

The Regents of the University of California

**COMMITTEE ON GROUNDS AND BUILDINGS
COMMITTEE ON FINANCE**

March 14, 2002

The Committees on Grounds and Buildings and Finance met jointly on the above date at UCSF–Laurel Heights, San Francisco.

Members present: Representing the Committee on Grounds and Buildings: Regents Atkinson, T. Davis, Hopkinson, Johnson, Kozberg, Moores, Morrison, Pattiz, and Seymour; Advisory member Sainick
Representing the Committee on Finance: Regents Atkinson, Hopkinson, Kozberg, Lee, Montoya, Moores, Morrison, Parsky, and Preuss; Advisory member Ligot-Gordon

In attendance: Regents Blum, Davies, Lansing, Marcus, and Saban, Regent-designate Terrazas, Faculty Representatives Binion and Viswanathan, Associate Secretary Shaw, General Counsel Holst, Treasurer Russ, Provost King, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Gurtner, and Hershman, Chancellors Berdahl, Bishop, Cicerone, Dynes, Greenwood, and Vanderhoef, and Recording Secretary Bryan

The meeting convened at 10:55 a.m. with Committee on Grounds and Buildings Chair Kozberg presiding.

1. **APPROVAL OF MINUTES**

Upon motion duly made and seconded, the minutes of the meeting of November 15, 2001 were approved.

2. **UPDATE ON THE 2002-03 STATE AND FEDERAL BUDGETS**

Vice President Hershman began his presentation by reviewing the State budget. He reported that his office was watching the progress in Sacramento of two pieces of legislation, a general obligation bond bill and an economic stimulus bill. He believed a compromise was near concerning the bond bill that will provide the minimum amount of support that the University had been seeking and that the Governor had included in his budget plan. He recalled that the Governor's mid-year budget cut bill had passed the Legislature and had been signed. Also, a bill for support of the science institutes had passed the Senate but had not passed the Assembly. The Assembly Republican Caucus prefers that the bill be taken up in conjunction with the total budget. That will delay any decision possibly until July. The Governor had proposed that lease-revenue bonds be used to fund all construction for the science institutes and that the total action be taken in the proposed bill. The University is lobbying for approval of the bill.

Mr. Hershman discussed the general State budget situation. He recalled that the Legislative Analyst had released a report indicating that the State faces a deficit that is about \$5 billion greater than the Governor had indicated previously. To deal with what was then thought to be a \$12.5 billion shortfall, the Governor had devised a plan that included current-year budget cuts, cuts next year, and actions to borrow money and transfer some funds. The Analyst's prediction of greater losses is based on the belief that capital gain and stock option revenue will not come in at the level that was projected by the Governor. As there is widespread feeling in Sacramento that the Legislative Analyst is correct, further budget cuts are being considered.

Mr. Hershman noted that the University is supporting the Governor's budget and is continuing to work with the Governor and the Department of Finance during the revision process. He stressed that, although the Governor strongly supports the University, budget cuts are inevitable. He suggested that the University develop a long-term fee policy without delay in preparation for the budget cuts in light of the list of areas that the Analyst recommended be cut, including the University's financial aid program. The Analyst also recommended shifting to the K-12 budget the funding for University programs such as teacher professional development and outreach. Further, the Analyst suggested increasing general fees, nonresident tuition, and professional school fees and cutting the University's outreach and research budgets. Mr. Hershman believed that the process of determining what will be cut will move forward quickly. His office and others in the Office of the President will continue to work with the Legislature and the Governor in an attempt at least to preserve the University's core budget.

Regent Seymour asked whether there had been any discussion with members of the Assembly about removing funds for the Institutes of Science and Innovation. Mr. Hershman responded that there had been discussions about the Institutes related to the timing of the legislation's passage. Regent Seymour hoped that alumni would make their feelings on the issue known to the Legislature.

Regent Montoya believed that, as the infrastructure for selecting and teaching school principals and teachers is already in place, any monies turned over to K-12 may not be used to advantage. Mr. Hershman agreed that this was a concern with many of the Legislative Analyst's proposals, but he noted that, although the Governor had pared down these programs in his budget, he had decided to phase these budget cuts over time. Mr. Hershman believed that it would be better for the University to keep the core infrastructure and maintain programs even if they had to be reduced in size. In response to a question by Committee Chair Kozberg, Mr. Hershman explained that the money could be designated for teacher professional development, but it may not be tied up in a way that would require K-12 to contract with the University. That is why the Governor decided originally to give the money to the University and have it run the programs. Mr. Hershman was optimistic that eventually it would be decided to leave the programs, which have been very successful, in the control of the University.

Regent-designate Ligot-Gordon was concerned about preserving student-initiated outreach, which he believed was misunderstood by the Legislative Analyst and the Legislature. There is the perception that student-initiated outreach focuses on yield activities rather than on academic preparation. He reported that student-initiated outreach contains a number of programs for working with high school students on improving their grades. He asked how any incorrect perception could be clarified. Mr. Hershman reported that one question that had been raised was whether the University had any proposals in the Governor's budget that the University would consider modifying through redistribution. He believed the University should examine the outreach budget with a view toward finding better ways to distribute those dollars within the total budget that the Governor has provided. He reported that the Department of Finance was amenable to examining the issue. Regent-designate Ligot-Gordon then asked whether the notion of a long-term student fee policy was under review by the California Postsecondary Education Commission. Mr. Hershman reported that it has been suggested that representatives of all higher education segments meet in order to formulate a long-term fee policy. He believed it was likely that CPEC would convene that group within the next few weeks.

Regent Johnson, who is The Regents' representative to CPEC, reported that at its last meeting CPEC discussed the fee policy issue at length. She indicated that CPEC intended to recommend that if fees must be increased they should be increased by not more than 10 percent, but it left the issue open depending on how the Governor's budget is revised in May. Mr. Hershman believed that the Governor would maintain a position against general fee increases.

Regent-designate Terrazas asked what the impact would be of the Legislative Analyst's suggestion to transfer the University's money for student financial aid to the Student Aid Commission. Mr. Hershman responded that the impact would be to destroy all of the University's programs aimed at admitting a significant number of poor students. The University has had spectacular success with these programs. He emphasized that all of the \$172 million under consideration came out of student fee revenue. He believed that it would be a difficult issue for the Legislative Analyst to win. He suggested that it may be constructive to examine the delivery of financial aid in an effort to make it more efficient, perhaps by moving it to the campus level.

Regent Montoya asked whether the Governor was willing to allow the raising of professional student fees separately from undergraduate letters and science fees. Mr. Hershman reported that the issue was raised with the Governor during the budget process and that he did not support it; however, the Legislature will likely consider that possibility.

Mr. Hershman then discussed the federal budget briefly. He emphasized the importance of federal money to the University, noting that in 2000-2001, the University spent \$6 billion in federal support out of total expenditures of \$15 billion. He reported that the federal government provides more than 50 percent of the

University's funds for research and a significant amount of money for student grants. It also provides Medicare funds and half of the Medi-Cal funds paid to the University's hospitals.

Mr. Hershman concluded his remarks by pointing out the dramatic growth in federal research funding over time. It grew during the 1980s by about 10 percent per year, slowed down in the early 1990s, and then returned to a growth of 9 percent in recent years. The figure remains strong in the current year, but he noted that there are some warning signs that indicate the level may be reduced in the future.

Senior Vice President Darling reported that the University's growth during the remainder of the decade was predicated on whether federal funds can be increased to match increases in the student and faculty population. He reported that the prospects for increased federal funding for the current year are less favorable than in recent years, due to the poor economic climate. He reported that President Bush had put together his budget and submitted it to Congress. In large measure, it increases defense spending by about 13 percent over the prior year, but it holds flat most non-defense spending, which is the principal area from which the University derives its funding. In putting together the budget, the President surveys a ten-year forecast. Due to the economic downturn and increased federal spending related to the terrorist attack on September 11, the ten-year projection of a budget surplus has been reduced from \$6 trillion to under \$1 trillion.

Mr. Darling reported that the Office of Management and Budget each year outlines what the deficits and surpluses should be. Deficits are predicted at least through 2004; however, if Social Security, Medicare, and Medicaid funds are not used to fund the federal budget, those deficits will extend well into 2007. This will affect the climate in which the University seeks to influence the President's budget decisions.

Mr. Darling noted that the President proposes an 8 percent increase in funding for research and development, including a 14 percent increase for the National Institutes of Health. The National Science Foundation and NASA will receive increases, but there will be significant decreases in areas such as agriculture and transportation. While Congress has expressed bipartisan support for research in the last few years, it has less room in which to operate than in prior years. The Department of Education, the principal fund source for student financial aid programs, is receiving no budget increase this year; there will be no increases in financial aid for undergraduates, graduates, or outreach programs. One positive sign is that the National Science Foundation, which funds a small but significant set of graduate student support programs, will be increasing its stipends. The University will try to increase Pell Grants to year-round activity by making a change in the law and will seek more favorable tax treatment for student living expenses.

Mr. Darling commented on the impact of the federal budget on the University's medical centers. He recalled that the 1997 Balanced Budget Act reduced payments

for Medicare and Medicaid. In 2003 it is estimated that the impact of those reductions will be \$30.6 million for the five centers, and payments are scheduled to decline further in 2004. The University succeeded in the last two years in obtaining some relief from those reductions, but he believed that none would be provided this year. The upper payment limit reductions will begin a six-year transition period starting in 2004. Estimates are that over the transition period the University will lose about \$150 million. After that, it will lose about \$50 million per year. The President has said that if Congress wishes to change this, it may, but it must be done by taking any additions to the upper payment limit out of other Medicare programs.

Mr. Darling believed that prospects for federal funding are diminished but not bleak. The University has done extremely well in competing for these funds. He noted that there are opportunities that the University can pursue. The National Institutes of Health will have substantial budget increases. The University is the largest recipient of NIH funds and will likely continue to draw heavily from them. Unfortunately, with cuts in other programs it is likely that research funding will be reduced in engineering, mathematics, and computer sciences; however, there is a major bioterrorism initiative that includes homeland security and energy efficiency research money for which the University will likely compete effectively. Lastly, there is funding for stockpile stewardship, including the National Ignition Facility. Congress may make efforts to increase student financial aid in research, but again, the boundaries within which they must do so are much more limited than in recent years.

Regent-designate Terrazas asked about the proposed law change for year-round Pell grants and what it would mean to students. Mr. Darling responded that it would extend financial aid to include summer sessions.

President Atkinson remarked that whenever federal funding becomes tight in the area of research, University faculty become more aggressive in their competition for those funds. He noted also that the University has the highest level of financial support for students of any public institution in the country, which accounts for the fact that the University has a huge number of low-income students. He emphasized that whenever the University has instituted fee increases, it has returned 50 percent of them as student aid; therefore, increasing fees is actually a good way to provide support for low-income students. Mr. Darling added that higher fees would draw more State and federal dollars for student financial aid. If costs are low, those dollars are not made available. The University has been giving up large amounts of federal student financial aid dollars because of its low fee policy.

3. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL FINANCING FOR CHANNING-BOWDITCH STUDENT HOUSING, BERKELEY CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2001-02 Budget for Capital Improvements and the 2001-04 Capital Improvement Program be amended to include the following project:
- Berkeley: Channing-Bowditch Student Housing – preliminary plans, working drawings, construction, and equipment – \$23,436,000 to be funded from external financing (\$20,530,000) and the Berkeley campus’ share of the University of California Housing System Net Revenue Fund (\$2,906,000).
- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to include this project, as described in A. above.
- C. The Committee on Finance recommend that the Treasurer be authorized to obtain financing not to exceed \$20,530,000 to finance the Channing-Bowditch Student Housing project, subject to the following conditions:
- (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - (2) As long as this debt is outstanding, University of California Housing System fees for the Berkeley campus shall be established at levels sufficient to meet all requirements of the University of California Housing System Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and related requirements of the proposed financing.
 - (3) The general credit of The Regents shall not be pledged.
- D. The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- E. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

The Committees were informed that The Channing-Bowditch Student Housing project will be a new building of 52,184 assignable square feet that will provide 222 beds for sophomores and upper-division students at the Berkeley campus. The project site will be a 0.75-acre University-owned parcel located diagonally across from the new Central Dining and Office Facility at Channing Way and Bowditch Street, two blocks south of the main campus.

Background

The project is a component of the Underhill Area Master Plan, which will create approximately 1,200 additional student beds in the south campus area. The current demand for student housing in the Berkeley campus system cannot be met. In fall 2001, approximately 2,700 continuing students submitted applications for student housing, of which approximately 900 were able to be accommodated. Off-campus units are also difficult to find.

Previously approved components of the plan are the College-Durant Student Housing and Central Dining and Office Facility projects. Channing-Bowditch Student Housing will address the shortage of undergraduate student housing within walking distance of the campus for sophomores and upper-division students. It will be designed with apartment-style units, which appeal to these student class levels.

Project Description

The project is planned as a single building of wood frame construction that will accommodate living quarters comprising 220 students and two resident assistants in 57 units, the majority of which will be two-bedroom apartments with double-occupancy bedrooms. Six units included in the project will be configured as two-, three-, and four-bedroom apartments with mixes of single- and double-occupancy bedrooms; two two-bedroom units configured as single-occupancy bedrooms; and one configured as a single-occupancy studio apartment. Each unit will have a kitchen, living room, and bathroom. Common-use areas in the project include recreation, laundry, and vending rooms, and floor study lounges.

Construction on the project is planned to begin in May 2003 and to be completed in July 2004.

Project Cost

In accordance with Berkeley campus policy, Housing and Dining Services will compensate the parking system in the amount of \$564,000 for the loss of 27 parking spaces currently on the site that will be replaced at another location in the future and will fund relocation of the permanent occupants of the modular buildings on the site. The parking replacement cost is included in the budget of the present project and will be funded with the Berkeley campus UC Housing System reserves.

Exclusive of the payment to the parking system, the project cost will be \$96,761 per bed. Berkeley campus costs for this project will be higher than comparable projects, primarily because of the high demand in the Bay Area for building materials and skilled labor. In addition, available project sites are very congested, making access, staging, and parking difficult and increasing the requirements for security. The Channing-Bowditch site is a few hundred yards from the Hayward fault, thereby requiring major bracing and expensive structural features.

CEQA Classification

In accordance with the California Environmental Quality Act and University of California procedures for the implementation of CEQA, an Environmental Impact Report was prepared to analyze the potential environmental effects of the Underhill Area Projects. This document was certified by The Regents at the November 2000 meeting, and the 1990 Long Range Development Plan was amended to include the Underhill Area Projects. The design of the project will be guided by the Underhill Area Master Plan.

Financial Feasibility

The total project cost of \$23,436,000 will be funded from external financing (\$20,530,000) and the Berkeley campus' share of the UCHS Net Revenue Fund (\$2,906,000). Assuming 27-year financing of \$20,530,000 at 6.125 percent interest, the average annual debt service for the project will be \$1,574,000. Payment of the debt service will be from the Berkeley campus' share of UCHS net revenues.

The campus has established a 6 percent annual housing rate increase to cover increases in operating expenses, future debt, and other facility needs. The housing rates will average \$927 per month per student in 2005-06, the first full year of occupancy. These rates include furnishings, utilities, cable TV, and high-speed internet access. Adjusted for the amenities mentioned, average off-campus rents will be \$781 per month per student, lower than the proposed on-campus rent.

It should be noted that two recently constructed private projects near the campus rent for over \$900 per month per student in current dollars and do not include utilities. Other private projects in the planning stages or under construction anticipate charging similar rents. The significance of affordability to students notwithstanding, at the Berkeley campus, availability is the more critical aspect of the rental market. Finding housing in Berkeley is very difficult. Even a recent softening of rent control provisions and a slowing economy have done little to increase availability.

Upon motion duly made and seconded, the Committees approved the President's recommendation and voted to present it to the Board.

4. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL FINANCING FOR UNITS 1 AND 2 INFILL STUDENT HOUSING AND COMMON AREAS, BERKELEY CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2001-02 Budget for Capital

Improvements and the 2001-04 Capital Improvement Program be amended to include the following project:

Berkeley: Units 1 and 2 Infill Student Housing and Common Areas – preliminary plans, working drawings, construction, and equipment – \$123,370,000 to be funded from external financing (\$112,200,000) and the Berkeley campus' share of the University of California Housing System Net Revenue Fund (\$11,170,000).

- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to include this project, as described in A. above.
- C. The Committee on Finance recommend that the Treasurer be authorized to obtain financing not to exceed \$112,200,000 to finance the Units 1 and 2 Infill Student Housing and Common Areas project, subject to the following conditions:
 - (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - (2) As long as this debt is outstanding, University of California Housing System fees for the Berkeley campus shall be established at levels sufficient to meet all requirements of the University of California Housing System Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and related requirements of the proposed financing.
 - (3) The general credit of The Regents shall not be pledged.
- D. The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- E. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

The Committees were informed that the Infill Student Housing and Common Areas project will address deficiencies in Berkeley campus student housing facilities. The project will be sited at the existing Units 1 and 2 housing complexes in the south campus area. It will construct 889 new beds in a combination of residence hall and apartment units with associated support areas above ground and will construct new space and renovate existing space, all underground, to serve the existing residents at Units 1 and 2 and other campus housing, as well as the 889 residents to occupy the new beds. The new space will include two residence halls on the Unit 1 site and a residence hall and an apartment building on the Unit 2 site. The project will demolish

the dining levels of the seismically "Poor" central buildings and replace them with open courtyards.

Background

The project will be a continuation of the campus' program to provide additional high-quality student living quarters and associated facilities. It is a component of the Underhill Area Master Plan, which will create approximately 1,200 student beds in the south campus area.

Previously approved components of the Underhill Area Master Plan include College-Durant Student Housing and Central Dining and Office Facility. The latter project will replace the seismically "Poor" Units 1 and 2 central dining halls with a single new facility on a site between Units 1 and 2 and will provide additional capacity to serve the new residents of the project. The proposed project will include two styles of undergraduate student housing to address the shortage of such housing within walking distance of the campus. It will also provide needed support space for all the residents of the complexes.

The project will implement the following goals of the May 1990 LRDP for housing: integrate the Units 1 and 2 residence complexes into the surrounding neighborhood and update uses, improve operations and maintenance in residential student living facilities, and use existing University properties efficiently, especially underused and in-fill sites. The LRDP proposed that new housing be designed primarily as residence halls and suites to take advantage of the existing centralized dining facilities, thereby minimizing costs and making campus housing affordable to more students.

Proposed Project

The project will be located adjacent to the Berkeley campus at the existing Units 1 and 2 residence halls sites, each of which houses 935 students in four nine-story towers surrounding a central, two-story building with a dining facility on the upper level and housing support areas on the lower level.

New construction will fill in the east-west street frontages between the existing towers along Durant Avenue, Channing Way, Haste Street, and Dwight Way. Each building will be of concrete construction and will step up from four to seven stories. The above-grade levels will be primarily for residential use, while underground construction will provide program space to benefit the entire complexes.

The three proposed residence halls will total 107,600 assignable square feet and will provide 222 to 242 beds per building, primarily in double-occupancy bedrooms, but will also including some triples. A typical floor will have approximately ten units, and a typical four-person suite will have two bedrooms sharing a four-fixture bathroom off a common vestibule. Each residence hall will also be able to accommodate staff and faculty in two three-bedroom apartment units at the ground level. The remaining space will be common-use areas including study and floor lounges, kitchens, vending spaces, and security offices.

The apartment building at Unit 2 will include 133 beds in two- or three-bedroom units with double-occupancy bedrooms, plus 66 beds in triple-occupancy bedrooms. A typical four-person unit will have two bedrooms with a living-dining-kitchenette area and a shared, three-fixture bathroom off a common vestibule.

Support facilities will be comprised of newly constructed lower-level space as well as renovated space in the existing central lower level and Deutsch and Ehrman halls. The newly constructed space under the courtyard will include meeting and study rooms, staff offices, public rest rooms, communal laundry rooms, mechanical space, data closets, and kitchens for use by staff and meeting room occupants. The meeting rooms will also support the use of the residence halls for conference purposes. The renovated underground space will include a cluster of computer facilities, student meeting and study rooms, recreation lounges, staff offices, and music rooms and will provide enhanced maintenance and storage functions supporting the programs and facilities managed by Housing and Dining Services throughout the south campus area.

Construction, which will begin in July 2002, will be completed for Unit 2 in September 2004 and for Unit 1 in January 2005.

Project Cost

The total project cost of \$123,370,000 results in a cost of approximately \$96,246 per residence hall bed and \$110,804 per apartment bed for the student living areas. The project is within a few hundred yards of the Hayward fault, which has a major impact on the design and cost of the building structure. The concrete frame required in mid-to high-rise buildings is more costly than typical housing projects with wood-frame construction. Consultants have quantified these factors and have estimated that if the project did not need to address East Bay labor and materials costs, a lack of open space, a high level of seismic forces, the need for mid-rise construction in concrete, and difficult urban design constraints, the cost per bed would be closer to \$75,200 per residence hall bed and \$87,300 per apartment bed. The premium has been accepted by the campus because of the priority given to address the high demand for student housing and to meet the goals set forth in the Long Range Development Plan.

In addition to the living areas, the project includes the development of underground common areas with a variety of functions that will serve a wide population. Centralized administrative and mail services, recreation areas, and music rooms as well as the general site improvements will serve the new and present residents of Units 1 and 2, while meeting and conference rooms, quiet study spaces, computer rooms, student services offices, and some facilities services will serve Units 1 and 2 as well as the new College-Durant and Channing-Bowditch residents. Offices, shops, and storage areas for housing facilities maintenance will serve all of the housing system beds near the campus. If the cost of the common areas were prorated over the corresponding beds, the cost attributable to the new beds in the project would be approximately \$9,600 per bed.

CEQA Classification

In accordance with the California Environmental Quality Act and University of California procedures for the implementation of CEQA, an Environmental Impact Report was prepared to analyze the potential environmental effects of the Underhill Area Projects, which included the proposed Units 1 and 2 Infill Student Housing and Common Areas project. This document was certified by The Regents at the November 2000 meeting, and the 1990 Long Range Development Plan was amended to include the Underhill Area Projects. The design of the project will be guided by the Underhill Area Master Plan, and supplementary review in accordance with CEQA will be completed and presented when the project is brought to The Regents for design approval.

Financial Feasibility

Assuming 27-year financing of \$112,200,000 at 6.125 percent interest, the average annual debt service for the project will be \$8,600,000, which will be paid from the Berkeley campus' share of annual UCHS net revenues.

Campus projections include a 6 percent annual housing rate increase to cover increases in operating expenses, future debt, and other facilities needs. For the first year, the projected housing rates will average about \$900 per month per student, excluding board, in the residence halls and \$885 per month per student in the apartments. These projected rates include furnishings, utilities, cable TV, and high-speed Internet access.

Much of the available housing stock in Berkeley is old and in poor physical condition, does not meet current seismic and fire codes, and was not designed for shared bedrooms. Despite the premium for University-built housing adjacent to the campus, students indicate they prefer the quality, security, and proximity that provides ready access to important resources and amenities such as study and meeting space, computer labs, libraries, and extracurricular programs.

Upon motion duly made and seconded, the Committees approved the President's recommendation and voted to present it to the Board.

5. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL FINANCING FOR QUANTITATIVE BIOSCIENCES AND BIOENGINEERING FACILITY, BERKELEY CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2001-02 Budget for Capital Improvements and the 2001-04 Capital Improvement Program be amended to include:

Berkeley: Stanley Quantitative Biosciences and Bioengineering Facility – preliminary plans, working drawings, construction, and equipment – \$143,296,000 total project cost, to be funded from gifts (\$93,421,000), the State through the California Institutes for Science and Innovation (\$34,875,000), and external financing using the Garamendi funding mechanism (\$15,000,000).

- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to include this project, as described in A. above.

- C. The Committee on Finance recommend that the Treasurer be authorized to obtain external financing not to exceed \$15,000,000 to finance the Stanley Quantitative Biosciences and Bioengineering Facility project, subject to the following conditions:
- (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - (2) Repayment of the debt shall be from the Berkeley campus' share of the University Opportunity Fund.
 - (3) The general credit of The Regents shall not be pledged.
- D. The Treasurer be authorized to obtain stand-by financing not to exceed \$22,675,000, and interim financing not to exceed \$70,746,000, for a total of \$93,421,000, prior to awarding a construction contract for any gift funds not received by that time and subject to the following conditions:
- (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - (2) Repayment of any financing shall be from gift funds and, in the event such gift funds are insufficient, from the Berkeley campus' share of the University Opportunity Fund.
 - (3) The general credit of The Regents shall not be pledged.
- D. The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- E. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

The Committees were informed that the new facility will replace seismically unsafe and programmatically deficient Stanley Hall in order to house the California Institute for Bioengineering, Biotechnology, and Quantitative Biomedical Research (QB3) and to establish a special laboratory for a second institute, the Center for Information Technology Research in the Interest of Society (CITRIS). The Stanley Quantitative Biosciences and Bioengineering Facility at Berkeley is one of two large facilities being built for QB3; the second major facility is being constructed at the San Francisco campus, and several smaller projects are involved at the Berkeley and Santa Cruz campuses. CITRIS will be located in a number of facilities on the Berkeley campus as well as in a new facility at the Santa Cruz campus.

Background and Program

A budget for preliminary plans for the Stanley Hall and CITRIS Special Laboratories projects was approved in 2001 as part of the California Institutes for Science and Innovation (Cal ISI) program. These Cal ISI projects provide a partnership among the State, California industry, and the University of California that will focus research in important new areas of science and technology that are vital to the future of California's economy.

QB3 will build on strengths in the engineering and physical sciences at UC Berkeley, engineering and information technology at UC Santa Cruz, the medical sciences at UC San Francisco, and strong biology programs at all three campuses to carry out research directed toward the improvement of human health and the creation of dynamic new biomedical technologies. CITRIS will have components at UC Berkeley, UC Santa Cruz, UC Davis, and UC Merced. It will sponsor and house collaborative research focused on Societal-Scale Information Systems (SIS) to provide solutions to social and commercial problems affecting the quality of life.

The Berkeley campus will house a major component of QB3 in the proposed facility, which will bring together the physical, engineering, and biomedical sciences in an innovative way, providing a center for scientific collaboration in the biosciences where scientists will work closely with one another and benefit from the cross-fertilization of ideas. This intellectual leverage and integration of disciplines will improve the pace and quality of the research over what is now possible. It could open the way for the discovery of treatments and cures for some of society's most intractable diseases. The institute will foster the development of artificial tissues that mimic those found in the human body which could be used to make replacement blood vessels, bone implants, and synthetic replacement organs. Better imaging techniques and computer-assisted analysis developed at the Institute will improve the detection and treatment of diseases.

QB3's program has three major components: structural and chemical biology, bioengineering and biotechnology, and bioinformatics. The central goal is to bring together researchers and students in biology, chemistry, engineering, and physics to collaborate on new areas of scientific inquiry that are simultaneously at the boundaries of these traditional disciplines and at the core of newer, emerging disciplines. This reflects a scientific revolution, currently under way, in which physical tools are being increasingly applied to the biological sciences in areas such as non-invasive imaging, microscopy, and nanotechnology.

These interdisciplinary programs need a facility capable of housing all the current faculty from Stanley Hall, the full growth of the new Department of Bioengineering, and selected faculty from Chemistry and Physics chosen for their research affiliations with the interdisciplinary themes. Approximately 41 faculty research groups will be accommodated in the new building. An essential characteristic of the new facility and

a key to the interdisciplinary concept of the building will be the quick adaptability of the space to rapidly evolving research programs.

Project Description

The Stanley Quantitative Biosciences and Bioengineering Facility building will be constructed on the site of the 47-year old Stanley Hall. The project was originally estimated to be 240,000 gross square feet, at a total cost of \$121.4 million, but it is now planned at 285,000 gsf, at a cost of \$143,296,000, to provide the primary facilities for QB3 at Berkeley as well as a special CITRIS laboratory and other elements. It would be funded by Garamendi financing under Section 15820.21 of the Government Code and by private contributions.

Plans for the Stanley Quantitative Biosciences and Bioengineering Facility emphasize high-quality, sophisticated laboratories, powerful new scientific equipment, state-of-the-art educational technologies, and efficient support facilities. Specialized laboratories include a high-bay facility for high-field nuclear magnetic resonance (NMR) spectroscopy work in molecular imaging; low-vibration facilities for electron, atomic-force, and confocal microscopy and for x-ray crystallography; tissue culture laboratories; a "bio-nano" fabrication facility; and laser and specialized optics laboratories. The Bionano Center (BNC), which is a part of CITRIS, will greatly enrich the research environment of the new building. This facility, a suite of clean rooms and associated research support space, will be dedicated to the fabrication of bio-MEMS and microrobotic devices primarily at sub-micron and nanometer scales. The BNC will also provide an important training center for students in the Department of Bioengineering.

A 300-seat auditorium and a 120-seat lecture hall will replace smaller facilities in Stanley Hall, providing needed capacity and upgraded technology for campus instruction and drawing a diverse student population to the building. A 45-seat classroom and a specialized multimedia classroom will round out the teaching areas in the building. The building will include faculty offices and house the administrative staff of QB3, the Department of Bioengineering, and the Biochemistry and Molecular Biology Division of the Department of Molecular and Cell Biology. Construction is scheduled to begin in December 2002 and to be completed in September 2005.

The cost figures cited are exclusive of an \$18,994,000 contribution of State (\$18,269,000) and gift (\$725,000) funding for a part of the cost of the replacement building that has been authorized under the separately approved Stanley Hall Seismic Mitigation project. The latter project was approved by The Regents in November 1999 to provide for the remediation of the earthquake hazard posed by Stanley Hall. The combined total cost of the Stanley Quantitative Biosciences and Bioengineering Facility and Stanley Hall Seismic Mitigation projects is \$162,290,000. Operations of the two Institutes at the Berkeley campus will also be supported by the \$5,500,000

Utilities Infrastructure Improvements, Northeast Precinct project, and the \$9,400,000 Hildebrand Hall Second and Third Floor Renovations project.

CEQA Compliance

In January 2002, The Regents reviewed and certified an environmental impact report in accordance with the California Environmental Quality Act that addressed this project and other planned developments in the northeast quadrant of the campus and approved an amendment to the campus' Long Range Development Plan.

Financial Feasibility

The total project cost of \$143,296,000 will be funded from gifts (\$93,421,000), State funds through the California Institutes for Science and Innovation program (\$34,875,000, including \$34,525,000 from QB3 and \$350,000 from CITRIS), and external financing using the Garamendi funding mechanism (\$15,000,000). The gift campaign for the project is under way, and as of February 1, 2002 the status is as follows:

Gifts Received	\$	0
Pledges Received		22,675,000
Planned Gifts Pledged		50,000,000
Gifts To Be Raised		<u>20,746,000</u>
Total:		\$93,421,000

The University of California, Berkeley Foundation is the irrevocable beneficiary of \$50 million to be distributed upon the termination of a charitable remainder unitrust. The anonymous donor designated this gift to be used for the construction of new facilities for the biological sciences. The campus has designated the gift for this project.

Approval of standby financing of \$22,675,000 and interim financing of \$70,746,000 is requested in order to meet The Regents' funds-on-hand requirement. To the extent gifts are received prior to completion of the project, the amount of the standby and interim financing will be reduced, and outstanding balances will be prepaid. In the event the collection of gifts is insufficient, the campus has pledged the Berkeley campus Opportunity Funds as a source of repayment. Should the campus be unable to raise the additional gifts, the \$70,746,000 of interim financing may have to be repaid over 27 years at 6.125 percent for potential annual debt service of \$5,422,000.

Should it prove necessary, the campus will return to The Regents at the end of construction to request the conversion of any remaining portion of the interim financing to external financing. The campus has sufficient capacity to pledge the Berkeley campus' share of University Opportunity funds for this purpose.

In compliance with Regents' policy, all funds necessary to complete construction will be in hand prior to issuing the project for bid.

Upon motion duly made and seconded, the Committees approved the President's recommendation and voted to present it to the Board.

6. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, UCDCM SURGERY AND EMERGENCY SERVICES PAVILION, DAVIS CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2001-02 Budget for Capital Improvements and the 2001-04 Capital Improvement Program be amended to include the following project:

Davis: UCDCM Surgery and Emergency Services Pavilion – preliminary planning – \$5,250,000 to be funded from hospital reserves.

- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to include this project, as described in A. above.

The Committees were informed that the UCDCM Surgery and Emergency Services Pavilion project is proposed to meet seismic requirements and to improve and expand space at the Davis Medical Center.

Background

SB 1953, The Alfred E. Alquist Hospital Facilities Seismic Safety Act, mandated remediation of seismic deficiencies in existing acute care hospital structures in California. The UCDCM Surgery and Emergency Services Pavilion project is envisioned as the cornerstone of the hospital's master plan and is essential to the Medical Center's efforts to comply with Senate Bill 1953.

The UCDCM Surgery and Emergency Services Pavilion will provide replacement space for acute care functions now located in the North-South Wing, including the emergency department and cardiology services. The project will also replace existing operating rooms in the East Wing and University Tower. Preliminary program validation work regarding the Surgery and Emergency Services Pavilion project is under way.

Statement of Need

The project will replace seismically compromised space that will be demolished by 2008. Vacant and seismically deficient buildings that will be demolished to accommodate the new facility include the old Boiler Plant, Camellia Cottage, the Mental Health Building, the Redwood Building, the Professional Building, the Support Services Building, and the modular Trauma Nursing Unit/Satellite Surgery Center. The major project components will consist of the following elements:

- A replacement emergency room with approximately 53 treatment stations;
- A replacement cardiac catheterization department with two procedure rooms and associated support space;
- Replacement of CT, PET, MRI, and other specialized radiology facilities needed to support the emergency room and the balance of the hospital;
- An inpatient surgery suite with 24 operating rooms, replacing nine operating rooms in the East Wing, seven in the University Tower, and two in the SSU. Outpatient surgery will move into the existing inpatient surgery area. G.I. and Pulmonary procedures will occur in the existing University Surgery Center;
- Addition of 20 new intensive care beds;
- Replacement space for pathology labs, dietary facility, administrative and support space, central sterile supply department, space for Interns and Residents programs including sleep space, computer lab, and administrative support, Apheresis, Respiratory Therapy, Renal Dialysis, space for smaller programs including Heart Center, Patient Escort, Telemedicine Physician Referral Center, Registration/Admissions, and Cashier;
- A new pharmacy to support the emergency room, operating rooms, and the new intensive care unit's new entry-lobby area and gift shop.

CEQA Compliance

The environmental classification of the project will be determined by an initial study. In accordance with the California Environmental Quality Act and University procedures for implementation of CEQA, the appropriate environmental report will be prepared to analyze the potential environmental impacts of this project. This document will be presented to The Regents for review and consideration at the time of the project design approval.

Future Regental Action

In summer 2002, the campus plans to request Regental approval of an amendment to the Budget for Capital Improvements and the Capital Improvement Program for the total project cost. Preliminary project cost estimates are between \$145 million and \$150 million, to be funded from the Medical Center's allocation of SB 1953 State lease revenue bonds and hospital funds.

Upon motion duly made and seconded, the Committees approved the President's recommendation and voted to present it to the Board.

7. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, UCIMC REPLACEMENT HOSPITAL, IRVINE CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2001-02 Budget for Capital Improvements and the 2001-04 Capital Improvement Program be amended to include the following project:

Irvine: UCI Medical Center Replacement Hospital – preliminary plans – \$14,538,000 to be funded from hospital reserves.

- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to include this project, as described in A. above.

It was recalled that the Irvine campus proposes construction of the UCI Medical Center Replacement Hospital project totaling approximately 200,000 assignable square feet. The project will also provide renovations to Building 1A and improvements to the Medical Center's central plant facilities, including construction of a new chiller plant and structural and non-structural upgrades to several existing plant facilities mandated by SB 1953. The new hospital will replace the existing main hospital building, which, along with the other facilities mentioned above, must be seismically upgraded or replaced by 2008 to comply with SB 1953 legislation.

Background

Formerly a county hospital, UCI Medical Center became a part of the University in 1976. Since that time, it has become a significant public health resource in Orange County. While maintaining a commitment to care for underserved and Medi-Cal populations, UCIMC now also provides a substantial portion of the county's specialized medical care for all patients. As the county's only Level 1 Trauma Center, UCIMC is vital to the area's disaster response and must remain fully operational and capable of meeting emergency medical needs in the event of an earthquake.

The UCIMC site contains over 40 structures of varying sizes, ages, and structural integrity. It has 391 of its 453 beds currently in service in three inpatient facilities. Building 1, the main hospital building, was completed in 1960. Building 1A and Building 3 were completed 1981 and 1993, respectively. These three inpatient facilities house the Medical Center's acute care functions, including intensive care,

surgical units, pediatrics and obstetrics, nuclear medicine, pharmacy, pathology, and emergency.

The facilities subject to SB 1953 compliance were evaluated by a structural engineer who determined that the main hospital facility, Building 1, has serious structural deficiencies and must be seismically upgraded by 2008 or replaced. Building 1A, the Inpatient Tower, requires non-structural bracing of equipment and building systems. In addition, several critical support facilities require modest structural and non-structural seismic upgrades.

A study was conducted to evaluate options for upgrading the existing hospital versus replacing it with new construction. To upgrade the building to current standards would require adding new concrete walls and buttresses and strengthening existing walls, columns, foundations, and structural connections. In addition, the seismic upgrade triggers extensive code-related work that would require that Building 1 be virtually gutted. In order to accomplish the upgrade, a new inpatient facility of approximately 65,000 asf would have to be constructed to provide staging space during construction and to provide additional space required to maintain the hospital's existing service capacity based on current codes.

The cost of renovating Building 1 and constructing the staging facility was estimated to be at least comparable to that of building a new hospital. Of equal concern was the operational disruption that would result from a protracted ten-year-long retrofit in an occupied acute-care facility. Furthermore, the retrofitted facility would still be an older building with little flexibility, fragmented services, and little potential for increased operational efficiency. Consequently, the decision was made to construct a new facility that will provide a state-of-the-art hospital with long-term flexibility to change over time and life-cycle cost benefits that will make it operationally much more cost effective.

The 2000-01 Budget Act included authorization for \$600 million in State lease revenue bonds to provide the University's teaching hospitals with funding to address seismic deficiencies. In November 2000, The Regents approved the allocation of \$235 million of these funds to the Irvine campus for the purpose of constructing a replacement hospital and implementing other SB 1953 upgrades at the UCI Medical Center. In March 2001, the State Public Works Board approved the scope and cost of this project. At the May 2001 meeting, the Regents were advised of UCI's plan to use this State funding to construct a new 162,500 asf hospital with 186 beds and ten operating rooms and to implement other required seismic corrections. At that time, it was explained that the Medical Center was working to identify other fund sources to expand the project scope to respond to the growing demand for services and other programmatic requirements. Since then, detailed programming of the new hospital has been completed and a plan developed to accomplish the Medical Center's highest priority goals by supplementing the budget with gift funds, Hospital Reserves, and external financing.

Project Description

New Hospital

The new hospital will continue to focus on highly complex medical care. It will have a total capacity of 191 licensed beds, as compared with the 205 available beds in Building 1, with an ultimate total capacity of 221 beds following build-out of the shell space as a 30-bed medical and surgical unit.

Patient care and support functions in the new hospital will include inpatient services, diagnostic and treatment services, administrative services, general support services, and patient and public services. The project scope for the new hospital will also include significant site improvements.

The site for the new hospital is directly north of existing Buildings 1 and 1A. This location accommodates a number of buildings, including two seismically “Poor” structures—Building 2, a hospital support facility completed in 1959, and a parking structure completed in 1978—and several small, interim buildings that will be demolished as part of this project. Activities located in these buildings will be moved to other existing Medical Center facilities. Replacement parking will be provided in a surface lot to be constructed across the street from the Medical Center site as a separate, future non-State funded project. The proposed site for the replacement hospital is in conformance with the updated Long Range Development Plan for the Medical Center, which is being completed.

Following completion and occupancy of the new hospital, decommissioning and demolition of Buildings 1 and 10 will be required. Building 10 is a seismically “Poor” building constructed in 1914 that is connected to Building 1. This work will be undertaken as a separate, future project.

Building 1A Renovation

Renovation of Building 1A will be required to provide a physical connection linking it with the new structure. Essential diagnostic and treatment services requiring direct connection with the new hospital building, including emergency care and imaging, will continue to be located in Building 1A.

The project scope will also include modest, non-structural seismic corrections in Building 1A for compliance with SB 1953, including the bracing of equipment and building systems in critical-care areas.

Central Plant Improvements

Additional steam and electrical capacity will be added to accommodate the increased size and demands of the new hospital building. Cooling and emergency power

requirements for the new hospital will also require provision of additional chillers and emergency generators. A central plant facility totaling 8,000 square feet will be constructed to house this equipment.

Structural and non-structural seismic corrections in the steam plant, primary electrical facility, and utility tunnel are also required for SB 1953 compliance. Building 31, the steam plant, is the only one of the three utility structures that requires seismic upgrade, which will consist of providing additional tension bracing and strengthening of framing members. Non-structural work in the steam plant will include the bracing of pipes, boilers, water tanks, pumps, and other equipment. Similar bracing will be undertaken in Building 32, the primary electrical facility, and in the utility tunnel.

Schedule

Construction of the replacement hospital facility and Building 1A and the Central Plant improvements is expected to begin in 2004, with completion in late 2007.

The estimated project cost of the replacement hospital and associated work is anticipated to be approximately \$325 million and will be funded from a combination of State lease-revenue bonds, gift funds, hospital reserves, and external financing. Approval to proceed with the preliminary plans phase of this project will allow the campus to hire the executive architect to begin schematic design on this project. The campus will also begin environmental reviews on the selected site. The final scope, schedule, budget, and funding for this project are contingent on the completion of design, environmental reviews, financial feasibility, and the availability of funds.

CEQA Classification

The UCI Medical Center Long Range Development Plan is being updated to reflect the current physical planning goals and objectives of the Medical Center. The LRDP update will serve as the framework to guide physical development through the year 2020, including the hospital replacement project and other future facilities. The LRDP identifies building space, circulation, parking, and infrastructure sufficient to support the patient care, teaching, and research missions of the UCI Medical Center and UCI College of Medicine.

An Environmental Impact Report is being prepared in compliance with the California Environmental Quality Act to analyze the environmental effects of the hospital replacement project and other proposed development within the LRDP. The EIR will provide analysis specific to the hospital replacement project as well as more general analysis of future development through the year 2020. The LRDP update and EIR will be submitted for review by The Regents at a subsequent meeting.

Other Related Costs

In addition to the scope of work outlined above, there are a number of other necessary project-related costs, approximating \$50 million, that are being addressed outside of the scope of the project. These expenses include such items as financing costs to cover the capital campaign standby and interim financing, the cost of equipment that will be purchased prior to project completion as a capitalized lease and subsequently moved to the new hospital, relocation costs for occupants of Building 1 and other buildings affected by the new construction, and acquisition of property for and construction of a new surface parking lot. Funding for these items will be provided from hospital reserves and gift funds.

Back-up Funding Plan

The plan for funding of the proposed project includes using a combination of State lease-revenue bonds funds, hospital reserves, external financing, and gift funds which would be raised by the Irvine campus and Medical Center over the next several years. At a future meeting to consider the approval of the full Capital Improvement Budget and of external, standby and interim financing, the campus will be prepared to provide back up fund sources for the amount of gift financing required. The back-up fund sources will be identified at that time and will be carefully evaluated so as not to place the future capital needs of the general campus at risk. These backup fund sources include the use of additional Medical Center reserves, an additional assessment by the Dean against the activity of the College of Medicine Practice Plan, the possible sale or sale and leaseback of an administrative office building at the Medical Center, and the identification of bid alternatives to reduce the scope of the construction program should that be required in the future.

Future Actions

The campus will return to The Regents to request the amendment of the Budget for Capital Improvements and the Capital Improvement Program for the total cost of all phases of the project and approval of financing.

Upon motion duly made and seconded, the Committees approved the President's recommendation and voted to present it to the Board.

8. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, NORTHWEST CAMPUS STUDENT HOUSING AND PARKING, LOS ANGELES CAMPUS**

The President recommended that:

- A. Subject to the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2001-02 Budget for Capital Improvements and 2001-04 Capital Improvement Program be amended to include preliminary plans funding for the following project:

Los Angeles: Hedrick North Residence Hall – preliminary plans – \$3,200,000 to be funded from University of California Housing System (UCHS) Los Angeles campus reserves.

Los Angeles: Rieber North and West Residence Halls – preliminary plans – \$5,600,000 to be funded from UCHS Los Angeles campus reserves.

Los Angeles: Hedrick Hall First Floor Renovation – preliminary plans – \$400,000 to be funded from UCHS Los Angeles campus reserves.

Los Angeles: Sproul Hall First Floor Renovation – preliminary plans – \$500,000 to be funded from UCHS Los Angeles campus reserves.

Los Angeles: Rieber Hall First Floor Renovation – preliminary plans – \$400,000 to be funded from UCHS Los Angeles campus reserves.

Los Angeles: Dykstra Parking Structure – preliminary plans – \$682,000 to be funded from UCLA Parking Services capital reserves.

- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings, as described in A. above.

The Committees were informed that this action will authorize the use of \$10,782,000 for preliminary plans for six capital projects associated with the Northwest Campus Undergraduate Student Housing plan. Preliminary plan funding will be from UCHS Los Angeles Campus Reserves (\$10,100,000) and UCLA Parking Services Capital Reserves (\$682,000).

Background

In winter 2001, the campus completed the master planning process for student housing at UCLA through 2010 that affects both the northwest and southwest campuses. The master plan links program goals to institutional objectives in support of the campus' academic mission and continues the significant progress made in transforming UCLA from what was a predominately commuter campus to a residential university.

The component of the master plan for the northwest campus proposes the following:

- Approximately 2,000 new undergraduate bed spaces and related support functions;
- A 299-space parking structure to replace parking spaces lost to prepare the site for the new facilities and to support the new beds; and
- Major renovations to the four high-rise housing facilities: Dykstra, Hedrick, Rieber, and Sproul Halls (3,244 designed beds). These halls, built between 1959 and 1964, represent approximately half of the existing on-campus accommodations of 6,444 bed spaces.

Scheduled for completion by 2009, the master plan will involve implementation of a number of projects. The first group of projects, Northwest Campus Student Housing and Parking, is anticipated to be completed by fall 2005 and is inclusive of the six projects requesting approval for preliminary plans:

- Renovation of the first floor of Sproul Hall to accommodate replacement housing administration space;
- Construction of a parking structure on the existing Dykstra Hall surface parking lot to accommodate 299 vehicles;
- Renovation of the first floors of Hedrick and Rieber Halls; and
- Construction of approximately 2,000 new beds and support spaces located in mid- to high-rise buildings adjacent to Hedrick and Rieber Halls.

Approvals to Be Sought in the Future

The second group of projects, Northwest Campus Student Housing and Recreation, is anticipated to be completed by 2009 and will be incorporated into the planning process:

- Construction of a recreation building with an outdoor swimming pool and recreation space between the Saxon and Hitch residential facilities; and

- Renovation of the residential floors of Rieber, Hedrick, Sproul, and Dykstra Halls.

The master plan for the southwest campus proposes the following second phase to the southwest campus housing:

- Approximately 638 new graduate bed spaces; and
- A parking structure with 638 parking spaces.

Statement of Need

The UCLA student housing master plan demonstrates a demand for a minimum of 4,800 bed spaces, including 2,200 new bed spaces for single undergraduate students and 2,600 new bed spaces for single graduate students by the year 2010.

Analysis of Need - Cumulative Supply and Demand Projections

Existing demand for accommodations is linked to the following recommended goals in the Student Housing Master Plan to guarantee housing as follows: (1) to all freshmen who desire such housing for four consecutive years; (2) for two years to all transfer students; (3) for two years to all single graduate students; and (4) for students with families as long as the student is making normal academic progress to degree.

The campus does not have sufficient housing facilities to fulfill these goals. The master planning effort identified a long-term need for 14,499 bed spaces by the year 2010. With the addition of the 2,000 undergraduate bed spaces in the northwest campus and 2,000 graduate bed spaces in the southwest campus, the inventory level will increase to 13,683 bed spaces, which will still be 816 bed spaces short of the campus goal.

Undergraduate Student Need

In fall 2001, there was an unmet need for upper division undergraduate student housing of approximately 733 beds. In addition, in order to meet the continuing demand for on-campus housing for lower division undergraduate students with guaranteed housing, the campus has converted double rooms to three-person accommodations. This situation compromises the quality of the residential experience and places considerable strain on the facilities.

Increased campus enrollment anticipated by 2010, the additional beds required to meet a four-year housing guarantee for new first-year students, and the reduction of triple rooms to a more manageable number will bring the unmet need to 2,263 undergraduate bed spaces in 2009-10. With the completion of the 2,000 beds associated with the Northwest Campus Undergraduate Student Housing plan, the projected shortfall in

undergraduate beds will be 659 beds, housing approximately 9,778 undergraduate students.

Project Description

The Northwest Campus Undergraduate Student Housing plan will construct the following facilities for undergraduates in the northwest quadrant of the campus:

New Housing and Recreation

New construction will include housing facilities of approximately 554,000 gsf accommodating up to 2,000 residence hall beds, with dining facilities and related support adjacent to Hedrick and Rieber Halls; a new recreation facility with an outdoor 25-meter swimming pool and recreational space; and demolition of the Housing Administration Building and a facilities management warehouse to create a site for the construction. The first floor breezeways in the high-rise residence halls would be enclosed.

Site development work will include a reconfiguration of the utilities distribution system to accommodate the new construction and will provide links to the core campus, the Bradley International Student Center, and nearby off-campus housing. Site work will also provide solutions for pedestrian and vehicular access and circulation conflicts in the northwest quadrant of the campus.

Total project cost for this component of the work is estimated to range from \$171 million to \$197 million. The housing will be constructed under separate Hedrick North Residence Hall and Rieber North and West Residence Halls projects. The estimated completion date for the first 750 beds under the Hedrick project is fall 2004, with completion of all 2,000 beds in fall 2005. The estimated completion of the Northwest Campus Recreation Center is fall 2006.

Renovation of High-Rise Residence Halls

Renovation will represent approximately 737,000 gsf. The first floors of Hedrick, Rieber, and Sproul will be renovated as separate projects to provide most of the community support and programming functions for the additional 2,000 residents. The total project cost for this component of the work is estimated to range from \$13 million to \$16 million. The renovation projects will be completed by 2005.

Renovation of the residential floors will involve code upgrades, modernization of infrastructure, correction of operational deficiencies, and finish upgrades. The current quantity of designed bed spaces will be retained after project completion. Renovation work on the residential floors will be phased so that only half of the bed spaces will be removed from inventory at any one time. Total project cost for this component of the work is estimated to range from \$58 million to \$68 million. The residential floors

will also be renovated under separate projects. The estimated completion date for these projects will be phased to coincide with final completion of all of the projects in the northwest campus plan, scheduled for fall 2010.

Parking Structure

A parking structure will replace the surface parking lot immediately adjacent to Dykstra Hall. Of its 299 spaces, 233 will be replacement spaces for the existing parking lot and street parking spaces to be removed to prepare the site. All parking will be allocated and managed by the campus parking program. This component of the work is estimated to range between \$8 million and \$9 million and to be completed in summer 2004.

Environmental Classification

Pursuant to the California Environmental Quality Act and University procedures for implementation of CEQA, the potential environmental effects of the Northwest Housing Infill project will be analyzed as a project-specific component of the Long Range Development Plan program environmental impact report currently under way.

Financial Summary

The total cost to develop preliminary plans for the new housing, parking structure, and renovations to the first floors of Hedrick, Sproul, and Rieber, is \$10,782,000, to be funded from UCHS Los Angeles Campus Reserves (\$10,100,000) and Parking Services Capital Reserves (\$682,000).

The preliminary cost estimate for all projects associated with completing the work to be defined in the master plan for the northwest campus is between \$250 million and \$290 million over a ten-year time frame, to be funded by a combination of UCHS Los Angeles Campus Reserves (\$45 million to \$50 million), and external financing (\$205 million to \$240 million). Of the external financing, current estimates anticipate \$197 million to \$231 million will be allocated to housing and \$8 million to \$9 million to parking. This range represents the low and high ends of the current conceptual estimates.

Repayment of the portion of the debt related to housing will be from excess net revenues of the UCHS, generated by housing fees on the Los Angeles campus. These fees will be established at a level sufficient to meet the requirements of the UCHS Indenture. Financial models suggest that the increased debt can be accommodated within an affordable residential rate structure.

Repayment of \$5 million in debt related to parking displaced by the housing project will be from UCHS Net Revenues. Financial models suggest that the increased debt

to Parking Services for the new spaces can be accommodated within an affordable parking rate structure.

All estimated costs are based on preliminary feasibility studies. Approval of the President's recommendation will allow the campus to engage executive architects and planning consultants to refine the scope of work, develop more informed cost estimates, and commence schematic design. The final budget for each individual project will be determined upon completion of design and environmental review.

Future Actions

In summer and fall 2002, the campus will submit items to The Regents to request the amendment of the Budget for Capital Improvements and the Capital Improvement Program for the total project cost for the Hedrick North Residence Hall and Rieber North and West Residence Hall projects. A combination of Regental, Office of the President, and campus approvals will be sought for subsequent projects. Future requests for Regental approval of the recreation center and four high-rise residential renovation projects will occur approximately 24 months before the expected completion dates.

Upon motion duly made and seconded, the Committees approved the President's recommendation and voted to present it to the Board.

9. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL FINANCING FOR COMMONS EXPANSION, RIVERSIDE CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2001-02 Budget for Capital Improvements and the 2001-04 Capital Improvement Program be amended to include the following project:

Riverside: Commons Expansion – preliminary plans, working drawings, construction, and equipment – \$47,803,000 to be funded from external financing.

- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to include this project, as described in A. above.
- C. The Committee on Finance recommend that the Treasurer be authorized to obtain external financing not to exceed \$47,803,000 to finance construction

and related costs of the Commons Expansion, Riverside campus, subject to the following conditions:

- (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the preliminary plans, working drawings, and construction period.
 - (2) Repayment of the debt shall be from Commons Expansion Referendum student fees approved by student vote in April 2001 and by The Regents in July 2001, which shall generate net revenues sufficient to pay debt service and to meet all related financing requirements of the proposed funding.
 - (3) The general credit of The Regents shall not be pledged.
- D. The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- E. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

The Committees were informed that the Riverside campus proposes to redevelop and expand the existing Commons through a combination of demolition, renovation, and new construction. The completed project, which will involve 76,250 assignable square feet, will include new and expanded kitchen and dining facilities, lounges, and meeting rooms, a large multi-purpose event space, and retail areas. The project implementation will be phased to allow for continuous operation of Commons services during construction.

In spring 2000, the campus completed the Student Environment Master Plan (SEMP). Included in SEMP were recommendations to modernize, update, and expand the existing Commons facilities to serve the campus population. The original Commons facilities, which were designed to support a campus population of 10,000 students, serve approximately 14,000 students. Limitations of the existing Commons identified through SEMP included inadequate and poorly configured food facilities, meeting rooms, lounges, and student organization space; lack of retail offerings; and no central campus event space. Accordingly, a feasibility study was completed using marketing analyses and student surveys to determine the critical and desirable services and the viability of the financial plan to support these services in an expanded Commons. Concurrent with this effort, a Detailed Project Program (DPP) was completed which studied sites, program alternatives, and identified a preferred solution to meet the objectives of the SEMP recommendations. In 2001, a proposed Commons Expansion project was developed using a multiple-phase approach of demolition, renovation and

reconstruction, and new construction. The facility is designed to accommodate a forecasted campus population of over 21,000 students, plus faculty and staff.

Project Description

The Commons Expansion project includes demolition of the central structures, renovation and reconstruction of the east wing, construction of a south wing, and minor remodeling of the west wing, Costo Hall, and Commons Conference Terrace Rooms. The project includes the following primary components:

- Student space includes lounges, meeting rooms, student program and organization offices and support space, multi-purpose event space, and a performance and movie theater facility;
- Food services provides themed food preparation platforms, kitchen and servery, cyber café and computer lounge, and office support space;
- Retail services involves shell space to be outfitted by future vendors, and a convenience store facility;
- Commons management provides office and office support space for Commons administrative staff.

Temporary structures to house dining and other services will be provided during construction of the project. Construction sequencing will enable space to be occupied as completed. The increase in the Student Center Commons Fee is estimated to commence in fall 2004. In addition, outdoor patio, seating, and performance areas will be included in the project along with upgraded utilities, furnishings, equipment, and additional landscaping.

Several elements of the project act to increase costs. This project will be the face of the campus to the public. A significant purpose of the building design will be to attract perspective students to the Riverside campus. The food court is one such element designed to appeal to students. It will entail extensive building utility and infrastructure requirements for the redeveloped central kitchen facilities and food servery. The integration of varying structural requirements into a unified solution is another cost factor. The integration of existing and new plazas will require significant excavation. Roof deck areas for multi-level circulation and outdoor program space will enhance the attractiveness of the project, as will the teledata and audiovisual networking capabilities that will be provided throughout the complex. Finally, construction will require complex relocation logistics and temporary structures required for staging throughout the building phase, all of which also contribute to project cost.

CEQA Classification and Site Considerations

The site for the project is the location of the existing Commons, which consists of the University Commons building, the Commons Conference rooms, and Costo Hall, and the immediately adjacent hardscape and landscape areas. The proposed Commons site is flanked by the existing UCR Bookstore to the north, a primary east-west pedestrian corridor to the immediate east, the Carillon Mall to the south, and a combination of vacant area and the existing Physical Education building to the west. The campus Long Range Development Plan designates this site for Student Services use. As such, the Commons Expansion project is consistent with current LRDP land use designations.

Appropriate environmental documentation will be prepared at the time of design approval.

Financial Feasibility

The total project cost of \$47,803,000 is to be funded from external financing. Repayment for the external financing will be from student referendum fees. UCR's undergraduate and graduate students voted in April 2001 to increase the Student Center Commons Fee from \$20 to \$110 per student per quarter in support of the Commons Expansion project. The Regental item for approval of student-sponsored increases in student fees, Riverside campus, was approved in July 2001.

Average annual debt service is estimated at \$3,664,000 in FY 2006-07, assuming an interest rate of 6.125 percent amortized over 27 years. Adequate debt coverage is provided.

Upon motion duly made and seconded, the Committees approved the President's recommendation and voted to present it to the Board.

The meeting adjourned at 11:40 a.m.

Attest:

Associate Secretary