

The Regents of the University of California

COMMITTEE ON GROUNDS AND BUILDINGS

November 17, 2009

The Committee on Grounds and Buildings met on the above date at Covell Commons, Los Angeles campus.

Members present: Regents Kozberg, Makarechian, Reiss, Ruiz, Schilling, and Zettel; Ex officio member Yudof; Advisory members Cheng, Hime, and Powell

In attendance: Regent Stovitz, Regent-designate DeFreece, Faculty Representative Simmons, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Interim Provost Pitts, Interim Executive Vice President Brostrom, Vice President Lenz, Chancellors Birgeneau, Block, Kang, Katehi, and White, and Recording Secretary Harms

The meeting convened at 3:15 p.m. with Committee Chair Schilling presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of September 17, 2009 were approved.

2. **ADOPTION OF FINDINGS AND APPROVAL OF DESIGN, ANNA HEAD WEST STUDENT HOUSING, BERKELEY CAMPUS**

The President recommended that, upon review and consideration of the environmental consequences of the proposed project as described in the Addendum to the 2020 Long Range Development Plan Environmental Impact Report, the Committee:

- A. Adopt the Findings.
- B. Approve the Design of the Anna Head West Student Housing Project, Berkeley campus.

[Background material was mailed to the Committee in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Regent Kozberg remarked that the project materials did not provide her with as much detail as she would have liked and asked how the design would be tied to the other Anna Head structure. Vice Chancellor Denton explained that the rooms were a combination of dormitories and apartments, and would have finishes typical to that type of facility, such as gypsum board and glass. Regent Kozberg asked if the Vice Chancellor had any detailed drawings of the planned rooms that he could forward to her. Mr. Denton said he

would do so. Committee Chair Schilling noted that the item dealt with acceptance of the Environmental Impact Report (EIR) and asked Mr. Denton if he would be bringing the design of the project's interior space before the Regents at another time. Mr. Denton replied that he would prefer to have approval on the addendum to the Long Range Development Plan and the EIR, and would forward floor plans to the Regents afterward. Regent Kozberg stated that she was willing to move on the item provided that she would be given detailed floor plans thereafter, and Committee Chair Schilling concurred.

Regent-designate Hime asked if the project was Leadership in Energy and Environmental Design (LEED) certified or LEED comparable. Mr. Denton stated that the building was rated LEED Gold. Regent-designate Hime clarified that he was asking if a third party was certifying the structure or if the University was self-certifying. Mr. Denton explained that it was being certified through a government agency. Regent-designate Hime urged the University to develop its own LEED-comparable certification program; he said that such a program could be used for each of the campuses and would result in savings for the University. The Committee Chair requested that information regarding the LEED certification process be provided.

Regent Makarechian reminded the Regents that at the last meeting he asked if the University compares its bids, at a cost-per-square-foot and cost-per-bed level, with outside institutions. He asked if such a comparison had been developed. He also asked the Vice Chancellor how long ago he had obtained bids for the project, because costs had been reduced considerably due to the national recession. Mr. Denton responded that the project had not been bid yet, but that he had worked with estimates from the project architect and a contractor to put together a budget that would be realistic and achievable. Regent Makarechian asked if the University would be committed to any prices that might be generated as a result of those estimates. Mr. Denton stated that it would not be, and that he would expect to come in below the proposed budget if the current economic trends continue. Regent Makarechian asked if the campus would be coming back with a new budget if that were the case, and Mr. Denton said he would only do so if the bids exceeded his projected budget. Regent Makarechian returned to the issue of cost comparisons with other institutions and Mr. Denton explained that the costs were in line with the last few housing projects completed by UC. Regent Makarechian sought clarification on the dates of those projects, again referencing the recent reductions in building costs. Mr. Denton stated that he had used the UC Santa Cruz West Campus Infill Housing, the UCLA Weyburn Terrace, and the UCSF Mission Bay Block Housing projects for his comparisons.

Committee Chair Schilling noted that for this item, the Committee members had been provided with environmental documentation prepared pursuant to the California Environmental Quality Act as well as with copies of all public comments received and responses prepared by the University. The members of the Committee reviewed and considered the documents and comments, and balanced the specific benefits of the project against any unavoidable adverse environmental effects.

Upon motion duly made and seconded, the Committee approved the President's recommendation.

3. **APPROVAL OF UNIVERSITY OF CALIFORNIA 2010-11 BUDGET FOR STATE CAPITAL IMPROVEMENTS AND DISCUSSION OF THE 2009-15 STATE AND NON-STATE CAPITAL IMPROVEMENT PROGRAM**

The President recommended that, subject to concurrence of the Committee on Finance, the 2010-11 Budget for State Capital Improvements be approved as presented in the document titled *2010-11 Budget for State Capital Improvements*.

[Background material was mailed to the Committee in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Vice President Lenz stated that he was presenting a request for approval of \$631.5 million in capital facilities projects that the University is proposing for inclusion in the Governor's 2010-11 budget. Of this amount, \$598.9 million is for preliminary plans, working drawings, and construction, and approximately \$9.4 million is for equipment on five projects. Mr. Lenz said that \$23.2 million was to address high-priority capital renewal, and that the University was requesting \$738,000 from the General Fund for seismic correction at UC Davis' Thurman Laboratory.

Mr. Lenz explained that the last General Obligation bond approved was in November of 2006; in the 2008-09 budget, UC received \$204.6 million in lease revenue bonds. In 2009-10, it did not receive any new lease revenue bonds, but was granted a re-appropriation of funding for a project valued at \$30 million.

Mr. Lenz informed the Regents that 79 percent of the proposed projects preserve UC capital assets; of that, roughly 51 percent address renewal and modernization of existing facilities, and 28 percent address seismic and life safety needs. He remarked that it was not yet clear if the Governor would include capital facilities projects in his 2010-11 budget. The University's request is predicated on the Governor and the Legislature supporting legislation that would put either a higher education bond or an elementary-through-higher education bond on the November ballot next year. The Vice President explained that UC has been working with two members of the Legislature who are the designated authors of bond measure bills for education for next year – Senator Ducheny with Senate Bill 271, and Assembly Member Brownley with Assembly Bill 220. Senator Ducheny's bill includes \$450 million per year for the next four years for general capital projects at the University, and an additional \$100 million per year for health sciences projects. That bill has passed its policy committee hearings and is now in the Senate Appropriations Committee. Assembly Member Brownley's bill has the shell of an elementary-through-higher education proposal, but had no specific dollar amounts associated with it at the time of the meeting. Mr. Lenz stated that the bill was in its first policy committee waiting to be amended with a greater level of detail.

Vice President Lenz reviewed information regarding UC's State and non-State capital facilities program from 2009-10 through the 2014-15 year. The campuses took into account their own financial situations and the levels of State capital funding that they expect during this time frame. Once the Regents have reviewed and approved each of the ten campus Capital Financial Plans and Physical Design Frameworks, the campuses are eligible to be delegated the authority to approve projects of \$60 million or less. Mr. Lenz explained that the Regents have approved three campuses to date: Davis, Los Angeles, and San Diego; the Berkeley and Riverside plans would be presented to the Regents at this meeting. Mr. Lenz detailed that the 2009-10 State and non-State capital improvement program proposes more than \$9.9 billion in capital projects. That estimate is based on capital projects to be funded over five years, and the funding sources will include external financing, campus funds, gifts, capital reserves, and federal and State funds.

Regent Schilling asked Mr. Lenz about the likelihood of getting all of the bonds he had discussed, and Mr. Lenz replied that the chances are mixed given the State's overall fiscal condition and the many competing bond interests that will likely be placed on the ballot. He stated that higher education had collectively tried to put together a strategic plan to discover the best timing for the bond measure. He explained that a proposal would be brought before the Regents in January or March when the situation would be more clear. Mr. Lenz said that if the Governor does not include a recommendation for education funding in his January budget, the University would continue working with the Legislature to develop a capital bond; should that also not materialize, the University would create an alternative plan that would prioritize the important projects with seismic and life-safety concerns foremost.

Regent Kozberg asked if the Ducheny bill was for higher education exclusively, or if it also included kindergarten through twelfth grades. The Vice President replied that it is currently focused on higher education and that Senator Ducheny is working to determine what is necessary for the other educational bodies. He explained that one of the reasons the Legislature did not move forward with the November 2008 bond was that primary and secondary education had a significant amount of unspent funds from the 2006 bond.

Regent Makarechian asked if the amounts listed in the subsequent items – \$430 million from the State for UC Riverside, and \$569 million for Berkeley – were imbedded in the request. Mr. Lenz confirmed that they were included, and that the amounts requested might not be needed if the University does not receive the level of funding that it is requesting from the State.

Regent Reiss offered her assistance and that of other Regents to work with the California Teachers Association, senators, and other legislators create a political plan to get the request passed by the Legislature and approved by the voters.

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

4. ACCEPTANCE OF 2009-19 CAPITAL FINANCIAL PLAN AND PHYSICAL DESIGN FRAMEWORK AND AUTHORIZATION TO PARTICIPATE IN THE PILOT PHASE OF THE REDESIGNED PROCESS FOR CAPITAL IMPROVEMENT PROJECTS, RIVERSIDE CAMPUS

The President recommended:

- A. Acceptance of the *UC Riverside 2009-19 Capital Financial Plan and Physical Design Framework*.
- B. Authorization of the Riverside campus to participate in the Pilot Phase of the Redesigned Process for Capital Improvement Projects.

[Background material was mailed to the Committee in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Chancellor White informed the Regents that the Riverside campus was requesting approval of its 2009-19 Capital Financial Plan and Physical Design Framework and also the authorization to participate in the capital projects pilot program. He told the Regents that the Riverside students, faculty, and staff foster world-class learning, discovery, and public service, and that they are proud of their diverse student body population and of their land-grant heritage which emphasizes community engagement and public benefit.

Chancellor White observed that UC Riverside contributes approximately \$1 billion per year to the regional economy, and at the same time provides a societal benefit in terms of education, business, arts, athletics, technology, and the environment. The campus' strategic planning process, *UCR 2020*, provides a blueprint for its teaching, research, and public service missions. It identifies academic areas where the campus plans to excel – including research at both the undergraduate and graduate levels, will include an analysis of the resources and infrastructure needed to reach that level of excellence, and will forecast progress with respect to campus climate and community engagement.

The Chancellor remarked that the overarching goals that drive UC Riverside's ten-year capital plan include commitments to strategic investment, to campus sustainability, to the development of professional and graduate schools, and to increasing the amount of discretionary funds. He stated that the total value for the campus, exclusive of the medical school, is approximately \$883 million, split almost evenly between State and non-State resources. Chancellor White showed the Regents graphs depicting how those funds would be invested over the next ten years, with an emphasis on teaching and research facilities and elements related to the student environment, such as housing and student-related facilities.

Chancellor White informed the Regents that UC Riverside would soon be exploring twenty-first century models for medical instruction, research, and clinical care through its new School of Medicine; last month, the campus hired the founding dean for the School, Dr. Richard Olds. The Chancellor noted that the costs associated with the core

infrastructure and facilities needed to begin the School total approximately \$478 million, and that the Office of the President has anticipated a general obligation bond for health sciences expansion beginning in 2010. The bond fund would provide roughly \$100 million per year for ten years to the six UC schools of medicine, including Riverside. However, those funds would need to be augmented with additional, one-time appropriations and other resources such as gifts, grants, external financing, and federal funds.

The Chancellor emphasized that the new School of Medicine is one of Riverside's key goals, and that the ten-year plan provides a framework to guide the campus' priority capital investments in a path aligned with its mission and aspirations. He noted that the Physical Design Framework, to be presented by Campus Architect and Associate Vice Chancellor Caskey, would enable the campus to produce an environment of enduring quality and sustainability for the UCR community.

Mr. Caskey explained that UC Riverside makes capital program decisions through a process that ties individual projects to the campus' broader vision and strategy. In addition, a collaborative team of stakeholders analyzes the cost benefits of key decisions in the planning and design process to guarantee a broadly informed decision. The campus is committed to incorporating its commitment to sustainable design and operations throughout all constituencies on the campus.

Mr. Caskey informed the Regents that the process of capital programs planning and design begins with *UCR 2020*, the strategic plan that Chancellor White had mentioned. The physical planning process translates that academic vision into program square footage that will support the campus' mission. The Long Range Development Plan (LRDP) is designed to encompass a specific time frame, and is revised periodically as needed. While the campus bases its fundamental program decisions on guidance from the LRDP, those decisions are developed and tested in much greater detail in the campus aggregate master plan, which reconciles various existing plans and studies into a cohesive campus plan that allows implementation of the LRDP.

Mr. Caskey highlighted five organizing strategies that are addressed in the campus physical framework: the first develops a balanced and sustainable campus infrastructure; the second enhances UCR as a residential campus; the third develops an academic core for graduate and professional schools; the fourth connects UCR with the surrounding community through the East Campus Gateway Arch District; and the fifth strengthens the campus districts and celebrates UC Riverside's heritage. Sustainability is addressed through a comprehensive thermal energy storage system, which has saved the campus more than \$80 million in energy costs over the past two decades. The campus also continues to focus on energy and water efficiency, increased recycling, reduction of waste, and the design and construction of innovative LEED-rated facilities, such as the new Health Sciences Building to be completed in fall 2010.

Mr. Caskey remarked that the programming and design of capital projects at UCR is managed by a multi-disciplinary team that stays intact from the project's inception

through its completion. The management team ensures that the projects meet program and budget goals; its efforts are reinforced with additional key campus project approvals, through the oversight of a design review board, and through review by the Capital Planning Advisory Committee, chaired by the Chancellor.

Regent Ruiz asked how large the campus population – including students, graduates, faculty, and researchers – would be in 2019. Chancellor White said that the campus currently has 19,400 students, ladder-rank faculty number around 800. The Chancellor noted that the campus' projected overall size would include approximately 32,000 students, and that the campus was currently at 70 percent of capacity. In ten years, he anticipated that the campus would add another 5,000 to 6,000 students.

Regent Kozberg stated that the intent of the pilot project was that the campuses would incorporate their academic plans as part of the data informing the construction and planning on campus. While she was very pleased with the plan, she expressed a desire to see more academic planning elements included in it. Chancellor White responded that Riverside's strategic plan, *UCR 2020*, was the driver for all of the facility developments. Regent Kozberg urged that the Riverside campus adhere closely to its plan. She observed that campuses occasionally depart from the plans that are brought to the Regents.

Regent Makarechian asked what the campus would do if the anticipated State funding does not materialize. He also observed that the planned exterior materials for the buildings seemed dark, which would seem to be less energy-efficient in a warm climate such as Riverside's. Chancellor White explained that the plan would be executed in either a rapid or delayed rate depending upon available resources; the plan would remain the same, but its timeframe might change in response to funding availability. Regent Makarechian clarified that the campus would, therefore, not begin projects until funds for them were available, and Chancellor White confirmed that was the case. Mr. Caskey responded to the question about materials, noting that they were, in fact, quite light-colored and that they were perhaps not well-represented in the slides shown the Regents. He added that the campus is designing buildings to incorporate many energy-efficient technologies, and that it is working to update the efficiency of its older buildings. Regent Reiss noted that the UC system was well-regarded for its extensive use of green building technology.

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

5. **ACCEPTANCE OF 2009-19 CAPITAL FINANCIAL PLAN AND PHYSICAL DESIGN FRAMEWORK AND AUTHORIZATION TO PARTICIPATE IN THE PILOT PHASE OF THE REDESIGNED PROCESS FOR CAPITAL IMPROVEMENT PROJECTS, BERKELEY CAMPUS**

The President recommended:

- A. Acceptance of the *UC Berkeley 2009-19 Capital Financial Plan* and the *Physical Design Framework (November 2009)*.
- B. Authorization of the Berkeley campus to participate in the Pilot Phase of the Redesigned Process for Capital Improvement Projects.

[Background material was mailed to the Committee in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Chancellor Birgeneau informed the Regents that the Berkeley campus had found the process of creating the Capital Financial Plan and Physical Design Framework to be helpful in identifying key issues that it needs to confront over the next decade and beyond. He said that the plans are a first step in a new approach to capital investment, and that a task force has reconceptualized how Berkeley will make capital investment decisions. The Chancellor stated that each project now needs to have a clear “owner” who is ultimately responsible for shaping the project, securing the resources for it, and making sure that the project’s scope and budget remain aligned. In addition, the budget needs to reflect the cost of the project over the life of the building – not just the initial cost – and must include operation, maintenance, and capital renewal. He said that the campus would prioritize its projects in terms of campus-wide program objectives, and that Berkeley plans to do a comprehensive prioritization every three years, with the first in spring 2010.

Chancellor Birgeneau observed that the campus must reexamine its capital investment strategy and must address a few critical issues. In the Capital Financial Plan, Berkeley made the assumption that that State funding would continue at the same levels that the Office of the President employed in the most recent State five-year plan. The pace at which Berkeley is able to pursue its seismic program and capital renewal is directly related to State funding. Similarly, the method by which State funds are allocated among the UC campuses focuses primarily on enrollment growth and capital renewal, not on seismic improvement. This has constrained the pace of the seismic program, and has forced Berkeley to rely on gifts, grants, and debt for program improvements because almost all of its State funding is spent on seismic projects. Furthermore, State support for facility operation is also shrinking, and the campus must now be much more careful with respect to the long-term costs of operations, maintenance, and renewal when it considers new capital investments. The Chancellor observed that debt has become a significant element of Berkeley’s investment strategy, and that he is encouraged by the Office of the President’s work on a new debt model. He stressed that debt is limited and that the campus must be rigorous about reserving it for its most critical needs.

The Chancellor, when discussing the Physical Design Framework, noted that Berkeley would be undergoing a remarkable shift in new construction, from the core campus to the city blocks around the campus. The design framework articulates for the first time the design objectives that the campus should strive for when it builds in the city.

Principal Planner O'Banion remarked that the capital investment framework was a useful exercise that enabled the campus to create specific and realistic projections of future capital resources. It also reinforced the capital program's connection to specific objectives described in UC Berkeley's strategic academic plan and Long Range Development Plan (LRDP). Each project in the program relates directly to one or more objectives in those documents and reflects the guiding principle that the physical campus should embody the campus' academic goals. Mr. O'Banion stated that the Capital Plan and Physical Design Framework are the most recent additions to a set of campus plans prepared over the last decade, and many of the goals, principles, policies, and guidelines in the two new documents reflect a decade's worth of ideas and experiences.

Mr. O'Banion explained that the Capital Plan is organized around several key drivers of investment; one particularly important driver is life and seismic safety. Over 6.5 million square feet of space on the Berkeley campus was determined to require some level of seismic remediation. Although the campus has completed or vacated four million square feet, over two million remain, including historic landmarks and large, mid-twentieth-century buildings. Each seismic renovation in the plan includes a comprehensive renewal of the building's infrastructure; the capital investment plan includes the seismic renovation or replacement of 1.25 million square feet of space by the end of the decade. This would raise the percentage of remediated space to over 80 percent. It includes the completion of the new campus information network, and continues the investment in existing student housing. Nearly 700 beds at the Clark Kerr campus are currently being renovated, and the plan includes another 700 at the Kerr campus and at two other residence halls.

Mr. O'Banion informed the Regents that the Plan continues annual investments in the campus strategic energy plan and its climate action plan. It includes a chapter on performance metrics that will be updated every year, and introduces the concept of a campus landscape fund to seek gifts for the preservation and restoration of the campus landscape. The fund is envisioned to begin mid-decade, after the conclusion of the current gift campaign in 2013.

Mr. O'Banion remarked that the plan directs new growth to be accommodated primarily by more intensive land use adjacent to the core campus. New, much larger buildings that are specifically designed for interdisciplinary programs are replacing small and obsolete facilities. The Helios Energy Research Facility will have two new structures: one at the Lawrence Berkeley National Laboratory, and one on a downtown block adjacent to the campus. The same block would also accommodate the community health campus. At another downtown location, the campus will build a gateway structure that will be used to hold programs during several seismic renovations and then to house programs now held in leased space. Mr. O'Banion noted that all of the city-based projects fit in to the City of

Berkeley's downtown plan, which the campus supported and collaborated on as part of the settlement agreement for the LRDP.

Mr. O'Banion informed the Regents that nearly half of the total value of the Berkeley program is for seismic renovation or replacement, and that academic and academic-support programs likewise represent nearly half the value. State funds would only comprise about a quarter of the funding for the program, gifts would make up another quarter, and debt would cover over a third of the program, though over three-quarters of it would be auxiliary debt, which is serviced by dedicated auxiliary revenues. He emphasized that the pace at which the campus can pursue seismic work and capital renewal is directly related to the level of State funding, and encouraged the reexamination of the University's allocation model with consideration for the seismic burden that is unique to Berkeley.

Vice Chancellor Denton noted that UC Berkeley has been locating some functions, primarily housing and parking, in the blocks around the campus. Over 40 percent of the capital investment, including both new construction and renovation, will be in the downtown and southside areas of the city. Over 80 percent of the dollar value of new construction in the next decade is located in the downtown and southside, outside of the campus core. Because few construction sites remain on campus, some instruction and research programs may begin to move some functions off-campus in the next decade. The School of Public Health has a strong community-based focus, and is therefore a good candidate for a downtown location.

Mr. Denton observed that the campus and the city around it present very different design challenges, but a general architectural palette unites buildings that are both on and off-campus. The City of Berkeley is less prescriptive about architectural treatment, but recognizes the importance of form and scale for the overall urban landscape. The plan also emphasizes new places of interaction, both indoors and out. The campus recently collaborated with the City on a new downtown plan which includes investments in sidewalk trees, paving, and lighting. He further explained that the proposed new gateway building would also include the adaptive renovation of the historic UC Garage as a new home for the Visitor's Center.

Regent Kozberg stated that the Berkeley Plan and Framework were very well done and urged the campus to adhere closely to its plans.

Upon motion duly made and seconded, the Committee 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, SANTA MONICA/ORTHOPAEDIC REPLACEMENT HOSPITAL AND PARKING STRUCTURE, LOS ANGELES CAMPUS**

The President recommended that:

- A. The 2009-10 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Los Angeles: Santa Monica/Orthopaedic Replacement Hospital and Parking Structure – preliminary plans, working drawings, construction and equipment – \$377,900,000 to be funded from State lease revenue bond funds (\$55,000,000), federal funds (\$72,200,000), external financing (\$244,700,000), gifts (\$3,000,000) and hospital reserves (\$3,000,000).

To: Los Angeles: Santa Monica/Orthopaedic Replacement Hospital and Parking Structure – preliminary plans, working drawings, construction and equipment – \$572,900,000 to be funded from State lease revenue bond funds (\$55,000,000), federal funds (\$72,200,000), external financing (\$390,700,000), hospital reserves (\$30,000,000), and State Children’s Hospital Program Bond Funds (\$25,000,000).

Deletions shown by strikeout; additions by underscore

- B. The President be authorized to obtain an additional amount of external financing not to exceed ~~\$138,000,000~~ \$146,000,000 to finance the *Santa Monica/Orthopaedic Replacement Hospital and Parking Structure* project. The President shall require that:

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

- (2) Repayment of the debt shall be from the net patient revenues of the UCLA Hospital System and as long as the debt is outstanding, the net patient revenues of the UCLA Hospital System shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorize financing.

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

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

[Background material was mailed to the Committee in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Chancellor Block informed the Regents that Santa Monica Hospital is the last of five major projects making up phase one of UCLA's seismic correction plan for the Center for Health Sciences. Projects already completed include three medical research buildings and the Ronald Reagan/UCLA Medical Center. The Santa Monica Replacement Hospital project was originally conceived in 1999 as a model community hospital for the 21st century. Since the inception of the project, however, patient volumes and acuity have increased significantly; the hospital is now a fully integrated component of the UCLA Health System, and its overall function has evolved to that of a teaching hospital. As a result, its scope and complexity have changed dramatically.

The Chancellor noted that management of the project has been enormously complex, primarily because of the decision to construct a replacement facility on the same site as an existing hospital. Project logistics and coordination have added to the project's schedule and cost. Over the past three years, significant efforts have been made to strengthen project management. Major portions are nearing completion, and the hospital should obtain an operating license by early 2011. Chancellor Block stated that the support of the Regents has been critical for overall success of the project.

Vice Chancellor Olsen stated that UCLA was seeking approval for a budget augmentation due to scope increases and the addition of net interest cost totaling \$195 million. The current approved budget is \$378 million; the augmentation would bring the total to \$573 million. The campus was also seeking approval of additional external financing as a major component of paying for the additional costs. In total, project financing will consist of \$72 million in Federal Emergency Management Assistance (FEMA) funds, \$55 million in State lease revenue bond financing, \$25 million in State Children's Hospital bonds, \$30 million in hospital reserves, and a remaining \$391 million in external financing. Mr. Olsen pointed out that substantial fundraising had been done as part of the Ronald Reagan/UCLA Medical Center project. The total amount raised in that effort was approximately \$188 million; the majority was not applied to the base construction but to furniture and equipment installation. For that reason, gift funds were not shown as part of the project.

Mr. Olsen stated that Santa Monica Hospital is part of a multi-phase seismic reconstruction plan for the health sciences at UCLA. The new hospital will include 172 beds contained in 322,000 gross square feet. It replaces the 197-bed west tower and the emergency center, which were damaged in the Northridge earthquake and do not meet seismic standards. The 94-bed Merle Norman Pavilion will remain, but will be substantially renovated. He informed the Regents that the parking structure was completed in 2001, and the central plant in 2003. Relocation of the new emergency department to the newly constructed southwest wing was completed in 2007, and the upper floors were occupied in 2008. The orthopedic wing, north wing, and central wing will be finished in July 2010, with licensing and patient occupancy in early 2011. Following occupancy, demolition of the west tower and construction of the grand stair

connection between the central wing and the Merle Norman Pavilion is scheduled for the summer of 2012. Currently, renovations of the Pavilion are 80 percent complete; the remaining phases are under way and are scheduled for completion in 2011. The base construction contract for the main hospital is 92 percent complete and the remaining value on it is approximately \$22 million.

Mr. Olsen explained that the need for the budget augmentation is due in part to an increased range of inpatient services, the development of leading-edge services and technology, the capture of additional market share resulting from the closure of 26 hospitals in Los Angeles over the past decade, and increased clinic and emergency room visits. Adding to this were the complex logistics and coordination required to keep the existing hospital operational at all times during the construction phase of the new replacement facility. The original plan required four phases of work; however, the current plan includes 13 phases with 42 sub-phases. These changes and challenges have added significantly to the project cost and schedule and are among the major factors contributing to cost increases for the project. Mr. Olsen added that renovations in the Merle Norman Pavilion to facilitate the evacuation of services that currently occupy the damaged west tower total approximately \$13 million. Finally, the addition of net interest expense to the capitalized cost of the project, while already anticipated in the planning stages, is now included because of a recent decision by the Office of the President.

Regent Makarechian stated that some parts of this project are 80 percent complete and other parts will be completed by 2012. He asked the UCLA representatives if they were comfortable that this would be the last budget augmentation that they would request for this project. Mr. Olsen responded that the remaining value on the main construction contract is \$22 million, that the campus is proposing additional scope of \$13 million, and that there is a remaining contingency amount of \$17 million for the project. He said that he believed the request to be adequately conservative.

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

The meeting adjourned at 4:45 p.m.

Attest:

Secretary and Chief of Staff