

**FINANCE AND CAPITAL STRATEGIES COMMITTEE**

September 17, 2020

**TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA**

**1. CONSENT AGENDA**

**A. *Preliminary Plans Funding, Irvine Campus Medical Complex, Irvine Campus***

The Committee recommends that the 2020-21 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Irvine: Irvine Campus Medical Complex – partial preliminary plans – \$35,210,000 to be funded from hospital reserves.

To: Irvine: Irvine Campus Medical Complex – preliminary plans – \$67,503,000 to be funded from hospital reserves.

**B. *Preliminary Plans Funding and External Financing, Health and Behavioral Sciences Building, Merced Campus***

The Committee recommends that:

- (1) The 2020-21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Merced: Health and Behavioral Sciences Building – preliminary plans – \$12 million to be funded from external financing supported by State General Fund appropriations (\$7.8 million) and general campus reserves (\$4.2 million).

- (2) The President of the University shall be authorized to obtain external financing not to exceed \$7.8 million, plus additional related financing costs to finance the preliminary plans for the Health and Behavioral Sciences Building. 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. The primary source of repayment shall be from State General Fund appropriations, pursuant to the Education Code Section 92493 et seq. Should State General Fund appropriation funds not be available, the President shall have the authority to use any legally available funds to make debt service payments.

- c. 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.
- d. The general credit of the Regents shall not be pledged.

**C. *Approval of Design Following Action Pursuant to the California Environmental Quality Act, Welcome Center Building on Lawrence Berkeley National Laboratory's Main Campus in Berkeley***

The Committee recommends, following review and consideration of the environmental consequences of the Welcome Center Building Project (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 to the Regents 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, that the Regents:

- (1) Following review and consideration of the previously certified Lawrence Berkeley National Laboratory (LBNL) 2006 Long Range Development Plan (LRDP) Environmental Impact Report (EIR), as supplemented, of which the Project is a part, determine that no further environmental analysis pursuant to CEQA is required and adopt CEQA Findings in connection with the Project.
- (2) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of LBNL, as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2006 LRDP EIR.
- (3) Approve the design of the Welcome Center Building and related site work, Lawrence Berkeley National Laboratory.

**D. *Preliminary Plans Funding Amendment, Working Drawings Funding, Scope, and External Financing, Hillcrest Outpatient Pavilion and Parking, San Diego Campus***

The Committee recommends that:

- (1) The 2020-21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

From: San Diego: Hillcrest Outpatient Pavilion and Parking – preliminary plans – \$20 million funded from campus funds.

To: San Diego: Hillcrest Outpatient Pavilion and Parking – preliminary plans and working drawings – \$38,179,000 to be funded from campus funds (\$13,363,000) and external financing (\$24,816,000).

- (2) The scope of the Hillcrest Outpatient Pavilion and Parking project shall provide:
  - a. Approximately 240,000 gross square feet of space for an Outpatient Pavilion (OPP) to accommodate hospital-licensed services and programs.
  - b. Structured parking, totaling approximately 1,850 spaces, which would meet parking demands associated with the project in addition to replacing parking that would be removed when Bachman Parking Structure is demolished as part of this project.
  - c. Related utility and infrastructure, including the first phase of a new Central Utility Plant to support the OPP, parking structure and future Non-OSHPD (Office of Statewide Health Planning and Development) buildings.
  - d. New road connection at Bachman Place and Arbor Drive to assist with campus and community access, and a new First Avenue road extension.
  
- (3) The President of the University be authorized to obtain external financing from the Medical Center Pooled Revenue Bond 2020 Series N bonds in an amount not to exceed \$24,816,000 plus additional related financing costs to finance the Outpatient Pavilion. 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, the general revenues of the UC San Diego Medical Center shall be maintained in amounts sufficient to pay the debt service and to meet the requirements of the authorized financing.
  - c. The general credit of the Regents shall not be pledged.

**E. *Conforming Amendment to University of California 2020-21 Budget for State Capital Improvements and Approval of University of California 2021-22 Budget for State Capital Improvements***

The Committee recommends that:

- (1) The amended 2020-21 Budget for State Capital Improvements be approved as shown below:

		<b>State General Funds Financed (\$000s)</b>		
		<b>Approved Budget May 2020</b>	<b>Proposed Change</b>	<b>Proposed Budget</b>
Los Angeles	Public Affairs Building Seismic Improvements	\$25,000		\$25,000
Riverside	School of Medicine Education Building II	\$93,600		\$93,600
Systemwide	UC Center in Sacramento	\$11,400		\$11,400
Systemwide	2020-21 UC Seismic Program Supported by State Resources	\$189,327		\$189,327
Systemwide	2020-21 Planning for Future State Capital Outlay	\$57,000		\$57,000
Davis	Sprocket Building Seismic	\$12,000		\$12,000
Merced	Health and Behavioral Sciences Building (portion of preliminary plans)		\$7,800	\$7,800
<b>Capital Projects Total</b>		<b>\$388,327</b>	<b>\$7,800</b>	<b>\$396,127</b>
2020-21 Systemwide State Deferred Maintenance Program		\$35,000		\$35,000
<b>TOTAL STATE FUNDS FINANCED</b>		<b>\$423,327</b>	<b>\$7,800</b>	<b>\$431,127</b>

- (2) The 2021-22 Budget for State Capital Improvements be approved as shown below:

		<b>State General Funds Financed (\$000s)</b>	
			<b>Proposed Budget</b>
Berkeley	Academic Seismic Replacement Building (Evans Hall Seismic Replacement) (working drawings and construction)		\$116,723
<b>TOTAL STATE FUNDS FINANCED</b>			<b>\$116,723</b>

Committee vote: Regents Leib, Makarechian, Muwakkil, Pérez, Reilly, and Sherman voting “aye.”

Board vote: Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kieffer, Lansing, Leib, Makarechian, Mart, Muwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel voting “aye.”

2. **BUDGET, SCOPE, EXTERNAL FINANCING, AND DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, THEATRE DISTRICT LIVING AND LEARNING NEIGHBORHOOD, SAN DIEGO CAMPUS**

The Committee recommends that:

- A. The 2020-21 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Diego: Future College Living and Learning Neighborhood – preliminary plans – \$30 million funded from housing reserves.

To: San Diego: Theatre District Living and Learning Neighborhood – preliminary plans and partial working drawings – \$35 million to be funded from housing reserves (\$34 million) and campus funds (\$1 million).

- B. Following review and consideration of the environmental consequences of the proposed TD LLN project, as required by 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 the Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:

(1) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC San Diego, as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2018 Long Range Development Plan (LRDP) Environmental Impact Report (EIR).

(2) Adopt the CEQA Findings for the TD LLN, having considered the 2018 LRDP EIR for the La Jolla Campus, as well as Addendum No. 5 to the 2018 LRDP EIR for the Theatre District Living and Learning Neighborhood.

(3) Approve the design of the TD LLN project, San Diego Campus.

- C. The President of the University be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.

Committee vote: Regents Cohen, Drake, Estolano, Leib, Makarechian, Muwwakkil, Park, Pérez, Reilly, and Sherman voting “aye.”

Board vote: Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel voting “aye.”

**3. NEW MARKETS TAX CREDITS FOR “THE U” IN DOWNTOWN SAN DIEGO, SAN DIEGO CAMPUS**

The Committee recommends that, for the benefit of the San Diego campus and in connection with tenant improvement costs and/or reimbursement of a portion of acquisition costs of an approximately 66,750-gross-square-foot, four-story, build-to-suit commercial building (Property) located at the intersection of Park Boulevard and Market Street in downtown San Diego (named “the U”), the Regents:

- A. Approve the creation of a special purpose entity non-profit corporation (SPE NPC) to function as a Qualified Active Low-Income Community Business with consulting fees, due diligence costs, legal fees, and closing costs (collectively, the “Transaction Costs”) to be paid from New Markets Tax Credits (NMTC) financing proceeds. Transaction Costs and interest payments payable and not covered by the NMTC equity allocation are to be paid from UC San Diego Extension Program reserves.
- B. Approve the creation of a special purpose entity limited liability company (SPE LLC) to function as the NMTC Leverage Lender with Transaction Costs to be paid from the NMTC financing proceeds.
- C. Approve the following terms of a master lease between the Regents as the property owner and the SPE NPC as Master Tenant:
  - (1) The term of the master lease shall not exceed 30 years.
- D. Approve the use of campus cash reserves to fund a loan in an amount not to exceed \$35 million to fund the campus portion of the NMTC Leveraged Deal Structure, subject to the following conditions:
  - (1) As long as any debt is outstanding, the general revenues of the San Diego campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized NMTC financing.
  - (2) Any NMTC-related debt service obligations or NMTC-related expenses during the seven-year NMTC Compliance Period will be paid from NMTC funding reserved in escrow at the time of the NMTC closing.
- E. Authorize the President of the University or President’s designee, in consultation with General Counsel, to assume liability for and indemnify the NMTC investor(s) and their affiliates, including their officers, directors, managers,

trustees, employees, and agents, for the conduct of persons other than University officers, agents, employees students, invitees, and guests for liabilities or losses incurred in connection with the NMTC financing, including the presence or release of hazardous materials on the Property, the payment of the call price, and compliance with the applicable Internal Revenue Service NMTC requirements by the University, SPE NPC and SPE LLC during the compliance period.

- F. Authorize the President or President's designee, after consultation with General Counsel, to negotiate, approve, and execute all documents, amendments, and modifications thereto, as may be necessary or appropriate in connection with the allocation of NMTC to the San Diego campus, establishment of the SPE NPC and SPE LLC entities, and the overall execution of the NMTC financing, provided that such documents, amendments, and modifications do not materially reduce the consideration to or increase obligations of the Regents. The general credit of the Regents shall not be pledged.
- G. Authorize the President or President's designee to supervise the ongoing administration of the NMTC financing structure, including the SPE NPC and SPE LLC, and after consultation with General Counsel, to negotiate, approve, and execute all instruments, documents, amendments, and modifications thereto, as may be necessary or appropriate.

Committee vote: Regents Cohen, Estolano, Leib, Muwwakkil, Pérez, and Reilly voting "aye" and Regents Makarechian and Park abstaining.

Board vote: Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel voting "aye."