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Office of the President

TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:

ACTION ITEM

For Meeting of July 21, 2015

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

EXECUTIVE SUMMARY

The San Francisco Campus proposes to construct a new 175,000-gross-square-foot (gsf) building of wet and dry laboratory, and administrative desktop space on the Priscilla and Mark Zuckerberg San Francisco General Hospital and Trauma Center (SFGH) campus, on land leased from the City and County of San Francisco (City). The building would accommodate UC San Francisco (UCSF) researchers currently located in seven seismically compromised buildings at SFGH. The proposed facility would provide modern research facilities for programs in at least 16 clinical departments including Anesthesia, Obstetrics and Gynecology, Pediatrics, and Surgery, and would accommodate approximately 800 UCSF employees including 680 existing on-site employees and 120 employees affiliated with SFGH but located in leased space at other locations.

The building site is located at the SFGH campus on a surface parking lot to be leased from the City. The ability for UCSF faculty to continue providing services at SFGH is viewed as critical to campus programs and there are no suitable existing facilities or land development opportunities in the area, making a ground lease the most viable method of site control.

The preliminary estimate for this project, which would include the cost of building construction, site improvements, infrastructure, replacement parking, and financing, is $187.6 million to be funded from campus funds and external financing. The debt service is proposed to be funded with campus funds and portions of the project would be eligible for State funding in the event funding becomes available. The breakdown between all fund sources will be provided when full budget approval for the project is sought.

This item requests the approval of preliminary plans ("P") funding in the amount of $10.9 million to be funded by campus funds, specifically from a centrally managed pool of unrestricted funds (non-State, non-tuition). These funds are derived from a variety of sources, including indirect cost recovery on sponsored contracts and grants, gift assessments, and investment earnings. Expenditures of those funds will not occur until after approval of the non-binding Term Sheet by the City. Approval of full budget, associated external financing, design,

and CEQA documentation will be requested in a future Regents' item for consideration by the Committee on Grounds and Buildings. Approval of the terms of the ground lease with the City will be requested in a subsequent Regents Item for consideration by the Committee on Finance.

RECOMMENDATION

The President of the University recommends that the Committee on Grounds and Buildings recommend to the Regents 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.

BACKGROUND

Context

The Priscilla and Mark Zuckerberg San Francisco General Hospital and Trauma Center (SFGH), which is owned and operated by the City and County of San Francisco (City), has a rich history with UCSF as partners in public health beginning in 1873. This 150-year-old partnership between the City and UCSF created, and now sustains, one of the country's top public hospitals, an institution that excels as a safety-net hospital, the city's only Level 1 trauma center, and as an academic medical center known worldwide for its research on intractable diseases and health interventions, as well as novel treatments.

SFGH is staffed by UCSF clinicians/researchers, as well as San Francisco Department of Public Health employees, and functions as a teaching hospital for UCSF's Schools of Medicine, Dentistry, Nursing, and Pharmacy. The SFGH campus is home to more than 20 UCSF research centers, affiliated institutes, and major laboratories. About 100 UCSF principal investigators, many of whom provide patient care, lead important research programs based at the SFGH campus, generating more than $150 million in research revenue during fiscal year 2013-14, or about 17 percent of UCSF's total research revenue portfolio.

UCSF employees occupy approximately 212,000 assignable square feet (asf) in ten City-owned buildings at SFGH in research laboratories, clinics, and offices. Of that space, approximately 172,000 asf are located in the nine SFGH buildings that do not comply with the University's Seismic Safety Policy. In accordance with that Policy and as recommended by the California State University (CSU) Seismic Review Board, UCSF must seismically upgrade non-compliant structures (rated Level V, VI, or VII per Ch. 34 of the California Building Code), or relocate staff and faculty to compliant structures by October 2019 as recommended by the CSU Seismic Review Board. The option to upgrade the existing buildings at SFGH was explored and determined to be cost-prohibitive and impractical for the following reasons: (1) The buildings are shared with City employees. (2) Before retrofit, the buildings must be vacated, for which no existing space is available. (3) The building's systems must be completely overhauled and new

interior improvements must be constructed. (4) The buildings are neither sized nor configured to optimally support contemporary research.

The SFGH Campus Site

The proposed project site is a City-owned surface parking lot (the B/C lot) located on 23rd Street between Potrero Avenue and Vermont Street. As shown in Attachment 4, Figure 2, SFGH faces Potrero Avenue and is bounded by 22nd, 23rd, and Vermont Streets in the southeastern portion of San Francisco, just over a mile from UCSF's Mission Bay campus site. The site is located in a densely populated urban area consisting of mostly residential and commercial functions.

Existing Buildings

The proposed project would relocate UCSF occupants from seven buildings at the SFGH complex: Buildings 1, 9, 10, 20, 30, 40, and 100. Buildings 10, 20, 30, and 40 are constructed of a riveted steel frame with unreinforced masonry exterior walls and are rated Level VI (on a scale of I to VII) for earthquake performance, per Chapter 34 of the California Building Code. Buildings 1, 5, 9, 80/90, and 100 are rated Level V. The City plans to seismically retrofit Building 5 beginning in 2017, and UCSF employees currently located in Building 80/90 would move to the upgraded Building 5 and join other UCSF employees there. UCSF plans to maintain its lease of Building 3, which complies with the University's Seismic Safety Policy.

PROJECT DRIVERS

Comply with Seismic Policy

To comply with UC's Seismic Safety Policy and recommendations by the CSU Seismic Review Board, UCSF must either seismically upgrade the non-compliant structures (rated Levels V, VI, or VII) that it occupies at SFGH or relocate UCSF staff and faculty to compliant structures by October 2019.

Adjacency to Clinical Facilities

UCSF physicians at SFGH must have their office and research spaces within walking distance of SFGH clinical facilities in order to: (1) maintain timely access to patients from physicians' office or research lab; (2) facilitate clinical research; and (3) maintain close collaboration with other clinical researchers at the campus. UCSF faculty and staff located at the SFGH campus are in and out of the hospital/clinical facilities all day and must be able to move fluidly and efficiently between hospital, clinic, office, and research areas. Therefore, to maximize productivity, their research and office spaces must be within a five-minute walk of the hospital facilities. This is similar to the hospital to research/office facilities topographies at the Parnassus and Mission Bay campuses. Due to patient care, research, and training responsibilities, clinical faculty and staff cannot commute from an available off-site location without a significant daily loss in productivity. This proximity is especially important because SFGH is a Level 1 Trauma Center and physicians are required to respond quickly. Without a new research facility at SFGH, faculty

staff, fellows, and residents would have no place to conduct their research and academic work while on the SFGH campus, and they would spend valuable time traveling to other places to do their important research work.

Consolidate Off-Site Leases

The project would be an opportunity to relocate 120 UCSF faculty and staff from three campus buildings and three leased buildings to the proposed project on the SFGH campus. (See Table 1.) These programs are all affiliated with SFGH. Their presence on campus will strengthen collaborative opportunities.

Table 1. Leased Space Occupants Proposed for SFGH New Research Building

Program	No. of Occupants	Current Location
Family and Community Medicine	12	Laurel Heights Campus
Family and Community Medicine	3	Parnassus Heights Campus
Medicine, TB Currey Center	13	300 Frank Ogawa Plaza, Oakland
OB/Gynecology, Bixby Program	34	Laurel Heights Campus
OB/Gynecology	23	300 Frank Ogawa Plaza, Oakland
OB/Gynecology	35	1330 Broadway, San Francisco
Total Headcount	120	

Impact of Alternative Sites on Research Programs

Building a new research building on the SFGH B/C lot will allow UCSF's current programs at SFGH to continue to grow and develop while satisfying the University's Seismic Safety Policy. In contrast, building a new research building at a site remote to SFGH would have negative impacts and incur higher risks for the University. The sites considered (Attachment 2) were located more than one mile from the SFGH campus and would entail 15-20 minute shuttle rides in each direction for UCSF employees traveling between SFGH and the alternate site. The separate location and associated travel times have been negatively received by SFGH faculty and staff and could cause clinician-scientist faculty and medical students drawn to UCSF by the SFGH program to look for other options for their careers, resulting in the loss of research programs and of excellence in medical care at SFGH. With distance stretching the efficient clinic and laboratory relationship, which is now a significant enabling factor in the SFGH operation, existing clinician researchers at SFGH who leave could be replaced with clinicians who do not conduct research at all or do not conduct research that is clinically oriented or focused on the SFGH patient population. This would lead to loss of research funding and/or loss of research that is focused on the SFGH patient population.

The financial impacts on the research enterprise of relocating the research facility to an alternative non-SFGH site are measured in terms of lost indirect cost recovery (ICR) on research contracts and grants, and the cost to retain existing faculty affected by the move and/or recruit new faculty to replace those who choose to leave UCSF as a result of the move away from SFGH. In fiscal year 2013-14, 100 physician (faculty) scientists with research space at UCSF

generated $17.5 million in ICR. Notably, the top 30 producers generated $13.2 million of ICR. In addition, a typical recruitment package for a new faculty member costs roughly $750,000.

Under a very modest scenario, if just ten percent of SFGH principal investigators decided to leave UCSF as a result of a move away from SFGH and these investigators were replaced over five years, the 40-year net present value financial impact on the campus would be roughly $10 million. This modest impact makes the alternative site options less cost effective than building at the SFGH site. In a more extreme case, if the top 30 producers were assumed to leave, the negative impact is estimated to be roughly $42 million due to lost ICR and additional recruitment costs, amplifying the difference in cost.

PROJECT DESCRIPTION

The proposed 175,000-gross-square-foot (gsf) research building would accommodate bench research and desktop research programs, as well as administrative functions. The building would accommodate approximately 800 UCSF employees including 680 existing on-site employees and 120 employees affiliated with SFGH but currently located in off-site leased space. Sixteen UCSF clinical departments[1] would be represented in the new building. The building would not house programs providing clinical services, as these are provided in adjacent City-owned buildings on the SFGH campus. The City has agreed to ground lease[2] this site to UCSF to construct a building for its sole occupancy. The base term of the lease would be for 75 years and include an option for an additional 24 years.

The deeper floor plates in the proposed building would allow for greater efficiencies in the use of space than are found in the existing 80- to 100-year old buildings, which were originally constructed for clinical functions, such as World War I-era infectious disease wards. UCSF would maximize space by planning generic wet laboratories with shared equipment rooms and minimize workspace sizes while providing unassigned private work and meeting spaces for programs to share.

The proposed building would be five stories plus a penthouse at a cornice height of approximately 80 feet. The fourth and fifth stories would step back at the 48’ podium height in order to reduce the massing to align visually with two- and three-story residential structures across 23rd Street.

Site improvements would consist of sidewalks, relocation of a modular food service building, relocation of a historic decorative fountain serving as a planter in the parking lot, plus new landscaping. The project would also include construction of a new on-campus street with 30 on-street parking spaces that would include disabled spaces and drop-off and pick-up spaces,

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[1] Anesthesia, Dermatology, Family and Community Medicine, Gynecology, Lab Medicine, Medicine, Nephrology, Neurology, Neurosurgery, Obstetrics, Orthopedic Surgery, Otolaryngology, Pathology, Pediatrics, Psychiatry, and Surgery.

[2] A non-binding Term Sheet with the City was accepted by the Office of the President and is pending approval by the Board of Supervisors, which is expected by August 2015. The ground lease agreement will be negotiated in the coming months and will be submitted to the Regents for approval in 2016.

between existing Building 5 and the new research building to provide convenient access to clinics and a new Urgent Care Clinic in Building 5. Because of construction of the new building, 130 parking spaces would be displaced from the B/C surface parking lot. In addition, the City plans to move clinics from other locations to SFGH, thereby creating new parking demand that cannot be met by the existing SFGH parking facilities. In order to accommodate the displaced parking spaces and provide needed additional parking, the San Francisco Municipal Transportation Agency is considering the construction of an addition to the existing City parking garage on 23rd Street. UCSF plans to contribute funds toward the replacement costs of the 130 displaced spaces in the garage addition; these funds could be applied to the garage addition or alternatives to the garage addition.

Table 2: Program Summary

PROGRAM	**GSF**
Wet Lab Research	73,000
Desktop Research, Academic Work Space, and Administration	102,000
TOTAL	**175,000**

Approval Request and Schedule

The requested preliminary plans ("P") funding of $10.9 million would enable UCSF to complete programming, schematic design, and design development prior to submitting the Project for full budget and financing approval of the Regents. The funding would support site surveys, specialty consultants, preparation of an Environmental Impact Report pursuant to the California Environmental Quality Act (CEQA), and cost analysis.

The campus intends to submit the Ground Lease and Environmental Impact Report to the Regents for approval (and CEQA certification) in May 2016, and submit the project for full budget, design, and financing approval in the fall of 2016. Following these approvals, it is estimated that construction would commence in spring 2017 with the goal of completion by summer 2019.

Funding Plan

The total project budget for preliminary plans, working drawings, construction, and moveable equipment is currently estimated to be approximately $187.6 million. The project is intended to be funded with campus funds and external financing for which debt service would be funded with campus funds and could be eligible for State appropriations under the AB 94 mechanism if available. The breakdown among all fund sources will be provided when full budget approval for the project is sought.

The estimated cost for the preliminary plans phase is $10.9 million to be funded by campus funds, specifically a centrally managed pool of unrestricted funds (non-State, non-tuition) derived from a variety of sources, including ICR on sponsored contracts and grants, gift assessments, and investment earnings.

Key to Acronyms

ASF	Assignable Square Feet
CCSF	City and County of San Francisco
CEQA	California Environmental Quality Act
GSF	Gross Square Feet
ICR	Indirect Cost Recovery
P	Preliminary Plans
SFGH	San Francisco General Hospital and Trauma Center

ATTACHMENTS:

Attachment 1: Preliminary Plans Budget
Attachment 2: Alternatives Analysis
Attachment 3: Delivery Model
Attachment 4: Project Location (Figure 1)
SFGH Campus Buildings and Seismic Ratings (Figure 2)
Project Site (Figure 3).

ATTACHMENT 1

PRELIMINARY PLANS BUDGET

Category	Amount
Fees [3]	$2,850,000
Campus Administration [4]	$3,300,000
Surveys, Tests, Plans, and Specifications [5]	$350,000
Special Items [6]	$4,400,000
Total Preliminary Plans Budget	**$10,900,000**

The preliminary plans budget will include the following activities. A Master Architect team with engineering consultants will be engaged to deliver programming, design and technical criteria documents that will form the basis for the definition of the Request For Proposal for the design builder. Capital programs will produce the pre-qualification and qualification documents to enable the design-build selection process. Other activities such as CEQA, community outreach, internal review, and coordination will occur during this period. The co-location space for the design-build team, referred to as the "Big Room" will be arranged during this phase for the team to work in an integrated process as planning and design continue with deep engagement with leadership, internal resources, and the users.

[3] Architect and Technical Team, Design Development to Regents Design, Construction Management Consultants, Plan Review, and Team Mobilization

[4] Campus Project Management and Contract Administration

[5] Includes Hazardous Materials Survey and Testing

[6] Legal and CEQA Consultants, Community Presentations, CEQA Approval, and Campus Planning

ATTACHMENT 2

ALTERNATIVES ANALYSIS

Options Analyzed in the Business Case Analysis

The selection of alternatives evolved through a lengthy planning process. UCSF evaluated alternative sites, building sizes, programmatic relationships, and delivery models. This effort was critical to identifying a preferred option that addressed UCSF's strategic, program, and financial objectives.

Three siting options were compared, each assuming a 175,000 gsf building with 60 percent dry programs (faculty offices, desktop research, and administration) and 40 percent bench or wet lab research:

Option 1 – The Proposed Project: New Research Building on City/County SFGH Campus
($187.6 million)

Construct a new research building on the B/C parking lot on the SFGH campus, for which UCSF and the City have negotiated ground lease terms. Other potential sites on the SFGH campus, involving new construction with or without demolition, were evaluated. Those sites did not accommodate all of the needed replacement research space, and/or involved demolition of historic buildings, which would not be acceptable to the City.

Option 2 – New Research Building on the UCSF Mission Center Building parking lot
($185.8 million)

This option would isolate UCSF researchers from both their clinical practices and from interaction with a large robust research community.

Options 3 & 4 – New Research Building at the UCSF Mission Bay North Campus
(Block 23A $208.1 million or Block 16B $215.5 million)

These options would provide a robust research community, but would isolate the faculty from their clinical and teaching duties at SFGH. Not only would faculty be separated from their patients, but recruitment and retention of faculty would be adversely affected.

Options Considered but not Analyzed in the Business Case Analysis

Leasing Research Space

Leasing existing or new off-site research space was considered and rejected for the following reasons. First, as noted, off-site research space must be within convenient walking distance of the SFGH campus or the relocation of the research would result in a loss of researchers and research funding and a negative effect on the research, educational, and patient care programs at SFGH. Second, there are no existing available buildings within walking distance of SFGH of a type and

capacity to provide replacement research space. Dispersing the SFGH research programs to multiple smaller leased sites would fragment the relationships and synergies between the SFGH researchers that collocation makes possible. Third, the costs of leasing space cannot be controlled by UCSF over a 75- to 100-year term, even if such a term could be secured, and would likely exceed in present value terms the costs of constructing and financing a new research building on the SFGH campus.

Renovation of Existing Buildings

Upgrading the existing SFGH buildings using UCSF resources is not practical or cost-effective for several reasons. First, the buildings are owned and more than half occupied by the City and County of San Francisco (CCSF), and an upgrade plan would have to re-house the combined UCSF and CCSF programs. The City has other capital priorities, and funds are not available within the timeframe required by UC Seismic Safety Policy. There is no space available for temporary relocations, which makes this option impractical. Even if sufficient temporary relocation space were available, and it is not, this approach would require a serial approach to renovation, and the program could not be completed in the time available (by October 2019).

- Importantly, the existing buildings currently occupied are also ill-suited to use as modern research space, and the increased structural capacity that would be required to bring them up to code would further impinge upon the utility of the buildings for research.
- Second, seismic renovation and historic preservation of multiple existing buildings, together with a complete overhaul of the buildings systems and renovation of the interior improvements needed to support contemporary research would be quite expensive compared with construction of a single new building to house the same programs.
- Third, the sizes and configurations of the existing building footprints are not optimal for contemporary research, so even if UCSF were to completely retrofit and renovate their interiors, the layout of the space would not support research programs well.
- Fourth, other sites on the SFGH campus, involving new construction with or without demolition, were evaluated. Those sites did not accommodate all of the needed replacement research space, and/or involved demolition of historic buildings, which would not be acceptable to the City.
- For these reasons the options of upgrading the existing buildings or constructing on other locations on the SFGH campus site were considered and rejected.

Conclusion

Option 1, construction of a new wet and dry research building on the B/C parking lot at SFGH is the only option that meets both programmatic and financial objectives.

ATTACHMENT 3

DELIVERY MODEL

UCSF intends to deliver the SFGH project using a Collaborative Design-Build project delivery model. This approach combines the benefits of traditional design-build while providing a design phase that integrates UCSF stakeholders better and uses proven lean design and construction processes to maximize the value delivered to the University.

The investment premise of the Collaborative Design-Build approach is to invest in a more intense Design Development phase of the project compared with traditional delivery. This additional investment in design, engineering, and construction management will allow the project team and UCSF to explore additional design options using target value design strategies, conduct production test run studies to improve construction productivity, and maximize systems performance within available construction funding. These efforts will also allow the project team to deliver the project more quickly, saving escalation cost in a vibrant San Francisco construction market.

Collaborative development of productivity improvement strategies will help improve the competitiveness of the project to attract trade contractors and skilled construction labor in comparison with other projects in a hot construction market. UCSF is exploring other ways of increasing the competitiveness of the project as well – including accelerating payment of approved pay applications. UCSF believes that the result of these measures will accelerate construction by roughly one year over what would otherwise be possible in the current San Francisco market, a market seeing widespread skilled labor shortages.

Successful design-build participants will pass through a two-phase prequalification process resulting in three prequalified design-build teams. These three teams will participate in a design build competition to deliver the best value to the University through a performance-based request for proposal (RFP) process. Included in the RFP will be project specific Technical Performance Criteria, Design Guidelines, and Programming Guidelines that reference UCSF standards for project delivery. Design-build teams will be required to commit to the University's Target Cost for the project and will submit partial designs along with a best-value questionnaire. The successful design-build team will complete the design with UCSF stakeholders, post award, using Lean Target Value Design methodologies to achieve the University's stated program, quality, target cost, and schedule.

UCSF continues to experience success delivering capital programs on time and on budget using design-build and lean delivery methods as demonstrated on our most recent projects in Mission Bay.

Alternate delivery models were considered including Public-Private Partnership, Construction Manager at Risk, and Design-Bid-Build and all were found to present unacceptable outcomes in view of our specific project needs.

ATTACHMENT 4

Figure 1: Project Location

Figure 2. SFGH Campus Buildings and Seismic Ratings

Figure 3: Project Site