

The Regents of the University of California

**COMMITTEE ON GROUNDS AND BUILDINGS**

July 21, 2015

The Committee on Grounds and Buildings met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members present: Regents Davis, Elliott, Makarechian, Oved, Pérez, Ruiz, and Zettel; Ex officio member Lozano; Advisory member Hare; Staff Advisors Acker and Richmond

In attendance: Regents Gorman and Ortiz Oakley, Regent-designate Brody, Faculty Representative Gilly, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Executive Vice President and Chief Financial Officer Brostrom, Chancellors Hawgood, Khosla, Leland, and Wilcox, and Recording Secretary McCarthy

The meeting convened at 1:00 p.m. with Committee Chair Makarechian presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of May 20, 2015 were approved.

2. **OVERVIEW OF CAPITAL STRATEGY, SAN FRANCISCO CAMPUS**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President and Chief Financial Officer Brostrom introduced this overview of UC San Francisco’s capital strategy, which would provide a context for four projects that would be presented to the Committee at this meeting, two for approval of preliminary plans funding and two for discussion. Chancellor Hawgood observed that these projects represented significant investments by UCSF in facilities at its Parnassus Heights and Mission Bay campuses, and at San Francisco General Hospital. The campus was seeking approval of preliminary plans funding for the seismic retrofit and renovation of UC Hall, one of the oldest buildings on the Parnassus Heights campus. Approval of preliminary plans funding would also be sought at this meeting for construction of a new academic building on the city-owned campus of San Francisco General Hospital (SFGH) to provide a new seismically safe facility for researchers there. Discussion items would involve development of a new research and clinical building on the Mission Bay East Campus Block 33, on land purchased the prior year, and a new Precision Cancer Medicine Building at Mission Bay where UCSF Health would provide state-of-the-art cancer outpatient care.

Chancellor Hawgood noted the unique nature of UCSF, which focuses exclusively on health sciences and enrolls approximately 3,000 graduate and professional students and no undergraduate students. UCSF receives just one percent of its revenue from student tuition and fees, and only four percent from the State. Less than 15 percent of UCSF faculty receive any State support. More than 80 percent of UCSF revenues are generated from its clinical and research enterprises. In 2013-14 UCSF revenues totaled \$4.5 billion and its revenues are expected to grow to over \$7 billion in the next ten years, largely through growth in its clinical enterprise, and its grant and contract activity.

Chancellor Hawgood highlighted major elements of UCSF's capital program. Over the next ten years, the campus is projected to invest up to \$2.4 billion in capital projects for UCSF Health and the campus. First, seismic safety is a major driver of the capital plan, for both the upcoming few years and over the longer term. Several near-term projects would reduce UCSF's seismic risk. Second, UCSF would continue to grow its Mission Bay campus as a way to help address seismic needs on its other campuses and to achieve savings through site and lease consolidation. Third, the capital plan is driven by needs for expansion, renovation of space, and renewal and replacement of building systems and equipment to maintain state-of-the-art facilities and market competitiveness. Future projects would be funded largely from health system operating margins and philanthropy. Chancellor Hawgood emphasized that if operating margins were not adequate, capital projects would be scaled back. Fourth, auxiliary projects would address UCSF's needs for student housing, child care, and parking. Fifth, on a smaller scale, the campus has developed programs to address renewal and maintenance in other existing facilities. Through its Facilities Investment Needs program, the campus tracks, prioritizes, and addresses critical deferred maintenance and code compliance issues on an annual basis. Finally, UCSF has developed a new building focus strategy for renewal that would involve intensive retrofit and renovation of facilities that have reached 25 years of age, ensuring that UCSF's deferred maintenance problem does not worsen as time passes.

Campus projects would be funded from various sources. UCSF continues to be successful in attracting philanthropy to help address its capital needs, having a record year for the UC system in philanthropy in fiscal year 2015. UCSF is using its existing century bond proceeds as a revolving fund to support facility investment needs. The campus has some funds to make modest equity contributions to certain projects and would also pursue additional campus debt to spread costs over projects' lifetimes. Debt ratios were being carefully monitored; the campus has ample debt capacity and the necessary operating margins to service that debt over the next decade.

The recent long-term lease of UCSF's Laurel Heights property to a private developer means that UCSF would vacate Laurel Heights completely and must find new locations for the research and administration that occurs there. Some research would be moved to Parnassus Heights, but the majority of Laurel Heights' research and administrative staff would move to Mission Bay. At a future meeting, the Regents would be asked to approve preliminary plans funding for the East Campus Phase One Building to be located on Block 33, across Third Street from the new Mission Bay hospitals on land acquired late the prior year. The seismic retrofit of the Clinical Sciences Building at the Parnassus

campus was underway. The campus was seeking approval of preliminary plans funding for the UC Hall retrofit, which would include the conversion of three floors into student housing and the remaining three floors into desktop workspaces. In addition, Moffitt Hospital does not meet the 2030 State seismic standards for acute care hospitals and would need to be decommissioned as an inpatient facility by that time. In the next decade, UCSF expects to demolish the current home of the Langley Porter Psychiatric Institute in order to build a new pavilion for the Medical Center into which inpatient program now in Moffitt Hospital would be moved. The psychiatry and ophthalmology laboratories and clinics now on the Parnassus campus would be moved to Mission Bay. Some space for ophthalmology clinics and offices would be accommodated in the East Campus Phase One Building and a proposal for a new research building on the Mission Bay campus to accommodate psychiatry and ophthalmology laboratories would be presented at a future meeting. UCSF is collaborating with a major donor to develop a new facility for psychiatric clinics, education, research, and administration in the Mission Bay area.

Additionally, UCSF needs a new research building in order to move its research staff out of seismically compromised facilities at the SFGH campus, owned by the City and County of San Francisco. UCSF has had a proud 150-year relationship with the City at SFGH, where UCSF clinicians and researchers provide medical services together with San Francisco Department of Public Health employees. SFGH is not owned and operated by UCSF Health, but is critically important as a teaching hospital and research site for UCSF. The campus was requesting approval of preliminary plans funding to begin design of this research building.

As part of its cancer care strategy, UCSF intends to consolidate and expand its cancer outpatient services at Mission Bay. At a future meeting, the campus would request approval of preliminary plans funding for the new Precision Cancer Medicine Building, the final building of Phase One of UCSF Medical Center at Mission Bay. This building was included as the Cancer Outpatient Building in the Mission Bay Clinical Facilities approved by the Regents in 2008. It would support and advance the California Initiative to Advance Precision Medicine and enable UCSF to provide state-of-the-art cancer outpatient care.

Discussing UCSF's timeline for these projects, Chancellor Hawgood observed that the campus has fewer than five years before it must vacate the Laurel Heights campus. So work must be completed on the Mission Bay East Campus Phase One Building before that time to accommodate most of the programs currently at Laurel Heights. The other major projects would proceed during the same time period and the campus would continue its work on scheduled renewal and facility investment.

Chancellor Hawgood summarized the four projects that would be considered at this meeting. Approval of preliminary plans funding for the UC Hall and SFGH Research Building projects would be requested. The UC Hall retrofit and renovation would address seismic safety and provide additional housing on the Parnassus campus at a total cost of \$183 million, funded from both new campus debt and equity. The new building at SFGH would help move employees out of seismically challenged facilities currently owned and

leased from the City. This project would be built on land owned by the City and County of San Francisco, which UCSF would lease. A nonbinding term sheet for a 75-year ground lease with the City had been approved by President Napolitano's office; the campus anticipated approval by the San Francisco City and County Board of Supervisors at its meeting that day. The \$188 million project would be funded from both debt and equity.

The Mission Bay East Campus Phase One Building would house research, clinical, and administrative programs being displaced from Laurel Heights and Parnassus, including ophthalmology clinics moving from UC Hall and the ambulatory clinic building at Parnassus. The project's \$237 million construction cost would be funded from a combination of philanthropic support, which the campus has in hand, new debt, and equity.

The Precision Cancer Medicine Building would address program expansion needs. Its \$250 million cost would be supported through gifts and equity. By constructing this new cancer facility of critical strategic importance to UCSF, the campus would provide an expanded cancer treatment center for its patients and help UCSF Health expand its overall regional reach. Strategic investment in UCSF's cancer research and clinical programs would in turn generate additional health system revenue.

In conclusion, Chancellor Hawgood commented that UCSF has been conducting careful analysis of both its operations and its capacity for capital investment. UCSF currently has a positive operating margin and a strong cash flow. Its debt capacity measures are all within the University's debt model standards. UCSF is aggressively pursuing strategies for project delivery that would ensure completion within competitive budgets and schedules, as the campus' successful record has recently shown.

Committee Chair Makarechian complimented the Chancellor and his team for their presentation and delivering the new hospital at Mission Bay on time and under budget.

Regent Ortiz Oakley asked about the debt that would be incurred as part of the financing of these projects. Chancellor Hawgood responded that the combined debt for these four projects would total \$450 million, for which the campus has the capacity and the operating margins to support the debt service. The campus' long-term debt model extends almost 40 years. Chancellor Hawgood expressed his view that UCSF's current operating margins and ten-year operating plan would be more than sufficient to support the debt. Aside from the new hospitals, the campus' capital plan had been relatively conservative over the years following the 2008 recession; these new plans to reinvest in its facilities demonstrate UCSF's strong performance coming out of that period. Mr. Brostrom expressed support for Chancellor Hawgood's view, adding that most of this debt would be on UCSF's credit, supported by a separate lien. Regent Ortiz Oakley asked if UCSF's debt service would affect the University's overall debt service. Mr. Brostrom confirmed

that it would not, since it would be a separate lien based exclusively on the pooled revenues of all UC medical centers.\*

Regent Ruiz asked what risks Chancellor Hawgood saw for UCSF, given the fast-paced changes in the healthcare environment. Chancellor Hawgood responded that UCSF's detailed strategic planning led its leadership to the conclusion that growth with diversification of capital assets was critically important in the changing healthcare environment. For UCSF to stay at the same size would present a greater risk than embarking on an aggressive growth strategy to diversify its population served and its number and types of facilities where patients could be treated with the level of infrastructure appropriate for their disease. Chief Executive Officer Mark Laret added that there is risk to UCSF from increasing competition for provision of tertiary and quaternary specialty care services. Decreasing its cost structure for such services would encourage continued referrals from other health systems. Another risk is the movement away from fee-for-service medicine to providing health care to a larger population. Rather than being paid for each procedure performed, UCSF would be paid for keeping people healthy. UCSF is partnering with John Muir Health to create a regional accountable care organization and intends to become a major player in the population health arena. An additional risk is that, as a result of healthcare reform, Medi-Cal now covers almost one-third of Californians. Hospitals are paid about 60 percent of the cost of providing care to a Medi-Cal patient, about 90 percent of the cost of care for a Medicare patient, and 150 percent of the cost of care for a commercially insured patient. UCSF is experiencing an increase in Medi-Cal patients and a reduction in commercially insured patients who traditionally offset these costs. UCSF identified these risks some time ago and had been working aggressively to mitigate them. Doing nothing would be a risk in itself. The proposed capital plans reflect UCSF's best efforts to respond proactively to the changing healthcare environment.

Regent Ruiz asked about UC Health's systemwide efforts to respond to these changes. Mr. Laret emphasized that the success of UC's individual medical centers is linked to the success of UC Health as a whole. The major systemwide initiative to leverage scale for value had already yielded savings of \$50 million systemwide, with a goal of \$100 million in savings for the upcoming year. UC medical centers are collaborating in areas such as revenue cycle to help drive down costs.

Chairman Lozano complimented the campus on its presentation of these projects, particularly the inclusion of detailed information about alternatives considered for each project and the rationale for choosing the proposed project.

Regent Zettel asked for more information about the housing shortage at UCSF. Chancellor Hawgood said UCSF has a long waiting list for campus housing, which is priced 25 to 30 percent below market. The campus is currently performing a comprehensive real estate study with the help of its UCSF Foundation Real Estate

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\* See Minutes of September 15, 2015 Committee on Grounds and Buildings for Executive Vice President and Chief Financial Officer Brostrom's comments clarifying his remarks.

Committee and would provide proposed solutions to the UCSF housing crisis at a future meeting.

3. **APPROVAL OF PRELIMINARY PLANS FUNDING, UC HALL RETROFIT AND RENOVATION, SAN FRANCISCO CAMPUS**

The President of the University recommended that the 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Francisco: UCSF UC Hall Retrofit and Renovation – Preliminary Plans – \$11 million to be funded from campus funds.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Chancellor Hawgood explained that the proposed retrofit and renovation of UC Hall, the oldest building currently in use at UCSF, would be less expensive than demolishing it and rebuilding. The retrofitted UC Hall would increase UCSF’s student housing and provide academic offices for the expansion of UCSF Health and its hiring of additional physicians. Committee Chair Makarechian clarified that the requested \$11 million would be for funding of preliminary plans.

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

4. **APPROVAL OF PRELIMINARY PLANS FUNDING, SAN FRANCISCO GENERAL HOSPITAL RESEARCH BUILDING, SAN FRANCISCO CAMPUS**

The President of the University recommended that the 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Francisco: UCSF San Francisco General Hospital Research Building – Preliminary Plans – \$10.9 million to be funded from campus funds.

Committee Chair Makarechian briefly introduced the item. Chancellor Hawgood commented that this critical strategic project was for construction of a research building to be built on land ground-leased for a 75-year term from the City and County of San Francisco. The nonbinding terms of the ground lease would be discussed at the City and county of San Francisco Board of Supervisors’ meeting that day and had been unanimously approved the prior week by a committee of that Board. The new building would allow UCSF to move \$150 million of funded research out of poor-quality buildings constructed as infectious disease wards during World War One to a new building that would complement a state-of-the-art hospital scheduled to open in May 2016. Executive Vice President and Chief Financial Officer Brostrom added that the

existing buildings were seismically unsafe and UCSF would be required by UC Seismic Safety Policy to relocate those employees by 2019. Committee Chair Makarechian clarified that this item requested approval of \$10.9 million for preliminary plans funding. Regent Ruiz asked for more information about the 75-year ground lease, given that the life expectancy of new buildings is roughly 25 years. Chancellor Hawgood responded that terms for the extremely unlikely scenario that UCSF's affiliation agreement with the City and County of San Francisco to manage SFGH would be terminated were included in the nonbinding term sheet. A binding term sheet would be executed in about a year when the Environmental Impact Report would be brought to the Regents. If the affiliation were terminated, the research building would still belong to UCSF. Chancellor Hawgood added that he would provide further details when the project was brought to the Regents for full funding approval.

Regent Pérez asked for more detail. Chancellor Hawgood responded that the building would remain a UCSF research building. There is an option to extend the lease at year 60. He expressed his view that the City is as proud of its relationship with UCSF as UCSF is proud of its relationship with the San Francisco Department of Public Health. SFGH is generally acknowledged as one of the premier safety-net hospitals in the nation based on an unusually strong and mutually respectful 150-year affiliation between the City and the University.

Regent Zettel asked what degree of earthquake the new building would be designed to withstand. Associate Vice Chancellor and Campus Architect Michael Bade responded that the new research building would be designed to exceed seismic code requirements.

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

5. **PRELIMINARY PLANS FUNDING, MISSION BAY EAST CAMPUS PHASE 1 (BLOCK 33) BUILDING, SAN FRANCISCO CAMPUS**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Makarechian said that this discussion item would provide Regents the opportunity to address any concerns before the project was brought to the Regents at a future meeting for approval of preliminary plans funding.

Chancellor Hawgood explained that the proposed project was a 340,000-square-foot building, with 100,000 square feet devoted to UCSF ophthalmology programs including clinics, dry laboratories, and education. The remaining space would be allocated predominantly to programs moved from the Laurel Heights campus that had been ground-leased to a developer and must be vacated in four-and-one-half years. The new building would also allow UCSF to consolidate programs, such as its development office, currently in expensive leased space in San Francisco's financial district.

**6. PRELIMINARY PLANS FUNDING, PRECISION CANCER MEDICINE BUILDING AT MISSION BAY, SAN FRANCISCO CAMPUS**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Chancellor Hawgood observed that the Precision Cancer Medicine Building at Mission Bay would be devoted exclusively to clinical care and would complete Phase One of the UCSF Medical Center at Mission Bay. Because of funding issues, this building was not completed contemporaneously with the other buildings in Phase One. The campus is now confident of funding and the new building would complement and expand UCSF’s adult cancer care, radiation, and oncology services and would be the home of its cancer precision medicine efforts. He envisioned the building to be a destination facility for cancer patients throughout Northern California. Chancellor Hawgood explained that cancer biology is undergoing dramatic transformative changes with genome-based and immunologic approaches. Development of the Precision Cancer Medicine Building would help to drive this exciting kind of discovery.

**7. PRELIMINARY PLANS FUNDING, MULTIDISCIPLINARY RESEARCH BUILDING 1, RIVERSIDE CAMPUS**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Makarechian briefly introduced this discussion item. Executive Vice President and Chief Financial Officer Brostrom added that this project would be brought to the Regents at a future meeting for approval of preliminary plans funding. The item proposes construction of a new building of roughly 130,000 to 150,000 gross square feet located in the Riverside campus academic core to provide laboratory support facilities and space for faculty and academic support. The building would host multiple scientific disciplines, including some of the campus’ most popular programs such as biology and chemistry. The building is needed as part of the campus’ effort to reduce its student-faculty ratio, currently one of the highest in the UC system, support new strategic science initiatives, and remedy the present lack of flexible research space. By 2020, the campus would hire up to 300 new faculty and this new facility would provide them office and laboratory space. The project cost was preliminarily estimated to be \$150 million, including site improvements, infrastructure, and related financing. The Regents would be asked to approve preliminary plans funding of \$6.89 million at a future meeting.

Chancellor Wilcox provided context for the project, citing UC Riverside’s recent excellent rankings. A year prior, *Time Magazine* ranked UC Riverside first in the nation in student access and success, when campus descriptors were equally weighted. *Washington Monthly* ranked UCR second the nation in student access and success. Leiden University ranked UCR 17th in the world in physical sciences and engineering. UCR is not included in many other rating systems because it is too small, particularly in its number of faculty.



UCR has one of the highest student-faculty ratios in the UC system, 29 students per faculty member, because of the growth of its student population in recent years. UCR had 10,000 students and 500 faculty 15 years ago, and currently has 22,000 students and 670 faculty: a more than double increase in students and only a modest increase in faculty. The campus has been working to identify poorly utilized space on campus and found it could increase the capacity of its existing administration building by seven percent. The campus would also need to develop new space for faculty that would be hired.

Executive Vice Chancellor and Provost Paul D'Anieri discussed how the proposed project would support the academic mission of UC Riverside, which seeks to expand its strengths in citrus, agriculture, materials science, and air quality research. More than half of UCR's undergraduate students are directly engaged in its research mission; 86 percent are students of color; 60 percent first-generation college students; and 60 percent eligible to receive Pell Grants. UCR must hire more faculty in order to continue to offer its undergraduates opportunities to participate in research. The campus' goal is to focus on multidisciplinary and translational research. Its School of Medicine would offer many opportunities for research linking UCR's traditional strengths with community-based medicine. The campus would seek to hire multidisciplinary faculty groups. The campus has held a competition, requesting proposals from its faculty for areas to hire new faculty. It received 125 proposals, 30 of which were approved, which would lead to the hire of 130 new faculty in these 30 targeted fields. The campus would require flexible core research facilities for these faculty, built around open laboratory bays appropriate for multidisciplinary groups.

Vice Chancellor Maria Anguiano discussed funding for the \$150 million building, which would represent 20 percent of the campus' future capital plan. The campus would satisfy 30 percent of its need for space from increased utilization of existing space and another 20 percent from renovation of existing facilities and new construction. The proposed project would be a 130,000 to 150,000 gross-square-foot (gsf) building, at a cost of \$750 to \$850 per gsf, that would provide research space for 300 to 400 students, faculty, and staff, or about 50 principal investigators' research groups. The project would be funded by indirect cost recovery. Ms. Anguiano noted that the campus' federal awards have been increasing at the rapid pace of ten percent annually; at this early stage, the UC Riverside School of Medicine receives only five percent of the campus' grants and contracts. After the Multidisciplinary Research Building is completed, the campus' debt service coverage ratio would be 50 percent above the minimum threshold of 1.75.

Committee Chair Makarechian requested that a more complete financial model for the project be provided when it is brought to the Regents for full funding approval. He said he would not recommend approval of the project at the current projected cost of \$750 to \$850 per gsf, particularly when UC owns the land. He commented that Class A office space could be constructed in the Riverside area for half that cost, even when land has to be purchased. If the campus projects the cost to be that high, contractors would simply bid to that projected cost. He also recommended that the campus consider developing the project through a public-private delivery model and anticipated that many developers

would be interested in the project. Committee Chair Makarechian expressed his view that it would be outrageous to pay \$150 million for a 130,000 gsf building on University-owned land.

Regent Ortiz Oakley congratulated the Riverside campus on its record of student success. He asked how the hiring of new faculty would be coordinated with the timeline for construction of the new building. He asked if faculty hires were underway. Mr. D'Anieri responded that the campus had planned that the early faculty hires would be accommodated in space gained through more efficient use of existing space and then in renovated existing space. Subsequent hires would be accommodated in the new building, which was projected to be completed in four years.

Regent Ortiz Oakley asked about the campus' current rate of indirect cost recovery. Ms. Anguiano responded that it was 52 percent and expressed confidence in the funding plan.

Regent Ortiz Oakley urged the campus to use this opportunity to increase the diversity of its faculty.

Regent Ruiz asked about plans to increase UCR enrollment. Chancellor Wilcox responded that UCR's student body had more than doubled, with very little increase in faculty, so the new faculty hiring would be to reduce the student-faculty ratio. Long-term plans are for the campus enrollment to increase to 25,000 from its current 22,000. With its current student body, in order to make UCR's student-faculty ratio comparable to other UC campuses, the campus needs to add 300 faculty.

Regent Davis asked if, under the current allocation formula used by the University to allocate funds to students, there were students at UC Riverside for whom the campus receives no State funds. Chancellor Wilcox confirmed that the rapid growth in UCR enrollment happened at a time when the State was not increasing UC funding and it was difficult for the University to allocate funds to those campuses where enrollment was growing. In that sense, UC Riverside has many students, up to a few thousand, for whom no State funding was received. Chancellor Wilcox expressed optimism about current systemwide discussions about how to provide support to all UC students and, more importantly, how to create a funding system that is forward-looking rather than backward-looking. He expressed his view that the University currently had a backward-looking funding model that does not incentivize priorities of the University and the Regents. In general, UC Riverside is not as completely funded as much of the rest of the University.

Regent Pérez commented that he would like more information about the campus' plans to increase faculty diversity. Chancellor Wilcox stated that the campus' effort to increase diversity of this faculty hiring would be led by Mr. D'Anieri, who was developing specific plans.

Staff Advisor Acker urged the campus to consider increasing staff as well as faculty. Ms. Anguiano responded that UCR plans to increase the number of its staff, but at a slower pace than it had in the past.

**8. APPROVAL OF DESIGN FOLLOWING ACTION PURSUANT TO CALIFORNIA ENVIRONMENTAL QUALITY ACT, BIOLOGICAL AND PHYSICAL SCIENCES BUILDING, SAN DIEGO CAMPUS**

The President of the University recommended that, following review and consideration of the environmental consequences of the proposed Biological and Physical Sciences Building, as required by the California Environmental Quality Act, including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Committee on Grounds and Buildings:

- A. Adopt the Mitigated Negative Declaration.
- B. Adopt the Mitigation Monitoring and Reporting Program and Findings.
- C. Approve the design of the Biological and Physical Sciences Building, San Diego campus.
- D. Authorize the President or her designee in consultation with the General Counsel to indemnify the California Coastal Commission if required as a condition of Commission approval of a Coastal Development Permit and accept any modifications to the Biological and Physical Sciences Building project that do not substantially modify the scope or design approved by the Regents.
- E. Authorize the President or her designee in consultation with the General Counsel to approve and execute any documents necessary in connection with the above.

[The Mitigated Negative Declaration and the Mitigation Monitoring and Reporting Program and Findings were provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President and Chief Financial Officer Brostrom commented that this item requested design approval for the Biological and Physical Sciences Building at UC San Diego following action pursuant to the California Environmental Quality Act (CEQA). The Building would provide approximately 126,000 gross square feet of space for teaching laboratories and support, research and scholarly activity, and other academic support. It would provide modern instruction and research space for biological sciences and chemistry/biochemistry.

Regent Zettel asked about the status of approval from the California Coastal Commission. Assistant Vice Chancellor Joel King said a formal application to the

Coastal Commission was required to be submitted after this action by the Regents. The campus had already held several community outreach meetings. A main concern of the Coastal Commission is the potential for sea-level rise, but the Building would be set back sufficiently from the coast and elevated a few hundred feet, so Mr. King anticipated approval.

Upon motion duly made and seconded, the Committee approved the President’s recommendation.

9. **APPROVAL OF DESIGN FOLLOWING ACTION PURSUANT TO CALIFORNIA ENVIRONMENTAL QUALITY ACT, OUTPATIENT PAVILION, SAN DIEGO CAMPUS**

The President of the University recommended that, following review and consideration of the environmental consequences of the proposed Outpatient Pavilion, as required by the California Environmental Quality Act, including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Committee on Grounds and Buildings:

- A. Certify the Environmental Impact Report.
- B. Adopt the Mitigation Monitoring and Reporting Program and the Findings.
- C. Approve the design of the Outpatient Pavilion, San Diego campus.

[The Environmental Impact Report, and the Mitigation Monitoring and Reporting Program and Findings were provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Makarechian briefly introduced the item that the Committee had reviewed at previous meetings.

Upon motion duly made and seconded, the Committee approved the President’s recommendation.

10. **APPROVAL OF THE BUDGET, APPROVAL OF EXTERNAL FINANCING, AND APPROVAL OF DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, DOWNTOWN CENTER, MERCED CAMPUS**

- A. The President of the University recommended that:
  - (1) The 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Merced: Downtown Center – preliminary plans – \$1.36 million to be funded from campus funds.

To: Merced: Downtown Center – preliminary plans, working drawings, construction and equipment – \$45,116,000 to be funded from external financing (\$41,998,000 of previously issued Century Bonds) and campus funds of \$3,118,000.

- (2) The scope of the Downtown Center shall consist of constructing a three-story, 67,400-gross-square-foot building that would provide approximately 40,580 assignable square feet (asf) of administrative space and 6,600 asf of mixed-use collaborative space.
- (3) The President be authorized to utilize external financing in an amount not to exceed \$41,998,000 to finance the Downtown Center project. The President shall require that:
  - a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
  - b. As long as the debt is outstanding, general revenues from the Merced campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
  - c. The general credit of the Regents shall not be pledged.

B. The President recommended that, following review and consideration of the environmental consequences of the proposed Downtown Center project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Committee on Grounds and Buildings:

- (1) Adopt the Initial Study/Mitigated Negative Declaration for the Downtown Center project in accordance with CEQA.
- (2) Adopt the CEQA Findings for the Downtown Center project.
- (3) Approve the design of the Downtown Center project for the Merced campus.

[The Initial Study/Mitigated Negative Declaration and CEQA Findings were provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Makarechian briefly introduced the item, which the Committee had reviewed at previous meetings. Chancellor Leland explained that part of UC Merced’s strategy for increasing the campus’ capacity to 10,000 students was to reduce the size of the campus footprint to save significant infrastructure expansion costs and to consolidate administrative functions in downtown Merced. That consolidation would have additional benefits of increasing the campus’ presence in downtown Merced in existing facilities supporting the arts and through its extended education programs. The building space would be flexible, allowing the campus to accommodate changes in staffing and other needs with minimal renovation.

Committee Chair Makarechian asked why the commercial space had been removed from the first floor and what effect that would have on the project’s financing model. Chancellor Leland responded that the financing model of funding through century bond proceeds would not be changed. The building would still have a small self-sustaining food/retail outlet, but the campus had to be sensitive to competing with local businesses in the area. Additionally, the campus had to reduce the building’s space because of budget limitations, and concluded that classrooms and space for extended education were a higher priority.

Regent Pérez thanked Chancellor Leland and her team for their effort on this presentation.

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

The meeting adjourned at 2:20 p.m.

Attest:

Secretary and Chief of Staff