

The Regents of the University of California

COMMITTEE ON GROUNDS AND BUILDINGS

COMMITTEE ON FINANCE

November 20, 1997

The Committee on Grounds and Buildings and the Committee on Finance met jointly on the above date at Sunset Commons, Los Angeles campus.

Members present: ***Committee on Finance:*** Regents Atkinson, Bagley, Brophy, Bustamante, Connerly, Davis, Johnson, Khachigian, Levin, McClymond, and Sayles; Advisory members Miura and Willmon

Committee on Grounds and Buildings: Regents Atkinson, Bustamante, Johnson, Khachigian, McClymond, Montoya, Nakashima, Parsky, and Sayles; Advisory member Willmon

In attendance: Regents Clark, Gonzales, Leach, Ochoa, Preuss, and Soderquist, Faculty Representatives Dorr and Weiss, Secretary Trivette, General Counsel Holst, Assistant Treasurer Stanton, Provost King, Senior Vice President Kennedy, Vice Presidents Darling, Gurtner, and Hopper, Chancellors Berdahl, Carnesale, Debas, Dynes, Orbach, and Vanderhoef, Executive Vice Chancellor Golub representing Chancellor Wilkening, and Recording Secretary Bryan

The meeting convened at 3:15 p.m. with Committee on Grounds and Buildings Chair Nakashima presiding.

INITIAL DEVELOPMENT AT MISSION BAY FOR THE SAN FRANCISCO CAMPUS

It was recalled that in January 1997, The Regents approved the 1996 Long Range Development Plan (1996 LRDP) for the San Francisco campus. The 1996 LRDP identified and evaluated three finalist sites for a major new campus location, with a total planned development of 2.65 million gsf. In March 1997, the campus informed The Regents of the intent to recommend Mission Bay as the preferred location for the major new campus, contingent upon successful completion of negotiations with the owner, Catellus Development Corporation (Catellus).

In May 1997, The Regents approved the selection of Mission Bay as the location for the major new campus with an amendment to the 1996 LRDP to reflect this action and authorized the acceptance of the land at Mission Bay in two contribution parcels, subject to the satisfactory completion of due diligence and certain other conditions by all parties to the conveyance. The Contribution Agreement has been executed by all parties. Transfer of the First Contribution Parcel (approximately 26 acres of the 43-acre property) to The Regents will occur at the

conclusion of the due diligence process and upon satisfaction of other conditions. The land transfer may occur as early as spring 1998 but in no case later than December 1998.

Proposed Mission Bay Programs

A Mission Bay Task Force was appointed in December 1996 by Dean Debas and is composed of a distinguished group of 44 faculty leaders, including two Nobel Laureates. The Task Force met during the spring and summer of 1997 to consider the eventual redistribution of academic programs between the Mission Bay and Parnassus campuses. Its recommendations were published in a report to Chancellor Debas entitled "A Proposal for Biomedical Research and Training Programs at UCSF Mission Bay and UCSF Parnassus Heights." The most compelling option recommended was that a strong anchor program in neuroscience, or similar programs, with multiple new related programs in neuroscience, would migrate to Mission Bay. This new cluster of neuroscience programs would catalyze the formation of new basic sciences programs (e.g., in human genetics and structural and chemical biology) that would further strengthen this key program and foster a broad range of opportunities and interactions with other research disciplines across the campus. In addition, by emphasizing the development of new programs at the outset of development, integration of clinical and translational research with basic research would be facilitated. With assurances of new resources and research facilities at Mission Bay, UCSF could propose new initiatives for interdisciplinary neurosciences programs unavailable due to lack of space at the Parnassus campus. New programs would be complemented at Mission Bay by the relocation and expansion of certain strong, existing programs such as the joint UCSF-UC Berkeley Program in Bioengineering.

Proposed Mission Bay Campus Business Plan

Having completed the Contribution Agreement with Catellus and identified the program focus, the campus prepared and reviewed with the Office of the President a business plan for the development of the Mission Bay campus. The plan comprehensively defines initial capital and operating cost estimates, including funding plan assumptions for the first three buildings, and demonstrates UCSF's ability to finance Mission Bay buildings and operate the new campus.

It is planned that UCSF would fund Building 1A from external financing, Building 1B from a combination of funding sources including State Capital Improvement Program funding, donor funds, and existing campus equity, and Building 1C from new donor funds. In the plan, a series of program occupancy assumptions is presented that will accommodate both expansion of existing research programs relocating from the Parnassus campus and the space that will be dedicated to new research program growth. The plan also includes a forecast of the academic and institutional support requirements and defines the projected funding sources that will be available to meet these requirements.

Bay Area Life Sciences Alliance

A unique collaboration between the Bay Area Life Sciences Alliance (BALSA), a 501(c)3 non-profit public benefit corporation, and the San Francisco campus has greatly contributed to the early success in securing rights to and planning for the Mission Bay campus. BALSA was established to support life sciences and biotechnology facilities around the bay area and to support the planning and development of the Mission Bay campus. BALSA's purpose is to work closely with UCSF to promote and develop the new research campus at Mission Bay into a preeminent research facility. To this end, BALSA has already made a number of significant contributions to UCSF. These contributions include:

- Facilitating the process of the contribution of the Mission Bay campus site to the University by providing board member and staff expertise and making substantial contributions for the necessary legal and engineering support to negotiate and perform due diligence on the transaction between the University and Catellus;
- Underwriting and managing the international design competition to select a master planner and funding preparation of a master plan for the UCSF Mission Bay campus; and
- Guaranteeing the cost of preliminary design work to accelerate the development for one of the first campus buildings.

An example of BALSA's commitment to the Mission Bay campus is the international design competition it sponsored to identify and retain a design team to propose a master plan for the new location. From the sixteen firms which had submitted proposals in July 1997, five teams were selected to submit their master plan visions for the 43-acre site. In October 1997, technical consultants and a jury of ten design and medical research professionals evaluated the finalists and selected the design submitted by the team of Machado and Silvetti Associates of Boston in association with Gordon H. Chong & Partners of San Francisco. The expense of the competition and the preparation of the master plan were underwritten by BALSA as a gift to The Regents.

Public/Private Non-Profit Partnership (PPNP)

Given the support BALSA has provided to UCSF, the University has a unique opportunity to further develop the relationship to facilitate the promotion, fundraising, master planning, and development for the Mission Bay campus. Discussions among the Office of the President, the General Counsel, BALSA, and UCSF led to a determination that the most effective structure more formally to establish this ongoing collaboration would be through a Public/Private Non-Profit Partnership between the University and BALSA.

At the January 1998 Regents meeting, UCSF plans to present an item to the Committee on Finance that would secure the ongoing support of BALSA for the Mission Bay development by requesting approval for UCSF to form a PPNP with BALSA. The partnership would be

charged with ensuring that the planning and development of the Mission Bay campus site would be efficient, integrated, and cost-effective. In order to execute its mission, the activities of the partnership would be broad. In particular, subject to the appropriate Regental authorizations, the function of the PPNP would be as follows:

- Manage, in cooperation with UCSF, the preparation of the Mission Bay campus master plan within the framework of the UCSF Long Range Development Plan and the Catellus Contribution Agreement;
- Develop for review by UCSF, the Office of the President, and BALSA strategic long-range capital plan options for the development of the Mission Bay campus;
- Support and complement, on a continuing basis, the UCSF Foundation's campus fundraising program;
- Promote the Mission Bay campus and vicinity to third-party research institutes and corporations whose relocation contiguous to the campus and whose collaboration with UCSF would enhance UCSF's academic mission and assist in securing the necessary facilities at the Mission Bay campus;
- Collaborate with, support, and facilitate UCSF's governmental and community relations efforts, including supporting UCSF in its continuing communications with Catellus and the City of San Francisco with respect to issues arising under the Contribution Agreement and the development of the Mission Bay campus and surrounding areas;
- When directed to do so by UCSF, manage the design, construction, or financing of buildings at the Mission Bay campus;
- Lease or sell to UCSF, or other entities approved by UCSF, buildings developed by the partnership;
- When directed to do so by UCSF, develop and implement on a continuing basis property management programs for the Mission Bay campus.

It is envisioned that each member of the PPNP (UCSF and BALSA) would initially contribute to the PPNP certain assets, services, expertise, and other items to be agreed upon by UCSF and BALSA. In particular, the University would groundlease to the PPNP, at a nominal price, substantially all of the First Contribution Parcel. The PPNP would release land from the groundlease if the PPNP were not the ultimate developer of a particular project, such as Building 1B, which includes State funds. The groundlease would provide that the PPNP may not charge the University for University occupancy of any project it develops for the University.

Future Actions

The San Francisco campus plans to submit up to four action items related to the Mission Bay campus for approval by The Regents in the near future, possibly as soon as the January 1998 meeting. As currently envisioned, the items submitted would include:

- Authorization for UCSF to enter into a Public/Private Non-Profit Partnership with BALSA;
- Approval of a groundlease to the Public/Private Non-Profit Partnership;
- Authorization to construct Building 1A, an approximately 125,000 gsf research laboratory facility, with appropriate capital and financing authority; and
- Authorization for bridge loan financing for Mission Bay Building 1B, a partially State-funded project.

Chancellor Debas described some of the accomplishments of members of the UCSF campus that have brought it to the forefront of medical research and some new initiatives that are planned now that the campus has the prospect of expanding to a new campus. The current implementation phase for Mission Bay requires programming the site and developing it.

Dr. Debas introduced Mr. Don Fisher, Chairman of The Gap, Inc. and member of the board of directors of BALSA. Mr. Fisher believed that forming new partnerships between public research institutions and the private sector is one of the most powerful ways of transforming fundamental discoveries into better treatment for disease. He reported that in 1996 he joined with a group of San Francisco business leaders to create a nonprofit public benefit corporation (BALSA) designed to promote biotechnology and life sciences research in the bay area. A first task was to work with UCSF, Catellus Development Corporation, and the City of San Francisco to support development of UCSF's new campus site at Mission Bay. BALSA has already provided UCSF with services worth nearly \$4 million in its effort to assist with the development of a biomedical research center at Mission Bay. It organized the participants, then facilitated the negotiations that lead to the contribution at no cost of the 43 acres for the site. BALSA provided professional consultants and legal documentation to expedite the land contribution and financing for the first buildings. It sponsored, managed, and paid for the recent international competition to design a master plan for UCSF and the Mission Bay site. The winning design, by Machado and Silvetti Associates, promises to create a sophisticated, beautiful, inviting, and flexible urban research space. BALSA has guaranteed the cost of preliminary design work to speed construction of the first laboratory buildings at the site. In January the campus will seek to enter into a public-private partnership with BALSA to construct the first laboratory buildings there and lease the buildings to UCSF at no profit to BALSA. Such a partnership will allow BALSA to make use of the entrepreneurial spirit and cost saving opportunities that will bring the UCSF Mission Bay site to reality more quickly than traditional development methods.

Mr. Bruce Spaulding, Vice Chancellor for University Advancement and Planning, then described the site development that has been planned. He reported that in July, sixty

architectural and planning firms were invited to participate in a competition. Sixteen firms submitted proposals to design the 43-acre site, and five finalists prepared drawings and models. There was extensive public participation in the process. After a thorough review, the competition team recommended the Machado and Silvetti design. The design team includes the San Francisco architectural firm of Gordon Chong, and Olin Partnership, a respected landscape architect. The winning design includes a wide variety of open spaces and building scales that fit comfortably with the city's urban landscape.

Mr. Spaulding reported that UCSF's planning efforts currently focus on the first three buildings at the site. With funding in hand and rezoning completed for Building 1A, a laboratory facility, the occupants of the first facilities are being planned. UCSF's first capital campaign netted over \$500 million in contributions, and the second campaign is in the planning stages. That fundraising endeavor could provide at least \$250 million for the physical development of Mission Bay.

Mr. Steve Barclay, Vice Chancellor for Administration and Finance, discussed the business plan. He reported that the business plan that has been developed for the first three buildings of the Mission Bay site forecasts sources and uses of capital and operating costs. The financing of the capital costs will come from a combination of sources. Building 1A will cost approximately \$65 million and will be completely debt-financed. Repayment of principal and interest will be from campus Opportunity Funds. Building 1B will cost approximately \$100 million and will be paid for using a combination of State funds, prepaid rents, existing donor funds now held in the UCSF Foundation, campus reserves, and a small amount of new donor funds. Building 1C will cost approximately \$90 million and will be paid for entirely from gifts. These estimates include all foreseeable development costs associated with the first three buildings, including allowances for on-site and off-site infrastructure. Sources of operating funds for the first three buildings will be a mix of various campus resources and new general funds. The campus will present detailed financing plans with refined cost estimates and statements of financial feasibility for each of these buildings at the time they are brought before The Regents for approval. The emerging Mission Bay strategy is reliant upon the continued support of BALSA and its expertise to optimize the buildup of the Mission Bay site. The campus believes that the best way to secure BALSA's support and to leverage the unique skills and capabilities that UCSF and BALSA each bring to Mission Bay is for them to create a mechanism for collaboration and partnering on an ongoing basis.

General Counsel Holst presented the status of efforts to date to create this mechanism. He emphasized that many of the legal and business issues involved are being actively discussed at the campus and within the Office of the President and General Counsel. Recommendations will be presented to the Board at a later time. He noted that the purpose of the collaboration between BALSA and UCSF will be to further the academic and public service purposes of UCSF by ensuring that the planning and development of the Mission Bay campus are efficient, integrated, and cost-effective. The collaboration is intended to benefit UCSF, a sentiment endorsed by BALSA. Under this arrangement, the ultimate decision-making with respect to the planning and development at Mission Bay will remain with the University; moreover, the University will retain the right to sever the relationship if it should be necessary at any point

during its existence. The work currently under way will lead to a recommendation as to the legal structure appropriate for this enterprise. The term "partnership" is being used in a general, non-technical sense to refer to the collaboration that is proposed. It is not intended to suggest that the ultimate structure will take the form of a legal partnership. As the negotiations move forward, the Office of the General Counsel will continue to work closely with the campus and the Office of the President to provide legal advice and to assist in developing the appropriate documentation.

Professor Michael Stryker, Chairman of the Department of Physiology and a member of the all-faculty Mission Bay task force that produced principles and recommendations to guide how and in what sequence the academic programs will be moved to Mission Bay, spoke about what the new endeavor at Mission Bay can accomplish. Dr. Stryker noted that new knowledge, understanding, and technology have combined in San Francisco and in a few other places around the world to create a revolution in biology and medicine that has had a major impact on the treatment of disease and that promises much greater gains in the future. This revolution has spawned the biotechnology industry, centered in the bay area and created largely by UCSF faculty and students. To carry this revolution forward, there is a need for new research space.

The Mission Bay site will make possible new opportunities to conduct research in chemistry and structural biology, human genetics and genomics, cell and molecular biology, and neuroscience. To exploit these opportunities will require the incorporation of new branches of knowledge from chemistry, physics, mathematics, engineering, and computation into the traditional areas of expertise at UCSF in biology. The planned space will ensure the long-term progress of research and teaching in biology and medicine. The major features of the Mission Bay academic plan are that the largest part of the UCSF community of basic science, centered around the graduate programs, will remain unified at the Mission Bay site; basic science will remain strong near the hospitals, the library, and the professional school teaching centers at the Parnassus campus.

General Counsel Holst noted the fact that Regent Davies did not attend the meeting or participate in the discussion because he owns property in the vicinity of the Mission Bay site.

Committee Chair Nakashima thanked Mr. Fisher and Mayor Willie Brown for their contributions toward obtaining and developing the Mission Bay site.

November 20, 1997

The meeting adjourned at 3:55 p.m.

Attest:

Secretary