The Regents of the University of California

COMMITTEE ON GROUNDS AND BUILDINGS
COMMITTEE ON FINANCE
November 13, 2002

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

Members present: Committee on Grounds and Buildings: Regents Atkinson, Hopkinson, Johnson, Ligot-Gordon, Lozano, Marcus, Moores, and Sainick; Advisory members Bodine and Seigler
Committee on Finance: Regents Atkinson, Connerly, Hopkinson, Lee, Ligot-Gordon, Lozano, Montoya, Moores, Preuss, and Sayles

In attendance: Regents Blum, Davies, and Terrazas, Regent-designate Murray, Faculty Representatives Binion and Pitts, Secretary Trivette, General Counsel Holst, Treasurer Russ, Provost King, Senior Vice President Mullinix, Vice Presidents Broome, Drake, Hershman, and McTague, Chancellors Berdahl, Bishop, Carnesale, Cicerone, Córdova, Dynes, Greenwood, Tomlinson-Keasey, Vanderhoef, and Yang, and Recording Secretary Bryan

The meeting convened at 9:25 a.m. with Committee on Grounds and Buildings Chair Marcus presiding.

1. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENTS PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR TERCERO HOUSING AND DINING EXPANSION, DAVIS CAMPUS**

The President recommended that:

A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

> Davis: Tercero Housing and Dining Expansion – preliminary plans, working drawings, and construction - $44,879,000 to be funded from external financing ($35,879,000) and the Davis campus' share of the University of California Housing System Net Revenue Fund ($9,000,000).

B. The Committee on Finance concur with the recommendation.

C. The Committee on Finance recommend that financing be obtained not to exceed $35,879,000 to finance the Tercero Housing and Dining Expansion 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, University of California Housing System fees for the Davis campus shall be established at levels sufficient to meet all requirements of the University of California Housing System Revenue Bond Indenture and to provide excess revenues sufficient to pay debt service and to meet the related requirements of the proposed financing.

(3) The general credit of The Regents shall not be pledged.

D. 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.

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

The Committee was informed that the Davis campus guarantees campus housing for all newly admitted freshman students. Because of enrollment growth, housing demand now exceeds supply. The Davis Long Range Development Plan provided for an enrollment target of up to 26,850 students by 2011. To prepare for this growth, the campus has planned an aggressive capital program to expand student housing. The LRDP identifies the need for additional student housing in the specific area of the Tercero Housing Commons, but first the facility must be renovated and expanded.

This project is the second in a series of four projects planned to provide a total of 1,582 new on-campus residence hall beds. The first of these, Segundo Housing Expansion, is under construction and will bring 382 new beds on line in 2003-04. Two projects for future approval, Tercero Phases 2 and 3, will provide a total of 800 additional beds by 2007-08.

Project Description

The Tercero housing complex expansion will be located to the south of the existing recreation hall and adjacent to the existing dining commons. A total of 392 students and 8 student staff will be accommodated in two 4-story buildings. Each floor of the two buildings will contain six clusters of eight students in double-occupancy bedroom units sharing a common bathroom. Common space for lounges, study rooms, laundries, and community kitchens will be included.

The expanded Tercero Dining Commons will be a two-story addition to match the existing facility, with dining functions housed on the second floor and other student services and recreation housed on the first floor. The expanded commons will total 44,450 asf and will increase the dining commons capacity from 464 seats to 900 seats.

The utility infrastructure will be expanded to accommodate the proposed project as well as the planned Tercero Phases 2 and 3. It will include the development of hard and soft landscaping to facilitate social interaction and to organize bicycle and pedestrian traffic to and from the campus.

Construction will begin in December 2003 in order to open the building for fall quarter 2005.

CEQA Classification

An Environmental Impact Report will be prepared, and the campus will amend its 1994 Long Range Development Plan to incorporate the building site and bed count. Both documents will be presented to The Regents for review at the time of project design approval.

Financial Feasibility

The total project cost will be funded from external financing ($35,879,000) and the Davis campus' share of the University of California Housing System Net Revenue Fund ($9,000,000). Assuming 30-year financing of $35,879,000 at 6.125 percent interest, the average annual debt service for the project will be $2,642,000. Payment of the debt service will be from the Davis campus' share of the UCHS annual net revenues.

As a consequence of this and other Davis campus housing projects, in 2006-07, the first full year of project occupancy, rates for residence hall beds are expected to be $792 per month per bed without a meal plan and $1,065 with an average meal plan. Over a four-year period, this is a housing increase of $187 per month per bed. The campus has developed a rate increase strategy to meet the financial obligations associated with the housing program's capital development plan. The planned rate increases encompass the ongoing operational increases as well as debt associated with recently approved projects and projects to be proposed for Regents' action within the planning horizon.

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

2. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM FOR SURGERY AND EMERGENCY SERVICES PAVILION, MEDICAL CENTER, DAVIS CAMPUS**

The President recommended that:

A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended as follows:

> Davis: Surgery and Emergency Services Pavilion – preliminary plans, working drawings, construction, and equipment – $281,277,000 to be funded from hospital reserves ($138,687,000), State lease revenue bond funds ($102,590,000), and capitalized leases ($40,000,000).

B. The Committee on Finance concur with the recommendation.

It was recalled that at the January 2001 meeting, the medical center presented The Regents with an item for discussion outlining all of the capital improvements needed to satisfy SB1953 requirements. At the time, UCDMC proposed to provide replacement space for programs housed in the North/South Wing via a three-pronged approach: (1) the completion of four of the six shelled floors in Tower II; (2) substantial renovations of the East Wing; and (3) the construction of a new addition to the hospital, the Surgery and Emergency Services Pavilion.

In March 2002, The Regents authorized the expenditure of up to $5.25 million of hospital reserves to fund the cost of preliminary plans for the Surgery and Emergency Services Pavilion.

At the July 2002 meeting, it was explained that a revised medical center master plan reduced the scope of the planned renovations in the East Wing from over $103 million to approximately $27 million. Instead of renovating the entire building to provide replacement space for many of the functions in the North/South Wing, only mandatory seismic corrections will be made, and the majority of the East Wing nursing units will continue to be used essentially as is. The scope of the Surgery and Emergency Services Pavilion was expanded to provide replacement space for North/South Wing programs that were originally slated to go into vacated space in the East Wing. At the time, the estimated cost of the Pavilion was approximately $191 million, excluding equipment. The cost of building out the shelled floors in Tower II remained at approximately $74 million, infrastructure costs decreased slightly to $15 million, and other SB 1953 improvements remained at approximately $3 million.

While higher in terms of the initial capital cost, the revised Plan has several important advantages: it substantially reduces construction impacts on critical services such as surgery; it reduces the long-term cost of complying with the seismic safety mandates pertaining to 2030; it provides the organization with more flexibility in terms of bed capacity; and it enhances operational efficiency by allowing key departments to be consolidated in one area of the hospital.

Project Description

The Surgery and Emergency Services Pavilion project involves the construction of a 208,131 asf building to the east side of the Tower II structure. The project, which is vital to compliance with the seismic safety mandates of SB 1953, will be built under the jurisdiction of the Office of Statewide Health Planning and Development.

The Pavilion building will have a partial basement and three levels with direct connection to the east face of the existing Tower II building. It will provide replacement space for several acute care functions now located in the seismically deficient North/South Wing and additional space to expand facilities to meet current code and programmatic requirements. Replacement functions will include a Level 1 trauma and emergency services department, radiology imaging, an operating theater, cardiology services, central processing, an intensive care unit, clinical laboratory, food services, outpatient neurosciences, pulmonary and apheresis services, a pharmacy, and a new lobby. Administrative functions will include patient care services, lifeflight services, pharmacy operations, patient escort, interns and residents sleep/support, physician referral, access services, financial clearance/cashier, trauma program, and telemedicine.

Eight vacant and seismically deficient buildings will be demolished within the next two years to accommodate the new Pavilion project. The North/South Wing will be demolished once all occupants have relocated into the new Pavilion building.

Site development will include extension of campus utilities, a new pedestrian and vehicular entry, and new surface parking and landscaping. Construction will start in April 2005 and be completed by September 2007.

Project Cost

The estimated total project cost of the Surgery and Emergency Services Pavilion is now \$281 million, an increase of approximately \$90 million from the \$191 million estimated and presented at the July 2002 Regents meeting. The majority of this increase is the estimated \$65 million cost of Groups 2 and 3 equipment not included in the July 2002 figures. While UCDMC has budgeted equipment and furnishings in its financial projections, up to this point it has not included these costs in material presented to The Regents regarding its master plan.

The remainder of the cost increase can be attributed to several factors:

- The clinical laboratory consolidation and other adjustments in the surgery, emergency, cardiology, radiology, and central processing departments made during design development increased the assignable gross square footage by approximately 33,000 asf. These changes were incorporated to foster improved operational efficiency and better patient care; they also will provide greater flexibility in responding to changes in health care in the future.

- Early planning assumptions envisioned a net-to-gross square feet coefficient of 1.30; however, as the design evolved and departmental floor plans and mechanical requirements were developed, a revised factor of 1.43 was necessary, thus increasing the overall building size.

- Verification by the architect and equipment consultant increased the Group 1 (fixed) equipment costs primarily in the operating room suites, kitchen, and the clinical lab.

- Upgrades to HVAC systems and other infrastructure improvements were also incorporated into the design of the ER and one of the proposed surgical intensive care units to enhance the organization's ability to safely accommodate patients who have been exposed to biological and chemical agents. These changes complement UCDMC's role as the region's only Level 1 Trauma Center and will also support a proposal being developed by the UC Davis campus to establish the Western Center for Biodefense and Emerging Diseases in concert with the National Institutes of Health.

- Adjustments to space requirements related to public circulation and other requisite building elements were made in response to design review requirements. These requirements could not have been foreseen during the early stages of design development but were one of the outcomes of detailed design work.

- Recently completed engineering studies indicate that it will be necessary to relocate the main electrical and hot and chilled water utility feeds to the existing building.

Hospital Funding - State Lease Revenue Bonds

The 2000 State Budget Act included $600 million of lease revenue bonds to be issued by the State Public Words Board (SPWB) to provide the medical centers of the University of California with funding for the reconstruction projects that would be required to comply with SB 1953. The Davis Medical Center has been allocated a total of $120 million, of which about $17.4 million was previously approved by The Regents to support the Tower II, Phase 2 and Tower II, Phase 3 projects. As in previous SPWB funding for other 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 work required for compliance with SB1953. The University will construct the projects under an agreement with the SPWB. SPWB 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 projects, after which ownership will be passed to the University.

The University will pay rent to the Board for those facilities that 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. 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 those facilities.

CEQA Classification

An amended Environmental Impact Report will be prepared to supplement and address new impacts not previously identified in the 1994 LRDP EIR. This information will accompany the design review item scheduled for the January 2003 Regents meeting.

Financial Feasibility

The total project cost is $281,277,000, of which $102,590,000 is to be funded by State lease revenue bonds, and $138,687,000 is to be funded by hospital reserves. Of the total project cost, $40,000,000 in equipment costs will be funded through capital leases.

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

3. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR STUDENT CENTER EXPANSION, PHASE 4, IRVINE CAMPUS**

The President recommended that:

A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

> Irvine: Student Center Expansion, Phase 4 – preliminary plans, working drawings, and construction – $61,500,000 to be funded from external financing.

B. The Committee on Finance concur with the recommendation.

C. The Committee on Finance recommend that external financing be obtained not to exceed $61,500,000 to finance construction and related costs of the Student Center Expansion, Phase 4, Irvine campus, subject to the following conditions:

(1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the preliminary plans, working drawings, and construction period.

(2) Repayment of the debt shall be from Student Center, Phase 4 Expansion Referendum student fees approved by student vote in April 2001 and by the President on October 8, 2002; registration fees; and net revenues of the Student Center, which shall generate net revenues sufficient to pay debt service and to meet all related financing requirements of the proposed funding.

(3) The general credit of The Regents shall not be pledged.

D. 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.

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

It was recalled that the Irvine campus proposes to expand and redevelop the existing Student Center through a combination of new construction, renovation, and selective demolition. The project will provide 85,079 asf of new space and will renovate 27,426 assignable square feet of existing space to expand food services, meeting and conference facilities, lounges and study areas, space for student organizations, and administrative space to accommodate enrollment growth.

A student survey in 2000 indicating great interest in the expansion of the Student Center facilities resulted in the proposal of a student fee referendum. In April 2001, students agreed to an increase in the existing Student Center fee from $47.50 per student per quarter to $136.50 per student per quarter, effective with project occupancy. The increase of $89 per student per quarter will support the Student Center Expansion, Phase 4 project. Under the authority delegated to him, President Atkinson approved the fee increase on October 8, 2002.

Project Description

The project will construct new space, reorganize space within the existing buildings, and demolish the center that houses student government and retail space. The project will provide an addition to the Cross-Cultural Center, plus student activity, food service, retail, and administrative space. Complementary outdoor spaces will be developed to accommodate a variety of activities. Site costs for both the main Student Center complex and the Cross-Cultural Center will include landscaping and the necessary utility relocations and connections.

The following building requirements affect the building cost: structural requirements for high bay/long span spaces, sophisticated acoustical treatments, state-of-the-art audio visual capabilities, and upgraded finishes for the conference and multipurpose spaces; intense building utility and infrastructure requirements for food service; extensive data and communication connections; and phasing costs to maintain operations throughout the construction process. Special attention will be placed on the architecture of the facility, as the Student Center expansion is located at a major entry point for the campus. This site is extremely prominent and provides a first impression of the campus for students, faculty, staff, and visitors.

Construction is expected to start in August 2003 and will be phased to allow for continuing operation of both buildings, with completion in winter 2006.

CEQA Compliance

The project is consistent with the campus' 1989 Long Range Development Plan. An initial study will be prepared to determine if a Negative Declaration or Environmental Impact Report should be presented to The Regents for consideration at the time of the project's design approval.

Financial Feasibility

The project cost will be funded from external financing. Assuming 6.125 percent interest for 30 years, the average annual debt service on $61,500,000 will be $4,528,000. Repayment of the debt will be from student fees, registration fees, and Student Center revenue, which will result in a projected annual revenue of $9,857,484. Students enrolled during the summer will be charged the same amount, generating projected annual revenue of $414,960. Additionally, the campus has committed registration fees in the amount of $21.23 per student per year, which is anticipated to generate $497,865 annually. Finally, the Student Center has committed revenue of $673,000 annually. Both the registration fee funds and the Student Center revenue are committed for the life of the project loan.

Annual operating and maintenance expense is estimated to be $2,881,000, inclusive of the costs of the proposed project and of all earlier phases of construction, leaving net revenue of $8,562,000 available for debt service. The existing annual debt pledged against the Student Center fee is $2,254,000. Adding that to the proposed new annual debt of $4,528,000 results in a revised annual debt of $6,782,000. Project revenues are sufficient to cover all existing and new debt obligations, maintenance, and operations expenses.

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

4. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR ENGINEERING 1 REPLACEMENT BUILDING, 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 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

Los Angeles: Engineering 1 Replacement Building – preliminary plans, working drawings and construction – $28,722,000 to be funded from gift funds ($19,100,000), and external financing ($9,622,000). The total project cost of the replacement building is $55,900,000. Additional funds of $27,178,000 are to be provided by State funds ($26,278,000) and gift funds ($900,000) under the approved Engineering 1 Seismic Mitigation project.

B. The Committee on Finance concur with the recommendation.

C. The Committee on Finance recommend that financing be obtained in an amount not to exceed $9,622,000 to finance the 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 the debt shall be from the Los Angeles campus' share of the University Opportunity Funds.

(3) The general credit of The Regents shall not be pledged.

D. 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.

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

The Committee was informed that Engineering 1, which was constructed between 1949 and 1954, accommodates portions of the Henry Samueli School of Engineering and Applied Science (HSSEAS). The facility consists of two structurally separate units: a 42,147 assignable square foot west wing (Unit A) and a 33,455 asf east wing (Unit B). Structural deficiencies in both wings that pose a significant threat to life safety during a major earthquake include a lack of seismic force-resisting capacity in the shear walls, lack of shear capacity and ductility in the columns, and brittle details used in the reinforced concrete frame. Program space in both wings has insufficient capacity to support increasing equipment loads, a lack of flexibility to add fume hoods and technical support spaces where needed, a lack of appropriate temperature controls and air cleanliness required for highly technical uses, laboratories not designed to accommodate hazardous chemicals and gases that occur, and laboratories that cannot be equipped and configured for collaborative research and teaching. In addition, the mechanical, electrical, and plumbing systems are obsolete, and the building is not in compliance with current fire, life safety, and accessibility codes.

The cost to retrofit the structure, correct related fire/life safety deficiencies, and upgrade building systems and program spaces to the standards of modern engineering buildings was evaluated, and a determination was made that it would not be prudent to make a significant investment in an obsolete building at the end of its useful life. Funding of $27,178,000, including State funds ($26,278,000) and gift funds ($900,000), was subsequently approved under the Engineering 1 Seismic Mitigation project for construction of a modern engineering laboratory building on the site of the west wing of Engineering 1. The State funding, which was based on the estimated cost that would be incurred to correct seismic hazards and provide mandatory code corrections to the existing building, will be supplemented with non-State campus funds.

The State-funded project originally proposed a replacement facility that included 44,000 asf of engineering program space and 22,000 asf of UCLA's NanoSystems Institute (CNSI). Regental approval of preliminary plan funding in the amount of $1,424,000 was granted at the January 2001 meeting. This funding was supplied by the State through the California Institutes for Science and Innovation Program. CNSI was subsequently consolidated into a single campus project in the Court of Sciences and was approved by The Regents in May 2002. The campus then initiated new planning studies to analyze the long-term redevelopment potential for the site, resulting in the proposed project.

Project Description

The Engineering 1 Replacement Building will be a five-story structure with two partially below-grade levels representing approximately 60,000 asf of new construction, including 44,537 asf of replacement program space and an estimated 15,463 asf of unimproved shell space for future campus use. The building will be located on a sloped site bounded by Ackerman Union to the north, the Math Sciences Building and Boelter Hall to the east, a service drive and Engineering IV to the south, and Westwood Plaza to the west.

The building will accommodate portions of the HSSEAS program, including research laboratory, instructional laboratory, and bioengineering laboratory facilities, faculty offices, conference rooms, and administrative offices. A planning module will allow for flexible combinations of laboratory benches, equipment and workspace and the ability to restructure spaces to accommodate new and emerging technologies. Meeting and break spaces will be located to promote interaction among building users. Building floor-to-floor heights, circulation, and configuration will be planned to interface with a future building on the site for engineering enrollment growth.

Research laboratories will be designed to accommodate the collaborative needs of all engineering disciplines and other schools involved in allied research. Instructional laboratories will accommodate wet, dry, and bioengineering teaching activities. Bioengineering facilities will include a suite of wet laboratories. Private offices will be provided for faculty, with shared offices assigned to graduate and post-doctoral scholars and faculty support staff. Study, break, and copy areas would be provided for students.

The scope of work will include demolition of Unit B and the pedestrian bridges to Math Sciences and Engineering IV; removal of the existing landscaped area between Engineering 1 and the Math Sciences Building; repairs to the Engineering IV and Math Sciences Buildings related to the removal of the pedestrian bridges; construction of a new circulation plaza between the new building and Math Sciences; provision of new site utilities; and reconfiguration of existing site utilities to make Unit A self-sufficient prior to the demolition of Unit B.

It is anticipated that construction will be completed by March 2006.

CEQA Classification

An Environmental Impact Report was prepared and certified by The Regents in July 2002 in conjunction with approval of the CNSI Court of Sciences Building. The EIR also analyzed the potential environmental effects of the proposed project.

Financial Feasibility

The total project cost will be funded from gift funds ($19,100,000) and external financing ($9,622,000). The cost of the replacement building is $55,900,000. In addition, $27,178,000 are to be provided by State funds ($26,278,000) and gift funds ($900,000) under the approved Engineering 1 Seismic Mitigation project.

A binding pledge of $30 million was received in December 1999 from Henry and Susan Samueli to support the School of Engineering and Applied Science at UCLA. A sum of $20 million was designated for capital construction and $10 million designated as endowment. To date, $18 million of the pledge has been received, and the campus anticipates that the full amount of the pledge will be received prior to construction bidding.

Assuming a campus debt of $9,622,000 amortized over 30 years at 6.125 percent interest, the average annual debt service of $708,000 will be repaid from the Los Angeles campus' share of the University Opportunity Fund. The campus is within the prescribed Opportunity pledge and payment limits.

Upon motion duly made and seconded, the Committees 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 EXTERNAL FINANCING FOR MISSION BAY BLOCK 20 HOUSING AND RETAIL PROJECT, 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 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

> San Francisco: Mission Bay Block 20 Housing Project – preliminary plans, working drawings, construction and equipment – $112,816,000 to be funded from external financing ($82,000,000), gift funds ($30,000,000), and funds available to the campus ($816,000).

B. The Committee on Finance concur with the recommendation.

C. The Committee on Finance recommend that financing be obtained not to exceed $82,000,000 to finance the Mission Bay Block 20 Housing 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, University of California Housing System fees for the San Francisco campus shall be established at levels sufficient to meet all requirements of the University of California Housing System Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and to meet the related requirements of the proposed financing.

(3) The general credit of The Regents shall not be pledged.

D. The Committee on Finance recommend that interim financing be authorized, not to exceed $30 million prior to construction bidding, for any gift funds not received by that time and subject to the following conditions:

(1) Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

(2) Repayment of any interim financing shall be from gift funds and, in the event such gift funds are insufficient, from the San Francisco campus' share of the University Opportunity Fund.

(3) The general credit of The Regents shall not be pledged.

E. 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.

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

The Committees were informed that the Mission Bay Block 20 Housing Project will be the sixth project to be constructed in the first phase of the Mission Bay campus site development. The project is essential to help UCSF achieve its housing goals of 40 percent of the student population and 25 percent of the postdoctoral scholar and postgraduate researcher population. Additional housing development and possible acquisition is planned at the Parnassus Heights campus site and other locations in the city through 2005-06, which, with this project, will provide a combined net increase of 777 beds for the two population groups.

Housing was not planned as part of the 1996 LRDP space program for the major new site. At the time of the LRDP, it was anticipated that housing, including low cost housing affordable to students, would be built by the private sector in the Mission Bay area. In the intervening years it has become apparent that UCSF needs housing at Mission Bay sooner than the private market can provide. Occupancy rates in the city remain at around 97 percent. Although the market has softened in the past 18 months and rental rates have dropped slightly, the rates in San Francisco remain some of the highest in the country and are expected to increase again when the economy improves. Consequently, students are electing to go elsewhere, and UCSF is having difficulty recruiting postdoctoral scholars.

For the major new site, the LRDP acknowledged that campus life must be supported by food service facilities and a variety of other business services conveniently located in an adjacent neighborhood or central mall setting on the new campus. The proposed project does include retail along the west side of 3rd Street and along the north side of the Plaza, which links the MUNI transit stop with the campus core. It is envisioned that the 11,855 asf of shelled retail space for up to 11 individual vendors in this project will serve not only the housing tenants but also the entire campus population. Uses being considered include food and beverage services, a convenience store, dry cleaning, banking services, and other campus and commercial retail services.

Project Description

The project will be located on Block 20 of the UCSF Mission Bay campus site, between 3rd Street on the east and 4th Street on the west, 13th Street on the north, and the campus Plaza on the south. It will house 717 students and postdoctoral scholars and the family of one manager in one 15-story tower and three mid-rise buildings surrounding a 42,905-square foot landscaped courtyard. At the ground level there will be residential support and retail space. Each building will be constructed of concrete and steel.

The project will total 298,800 residential asf. Of the 430 apartment-style units, there will be 117 studios, 114 1-bedrooms, 131 2-bedrooms, nine 3-bedrooms, and 59 4-bedrooms. Approximately 80 percent of the units will be rented to single students and postdoctoral scholars and 20 percent to students with families. The percentages will fluctuate annually depending on demand. Families without children can occupy 1-bedroom units and families with children can occupy 2, 3 and 4-bedroom units. None of the bedrooms in any of the units is intended for multiple student or postdoctoral scholar occupancy.

All units will have a single bathroom except for 3 and 4-bedroom units, which will have two. Regardless of the number of bedrooms, each unit will have a single living room and a full kitchen with a dining area.

Each of the four buildings will have a single lobby with two elevators, mailboxes for the building tenants, and adjacent bicycle storage. Each building will also have a common laundry room at the ground floor and storage space. In addition, there will be a centrally located community room, office space for management personnel, maintenance space, a double loading dock, and space for trash and recycling containers and utilities. Support space for these uses will comprise 17,340 asf. Retail space to be located at the bases of three of the buildings will be accessible from 3rd Street and the Plaza.

Construction of the project will begin in June 2003, with full occupancy anticipated by October 2005.

CEQA Classification

The 1996 LRDP Environmental Impact Report and 2001 SEIR provided the environmental analysis for the Mission Bay site, which included environmental review for the 2.65 million gsf capital program. An LRDP Amendment and Supplemental EIR to incorporate housing into the space program for Mission Bay was approved and the Supplemental EIR certified at the January 2002 Regents meeting. A project-level environmental review will be presented in Addendum #4 to the LRDP.

Financial Feasibility

The project cost will be funded from external financing ($82,000,000), gift funds ($30,000,000) and funds available to the campus ($816,000).

Assuming financing of $82,000,000 for 30 years at 6.125 percent interest, the average annual debt service for the project will be $6,037,000. Payment of the debt service will be from the San Francisco campus' share of the UCHS annual net revenues.

As of November 2002, the campus had raised $186,000,000 of the $260,000,000 total needed to finance the Mission Bay Phase I projects. Of the $186,000,000 of cash and pledges raised, $110,000,000 in cash has been committed to the now completed Genentech Hall project. UCSF is committed, as part of this $260,000,000 phase of an overall Mission Bay fundraising effort, to raise $30,000,000 for the remaining costs of this project. This project will be the last one funded from this initial $260,000,000 capital campaign. Therefore, none of the gifts raised to date is assigned to this project.

In compliance with Regents policy that all funds necessary to complete construction are to be in hand at time of bid, approval of interim financing of $30,000,000 is requested. To the extent the campus obtains funds, the drawdown against the interim loan commitment will be reduced, or outstanding balances will be prepaid. The campus anticipates that it will be able to raise the gifts for this project, but in the event the collection is insufficient, the campus has pledged the San Francisco campus' share of Opportunity Funds as a source of repayment. Should interim financing need to be converted to long-term financing, the campus will return to The Regents for approval. Should long-term financing be required, financing $30,000,000 for 30 years at 6.125 percent interest will have an average annual debt service of $2,209,000. The campus is able to pay the debt service and remain in compliance with the University's policy on Opportunity Funds.

Rental Rates for UCSF Housing System

In 2006-07, the first full year of occupancy of the project, Mission Bay rental rates are projected to be less than those of the off-campus local market. Further, housing at Mission Bay will provide amenities not typically offered in the local area market.

Retail Space

Space will be leased to local businesses and the market rate income will contribute to the facility's operating and debt obligations.

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

The meeting adjourned at 9:28 a.m.

Attest:

Secretary