The Regents of the University of California

COMMITTEE ON GROUNDS AND BUILDINGS
COMMITTEE ON FINANCE
May 19, 2004

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 Dynes, Hopkinson, Johnson, Kozberg, Marcus, Montoya, Moores, Murray, and Seigler; Advisory members Anderson and Pitts
Representing the Committee on Finance: Regents Connerly, Dynes, Hopkinson, Lee, Montoya, Moores, Murray, Preuss, and Sayles; Advisory members Anderson, Novack, and Pitts

In attendance: Regents Blum, Bodine, and Lansing, Regent-designate Ornellas, Secretary Trivette, General Counsel Holst, Treasurer Russ, Provost Greenwood, Senior Vice Presidents Darling and Mullinix, Chancellors Córdova, and Vanderhoef, Acting Chancellor Chemers, and Recording Secretary Bryan

The meeting convened at 3:50 p.m. with Committee on Grounds and Buildings Chair Marcus presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of January 14, 2004 were approved.

2. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM FOR MULTI-USE STADIUM, DAVIS CAMPUS**

The President recommended that:

A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2003-04 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

From: Davis: Multi-Use Stadium – preliminary plans – $1,146,000 from campus funds.

To: Davis: Multi-Use Stadium – preliminary plans and working drawings – $2,794,000 funding comprised of preliminary plans from campus funds ($1,146,000) and working drawings from gifts ($1,378,000).

B. The Committee on Finance concur with the President's recommendation.

The Committees were informed that, as schematic design has been completed, the Davis campus is ready to begin the working drawings phase of the Multi-Use Stadium, using $1,378,000 of gift funds, in order to proceed with preparation of design development and construction documents. The campus will return to The Regents to request full budget approval prior to bidding the project.

The existing campus stadium, Toomey Field, was built in 1949 primarily for track and field events. Much of the antiquated structure is in poor condition, and it is too small to accommodate the typical number of event attendees. With the addition of the new Multi-Use Stadium facility, the existing Toomey Field could be renovated later and used for track and field events.

In recognition that student participation in a broad range of recreation, athletic, and co-curricular activity was a distinguishing campus value; campus facilities did not meet the existing demand; the quality of recreation and athletic facilities did not compare to those at many of the California State Universities, other UC campuses, and private institutions; and there was a need to provide additional facilities equipped to meet the broad range of their recreation, activity, and athletic needs, in February and April of 1999, UC Davis students approved the Facilities and Campus Enhancements (FACE) Initiative and the Legal Education Enhancement and Access Program (LEEAP) Initiative for improvement of student activity, recreation, and intercollegiate athletics facilities. The Regents approved the FACE and LEEAP fees at the May 1999 meeting.

The Multi-Use Stadium project is the third of three capital projects providing new facilities that are interrelated. The services these projects will house will complement existing facilities. The other two projects–the Activity and Recreation Center (ARC) and the Aquatics Center–are nearing completion.

At its January 2003 meeting, The Regents approved an amendment to the Budget for Capital Improvements and the Capital Improvement Program to include preliminary funding for the Multi-Use Stadium project on the Davis campus. That action allowed the Davis campus to define specific program requirements, develop a specific scope of work and budget, and begin schematic design.

In January 2004, the FACE/LEEAP oversight committee met to discuss funding options for the Multi-Use Stadium. Students constitute the voting majority of the oversight committee, and the committee is chaired by a student. The committee provides facility planning guidance and participates in the design stage of each FACE and LEEAP capital project. Once a facility is complete, the oversight committee may redirect any FACE or LEEAP funds not required to pay debt service and related financing requirements to other projects named in the initiative or related sports and activity or recreation facilities.

The students on the oversight committee reaffirmed the importance of the programs and projects funded under the initiatives and unanimously concurred that some portion of the projected excess income from the ARC and Aquatics Complex be redirected to the Multi-Use Stadium as allowed for by the terms of the initiatives. At the last meeting, the committee voted ten to one to make ARC and Aquatics funds available for the Stadium. The Chair, who is the President of the Associated Students of the University of California Davis, sent a letter to the Vice Chancellor Student Affairs recapitulating the oversight committee process and decision. Both the Vice Chancellor Student Affairs and the Chancellor have endorsed the recommendation of the oversight committee.

Project Description

The Multi-Use Stadium will consist of a landscaped field and stadium seating designed for football, lacrosse, and soccer. It will be designed to complement the adjacent Aquatics Complex. It will be constructed partially below grade, with the field level approximately 10 feel below the surrounding grade.

The Stadium's 10,000 seats will be configured with 5,000 seats on each side, for optimum spectator viewing. Seating for persons with disabilities and their companions will meet or exceed regulatory requirements.

The complex's support facility will be a single story built on grade, with exposed cladding, and metal decking with concrete fill for the roof.

The Stadium's team facility will include separate areas for the home team with lockers, a visitors' team section with lockers, an equipment storage room, and a sports medicine room.

Full build-out of the facility, including an additional 20,000 seats, practice fields, and a full football and lacrosse locker facility, will be constructed as future funding becomes available.

CEQA Classification

In accordance with the California Environmental Quality Act and the University of California Procedures for Implementation of CEQA, the Multi-Use Stadium was evaluated in the Long Range Development Plan Environmental Impact Report certified by The Regents in November 2003, in conjunction with approval of the LRDP. Findings based on that EIR will be presented to the Committee on Grounds and Buildings at the time of design approval, expected in August 2004.

Funding Plan

The gift campaign to support the working drawings phase of the project is under way, and as of April 2004 the campus has raised gifts totaling $2,184,000. The status is as follows:

Gifts Received		$1,283,000
Pledges Received		901,000
Gifts To Be Raised		4,141,000
	Total	$6,325,000

The total project cost, not to exceed $29,750,000, will be funded from a combination of external financing, FACE and LEEAP net reserves, and gifts.

Future Regental Action

At a future Regents meeting, the campus will request both the amendment of the Budget for Capital Improvements and the Capital Improvement Program for the total project cost. Approval of external financing will be requested at that time, and The Regents will be presented with a detailed financial feasibility analysis.

Regent Hopkinson expressed concern about the fact that students can approve fees for projects that obligate future students. She suggested a review of the policy on student referenda for new facilities.

[For speaker's comments, refer to the May 19 minutes of the Committee of the Whole.]

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 FOR EDUCATION BUILDING, MEDICAL CENTER, DAVIS CAMPUS**

The President recommended that:

A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Davis: Education Building – preliminary plans – $2,200,000 to be funded from the sources available to the School of Medicine and hospital reserves.

To: Davis: Education Building – preliminary plans, working drawings, construction, and equipment – $40,311,000 to be funded from sources available to the School of Medicine and hospital reserves ($30,311,000) and gift funds ($10,000,000).

B. The Committee on Finance concur with the President's recommendation.

The Committees were informed that work is under way for preliminary planning of the Education Building. At its November 2003 meeting, the Committee approved $2.2 million for preliminary planning of the project, which will create a student- and faculty-friendly environment that fosters efficiency, promotes active and continuous learning, and leverages new technology to train medical students, residents, nurses, and other health care professionals.

The Education Building will correct deficiencies identified in accreditation surveys, enhance collaboration with other UC campuses, increase space for research undertaken with other organizations, and facilitate the removal of buildings that must be relocated or demolished to complete major capital improvements related to the medical center's SB 1953 Seismic Safety Compliance Plan.

The Education Building is essential to the School of Medicine's ongoing efforts to address major deficiencies identified during accreditation surveys. These surveys criticized the disbursement of the school's educational activities to several locations, noting that those locations are not configured to facilitate curriculum changes, nor do they provide adequate student support space. The surveys also commented that the life-safety systems of many of the facilities need to be substantially upgraded, as does the computer and audiovisual equipment infrastructure. Finally, they recorded that the school's library has only about half the amount of space needed to provide students with appropriate study area and timely access to books and journals. Demonstrable evidence of the school's commitment to improving educational facilities and the teaching environment will be critical when the next accreditation survey occurs in 2006. Because of the concerns about the accreditation examination, it was determined to pursue construction of a new building, allowing a shift of most teaching activities to Sacramento, 18 miles away from the Davis campus. This decision was driven largely by curricular changes that emphasize the use of small groups to facilitate learning, as well as the integration of basic science and clinical teaching into all four years of the curriculum.

The project will allow the early exposure of students to the clinical environment, affording them the opportunity to learn and apply basic science in that setting. Early in their training, medical students will be involved in working with the entire health care team, including nurses, interns, residents, and other health professionals. They will also benefit from the increased use of technology to assist learning. A very positive secondary effect of the project would be to free the driving time presently used by clinical faculty traveling between campus and Sacramento for teaching and research.

When not in use by medical students, the new facility will increase and improve the School of Medicine's ability to provide continuing education to thousands of physicians, nurses, and allied health professionals in the community.

Within the past year, two buildings totaling nearly 90,000 square feet were demolished to accommodate the Surgery and Emergency Services Pavilion project, a key element of

the hospital's SB 1953 Compliance Plan. Loss of this space greatly exacerbated the School of Medicine's problems identified in the accreditation surveys, especially at the library. The library, which was originally located in the Professional Building, has been moved temporarily to the Redwood Building; however, construction of the Pavilion also necessitates demolition or relocation of the Redwood Building, emphasizing the need for appropriate permanent space for the library.

Not only are the School of Medicine's educational activities dispersed to multiple locations, but many of them are in temporary or modular buildings that have exceeded their useful lives. As such space goes off-line, some of it will be replaced in the Genome and Biomedical Sciences Building under construction on the campus; however, the Genomics building cannot provide replacement space for all of the displaced School of Medicine occupants, nor can it support sustained research growth.

It is anticipated that approximately 13,700 asf in Tupper Hall and its adjacent structure on the main Davis campus would be released by the School of Medicine to meet other needs. Construction of the Education Building is expected to begin in January 2005, with occupancy in May 2006.

Project Description

The 122,022 gross-square-foot Education Building will be constructed on a 2.7 acre site on the medical center campus, located at the southeast corner of the intersection of X and 45th Streets. This visually prominent site is positioned across the intersection from the main hospital and the future Surgery and Emergency Services Pavilion.

The four-story structure includes two wings. The North Wing provides classrooms and lecture halls and the South Wing provides space for the library, administrative offices, and space for other educational activities such as clinical skills training and assessment. Some classrooms will be configured for state-of-the-art medical technology teaching, while other space will be designed for small groups. Space for student support services and the dean's office will be included.

CEQA Classification

The environmental classification will be determined by an initial study that is under way. In accordance with the California Environmental Quality Act and University procedures for implementation of CEQA, the appropriate environmental report will be prepared to analyze the potential environmental impacts of this project. This document will be presented to The Regents for review and consideration at the time of project design approval.

Financial Feasibility

The $40,311,000 UCDMC Education Building project is to be funded through a combination of funds available to the School of Medicine and hospital reserves ($30,311,000), and gift funds ($10,000,000). This gift campaign is a component of a proposed campus-wide capital campaign that will be launched in the future. If all of the gift funds are not in hand at the time of construction bidding, the campus will provide the funds necessary to comply with Regental policy regarding bid and award so that the project may proceed, and will fund any shortfall of the gift collections during the construction period.

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 BIOLOGICAL SCIENCES UNIT 3, IRVINE CAMPUS**

The President recommended that:

(1) Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2003-04 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Irvine: Biological Sciences Unit 3 – preliminary plans, working drawings, construction, and equipment – $64,012,000 to be funded by the State ($56,862,000), campus funds ($3,150,000), and external financing ($4,000,000)

To: Irvine Biological Sciences Unit 3 – preliminary plans, working drawings, construction, and equipment – $77,384,000 to be funded by the State ($56,862,000), campus funds ($3,150,000), and external financing ($17,372,000).

(2) The Committee on Finance concur with the President's recommendation.

(3) The Committee on Finance recommended that the President be authorized to obtain external financing not to exceed $17,372,000 to finance the Biological Sciences Unit 3 project, subject to the following conditions:

a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;

b. Repayment of the debt shall be from the Irvine campus' share of the University Opportunity Fund; and

c. The general credit of The Regents shall not be pledged.

(4) 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.

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

It was recalled that Biological Sciences project as currently approved has a budget of $64,012,000 to be funded from a combination of State funds ($56,862,000) and external financing ($4,000,000), with an increment of campus funds for equipment ($3,150,000). The project was originally planned to provide new space for the School of Biological Sciences, including 15,786 assignable square feet for a vivarium to support animal-based research for the school, as well as a new 400-seat lecture hall and interim space for the School of Humanities until a new building can be completed. Increasing the project cost by $13,372,000 to construct 11,088 asf of additional space will primarily provide a consolidated, centralized animal facility to support the expanding research programs of the School of Biological Sciences.

In November 2002, The Regents approved the 2003-04 Budget for Capital Improvements, which included the Biological Sciences Unit 3 project at a sum of $63,022,000, comprised of preliminary plans ($2,350,000), working drawings ($1,242,000), construction ($49,130,000 from State funds and $4,000,000 from external financing), and equipment ($3,150,000 from State funds and $3,150,000 from campus funds). The 2003 State Budget Act provided a total of $3,592,000 for preparation of preliminary plans and working drawings. In September 2003, The Regents approved external financing of the $4,000,000 in construction funds. In November 2003, The Regents approved the 2004-05 Budget for Capital Improvements, which included an inflationary adjustment for the construction phase of Biological Sciences Unit 3, increasing the State-funded portion of the C phase to $50,120,000 and the total project budget to $64,012,000. Construction funds are requested in 2004-05.

The project as it was originally approved was intended to meet the highest-priority needs of Irvine's School of Biological Sciences and to provide interim space for the School of Humanities. Construction of this 79,397 asf facility would provide research laboratory and support space, including 15,786 asf of animal facility space; faculty and administrative offices; and a 400-seat lecture hall. An additional 11,088 asf of primarily animal facility space will be built using non-State capital funds. The amended project is proposed as a cost-effective way to help address campus priorities for providing the space necessary to support long-term growth of animal-based research in the School of Biological Sciences.

The School of Biological Sciences is one of the largest academic units at UCI, with the second-largest number of undergraduate majors on the campus. In 2002-03, the more than 3,200 biological sciences majors accounted for approximately 16 percent of total undergraduate headcount enrollment. The University's enrollment projections are being

reviewed, but even with full implementation of the budget reductions proposed by the Governor in the 2004-05 budget, growth in Biological Sciences is expected to be fairly rapid. By 2008-09, total enrollment in the School is projected to be 2,660 FTE, an increase of nearly 570 FTE over 2002-03. In addition, faculty in the School are projected to increase by 26 FTE.

In the School of Biological Sciences, the vivarium is essential for exploration of the genetic bases of embryonic development, learning and memory, regeneration, development, and function of the immune system, interactions between host and parasite in infectious diseases, and complex diseases such as cancer, Alzheimer's, heart disease, and more. The existing vivarium is already at maximum capacity. In addition to the demand for vivarium space in the School of Biological Sciences, the campus is experiencing similar demand pressures from the College of Medicine and developing programs such as the Department of Biomedical Engineering in the Henry Samueli School of Engineering.

Besides the increment of such research support space already approved for this project, the School of Biological Sciences will benefit from the expansion of the McGaugh Hall vivarium funded as part of the Natural Sciences Unit 2 project. These projects, however, will accommodate projected needs only until 2008-09. The proposed expansion of the Biological Sciences Unit 3 facility would provide adequate space in a centralized location to accommodate the School's projected demand for vivarium space and avert the need for construction of a separate satellite facility in the near future, which would require duplication of expensive support functions and would negatively affect the efficient and effective management and oversight of these facilities. In addition, this expansion provides the opportunity to maximize academic research space on one of the key building sites in the academic core, thus making more efficient use of both campus land and available funding.

Project Description

The expanded Biological Sciences Unit 3 project will total 90,485 asf. Of this total, 44,861 asf will be for the School of Biological Sciences research laboratories, academic and administrative offices; 24,624 asf, including the currently proposed campus-funded space, will be for an animal facility to support Biological Sciences research; 5,600 asf will be for a 400-seat lecture hall; and 15,400 asf will be for office space that initially will be assigned to the School of Humanities to provide growth space until a new Humanities building can be constructed.

The proposed additional 11,088 asf will provide 6,672 asf of animal housing and procedure space in seven holding suites, approximately doubling the housing capacity of the animal facility. In addition, 2,166 asf of support space will be provided, including a bio-safety level 3 laboratory, and expanded necropsy and storage facilities. Finally, 1,320 asf of wet laboratory space and 930 asf of office space would also be provided.

The proposed project site is in the Biological Sciences Quadrangle, at the intersection of the Ring Mall with the Biological Sciences radial mall. The building will be directly adjacent to the existing Science Library and across the Ring Mall from McGaugh Hall. This site is in conformance with the campus' revised Long Range Development Plan. The construction contract for the project will be awarded in December 2004 with completion in the spring of 2007.

CEQA Classification

In accordance with University of California guidelines for the implementation of the California Environmental Quality Act, environmental documentation will be prepared for consideration in conjunction with the project design review.

Financial Feasibility

Based on long-term debt of $17,372,000 amortized over 30 years at 6.125 percent interest, the estimated average annual debt service will be $1,279,000. Repayment for the Biological Sciences Unit 3 debt will be from campus Opportunity Funds. In fiscal year 2008-09, the second full year of occupancy and first full year of principal and interest for the project, 61.5 percent of Opportunity Funds are pledged for debt service. Inclusive of this amount for the external financing, the campus is within the prescribed Opportunity Fund pledge and payment limits.

[For speakers' comments, refer to the minutes of the May 19 meeting of the Committee of the Whole.]

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 FOR ARROYO STUDENT HOUSING, PHASE 1, RIVERSIDE CAMPUS**

The President recommended that:

(1) Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2003-04 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Riverside: Arroyo Student Housing, Phase 1 – preliminary plans – $1.8 million to be funded from Riverside campus University of California Housing System Net Reserves.

(2) The Committee on Finance concur with the President's recommendation.

The Committees were informed that in concert with the Riverside campus LRDP update, the campus completed a strategic plan for housing which covered a 13-year timeframe and a projected enrollment of 25,000 students by 2015. The strategic plan achieves the housing goals proposed in the LRDP update to house 75 percent of freshmen and transfer students and 50 percent of all students. Given these housing goals, the Riverside campus is experiencing a serious shortage in student housing resulting from recent years of accelerated enrollment growth.

The last phase of housing constructed on campus, Pentland Hills Residence Halls, was approved in July 2000 and opened in fall 2002. Presently, the campus' total housing inventory consists of 4,343 beds, including 289 overflow beds. Of the existing inventory, 3,174 are residence hall beds reserved for freshmen, transfer students, and some returning residents. The remaining 1,134 beds are in apartment-style housing. Graduate students, upper-division undergraduates, and students with families compete for this limited supply.

Project Description

The Riverside campus proposes to design and construct approximately 159,159 assignable square feet of apartment-style student housing. As anticipated in UCR's Strategic Plan for Housing, the Arroyo Student Housing, Phase 1 project will be the first of three apartment communities targeted for upper division undergraduate students.

The Arroyo Student Housing, Phase 1 project will be comprised of five major components to realize a balanced residential community: (1) Student Housing Complex of approximately 146 units and 500 beds, (2) Common Facilities and Administration, (3) Grill/Convenience Store, (4) Parking, and (5) Recreation Fields. The approximately 500 revenue-generating student beds will be comprised of a mix of four-bedroom suites,

two-bedroom suites, one-bedroom apartments, and studio apartments, all single-occupancy bedrooms. Each unit will have a living and dining area, kitchen, study and sleeping area, bath facilities, plus storage and circulation space. In addition to non-revenue beds for on-site resident advisors, a Resident Director will occupy a 2-bedroom apartment. The housing complex will include ancillary space and approximately 300 parking spaces.

A small-scale grill and associated convenience store will serve the diverse needs of the new student population of the Arroyo Student Housing and Pentland Hills residence hall, as well as the campus community. The facility will function as part of the Dining Services Program and operate on a break-even basis.

CEQA Compliance

An Initial Study is to be prepared to determine if the project may have a significant effect on the environment that has not been substantially and adequately analyzed in a certified program EIR. This information will be presented to The Regents for review and consideration at the time of the project design approval.

Funding Plan and Future Regental Action

The initial $1.8 million for preliminary plans will be funded from University of California Housing System Net Reserves. Approval for preliminary plans is proposed in order to proceed with the appointment of an executive architect and to further explore opportunities to optimize land use and cost efficiencies for the entire project. 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.

Total project cost is estimated to be between $50 million and $60 million and will be supported with a combination of funds including external financing, UCHS Net Reserves, and Recreation reserves.

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 FOR UCSD MEDICAL CENTER CARDIOVASCULAR CENTER AND EXPANSION OF SERVICES AT THORNTON HOSPITAL, SAN DIEGO CAMPUS**

The President recommended that:

A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2003-04 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: UCSD Medical Center Cardiovascular Center and Expansion of Services at Thornton Hospital – preliminary plans – $3.5 million to be funded from Hospital Reserves.

B. The Committee on Finance concur with the President's recommendation.

The Committees were informed that the San Diego campus proposes to begin design on the UCSD Medical Center Cardiovascular Center and Expansion of Services at Thornton Hospital. The Cardiovascular Center (CVC) is supported with $30 million in philanthropy. This expansion of facilities and services is essential to relieve pressing space limitations and create capacity for growth at Thornton Hospital; allow UCSD's health system to meet the medical needs of the growing population, particularly those over 65; provide for expanded cardiovascular services; help maintain market share and remain competitive; and support the teaching and research missions of UCSD Health Sciences.

The project will include the addition of Intensive Care Unit (ICU) beds, operating and special procedure rooms, expansion of the Emergency Department, and centralization and expansion of cardiovascular programs on UCSD's east campus. The project, which is key to the system's continued success, will be compatible with any foreseeable long-range replacement or expansion scenarios for UCSD's hospitals.

The clinical delivery system supporting UCSD's Schools of Medicine, Pharmacy and Pharmaceutical Sciences is based primarily in two distinct and separate regions: Hillcrest, which is about 13 miles south of the UCSD campus in La Jolla, and UCSD's east campus, which is contiguous with the main campus.

UCSD Medical Center-Hillcrest has served as UCSD's main hospital since the University assumed operation and later purchased the facility from the County of San Diego. Although the facility has undergone substantial renovation since it was acquired, it is inadequate to support the patient care, clinical research, and teaching needs of a preeminent university medical center. The 386-licensed-bed hospital continues to have substantial deficiencies. Expenditures are totaling $8 million to $10 million annually just

to repair and maintain the aging infrastructure and to make improvements necessary to address immediate 2008 seismic safety requirements.

At its November 2000 meeting, The Regents approved the allocation of $40 million of State Lease Revenue Bonds to the UCSD Medical Center for the Hillcrest Hospital for seismic safety. The UCSDMC Hillcrest Seismic Improvements project Phase 1 was approved by the President in May 2002. That same month, The Regents approved Phase 2 of the project.

The 119-bed Thornton Hospital was established on the east campus in 1993, with the goal of improving access to UCSD's health system for San Diego's North City and North County population, and the expectation that volume growth from this region would improve the patient-payer mix for the system overall. Due to the success of this strategy, Thornton Hospital no longer has the capacity to maintain and increase market share and to meet the projected demands that will occur as a result of population growth.

Over the past decade, Thornton Hospital has evolved from a general medical-surgical hospital to become a true university hospital, supporting all of the missions of the UCSD Health Sciences program and anchoring a busy east campus medical complex that includes the Perlman Ambulatory Care Center, the Shiley Eye Center, and the soon-to-be-completed Rebecca and John Moores Cancer Center. It is the center for a number of highly specialized clinical programs, including oncology and bone marrow transplantation, and pulmonary thromboendarterectomy. With its proximity to the research laboratories on the main campus and the biotechnology and research corridor surrounding the campus, Thornton Hospital is an emerging center for clinical research and translational medicine.

Thornton Hospital contributes a favorable patient payer mix to the system, with 88 percent of the hospital's discharges either privately insured or Medicare patients. Though it accounts for less than one-fourth of the system's discharges, Thornton Hospital contributes nearly one-half of the system's profit margin. The population of the North City Metropolitan Statistical Area (MSA) surrounding Thornton Hospital has more privately insured households than the MSA served by UCSD Medical Center-Hillcrest. The North City MSA is projected to increase by 100,000 adults by 2010, with 30 percent of San Diego's new households projected to occur in this MSA by 2007. A significant percentage of this increase will be in the over-65 population.

In order for UCSD Medical Center to continue to serve the community as a major provider of care for the underinsured and indigent and maintain a strong financial position, especially with continuing cuts in funding for public programs, it is vital that the system continue to serve its share of insured and Medicare patients. For the past two years it has become increasingly difficult to meet clinical demands or pursue opportunities for program and volume growth at Thornton Hospital. Hospital discharges have plateaued due to capacity constraints, a situation which creates significant concerns for the future.

Growth projections on top of current demands require expansion. The project will allow for the centralization of UCSD's Cardiovascular Center services in an adjoining ambulatory facility with 16-20 examination rooms, related diagnostic and treatment services, and office space. In 2002, 16.5 percent of total discharges in San Diego County were related to CV disease. This will increase to 18.4 percent of total discharges by 2012 due to the aging population. The Thornton Hospital MSA is the region's fastest growing senior population, the age group most affected by cardiovascular disease and stroke. Centralizing UCSD's fragmented CVC services in dedicated, state-of-the-art space on the east campus while maintaining CV coverage for emergent cases at UCSD Medical Center-Hillcrest will serve patients better and allow for expansion to accommodate growth in CV specialties.

The project also meets the goal of locating multidisciplinary institutes dedicated to prevention and improved treatment of major diseases on the UCSD campus. With the opening of the Rebecca and John Moores Cancer Center in early 2005, UCSD's Comprehensive Cancer Center will also be based on the east campus.

Combined UCSD Medical Center market share is 8.3 percent. With the proposed project, market share is projected to grow to 8.5 percent by 2012, with Thornton Hospital's market share growing from 1.8 percent to 2.6 percent, largely due to CV market share increasing from 6 percent to 7.5 percent as a result of current and planned future recruitments of cardiovascular faculty.

Project Description

Only 504 of the Medical Center's licensed beds are in service. The project will bring into service 24 additional beds at the Thornton Hospital and will include expanded Emergency Department, ICU, radiology, laboratory, and other support services; three additional operating rooms; three additional cardiac catheterization laboratories located near the Emergency Department; an adjoining Cardiovascular Center ambulatory facility; diagnostic and treatment services, and faculty and staff offices.

Proceeding with the Preliminary Plans phase will allow the campus to define specific program requirements and hire the executive architect to develop a specific scope of work and budget and begin schematic design. The campus will also begin environmental reviews on the selected site. The final scope, schedule, budget, and funding are contingent on the completion of detailed programs, design, environmental reviews, financial feasibility, and the availability of funds.

Funding Plan

Total project cost is estimated to be between $90 million and $100 million. The $30,000,000 gift campaign has been successfully completed.

Projected Financial Performance of Project

Assuming a facility opening in early Fiscal Year 2008-09, key financial ratios for the system exceed targeted levels and show strong improvement after the project's opening. Even if the system's market share does not increase as projected, total margin achieves the targeted level by the fourth year after opening.

In accordance with the California Environmental Quality Act and University procedures for implementation of CEQA, an environmental document would be prepared by the campus for consideration by The Regents at a future meeting in conjunction with the project design review.

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 financing.

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 HOPKINS PARKING STRUCTURE, SAN DIEGO CAMPUS**

The President recommended that:

(1) Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2003-04 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Hopkins Parking Structure – preliminary plans, working drawings, and construction – $29,732,000, to be funded from Parking Reserves ($8,000,000) and external financing ($21,732,000).

(2) The Committee on Finance concur with the President's recommendation.

(3) The Committee on Finance recommend that the President be authorized to obtain financing not to exceed $21,732,000 for the Hopkins Parking Structure project, subject to the following conditions:

a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;

b. As long as the debt is outstanding, parking fees at the San Diego campus will generate sufficient net revenues to pay debt service and to meet the related requirements of debt financing; and

c. The general credit of The Regents shall not be pledged.

(4) 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.

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

The Committees were informed that the 435,600-square-foot Hopkins Parking Structure (Structure) will have 1,421spaces. Although not an underground structure as strictly defined, because of the sloping site, approximately 30 percent of the Structure will be below-grade and require ventilation. Regental approval is required to place parking underground.

In June 2000, UCSD's Transportation Policy Committee (TPC), comprised of faculty, students, and staff, updated the campus strategy to address transportation and parking needs. The committee outlined strategies to meet increased parking demands created by campus growth and identified alternatives to meet the new demand most effectively. The recommendations include the following:

- begin planning two new parking structures
- expand campus shuttle programs, alternative transportation programs, and bicycle network facilities to reduce single-occupancy vehicle trips during peak traffic and parking hours; and
- work with the public agencies responsible for mass transit operations to expand the scope of services provided for UCSD commuters, including the provision of light rail transit services.

Consistent with the objective of advancing alternative transportation, in fall 2002, UCSD implemented the CityShuttle, which operates during the academic year and connects the campus with nearby off-campus locations. The CityShuttle is free to all UCSD students, staff, and faculty. In its first quarter of operation in fall 2002, the CityShuttle served over 14,700 riders per week, and by fall 2003 the ridership had almost doubled. The San

Diego Association of Governments is planning an extension of San Diego's light rail transit service to UCSD and the adjacent University City community. This extension will connect with LRT lines now serving Central and South San Diego. If funding is approved, this project could be completed as early as 2010, further easing access to UCSD.

At the September 2002 Regents meeting, $1 million of parking reserves was approved to complete preliminary plans and develop a cost estimate for the remaining phases for the proposed Structure.

Overview of Supply and Demand

The 1989 UCSD Long Range Development Plan identifies many existing surface parking lots as building sites. Between 2001-02 and 2007-08, nineteen capital projects will permanently remove parking on campus.

As of winter quarter 2004, the San Diego campus served the parking needs of approximately 11,800 annual permit holders. In addition, the parking system must accommodate campus users and visitors who purchase daily, quarterly or occasional use permits or park in metered spaces. Overall, parking on UCSD's main campus was operating at 97 percent occupancy for that period.

The Structure will serve primarily the North Campus and Warren neighborhoods, which have a particularly urgent need for parking. At peak times, parking is at 100 percent occupancy in North Campus and 98 percent in Warren. This project will meet the parking demands of several new capital projects located in the surrounding areas. The Structure will also provide much needed parking capacity for evening events held at the Recreational and Intramural Athletic Complex.

In addition to the Structure, remote surface spaces will be developed as necessary to maintain sufficient parking supply.

Project Description

The proposed Structure will contain seven parking levels with a rectangular three-bay parking configuration that includes two entry and exit points and a two-way circulation flow. Elevators and stairwells will be located at the northwest and southeast corners of the Structure. To allow as much natural ventilation as feasible given the sloping site, the grade will be cut back from three sides of the Structure. In addition, the campus is working with the project consultants to determine if mechanical ventilation can be minimized further, and even eliminated altogether, based upon current vehicular exhaust emissions and building codes.

The project site is located on North Campus, on the turf area to the east of the Social Sciences Building, west of Hopkins Drive, north of Voigt Lane, and south of the

Recreational, Intramural and Athletics Complex. Construction of the Structure is scheduled to begin in November 2004, with occupancy in June 2006.

CEQA Classification

In accordance with University of California guidelines for the implementation of the California Environmental Quality Act, environmental documentation will be prepared for consideration in conjunction with the project design review.

Financial Feasibility

Based on the proposed long-term debt of $21,732,000 amortized over 30 years at 6.125 percent interest, the estimated average annual debt service will be approximately $1,600,000. In FY 2007-08, the first full year of principal and interest payments, this project has a 2.12 debt coverage ratio. Repayment for the debt will be from parking permit revenues. Campus parking permit rates will generate sufficient funds to cover operating, maintenance, and debt service expenses. Parking fees correspond with rate increases that have been considered by UCSD's Transportation Policy Committee and approved by the campus administration.

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 AND APPROVAL OF INTERIM FINANCING FOR MANAGEMENT SCHOOL FACILITY, PHASE 1, SAN DIEGO CAMPUS**

The President recommended that:

(1) Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2003-04 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Management School Facility Phase 1 – preliminary plans, working drawings, construction, and equipment – $31,417,000 to be funded from gifts ($31,057,000) and campus funds ($360,000).

(2) The Committee on Finance concur with the President's recommendation.

(3) The Committee on Finance recommend that:

a. The President be authorized to obtain standby financing not to exceed $11,050,000, and interim financing not to exceed $3,900,000, for a total

of $14,950,000, prior to awarding a construction contract, for any gift funds not received at that time and subject to the following conditions:

i. interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period; and

ii. repayment of the debt shall be from gift funds, and in the event gift funds are insufficient, from the UC San Diego campus' share of the University Opportunity Fund.

b. The general credit of The Regents shall not be pledged.

c. The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.

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

It was recalled that the project will comprise approximately 50,000 assignable square feet to house the Rady School of Management, and will include classrooms, seminar rooms, faculty and administrative offices, conference rooms, student work and study areas, a multipurpose room, and dining areas. It will be located on the North Campus in La Jolla, to the north of the Eleanor Roosevelt College, to the west of Ridge Walk, and to the east of Scholars Drive.

In October 2001, The Regents approved the establishment of the UCSD Management School (School) to respond to the growing need of California industry, especially in the high technology and biotechnology sectors. In recognition of a transformative gift from Ernest Rady and the Rady Family Foundation, the School was named the Rady School of Management. This gift brings the School's fundraising to $57 million of its overall goal of $120 million.

The School will provide research and education in the core fields of management that are characteristic of leading MBA programs. In addition, the School will facilitate interdisciplinary collaboration and address management issues pertaining to the impacts and dynamics of advances in technology, industry-specific research, innovative teaching, and joint degree programs that provide specialized training focused on technology and global markets.

The School will offer programs leading to the MBA and Ph.D. degrees as well as continuing professional education for the business community. The School will begin admitting limited numbers of students in fall 2004 and will reach steady state in 2011-12, at which time it will have 100 FTE faculty positions and will enroll 600 students in the state-supported MBA program, 510 students in the self-supported MBA programs, and

50 students in the Ph.D. program. Self-supported, non-degree executive education programs will enroll 150 students in 2004-05 and plan to grow to 1,500 enrollments per year at steady state.

Project Description

The 50,000-square-foot Facility will house instructional space, academic offices, the dean's suite, and executive education space. The instructional space includes tiered and flat classrooms, smaller seminar rooms, open computer laboratories, and informal breakout rooms for student teams. In addition to conference rooms, a multipurpose room will be used for public lectures as well as student instruction and gatherings. The Executive Education space, in addition to offices, will have a tiered classroom, breakout rooms, and assembly space. A dining facility will serve students and employees.

In addition to pursuing gift funding for this capital project, fundraising activities for the School are ongoing to support the growing academic program and to provide for expansion of the Facility.

Construction is expected to begin in winter 2005, with occupancy occurring in fall 2006.

Financial Feasibility

The project cost is $31,417,000, including interest during construction, to be funded with gifts and campus funds. As gift funds take time to collect, approval for standby financing of $11,050,000 and interim financing of $3,900,000 is requested in order to meet Regental policy to have funds on hand for bid advertisement. It is anticipated that the campus will have $16,107,000 of gift funds in hand for the Facility at the time of bid. In compliance with Regents' policy that all funds necessary to complete construction are to be in hand, campus funds have been committed to cover pledges up to $12,107,000. In the event that fundraising is insufficient, the campus will return to seek approval for long term financing. If the $3,900,000 of interim financing needs to be converted to long term debt, the estimated debt service at 6.125 percent for 30 years is $287,000 per year. Campus funds of $360,000 will cover the installation of expanded utility lines that will enlarge the infrastructure of the campus to meet the needs of future capital improvement projects.

Environmental Consideration

An environmental impact analysis will be prepared for consideration by The Regents at a future meeting in conjunction with the project design review and approval.

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 3:52 p.m.

Attest:

Secretary