

The Regents of the University of California

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

January 17, 2001

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

Members present: Committee on Grounds and Buildings: Regents Atkinson, Connerly, Davies, Fong, Hopkinson, O. Johnson, S. Johnson, Khachigian, Kohn, and Kozberg; Advisory members T. Davis, Morrison, and Seymour  
Committee on Finance: Regents Atkinson, Bagley, Connerly, Davies, Fong, Hopkinson, S. Johnson, Kozberg, Lee, Miura, and Preuss; Advisory member Morrison

In attendance: Regents Leach, Marcus, and Montoya, Faculty Representatives Cowan and Viswanathan, Secretary Trivette, General Counsel Holst, Interim Treasurer Bowman, Provost King, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Drake, Gurtner, and Hershman, Chancellors Berdahl, Carnesale, Cicerone, Dynes, Greenwood, Orbach, Tomlinson-Keasey, Vanderhoef, and Yang, and Recording Secretary Bryan

The meeting convened at 10:40 a.m. with Committee on Finance Chair Preuss presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of November 16, 2000 were approved.

**2. AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, CENTER FOR THE MEDICAL INVESTIGATION OF NEURO-DEVELOPMENTAL DISORDERS (M.I.N.D. INSTITUTE), DAVIS CAMPUS**

The President recommended that, with the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

Davis: UC Davis Center for the Medical Investigation of Neuro-developmental Disorders (M.I.N.D. Institute) – preliminary plans (\$1.6 million), funded from long-term debt to be repaid from State funds appropriated annually for support of the center.

The Committees were informed that the M.I.N.D. Institute complex will provide space for outpatient clinics, basic and applied research laboratories, faculty offices and administrative support space, and a resource center for health care professionals, teachers, and parents. It will support ongoing efforts to create an international research center focused on the study and treatment of neuro-developmental disorders such as autism, attention deficit and hyperactivity disorders, learning disorders, and Tourette's Syndrome. The facilities will advance the following goals:

- Bring together the country's leading experts systematically to identify and evaluate the causes, treatments, and potential cures for autism and related disorders;
- Train students, teachers, and health care professionals how more effectively to diagnose and care for those with neuro-developmental disorders;
- Develop and demonstrate best practices in the education and care of children with autism;
- Serve as a resource and information center for parents, teachers, and others;
- Facilitate a multi-disciplinary approach to diagnosis and treatment, and;
- Support outreach programs to schools and other health care providers throughout the region to help them provide better health care and educational programs for children with neuro-developmental disorders.

In 1998, UC Davis formally established the Center for the Medical Investigation of Neuro-developmental Disorders (the M.I.N.D. Institute) with the goal of creating an international clinical and research center focused on the systematic evaluation of the causes of neuro-developmental disorders and potential cures. With considerable help from a handful of parents, volunteers, and community leaders, substantial progress has been made since establishment of the center. Interim space has been provided for key clinical and research activities, State funding support has been appropriated, educational forums have been held, advisory boards and collaborative ties with State agencies have been established, and there have been important breakthroughs in the scientific arena.

During the past two-and-a-half years, funding for the development of the M.I.N.D. Institute has come from several different sources. More than \$2 million was donated by a small group of parents to help establish two endowed chairs: the Tsakopolous-Vismara Chair, who will serve as the director of the M.I.N.D. Institute, and the Beneto Foundation Chair, who serves as its research director. The UC Davis Health System contributed an additional \$1.5 million to support the endowed chairs and has provided space, equipment, and other resources in support of the development of the clinical and research programs of the M.I.N.D. Institute. In 1998, the California State Legislature

established a \$2 million annual appropriation to support the institute's development. In 1999, it appropriated an additional \$2 million to support the program, bringing the permanent annual appropriation to \$4 million. More than \$500,000 has been provided by other State and federal agencies via grants for various initiatives of the M.I.N.D. Institute.

#### Project Description

The \$34 million project will consist of a complex with two separate structures: a 69,000-gross-square-foot building for outpatient clinics, offices, and a resource center for parents, educators, and health care professionals; and a 32,500-gsf research building. The complex will be located on approximately 3.5 acres of vacant land that is part of the UC Davis Medical Center campus.

#### Possible Future Development

The site master plan for a complex provides for possible future development of additional clinic and research facilities and a laboratory school related to the M.I.N.D. program on an additional seven acres of the UC Davis Medical Center campus. Any future developments will be contingent upon programmatic considerations and identification of a source of funding.

Plans for a second building of approximately 29,350 gsf will be completed as part of the initial planning for Phase 1. The additional building will proceed when sufficient funds can be secured through grants and philanthropic support. The estimated cost of this second building is \$9 million.

#### Financial Feasibility

The campus will seek future Board approval for the full cost of the project and external financing. It is anticipated that the project will be financed through long-term debt, including repayment of funds advanced for preliminary planning, and that the projected debt service requirements will be paid from State funds appropriated annually for support of the Center.

Upon motion duly made and seconded, and with the concurrence of the Committee on Finance, the Committee on Grounds and Buildings approved the President's recommendation and voted to present it to the Board.

3. **UPDATE ON UC DAVIS MEDICAL CENTER MASTER PLAN AND SB 1953 COMPLIANCE PROJECT, DAVIS CAMPUS**

Director Marsh discussed the Medical Center Master Plan, the goals of which are to develop and grow clinical programs and to construct state-of-the-art facilities. She reported that the medical center is in need of major reconstruction, both to meet modern seismic safety requirements and because the original hospital is obsolete and its later additions are structurally unsound.

Ms. Marsh reported that in order to address these facilities problems, the original hospital and its North-South Wing will be demolished. University Tower, built in 1982, will be retrofitted. Tower II, which is seismically compliant but has not been completed, will be finished and services moved into it. It has 14 complete floors, three of which are for patient care. The second phase of the project is in the process of being completed. Phase III, which awaits approval, will house the neo-natal intensive care unit and gastro-intestinal and vascular medicine. In a future phase, an addition will be constructed to house the trauma center, cardiology department, operating rooms, intensive care beds, and clinical laboratories.

Ms. Marsh noted that 10 licensed beds and 51 staff beds will be added to the complex upon completion of the project. The hospital is currently turning away patients. Twenty nursing beds added in December are already full.

Ms. Marsh reported that the medical center is in the process of developing a capital plan. The reconstruction project will be funded by a combination of revenue bonds, hospital reserves, and external financing. The seismic compliance project will be funded by State revenue bonds.

4. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, TOWER II PHASE III PROJECT, DAVIS CAMPUS**

The President recommended that, with the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

Davis: UCDMC Tower II, Phase III Project – preliminary plans, working drawings, construction, and equipment – \$26,858,000 to be funded by hospital reserves (\$18,593,000) and State lease revenue bond funds (\$8,265,000).

The Committees were informed that the project provides resources to complete two shelled floors in the Tower II addition, known as the “Davis Wing,” to the UC Davis Medical Center. In September 1992, The Regents approved the Tower II project, a 454,000-square-foot addition to the UC Davis Medical Center that includes three

nursing units; space for radiology, distribution, receiving, and other support services; and six shelled floors. From the outset, the plan has been to complete the six shelled floors in Tower II in multiple phases using hospital reserves. Inpatient units in older portions of the hospital will be moved as the shelled nursing units in Tower II are completed. The major component of the campus's plan to correct seismic deficiencies as mandated by SB 1953 is to demolish the North-South Wing by 2008, moving the functions currently housed there into Tower II and other new replacement space. From a financial perspective, the decision to phase the Tower II project substantially reduced the long-term debt of the medical center and provided added program flexibility to adjust the number and type of beds and services incorporated into the new addition based on changing circumstances and priorities.

#### Project Description

The two floors to be completed will provide space for the medical center's Neonatal Intensive Care Unit, including the continuing care nursery and one adult medical-surgical unit. The 57 percent assignable-square-foot-to-gross-square-foot building efficiency ratio is consistent with comparable hospital facilities. Construction costs are estimated to be \$581 per gross square foot. The per-square-foot cost of the project includes several non-standard items: additional air-handling systems and duct work to support the remaining two shelled floors; sophisticated security systems, monitoring equipment, and lighting needed on the nursery floor; special interior and exterior design features to provide an attractive and comfortable environment for families of infants; and added costs linked to logistical considerations and site constraints associated with completing the upper floors of an existing structure.

Construction of the Tower II Phase III project will start in May 2002, with occupancy projected for May 2003.

#### Hospitals Funding – Lease Revenue Bonds

The 2000 State Budget Act includes \$600 million of lease revenue bonds to be issued by the State Public Works Board (SPWB) to provide the medical centers of the University of California with funding for the reconstruction projects that are required to comply with SB 1953. The UC Davis Medical Center has been allocated \$120 million for a group of projects. As in previous SPWB funding for University projects since the mid-1980s, the SPWB will lease the hospital site from The Regents and issue State lease revenue bonds to finance all or a portion of the costs associated with seismic upgrading required for compliance with SB1953. The University will build or renovate the project under an agreement with the SPWB, which will retain ownership of the facilities constructed or renovated through the earlier of the term of the lease or full repayment of the SPWB bonds used for the project, after which ownership will be passed to the University.

The University will pay rent to the Board for the facilities. This rent will constitute the revenue from which the Board will repay interest and principal on the obligations of the Board issued to refinance the facility. Negotiations between the University and the Department of Finance will determine the repayment arrangements on the debt service. The options for repayment include hospital revenues, depending on the hospital's financial situation from year to year, and State funds, or some combination thereof. If the Legislature fails to appropriate sufficient funds to make the rental payments, The Regents is obligated to pay rent from any lawfully available funds. When the obligations are retired, the site and facility leases will terminate and The Regents will obtain clear title to the facilities.

Financial Feasibility

The project's \$18,593,000 funding from hospital reserves includes \$3,438,000 in medical equipment.

Regent Kozberg recalled that when the tower was built, there were \$22 million in change orders. She hoped the issues that caused that circumstance had been addressed. Senior Vice President Mullinix recalled that the amount of remedial work necessary in the tower had not been predictable in advance.

Upon motion duly made and seconded, and with the concurrence of the Committee on Finance, the Committee on Grounds and Buildings approved the President's recommendation and voted to present it to the Board.

5. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF FINANCING FOR KAUFMAN HALL SEISMIC RENOVATION AND PROGRAM IMPROVEMENT PROJECT, LOS ANGELES CAMPUS**

The President recommended that:

- A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

Los Angeles: Dance Building Seismic Renovation (Kaufman Hall) preliminary plans, working drawings, and construction – \$36,282,000 to be funded from federal funds (\$1,264,000), campus funds (\$2,487,000) gift funds (\$17,534,000) and State funds (\$14,997,000).

- B. The Committee on Finance recommend that the Treasurer be authorized to obtain standby financing not to exceed \$12,889,000 prior to awarding a construction

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

- (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
  - (2) Repayment of any financing shall be from gift funds, and in the event such gift funds are insufficient, from Los Angeles Campus Opportunity Funds.
  - (3) The general credit of The Regents shall not be pledged.
- C. 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.
- D. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

#### Description

It was recalled that the Dance Building (Kaufman Hall) project will seismically renovate the building and improve building function. It will strengthen the structure, repair the building's exterior walls and roof, and provide hazardous material abatement and life-safety, accessibility, and building systems improvements. Space use and building function improvements will include construction of a theater addition at the rear of the building, conversion of the gymnasium into a performance space, and replacement of obsolete gymnasium support rooms with spaces designed for the World Arts and Cultures program. Upon completion, the building's seismic rating will be upgraded to "good."

The Dance Building was constructed in 1931 in the Italian Romanesque style of the core campus and is principally used by academic programs of the Department of World Arts and Cultures. It was constructed as the women's gymnasium, and little has been done to adapt the building's space plan and utility systems to contemporary needs.

In November 1999, The Regents approved the 2000-01 State Budget for Capital Improvements, which included the Dance Building Seismic Renovation project. The project included mandatory code corrections triggered by the structural work and also provided limited program and infrastructure improvements. The project was established at a sum of \$20,962,000, comprised of preliminary plans (\$715,000), working drawings (\$1,124,000), and construction (\$19,123,000).

Program improvements to benefit the building's principal occupant, the Department of World Arts and Cultures, were funded from a portion of a major gift from Gloria

Kaufman. The balance of the gift and other non-State funds were to fund program improvements to be coordinated, bid, and constructed under separate projects. In recognition of the donor, President Atkinson approved that the building be named Glorya Kaufman Hall.

An amended project is proposed to reduce the difficulty and cost of developing separate seismic renovation and program improvement projects and to expand the scope of the program improvements. The amended project will incorporate the entire non-State-funded scope, including a theater addition, conversion of the building's gymnasium into a performance theater, and repairs to the exterior walls and roof. Combining the projects will reduce the complexity involved in developing construction documents separately. The amended scope will enhance life safety and improve building functionality in the most efficient and cost-effective manner.

#### Project Description

The State-capital-supported base project will strengthen and repair the structure and provide accessibility improvements, hazardous materials abatement, and life-safety and building systems upgrades. The non-State-capital-supported program improvements will enhance and expand space use and building function for the Department of World Arts and Culture's programs.

The project will renovate 41,293 asf and construct 2,690 asf. Upon completion, the building will consist of 43,983 asf, including the new unimproved basement space. The World Arts and Cultures Department will occupy approximately 40,902 asf, with the remainder occupied by the locker room and classrooms. The existing gymnasium will be converted into a theater that can be used for both dance performances and lectures. A flexible performance space will be designed to support a variety of presentation formats. The theater addition will be constructed on the site of the existing grass dance terrace to the north of the building. The facility will consist of a combination theater stage, experimental performance space, and lecture room with movable seating and doors opening to an exterior garden with additional audience capacity, theater support space, and a covered entry pavilion. Access will be from the existing landscaped walkway to the north and from within the Dance Building. Related exterior improvements will include site preparation, provision of utilities, and installation of landscaping. Current occupants will be moved temporarily into the Southwest Campus Staging Building during construction of this project.

#### State-Capital-Supported Seismic Strengthening, Life Safety, Accessibility, and Systems Improvements (\$20,962,000)

Foundation work will require excavation under the center of the building, installation of new drilled friction piles, jacketing of existing unreinforced concrete caissons, and installation of a floor slab and grade beams to resist earthquake loads. The work will include reinforcing or replacing hollow clay tile partitions, bracing, and anchoring of



building elements throughout the building, and strengthening or replacing the pool enclosure wall. Hazardous material abatement triggered by the structural work will include removal of lead-based paint and asbestos-containing materials, and mandatory fire and life-safety code and accessibility corrections will be completed.

Non-State-Capital-Supported Program Improvements (\$15,320,000)

Due to the extent of the seismic work, the heating and ventilating system will be replaced throughout the building under the State program. Because it is cost-effective for this project, the campus will upgrade the system to provide air conditioning. Communications connectivity improvements will include construction of a hub room and installation of a local area network connected to the campus network. Exterior repair work will include structural repairs to the spectator's gallery at the rear of the building. Non-structural exterior repair work will include repairs to the building's exterior and roof.

CEQA Classification

In accordance with the California Environmental Quality Act, and the University of California Procedures for the Implementation of CEQA, a Tiered Initial Study/Mitigated Negative Declaration, approved by The Regents in January 2000, was prepared to analyze the potential environmental effects of the Dance Building Seismic Renovation project in combination with the Southwest Campus Staging Building and Dickson Seismic Renovation projects.

Financial Feasibility

The total project cost will be funded from federal funds, campus funds, State funds, and gift funds. As of December 1, 2000 the gift campaign status is as follows:

Cash gifts received	\$ 4,645,000	
Pledge Received	12,889,000	(subject to stand-by financing)
Gifts to be raised	<u>0</u>	(subject to interim financing)
Total	\$17,534,000	

A binding pledge for the full amount of the fundraising target has been received. Approval of standby financing of \$12,889,000 is requested to make it possible to borrow funds due to the timing of the receipt of the pledged gifts during the construction period and to meet the Regental requirement to have funds on hand at bid award. As the campus obtains funds, the draw down against the stand-by loan commitment will be reduced or outstanding balances will be repaid. The campus anticipates that it will be able to collect the pledge received for this project, but the campus has pledged the Los Angeles campus' Opportunity Funds as an additional source of repayment.

Regent Leach requested that future items show a baseline range of construction costs for hospitals in general in order to provide a better perspective. Committee on Finance Chair Preuss suggested that it would be useful to have a sheet of guidelines or to be given cost comparisons for each project in the form of a percentage.

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

6. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND EXTERNAL FINANCING FOR INTRAMURAL FIELD PARKING STRUCTURE PROJECT, LOS ANGELES CAMPUS**

The President recommended that:

- A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

Los Angeles: Intramural Field Parking Structure – preliminary planning, working drawings, and construction – \$35,192,000 to be funded from funds available to the School of Medicine (\$3,000,000) and external financing (\$32,192,000) to be repaid from parking system net revenues. (In addition to the \$35,192,000, \$8,400,000 will be included in the project cost as previously approved by The Regents in the September 2000 Westwood Replacement Hospital project.)

- B. The Committee on Finance recommend that the Treasurer be authorized to obtain financing not to exceed \$32,192,000 to finance the Intramural Field Parking Structure project, subject to the following conditions:

- (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
  - (2) As long as the debt is outstanding, the Los Angeles campus parking system fees shall be established at levels to provide excess net revenues sufficient to pay debt service and to meet the requirements of this proposed financing.
  - (3) The general credit of The Regents shall not be pledged.
- C. 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.
- D. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

The Committees were informed that, to meet the demand for central campus parking and to provide partial replacement parking for those spaces lost with construction of the new Academic Health Center, the Los Angeles campus has proposed the construction of an underground parking structure. The project will provide approximately 1,500 spaces to the west of Parking Structure 4 and beneath the existing open space of the Intramural Athletic Field.

The site was chosen because there are no remaining open sites on the core campus, where parking demand is the greatest. An underground structure is the only solution which would allow the preservation of critically needed open space in the core and central campus. Maintaining open space in the core and central campus for significant recreational, historic, and programmatic purposes provides long-term preservation of a valuable campus asset, maintains visual quality of the area, and supports the 1990 Long Range Development Plan goal of maintaining open space.

The Westwood Replacement Hospital project provided for reimbursement to the campus for the associated loss of certain parking facilities. The \$8.4 million in funding associated with replacement parking spaces was approved by The Regents in September 2000 as an integral component of the Westwood Replacement Hospital project. This replacement cost funding will be included in the IM Field Parking Structure project. As these funds constitute a buy-out of replacement parking for the Westwood Replacement Hospital project, they appear in the Capital Improvement Budget for the Westwood Replacement Hospital and are not included in the Capital Improvement Budget for this project.

#### Project Justification

The 1990 LRDP adopted a parking space inventory cap of 25,169 spaces. UCLA's parking inventory as of fall 1999 was 22,012 spaces. Space use during the first weeks of classes was as high as 98 percent.

UCLA's ten-year parking plan indicates that total parking spaces will remain under the LRDP parking inventory cap of 25,169. Based on the fall 1999 wait list, unmet demand for student parking is 2,940 spaces. Further, student, staff, and faculty demand is conservatively estimated to increase by 1,296 spaces. Outpatient parking demand is also estimated to increase, resulting in a total demand of 4,636 spaces. Thus, even after a build-out to the LRDP cap, UCLA will continue to have an unmet demand for parking estimated at 1,479 spaces.

#### Project Description

The proposed Intramural Field Parking Structure will be a two-level underground structure accommodating approximately 1,500 parking spaces. The scope of work will include the construction of an underground parking structure, replacement of the intramural field, and restoration of existing landscape and irrigation elements in the project area. The structure will be planned to accommodate the additional loading necessary to allow the replaced intramural field to function as the venue for the multiple special events held on the field annually, as well as to provide for fire vehicle access to the surrounding structures. The project will include a large staircase structure and the realignment of Charles E. Young Drive. Upon completion of the project, the displaced sports, recreation, and special events activities will return to the intramural field.

#### Project Cost and CEQA Classification

Budget development for the project involved evaluation of the cost premiums associated with underground versus above-ground parking structures. Also included in this budget are the associated site development and environmental mitigation, as well as all special construction conditions for this particular campus and project. Costs for the project also include substantial structural retaining walls and shoring to deal with the expected poor soil conditions at the site. The adjacent Parking Structure 4 Expansion project soil borings indicate loose, sandy, and wet soil conditions necessitating additional concrete, foundation, and structural work. The design of the project results in a total project cost of \$23,630 per space.

In accordance with University procedures for the implementation of the California Environmental Quality Act, an Environmental Impact Report will be prepared to analyze the potential effects of the impacts of this project. This document will be presented to The Regents for review at the time of project design consideration.

#### Financial Feasibility

It is proposed that the cost of the Intramural Field Parking Structure project be funded from external financing and from funds available from the School of Medicine. An additional \$8.4 million will be included in the project cost from funds previously approved in the September 2000 Westwood Replacement Hospital project. The external financing will be repaid from UCLA parking system net revenues. Parking services debt of \$32,192,000, amortized over 27 years at 6.5 percent interest, will result in an estimated annual debt service of \$2.56 million. Campus parking permit rates are expected to generate sufficient funds to cover operating, maintenance, and debt service expenses. The projected parking permit rate of \$54 per month for fall 2004 represents a value to students compared to current rates elsewhere.

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

7. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF FINANCING FOR KINSEY HALL SEISMIC CORRECTION, PHASE 2 PROJECT, LOS ANGELES CAMPUS**

The President recommended that:

- A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

Los Angeles: Kinsey Hall Seismic Correction, Phase 2 – preliminary plans, working drawings, and construction – \$32,260,000 to be funded from federal funds (\$3,950,000), gift funds (\$7,524,000) campus funds (\$1,770,000) and State funds (\$19,016,000).

- B. The Committee on Finance recommend that the Treasurer be authorized to obtain interim financing not to exceed \$7,524,000 to finance the Kinsey Hall Seismic Correction, Phase 2 project, subject to the following conditions:

- (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
- (2) Repayment of any financing shall be from gift funds, and in the event such gift funds are insufficient, from Los Angeles Campus Opportunity Funds.
- (3) The general credit of The Regents shall not be pledged.

- C. 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.
- D. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

It was recalled that Kinsey Hall, one of the four original core campus buildings, had been constructed prior to the inclusion of seismic standards in building codes. The January 1994 Northridge earthquake damaged and weakened the structure. Its seismic deficiencies relate to its unreinforced masonry walls, unattached roof and floor diaphragms, weak beam and column connections, and hollow clay tile partition construction. Further, the building's various additions are not adequately tied together to resist expected seismic loads.

In October 1996, The Regents approved the 1997-98 State Budget for Capital Improvements, which included this project to seismically renovate the building and improve building function through programmatic improvements. It will strengthen and repair the structure and provide accessibility improvements, hazardous materials abatement, and life-safety and building systems upgrades. With that approval, the project was established at a sum of \$22,966,000 comprised of preliminary plans (\$824,000), working drawings (\$1,150,000), and construction (\$20,992,000).

Amended program improvements (non-State capital-supported) are proposed to improve space use and building function for humanities programs. Improvements that are beyond the level equivalent to what would have been necessary to replace elements demolished by the structural, life-safety, and Americans With Disabilities Act work will be funded by the campus.

The amended project will allow the College of Letters and Science to locate its language, literature, and writing programs in one core campus facility. English and Comparative Literature will relocate from Rolfe and Royce Halls and join Writing, Slavic Languages, and Near Eastern Languages now in Kinsey. Other humanities and non-academic programs displaced from Kinsey will relocate to the vacated space in Rolfe and Royce. Space in Rolfe and Royce not needed by programs displaced from Kinsey will be made available to other Letters and Science departments.

#### Project Description

Upon completion, available space in Kinsey will be decreased by 6,576 asf due to the construction of shear walls, the addition of stair and exit corridors, the enlargement of restrooms to accommodate ADA requirements and building occupancy loads, and the addition of communications rooms. Other occupancy adjustments will include conversion of lab, class lab, library, shop, and storage space into humanities office and related support space and a reduction in class lab and classroom space allocations to

match room sizes with humanities course enrollments and teaching requirements. The building's occupants will be moved temporarily into Hershey and Murphy Halls during construction.

State-Capital-Supported Seismic Strengthening, Life-Safety and Accessibility Improvements (\$22,966,000)

Seismic strengthening will include the construction of concrete shear walls from the foundations to the underside of the roof throughout the building, reinforcement of the foundation, and the structural tying together of the building's various additions. Damaged interior and exterior surfaces will be repaired or replaced, and hazardous materials will be removed or encapsulated.

Accessibility improvements will include changes to the west entrance, restrooms, elevators, and seating in lecture halls. Fire and life safety improvements will include the installation of automatic sprinklers and interior fire stairs and a monitored fire alarm system. Improvements will be made also to the electrical and mechanical systems.

Non-State-Capital-Supported Program Improvements (\$9,294,000)

The extensive construction work required by the mandatory seismic, life-safety, and accessibility scope presents opportunities to improve space use and building function. Under the amended project, an obsolete physical science laboratory building will be converted into a humanities classroom and office facility. With the exception of the auditorium and two first-floor lecture rooms, classrooms will be relocated to the ground floor to improve accessibility. Mechanical systems improvements will include replacement of the existing heating and ventilating system with new systems in the areas of program improvement. The building conversion will provide Letters and Science humanities programs with flexible office space capable of supporting both contemporary and future campus needs.

CEQA Classification

In accordance with the California Environmental Quality Act and the University of California Procedures for the Implementation of CEQA, it has been determined that the project is categorically exempt under Class 1 Existing Facilities and Class 31 Historic Restoration/Rehabilitation. Project design and construction will be performed in a manner consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring and Reconstructing Historic Buildings.

Financial Feasibility

The total project cost of \$32,260,000 will be funded from federal funds (\$3,950,000), gift funds (\$7,524,000), campus funds (\$1,770,000), and State funds (\$19,016,000). As of December 1, 2000, the gift campaign status is as follows:

Cash gifts received	0	
Pledge Received	0	(subject to stand-by financing)
Gifts to be raised	<u>\$7,524,000</u>	(subject to interim financing)
Total	\$7,524,000	

Approval of interim financing of \$7,524,000 is requested to make it possible to borrow funds to make progress payments required during the construction period and to meet The Regents' requirement to have funds on hand at bid award. To the extent the campus obtains funds, the draw down against the interim loan commitment will be reduced or outstanding balances will be prepaid. In the event the collection of gift funds is insufficient, the campus has pledged Opportunity Funds as a source of repayment, in which case the \$7,524,000 of interim financing may have to be repaid over 27 years at 6.5 percent for a potential annual debt service of \$598,000. Should this be the situation, the campus will return to the Board to seek authorization for long-term external financing. Inclusive of the potential debt service, the campus is within the prescribed Opportunity Fund pledge and payment tests. In fiscal year 2004-05, the first full year of occupancy, 42 percent of Opportunity Funds are pledged for debt service.

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



8. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, INFILL APARTMENTS PROJECT, SANTA CRUZ CAMPUS**

The President recommended that, with the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

Santa Cruz: A. Infill Apartments – preliminary plans – \$2,221,000 to be funded from the campus University of California Housing System Net Revenues (\$2,221,000).

The Committees were informed that infill apartments at Cowell, Stevenson, and Porter Colleges will provide the Santa Cruz campus with approximately 640 additional bedspaces. Community support spaces will be included in this project, enhancing student life and programs. The apartments in these colleges will provide attractive spaces for upper division students.

The apartments will provide a combination of single, double, and triple rooms, a living and dining area, a kitchen, and compartmentalized bathrooms. The maximum building size will be three stories. The project will include laundry rooms, common lounge and activity spaces, maintenance spaces, and a few housing administration offices. An architectural style will be pursued that is appropriate to each college. The project will also provide for drop-off and residential staff parking.

Statement of Need

Over the last four years, student demand for housing on the Santa Cruz campus has surpassed the supply of available housing. The increased demand stems from both campus enrollment growth and the rental crunch experienced throughout Silicon Valley and the greater San Francisco Bay Area. The situation will be exacerbated by projected enrollment growth.

In fall 1999, 108 beds in the University Town Center and 89 beds at the UCSC Inn, the local Holiday Inn that is leased by the University, were added, and in fall 2000 the College Nine Apartments added 280 beds. Even with these additions, the Santa Cruz campus currently has 555 students assigned to temporary beds in converted lounges or doubles made into triples. An additional 571 students were on a waiting list for on-campus housing for fall quarter 2000.

The campus continues to pursue all options for on- and off-campus housing. Currently planned is the addition of 973 beds that would result from the opening of the College Nine Residence Halls in fall 2001 and College Ten Residence Halls in fall 2002 and the reopening of the Village modulars in fall 2001.

CEQA Compliance

In accordance with the California Environmental Quality Act and University procedures for implementation of CEQA, an Environmental Impact Report will be prepared to analyze the potential environmental impacts of this project. This document will be presented to The Regents for review and consideration at the time of the project design approval.

Future Regental Action

In spring 2001, the campus will submit items to The Regents to request both the amendment of the Budget for Capital Improvements and the Capital Improvement Program for the total project cost, including a change in fund source for preliminary plans from UCHS net revenue funds to external financing, and approval of external financing. Preliminary project cost estimates are between \$52 million and \$61 million proposed to be funded from campus UCHS net revenue funds and external financing. The external financing will be repaid from the student rents in the proposed and existing facilities.

Upon motion duly made and seconded, with the concurrence of the Committee on Finance, the Committee on Grounds and Buildings approved the President's recommendation and voted to present it to the Board.

9. **REPORT ON THE 2001-2002 GOVERNOR'S BUDGET**

Vice President Hershman provided an overview of the Governor's budget. He mentioned that most of the money in the budget is provided through the Governor's partnership with the University and that the Governor was particularly generous with regard to funding for UC Merced and new science institutes, both of which projects will have long-lasting effects on the state.

Mr. Hershman commented on the overall economic picture, noting that, although the economy appears to be slowing, a recession is not projected. California personal income grew by about 14.5 percent in 2000 and is projected to grow 5.5 percent in 2001 and 7.8 percent in 2002, which is a more normal growth rate than the acceleration of the past few years. The projection on the revenue side for the budget year is a growth of only 3.3 percent, based on the economic slowdown and an estimate by the Department of Finance that income from capital gains and stock options, which make up 20 percent of the State General Fund revenue, will decline by 10 percent. Expenditures are growing by a modest 4 percent. With the projections of revenue and expenditure, the Governor is projecting a reserve of \$2.5 billion at the end of the budget year.

Expenditures for K-12 through higher education in the Governor's budget grew by about 8 percent. Mr. Hershman noted that Cal Grants increased by 25 percent as a result of

the Governor's commitment to education and that the health and human services budgets increased by 6.5 percent.

Mr. Hershman then commented on the University's budget, noting that the basic budget under the University's partnership with the State received an increase of 7.7 percent, which meets The Regents' request. That includes 4 percent for salaries and other cost increases, 1 percent for core needs, and funding to enroll additional students, to prevent fee increases, and to support summer instruction at three campuses. There is little money to fund initiatives above the basic budget under the partnership. The Department of Finance eliminated all one-time money in the current year's budget and reinstated some of it for certain priorities which include internet access, deferred maintenance, and three research initiatives. The capital budget contains \$203 million in bond money, \$160 million to pay for the first buildings at UC Merced, and \$108 million for the science institutes. Total State funds for the capital budget are about \$512 million.

Regent Preuss observed that, although the budget that was approved is generous, the University is obligated to meet the needs generated by the significant level of enrollment growth that is predicted for the next ten years. He asked whether the infrastructure build-out this will require and to which the University has committed itself will be supported by the State. Mr. Hershman believed that another bond issue for education will be necessary. The next six months are key for deciding how big the bond issue must be and how it will be distributed. The University has made its needs known to the Legislature. He urged all Regents to focus on convincing legislators that the University will need the means to meet this challenge.

Regent Hopkinson was gratified to see that the University's budget includes full funding for the summer program. She suggested that in the next few months the Regents hear a report on what is being undertaken at the Berkeley, Los Angeles, and Santa Barbara campuses to ensure the quality of the summer programs.

Regent Hopkinson noted that the Governor had provided one-time funds in the budget for research on invasive species. She asked where funding comes from when new threats emerge, such as California oak tree disease. President Atkinson commented that funding for the University's research comes from many sources, including various agencies of the federal government and private donations. He believed that the University has an effective method for adjusting its priorities as the need arises.

Regent Kozberg suggested tracking the housing bond under consideration to make sure that its language is sufficiently permissive to enable the money to be used for student and faculty housing. Mr. Hershman recalled that the Legislature decided not to support a bond issue for housing last year, but he agreed that if the opportunity arises again, the University needs to participate in the planning. President Atkinson noted that several Regents had suggested that he establish a Regents committee comparable to the one on funding for the support of graduate students in order to advance the University's interests related to a bond issue.

Regent Bagley suggested that Regents seek out key players on appropriations committees who could be influential in garnering support for an education bond issue that would help the University.

Chairman Johnson, noting that the most recent such bond issue is in its last year, commented that it has been estimated that the University needs \$500 million per year in capital outlay. She was concerned about the ability to put together a bond initiative that will address the University's real needs, which will be considerably larger than in the past. Mr. Hershman recalled that the University's position has been made clear in every discussion with the State. He was hopeful that there will be a four-year bond issue that will approach \$500 million. He believed that the University can present strong data to support its funding request.

Regent-designate Seymour asked about the University's progress in recruitment, outreach, diversity, and community college transfers. Mr. Hershman stated that applications from underrepresented minorities have increased and that the goal for the number of community college transfer students was reached. Eligibility rates will need to improve in order to support the continued spending level for outreach to K-12 schools. President Atkinson commented that the community colleges are working with the University to facilitate transfers. Although he was disappointed that a request to fund University counselors for the community colleges was not approved, he was optimistic that transfers will continue to increase.

Regent O. Johnson was gratified to see \$3 million in the budget for student retention. She noted that the University has been criticized for its low retention rates for underrepresented students.

Senior Vice President Darling then reported on the federal budget. He noted that research received the largest funding increases in recent history, including a \$2.5 billion increase for the National Institutes of Health and the largest increase ever for the National Science Foundation. Late in December, Congress enacted major relief from the Balanced Budget Act and its cuts to Medicare reimbursements. He thanked Regent Khachigian and Assistant Vice President Sudduth for their lobbying efforts in Washington. The federal budget also provided a 14 percent increase in the major categories of student financial aid for higher education, as well as increases in outreach and other education programs. Turning to the year ahead, Mr. Darling mentioned that there will be major changes in the political and budgetary dynamics in Washington as a result of a new administration and a new Congress in which neither party holds a clear majority. Among those, tax reduction is a high priority for Congress and the administration. This may limit the money available for research, education, and other domestic discretionary programs. There is further impetus being added to the drive for tax cuts because of the slowdown in the economy and of an impending increase in the federal surplus. He noted that Californians have taken leadership positions in transportation, agriculture, veterans' affairs, and national security and that Regents may help advance the University's interests through discussions with these individuals.

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January 17, 2001

The meeting adjourned at 11:35 a.m.

Attest:

Secretary