current design for CLOC provides approximately 8,400 sq. ft. in a two-story LEED-certified building to be located in the Law School/Zone 17 Parking Lot.

Milestones and Authorizations

2005: BOR approved CIP request of $500k for Law School Master Plan (two projects1)

2006: Legislature authorized $500k for Law School Master Plan (planning)

2008-2009: Master Plan completed under budget (with Architects Group 70 Int’l)

2011: BOR approved CIP request of $825k for design phase of CLOC part of the Master Plan

2012: Legislature authorized $825k for design phase of CLOC (106 G92.04)

2012: BOR approved CIP request of $7m for CLOC construction

1 The Law School Master Plan (Building Excellence Project) included a (1) Second Floor building renovation to the Law Library Building and (2) the (Classroom/Administration) Main Law School Building expansion, which has become the Community Legal Outreach Center (CLOC) addition.
2013: Legislature authorized $7m ($3.5m GO and $3.5m Revenue Bonds), HB200 p. 176 (Attachment A) (134 G82)

2013 (August) - 2014 (June): Concept Design Phase (Group 70 Int’l) and uniquely required “Architectural Design Program (ADP),” submittal to UHM Facilities Management Office

2014 (July) - 2015 (July): Concept and Schematic Design Phases completed by Group 70 Int’l, managed by UH System Office of Capital Improvements (OCI)

2015 (Aug. – Sept): Preliminary Design Phase authorized by OCI (7.24.15); construction engineering to be completed; building permit application to be submitted to DPP (minimum 6 months’ review)

2015 (Dec. 31): OCI must submit construction bid package to OPRPM

2016 (June): GO bonds must be encumbered

2016 (Fall) - 2017 (Spring): Construction; ABA Site Visit for Accreditation

2017 (Dec.): Completion, Opening

Financing Background. This project will conform to the $7 million construction budget ($3.5 million GO, $3.5 million Revenue Bonds), approved by the Legislature in 2013. The Law School’s budget has significantly improved over the past year due to significant structural readjustments supported by the UHM Chancellor, personnel reductions or reallocations, and strict management of expenditures. As required by UHM’s budget process, the Law School will operate within its budget allocation in FY2016 and, in FY2017, is projected to eliminate the carryover deficit from prior years. Chancellor Bley-Vroman has approved the Law School’s budget plan and ability to finance the CLOC project (Attachment E).

Multi-Year Business Plan. The Law School has submitted an updated Multi-Year Business Plan (Attachment C) showing its ability to pay the 30-year debt service on the $3.5 million revenue bonds. At the current interest rate of 4.5%, annual debt service would be $214,870 (Attachment D). The Law School will pay the debt service with a combination of tuition and other sources (including two UHF accounts with over $1 million available for the building project including the entire first four years of debt service, if needed).

The net tuition assumptions reflect the BOR-approved schedule increase for professional schools through AY2017. The Law School schedule was set at higher levels than the undergraduate schedule with the understanding that 1% of the resulting increased overall tuition would support the revenue bond financing on CLOC. The debt service will not be satisfied solely by the 1% of tuition; the dedicated UHF funds and, in future years, the projected positive revenue balance of the Law School will be used to pay the remainder of the debt service based on a strategy that optimizes the financial stability of the Law School.
Other Revenue Sources. The detailed breakdown of Other Revenue Sources is included in Attachment C, Note (B), including the specific UHF account numbers for the over $1 million in total funds available for the CLOC project.

Cost per Student. To illustrate the cost-value and budget impact from a student-investment perspective:

(a) assuming a typical base of 325 students (total population of first-, second-, and third-year day and evening students plus foreign LLM students during the academic year for the Law School), this equates to an initial average cost of $662 per student per year;

(b) tuition for a Hawai‘i-resident full-time J.D. student is currently at $20,880 per year, thus the initial per-capita cost equates to 3.2% of a resident student’s current annual tuition;

(c) for non-residents and LLMs (foreign lawyers in a 1-year program) who pay, respectively, $42,384 and $41,688 per year, the per-capita cost equates to 1.6% of current annual tuition. The cost-ratio per student will decline over time as tuition and student enrollment is projected to increases modestly over time, including with a projected small increase from our proposed new SJD program.

Cost Drivers. Some of the major “hard cost” factors within the $7 million budget (currently estimated at $4,896,328 in “hard costs” and $2,101,608 in “soft costs”) include: (a) new stand-alone HVAC system, a decision supported by FMO and the Law School given the poor condition of the current Law School HVAC system ($640,077), (b) new electrical systems, including a distant electrical utility connection ($950,787); (c) a modern elevator ($169,993) needed for ADA access, (d) concrete work ($995,718), and (e) masonry ($232,033), metals ($340,127), and finishes ($478,006). Some of the usual major “soft cost” factors that add up to about $2 million of the $7 million budget include: general conditions 10%, design contingency 8.5%, which includes the required 1% for art, and escalation costs 7.63%.

External Funds. The Law School will raise external funds above the $7 million budget for contingency, FF&E, and specialized AV needed to satisfy current best practices in teaching, distance learning, and professional conferencing. With a recently hired UHF Development Officer, the Law School is actively working on developing a naming opportunities “tree” for BOR approval and a fundraising plan in collaboration with UHF. An initial gift of $250,000 has already been committed and conversations regarding naming the building ($3.5 million+) have been initiated by potential donors, affording cause for considerable optimism.

This also does not include the $1.3 million from the Frank Boas Estate received in July 2015, which allows expenditure of principal. If needed, these funds are available for CLOC contingency obligations.

Building Moratorium Exemption. To the extent there is an ambiguity on whether the immediate CLOC project is exempt from the building moratorium, we believe it should be. The funding for this project has been on the Mānoa and UH priority list for CIP for several years and approved by
the Board of Regents on September 28, 2012, prior to the Building Moratorium, as part of the BOR Fiscal Biennium 2013-15 Board CIP Budget submitted to the 2013 Legislature; the project was then approved by both the 2013 Legislature and the Governor. At the November 21, 2013 BOR meeting, the Law School project was on the list of 13 exempt projects (see Minutes of Nov. 21, 2013, pages 9-11 and accompanying slide 9 from Regent Kudo).

**ACTION RECOMMENDED:**

It is recommended that the Board of Regents authorize the University Administration to enter into a construction contract for the Law School Community Legal Outreach Center (CLOC) at an estimated cost of $7,000,000, with contingency and furniture, fixture and equipment to be paid with private donations.

Enclosures:  
Attachment A: CIP Authorization, HB200 CD1 (page 176)  
Attachment B: Justification Sheet, BOR, FY2015-2016 (July 29, 2015)  
Attachment C: William S. Richardson School of Law, Multi-Year Business Plan, Operation Costs (July 29, 2015)  
Attachment D: Revenue Bond Debt Calculation @ 4.5% (July 29, 2015)  
Attachment E: Chancellor’s Memo In Support of CLOC and Financing (July 10, 2105)
### CAPITAL IMPROVEMENT PROJECTS

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University of Hawai'i
Projects Requiring Approval by the Board of Regents

Fiscal Year 2015-2016

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**Project Information/Justification**

The Community Legal Outreach Center (CLOC) project consists of an approximately 8,4001 sq. ft. building renovation/addition for the William S. Richardson School of Law to provide dedicated space for professional clinical training facilities, community legal services, and outreach programs. The project will be located in the Zone 17 Parking Lot, as designated in the UHM Long-Range Development Plan.

CLOC is critical to providing desperately needed professional facilities required to meet national accreditation standards for the Law School's advocacy and trial practice, clinical, experiential learning, and community outreach programs. As part of the Law School accreditation process (site visit scheduled in Spring 2017), the American Bar Association accreditation team will review whether the Law School has "suitable and sufficient space appropriate for conducting in-house clinical programs" (ABA Standard 702(a)(7)). The Law School currently does not have any dedicated in-house clinical space for students, faculty, or staff. The project directly meets this significant accreditation requirement for Law School facilities.

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1 8,130 gross sq. ft. of new program space + 270 sq. ft. of renovation = 8,400 sq. ft.
CLOC also responds to the legal community need for access to justice by providing legal training space for the law students and faculty involved in the Law School’s Clinical Programs such as Elder Law, Veterans Assistance, Small Business, Hawaii Innocence Project, Native Hawaiian Rights, and Immigration Law. The new clinical spaces will strengthen the Law School’s ability to provide cutting-edge practical legal training for students; directly serve particularly vulnerable people within our community such as the elderly and veterans; and perpetuate the legacy of Chief Justice William S. Richardson and the Law School’s ongoing commitment to social justice.

The additional space will address the Law School’s pressing space shortage by providing state-of-the-art legal clinical training, trial advocacy, and conference facilities, distance learning rooms, client interviewing rooms, faculty offices, and an accessible and secure public entry for clients, community visitors, and U.S. Supreme Court Justices and other distinguished judges and international guests.

CLOC Approvals

Since this project’s inception over a decade ago as part of the Law School’s Building Excellence Project master plan in 2005, CLOC (the smaller of the two Law School projects originally envisioned2) has been consistently authorized and advanced by the Mānoa Chancellor/campus planning/CIP review processes, the UH System CIP process, the Board of Regents, the Legislature, and the Governor, as follows:

1. Planning: Working with Group 70 International Architects, the Law School’s master planning phase (Program Development Report) was completed, under budget and on time, in 2006 ($500,000 authorized by BOR in 2005 and by the Legislature in 2006). This process envisioned both the renovation to the West Wing (the project now called “CLOC,” pending a donor-naming opportunity) and the second floor on the Law Library. The University and the Law School gave top priority to CLOC and held as a second priority the request for design and construction funds (previously estimated at $5 million and $42+ million) for the larger “second floor Law Library” project.

2. Design: The design phase for CLOC commenced in 2012, with BOR approval in 2011 and the Legislature’s authorization of $825,000 for the design phase of CLOC in 2012. Under the supervision of the Mānoa Facilities Management Office (FMO), the conceptual pre-design phase commenced with architects Group 70 in early 2013 and a unique FMO-required “Architectural Design Program” (ADP) was completed in July 2014. The standard Basis of Design was completed in May 2015.

The formal design phase, now supervised by the UH Office of Capital Improvements (OCI), was authorized to proceed by OPRPM and began formally in June 2014. Schematic Design was completed in July 2015. OCI authorized Group 70 to proceed to Preliminary Design on July 24, 2105. Further Design Development, Engineering, and the Environmental Assessment phase will continue through

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2 The other larger project in the master plan, now on hold, was the second-floor addition to the Law Library building, then-estimated to cost $5m for design and $42-60m for construction.
submission to the City & County of Honolulu for the building permit (anticipated in September-December 2015) and thereafter to OPRPM for procurement review.

3. **Construction**: The $7 million construction funds authorized by the 2013 Legislature must be encumbered by June 30, 2016, requiring bid documents to go to OPRPM no later than December 31, 2015. Construction is estimated to commence by December 2016, to be completed by December 2017 (12 months).³

Time is of the essence in ensuring that the project stays on track and that the Law School, UH, BOR, the Governor, and the Legislature’s intent to build CLOC is fulfilled on time and on budget.

**Budget**

This project will conform to the $7 million construction budget ($3.5 million GO, $3.5 million Revenue Bonds), approved by the Legislature in 2013.

**Multi-Year Business Plan**. The Law School has submitted an updated Multi-Year Business Plan (Attachment C) showing its ability to pay the 30-year debt service on the $3.5 million revenue bonds. At the current interest rate of 4.5% for taxable bonds (provided by VPB&F/CFO on 7.23.15), annual debt service would be $214,870 (Attachment D). At the 5.5% interest rate suggested years ago by the AVP for Capital Improvements as the baseline conservative assumption to be used by the Law School, annual payments would be $241,000. The Law School will pay the debt service with a combination of tuition and other sources (including two UHF accounts with over $1 million, available for the building project, including the first four years of debt service, if needed). The Law School also recently received a check for an additional $1.31 million from the Frank Boas Estate, which allows expenditure of principal if needed.

The net tuition assumptions reflect the BOR-approved schedule increase for professional schools through AY2017. The Law School schedule was set at higher levels than the undergraduate schedule with the understanding that 1% of the resulting increased overall tuition would support the revenue bond financing on CLOC. The debt service will not be satisfied solely by the 1% of tuition; the dedicated UHF funds and, in future years, the projected positive revenue balance of the Law School to be used to pay the remainder of the debt service based on a strategy that optimizes the financial stability of the Law School.

**Debt Service Calculation Formula**. The formula for calculating debt service was provided to the Law School by former Associate Vice President for Capital Improvements. Attachment D shows the calculation of annual debt service of $214,870, assuming a 4.5% interest rate, the current taxable bond rate estimated by VPB&F/CFO. At the 5.5% rate that was originally provided by the AVPCI, the annual debt service would have been $240,819.

³ The Cumming Report provides a more optimistic Executive Schedule for purposes of cost estimating of (a) Design & Engineering July – December 2015; and (b) Construction January 2016 – June 2017.
Enrollment Assumptions. The Multi-Year Business Plan (Attachment C), Note (2) conservatively assumes a static entering class enrollment of 120 students (JD day and evening, LLM, and AJD) and 325 total enrollment.

Other Revenue Sources. The detailed breakdown of Other Revenue Sources is included in Attachment C, Note (B), including the two specific UHF account numbers that currently contain over $1 million in funds available for the CLOC project.

Regarding "Federal Grants, RTRF," Attachment C, Note (3) explains how the expenditure of revenue from these restricted funds are included in the Expenditures: "Assumes the Law School spends 100% of restricted grant revenue and UHF restricted/unrestricted funds on annual operations. Approximately $350,000 provides budget relief for salary and fringe benefits." This assumption is used in the financial data and is intended to clearly separate restricted from unrestricted revenue and expenses. It reflects the budget provided by the Law School to the Chancellor on 7/10/15.

Expenditure. The Law School "Operations & Maintenance" assumes (1) salary savings from retirements and (2) savings associated with converting temporary to permanent G-funded positions. As explained in Attachment C, Note (3), the Law School has 1.5 FTE retirement/resignations of instructional faculty in FY2016 and 1 FTE in FY2017 (3 total at staggered dates).

Regarding the conversion by UHM of Law School temporary specialist faculty slots to save on substantial fringe costs, the Law School has received the Chancellor's approval to convert 5 long-time Faculty Specialists in temporary slots to G-funded slots for a savings of $204,000 in FY2016. An additional 4 position conversions had been approved for an additional savings of $192,273 but the effective date has not yet been determined and therefore that substantial additional savings is not included in Attachment C.

Cost per student. To illustrate the cost-value and budget impact from a student-investment perspective:

(a) assuming a typical base of 325 students (total population of first-, second-, and third-year day and evening students plus foreign LLM students during the academic year for the Law School), this equates to an initial average cost of $662 per student per year;

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(c) for non-residents and LLMs (foreign lawyers in a 1-year program) who pay, respectively, $42,384 and $41,688 per year, the per-capita cost equates to 1.6% of current annual tuition.
The cost-ratio per student will decline over time as tuition and student enrollment is projected to increases modestly, not yet counting a projected small additional increase from our proposed new SJD program.

**Cost per square foot.** The typical SF cost of UH building projects is reported to be approximately $750 sq. ft. The early 2013 (0% design) estimate by Group70/Cummings for CLOC of $850 sq. ft. (8,200 sq. ft./$7m) has been refined during the past year’s design phase. The current (Schematic Design Statement of Probable Cost, July 2, 2015, Cumming, p. 10 of 27) estimate for 8,400 sq ft. (8,130 sq.ft. new + 270 sq. ft. renovation) is $6,997,936 or $833.33 sq. ft. for total construction costs. This sq. ft. cost is expected to decrease as design progresses toward completion. Elevated costs in certain categories are due to the compact size of the CLOC building and a strict budget; CLOC cannot realize the typical marginal cost gains that inhere in buildings with larger footprints.

Some of the major “hard cost” factors within the $7 million budget (currently estimated at $4,896,328 in “hard costs” and $2,101,608 in “soft costs”) include: (a) new stand-alone HVAC system, a decision supported by FMO and the Law School given the poor condition of the current Law School HVAC system ($640,077), (b) new electrical systems, including a long distance utility connection ($950,787); (c) a modern elevator ($169,993) needed for ADA access, (d) concrete work ($995,718), and (e) masonry ($232,033), metals ($340,127), and finishes ($478,006). Some of the usual major “soft cost” factors that add up to about $2 million of the $7 million budget include: general conditions 10%, design contingency 8.5%, which includes the required 1% for art, and escalation costs 7.63%.

**External Funds.** The Law School will raise external funds above the $7 million budget for contingency, FF&E, and specialized AV needed to satisfy current best practices in teaching, distance learning, and professional conferencing. With a recently hired UHF Development Officer, the Law School is actively working on developing a naming opportunities “tree” for BOR approval and a fundraising plan in collaboration with UHF. An initial gift of $250,000 has already been committed and conversations regarding naming the building ($3.5 million+) have been initiated by potential donors, affording cause for considerable optimism.

**Building Moratorium Exemption**

To the extent that there is an ambiguity on whether the immediate CLOC project is exempt from the building moratorium, we believe that it should be. The funding for this project was on the Mānoa and UH priority list for CIP for several years and approved by the Board of Regents on September 28, 2012 prior to the Building Moratorium, as part of the BOR Fiscal Biennium 2013-15 Board CIP Budget submitted to the 2013 Legislature; the project was then approved by both the 2013 Legislature and
the Governor. At the November 21, 2013 BOR meeting, the Law School project was on the list of 13 exempt projects (see Minutes of Nov. 21, 2013, pages 9-11 and accompanying slide 9 from Regent Kudo).

Parking. The project will remove a portion of available parking spaces from the Zone 17 Parking Lot near the Law School on the Mānoa campus. The number of parking staffs currently in the Zone 17 lot next to the Law School is 67. The 2007 Long-Range Development Plan (LRDP) for UHM shows the “Law School Addition” in Zone 17 (pp. 2-6, 3-6, 3-27) and allowed for the removal of all parking stalls (pp. 3-37, 3-34, 3-35, Parking Supply Study, at 16). The 2014 ADP anticipated the removal of 25-30 parking stalls, with 42-37 remaining (37-44%), fewer than anticipated by the LRDP. The current CLOC scope of work anticipates removing 36 stalls, with 31 stalls remaining (46%) including 3 ADA, 3 for low-emitting vehicles, and 6 pay-visitor stalls.5

For purposes of comparison, the LRDP notes that the Parking Structure contains 2,070 stalls with proposed Phases IIA and IIB to add 1,800 stalls (900 each) (p. C-6). The anticipated loss of 36 stalls from CLOC amounts to .017 of the stalls just in the Parking Structure and even fewer compared to the entire campus.

A “green” pay station is current located in 6 parking stalls in the Zone 17 lot, and that pay station will continue with CLOC. To maintain safety for pedestrians, vehicular out-flow from sporting and special events from the upper deck of the parking garage will be controlled with the use of removable bollards from the bridge and driveway that are currently used for this purpose.

Given the LRDP (legally adopted as UHM policy and PRU), the project is authorized to eliminate all parking stalls in Zone 17, even though it does not plan to do so. Therefore, although there would be some revenue loss from the reduction of 36 stalls, this cost is already absorbed in the UHM decision to support a Law School building on Zone 17 and more than compensated for in the Phase II addition of 1,800 stalls for the campus.

Operations & Maintenance Cost

Based on estimates provided by OPF (4/17/15), the annual operations and maintenance costs for CLOC are approximately $73,000 as reflected in the Law School’s Multi-Year Business Plan for CLOC, Attachment C, note (3): (a) $49,000 for utilities ($6 sq. ft.), and (b) $24,000 for .5 FTE Janitorial.

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4 The Law School project was mis-labeled in the BOR materials as “Law Library” for $3m; the only Law School project pending at that time was this CLOC project, authorized and partially funded six months earlier in May 2013 by the Legislature.

5 UHM Parking has been involved in numerous meetings regarding CLOC; the parking adjustments were discussed by G70 with, and supported by, Parking as recently as May 5, 2015. OPF and the Law School have strongly supported the reduced parking plan in light of the overall building design and the need for greater safety for students, faculty, and staff transiting between the Law School buildings in this parking lot. The Law School is willing to give up the through-flow and exit on Dole Street in favor of enhanced pedestrian safety and security for the Law School community.
To further assist with UHM operations and maintenance, CLOC includes two janitorial closets (one of each floor), and the Law School will continue to allow UH Buildings & Grounds to use a 100 sq. ft. room in the main Law School building 'ewa wing for a Custodial Supervisor's office.

7.29.15 ADAA
## Multi-Year Business Plan

### Operational Costs

#### Fiscal Year In Thousands of Dollars

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<td>$3,227</td>
<td>$2,957</td>
<td>$2,687</td>
<td>$2,417</td>
<td>$2,147</td>
<td>$2,147</td>
<td>$2,147</td>
<td>$2,147</td>
<td>$2,147</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$13,877</td>
<td>$14,869</td>
<td>$14,674</td>
<td>$14,479</td>
<td>$14,284</td>
<td>$14,089</td>
<td>$14,164</td>
<td>$14,239</td>
<td>$14,314</td>
<td>$14,389</td>
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</tbody>
</table>

#### Expenditure

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Operations and Maintenance (3)</td>
<td>$13,205</td>
<td>$13,221</td>
<td>$13,296</td>
<td>$13,371</td>
<td>$13,446</td>
<td>$13,521</td>
<td>$13,596</td>
<td>$13,671</td>
<td>$13,746</td>
<td>$13,821</td>
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<tr>
<td>Bond Maintenance Reserve Fund</td>
<td>$0</td>
<td>$55</td>
<td>$55</td>
<td>$55</td>
<td>$55</td>
<td>$55</td>
<td>$55</td>
<td>$55</td>
<td>$55</td>
<td>$55</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>$13,205</td>
<td>$13,491</td>
<td>$13,566</td>
<td>$13,641</td>
<td>$13,716</td>
<td>$13,791</td>
<td>$13,866</td>
<td>$13,941</td>
<td>$14,016</td>
<td>$14,091</td>
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</table>

#### Total Revenue Less Expenditure

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Ending Balance</strong></td>
<td>($334)</td>
<td>$1,044</td>
<td>$2,152</td>
<td>$2,990</td>
<td>$3,558</td>
<td>$3,856</td>
<td>$4,154</td>
<td>$4,452</td>
<td>$4,750</td>
<td>$5,048</td>
</tr>
</tbody>
</table>

### Notes:

1. Projected increase in collective bargaining of 4% in FY16 & FY17 and assumes 1% in FY18-25 using $7.5M base.
2. Tuition revenue gains are realized in the FY following the enrollment.
3. Assumes the Law School spends 100% of restricted grant revenue and UHF restricted/unrestricted funds on annual operations. Approximately $350K provides budget relief for salary and fringe benefits.

#### Revenue Bond Debt Service

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Rev Bond Debt Service @ 5.5%</strong></td>
<td>-</td>
<td>$241</td>
<td>$241</td>
<td>$241</td>
<td>$241</td>
<td>$241</td>
<td>$241</td>
<td>$241</td>
<td>$241</td>
<td>$241</td>
</tr>
</tbody>
</table>

As indicated in Note B, the Law School has over $1M available to support CLOC, which could cover the revenue bond debt for 2017-2020.

### C. Revenue Bond Debt Service Calculation

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>$3,500 (In Thousands of Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term</td>
<td>30 Years</td>
</tr>
</tbody>
</table>

### A. Specify the federal grant or federal source of funds:

- **Department of Justice** | $180
- **East-West Center** | $93
- **NOAA** | $100
- **Health and Human Services** | $267
- **RTRF** | $124

### B. Specify the other sources of funds:

- **UHF Annual Donations (Restricted)** | $660
- **UHF Annual Interest (Restricted)** | $382
- **UHF Annual Donations (Unrestricted)** | $20
- **UHF New Development Officer** | $300 (expected fundraising results, $100K unrestricted)
- **UHF Account No. 244-7300-4** | $998 (current unrestricted reserve available for CLOC budget including bond debt)
- **UHF Account No. 125-6260-4** | $117 (current unrestricted reserve available for CLOC budget including bond debt)

#### Total UHF funds | $2,367

### C. Non-Federal Awards (Restricted) | $860 (Grants from OHA, State DHHS, State Judiciary, Kamehameha School, Judicial Education)

**Total Other sources | $3,227**

UHF revenue is a conservative estimate and does not include $1.3M from the Frank Boas Estate received in July 2015, which allows expenditure of principal. These funds are available for CLOC contingency obligations.
### UH Mānoa Law School Revenue Bond Debt Service Calculations

**Law School - $3.5m**

$3.5m RB; $3.5m GO bonds

<table>
<thead>
<tr>
<th>Revenue Bond Debt Service Calculations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Development Cost</strong></td>
<td>$7,000,000</td>
</tr>
<tr>
<td><strong>Private Contributions</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Federal Funds</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Go Bonds</strong></td>
<td>$3,500,000</td>
</tr>
<tr>
<td><strong>Total Down Payment</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Principal Loan Amount</strong></td>
<td>$3,500,000 Balance financed by Rev Bonds</td>
</tr>
<tr>
<td><strong>Annual Interest Rate</strong></td>
<td>4.50%</td>
</tr>
<tr>
<td><strong>Amortization Term</strong></td>
<td>30 years*</td>
</tr>
<tr>
<td><strong>Annual Debt Service</strong></td>
<td>$214,870 per year</td>
</tr>
</tbody>
</table>

(Worksheet/calculator provided by UH System - AVPCI)

* full amortization of principal and interest
MEMORANDUM

TO: David Lassner
    President

FROM: Robert Bley-Vroman
    Chancellor

SUBJECT: Law School’s CLOC Project

July 10, 2015

I am pleased to offer my full support for the Law School’s CLOC project and for its plan to finance the debt service for $3.5m in revenue bonds authorized by the 2013 Legislature.

At the UHM budget hearing on June 3, 2015, with Vice Chancellors Dasenbrock and Cutshaw, the Law School’s projected budget for FY2016 was approved because it demonstrated an operating budget within the FY15 allocation and made significant progress in reducing its carry-forward debt. A number of recent structural budgetary changes on which we are assisting the Law School and other professional schools also will improve the Law School’s finances going forward.

As you will see from their budget projections, the Law School’s more recent projected budget for FY2016 reduces its $1 million carry-forward debt to a little over $300,000 for FY2016, with a projected surplus of considerably over $1 million in FY2017. Despite a continuing national downturn in law school applications, the Law School has continued to enroll large classes, to be successfully entrepreneurial, and to be strict and adept at reducing its costs.

The Law School also has over $1 million in a fund set aside long ago (UHF244-7300-4), which can fully finance at least the first 4 years of revenue bond debt at the rate projected by Vice President Kalbert Young on July 8, 2015, with the remaining years (approximately $204,000 annually) readily financed through tuition—as was publicly pledged by the Law School and supported by its students. In addition, a local law firm has committed $250,000 for the project, and there is considerable reason for specific optimism about additional funding through gifts to the UH Foundation, particularly now that the Law School has a Development Director. Finally, the Law School this month will receive its portion of the estate of Frank Boas in the amount of more than $1.3 million. This generous gift allows the expenditure of principal in the Dean’s discretion, and thus can be used as a budget-relieving source of additional funding if necessary.