

The Regents of the University of California

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

January 15, 2003

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

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

In attendance: Regents Davies and Pattiz, Regent-designate Murray, Faculty Representative Binion, Secretary Trivette, General Counsel Holst, Treasurer Russ, Provost King, Senior Vice President Darling, Vice Presidents Mullinix, Broome, Drake, and Gomes, Assistant Vice President Obley representing Vice President Hershman, Chancellors Berdahl, Bishop, Carnesale, Cicerone, Córdova, Dynes, Tomlinson-Keasey, Vanderhoef, and Yang, Laboratory Director Anastasio, Interim Laboratory Director Nanos, and Recording Secretary Bryan

The meeting convened at 9:10 a.m. with Committee on Finance Chair Hopkinson presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of November 13, 2002 were approved.

2. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR DAVIS HALL NORTH REPLACEMENT BUILDING, BERKELEY CAMPUS**

The President recommended that:

- A. Subject to 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:

From: Berkeley: CITRIS II – preliminary plans – \$6,300,000 to be funded by the State through the California Institutes for Science and Innovation program (\$6,200,000) and gift funds (\$100,000).

Berkeley: CITRIS Lifelong Learning Center – preliminary plans – \$700,000 to be funded from gift funds.

Berkeley: CITRIS Net – preliminary plans – \$100,000 to be funded from gift funds.

Berkeley: CITRIS I – preliminary plans – \$1,950,000 to be funded from gift funds.

To: Berkeley: Davis Hall North Replacement Building – preliminary plans, working drawings, construction, and equipment – \$117,650,000 total project cost, to be funded from the State through the California Institutes for Science and Innovation program (\$87,325,000) and gifts (\$30,325,000).

- B. The Committee on Finance concur with the recommendation described in A. above.
- C. The Committee on Finance recommend that the President be authorized to obtain stand-by financing not to exceed \$15,325,000 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 the Berkeley campus' share of the University Opportunity Fund.
 - (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 project will construct a 79,420 assignable-square-foot facility for the Center for Information Technology Research in the Interest of Society

(CITRIS), one of the new California Institutes for Science and Innovation (Cal ISI). CITRIS will operate at several locations on the Berkeley campus as well as in a new facility at Santa Cruz, a partner campus.

In September 2001, The Regents amended the Capital Improvement Program and Budget for Capital Improvements to include, for preliminary plans only, the CITRIS II project, as the present project was then called, as part of the Cal ISI program. Berkeley is the lead campus for CITRIS, which also has components at UC Davis, UC Merced, and UC Santa Cruz. CITRIS sponsors and houses collaborative, interdisciplinary research focused on information technology (IT) to provide solutions to social and commercial problems affecting the economy, quality of life, and future success of California. Early on the institute's agenda is to establish a common design for societal-scale information systems (SISs) and deliver the mathematical foundations, hardware, and software architecture, and components common to all SISs. The resulting design will serve research programs such as "smart" classrooms for enhanced education and training; smart buildings able to adapt to their inhabitants, making them more energy efficient; an urban SIS for transportation management, disaster response, seismic planning, and environmental monitoring; and a medical alert network to monitor and treat individual patients.

The Davis Hall North Replacement Building (DHNRB) will be the center of the institute and will facilitate interdisciplinary collaboration, synergy, and community among individual researchers working in a variety of related disciplines. Among other CITRIS components at Berkeley are the CITRIS nanotechnology laboratory and Berkeley Institute of Design in the Hearst Memorial Mining Building (HMMB) and the CITRIS Bio-Nano Center to be located in the Stanley Quantitative Biosciences and Bioengineering Facility (SQBBF).

Project Description

The DHNRB will be constructed on the site of the 71-year-old north wing of Davis Hall. This programmatically obsolete structure will be demolished and its occupants relocated to other College of Engineering space. The CITRIS laboratory and office building will cost \$117,650,000 and will be funded by the State and private contributions. The building comprises flexible research space, the Integrated Microfabrication Laboratory (IML), the Lifelong Learning Center, and CITRIS administration and support.

Relocation of selected Davis Hall occupants and preparatory construction in the existing south wing of Davis Hall, which will remain, will start in March 2003. The main construction will begin in September 2003 and be completed in February 2006.

Revisions to Overall CITRIS Program

Under the original two-phase construction plan, phase one of CITRIS (2001-03) focused on renovating existing space so the program could ramp up quickly, while phase two (2003-05) was to complete new buildings at Berkeley and Santa Cruz. Over \$200 million in matching operating and capital funds from private donors, corporations, and grants and contracts was committed to match \$100 million in State funds through the Cal ISI program.

From a financial perspective the institute is progressing well and the two-to-one funding match will be maintained. CITRIS had received research awards and gifts for operations totaling \$48 million by the end of 2001-02. However, the post-9/11 economy has taken a toll on private donor support for capital construction. With one major exception, all private donors remain committed at this time, but many have indicated a need to delay payments from their original pledge dates. One major donor has withdrawn. The campus continues to work with all its donors and fully expects them to support the program strongly as the economy rebounds, but the capital plan requires revision to ensure long-term viability of the institute and to meet programmatic commitments to the State. Although the amount of capital funding from gifts is reduced under the revised plan, an overall match of more than two to one is maintained because of the strength of the matching funds on the operating side, with \$220 million for operations currently projected for the full four-year matching period.

To address the serious financial impact of current economic conditions, it is proposed to focus available resources towards rapid completion of the DHNRB and its microfabrication facility, which will house CITRIS headquarters and the vast majority of the institute's research program. The ability to keep this project on schedule is critical to success. In addition, the two special laboratories and the underground utilities infrastructure needed for CITRIS remain funded almost entirely by donors. CITRIS Net has been superseded by an alternative system funded outside of CITRIS, while the Lifelong Learning Center will be integrated into this Davis project. Renovation of Cory Hall will be deferred until the necessary donor contributions are received. Functions that were to be housed in the CITRIS I project will be housed in HMMB and in space provided in the future Cory Hall renovation project.

Lifelong Learning Center and CITRIS Net: The Lifelong Learning Center has been integrated into the DHNRB, which includes administrative office space, control rooms, and fully equipped state-of-the-art classrooms and seminar rooms for this program. The independent high-speed network originally planned as CITRIS Net is no longer needed to connect with member campuses. A new 10 gigabyte/second Scenic network, funded outside CITRIS, will serve in its place. Scenic will provide high bandwidth communications for all aspects of the collaborative research agenda, including high-technology classrooms and collaborative research with UC Merced on distance learning.

Hearst Mining and Stanley: The CITRIS plan includes special laboratories in HMMB and SQBBF at a cost of \$20 million, funded almost exclusively from gifts, and both

projects are on schedule. The campus has also increased the amount of space assigned to CITRIS in HMMB to replace space from the CITRIS I project.

Cory Hall Renovation and CITRIS I: Under the revised CITRIS plan, CITRIS I and the Cory Hall renovation projects will be combined. The new plan for Cory Hall creates more space within the building envelope, and a separate CITRIS I expansion is no longer proposed. Preliminary plans for Cory Hall have been completed and the project will be funded from private contributions, but it must be deferred until adequate donor funding is available, which is likely to be outside the initial four-year timeframe. Additional space in HMMB and elsewhere will substitute for space lost from these revisions.

There are no changes to the originally planned CITRIS facilities at UC Santa Cruz.

CEQA Compliance

In January 2002, The Regents reviewed and certified an environmental impact report that addressed this project and other planned developments in the northeast quadrant of the campus and approved an amendment to the campus' Long Range Development Plan.

Financial Feasibility

The total project cost will be funded from State funds through the California Institutes for Science and Innovation program and gifts. The gift funding for the project is a component of the gift campaign for CITRIS. The cash gifts received to date for that campaign have been used to fund, in part, the commitments already in place for other CITRIS projects. As a result, cash funding in hand is not available for this project, and the total gift funding of \$30,325,000 will come from the collection of \$15,325,000 of future CITRIS pledges in hand and \$15,000,000 of anticipated research grants, and gifts in kind for the equipment portion.

Approval of stand-by financing of up to \$15,325,000 is requested in order to meet The Regents' funds-on-hand requirement. This will ensure funding for the entire gift-funded portion of the construction phase (\$12,325,000) as well as \$3,000,000 of equipment. To the extent gifts are received prior to completion of the project, the amount of the stand-by loan will be reduced and outstanding balances will be repaid. The campus anticipates that gift funding will be received in a timely way. In the event that long-term financing is required, the campus will return to The Regents for approval, with the Opportunity Fund identified as the repayment source. The remaining \$15,000,000 for equipment does not require financing because it will be purchased only as funds come from research grants or as gifts in kind are received.

In compliance with Regents' policy, all funds necessary to complete construction will be in hand prior to issuing the project for bid.

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 WEST ENTRY PARKING STRUCTURE, 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: West Entry Parking Structure – preliminary plans, working drawings, and construction – \$38,502,000; to be funded from external financing (\$34,688,000), campus funds (\$2,500,000), and parking reserves (\$1,314,000).

- B. The Committee on Finance concur with the recommendation described in A. above.
- C. The Committee on Finance recommend that financing be obtained not to exceed \$34,688,000 to finance the West Entry 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, parking fees for the Davis campus shall be established at levels which, together with other related income, will be sufficient to provide excess net revenues to pay the operating costs of the facility, 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 Committees were informed that the parking structure will contain approximately 1,453 parking spaces and a 20,800 gsf office building to house Transportation and Parking Services and UC Davis Police Department public safety programs.

It was recalled that in July 2002, The Regents approved, for preliminary plans only, \$1,600,000 of Parking Reserves for the West Entry Parking Structure project. The project was intended to provide approximately 1,500 parking spaces for general campus use and 12,000 gsf of office space to meet the anticipated demands of enrollment growth, faculty and staff employment, and campus visitors. Besides parking reserves per the preliminary planning approval, the campus would like to expend campus funds for a portion of the preliminary planning, working drawings, and a portion of the construction phases, and fund the remaining portion of the project construction phase through debt financing.

Parking Supply and Demand

Parking needs at the Davis campus have increased in recent years due to increases in student enrollment, faculty and staff employment, and campus visitors. In addition, some existing parking lots are located on building sites and will have to be displaced in order to accommodate this growth. The campus Long Range Access Plan, developed by Transportation and Parking Services (TAPS), analyzes parking demand based on campus use benchmarks. The plan outlines strategies to meet increased parking demands created by campus growth and identifies alternatives to meet the new demand most effectively. The key indicators that additional parking facilities are needed include the following, all of which will be met before the completion of the proposed structure:

- Over 90 percent of the parking spaces are occupied in the winter in the central campus, Medical Sciences Complex, or major facilities on the West and South campus. The LRDP EIR Mitigation Measure 4.3-6 requires that additional parking be put into service when this threshold is reached; or
- A capital project displaces existing parking resulting in reductions in the inventory of spaces; or
- A major capital project or initiative brings population growth resulting in higher parking demand.

The most recent winter survey, January 2002, indicates that the average use rate has already grown to 93 percent of the available spaces. The campus needs 256 parking spaces to meet the 90 percent requirement. The campus currently uses stack parking, with attendant parking cars in lot circulation space, to accommodate additional vehicles during peak demand.

The campus promotes a number of alternative transportation programs to reduce the parking demand. Despite these measures, the anticipated loss of 631 spaces due to planned facilities indicates the campus will require an additional 377 parking spaces to meet the 90 percent threshold in 2007-08.

Project Description

The West Entry Parking Structure project will be built on the existing Parking Lot 45, currently comprised of 290 parking spaces. In addition, 68 spaces along Dairy Road will be displaced due to road improvements and circulation requirements. The project will result in 1,095 net new parking spaces. The proposed 499,100 gsf structure will be six levels beginning at grade and will include maintenance and storage space.

The project will include roadway improvements to Dairy Road and Hutchison Drive and intersection improvements at Dairy Road and Hutchison Drive and at La Rue Road and Hutchison Drive. These improvements will be necessary to provide relief for anticipated traffic congestion in this area and the additional traffic resulting from construction of the parking structure.

The project will include construction of a two-story 20,800 gsf office building north of the parking structure at the west edge of the Fire and Police Building compound. It will be connected to the parking structure by a covered walkway. TAPS anticipates that the building will provide appropriate space to meet its needs through 2015 and allow it to release trailer and storage container space that it currently occupies. The UC Davis Police Department anticipates that the building will meet its most immediate needs, allowing it to release a leased trailer currently occupied by its Campus Violence Prevention Program, training unit, and emergency planner.

Construction will begin in January 2004 and be completed in November 2005.

Project Cost

The higher-than-average cost for the office space associated with this project is attributed to the unique characteristics of the physical and operational requirements for TAPS and the Davis Police and Emergency Operations Center facilities.

CEQA Classification

An initial study is being prepared to consider the potential environmental effects of this project. The initial study will be tiered from the 1994 LRDP EIR, as amended. As required by The Regents' approval of the 1994 UC Davis LRDP EIR as amended, all applicable LRDP mitigation measures described in the LRDP EIR, as amended, will be incorporated into this project. In accordance with University procedures, this document will be presented to The Regents for review at the time of project design approval.

Financial Feasibility

It is proposed that the cost of the West Entry Parking Structure be funded from external financing, campus funds, and parking reserves. Based on a debt of \$34,688,000 amortized over 30 years at 6.125 percent interest, the average annual debt service is estimated at \$2,554,000. The external financing will be repaid from Davis campus Parking System Net Revenues. The police and emergency operations facilities will be funded exclusively by campus funds.

The campus has developed a long-term parking fee schedule to meet operating costs and debt service requirements. The fees for each category of permit will be increased to support this project. Monthly fees will increase by 29 percent and daily rates will have increased by 60 percent by the project completion date. Visitor and general public users who pay daily, metered, and event fees will generate approximately 20 percent of the revenue for the parking facilities.

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 FOR MULTI-USE STADIUM, 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: Multi-Use Stadium – preliminary plans – \$1,395,000 to be funded from campus funds.

- B. The Committee on Finance concur with the recommendation described in A. above.

The Committees were informed that the multi-use stadium site is just north of the Health Sciences District and west of La Rue Road. The proposed stadium will be built with 10,000 seats and support facilities to accommodate game-day activities such as press box, ticket booth, and public restrooms. It will be designed for an ultimate possible build-out of 30,000 seats.

The facility will be the third of three capital projects approved by students as part of the Facilities and Campus Enhancements Initiative (FACE) and the Legal Education Enhancement and Access Program Initiative (LEEAP) for improvement of student

activity, recreation, and intercollegiate athletics facilities. The other two projects are an activity and recreation center, currently in construction, and a new aquatics center, which is being built in a site adjacent to the new stadium.

The existing campus stadium, Toomey Field, was built in 1949 primarily for track and field events. The playing field and track are in good condition, but the existing spectator seating, public restrooms, box office, press box, and concession areas are inadequate or outdated. It has insufficient lighting for night events and an antiquated scoreboard and public address system. As it contains only 5,000 seats, portable bleachers must be added in order to accommodate a total of 8,000 spectators, the typical number of attendees at these events. There are just enough wheelchair spaces for ADA compliance, but no companion seating. In addition, the aging seats in Toomey Field are in serious need of repair, raising issues of safety and liability. With the addition of the new facility, Toomey Field will be renovated to make it an adequate venue for track and field events. Together, the two facilities will meet the collective needs of the campus.

The new, lighted stadium will be home to UC Davis Football and Women's Lacrosse, and will be able to accommodate regulation soccer.

Project Description

The stadium will be contained in a landscaped bowl. It will be constructed partially below and partially above grade, with field level approximately 10 feet below the current grade. Seating for persons with disabilities and their companions will be provided to meet or exceed ADA requirements. Initial seating will be configured with 5,000 seats on each side, with seats placed for optimum viewing. The stadium support facility will be a single story building on grade. The design will complement the adjacent Aquatics Complex now under construction, and the site will be planned in such a way as to facilitate pedestrian and bicycle traffic between the two facilities

CEQA Classification

An Environmental Impact Report will be prepared to analyze the potential environmental effects of the proposed Activities and Recreation Center project and will be presented to The Regents for review at the time of project design consideration.

Funding Plan

The estimated project cost of the Multi-Use Stadium will be funded from a combination of gift funds and external financing.

The initial funding for preliminary plans will be from campus funds that will be replaced with external financing following the future Regental approval of that action.

The campus will seek approval for all future phases of the project from The Regents as the campus demonstrates a successful capital gift campaign.

Repayment of the debt will be from the Multi-Use Stadium portion of the FACE student fees commencing in fall 2005 at \$18 per quarter per student and \$9 per summer session student, the Multi-Use Stadium portion of the LEEAP fee at \$27 per semester per student, and a portion of the Davis campus Registration fees.

Future Regental Action

The campus will return to The Regents to request the amendment of the Budget for Capital Improvements and the Capital Improvement Program for the total cost of all phases of the project and approval of external financing

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 CAPITAL IMPROVEMENT PROGRAM FOR UCI MEDICAL CENTER REPLACEMENT HOSPITAL, IRVINE CAMPUS**

The President recommended that:

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

Irvine: UCI Medical Center Replacement Hospital – preliminary plans and working drawings – \$27,653,000 to be funded from hospital reserves.

- B. The Committee on Finance concur with the recommendation described in A. above.

The Committees were informed that the campus requests the approval to begin the working drawing phase of the UCI Medical Center Replacement Hospital project using \$13,115,000 of hospital reserves. Schematic design has been completed. Approval of the working drawings phase will allow the campus to proceed without full budget approval. The campus will progress through design development and bid packages with the understanding that it must return to The Regents to request full budget approval prior to bidding the design-build contract.

The site for the new hospital is directly north of existing Buildings 1 and 1A. Several existing buildings on the site, including two seismically "Poor" structures, will be demolished as part of this project.

The hospital replacement project consists of three elements: (1) construction of a replacement hospital with an additional increment of shell space; (2) associated renovations and non-structural SB 1953 bracing in Building 1A; (3) construction of a chiller plant and required upgrades to other central plant facilities, as well as mandated SB 1953 improvements in the steam plant, primary electrical facility, and utility tunnel.

The total projected cost of approximately \$340 million will be funded from a combination of external financing, hospital reserves, gift funds, capitalized leases and \$235 million in State lease-revenue bonds (SB 1953).

History of Approvals

The 2000-01 Budget Act authorized \$600 million in State lease revenue bonds to provide the University's teaching hospitals with funding to address seismic deficiencies as required to comply with SB 1953. In November 2000, The Regents allocated \$235 million of these funds to the Irvine campus to construct a replacement hospital and implement other SB 1953 upgrades at the UCI Medical Center. In March 2001, the State Public Works Board (SPWB) approved the scope and cost of this project.

At its May 2001 meeting, The Regents was advised of UCI's plan to use this State funding to construct an 162,500 asf hospital with 186 beds and ten operating rooms, and to implement other required seismic corrections, in accordance with SPWB action. At that time, it was explained that the Medical Center was working to identify other fund sources to expand the project scope to respond to the growing demand for services and other programmatic requirements. Detailed programming was then completed and a plan developed to accomplish the Medical Center's highest priority goals by supplementing the budget with gift funds, Hospital Reserves, and external financing.

At its March 2002 meeting, The Regents approved the preliminary plans phase of the project, to be funded from Hospital Reserves.

Approval to proceed with the working drawing phase of the project is based on the defined scope and estimated cost and will allow the campus to complete the design and bid package. Final approval of this project is contingent on approval of a specific funding plan and external financing.

In the event that the gift funds are not available on the schedule required by the project, the Irvine campus anticipates using federal Opportunity Funds to backstop interim financing needs. The campus has developed an additional internal backup strategy that makes the UCI Health Sciences entirely responsible for covering any funding shortfalls.

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 APPROVAL OF EXTERNAL FINANCING FOR THE ORTHOPAEDIC HOSPITAL – J. VERNON LUCK, SR., M.D. CENTER, 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 as follows:

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

To: Los Angeles: A. The Orthopaedic Hospital – J. Vernon Luck, Sr. M.D. Center – preliminary plans, working drawings, construction and equipment – \$40.5 million total project cost to be funded from 501(c)(3) bonds issued by Orthopaedic Hospital (\$30 million) and external financing (\$10.5 million).

- B. The Committee on Finance concur with the recommendation described in A. above.
- C. The President be authorized to obtain external financing not to exceed \$10.5 million, 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 the debt shall be from the Los Angeles campus' share of the University Opportunity Fund.
 - (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 Committees were informed that this action requests an augmentation of \$2.8 million and a change in fund source of \$7.7 million from gifts to external financing, for a total of \$10.5 million to be funded from external financing.

The Luck Center project results from the Master Alliance Agreement between the UCLA and Orthopaedic Hospital approved by The Regents in June 1998. The Luck Center will house state-of-the-art research laboratories and support expanded research capacity and collaboration between researchers from Orthopaedic Hospital and the Los Angeles campus.

In March 2000, the total project cost was estimated at \$37.7 million. The start of construction was postponed due to an unexpected delay in the completion of construction of a replacement facility for the Plant Physiology Greenhouse currently located on the Health Sciences Seismic Replacement Building 2 (HSSRB2) project site. Construction bids for the project were received in November 2002. The lowest responsive bid received was in excess of the pre-bid estimates. In order to award the construction contract and fund other related increased project costs, a budget augmentation is required.

History of Approvals

In September 1999, The Regents approved preliminary plans funding only for the proposed The Orthopaedic Hospital – J. Vernon Luck, Sr., M.D. Center (Luck Center) on the Los Angeles campus to allow the campus to hire the Executive Architect for the project and begin schematic design in conjunction with design for HSSRB2. In March 2000, The Regents approved an amendment to the Capital Improvement Program for the total project cost (PWCE), and interim financing approval for the project. In May 2000, The Regents approved the design and environmental document for the project as well as the design for the adjacent HSSRB2; the two will be built concurrently.

Project Description

The building will house laboratory and laboratory support spaces, faculty offices and related support, conference space, a small portion of vivarium space, and building support areas. The project also includes the construction of a consolidated loading dock and receiving facility with below-grade connections to several of the neighboring research facilities of the heavily built Court of Sciences.

Financial Feasibility

The total revised project cost of \$40.5 million is to be funded from gifts and external financing. The largest gift component will be in the form of a Charitable Pledge of \$30 million from the Orthopaedic Hospital. The Orthopaedic Hospital has issued tax-exempt bonds to finance its Charitable Pledge and the proceeds are available to fund the project.

Originally, the Luck Center gift was to be funded in cash from the Orthopaedic Hospital, which is a separate entity from the UCLA School of Medicine. The Orthopaedic Hospital later decided to finance its gift pledge through the issuance of tax exempt 501(c)(3) bonds. These bonds will be repaid by the Orthopaedic Hospital. The Regents will not, at any time, be either directly or indirectly liable for the repayment of the bonds. The trustees for the bonds will not have a security interest in bond proceeds paid to the campus for construction of the Luck Center or in the Luck Center itself once constructed. A Certificate describing the anticipated uses of the space in the building to be constructed with the proceeds of the Orthopaedic Hospital financing will be executed, which uses are consistent with the principles of the Master Alliance Agreement. Orthopaedic Hospital remains responsible for the compliance with Internal Revenue Service requirements for tax-exemption of its bonds. Other than periodic reporting on actual use of the space financed with the Orthopaedic Hospital gift, the University takes no responsibility for the federal tax-exemption on the Orthopaedic Hospital bonds in the Certificate. The University's external auditors have confirmed that the use of the gift will not cause the Orthopaedic Hospital debt to be shown in the UC Annual Report.

In March 2000, \$7.7 million in interim financing was approved to be repaid from future funds raised, with Opportunity Funds as a contingency. This gift campaign was in addition to the \$30 million Orthopaedic gift noted above. The campus has decided to close the additional gift campaign for this building and focus on other priorities. Therefore, the campus requests the conversion of the interim financing of \$7.7 million be converted to long-term external financing as well as the \$2.8 million budget augmentation, for a total of \$10.5 million of external financing to be repaid from Opportunity Funds. The estimated annual debt service at the interest rate of 6.125 percent for 30 years is \$773,000.

By University policy, up to 65 percent of a campus' Opportunity Funds may be pledged for debt service, but only up to 33 percent of actual debt service may be paid from Opportunity Funds. The campus is within these prescribed limits. In FY 2005-06, the first full year of occupancy, 60.1 percent of Opportunity Funds are pledged for debt service.

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

7. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR HEALTH SCIENCES SEISMIC REPLACEMENT BUILDING 2, 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 as follows:

From: Los Angeles: Health Sciences Seismic Replacement Building 2 – preliminary plans, working drawings, construction and equipment – \$58,705,000 total project cost to be funded from State funds (\$29,725,000) and gift funds (\$28,980,000).

To: Los Angeles: Health Sciences Seismic Replacement Building 2 – preliminary plans, working drawings, construction and equipment –\$60,105,000 total project cost to be funded from State funds (\$29,725,000) and gift funds (\$30,380,000).

- B. The Committee on Finance concur with the recommendation described in A. above.
- C. The President be authorized to obtain interim financing not to exceed \$26,123,000 for any gift funds not received during the construction period 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 the debt shall be from gift funds and, in the event such gift funds are insufficient, from the School of Medicine quasi-endowments to be identified and confirmed with the President.

- (3) The general credit of The Regents shall not be pledged.
- D. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

The Committees were informed that this action requests an augmentation of \$1.4 million to cover the cost of interest during construction for gifts requiring interim financing pending the completion of the fundraising campaign for this project.

It was recalled that in May 2000, The Regents certified the EIR and approved the design for the Health Sciences Seismic Replacement Building 2 (HSSRB2) concurrent with its approval of the design for the adjacent Orthopaedic Hospital – J. Vernon Luck, Sr., M.D. Center, which will be constructed concurrently. In May 2001, the campus received approval of preliminary plans from the State Public Works Board, and the authorization to proceed with the working drawings phase of the project.

The project was subsequently affected by an unexpected delay in the completion of the construction of a replacement facility for the Plant Physiology Greenhouse located on the HSSRB2 project site. The campus requested and obtained the reappropriation of construction funds in the 2002 Budget Act and has proceeded with the solicitation of construction bids.

Construction bids were received in November 2002, and the lowest responsive bid received was within the construction budget allowance. Therefore, the base project budget remains the same, and this augmentation will cover the cost of interest associated with the interim financing of gift funds. This request is made in order to ensure compliance with Regents' policy that all funds be in-hand at time of contract award, and to allow the project to proceed in a timely manner.

Project Description

The Health Sciences Seismic Replacement Building 2 will provide for the relocation of existing immunology research programs of the Los Angeles campus, currently located in seismically hazardous space in the Center for Health Sciences. The programs that will be relocated to the HSSRB2 building include biochemistry, microbiology, molecular, cell and developmental biology, and transplant and AIDS research programs that are currently dispersed through the CHS. The new space will provide 87,460 asf for medical research laboratories and support functions, including vivarium space and faculty offices.

Construction activities are scheduled to start in the spring of 2003, following the completion of construction of the replacement facility for the Plant Physiology Greenhouse, and to be completed in the spring of 2005.

Financial Feasibility

The total revised project cost of \$60,105,000 will be funded from State and gift funds. As of November 1, 2002, \$4,257,000 in gifts had been received.

The campus is still in the midst of the gift campaign. Approval of interim financing is requested to make it possible to borrow funds in the event gift receipts are not sufficient to make progress payments during the construction period and to meet the Regental requirement to have funds on hand at bid award. To the extent the campus obtains funds prior to the completion of the project, the interim financing commitment will be reduced.

As a source of repayment for the interim financing, the campus will identify certain School of Medicine quasi-endowments to be pledged in amounts that would be at least 120 percent of the financing commitment. The pledged quasi-endowments will be subject to review and approval by General Counsel and the Office of the President. The campus anticipates being able to obtain additional gift funds for this project, but in the event the collection is insufficient by the completion of construction, the campus will return to seek Regental approval for long-term financing. If \$26,123,000 needs to be converted to long-term financing, the estimated debt service for 30 years will be \$1,925,260. At the time of the request the campus will identify appropriate repayment sources.

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

8. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM FOR MISSION BAY CANCER RESEARCH BUILDING (17C), SAN FRANCISCO CAMPUS**

The President recommended that, 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 Cancer Research Building (17C) – preliminary plans – \$5,966,000 to be funded from gift funds.

The Committee was informed that this action requests approval to begin design on the Mission Bay Cancer Research Building that will provide urgently needed space for UCSF School of Medicine clinical research, the overriding emphasis of which would be on cancer-related research programs.

This project will be the fourth research building at the Mission Bay campus. It will be located on Block 17C at the northeast corner of the Mission Bay campus at the corner of Third Street and Mission Bay Boulevard South. The clinical research

laboratory will provide wet-laboratory space for expanding School of Medicine research programs focusing on the following cancer-related research:

- **Neurological Surgery:** The Neurological Oncology Program comprises faculty members who work to support and stimulate basic, clinical and population based research in brain cancer, and to translate these findings into improved cancer management. Most of the investigators will be from the Brain Tumor Research Center, who will be relocating from substandard and constrained space on the Parnassus Campus.
- **Urology:** The Prostate Cancer Program will contain a number of investigators who will work on the epidemiology, prevention, diagnosis, and treatment of prostate cancer. An important research effort will be to identify genetic abnormalities that predispose to prostate cancer and which may promote the progression of prostate cancer.
- **The Cancer Center:** The UCSF Cancer Center is discovering new insights into the molecular basis of cancer and is working to translate these discoveries into clinical applications.

Project Description

The design of the Mission Bay Cancer Research Building (17C) will anticipate potential links to a future Building 17B to the immediate west. The overall building height will be 85 feet to the parapet, in conformance with the provisions of the Mission Bay Master Plan. Wet-laboratory and laboratory support areas will be consolidated and stacked by floor for efficient layout and distribution of services, as well as to allow close interaction among laboratory users. Offices on the periphery of the floorplate will allow direct access to individual research groups.

The project will include the following different types of space:

- **Wet-laboratory:** The design criteria for the research space employs a one-to-one ratio for open wet-laboratory to laboratory support space. The research space will be organized around a central linear equipment room and will include 92 lab modules to accommodate 46 PIs at two lab modules each (allocations may vary). The laboratories will be designed as open generic laboratories to maximize flexibility. This design will use a modular lab bench system that will allow a variety of configurations for research groups, with each bench module having adjustable-height work surface and shelves.
- **Laboratory support:** This area will share core laboratory support spaces, such as fume hood alcoves and equipment rooms. This space will also include central glass wash space.

- Office and Administrative Support Space: Office suites will be designed to encourage interaction among researchers within reasonable proximity to their laboratory spaces. A total of 46 designated PI offices are planned for the research floors, with additional flexible office space potentially accommodating up to 10 additional researchers or fellows, as needed. The office suites will also incorporate shared functions, including a small conference room, a research fellows room, flexible offices, administrative support space, and an open interaction and break space.
- Seminar Room: One seminar room will be provided on the ground floor for approximately 60 people. Larger meetings can take place in other nearby UCSF Mission Bay buildings specifically designed for the purpose.
- Vivarium: The program for the vivarium includes the capacity to house 12,000 cages in a sterile facility to support the research of the PIs in the building. The program includes a mix of holding and procedure rooms, as well as a support area for cage washing and sterilizers.
- Imaging Center: The program includes a small imaging center adjacent to the sterile facility for work with transgenic animals.
- Logistics space: Space will be provided on the ground floor for materials handling, Environmental Health and Safety and data network systems equipment.

The building, while having a stand-alone utility plant, will make provision for connection to the Mission Bay infrastructure and will be designed for possible connection to a future central utility plant.

CEQA Compliance

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. This project is consistent with the LRDP. Further building-specific environmental analysis will be prepared in an Addendum to the 1996 LRDP and will be reviewed in conjunction with project design approval.

Funding Plan

Sufficient funding has been raised from gifts to cover the cost of preliminary plans. The total project cost is estimated to be in the range of \$120 million to \$126 million, to be funded by campus funds, gift funds, and external financing.

Future Regental Action

At a future meeting, the campus will request both the amendment of the Budget for Capital Improvements and the Capital Improvement Program for the total project cost and approval of external financing.

The project will create a demand for 155 new parking spaces. This new demand will be addressed by the new parking structure on Block 23 that is expected to be submitted to The Regents in Spring 2003.

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 9:15 a.m.

Attest:

Secretary