

The Regents of the University of California

**COMMITTEE ON FINANCE
COMMITTEE ON GROUNDS AND BUILDINGS**

March 15, 2000

The Committee on Finance and the Committee on Grounds and Buildings met jointly on the above date at UCSF - Laurel Heights, San Francisco.

Members present: Committee on Finance: Regents Atkinson, Hopkinson, S. Johnson, Lee, Montoya, Pannor, and Preuss; Advisory member Miura
Committee on Grounds and Buildings: Regents Atkinson, Hopkinson, O. Johnson, S. Johnson, Kozberg, Lee, and Pannor; Advisory member Kohn

In attendance: Regents Leach, Moores, Nakashima, Sayles, Taylor, and Vining, Faculty Representatives Coleman and Cowan, General Counsel Holst, Assistant Treasurer Young, Provost King, Senior Vice President Kennedy, Vice Presidents Broome, Darling, and Gomes, Director Nation representing Vice President Hopper, Chancellors Berdahl, Bishop, Carnesale, Cicerone, Dynes, Greenwood, Orbach, Tomlinson-Keasey, Vanderhoef, and Yang, Laboratory Director Browne, and Recording Secretary Bryan

The meeting convened at 8:40 a.m. with Committee on Finance Chair S. Johnson presiding.

1. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL FINANCING FOR ORTHOPAEDIC HOSPITAL, LOS ANGELES CAMPUS, AND MISSION BAY, SAN FRANCISCO CAMPUS**

The President recommended that:

- A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 1999-2000 Budget for Capital Improvements and the 1999-2002 Capital Improvement Program be amended as follows:

From: Los Angeles: A. The Orthopaedic Hospital–J. Vernon Luck, Sr. M.D. Center – preliminary plans–\$1.6 million to be funded from gift funds.

To: Los Angeles: A. The Orthopaedic Hospital–J. Vernon Luck, Sr. M.D. Center – preliminary plans, working drawings, construction, and equipment – \$37.7 million total project cost to be funded from 501(c)(3) bonds issued by the Orthopaedic Hospital in the amount of \$30 million and \$7.7 million in gift funds from other sources.

- B. The Committee on Finance recommend that:
- (1) The Treasurer be authorized to obtain interim external financing for cash flow purposes not to exceed \$7.7 million to finance, if necessary, a portion of the campus gift-funded portion of the Orthopaedic Hospital – J. Vernon Luck, Sr. M.D. Center project, subject to the conditions that:
 - a. Repayment of the debt shall be from collection of gifts, and should such funds be insufficient, from the Los Angeles campus' share of University Opportunity Funds;
 - b. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period; and
 - c. The general credit of The Regents shall not be pledged.
 - (2) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.
 - (3) The Officers of The Regents be authorized to execute certificates as necessary in connection with the tax-exempt financing by Orthopaedic Hospital of its \$30 million charitable pledge, subject to the following:
 - a. The Regents shall not be liable for any costs or debt service payments with respect to the Orthopaedic Hospital financing;
 - b. No security interest shall be created in the bond funds transferred to The Regents for construction of the J. Vernon Luck building or in the building itself; and
 - c. Subject to the provisions of the Master Alliance Agreement, The Regents shall have no responsibility to use the J. Vernon Luck, Sr. M.D. building in a manner that maintains the federal tax-exemption for the Orthopaedic Hospital bonds.
- C. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the appropriate Budget for Capital Improvements and Capital Improvement Programs be amended to include the following project:
- San Francisco: B. Mission Bay Development Biology and Genetics Building, Mission Bay (19B) – preliminary plans, working drawings, and construction and equipment – \$88 million to be funded from campus funds (\$46 million) and gift funds (\$42 million).

- D. The Committee on Finance recommend that:
- (1) The Treasurer be authorized to obtain standby financing not to exceed \$22.2 million and interim external financing not to exceed \$16 million, for a total of \$38.2 million, prior to awarding a construction contract, for any gift funds not received by that time and subject to the following conditions:
 - a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period;
 - b. Repayment of any interim financing shall be from gift funds and in the event such gift funds are insufficient, from the UCSF share of the University Opportunity Funds; and
 - c. In the event that all gifts are not collected by the completion of construction, the campus would return to The Regents to seek authorization for long-term financing for some or all of the uncollected gift funds.
 - (2) The general credit of The Regents shall not be pledged.
 - (3) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is exempt from gross income for purposes of federal income taxation under existing law.
 - (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.
- E. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the appropriate Budgets for Capital Improvements and Capital Improvement Programs be amended to include the following project:
- San Francisco: Mission Bay Campus Community Center Building (21B) – preliminary plans, working drawings, construction, and equipment – \$58 million to be funded from campus funds (\$4 million) and gifts funds (\$54 million).
- F. The Committee on Finance recommend that:
- (1) The Treasurer be authorized to obtain standby financing not to exceed \$29 million and interim external financing not to exceed to \$20 million, for a total of \$49 million, prior to awarding a construction contract, for

any gift funds not received by that time and subject to the following conditions:

- a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period;
 - b. Repayment of any interim financing shall be either from gift funds and, in the event such gift funds are insufficient, from the UCSF share of the University Opportunity Funds or Education Funds; and
 - c. In the event that all gifts are not collected by the completion of construction, the campus would return to The Regents to seek authorization for long-term financing for some or all of the uncollected gift funds.
- (2) The general credit of The Regents shall not be pledged.
 - (3) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is exempt from gross income for purposes of federal income taxation under existing law.
 - (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

Following are descriptions of the projects.

Orthopaedic Hospital, Los Angeles Campus

It was recalled that The Regents approved in September 1999 preliminary plans funding for the proposed The Orthopaedic Hospital - J. Vernon Luck, Sr., M.D. Center (Luck Center) on the Los Angeles campus. That action was taken to allow the campus to hire the executive architect for the project and begin schematic design in conjunction with design for the Health Sciences Seismic Replacement Building 2 (HSSRB2).

Proposed Project

The proposed Luck Center project results from the Master Alliance Agreement between UCLA and the Orthopaedic Hospital approved by The Regents in June 1998. The agreement creates a strategic alliance between the parties with the objective to develop a world-class, state-of-the-art comprehensive combined program in the field of orthopedics medicine, including the provision of clinical orthopedic care, medical research, and training. The Luck Center project will house state-of-the-art research laboratories and support expanded research capacity and collaboration between researchers from the Orthopaedic Hospital and the Los Angeles campus in order to facilitate the discovery of new therapies for debilitating injuries and permanent cures to diseases of the musculo-skeletal system.

The proposed Luck Center building will have five levels above grade and one basement level and contain approximately 51,500 assignable square feet (asf) and 95,000 gross square feet (gsf). It is proposed to be located east of the Life Sciences Building along the southern edge of the Court of Sciences, immediately adjacent to the HSSRB2 building. The HSSRB2 building, funded from State funds and gifts, which is being simultaneously planned and designed, will allow for the relocation of research programs in biochemistry, microbiology, immunology, molecular, cell and developmental biology, transplant, and AIDS research currently located in seismically hazardous space in the Center for Health Sciences. These research programs are complementary to those that will be housed in the Luck Center. This co-location is proposed to promote interdisciplinary collaboration and innovation in areas such as the genetic and molecular aspects of immunology, immune disorders, drug treatments, virology, and gene therapy.

Project Scope

The building will house laboratory and laboratory support spaces, faculty offices and related support, conference space, a small portion of vivarium space, and building support functions. A total of approximately 33,532 asf of laboratory and laboratory support spaces will be organized in four zones to create a hierarchy of specialization, helping to keep the laboratory space as flexible and adaptable as possible while concentrating more fixed, specialized, and systems-intensive space in the other zones.

A consolidated loading dock and receiving facility in the Luck Center will have below-grade connections to several of the neighboring buildings. The building support areas will include a laboratory waste holding area and general storage space.

Landscaping and paved walkways will integrate pedestrian and vehicular links to enhance public and service access, circulation, and security.

The proposed site for the Luck Center is currently occupied by a small structure housing a 225-seat undergraduate lecture hall and 60-seat seminar room. It was originally anticipated that it would be replaced within the Luck Center building. It is now proposed that a larger replacement instructional center of approximately 8,000 asf housing a 375-seat lecture hall, two large seminar rooms, and required support facilities be constructed as a separate freestanding building in proximity to the two new research facilities. Approval of the replacement instructional center project will be obtained separately from the Luck Center project.

Project Cost and CEQA Classification

Costs for comparable projects are higher per gross square foot, primarily due to the low efficiency for this facility resulting from the loading dock and mechanical spaces, which are shared and serve both this and the HSSRB2 facility. The shared components are included in this project's gross square footage.

In accordance with the California Environmental Quality Act (CEQA) and the University of California Procedures for the Implementation of CEQA, an Environmental Impact Report is being prepared to analyze the potential environmental effects of the Luck Center project. This document will be presented to The Regents for review at the time of project design consideration.

Financial Feasibility

The total project cost of \$37.7 million will be funded by gifts. The largest gift component will be in the form of a charitable pledge of \$30 million from the Orthopaedic Hospital Foundation. The College of Letters and Sciences will seek additional gift funds for the currently unpledged balance of \$7.7 million (\$7.5 million toward the project cost and \$200,000 for interest costs for draw downs against the standby loan).

Originally the Luck Center gift was to be funded in cash from Orthopaedic Hospital assets. The Orthopaedic Hospital has now decided that it will finance its gift through the issuance of tax-exempt 501(c)(3) bonds. These bonds will be repaid by the Orthopaedic Hospital. The Regents will not, at any time, be either directly or indirectly liable for the repayment of the bonds. The trustees for the bonds will not have a security interest in bond proceeds paid to the campus for construction of the Luck Center or in the Luck Center itself once constructed. A certificate describing the anticipated uses of

the space in the building to be constructed with the proceeds of the Orthopaedic Hospital financing will be executed, which uses are consistent with the principles of the master alliance agreement. The Orthopaedic Hospital remains responsible for the compliance with Internal Revenue Service requirements for tax-exemption on its bonds. Other than periodic reporting on actual use of the space financed with the Orthopaedic Hospital gift, the University takes no responsibility for the federal tax-exemption on the Orthopaedic Hospital bonds in the certificate.

University Policy requires that all funds be on hand at the time a construction contract is awarded. Irrespective of the form of financing, the master alliance agreement obligates the Orthopaedic Hospital to transfer its share of the project funding to the campus prior to the solicitation of bids; however, the donor funds to be raised by the College of Letters and Sciences may not all be available at the time of bid. To assure that all funds are available when the project contract is awarded, it is recommended that a \$7.7 million in interim external financing be approved to make it possible to borrow funds in the event gift receipts are not sufficient to make progress payments during the construction period. To the extent the campus obtains funds prior to the completion of the project, the draw down against the short-term loan commitment will be reduced. Should gift funds be insufficient to pay debt service, the campus' share of the University Opportunity Fund has been pledged as an additional source of repayment.

Mission Bay Development Biology and Genetics Building, Mission Bay (19B), San Francisco Campus

The campus has requested amendment of the Capital Improvement Program to include a 108,028 assignable square feet (asf), 167,982 gross square feet (gsf) building at the Mission Bay site to house three closely related interdisciplinary research programs in human genetics, neuroscience, and developmental biology. Instructional and administrative support functions are included within these broad programs, as well as logistical support space for materials handling, environmental health and safety, and space for voice and data systems equipment to support these programs in their new location. Additionally, approval is sought for the Treasurer to provide interim financing for gifts not in hand as needed for the project to proceed.

Construction for the Mission Bay Developmental Biology and Genetics Building (Building 19B) project will begin in January 2001 and will be scheduled for completion in November 2002, with full occupancy by February 2003. Title for the first contribution parcel of 21 acres, which includes the 2.59 acre site on which this project is to be constructed, was conveyed to The Regents on July 19, 1999. The development notice, as required by the contribution agreement, was issued for this project on December 21, 1999.

Review of Mission Bay Phase 1 Development: This project will be one of three buildings constructed in the first phase of Mission Bay development. The Regents approved the design, budget, and financing for the first building, UC Hall Seismic

Replacement, Mission Bay (Building 24) in March 1999, and construction is currently under way. The project is consistent with the 1996 LRDP, which calls for the replacement of seismically poor and functionally obsolete buildings with both new and renovated facilities at UCSF's Parnassus campus site and new facilities at Mission Bay.

Relationships Between UCSF and the Private Sector: UCSF's presence at Mission Bay will serve as a magnet for biotechnology firms that will locate in the ring of land surrounding the 43-acre campus site. The high degree of physical connectivity to the private-sector life sciences zone is required to facilitate UCSF's plans to create more partnerships with private industry. Such partnerships are a crucial factor in reducing the time it takes to translate research discoveries into applications that benefit the public.

Expanded UCSF Program: This project will continue to build on the scientific program for Mission Bay by housing interdisciplinary programs in three closely related fields of human genetics, neuroscience, and developmental biology. The developmental biology group represents part of the Molecular, Cell and Developmental Biology research group which could not fit into the nearby UC Hall Seismic Replacement, Mission Bay (24) building; the specific intention will be to encourage their collaboration with their colleagues in genetics and neuroscience. Most of the remaining MCD interdisciplinary group of basic research scientists, a group which includes several campus basic science departments, will be relocated to Mission Bay after Phase 2 development. A new initiative, the Center for Brain Development, which will be a sub-group closely related to the other major research groups, is being formed and will occupy space in this building. This project is planned to connect to Building 19A to the immediate west, which will house the remainder of the neuroscience program.

Project Description

The 108,028 planned asf for this facility will house research space including related support, office, and administrative space, a seminar room, vivarium space, and building support space. The research groups in the expanded UCSF program, which are in human genetics, neuroscience, molecular, cell, and developmental biology, and brain development, will occupy a combined 86,691 asf of research space.

In addition to the research area, the project will include office, administrative support, and commons space; the Howard Hughes Medical Institute suite; graduate program offices, including a graduate program reading room; a small food service area; instructional space, which will include a single 80-seat seminar room; an animal care facility; and logistical support space.

Infrastructure and Site: Project costs include extending existing utilities from 4th Street for electrical, sewer, and water services to the building site.

Design Assumptions: The budget for this project was developed assuming a five-story, 85-foot-high research laboratory building. The building will be organized around a central gathering lobby space. Building utility systems will be designed on a modular basis for flexibility and future adaptability to accommodate changes in research needs. A substantial pile foundation system with a suspended first floor slab will be required due to the geotechnical conditions at this site. The building will have a loading dock and a stand-alone utility plant, due to the lack of central facility support during phase one development at Mission Bay.

Financial Feasibility

The total project cost of \$88 million, including \$2.1 million of capitalized interest incurred during construction and the repayment of the par amount of a working capital advance from BALSAs, will be funded from gift funds of \$42 million and campus resources, including patent income, of \$46 million.

UCSF is committed to raising \$42 million for this project as part of the first phase of an overall Mission Bay fund-raising effort. It is anticipated that these gifts will either be on-hand or pledged by the time construction is completed.

Authorization to secure standby financing not to exceed \$22.2 million and interim external financing not to exceed \$16 million prior to the award of a construction contract is being requested. This will satisfy the Regental policy to have funds on hand at the time of bid award, as well as provide financing for project expenditures prior to gift receipt. As gifts are received, the campus will prepay principal amounts outstanding on the interim financing. In the event that sufficient gifts are either not received or have a remaining pledge payment period, the campus will return to The Regents for authorization of external financing of the outstanding amount.

Although the campus anticipates that it will be able to raise all of the gifts necessary for the project, in the event such gifts are insufficient, the campus has pledged its share of the University Opportunity Fund as a source of repayment. Should the campus be unable to raise additional gifts, the \$16 million of interim external financing may have to be repaid over 27 years at 6.5 percent for potential annual debt service of \$1,272,000. Inclusive of this amount of interim financing and for Building 21B, the campus is above the prescribed Opportunity Fund pledge test. A waiver has been requested by the campus and granted by the Office of the President after review of other campus resources, including Educational Funds and the indirect cost recovery on private contracts and grants. In FY 2003-04, the first full year of occupancy, 53 percent of the Opportunity and Educational Funds generated are pledged for debt service.

The campus has set aside \$6 million of funds available to the Chancellor, and the remaining \$40 million will be funded from reserves which resulted from settlement of the Genentech litigation.

Environmental Analysis

The 1996 LRDP Environmental Impact Report provided the environmental analysis for the Mission Bay site, which included environmental review for the 2.65 million gsf capital program. No significant impacts are expected from site specific environmental review of this project.

In conformance with the California Environmental Quality Act and the University procedures for implementing CEQA, the campus will prepare Addendum No. 2 to the 1996 Long Range Development Plan Final Environmental Impact Report to consider any potential new impacts of the proposed project not previously considered in the LRDP EIR. The addendum, together with the LRDP EIR, will constitute the final environmental review documents for this and will be considered by The Regents at the time of design approval.

Mission Bay Campus Community Center Building (21B), San Francisco Campus

The campus has requested amendment of the Capital Improvement Program to include a 110,000 asf building at the Mission Bay site to accommodate a fitness and recreation center, conference center, student services, campus activity spaces, library, food services, retail space, and administrative services. This project will offer a variety of cultural, educational, social, and recreational activities and services in support of the biomedical research that will be conducted on the new campus site. Additionally, approval is sought for the Treasurer to provide interim financing for gifts not in hand as needed for the project to proceed.

Construction for the Mission Bay Campus Community Center (Building 21B) project will begin in January 2001 and is scheduled for completion in July 2002, with occupancy by the first quarter of 2003. The Campus Community Center will

complement the research buildings and enhance campus life for all those who work and study at Mission Bay and the Parnassus campus. Meeting space, dining facilities and fitness and recreation center memberships will be made available to the public to strengthen relations with the community and to help campus auxiliary services achieve self-supporting operational goals.

Project Description

This project will involve the construction of a new four-story, multi-functional campus community building on the Block 21 parcel of the Mission Bay site. The Campus Community Center will be programmatically complex, as it combines a variety of building types into a single structure. Adding to the complexity of the building program is the need for separate, controlled entrances into certain areas. Also, related uses are stacked vertically rather than the more typical horizontal layout because of the relatively small building footprint, as dictated by the campus master plan, and because numerous functions require high visibility and/or direct access at the ground floor level.

Infrastructure and Site

Project costs include extending utilities from Owens Street (adjacent to Block 21) for electrical, gas, sewer, and water services to the building site.

Financial Feasibility

The total project cost of \$58 million, including capitalized interest incurred during construction and the repayment of the par amount of a working capital advance from BALSAs, will be funded from gift funds of \$54 million and campus resources of \$4 million.

UCSF is committed to raising \$54 million for this project as part of the first phase of an overall Mission Bay fund raising effort. It is anticipated that these gifts will be either on-hand or pledged by the time construction is completed.

Authorization to secure standby financing not to exceed \$29 million and interim external financing not to exceed \$20 million prior to the award of a construction contract is being requested. This will satisfy the Regental policy to have funds on hand at the time of bid award, as well as provide financing for project expenditures prior to gift receipt. As gifts are received, the campus will prepay principal amounts outstanding on the interim financing. In the event that sufficient gifts are either not received or have a remaining pledge payment period, the campus will return to The Regents and ask approval of an authorization for external financing for the outstanding amount.

Although the campus anticipates that it will be able to raise all of the gifts necessary for the project, in the event such gifts are insufficient, the campus has pledged its share of the University Opportunity Fund as a source of repayment. Should the campus be unable

to raise additional gifts, the \$20 million of interim external financing may have to be repaid over 27 years at 6.5 percent for potential annual debt service of \$1.59 million. Inclusive of this amount of interim financing and for Building 19B, the campus is above the prescribed Opportunity Fund pledge test. As with Building 19B, a waiver has been requested by the campus and granted by the Office of the President after review of other campus resources, including Educational Funds, the indirect cost recovery on private contracts and grants.

For the purpose of financial review with the Treasurer, the campus has assumed that \$44 million of pledges will require interim external financing during the construction period, with associated capitalized interest cost of \$2.86 million. As gifts are received, the campus will prepay principal amounts outstanding on the interim financing.

The campus anticipates that all gifts will be either on hand or pledged by the time construction is completed. In the event that all gifts are not collected by the completion of construction, the campus will return to The Regents for authorization for external financing for the outstanding amount. A worst-case scenario demonstrates that the campus can meet the potential annual debt service obligation (\$1.59 million annually on \$20 million of debt) in the event that gifts are not obtained by the end of project construction. In the event that all gifts are not collected by the completion of construction, the campus will return to The Regents for authorization to finance any of the uncollected gifts.

In the event that sufficient gifts are either not received or else have a remaining pledge payment period, the back-up source for the remaining up to \$20 million will be funded from external financing backed by any remaining uncollected pledges and the UCSF share of the University Opportunity Funds and Education Funds. These funds are projected to be sufficient to meet an annual debt service cost of up to \$1.57 million should any longer term financing be required for the unrealized gifts. The campus has set aside funds available to the Chancellor to fund the remaining share of project costs.

Environmental Analysis

The 1996 LRDP Environmental Impact Report provided the environmental analysis for the Mission Bay site, which included environmental review for the 2.65 million gsf capital program. No significant impacts are expected from site specific environmental review of this project.

In conformance with the California Environmental Quality Act and the University procedures for implementing CEQA, the campus will prepare an Addendum No. 2 to the 1996 Long Range Development Plan Final Environmental Impact Report to consider any potential new significant impacts of the proposed project not previously considered in the LRDP EIR. The addendum, together with the LRDP EIR, will constitute final environmental review of the Mission Bay Campus Community Center project.

Upon motion duly made and seconded, the Committees on Finance and Grounds and Buildings approved the President's recommendations and voted to present them to the Board. Due to a conflict of interest pertaining to the San Francisco campus portion, Chairman Davies refrained from discussing or voting on the item.

2. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL FINANCING FOR GARAMENDI PROJECTS UNDER \$15820.21 OF THE GOVERNMENT CODE, DAVIS, IRVINE, SAN DIEGO, AND SANTA BARBARA CAMPUSES**

The President recommended that:

- A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 1999-2000 Budget for Capital Improvements and the 1999-2002 Capital Improvement Program be amended to include the following projects:

Davis: A. Genome & Biomedical Sciences Facility – preliminary plans, working drawings, construction, and equipment – \$95,050,000 to be funded from external financing using the “Garamendi” funding mechanism (\$62,650,000), the School of Medicine Compensation Plan (\$16,000,000), gifts (\$14,200,000) and campus funds (\$2,200,000).

Irvine: D. Hewitt Hall – preliminary plans, working drawings, and construction – \$24,130,000 to be funded from external financing using the “Garamendi” funding mechanism (\$16,130,000) and gifts (\$8,000,000).

San Diego: C. School of Medicine Research Facility – preliminary plans, working drawings, construction, and equipment – \$61,590,000 to be funded from external financing using the “Garamendi” funding mechanism (\$47,090,000), Howard Hughes Medical Institute Pre-paid Lease funds (\$10,500,000) and gifts (\$4,000,000).

Santa Barbara: A. Marine Science Research Building – preliminary plans, working drawings, construction, and equipment – \$25,057,000 to be funded from external financing using the “Garamendi” funding mechanism (\$18,990,000), internal loan funds (\$2,258,000) and gifts (\$3,809,000).

- B. The Committee on Finance recommend that:

- (1) The Treasurer be authorized to obtain financing not to exceed \$144,860,000 to finance the projects listed in A. above, subject to the following conditions:
 - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
 - b. Repayment of the debt shall be from each campus' share of the University Opportunity Fund; and
 - c. The general credit of The Regents shall not be pledged.
- (2) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- (3) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

The Committee was informed that the four projects proposed in this action are research facilities with budgets totaling \$205,827,000 and citing external financing of \$144,860,000 as the primary fund source. The external financing for these projects will use "Garamendi" funding, the purpose of which is to provide a financing mechanism for research facilities dedicated to long-term scientific research activities which are expected to generate a stable revenue base over the term of the financing and improve the economy and competitive position of the state and the nation. The ability to finance research facilities under this program is a particularly attractive opportunity as it allows the facilities to pay for themselves by permitting the campus to use the gross indirect cost recovery attributable to the new facility to pay for debt service and maintenance.

Following are descriptions of the projects.

Genome & Biomedical Sciences Facility, Davis Campus

This is a proposal to construct a 122,574-assignable-square-foot facility to house research laboratory, office, and animal holding space. The building will allow consolidation and expansion of genomics and basic biomedical research activities in the Division of Biological Sciences, College of Agricultural and Environmental Sciences, College of Engineering, and School of Medicine. This facility will advance genomics and biomedical research at Davis in four important ways: (1) provide the infrastructure and core equipment necessary to obtain large federal grants and contracts in the field of genomics; (2) facilitate the establishment of research partnerships between investigators from the School of Medicine, the Division of Biomedical Engineering, the College of Agricultural and Environmental Sciences, and the Division of Biological Sciences; (3) integrate School of Medicine research activities in basic and

clinical sciences; and (4) enhance collaborative activities between the Davis campus and other organizations working in the field of genomics.

Approximately 40 new faculty FTE and their related research teams, including students, will be housed in the new building, along with existing faculty. Approximately 66 percent of the project cost will be financed using the Garamendi financing mechanism; other sources make up the balance of funding. The research conducted in the building is funded primarily from the National Institutes of Health, which is expected to continue providing considerable increases in contract and grant funding.

Hewitt Hall, Irvine Campus

This is a proposal to construct a 34,780-asf building to provide research laboratories, laboratory support space, and offices dedicated to research in immunology and infectious disease; clinical space for the General Clinical Research Center, and research office space for projects in areas such as epidemiology for the Irvine campus' College of Medicine. The facility will foster interdisciplinary research in areas related to public health and will help address space deficiencies and accommodate new faculty in the health sciences.

Approximately 10 new faculty FTE and their related research teams, including students, will be housed in the building, along with existing faculty. Approximately 67 percent of the project cost will be financed using the Garamendi financing mechanism; the balance of funding will come from gifts. The research conducted in the building is funded primarily from the National Institutes of Health.

School of Medicine Research Facility, San Diego Campus

This is a proposal to construct 81,140 asf to provide space for School of Medicine research programs. The facility will include research laboratories, laboratory support, core research facilities, an office, and a vivarium for four rapidly developing research disciplines – neurosciences, reproductive medicine, environmental health basic research, and genetics. The facility will also contain specialized core research facilities to support growth in technology-intensive, interdisciplinary molecular biology research in the areas of gene expression, protein chemistry, genomics, and microscopy/imaging.

Approximately 20 new faculty FTE and their related research teams (including students) will be housed in the building along with existing faculty. Approximately 76 percent of the project cost will be financed using the Garamendi financing mechanism; other sources make up the balance of funding. The research conducted in the building is funded primarily from the National Institutes of Health.

Marine Science Research Building, Santa Barbara Campus

This is a proposal to construct a facility totaling 38,446 asf to provide space exclusively for research and education programs in marine science. The research dollars being generated in this area have been growing at a significant rate over the last several years in anticipation of a new facility. Currently, marine science facilities are dispersed on campus, inadequate in size, and are not as state-of-the-art as required. Programs to be housed in the facility will study the global ocean and interrelated earth systems in areas such as geology, biology, physics, and chemistry, as well as man's impact on ocean ecosystems.

Approximately 21 new faculty FTE and their related research teams, including students, will be housed in the building, along with existing faculty. Approximately 76 percent of the project cost will be financed using the Garamendi financing mechanism; other sources make up the balance of funding. The federally-funded research conducted in the building is primarily funded by the National Science Foundation; this area of research also generates a considerable amount of private contract and grant funding.

CEQA Classification

For each proposed project, appropriate environmental documentation will be prepared and presented for consideration at the time of each project's design approval.

Financial Feasibility

Although it is not anticipated there will be early year shortfalls, the Government Code allows these to be reimbursed in future years – recognizing that as research buildings are completed, faculty (and therefore research dollars) will be coming on line gradually. If shortfalls occur on a project-to-project basis, the campus' share of the University Opportunity Fund will provide the amounts required. If the shortfalls occur throughout the first three full years of occupancy, the campus may be reimbursed from additional overhead (above and beyond debt service and costs of operations and maintenance) that is generated as a result of the building in later years. To the extent that there are annual surpluses, they flow through the regular distribution process for indirect costs as described earlier in this item.

For purposes of placing debt in the market, the University pledges the University Opportunity Fund as the repayment source for these projects.

Committee on Finance Chair S. Johnson asked whether the number of projects using Garamendi funding is limited. Senior Vice President Kennedy responded that it is limited only in that it would take legislative action to increase the amount of funding.

Upon motion duly made and seconded, the Committees on Finance and Grounds and Buildings approved the President's recommendations and voted to present them to the Board.

The meeting adjourned at 8:45 a.m.

Attest:

Secretary