

The Regents of the University of California

**COMMITTEE ON GROUNDS AND BUILDINGS**

September 11, 2012

The Committee on Grounds and Buildings met on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present: Regents De La Peña, Kieffer, Makarechian, Rubenstein, Ruiz, Schilling, and Stein; Advisory members Feingold, Jacob, and Schultz; Staff Advisors Barton and Smith

In attendance: Regent-designate Flores, Faculty Representative Powell, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Financial Officer Taylor, Vice President Lenz, Chancellors Block and Desmond-Hellmann, and Recording Secretary McCarthy

The meeting convened at 2:55 p.m. with Committee Chair Makarechian presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of July 17, 2012 were approved.

**2. APPROVAL OF INTERIM FINANCING, DAVIDSON LIBRARY ADDITION AND RENEWAL, SANTA BARBARA CAMPUS**

The President recommended that:

A. The President be authorized to obtain interim financing for construction funding not to exceed \$71,402,000, plus related interest expense and financing costs, for the Davidson Library Addition and Renewal project in advance of expected State lease revenue bond funds. The President shall require that:

- (1) The primary source of repayment of requested interim financing that includes the \$71,402,000 plus related interest expense and financing costs shall be from State lease revenue bond proceeds and the alternate source of repayment shall be from the Santa Barbara campus that will support either interim financing or external financing issued by the Regents.
- (2) The interim financing is authorized only for a maximum period of up to eighteen (18) months after beneficial occupancy, after which no further interest expense or financing costs shall be capitalized.

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

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Vice President Lenz reported that the State had approved this project for funding. Additional seismic work became necessary, funding for which was approved by the State and re-appropriated in the 2012-13 State budget. UC also sought statutory authority from the State for \$134 million in capital facility projects; the University could move ahead with financing in order to keep projects moving through construction and the State would reimburse UC for the cost of the construction and the cost of the issuance of the financing. This statutory authority would allow the Committee to approve interim financing for the Davidson Library project, with the knowledge that the University would be fully reimbursed by the State.

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

**3. AMENDMENT OF THE BUDGET, APPROVAL OF EXTERNAL FINANCING AND STANDBY FINANCING, MISSION BAY BLOCK 25A ACADEMIC BUILDING (FACULTY OFFICE BUILDING), SAN FRANCISCO CAMPUS**

The President recommended that:

- A. The 2012-13 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:
  - From: San Francisco: Mission Bay Block 25A Academic Building (Faculty Office Building) – preliminary plans – \$3,000,000 funded from Campus Funds.
  - To: San Francisco: Mission Bay Block 25A Academic Building (Faculty Office Building) – preliminary plans, working drawings, construction, and equipment – \$118,600,000, to be funded from external financing, (\$84,400,000), gift funds (\$20,000,000), and campus funds (\$14,200,000).
- B. The scope of the Mission Bay Block 25A Academic Building (Faculty Office Building) shall provide a 263,478 gross square feet (213,618 assignable square feet) Project (“Project”). The Project would include office/desktop research and related support space, educational space/educational support space, site improvements, including landscaping, sidewalks, site utilities, and utility connections.

- C. The President be authorized to obtain external financing in an amount not to exceed \$84,400,000 to finance the Mission Bay Block 25A 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) As long as the debt is outstanding, the general revenues of the San Francisco campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
  - (3) The general credit of the Regents shall not be pledged.
- D. The President be authorized to obtain standby financing not to exceed \$20,000,000 for the Mission Bay Block 25A 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) As long as the pledge balance is outstanding, the general revenues of the San Francisco campus shall be maintained in amounts sufficient to meet the related requirements of the authorized financing.
  - (3) The general credit of the Regents shall not be pledged.
- E. The President be authorized to execute all documents necessary in connection with the above.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Vice President Lenz stated that the item requested approval of \$118.6 million in funding, with \$84.4 million from external financing, \$20 million from gift funds, and \$14.2 million from campus funds, for a 263,000 square foot academic and faculty office building at the UCSF Mission Bay campus. The building would provide office desktop research and support facilities, and educational space. Site improvements such as landscaping, sidewalks, utilities, and utility infrastructure would also be included in the project. UCSF Global Health Sciences received a pledge for \$20 million in gifts for the building and would secure that funding in a relatively short time. The project would allow UCSF to consolidate a number of leases that are due to expire within four years, and for which the campus currently spends \$4 million annually in rent and operating costs. The project would provide savings in lease payments of \$1.4 million annually by the 2015 fiscal year, and \$331.8 million in direct lease cost avoidance over the upcoming 35 years.

Chancellor Desmond-Hellmann said that this project was originally driven by the need for clinicians to have office space across the street from the hospital so they can be near their patients, and to consolidate UCSF's important translational work connecting science with patient care. She stated that this project would be cost-effective, particularly since leasing costs in San Francisco were currently rising rapidly. Through the work of Executive Director of UCSF Global Health Sciences Jaime Sepulveda and his team, a \$20 million donation in support of Global Health Sciences was secured and would be part of the building's funding.

Regent Ruiz asked whether the proposed building would have alternative uses, given the fast pace of change in the healthcare field. Chancellor Desmond-Hellmann responded that the proposed office building would provide space in the important fields of clinical and translational research, an area of growth that she does not anticipate would change over the upcoming five years. The space itself would be some of the most flexible space at Mission Bay. Assistant Vice Chancellor Lori Yamauchi agreed that the building's space would be extremely flexible, since it would be designed on an activity-based model consisting of open workstations without private offices. There would be focus rooms where faculty and staff could conduct activities, and which could be easily reconfigured.

Regent Schilling asked how much space remained at the Mission Bay campus for new development. Ms. Yamauchi responded that UCSF was currently updating its Long Range Development Plan (LRDP) and has determined that it has the capacity to build more than its entitlement, which was currently 2.65 million gross square feet (gsf) of which 75 percent had already been consumed. The campus believes that an additional 600,000 gsf could be added to the 2.65 million gsf on its existing footprints. Regent Schilling asked whether square footage could be added to the proposed building if needed in the future. Ms. Yamauchi stated that the proposed building would occupy a portion of Block 25; another rectilinear building could be constructed on UCSF land to the east of the proposed building. Regent Schilling asked whether the height of the proposed building could be increased in the future. Assistant Vice Chancellor Michael Bade said that could not be done because the west side of the proposed building would be at the 85 foot height limit. Two stories could conceivably be added to the east side of the building, although he agreed with Ms. Yamauchi that the best way to expand would be to build an adjacent structure. Regent Schilling suggested that when the campus updates its LRDP it should consider using stronger foundations for new buildings so they could support added floors if needed in the future. Chancellor Desmond-Hellmann stated that she would take this suggestion to the campus team currently reviewing the LRDP.

Committee Chair Makarechian asked for an analysis of the cost savings that would be achieved through the consolidation of previously leased offices into the Mission Bay Block 25A Academic Building. He also asked whether the \$20 million gift for this project was secured. UCSF Vice Chancellor Eric Vermillion said that the gift was secured.

Committee Chair Makarechian also asked for a clarification of the UCSF dean's tax on faculty income. Mr. Vermillion responded that practically every academic medical center

in the nation has a similar tax, under which the dean of the school of medicine taxes the clinical income. The resulting funds can be used for a variety of operational expenses within the schools of medicine, to seed new programs, or to pay debt. Committee Chair Makarechian asked how such a tax was approved. Chancellor Desmond-Hellmann stated that there is a robust discussion about the tax and its uses at monthly meetings the Dean of the UCSF School of Medicine holds with the clinical chairs. Committee Chair Makarechian asked whether the amount of the tax was fixed or fluctuating. Mr. Vermillion responded that the amount was negotiated each year, and that it was a substantial source of funding, yielding approximately \$20 million annually at the current time. The amount for the debt service for the current project would be approximately \$5 million per year. Committee Chair Makarechian asked whether this would be a typical use for funds from the dean's tax. Mr. Vermillion responded that proceeds from the dean's tax have been used many times to backstop gift pledges; this would be the first time the funds would be used to pay for debt service. Committee Chair Makarechian asked whether there could be a chance of default if, at some future time, there were no income from the dean's tax. Mr. Vermillion expressed his hope that the new Benioff Children's Hospital would earn ample income and, in any event, there would be no possibility of default. Chancellor Desmond-Hellmann clarified that the dean's tax is on revenue of clinical departments in the UCSF School of Medicine.

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

**4. AMENDMENT OF THE LONG RANGE DEVELOPMENT PLAN AND APPROVAL OF DESIGN FOLLOWING ACTION PURSUANT TO CALIFORNIA ENVIRONMENTAL QUALITY ACT, LUSKIN CONFERENCE AND GUEST CENTER, LOS ANGELES CAMPUS**

The President recommended that, upon review and consideration of the environmental consequences of the proposed Luskin Conference and Guest Center project, the Committee on Grounds and Buildings:

- A. Certify the Final Tiered Environmental Impact Report under the California Environmental Quality Act (CEQA).
- B. Adopt the CEQA Findings for the Luskin Conference and Guest Center project.
- C. Amend the Long Range Development Plan to transfer 175,000 gross square footage (GSF) from the Bridge zone to the Central zone and 80,000 GSF from the Southwest zone to the Central zone.
- D. Approve the design of the Luskin Conference and Guest Center project, Los Angeles Campus.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Vice President Lenz reminded the Committee that the Luskin Conference and Guest Center (Center) had been discussed extensively at its July meeting. UCLA Vice Chancellor Steve Olsen stated that the item requested: (1) certification of the final tiered Environmental Impact Report (EIR) under the California Environmental Quality Act (CEQA); (2) amendment of the campus' Long Range Development Plan (LRDP) to transfer development entitlements to the central zone; and (3) approval of the project design. He recalled that the Board had approved the budget and financing for the project at its July meeting. Regarding the status of the CEQA process, Mr. Olsen stated that the draft EIR was released for public review in May; a public hearing was held in early June with public comments received and recorded; 11 comment letters were received during the 46-day review period that ended in late June. The Final EIR, released in August, incorporated responses to all testimony and comment letters. After the close of the public review period and publication of the Final EIR, the University received additional written correspondence regarding the project. The University's responses to all of these comments were included in the Final EIR and in Supplement #1 to the item before the Committee.

Campus Architect Jeff Averill displayed slides showing that the proposed Center would be centrally located with vehicular access at the redesigned Gateway Plaza, which would provide a new entrance to this portion of the UCLA campus. Parking Structure Eight, with space for 2,800 cars, would be adjacent to the Center, with Strathmore Place, the street running along the south side of the Center, providing access for service. Gateway Plaza would have strong landscaping to beautify the area; a pedestrian approach would connect to Bruin Plaza, the center of student activity. The Plaza would also contain bus and car drop-off areas, and a porte-cochère for the Center.

Turning to the proposed design of the seven-story Center, Mr. Averill stated that the massing of the building is deliberately stepped down to reduce its scale. The lower two floors would contain the public spaces, with the upper five floors containing the guest rooms. A second entrance in the rear of the building would open to a pathway leading to the parking structure for overflow parking. A large activity deck on the third floor could be accessed from within the building or externally from a stairway leading toward Pauley Pavilion. Materials used would be consistent with the campus' Physical Design Framework, with the body of the building made primarily from UCLA four-color brick blend, with secondary buff cast stone. The top floor would be recessed, to reduce the scale of the building. The entry courtyard would provide a sheltered outdoor space for events and outdoor dining. The building would have a Leadership in Energy and Environmental Design (LEED) Gold certification.

Mr. Averill displayed slides showing proposed floor plans. The basement level would have 125 parking spaces, accessible via in and out ramps. A loading dock would be accessible from Strathmore Place; part of the loading dock would be shared with the catering kitchen, which is a separate operation. The first and second levels contain the public spaces, including a two-story lobby space. Level One would contain a dining area seating 160, with options for outdoor dining to the north or in the entry courtyard. Assignable meeting spaces would be arrayed throughout the first and second levels,

including a multi-purpose conference hall with banquet seating for 500, or 800 for lectures, and also capable of being subdivided into four smaller lecture rooms. The first level also would contain a tiered 90-seat lecture hall. Two separate areas of meeting rooms on the second level could be used simultaneously by two different groups or by the same group. The guest rooms begin on the third level.

Committee Chair Makarechian stated that each Committee member had been provided with documentation prepared pursuant to CEQA as reflected in the item. The Committee also received and considered supplemental materials from the campus supporting the conclusions in the Final EIR and CEQA Findings proposed for adoption by the Committee. The Committee members had reviewed and considered the CEQA documentation in support of the proposed item and all comments received in writing, including comments submitted on the Final EIR and any comments presented to the Committee that day, and had balanced the specific benefits of the President's recommendations in the item against any unavoidable adverse environmental effects as reflected in the CEQA Findings proposed for adoption by the Committee.

Regent Ruiz asked about comments made during the earlier public comment period raising the issue of liability for the Transient Occupancy Tax (TOT). Mr. Lenz replied that more recent correspondence had been received with comparisons with other facilities' liabilities for these taxes. Mr. Lenz pointed out reasons why the proposed Center would differ from the five facilities cited. The Santa Cruz campus no longer has a hotel; the Berkeley campus proposal was only conceptual; the Davis facility is privately owned by Radisson; the California State Polytechnic University and University of Southern California facilities are not on university property. General Counsel Robinson stated that, in connection with the request for financing approval for the Center, his office considered the issues of liability for TOT and UBIT and does not believe that there is merit to the concerns raised by the objectors.

Regent Kieffer asked who had been consulted regarding the proposed design of the Center. Mr. Averill responded that, following a national search, the campus chose the San Francisco firm of Hornberger + Worstell, experts in hospitality design, as architects for the project.

Regent Ruiz asked whether, given the allegations from some local hotels that the Center would have a negative effect on their business, a study had been done about the positive economic effect the Center would have on the local community. Mr. Averill responded that this analysis had been done, and included data on construction employment and prospective employment at the Center. Regent Ruiz added that there would also be additional shopping dollars brought to the area by guests staying at the Center. Mr. Averill responded that the study by PKF Consulting USA provided with the background material to the item included that information.

Committee Chair Makarechian suggested that the campus redesign the bathrooms in the Center's guest rooms to include a door between the toilet area and the sink area, an arrangement he said is typical in many hotels. He also stated that the design should

provide access to the back of the house from the breakout areas on levels one and two. Committee Chair Makarechian also pointed out that delivery trucks and public visitors to the Center would be coming from the same road, mixing commercial and guest traffic. He stated it might be preferable to have delivery trucks enter from a road behind the Center. Mr. Averill stated that, for the most part, deliveries and service calls would be early in the morning and would not conflict with guest traffic.

Regarding the design of the bathrooms, Mr. Averill stated that he thought Committee Chair Makarechian's suggestion was a good one, but noted that space, cost, and accessibility requirements would have to be considered. Committee Chair Makarechian expressed his view that, given the price of the Center, there would be plenty of room to extend the bathrooms slightly so that there would be flexibility in use, an element he said is key to the success of any conference center accommodations.

Regarding the access from breakout areas to the back of the house, Mr. Averill said that some access was provided, but that his team would reexamine the issue. Committee Chair Makarechian said that the access to the breakout areas on the first level is through public corridors.

Regent-designate Flores asked about the availability of the Center for student conferences. Mr. Olsen responded that there would be substantial input from the entire UCLA academic community, including faculty and students, regarding programming priorities for the Center, although the specific mechanism had not been established. He anticipated that student uses of the Center would receive an appropriate priority and noted that an endowment had also been funded to support programs at the Center.

Regent-designate Feingold asked whether the campus had decided to tax revenues from guests who were not academically affiliated with UCLA. Mr. Olsen stated that the University has taken the position that it is exempt from that form of local taxation. He added that the University also has stated that, should a University auxiliary be subject to a tax, it would pay it. The Center would not be open to the general public, and would have very clear affiliation requirements for guests. He stated that the campus realizes it must be diligent in its compliance. Regent-designate Feingold asked whether guest rooms in the Center would be advertised as charging no occupancy taxes, as the UCLA Guest House rooms are advertised. Mr. Olsen replied that the UCLA Guest House is for visitors with affiliations to the University and is also not subject to the TOT or UBIT. Mr. Lenz added that the advertisement for the UCLA Guest House includes, "University affiliation, in support of UCLA's mission of teaching, research, and public service, is required of all guests."

Regent Kieffer expressed his support for the project, given its importance to the UCLA campus. He cautioned that the Center's design should be excellent, given its location at the entrance to campus and the ample project budget.

Committee Chair Makarechian asked that the proposed design be brought back to the Committee for review before the campus goes to contract on the project.



Committee Chair Makarechian stated that, unless a Committee member wanted further discussion or had a question regarding the CEQA documentation or the proposed action, he would like a motion to approve the President’s recommendations in the item.

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

5. **APPROVAL OF PRELIMINARY PLANS FUNDING, TEACHING AND LEARNING CENTER FOR HEALTH SCIENCES, LOS ANGELES CAMPUS**

The President recommended that the 2012-13 Budget for Capital Improvements be amended to include the following project:

Los Angeles: Teaching and Learning Center for Health Sciences – Preliminary Plans – \$3,960,000 to be funded from gift funds.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Vice President Lenz stated this item requested approval of funding for preliminary plans for a 120,000 gross square foot (gsf) medical education building to accommodate academic programs at the David Geffen School of Medicine at UCLA (School of Medicine), to be funded entirely from gift funds. Currently, space for medical education programs was split between 11 structures within the Center for Health Sciences, built in 1951, and almost 13,000 assignable square feet in other campus buildings.

UCLA Vice Chancellor Steve Olsen stated that the presentation would introduce the Committee to the project and that the item sought approval for slightly less than \$4 million in gift funds to complete preliminary plans for the project. The project would be brought back to the Committee at its November meeting for approval of the project budget and financing, and in the following year for approval of project design and environmental documentation.

Mr. Olsen stated that the School of Medicine currently lacked modern facilities to support its medical education program. The proposed building site would be at the corner of Le Conte Avenue and Tiverton Drive, and would consist of approximately 120,000 gsf, with a total estimated cost of \$120 million, including interest expense and equipment. Approval of the preliminary plans budget would allow the campus to confirm and refine the scope of work and budget, to complete the schematic design, and to continue fundraising, prior to submitting the project to the Regents in November for budget and financing approval.

Vice Chancellor and Dean of the School of Medicine Eugene Washington focused on the principal objectives of the project. One main goal is to facilitate successful accreditation of the School of Medicine by the Liaison Committee on Medical Education (LCME), the accrediting body for the nation's medical schools. Following the last accreditation of the

School of Medicine in 2005, the accreditation letter sent to the Chancellor by the LCME identified the school's educational facilities among the areas "in transition whose outcome could affect the school's ongoing compliance with accreditation standards." Dr. Washington reported that LCME's main concern was with the dispersed nature of the school's educational facilities, currently scattered in 11 structures within UCLA's health sciences complex as well as in other buildings located ten to 20 minutes away from the main health sciences complex. In its 2000 report, the LCME noted that "planning is underway to replace the aging education facility with a new medical education building with projected completion in 2012." Dr. Washington noted that the School of Medicine is currently preparing for the LCME's next visit, scheduled for February 2013. He expressed his view that completion of plans for a new medical education facility is imperative.

Dr. Washington stated that the second purpose of the project is to create a state-of-the-art educational space that would be impossible within the existing facilities. Educational needs and approaches have changed dramatically in the past decade, requiring fewer departmentally based instructional laboratories, and more teaching spaces equipped with audio-visual, video conferencing, and information system technology to promote group discussion, collaboration, and problem solving. Technology in the proposed building would connect students with grand rounds, surgical procedures, and conferences taking place off campus in partner hospitals, clinics, and other educational facilities.

Another objective is to provide student space and common space to support the interaction and collaboration necessary for effective learning. In addition to new classrooms and teaching laboratories, the building would include lounges, an office suite for student organizations, student lockers, a wellness suite, and informal learning spaces spread throughout the building, designed to provide students a variety of environments for collaborative interactions and hands-on experience. A lobby would serve as a hub connecting classrooms with informal learning spaces and a centralized space for large gatherings. The collaborative, informal space would help accommodate the increasing number of interprofessional activities, particularly in the field of nursing.

Construction of the education building would also enhance the school's ability to recruit and retain high-caliber students, faculty, and professional staff. Dr. Washington stated that new facilities have been built in the past five years at many of the top medical schools, including California schools such as UC Davis, UC Irvine, UC San Diego, and Stanford; UCSF recently completed an extensive renovation of an existing building to create a new health education center.

Regent Ruiz expressed support for the project and asked how this project would help increase the number of doctors and nurses. Dr. Washington responded that to increase the number of doctors, the School of Medicine would have to increase its class size; the school does have that capacity, although it is not specifically linked to this project. As the curriculum changes, this building could conceivably allow the School of Medicine to accelerate students' learning process to shorten time spent in medical school and thus increase the number of physicians graduated in a given time.

Regent Schilling stated that the ratio of gross square feet to assignable square feet in the project seemed to indicate an inefficient design, and she encouraged the design team to improve on the efficient use of space, particularly since the cost per square foot was at a level she characterized as extremely high. Mr. Olsen stated that the design team would develop the most efficient and cost-effective building possible, given the existing site challenges.

Regent De La Peña expressed his agreement with Regent Schilling's comments, and noted that the proposed building's cost per assignable square foot would be almost \$2,000. While he expressed support for the project, he asked the campus to bring two or three design options at different cost levels to the Committee, in case funding should change. Regarding the price per square foot, Committee Chair Makarechian questioned the derivation of the proposed project cost. He asked the campus to provide a business case analysis for this project, as it could be less expensive to buy an existing office building.

Mr. Olsen responded that the project was in the early planning stage; the campus would take into account the Committee's feedback and would return with a range of schematic designs with different configurations and costs. Committee Chair Makarechian asked whether, if the Committee approved funding for preliminary plans, the campus would proceed with only schematic designs, and not design development; the campus should return with alternative schematics and costs before proceeding to design development. Mr. Olsen responded that he would have to confer with his colleagues regarding how this request would affect the project schedule. He said many key elements of the project could still be altered.

Committee Chair Makarechian expressed concern that, should the Committee approve the current item, when the campus brings the project back to the Committee it would be too late to change the design. Mr. Lenz noted that his office has worked closely with the campus to ensure that the Committee would still have options regarding the design, and that approval of preliminary funding would not limit the Committee's future options.

Regent De La Peña suggested that approval of preliminary funding be limited to an amount necessary to advance plans to the point where they could be considered at the November meeting when the Committee could review schematic design options. Mr. Lenz stated that there have been attempts to bifurcate this type of project in the past and he expressed confidence that the Committee's concerns would be addressed in the process recommended in the item. He expressed his view that the campus would need the entire \$3.9 million in order to develop preliminary plans for the Committee's review and to adequately address concerns raised.

Regent Ruiz agreed that the campus had enough information about the Committee's concerns and expressed his support for approving the requested funds so that the project could move forward. Regent Schilling also expressed support for approving the preliminary funding, based on assurances that the campus understands the Committee's concerns.

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 4:10 p.m.

Attest:

Secretary and Chief of Staff