The Regents of the University of California

COMMITTEE ON GROUNDS AND BUILDINGS
COMMITTEE ON FINANCE
September 22, 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 Anderson, Bustamante, Dynes, Hopkinson, Johnson, Kozberg, Marcus, Ornellas, Parsky, and Ruiz; Advisory members Juline, Rominger, and Brunk

Representing the Committee on Finance: Regents Blum, Bustamante, Connerly, Dynes, Hopkinson, Kozberg, Lee, Ornellas, Parsky, and Sayles; Advisory member Blumenthal

In attendance: Secretary Trivette, General Counsel Holst, Treasurer Russ, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Doby, Drake, Foley, and Gomes, Chancellors Birgeneau, Bishop, Cicerone, Córdova, Fox, Tomlinson-Keasey, and Vanderhoef, Acting Chancellor Chemers, Laboratory Director Nanos, and Recording Secretary Bryan

The meeting convened at 10:50 a.m. with Committee on Grounds and Buildings Chair Hopkinson presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of May 19, 2004 were approved.

2. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR UNDERHILL PARKING FACILITY AND FIELD REPLACEMENT, BERKELEY CAMPUS**

The President recommended that:

A. The Committee on Grounds and Buildings recommend that, subject to the concurrence of the Committee on Finance, the 2004-05 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Berkeley: Underhill Parking Facility and Field Replacement – preliminary plans, working drawings, and construction – $38,709,000, to

be funded from external financing ($30,709,000) and a combination of the Berkeley campus' Parking System Net Revenue Fund and Parking Replacement Reserve Fund ($8,000,000).

B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to include this project, as described in A. above.

C. The Committee on Finance recommend that the President be authorized to obtain financing not to exceed $30,709,000 to finance the Underhill Parking Facility and Field Replacement 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 this debt is outstanding, the parking system fees for the Berkeley campus shall be established at levels sufficient to provide excess net revenues sufficient to pay the debt service and to meet the related requirements of the proposed financing.

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

D. The 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 Underhill Parking Facility and Field Replacement project, the final project in the Underhill Area Master Plan, will restore Underhill Field for student recreation and replace a parking structure that was demolished in 1993. The total project cost is $38,709,000.

The Underhill site, located two blocks south of the Berkeley central campus, is bounded by College Avenue, Channing Way, Haste Street, and the recently completed Residential and Student Services Building. The campus' Residence Halls Units 1 and 2 face the site from the north and south. The former Parking Structure D, which was located on the site beneath Underhill Field and provided 930 parking spaces, was demolished after discovery during a seismic strengthening project that it had been compromised over time as a result of water intrusion and deterioration of the reinforcing steel. The site was converted temporarily to surface parking that has provided 425 spaces. No alternative site was available in the intervening time to replace the field.

The proposed project will construct a four-level parking structure with 1,000 spaces and restore the recreational field above the structure. The project will provide 70 more

parking spaces than the original structure on the site and 575 more spaces than the current surface lot.

Project Description and Schedule

The project will occupy approximately 82 percent of the 2.2 acre site, with entrances from Haste Street and Channing Way. The 314,000 gsf structure will comprise four levels of parking, with a 78,000 sf recreation field on the roof of the fourth level. The parking structure will be designed to meet the University parking needs while mediating the visual impact of parked cars in the neighborhood. The multi-purpose sports field, sunk two feet below the elevation of College Avenue, will be the primary visual image of the structure from the street and adjacent high-rise residence halls.

The project will include elevators for ADA access, storage for parking and recreational use, bicycle parking, perimeter landscaping, and street improvements. The synthetic sports field will have an entrance plaza along College Avenue, fencing, kiosks, and lighting, and ground-level viewing facilities. While natural ventilation will be used, mechanical ventilation is planned for the lower parking level.

The facility will be planned and designed to conform with the Underhill Area Master Plan design guidelines and approved Underhill Area Projects EIR mitigation measures. Disaster response goals and the potential for enhanced seismic performance of the facility are under review, as the field and structure could be designed to function as a staging area for emergency response and shelter in this densely populated community.

To limit the loss of current parking at Underhill to one academic year, construction of the project is proposed to begin June 2005 and to be completed August 2006.

Green Building Policy and Clean Energy Standard

The project will adopt the principles of energy efficiency and sustainability to the fullest extent possible, in compliance with the Systemwide Green Building Policy and Clean Energy Standard and the University of California Policy on Green Building Design and Clean Energy Standards, consistent with budgetary constraints and regulatory and programmatic requirements.

CEQA Classification

In accordance with the California Environmental Quality Act (CEQA) and the University of California Procedures for the Implementation of CEQA, this project was analyzed in the Underhill Area Projects EIR that was certified by The Regents in November 2000. If there are any material changes in the proposed design of the project or in the circumstances under which the project might be undertaken, or if new information regarding potentially significant effects of the project or possible mitigation measures is discovered, additional environmental review of the project will be undertaken prior to approval of the project design.

Financial Feasibility

The total project cost of $38,709,000 will be funded from external financing ($30,709,000) and a combination of the Berkeley campus' Parking System Net Revenue Fund and Parking Replacement Reserve Fund ($8,000,000). External financing of $30,709,000, amortized over 30 years at 6.125 percent interest, will result in an estimated annual debt service of $2,261,000, payment of which will be from the Berkeley campus' Parking System annual net revenues.

The campus Department of Parking and Transportation Services will fund construction of the project without a contribution from the Department of Recreational Sports. Among the considerations for this decision were the financial status of each of the programs and their identified capital needs, the requirement to maintain the site as a permanent sports field serving students, and the pressing need to restore the campus parking inventory.

To cover operating costs and fund this project as well as all approved parking facility growth, campus parking rates will increase by 4.5 percent for annual permits and a minimum of 2.5 percent for daily and special events permits each year beginning with fiscal year 2004-05 and through fiscal year 2012-13. These rate increases have been recommended by the Chancellor's Joint Oversight Committee on Parking and Transportation, which represents all members of the campus community, 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.

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

The President recommended that:

A. The Committee on Grounds and Buildings recommend to The Regents, subject to the concurrence of the Committee on Finance, that the 2004-05 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Francisco: Mission Bay Cancer Research Building (17C) – preliminary plans, working drawings, construction and equipment – $128,621,000 to be funded from campus funds ($13,621,000), gift funds ($85,000,000), and external financing ($30,000,000).

B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to include this project, as described in A. above.

C. The Committee on Finance recommend to The Regents that the President be authorized to obtain:

(1) Long-term external financing not to exceed $30,000,000 to finance a portion of the Mission Bay Cancer Research Building (17C) construction, 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 total long-term financing amount shall be from the campus' share of the University Opportunity Fund; and

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

(2) Standby financing not to exceed $62,500,000 and interim external financing not to exceed $17,500,000, for a total of $80,000,000, for any gift funds not received prior to awarding of construction contract, 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;

ii. repayment of any interim financing shall be from gift funds, and in the event that such gifts are not sufficient, from the UCSF

School of Medicine Dean's share of the Faculty Practice Plan income; and

iii. the general credit of The Regents shall not be pledged.

(3) 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.

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

It was recalled that the San Francisco campus proposes to design and construct a $128,621,000 clinical research facility of 97,168 asf (161,757 gsf) at the Mission Bay site's Block 17C for UCSF School of Medicine's clinical research programs, the primary focus of which is cancer research. This project will be the fourth research building at the UCSF Mission Bay campus site. Block 17C is located at the northeast corner of the Mission Bay campus, at the corner of Third Street and Mission Bay Boulevard South.

In January 2003, The Regents approved preliminary plans. The proposed clinical research laboratory will provide wet-laboratory research space for expanding School of Medicine research programs in neurological surgery, urology, and Cancer Center-related research. The project will house approximately 46 principal investigators who will focus on cancer-related research programs that include the Neurological Oncology Program, the Prostate Cancer Program, and the UCSF Cancer Center. Space at other locations vacated by programs moving to this building will be retained and available for non-cancer clinical research.

Project Description

The Mission Bay Cancer Research Building will house a wet-research laboratory of approximately 97,168 asf in an approximately 161,757 gsf, five-story, fire-resistive building that will be 83 feet high at the parapet, stepping down to 50 feet on the north side. 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 floor plate will allow direct access to individual research groups.

The project will include the following types of space:

- Research space (69,373 asf) comprised of:

  Wet laboratory: The design criteria for the research space employs a one-to-one ratio for open wet-laboratory to laboratory support space. The design will use a modular lab bench system to 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, cold rooms, and equipment rooms.

Core Laboratory Support: Core laboratory support includes server rooms and information technology support.

Desktop research: An office area for desktop research will include a combination of enclosed and open offices.

Administrative Support Space: Office suites will be designed to encourage interaction among researchers within reasonable proximity to their laboratory spaces. The office suites will also incorporate shared functions.

- Vivarium: The vivarium will be constructed to accommodate 16,000 cages but initially will be equipped to include 12,020 cages for rodents in a barrier facility. It will contain animal laboratories and a small quarantine area. An animal support area will include equipment and storage areas, and air locks for the transgenic facility. A small amount of area will be used for support offices. An imaging center, a Cesium irradiator, and a bioluminescence room will be included within the vivarium. The Imaging Center in the nearby QB3 Building, now under construction, is designed for larger animals and is not a barrier facility.

- Shared administrative space: A ground floor seminar room will have video conferencing capability. Larger meetings can take place in other nearby UCSF Mission Bay buildings specifically designed for the purpose. The remainder of the shared administrative space includes a reception-security desk area, a waiting room, and a vending area.

- Logistics space: Space will be provided on the ground floor for materials handling, building management, and loading.

Infrastructure and Site Conditions

The project will create a demand for 155 new surface parking spaces that will be met in the new parking structure on Block 23. 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. In addition, a substantial pile foundation system, with piles deeper than previous Mission Bay research buildings, will be required due to the geotechnical conditions of the site. Special consideration for vibration will be incorporated into the building design due to the sensitivity of laboratory equipment and proximity to the planned Third Street Light Rail System. The reinforced

concrete structure designed to mitigate vibration will add four months to the construction schedule, along with related escalation costs.

Because the University is constructing Building17C in advance of the other buildings that were anticipated in the Infrastructure Plan agreed to by the University and Catellus, the University will pay a fee of $850,000 to Catellus, which will construct the required infrastructure improvements needed for Building 17C.

Construction will begin in March 2005, with occupancy expected by December 2007.

Sustainable Design

The project will comply with the Systemwide Green Building Policy and Clean Energy Standard and the Presidential Policy for Green Building and Clean Energy Standards requirements to adopt the principles of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory energy efficiency and programmatic requirements. Specific information will be provided when the project is presented for design approval.

CEQA Compliance

The 1996 LRDP Environmental Impact Report (EIR) and 2001 SEIR provided the environmental analysis for the Mission Bay site, which included environmental review for the capital program. This project is consistent with the LRDP. Further building-specific environmental analysis will be included in an Addendum to the LRDP EIR in conjunction with project design approval.

Financial Feasibility

The total project cost of $128,621,000, including $7,100,000 of capitalized interest incurred during construction, will be funded with $13,621,000 of campus funds, $85,000,000 of gift funds, and $30,000,000 of external financing. The campus has set aside $13,621,000 from the FY 2000 Genentech settlement to fund costs related to this project and is committed to raising $85,000,000 for the Mission Bay Cancer Research Building (17C). As of June 2004, the campus has $5,000,000 of gift funds in hand. Authorization is requested to secure standby financing not to exceed $62,500,000 and interim external financing not to exceed $17,500,000. The $80,000,000 total includes an associated capitalized interest cost of $5,500,000. It is expected that gift funds will be collected during the construction phase and after project completion sufficient to satisfy Regental funding policies and provide financing for project expenditures prior to gift receipt. As gifts are received, the campus will prepay principal amounts outstanding on the interim external financing.

In the event that gift funds are insufficient, the campus has pledged the UCSF School of Medicine Dean's share of the Faculty Practice Plan income as a source of repayment.

That income is derived from an assessment against net professional fee revenue income and other professional non-clinical income that creates a discretionary reserve available to the Dean for academic-related needs within the School. These funds are projected to be sufficient for the repayment of debt service costs for this project if interim financing needs to be converted to long-term financing. Assuming a 30-year term at an interest rate of 6.125 percent for the gift-related interim external financing for $17,500,000, the average annual debt service would be $1,288,000.

External Financing

The $30,000,000 of external funding includes $1,600,000 of capitalized interest. Assuming financing for 30 years at the rate of 6.125 percent, the average annual debt service for the project will be $2,209,000, which will be repaid from the San Francisco campus' share of University Opportunity Funds.

To use Opportunity Funds for debt financing, the President requires that the campus meet specific financing tests. With a projected Opportunity Fund allocation of $49,877,650 in FY 2009-10, the first year of principal and interest payment and the second full year of operations, 56.5 percent of the campus' total Opportunity Funds generated will be pledged for debt service. This falls within the prescribed limits for both the Opportunity Fund pledge ratio test of 65 percent and the payment ratio limit of 33.3 percent.

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 10:53 a.m.

Attest:

Secretary