THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
July 18, 2007

The Regents of the University of California met on the above date at University Center, Santa Barbara campus.

Members present: Regents Allen, Blum, Brewer, Bugay, De La Peña, Dynes, Garamendi, Gould, Hopkinson, Island, Kozberg, Lansing, Lozano, Marcus, Moores, Parsky, Varner, and Wachter

In attendance: Regents-designate Cole, Scorza, and Shewmake, Faculty Representatives Brown and Oakley, Staff Advisors Brewer and Johansen, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Hume, Executive Vice Presidents Darling and Lapp, Vice Presidents Broome, Foley, and Sakaki, Assistant Vice President Casey representing Acting Vice President Standiford, Chancellors Birgeneau, Drake, Fox, Kang, Vanderhoef, and Yang, Acting Chancellors Abrams, Blumenthal, and Grey, and Recording Secretary Bryan

The meeting convened at 10:15 a.m. with Chairman Blum presiding.

1. **REPORT OF THE SPECIAL COMMITTEE TO SELECT A STUDENT REGENT**

The Committee recommended that D'Artagnan J. Scorza be appointed a Regent of the University of California to serve for the period July 1, 2008 through June 30, 2009, and that he serve as Regent-designate, effective immediately, until the appointment becomes effective July 1, 2008.

Upon motion of Regent Island, duly seconded, the report of the Special Committee to Select a Student Regent was approved.

2. **EXPLORING INNOVATIVE APPROACHES TO CAPITAL PROJECTS: DEVELOPER-BUILT BUILDINGS**

Senior Vice Chancellor Spaulding and Assistant Vice Chancellor Yamauchi presented an innovative approach to capital projects involving developer-built buildings, which are then sold or leased to the University. Mr. Spaulding stated that, based on several recent studies, the private sector has been shown to build at a lower cost than UC by as much as 60 percent. Such savings can be achieved due to the ability of the private sector to build faster than UC, despite the fact that the private sector has more difficulty than UC with entitlements, including local zoning and planning provisions, and with the California Environmental Quality Act, because they must go before local jurisdictions for approval. A study

conducted this year indicated that a proposed UCSF medical office building could be built at least 6 months faster via the developer-built model, saving the University approximately $10 million per month. Another report showed that UC laboratory buildings take 9 months longer to design than non-UC laboratory buildings. Regarding tenant improvements, it is the experience of the UCSF campus that projects are delivered 6 to 12 months faster when contracted through the private sector. Mr. Spaulding suggested that developer-built models may offer more potential for fundraising because donors prefer that projects be delivered as early as possible. Additional savings using the developer-built model include the use of more standardized designs at a lower cost, and more nimble and flexible development processes.

Assistant Vice Chancellor Yamauchi explained that UC buildings are costlier and take longer to construct due to internal UC processes, public contracting laws that prescribe the terms for selection and contracts, and design standards that specify building features and systems. She explained that, in the past few years, the Committee on Grounds and Buildings and the Office of the President have led efforts to help reduce the capital costs of UC buildings. In 2005, an expert panel evaluated UC's project costs and produced recommendations, which are in the process of being implemented. Ms. Yamauchi described the critical factors for success of developer-built projects, including designing buildings as generically as possible, making decisions quickly and efficiently, using fast track techniques, aligning policy with project objectives, being willing to share risk, and developing new internal UC procedures.

Mr. Spaulding explained that the developer-built model involves a third-party developer owning, managing, financing, designing, and building facilities for UC. Upon its completion, the building is leased back to or purchased by UC, and the land is owned or leased by UC. The process is that UC retains a developer, who in turn hires an architect and general contractor to build the facility based on the Basis for Design provided by UC. One psychological advantage of this process is that the developer has an interest in keeping UC to its Basis for Design without change orders and programmatic amendments; this imposes a discipline on UC, which is sometimes lacking. Mr. Spaulding emphasized that developer-built buildings are one option that UC can add to the array of delivery models available to it. Other suggestions for lowering costs and shortening processes are for UC to attempt to modify laws and policies in order to share risk with builders, be more flexible on design choices, strictly limit design changes, and reengineer internal processes.

Mr. Spaulding pointed out that UCSF leases have grown 32 percent over the last five years. Leased space has the advantage of faster delivery of tenant improvements, lower private construction costs, and costs spread over time via rental payments versus up-front construction costs. Mr. Spaulding also cited two developer-built medical office buildings at UCSF's Mount Zion campus that were completed at a savings of 60 percent. A third developer-built building is proposed

for the Osher Center for Integrative Medicine, which will serve as a pilot to assess whether the model is successful with a relatively simple and inexpensive project. Proposals for the building are expected in late August 2007, at which point it will be clear if developers are willing to submit proposals and sign the UC contracts. If the Osher building is successful via the developer-built model, the UCSF campus hopes to proceed with the model for a neuroscience laboratory building at Mission Bay in collaboration with UCSF Professors Prusiner and Hauser. Despite the early stage of this project, the campus has already raised $17 million in gifts, a portion of which is contingent upon the use of a developer-built model. Additionally, several developers have expressed interest in this project, one of which claimed that the facility could be built for approximately $550 per square foot, which is significantly lower than UC's typical costs.

Mr. Spaulding stated that, if this model is embraced, UC's next steps include the development of a new model, alignment of existing policies, and the creation of new policies to support the developer-built approach. He asserted that when the project is appropriate and faculty and campuses are supportive, developer-built buildings should be embraced as an economically efficient approach to new facility construction.

Regent Marcus commented that the developer-built model poses a number of very complicated issues, including property ownership and market involvement in lease rates. He stressed the importance of assuring that arrangements benefit the University, because there are significant potential downsides to the developer-built approach.

Regent Hopkinson agreed that the developer-built model is an extremely complicated issue and must be analyzed from a broader perspective before it is embraced. She stressed that no one model will fit all situations. Mr. Spaulding acknowledged Regent Hopkinson's comments, reiterating that the UCSF campus is stepping forward as one that would like to experiment with this approach.

3. **FACULTY RESEARCH IN CLIMATE CHANGE SCIENCE**

Professor Anthony Haymet, Director of the Scripps Institution of Oceanography, led a discussion on UC faculty research related to climate change and global warming. Mr. Haymet related how the El Niño event that hit the coast of California in 1998 was predicted by UC scientists, allowing mitigation of the impact due to an ad hoc group of scientists, policy makers, and legislators that was able to respond in advance of the event. This ad hoc group led to the establishment of the California Applications Program in 1999 and the California Climate Change Center in 2003, both associated with the Scripps Institution of Oceanography at UC San Diego. In June 2005, the Governor issued an Executive Order for California to prepare biennial science reports on the potential impact of continued global warming on the economy. The California Environmental Protection Agency designated the California Climate Change Center to lead the

effort, and the first report was issued in July 2006. This report provided the key scientific background for California's greenhouse gas emissions legislation, AB-32, which was passed in the fall of 2006. The second California climate change assessment will be completed in 2008, with input from experts from the UC campuses of Berkeley, Davis, Los Angeles, Merced, Santa Barbara, and Santa Cruz, and from the Lawrence Berkeley National Laboratory and the Lawrence Livermore National Laboratory. Mr. Daniel Cayan, Researcher at Scripps Institution of Oceanography, serves as the science leader for the endeavor.

Mr. Haymet explained the findings of studies conducted by UC researchers that, over the next 30 years, California will have less snow and more rain, posing problems for the State, particularly in terms of water storage and runoff used for agriculture. California will also experience significant increases in summer wildfires, the rising of sea levels, flooding, and loss of beach sand. These studies provide important information to State agencies that will aid them in designing appropriate infrastructure to address the impacts of these changes.

Regent Garamendi noted that the State is undergoing a process whereby scientists and researchers, including those at UC, are developing a model for the application of research, technology, and telemetry to understand what is happening in real time in the Sierra Nevada mountains. This process will be conducted in conjunction with the water districts that operate one of the major water sheds in California, either the San Joaquin or Tuolumne, to test the application and adapt and modify the operating regimes of the reservoirs in real time. Regent Garamendi noted that this is just one of many ways that the University is serving the immediate policy and operational needs of the water systems in California. Chairman Blum agreed that water storage in California is a huge issue that needs to be addressed.

The meeting adjourned at 11:30 a.m.

Attest:

Secretary and Chief of Staff