

The Regents of the University of California

COMMITTEE ON GROUNDS AND BUILDINGS

January 22, 2014

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

Members present: Regents Feingold, Flores, Makarechian, Ruiz, Schultz, and Zettel; Ex officio members Brown and Napolitano, Advisory members Jacob and Leong Clancy; Staff Advisors Barton and Coyne

In attendance: Regents Gould, Reiss, and Sherman, Regents-designate Engelhorn and Saifuddin, Faculty Representative Gilly, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Provost Dorr, Executive Vice President Brostrom, Vice President Brown, Chancellors Desmond-Hellmann, Drake, Leland, Wilcox, and Yang, and Recording Secretary McCarthy

The meeting convened at 3:20 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 November 12, 2013 were approved.

2. **CONSENT AGENDA**

Amendment of the Budget and Approval of External Financing, Li Ka Shing Center, Berkeley Campus

The President recommended that the Regents:

- A. Amend the 2013-14 Budget for Capital Improvements and the Capital Improvement Program as follows:

From: Berkeley: Biomedical and Health Sciences Building – preliminary plans, working drawings, and construction – \$266,953,000, to be funded from gifts (\$104,807,500), California Institute for Regenerative Medicine grant funds (\$17,602,500), campus funds (\$1 million), and external financing (\$143,543,000).

To: Berkeley: Li Ka Shing Center – preliminary plans, working drawings, and construction – \$255,755,000, to be funded from gifts (\$65 million), California Institute for Regenerative Medicine grant funds (\$17,602,500), campus funds (\$1 million), and external financing (\$172,152,500).

- B. Authorize the President to obtain additional external financing not to exceed \$30,898,100 for the project for a total amount of external financing for the project of \$172,152,500. The President shall require that:
 - (1) As long as the debt is outstanding, the general revenues of the Berkeley campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - (2) The general credit of the Regents shall not be pledged.

- C. Authorize the President to obtain standby financing not to exceed \$3.6 million for the project. The President shall require that:
 - (1) The primary repayment source will be receipt of gifts. If gift receipts are insufficient, the general revenues of the Berkeley campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - (2) The general credit of the Regents shall not be pledged.

- D. Authorize the President to execute all documents necessary in connection with the above.

[Background material was provided 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 UC Berkeley Li Ka Shing Center supports interactive, multi-disciplinary research to prevent root causes of diseases such as cancer, Alzheimer's, HIV, and tuberculosis. The project was originally approved as the Biomedical and Health Sciences Building in March 2007 with a total budget of \$256.6 million, which was subsequently augmented by the Regents to a total budget of \$266.9 million. The facility is nearly complete; remaining minor work should be finalized in March 2014. The Committee was being asked to approve a budget reduction, bringing the total project cost to \$255.7 million, with approximately \$172.2 million from external financing, \$65 million from gifts, \$17.6 million from grants from the California Institute for Regenerative Medicine, and \$1 million from campus funds. Approval was also sought for almost \$31 million of additional external financing needed to replace some unrealized gifts and \$3.6 million in standby financing for a pledged gift that the campus expected to receive in February.

Regent Zettel asked whether fundraising for the project was continuing. Mr. Lenz said he was aware only of the anticipated \$3.6 million pledged gift already mentioned. UC Berkeley Interim Associate Vice Chancellor and Chief Financial Officer Laurent Heller added that fundraising had been very successful for Li Ka Shing Center, and was mainly concluded since the building had already been constructed, named, and largely occupied. He expressed his view that the remaining \$30 million was unlikely to be realized. Regent

Zettel suggested that the campus explore naming opportunities for rooms or laboratories, given the strong public support for the focus of the Center’s research. Mr. Heller remarked that the campus could keep the Center in its fundraising plans, although the pace of fundraising for the Center had slowed dramatically.

Governor Brown asked whether the campus was surprised by the \$30 million in unrealized gifts and how those funds would be replaced. Mr. Lenz said the campus would seek external financing. Mr. Heller added that the original request included a provision that, should fundraising not reach the goal of \$105 million, the project would be brought back to the Regents for approval of external financing to cover any amount that was not raised. Governor Brown asked why the fundraising efforts fell short. Mr. Heller noted that the campus raised \$65 million for the project, including several major gifts. The campus was also able to achieve cost savings on the project of about \$10 million. Committee Chair Makarechian commented that the Committee would closely examine future requests for funding that relied on anticipated gifts to ensure that the gifts were either actually pledged, or very close to being pledged.

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

3. **ANNUAL REPORT ON SUSTAINABLE PRACTICES 2013**

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

Committee Chair Makarechian expressed pride in the impressive Annual Report on Sustainable Practices (Report). Executive Vice President Brostrom noted that it is a particularly exciting time for UC’s sustainability efforts. Although UC has always been a national leader in sustainability, President Napolitano had redoubled the University’s commitment with her new goal of UC’s reaching carbon neutrality by 2025.

Mr. Brostrom stated that UC continued to lead the nation by having its campuses placed in the top tier of every campus sustainability ranking published to date. *Sierra* magazine listed three UC campuses in its Top Ten rankings of the greenest colleges; the *Princeton Review* Green College Honor Roll ranked four UC campuses in its top 22 nationally. Several UC medical centers were recognized for their sustainability practices. These awards recognized efforts across the whole spectrum of sustainability: transportation, waste, water, food, healthcare, education, research, and living laboratories, which are the intersection between research and education. UC has sought both Proposition 39 and California Cap-and-Trade Program funds. Since 2004, the University has had a partnership with investor-owned utilities, through which the utilities provide a certain amount of equity for UC energy efficiency projects that have yielded close to \$150 million in cumulative avoided costs. Projects have included lighting efficiency, improvements to heating, ventilation, and air conditioning systems, and others that both reduce energy consumption and extend buildings’ useful lives.

Mr. Brostrom expressed pride in the University's sustainability efforts in both new building construction and renovation of existing buildings. UC currently has more than 143 Leadership in Energy and Environmental Design (LEED) certifications, including seven LEED platinum, for projects such as new construction, building renovations, faculty housing, and building operations and maintenance projects. President Napolitano had announced earlier that day a new goal of reducing UC's per capita water consumption 20 percent by 2020. The University was exploring opportunities for expanded partnerships with the California Department of Water Resources to help with water conservation throughout the state.

Mr. Brostrom highlighted major sustainability efforts in UC medical centers and laboratories, which use large amounts of energy. Although they are resource intensive, UC's medical centers were looking for ways to reduce energy consumption, particularly in acute-care environments, although regulatory barriers must be addressed. UC medical centers' food service operations have incorporated excellent sustainability measures.

UC is addressing the sustainability of its laboratories, which are responsible for two-thirds of a campus' energy consumption. Under the leadership of UC Irvine Vice Chancellor Wendell Brase, the University is searching for ways to decrease energy usage while maintaining safe work environments. Green Lab certification programs have been developed on five UC campuses. UC Irvine has received state and national awards for its Smart Labs program that has demonstrated 50 percent or more energy savings for both new laboratory buildings and retrofits of existing buildings.

The University has also developed onsite renewable energy, primarily through solar photovoltaic panels and biogas from landfills. In September 2013, the Regents approved two large solar farms, 3.5 megawatts (MW) at UC Riverside and 14 MW at UC Davis. When these projects are completed, the University will be able to generate 21 MW of renewable energy, more than double its goal for 2014.

Going forward, the University's sustainability agenda is ambitious. The prior goal of reducing emissions to 2000 levels by 2014 has been reached for the University as a whole. In fact, UC Berkeley has reduced its emissions to 1990 levels. The next goal is to reduce emissions to 1990 levels by 2020, consistent with the state's plan. President Napolitano has established the new goal of reaching carbon neutrality by 2025, which would make UC the first research university to achieve carbon neutrality. In order to reach this ambitious goal, UC would have to change the profile of its energy mix by substituting biogas for natural gas, procuring carbon-free electricity through solar, wind, and geothermal energy, and achieving deep energy efficiencies. The University has developed a systemwide energy utility called the Energy Services Unit (ESU) governed by the campuses. The ESU will give the University more control of its energy future, enabling it to generate and develop clean energy such as biogas through out-of-state landfill and California agriculture projects, and to procure long-term contracts. UC would both achieve carbon neutrality and gain predictability in its energy costs. Mr. Brostrom expressed his view that inaction would entail far greater risk than this proposed course. He reported a great deal of interest from the campuses and students.

Committee Chair Makarechian characterized the Report as amazing, particularly the impressive campus projects and large cost savings achieved. He noted the varying results among UC campuses and asked whether best practices could be mandated to campuses. He also asked about plans for further water conservation, given current drought conditions. Mr. Brostrom said campus sustainability directors meet frequently to discuss best practices and that Vice President Lenz communicates these practices through the Capital Program Leadership Forum. To date, best practices have not been mandated, but have been disseminated throughout the system. For example, UC Irvine has been a leader in laboratory energy efficiency and its practices have been spreading to other UC laboratories. In adopting energy-saving measures, the laboratories and medical centers must also satisfy safety standards and State regulations, which can be a long process. Committee Chair Makarechian asked why all the laboratories would not make similar changes, since they are all subject to the same regulations. Mr. Brostrom responded that President Napolitano's new energy goal would spur more movement and that UC's medical centers were beginning to work together more closely in many areas, such as strategy, procurement, and other cost-saving measures including sustainability.

Regarding water conservation, Sustainability Director Matthew St. Clair commented that UC medical centers have an excellent record of reducing water consumption. In anticipation of California's long-term water issues, his office asked the medical centers to develop water action plans to further increase conservation measures. All of the medical centers have completed thorough evaluations of their water usage and have identified ways to reduce water usage further. Barriers to these efforts include regulations for the medical centers and the fact that some campuses have very inexpensive water, making it difficult to justify investment in new water-saving projects. In view of the current drought, water conservation will be an increased focus. The Agriculture and Natural Resources Division has a website to disseminate information about the drought and has organized workshops throughout the state; these efforts will be increased with support from the California Department of Water Resources. Mr. Brostrom added that all new UC construction is designed to minimize water use. For example, UC Davis' new August A. Busch III Brewing and Food Science Laboratory will be a net zero water building, using four 200-foot silos to store up to 200,000 gallons of rain water that can be used for irrigation and toilets. The new goal of 20 percent reduction in water use would require further changes in new construction and landscaping. There are very large variations in pricing for water among UC campuses. Committee Chair Makarechian said that energy resources should be conserved regardless of cost savings.

Governor Brown asked how much energy UC uses. Mr. St. Clair said the University uses more than 300 MW of electricity annually and tracks energy usage carefully so that savings can be identified. He said he would provide the Governor with more detailed figures.

Governor Brown asked where UC obtains its biogas. Mr. Brostrom said two sources were being explored: the University's developing its own biogas/biomethane digesters from livestock waste in the Central Valley and out-of-state landfills. Methane is a large source of carbon emissions.

Governor Brown asked about the financing of energy efficiency projects. Mr. Brostrom said the financing must be more advantageous than UC's cost of capital, which is currently about 4.5 percent. Figures of savings generated through these projects include the cost of financing. Governor Brown remarked that these projects were very beneficial for the University. Mr. Brostrom agreed, but added that the cost savings were enabled by the 20 to 25 percent equity funding from the investor-owned utilities. Mr. St. Clair added that to reach UC's 2020 goal and President Napolitano's goal of carbon neutrality, much deeper energy efficiency projects would be required. These projects would not offer the same cost savings as earlier projects, which he characterized as "low-hanging fruit," but would demonstrate the possibilities for energy efficiency.

Governor Brown asked whether emissions of vehicles used in commutes to campuses were included in UC's energy goals. Mr. Brostrom said that energy goals included UC's own vehicle fleet. Vehicle emissions of those commuting to campus or of air travel are not included in calculations regarding carbon neutrality. Governor Brown said these emissions are important to examine. Mr. Brostrom agreed, noting that UC monitors commuting trips carefully and has achieved excellent results through various inducements for taking public transportation or carpooling to campus. For example, UCLA reduced single-car commutes to 25 percent of overall commuter trips. Governor Brown asked to be provided with available statistics about commuting trips. He noted that the 32 million vehicles in California travel 330 billion miles each year, and not much progress is being made in transportation efficiency. The Governor added that it would be very significant if UC research could yield improvements in battery technology for electric cars.

Regent Ruiz expressed his support for sustainability projects and his view that they should generate more in savings than they cost. The campuses would naturally embrace programs that save money. He noted the importance of continuing to have a good reporting process to be assured of a positive cash flow for the campuses. Mr. Brostrom agreed, particularly since many of the easier energy efficiency projects have been accomplished and it would be more difficult to achieve cost savings going forward. The investor-owned utilities require close audits of energy savings, so the University has good documentation, both collectively and for individual projects.

Regent Zettel asked whether technology for cleaning used water was being explored. Mr. Brostrom responded that being able to use reclaimed water depended somewhat on the relevant utility district. Several campuses can use greywater, but sometimes cannot obtain it from the water district. For example, the infrastructure has been built to have so-called "purple" pipes for reclaimed water at the Merced campus, but the campus cannot obtain greywater from the Modesto Irrigation District. UC does not generate sufficient greywater on its own, and so would need to work in conjunction with local water districts.

Regent Zettel shared Governor Brown's concern about pollution from vehicle emissions. She noted that UC-affiliated Department of Energy laboratories do much research in battery technology.

Regent Flores commented that she was pleased that this important report was presented and that it discussed socially responsible investing. She asked about the incoming Chief Investment Officer’s (CIO’s) views about socially responsible investing and whether UC planned to incorporate investing in low-carbon industries as part of President Napolitano’s carbon neutrality initiative. Mr. Brostrom responded that he was not familiar with the views of the incoming CIO, but had been told that students were forming a task force with some Regents to review UC’s investment practices. Mr. Brostrom commented that socially responsible investing could also include other issues that are of concern to UC faculty, staff, and students, such as gender equity and workers’ rights.

4. **AMENDMENT OF THE POLICY ON APPROVAL OF DESIGN, LONG RANGE DEVELOPMENT PLANS, AND THE ADMINISTRATION OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT**

The President recommended that that Regents Policy 8102: Approval of Design, Long Range Development Plans and the Administration of the California Environmental Quality Act, be amended as shown in Attachment 1, effective upon final approval of the related amendments to Standing Order 100.4.

[Background material was provided 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 this item requested approval of a one-year extension of the pilot phase of the delegated process for Capital Improvement Projects to allow time to report to the Committee on the 30 projects completed under the delegated process according to benchmarks and metrics his office is developing. The Committee on Governance would consider a separate amendment of Standing Order 100.4 that would require the Regents’ approval of any augmentation of any project over \$60 million.

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

5. **APPROVAL OF THE BUDGET, APPROVAL OF EXTERNAL FINANCING, AND APPROVAL OF DESIGN FOLLOWING ACTION PURSUANT TO CALIFORNIA ENVIRONMENTAL QUALITY ACT, MESA COURT EXPANSION, IRVINE CAMPUS**

A. The President recommended that:

- (1) The 2013-14 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:
 Irvine: Mesa Court Expansion – preliminary plans, working drawings, construction, and equipment – \$133,757,000, to be funded from external financing (\$123,757,000), and from Housing Reserves (\$10 million).

- (2) The scope of the Mesa Court Expansion project shall include the construction of a residence hall facility with approximately 746 beds and an expanded replacement commons building in the Mesa Court housing complex.
- (3) The President be authorized to obtain external financing not to exceed \$123,757,000 to finance the Mesa Court Expansion project. The President shall require that:
 - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - b. As long as debt is outstanding, the general revenues of the Irvine campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - c. The general credit of the Regents shall not be pledged.
- B. The President recommended that, following a review and consideration of the environmental consequences of the proposed Mesa Court Expansion project, the Committee on Grounds and Buildings:
 - 1. Adopt the Initial Study/Mitigated Negative Declaration for the Mesa Court Expansion project in accordance with the California Environmental Quality Act (CEQA).
 - 2. Adopt the CEQA Findings for the Mesa Court Expansion project.
 - 3. Approve the design of the Mesa Court Expansion project, Irvine campus.
- C. The President recommended that she be authorized to execute all documents necessary in connection with the above.

[Background material was provided 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 Mesa Court Expansion project (Project) at UC Irvine would provide 746 new residence bed spaces in rooms designed for triple occupancy. The item requested approval of the budget of \$133.7 million to be funded by external financing and campus housing reserves, approval of the external financing, adoption of the Initial Study/Mitigated Negative Declaration and Findings in accordance with the California Environmental Quality Act, and approval of the project design.

Chancellor Drake stated that the proposed project would provide 746 new residential bed spaces for freshmen, replacing the dining and support complex known as Mesa Commons

that serves the Mesa Court housing community. The overall goals and need for this project were presented at the Committee's November meeting.

Vice Chancellor Wendell Brase recalled and responded to some questions that had been asked during the November presentation. Committee Chair Makarechian had asked about the benefits of expansion on the current site, given that the site would preclude the ability to use third-party developers, which the campus used for its upper-division student housing projects. Mr. Brase pointed out that this Project would be inappropriate for private development, since it is designed to house freshmen in a highly integrated living/learning community with programs important to freshmen making a successful transition into the University.

In response to a question Regent Flores had asked at the November meeting, Mr. Brase stated that temporary dining services would be provided nearby during the construction period.

Mr. Brase stated that Regent Feingold's question in November about ways to reduce housing costs for students had caused the campus to re-evaluate the project's configuration. Instead of viewing the rooms as doubles that could be used as triples, the campus would consider the rooms as triples that could be used as doubles; this would make the project more affordable to develop.

Associate Vice Chancellor and Campus Architect Rebekah Gladson provided an overview of the project's design. Ms. Gladson displayed a slide showing the location of the Project and the temporary food facility. Campus staff carefully reviewed design opportunities that would enable the Project to achieve better than a Leadership in Energy and Environmental Design (LEED) Silver rating; the Irvine campus has 11 buildings rated LEED Platinum. The Project's delivery method would be design-build. The campus developed an aggressive budget for the Project, then tested that concept before bids were sought for the single source responsibility contract. The design would create a living/learning environment by replacing long corridors with lounges and study areas.

Governor Brown asked whether the campus' plans assumed enrollment growth and about the campus' estimate of its ultimate enrollment. Chancellor Drake responded that the campus has a projected range for growth and a projected percentage of its current students that it would like to house on campus. Even given only UCI's current student population, the campus' goal is to have a higher percentage of students living on campus. UCI currently houses 45 percent of its students on campus, the highest percentage of any UC campus. It is particularly desirable to have freshmen live on campus and the proposed Project would be located at the core of the campus. Governor Brown asked why the campus had a goal of housing 50 percent of its students on campus. Mr. Brase said this goal had been adopted when UCI developed its Long Range Development Plan in order to reduce students' commuting time, and because of support from the local community to reduce the effect on the local housing stock and to decrease commute trips to campus. Governor Brown referred to an increase in amenities in student housing nationally, and asked about the level of amenities proposed in this Project, such as the number of

bathrooms. He said the Regents have to evaluate spending proposals carefully to limit spending.

Committee Chair Makarechian noted that rates for student housing are often lower than students would have to pay for housing in the community, so providing on-campus housing reduces students' costs. He added that the number of toilets per bed in the proposed Project is minimal and that the Project had been carefully reviewed to ensure the maximum value.

Regent Ruiz added that student housing projects are developed with a business perspective in mind. Income from the properties more than covers the cost of new facilities. Chancellor Drake agreed and said there is currently a student waiting list for on-campus housing, reflecting great demand among students and their parents for on-campus housing, which is more affordable than private housing off-campus and which also offers programs that are beneficial to student development. Committee Chair Makarechian added that vehicle emissions are greatly reduced by having students live on campus. Regent Flores commented that living off campus during her first year as a UCI law student was significantly more expensive and more time-consuming than living on campus.

In response to a question from Regent Sherman, Ms. Gladson informed him that the monthly rent in the Project would be \$922 for a triple-occupancy room and \$1,054 for a double-occupancy room, compared with \$1,382 for a rental in the community. Governor Brown said that UC should build more on-campus housing if it is profitable, and use the income to support its academic program.

Committee Chair Makarechian said that for all projects going forward all contractors must have full insurance, and that the materials prepared for the Regents should include the cost per square foot or cost per unit, rather than the cost per bed. Ms. Gladson responded that the insurance and surety of all contractors were checked as part of the pre-qualification process. Committee Chair Makarechian asked Mr. Lenz whether this process was followed systemwide. Mr. Lenz answered in the affirmative.

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

6. APPROVAL OF THE BUDGET, APPROVAL OF EXTERNAL FINANCING, AND APPROVAL OF DESIGN FOLLOWING ACTION PURSUANT TO CALIFORNIA ENVIRONMENTAL QUALITY ACT, SAN JOAQUIN APARTMENTS, SANTA BARBARA CAMPUS

A. The President recommended that:

- (1) The 2013-14 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Santa Barbara: San Joaquin Apartments – preliminary plans – \$7.76 million, to be funded from Housing Auxiliary Reserves.

To: Santa Barbara: San Joaquin Apartments – preliminary plans, Working Drawings, Construction and Furnishings and Equipment – \$175 million to be funded from Housing Auxiliary Reserves (\$7.76 million) and external financing (\$167.24 million).

- (2) The scope of the San Joaquin Apartments project shall include construction of apartment-style student housing with approximately 1,003 student beds, and associated general site improvements, landscaping, hardscaping, recreation courts, and fields, and approximately 181 off-site surface parking spaces.
- (3) The President be authorized to obtain external financing not to exceed \$167.24 million to finance the San Joaquin Apartments project. The President shall require that:
 - 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, general revenues from the Santa Barbara campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - c. The general credit of the Regents shall not be pledged.

B. The President recommended that, following review and consideration of the environmental consequences of the proposed San Joaquin Apartments project, the Committee on Grounds and Buildings:

- (1) Certify the Environmental Impact Report.
- (2) Adopt the Mitigation Monitoring and Reporting Program and Findings in accordance with the California Environmental Quality Act.
- (3) Approve the design of the San Joaquin Apartments project, Santa Barbara campus.
- (4) Authorize the President or her designee to modify the design approval, if required, in response to comments received from the California Coastal Commission, provided that any substantial changes in principles or policies of the design approval would be brought to the Regents for consideration.

- C. The President recommended that she be authorized to execute all documents necessary in connection with the above.

[Background material was provided 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 introduced this proposal regarding the UC Santa Barbara's San Joaquin Apartments (Project), new apartment-style housing to accommodate 1,300 undergraduates, live-in resident staff, and faculty. The residential portion of the project and about 28 service and accessibility parking spaces would be within the boundary of the existing 1,325-bed Santa Catalina Residence Hall complex. The Project is consistent with UCSB's 2010 Long Range Development Plan (LRDP) to provide 5,000 additional student beds to address enrollment growth and to meet the campus' goal of housing 50 percent of its students on campus by 2025. The Project is also in compliance with the 2010 LRDP Mitigation Implementation and Settlement Agreement signed by the University, Santa Barbara County, and the City of Goleta, requiring the campus to develop new housing in support of enrollment growth in excess of 20,000 students.

Chancellor Yang introduced UCSB Director of Capital Development Chuck Haines and Senior Associate Vice Chancellor and Campus Architect Marc Fisher. Mr. Haines said this Project would include 1,300 student bed spaces, predominantly for sophomore students, in apartment-style housing with primarily two- and three-bedroom apartments in 16 buildings. The Project would also include four apartments for in-residence professional staff, four apartments for in-residence faculty, and five community buildings containing predominantly study rooms and laundry facilities. The Project is an important part of realizing the campus' goal of constructing another 5,000 student bed spaces to fulfill UCSB's agreement with its local community. The total Project cost would be \$175 million, funded by \$167.24 million in external financing and \$7.76 million in housing auxiliary reserves. University housing rates are currently 44 percent below local market rates. Mr. Haines anticipated that these below-market rates would be maintained.

Mr. Fisher addressed the Project's design, displaying a map of the infill Project's location on property purchased in 2002. Freshmen are currently housed in the 1,325 beds on the 14-acre site, which includes a parcel that would be used for surface parking. The size of the project and parking were carefully considered to provide the most sustainable development possible. The two existing 10- and 11-story buildings on the site were developed by a third party in the 1960s and later purchased by the University. Mr. Fisher said that, under the management of the third party, the student culture of the buildings had deteriorated, but the campus had been successful in changing that culture. The Project would remove 700 parking spaces currently on the site. Most apartments would accommodate six upper-division undergraduate students in three-bedroom, two-bath apartments, with a living room, kitchen, and dining space. Mr. Fisher provided more details of the Project design. It is anticipated that the Project would achieve a Leadership in Energy and Environmental Design Gold certification, using sustainability and water conservation measures. The campus was negotiating an agreement with the local transit

provider to add a transit line to serve this community, faculty housing, and UCSB's other student communities along the El Colegio corridor.

Regent Ruiz remarked that it was important to understand that the campus was legally obligated to provide housing for enrollment growth in excess of 20,000; otherwise, UCSB enrollment would be frozen.

Committee Chair Makarechian said these apartments would be a great addition to the UCSB campus where affordable local housing is at a premium. Mr. Haines added that rent in the apartments would be \$593 per month, compared with the local market rate of \$793. Committee Chair Makarechian noted the importance of developing affordable housing. This Project would be self-supporting, and in fact would generate income. Given current low interest rates, he asked the campus to include expansion and modernization of the dining commons in this project and bring the proposal back to the Committee.

In response to a question from Governor Brown, Mr. Fisher said that 38 percent of UCSB students currently live in University housing. The Governor asked why the campus did not develop housing for all of its students, since it is profitable for the University and more affordable for students. Mr. Lenz pointed out that the campus' debt level and other capital project needs must be considered.

Regent Ruiz commented that UCSB is very close to being named an Hispanic Serving Institution (HSI). Chancellor Yang said that a campus must have 25 percent Hispanic students to be a HSI; UCSB currently had 24.8 percent.

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

7. CAPITAL PROJECT BUDGET AND SCOPE APPROVALS

[Background material was provided 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 commented that the Committee has had questions about some construction project issues such as insurance, project scope changes, or budget augmentations. He offered that most of the projects in question began development in the late 1990s or early 2000s. In 2008, through the leadership of former Regent Schilling and Committee Chair Makarechian, oversight procedures for capital facilities projects were changed. Mr. Lenz displayed a chart showing annual total budget augmentations on all active major capital projects for each fiscal year since 2007-08. In that year, project budget augmentations totaled 14.9 percent. While acknowledging more intense competition in the construction industry at that time, Mr. Lenz noted improvements in the capital program processes such as having each campus develop a ten-year capital plan, requiring business case analyses, securing best-value construction, having monthly calls to campuses about high-interest projects, and notifying senior administrators and Regents

of potential issues at an early stage. His office has made a concerted effort to improve campuses' approach to capital projects through workshops and conferences on many relevant issues. Project budget augmentations have declined each year, until the total budget for active major capital projects was two percent less than the original budget in each of the past two fiscal years. Mr. Lenz commented that the Regents often see problems with individual projects that were begun before the improved processes were in place. Mr. Lenz contended that, while problems with a few outlier projects would still have to be addressed, in general the Committee would see far fewer such problems going forward.

Committee Chair Makarechian expressed appreciation for the great deal of progress that had been made and thanked Mr. Lenz and his team for their efforts. He asked Mr. Lenz to report to the Committee on those projects that had contributed the most to budget overruns, so that the causes of the overruns could be analyzed and prevented in the future. Rather than combine the figures from all major projects, it would be helpful to examine those projects with the largest cost overruns to identify and remedy the causes. Mr. Lenz said that projects sometimes face unexpected conditions, such as soil problems, but agreed it would be beneficial to examine projects with large cost overruns.

The meeting adjourned at 5:00 p.m.

Attest:

Secretary and Chief of Staff

Additions shown by underscoring; deletions shown by strikethrough

Regents Policy 8102: POLICY ON APPROVAL OF DESIGN, LONG RANGE DEVELOPMENT PLANS, AND THE ADMINISTRATION OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

Approved July 16, 1993;

Amended and Renamed January 16, 2003;

Amended September 18, 2008, January 21, 2010 and January 20, 2011

- (1) The Regents designate the following categories of projects as requiring design approval by the Committee on Grounds and Buildings:
 - a. Except as provided in subparagraph (c) building projects with a total project cost in excess of \$10,000,000, except when such projects consist of the following:
 - i. alternations or remodeling where the exterior of the building is not materially changed;
 - ii. buildings or facilities located on agricultural, engineering or other field stations; or
 - iii. agriculture-related buildings or facilities located in areas of a campus devoted to agricultural functions.
 - b. Capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by the Regents because of budget matters, fundraising activities, environmental impacts, community concerns, or other reasons.
 - c. Building projects for those campuses approved by the Committee on Grounds and Buildings for inclusion in the pilot phase of the Delegated Process for Capital Improvement Projects with a total project cost in excess of \$60 million subject to the same exclusions as subparagraph (a). This subparagraph shall become inoperative and is repealed on March 31, 2015 ~~March 31, 2014~~, unless later Regents' action, that becomes effective on or before March 31, 2015 ~~March 31, 2014~~, deletes or extends the date on which it becomes inoperative and is repealed.
