## The Regents of the University of California

#### SPECIAL COMMITTEE ON REGENTS' PROCEDURES

January 18, 2001

The Special Committee on Regents' Procedures met on the above date at UCSF-Laurel Heights, San Francisco.

Members present: Regents Atkinson, Connerly, Davies, Hopkinson, S. Johnson,

Khachigian, Lansing, Miura, and Preuss

In attendance: Regents Bagley, Fong, O. Johnson, Kohn, Kozberg, Lee, and Marcus,

Regents-designate T. Davis, Morrison, and Seymour, Faculty Representative Viswanathan, Secretary Trivette, General Counsel Holst, Provost King, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Drake, and Gomes, Chancellors Berdahl, Bishop, Carnesale, Dynes, Orbach, Tomlinson-Keasey, Vanderhoef, and Yang, Laboratory Directors Browne and Tarter, and Recording Secretary

Bryan

The meeting convened at 11:05 a.m. with Committee Chair Khachigian presiding.

# 1. AMENDMENT OF STANDING ORDERS RELATED TO BOARD PRACTICES AND PROCEDURES – REAL ESTATE

The President recommended that:

- (1) Service of notice be waived.
- (2) The amendment of Standing Order 100.4 (cc), (ff), (gg), (hh), (ii), (jj), and (kk) and the addition of Standing Order 100.4 (oo) be approved, as shown in the Attachment, in order to further decrease the volume of routine administrative matters presented to The Regents, to further streamline the Board's practices and procedures, and to clarify the applicability of certain Standing Orders to real estate and related matters.

It was recalled that, at the October 1999 meeting, The Regents approved a series of Bylaw and Standing Order changes as part of a program designed to improve the functioning of the Committees and the Board by decreasing the volume of routine administrative matters in favor of consideration of major policy and long-range planning needs. The changes delegated more authority to the President for the capital improvement program and various real estate transactions and created a new authority for the President to approve financing. The Board further created a new level of authority between that of the President acting alone and Regental authority pursuant to which the President may approve matters within specified ranges of rent, price, or cost

with the concurrence of the Chairman of the Board and the Chairs of the appropriate Regents' Committees.

The President's recommendation is intended further to refine the changes made in 1999 with respect to approval of real estate transactions and to make some additions and changes that will clarify omissions and ambiguities in the current Standing Orders. The substantive changes proposed are summarized as follows.

#### Real Property Rental Agreements

Under Standing Order 100.4(cc), the President acting alone or acting with the concurrence of the Chairman of the Board and the Chairman of the Committee on Finance (Chairs) may approve lease transactions for a term not to exceed ten years including any options to extend, provided that (i) initial year base rent does not exceed \$1 million and (ii) either rent aggregated over the lease term does not exceed \$20 million or rent increases do not exceed the increase in the Consumer Price Index. It is recommended that these approval authorities be amended to delete consideration of any options to extend in calculating the lease term for purposes of determining the appropriate level of approval. The length of the initial term of the lease above which Board action is required will remain unchanged at ten years to allow more lease transactions to be approved without Board action. The change will also remove a disincentive to negotiate options to extend as part of leases, options which are otherwise favorable to the University. As this change affects only options and not the initial mandatory term of the lease, it would not increase the financial commitment that can be approved either by the President or the President acting with the concurrence of the Chairs. Any action to exercise an option to extend a lease will be approved based on treating the extension as if it were a new lease under the authority then applicable.

Also in Standing Order 100.4(cc), exclusions to the calculation of base rent are clarified with examples of concessions, operating expenses, and other costs which are not to be taken into account in calculating initial year base rent and maximum aggregate rent.

Finally, prior to the October 1999 changes, the threshold dollar amount for submission to the Board was adjusted by the change in the CPI annually from July 1, 1996. The change deleted the July 1, 1996 base year date for the CPI adjustment without providing for a new base year. Accordingly, a new base year date of November 1, 1999 will be added to 100.4(cc).

### University-Related Purposes

Historically, the Bylaws and Standing Orders have distinguished between investment property and campus-related property. Given the breadth of real property transactions necessary for the University to fulfill its mission, the campus-related property definition contained within Standing Order 100.4(ff) is too narrow to encompass current activity. A new broader definition of University-related purposes is proposed to mean any real property held or used in furtherance of the University's mission but excluding real

property held for investment purposes. This change is made by adding a new definition at the end of Standing Order 100.4(cc) where the term is first used.

## Interests in Real Property

The phrase "all interests in" real property is added to Standing Orders 100.4(ff) and (gg) to clarify that the President may transact and administer hybrid real property interests (other than fee simple interests) and covenants, conditions, and restrictions in real property that the University may from time to time acquire, sell, or otherwise grant. This change makes explicit the President's authority to handle such matters within the monetary limits of his authority or with the concurrence of the Chairs. Special authority for the President to act alone with regard to certain for-sale, acquired, and foreclosed housing matters contained in Standing Order 100.4(gg) is no longer required, as such matters are now covered by the President's higher dollar level of authority. Transactions involving real property interests valued at over \$20 million will continue to require the approval of the full Board.

#### Document Custody

In Standing Order 100.4(ii), the President's custodianship of documents is expanded to include contracts of purchase and sale, gift agreements, leases, licenses, easements and rights of way, mineral leases, ground leases, and other documents pertaining to real estate for University-related purposes for which custody was not explicitly set forth elsewhere in the Bylaws and Standing Orders.

## Administration of Participation in Entities

There is no explicit authority in the Standing Orders for the President to administer the University's participation in corporations, companies, or partnerships held or used by the University for University-related purposes. The addition of new Standing Order 100.4(oo) confirms the President's authority with respect to such participations approved by the Board.

The balance of the recommended changes are editorial in nature and are intended to clarify the meaning of the Standing Orders and eliminate ambiguities.

Regent Hopkinson asked how the University budgets for leases. Senior Vice President Mullinix explained that typically leases are included in the space budgets of each of the campuses. Regent Hopkinson believed that the recommendation should be contingent on the matter being a budgeted item so that anything not in the budget would have to come before The Regents as a budget amendment.

Regent Davies noted that the changes were intended to clarify action taken at the October 1999 meeting to delegate more authority to the President for the capital improvement program and various real estate transactions. There is no such restriction on the general threshold measures that were adopted at that time.

Senior Vice President Mullinix commented that overall spending amounts are approved in the operating budget, while the capital budget lists individual projects. Regent Hopkinson was opposed to the wider delegation to the President in the absence of other kinds of controls.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regent Hopkinson voting "no."

#### 2. DATES AND LOCATIONS OF REGENTS' MEETINGS FOR 2002

The President recommended that the following dates of Regents' meetings for 2002 be approved. (Tentative locations are also provided, but are subject to change.)

#### 2002

January 16-17	Los Angeles Campus
March 13-14	San Francisco - Laurel Heights
May 15-16	San Francisco - Laurel Heights
July 17-18	San Francisco - Laurel Heights
September 18-19	Los Angeles Campus
November 13-14	San Francisco - Laurel Heights
	Campus Visits
February 13-14	Santa Cruz Campus
April 17-18	Berkeley Campus
October 16-17	San Diego Campus

It was recalled that approval of the dates of Regents' meetings is the responsibility of The Regents, while the President and the Chairman of the Board, in consultation with the Secretary, are responsible for approving the locations of Regents' meetings. At the March 2000 meeting, The Regents approved the dates of Regents' meetings for 2001, commencing the cycle of six business meetings per year, plus three additional Regents' campus visits per year, a schedule that had been approved by The Regents in October 1999.

The President recommended the continuation of the current schedule and the approval of the dates of Regents' business meetings through November 2002, in addition to the dates for the three campus visits in February, April, and October 2002.

Regent Hopkinson recalled that when the schedule was changed to six meetings a year, the intention was to have three in northern California and three in southern California. For the past two years, there have been four in the north and two in the south. Senior Vice President Mullinix believed that the proposed schedule was driven by the availability of meeting facilities.

Regent S. Johnson noted that with Regents' visits to the Irvine, Riverside, Los Angeles, and Santa Barbara campuses planned, there will be ample opportunity to interact with students, which is one reason for meeting in the south. She did not recall agreeing to a specific division between northern and southern meetings. Regent Davies agreed, recalling that a decision was made to have a Regents meeting at UCLA each spring and fall and the remainder at Laurel Heights. Regents Lansing and Hopkinson believed the schedule should be more balanced after 2002.

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

The meeting adjourned at 11:15 a.m.

Attest:

Secretary

#### STANDING ORDER 100.

#### OFFICERS OF THE UNIVERSITY

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#### Additions shown by shading; deletions shown by strikeout

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# (cc) Except as otherwise specifically provided in the Bylaws and Standing Orders:

- The President is authorized to approve and execute on behalf of the Corporation contracts, real property rental agreements, and other documents pertaining to the use of facilities for academic, research, or public service programs of the University, or for related administrative support activities with a term of no University-related purposes with a term (excluding options) of not more than ten years, including option periods provided that base annual rent (exclusive of operating expenses and all concessions to the University) provided that base rent shall not exceed \$500,000 for the initial year, and annual rent increases for subsequent years shall be limited to either (i) the actual annual percentage increases in the Consumer Price Index for all Urban Consumers (CPI-U all items), or (ii) such amounts that, when the rent is aggregated over the lease term, the total base rent does not exceed \$10 million.
- Provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Committee on Finance, the President is also authorized to approve and execute contracts, real property rental agreements, and other documents, as described above pertaining to the use of facilities for University-related purposes with a term (excluding options) of not more than ten years, provided that base annual rent shall not exceed \$1 million for the initial year, and annual rent increases for subsequent years shall be limited to either (i) the actual annual percentage increases in the CPI, or (ii) such amounts that, when the rent is aggregated over the lease term, the total base rent does not exceed \$20 million, and also provided that all actions taken for these amounts under this authority be reported at the next following meeting of the Board. Amounts in excess of the \$1 million and \$20 million limits described above require Board approval.
- (3) The For the purpose of computing the maximum initial year base rent and the maximum aggregate rent specified in (1) and (2) above, rent shall exclude (i) the effect of free or reduced rent periods or similar concessions, and (ii) operating expenses or other costs (including tenant improvement costs) paid by tenant in addition to base rent.

Beginning November 1, 2000, the maximum initial year base rent and the maximum aggregate rent specified in (1) and (2) above shall each be increased annually by a percentage equal to the percentage increase in the National Consumer Price Index for all Urban Consumers (CPI-U all items) CPI for the preceding year, said increase to be reported annually to the Committee on Finance.

As used in these Standing Orders, the term University-related purposes refers to real property and interests therein held and used by the University in furtherance of its mission, but excluding real property held for investment purposes.

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- (ff) The President is authorized to negotiate the sale, purchase, receipt by gift, or lease of all interests in real properties property which are used, held, or to be acquired for campus used for University-related purposes, and to administer all such properties, which are defined as properties within the boundaries of a campus of the University and other properties used, held, or to be acquired for student and employee housing, parking, athletic programs, research, public service, educational programs, or administrative staff purposes of the University and interests.
- (gg)The President is authorized to approve the sale, purchase, receipt by gift, or other acquisition of real property when such real property (1) is used, held, or to be acquired for campus-related purposes as defined in (ff) above, and all interests in real property used or to be used for University-related purposes when the consideration does not exceed \$10 million, (2) consists of for-sale housing units within an approved University for-sale housing program, (3) is acquired through foreclosure, deed-in-lieu of foreclosure, or otherwise in realization of a security interest under an approved University home loan program, or (4) is the former residence of a recently recruited employee acquired pursuant to an established personnel policy for covered moving expenses. The President is also authorized to approve the sale, purchase, receipt by gift, or other acquisition of all such interests in real property, as described above, when the consideration is in excess of exceeds \$10 million up to and including \$20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Committee on Finance, and also provided that all actions taken for these amounts under this authority be reported at the next following meeting of the Board. Amounts in excess of exceeding \$20 million require Board approval.
- (hh) In furtherance of the authority authorities set forth in (ff) and (gg) above, the President is authorized to execute all documents, except those conveying title; provided, however, that any such documents executed prior to approval by the Board or by a Committee thereof empowered to act, or by the President required in accordance with (gg) above, shall be conditioned upon obtaining such approval.
- (ii) The President shall be the custodian of all contracts of sale, mortgages, and deeds of trust for all real property held or acquired for campus-related purposes and of all purchase and sale, gift agreements, leases, licenses, easements and rights of way, ground leases, mortgages, deeds of trust, insurance policies and other documents

relating to such instruments real property transactions for University-related purposes custody for which is not established elsewhere in the Bylaws and Standing Orders.

- (jj) The President is authorized to approve and execute licenses, easements, and rights-of-way with respect to real property held or acquired for campus-used or to be used for University-related purposes when (1) the consideration does not exceed \$10 million or (2) such instruments are revocable with 120 days' notice.
- (kk) The President is authorized to approve leases, assignment assignments of leases or subleases, and related amendments of such documents for mineral rights, including gas, oil, and other hydrocarbons, or geothermal resources as to real property held or acquired campus—used or to be used for University-related purposes if the land rent does not exceed \$500,000 per year during the primary lease term.

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(oo) The President is authorized to administer University participation in corporations, companies, and partnerships, provided that such participations have been approved by the Board for University-related purposes, and to execute all documents in connection therewith on behalf of the University. The President shall be the custodian of all documents related to such participations.

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