The Regents of the University of California

COMMITTEE ON GROUNDS AND BUILDINGS
November 18, 2014

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

Members present: Regents De La Peña, Leong Clancy, Makarechian, Ruiz, Saifuddin, and Sherman; Advisory members Davis and Hare; Staff Advisors Acker and Coyne

In attendance: Regent-designate Oved, Faculty Representative Gilly, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Senior Vice President Stobo, Vice Presidents Budil, Lenz, and Sakaki, Chancellors Gillman, Hawgood, and Khosla, and Recording Secretary McCarthy

The meeting convened at 1:55 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 September 18, 2014 were approved.

2. **FINANCING MODEL UPDATE – SIMPSON CENTER FOR STUDENT-ATHLETE HIGH PERFORMANCE AND THE RENOVATED CALIFORNIA MEMORIAL STADIUM, BERKELEY CAMPUS**

[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 said this discussion would provide an update that he had requested on the revised financing model for UC Berkeley's Simpson Center for Student-Athlete High Performance (Performance Center) and the renovated California Memorial Stadium (Stadium), including an overview of various revenue streams that the campus is pursuing, and financial assumptions and forecasts.

Vice President Lenz recalled that the Regents had approved these projects based on an assumption of philanthropy to fund the Performance Center and premium seating in the renovated Stadium, but the recession following the 2008 financial crisis had resulted in changes to these funding assumptions. The financing plan that would be discussed would not rely on central campus funds, including tuition or State General Funds.

Vice Chancellor John Wilton said he would present details of the 30 to 40-year financial model that has a number of variables. In 2005, the Berkeley campus was instructed by the

Regents to either seismically retrofit the Stadium or abandon it. Some delays were caused by legal challenges and other events. The renovated Stadium opened in 2012. He showed an interactive financial model illustrating the project's debt profile. The original revenue streams were premised on two sources: the sale of pledged seats through the Endowment Seating Program (ESP), the cash from which would flow into an endowment that would generate a return over time. The original model assumed the establishment of a large endowment, the return on which would exceed the interest rate on the underlying debt. The two vulnerabilities of this model were that it was heavily dependent on the sale of pledged seats and a healthy return on the endowment over a 30-year period.

Mr. Wilton stated that the price of some of the seats was too high and the completion of the Stadium renovations coincided with a period of poor performance by the football team. The pledges to buy seats were not legally binding and many were terminated. Returns on the endowment were sometimes less than had been projected. A review three months after the Stadium opened resulted in considerable changes to the financial model. In December 2012, new revenue sources were included in the model to reduce dependence on pledged seats and the return on the endowment. New revenue was contemplated from partnerships that would use the Stadium, revenue from the new football playoff structure, a lower rate of return from the endowment, marketing of special events, and leasing and renting space to multiple tenants. The football stadium is being transformed into a multi-use facility that will serve the academic campus and the community. Other commercial sources of revenue are being pursued. The naming rights to the field were sold to a local company for $18 million. A sold-out soccer match generated revenue. Mr. Wilton said that since 2012 all financial results have been published and publicly available.

Mr. Wilton stated that three Haas School of Business finance professors validated the financial model. He displayed a chart summarizing the financial model with the new revenue sources and an assumption of a six percent endowment return over 30 years, instead of the eight percent assumption of the original model. The new model assumes sale of 100 pledged seats per year, substantially lower than the original assumptions. Reviewing the financial model quarterly allows Mr. Wilton and his staff to take corrective action quickly should projections be inaccurate. For example, more events could be held if seat sales do not meet the lowered projections.

Mr. Wilton stated that the overall financing is currently above targets of the financial model, because of the new revenue sources. Multiple sources of revenue and stringent monitoring would be necessary in order to deal with changing circumstances.

Committee Chair Makarechian asked for the total amount of debt for the project. Mr. Wilton said the total debt for the Performance Center and the Stadium is $420 million. Total debt service is currently $18 million annually for repayment of principal and interest on issuance of long-term bonds. Committee Chair Makarechian asked if the loans could be refinanced in the future. Mr. Wilton said that could be possible, but is not part of current projections.

Committee Chair Makarechian asked how many seats were to be sold in the original plan. Mr. Wilton said the original model projected that most of the seats would have been sold by this time, with the ultimate target of 2,700 total pledged seats in the ESP; currently 1,800 seats have been sold. The new model anticipates selling 100 per year, based on actual sales figures. Committee Chair Makarechian asked if the seats were priced too high. Mr. Wilton said the economic recession and the football team's poor performance have both been factors. New sources of revenue being developed would not be dependent on the performance of the football team.

Regent Sherman asked about the blended interest rate on the outstanding bonds. Mr. Wilton said the rate is approximately 4.1 percent. Regent Sherman asked if there were call provisions on the bonds given the current low interest rate environment. Mr. Wilton said he did not know, but he would provide Regent Sherman with this information. Regent Sherman asked whether the bonds were tax-free. Mr. Wilton said the bonds were a mix of tax-free and taxable. Regent Sherman commented that the campus would want to take advantage of call provisions at the appropriate time. He asked how the endowment was invested. Mr. Wilton responded that he thought it was invested in the UC endowment. Regent Sherman asked whether the seat sales were for single years or a seat license. Mr. Wilton said the pledged seat sales were for 30 years, paid in installments.

Regent Ruiz expressed his view that the project does not appear to be viable, since there was insufficient incoming revenue. Committee Chair Makarechian stated that the project had been approved by the Regents because of seismic safety issues, but the original financial models had been based on inaccurate revenue assumptions. He expressed his view that the campus was doing a good job of seeking alternate sources of revenue. Mr. Lenz said that the financial model projected an endowment of $55.5 million at this time, and the endowment is currently $63.4 million. The campus has been successful in finding other sources of revenue to avoid incurring significant additional debt. Mr. Lenz expressed confidence in the review process the campus has established to keep the project's financing on track.

Regent De La Peña asked whether the endowment figures included pledges. Mr. Wilton said they did not.

Regent-designate Davis expressed surprise that the field-naming agreement was for 15 years, rather than ten. Mr. Wilton said that his office had consulted professionals in monetizing stadium assets. Of the many possible agreements considered, the naming agreement with Kabam was by far the most attractive on a net cash basis. In addition, the founders of Kabam were UC Berkeley graduates. During this process, the campus found many companies interested in partnering with UC Berkeley to sponsor a variety of activities that would be explored.

Committee Chair Makarechian asked that the campus provide an annual update on the project's financing.

3. **ACCEPTANCE OF THE 2014-24 CAPITAL FINANCIAL PLAN**

The President of the University recommended that the University of California 2014-24 Capital Financial Plan be accepted.

[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 acceptance of the 2014-24 Capital Financial Plan (CFP) consisting of a multi-year program of proposed capital construction projects, renovations, and other capital investments. The CFP represents financial plans developed by the campuses through evaluating their opportunities and constraints. The CFP includes projects that would be eligible for State funding. The campuses have analyzed the affordability of debt-funded projects on a ten-year pro forma basis. When the campuses request approval of the debt for a particular project, they are required to test the feasibility of incurring the additional debt against such factors as debt service to operations, debt service to coverage, and expendable resources to debt. He recalled that UC agreed to an alternative method for the State’s approving UC-funded State-eligible projects, recognizing that the State had not enacted a general obligation bond since 2006, and had not provided any lease-revenue funding for capital projects in the last four years. The AB 94 process was enacted, allowing UC to fund debt service for State-eligible capital facility projects from its own operating budget. This would continue until such time as the State reinvests in capital projects through lease-revenue bonds or a general obligation bond is approved, which Mr. Lenz hoped would be on the November 2016 ballot. The Regents have approved and UC has submitted $298 million in State-eligible capital facility requests for the 2015-16 year. There is a statutory requirement that all State entities submit five-year plans to the State.

Committee Chair Makarechian stated that each project over $60 million would come before the Committee for approval.

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

4. **STATUS OF THE PILOT PHASE OF THE DELEGATED PROCESS FOR CAPITAL IMPROVEMENT PROJECTS**

[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 provided an update on the pilot phase of the delegated process, which he considered successful. This process applies to projects from $10 million to $60 million. Since the pilot phase began in 2008, 79 projects with a total cost of almost $1.7 billion have been approved. At the close of the 2013-14 fiscal year, 34 projects totaling $364 million have been completed and have been measured against projects that have undergone the normal Regents’ approval process. The projects approved through the delegated process have had slightly fewer budget augmentations and schedule changes. This indicates that campuses have been held to a fairly high standard. In order for campuses to be eligible to participate in the delegated process, their projects must be included in the Ten-Year Capital Financial Plan and approved by the Regents in the campus' Physical Design Framework. The projects are subject to the same campus internal audits as other construction projects. At the request of Mr. Lenz's office, the Office of Ethics, Compliance and Audit Services conducted an independent audit of the approval process for the delegated projects. The audit found that the project criteria requested of the campuses had been thorough and complete, and were functioning as intended. Mr. Lenz expressed his view that the program has been extremely successful in approving capital facility projects under $60 million, streamlining a process to approve 79 projects that would have involved 128 actions for either budget or design approval that have not had to come before the Regents. These projects have been completed on time, within scope, and, in a majority of cases, at or under budget. An action to approve extension of the delegated process for four more years and an escalation factor for capital budgets and the external finance limit would be brought to a future Regents meeting.

Regent-designate Davis asked if any California Environmental Quality Act (CEQA) determinations under the delegated process had been the subject of judicial review. Mr. Lenz responded in the negative. When a campus submits a project under the delegated process, there is an initial 15-day review by three different entities within the Office of the President. The Office of the General Counsel reviews the project for CEQA issues or any other issues that could warrant litigation. The Capital Markets Finance Department reviews the financing feasibility and debt capacity of the campus. Mr. Lenz's team reviews the projects' merits and eligibility for the delegated process.

Regent De La Peña stated that it was important that the Regents continue to receive annual reviews of the delegated process.

Regent Leong Clancy asked how the proposed escalator would compare with the California Construction Cost Index (CCCI). Associate Vice President Deborah Wylie stated that the CCCI is developed by the California Department of Finance and is based on construction costs in California. Over the past five years, the CCCI's increase has averaged about two percent, with a few years in the early 2000s with eight to ten percent increases.

Committee Chair Makarechian expressed his view that the pilot phase of the delegated process should be extended one year at a time so that any problems can be addressed quickly. Mr. Lenz said a two-year extension would be satisfactory.

Committee Chair Makarechian asked why the proposed escalator factor would be rounded to the nearest $5 million. Ms. Wylie stated that a rounded figure would reduce the need for annual adjustments. He stated that the $60 million threshold should not be subject to increases. Mr. Lenz reminded the Committee that the $60 million threshold had been in place since 2008. He encouraged the Committee to allow for some escalator. Regent Sherman asked for Mr. Lenz's view of an appropriate threshold in the current market. Mr. Lenz said he would recommend a threshold of $75 to $80 million. Only one-third of the $1.8 billion in projects approved under the delegated process had been completed, so the Regents should continue to monitor the program closely. The purpose of the delegated process was to establish a streamlined procedure that allows flexibility but requires stringent review. Projects under the $60 million threshold are not automatically approved for the delegated process.

Regent De La Peña asked for confirmation that capital project budgets can no longer be over budget by up to 25 percent without having to be brought back to the Committee for approval of the augmentation. Mr. Lenz stated that the automatic 25 percent allowable increase is still in place. With regard to the delegated process, any project over $60 million would not be eligible for the delegated process, but would have to be brought to the Committee. Regent De La Peña asked for clarification from the Office of the General Counsel of policy automatically allowing a 25 percent increase in budget without additional Regents' approval. General Counsel Robinson said he would review current policy. Mr. Lenz said that 25 percent above budget is allowable with approval of the President. He had encouraged the Committee not to make an across-the-board change to policy, but to look at individual projects, since some projects reasonably require greater flexibility.

Regent Ruiz asked about the extension of the pilot phase. Mr. Lenz responded that the current pilot phase would expire in March 2015. To allow time for completion of a sufficient number of projects to permit evaluation of the delegated process, an extension of the pilot phase for two years would be desirable. Regent Ruiz favored an annual review. Mr. Lenz commented that an annual update would be beneficial.

Committee Chair Makarechian summarized the Committee's preference for a two-year extension of the pilot phase and consideration of an escalator factor.

5. **APPROVAL OF PRELIMINARY PLANS FUNDING, GRADUATE AND PROFESSIONAL STUDENT HOUSING – EAST CAMPUS, SAN DIEGO CAMPUS**

The President of the University recommended that the 2014-15 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: <u>Graduate and Professional Student Housing – East Campus</u> – preliminary plans – $4,871,000 to be funded from UC San Diego Housing Auxiliary Reserves.

[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 preliminary plans funding of $4.9 million for additional graduate and professional student housing at the UC San

Diego East Campus, where there is significant demand for such housing. This past year the campus could accommodate only 540 of 2,900 applicants for housing. The additional housing would be consistent with the campus' 2004 Long Range Development Plan to make progress toward housing 50 percent of eligible students in campus-owned facilities. Offering a two-year guarantee of housing for graduate and professional students would be a recruitment and retention incentive. The total cost of the project is estimated at $208.6 million. The project would provide approximately 230 one-, two-, or three-bedroom traditional apartments, adding 1,000 new housing units to the campus. The $4.9 million funding would come from UCSD housing auxiliary reserves.

Regent Sherman asked how the project cost of over $200 million for 1,000 beds compared with other housing projects on a cost-per-bed basis. Assistant Vice Chancellor Mark Cunningham said that the project would also include 980 parking spaces. Mr. Lenz stated that housing for graduate and professional students and their families would be more expensive than undergraduate housing.

Committee Chair Makarechian expressed support for the project, given the housing market in San Diego. Campus housing would be much less expensive than off-campus housing. He agreed with Regent Sherman's concern about cost and asked that projects report the cost per square foot, rather than the cost per bed. He also asked that projects used for cost comparisons be projects other than those developed by the University, to gain a comparison to the wider market, rather than only other UC projects.

Vice Chancellor Pierre Ouillet said the cost per bed was approximately $150,000. Net of cost for parking space, the cost per square foot would be approximately $270. He considered these acceptable benchmarks. Regent Sherman asked that subsequent presentations include a complete pro forma of the project's finances.

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 AND APPROVAL OF EXTERNAL FINANCING, OUTPATIENT PAVILION, SAN DIEGO CAMPUS**

The President of the University recommended that:

A. The 2014-15 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

From: San Diego: <u>Outpatient Pavilion</u> – preliminary plans – $4.78 million to be allocated to the UC San Diego Health System from the proceeds of the Century Bond previously allocated to the campus.

To: San Diego: <u>Outpatient Pavilion</u> – preliminary plans, working drawings, construction and equipment – $140 million comprised of external financing ($95 million), gift funds ($7.5 million), hospital reserves ($12.5 million) and operating leases ($25 million).

B. UC San Diego Health System be allocated funding in an amount not to exceed $95 million for the project from the proceeds of the Century Bonds previously allocated to the campus. The President shall require that as long as the allocation is outstanding, UC San Diego Health System's gross revenues shall be maintained in amounts sufficient to pay the annual principal and interest.

C. The scope of the Outpatient Pavilion project shall consist of constructing approximately 82,400 assignable square feet (154,000 gross square feet) of outpatient and clinic space on UC San Diego's East Campus.

D. The President, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above and to make changes in the terms that do not materially increase the cost of the project or the obligations of the Regents.

[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 the budget and external financing for the UC San Diego Outpatient Pavilion that would provide more than 82,000 assignable square feet of outpatient clinical services. The Regents approved funding of almost $4.8 million for preliminary plans. The budget of $140 million would include $95 million from external financing, $7.5 million from gifts, $12.5 million from hospital reserves, and $25 million from operating leases. The Regents were also being asked to approve $95 million in external financing.

Committee Chair Makarechian asked what portion of the gift funds the campus realistically expected to receive. Chief Executive Officer Paul Viviano said that the $7.5 million in gift funds had already been received.

Committee Chair Makarechian asked for cost comparisons to projects other than those at UC. He asked if Kaiser Permanante builds such projects at lower cost. Mr. Viviano responded that Kaiser probably did build at lower cost because it uses templates for repeated projects. This project would be especially designed as a unique, multi-disciplinary center. There would be no project comparable at Kaiser, whose facilities are oriented more toward primary care. Committee Chair Makarechian asked what would be a more apt comparator. Mr. Viviano said a similar facility at another UC campus would be comparable.

Committee Chair Makarechian asked about the projected decline in cash flow in 2017. Mr. Viviano said the Jacobs Medical Center would open in 2017 and the UCSD Health System would absorb $27 million in interest expense at that time. It would take three or four years to fill the new beds.

Regent De La Peña asked for assurance that any augmentation of the budget would have to come back to the Regents for approval. Committee Chair Makarechian agreed.
Regent Ruiz asked for an update on the UC San Diego Health System. Mr. Viviano said it had experienced a great deal of growth over the past several years. Its market share has more than doubled since 2008; revenues are currently $1.2 billion and are anticipated to grow to $1.9 billion by 2019. All of its inpatient beds are filled and the system finds itself undersized in outpatient space. Faculty and research scientists are being recruited for the School of Medicine. UC San Diego Health System is gaining market share from other providers in San Diego County, while collaborating with some local systems for specialty programs. Vice Chancellor Pierre Ouillet added that the Medical Center's cash position is extremely strong, with 92 days' cash on hand. Mr. Viviano anticipated finishing the year with more than 100 days' cash on hand and did not foresee more than a ten percent drop in days' cash on hand when the Jacobs Medical Center opens.

Regent De La Peña expressed support for the project that would consolidate space now leased across San Diego. Dean of the School of Medicine David Brenner stated that the new facility would reduce physicians' travel time to see patients. Primary care would still be offered at locations scattered throughout the community.

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

7. **CERTIFICATION OF ENVIRONMENTAL IMPACT REPORT, AMENDMENT OF REGENTS' ACTION – DESIGNATION OF OPEN SPACE RESERVE, ALTERATION OF CAMPUS BOUNDARIES, COMMITMENT OF HOUSES TO RESIDENTIAL USE, AUTHORIZATION TO NEGOTIATE SALE OF PROPERTIES AND COMMITMENT TO TRANSPORTATION STUDIES, SAN FRANCISCO CAMPUS – AS MODIFIED, AND APPROVAL OF THE UCSF 2014 LONG RANGE DEVELOPMENT PLAN, SAN FRANCISCO CAMPUS**

The President of the University recommended that, following review and consideration of the environmental consequences of the proposed 2014 Long Range Development Plan (LRDP) Final Environmental Impact Report (FEIR), as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:

A. Certify the FEIR for the 2014 LRDP for the San Francisco campus.

B. Adopt the Mitigation Monitoring and Reporting Program for the FEIR.

C. Adopt the Findings and Statement of Overriding Considerations.

D. Amend the “Designation of Open Space Reserve, Alteration of Campus Boundaries, Commitment of Houses to Residential Use, Authorization to Negotiate Sale of Properties and Commitment to Transportation Studies, San Francisco” as modified in March 2008, as shown in Attachment 1.

E. Approve the 2014 LRDP for the San Francisco campus.

[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 said this item requested approval of a series of recommendations pertaining to growth at UCSF, which has expanded its footprint over the years from its Parnassus Heights campus to a variety of sites throughout San Francisco, particularly in Mission Bay. Through the LRDP planning horizon of 2035, UCSF’s space is projected to increase by almost 2.4 million square feet, or 26 percent, with the majority of growth occurring at the Mission Bay site. Over the same time, UCSF’s total population including faculty, staff, students, trainees, patients, and visitors is projected to increase by 1,460 people or almost 30 percent. The Regents were also being asked to amend the 1976 Resolution that governs the growth of the Parnassus campus.

Chancellor Hawgood stated that UCSF’s 2014 LRDP, which has taken five years to complete, is the campus’ long-range physical plan to support the UCSF Health System and the education and research mission of UCSF. The LRDP shows a framework to accommodate growth in both space and population through 2035 in a thoughtful manner that responds to the city and community context in which UCSF operates, ensures that facilities are seismically safe, promotes environmental sustainability, and minimizes facility costs.

Chancellor Hawgood described the tremendous growth that occurred under UCSF’s 1996 LRDP. Total space grew 82 percent, from 5.03 million to 9.17 million gross square feet (gsf), including buildings about to open on the Mission Bay campus. Total population grew 80 percent, from 23,200 to 41,800, including faculty, staff, students, trainees, patients, and visitors, including those who will be served on the Mission Bay campus. UCSF acquired 60 acres of land at Mission Bay. The medical center on the Mission Bay campus will open on February 1, 2015. UCSF’s clinical space has increased by 94 percent, from 1.42 million gsf to 2.76 million gsf. Research space has grown 112 percent, from 998,000 gsf in 1996 to 2.12 million gsf currently. There has been significant renewal reinvestment on the Parnassus Heights campus and at other sites throughout San Francisco. Total revenue has grown 260 percent, from $1.235 billion in fiscal year 1996 to $4.452 billion in fiscal year 2014. While this rapid rate of growth is not expected to continue under the 2014 LRDP, the campus is expected to continue to grow, thrive, and mature. The 2014 LRDP would provide a roadmap for that physical growth.

Associate Vice Chancellor Lori Yamauchi stated that UCSF is a distinctly urban campus, with more than nine million gsf of space existing and under construction in campus sites throughout San Francisco and at several locations outside of San Francisco. UCSF has primary sites at Parnassus Heights, Mission Bay, and Mount Zion, and smaller sites at Mission Center, Laurel Heights, and elsewhere. Parnassus Heights, Mount Zion, and Laurel Heights are located in primarily residential neighborhoods; Mission Bay is in the middle of a planned commercial and residential community, adjacent to mixed-use development; Mission Center is surrounded by a mixed-use neighborhood, more industrial in character. UCSF has longstanding affiliations with San Francisco General Hospital, where UCSF provides services in space leased from the City, and with the U. S. Department of Veterans' Affairs at the Veterans' Administration Medical Center. Inpatient functions are located at Parnassus Heights, Mount Zion, and San Francisco General. In February 2015, inpatient functions located at Mount Zion will be moved to the new medical center at Mission Bay. Outpatient activities are located at all four major sites; research and administrative/office functions are located all major sites plus Mission Center and Laurel Heights. Campus housing is located at Parnassus Heights and Mission Bay.

Ms. Yamauchi said the 2014 LRDP is guided by five primary objectives: (1) to respond to the City and community context through sensitive design, respect for local zoning, and consultation with neighbors; (2) to accommodate growth in UCSF's research, clinical, and teaching programs as well as housing and support space; (3) to ensure UCSF facilities' seismic safety through retrofit or replacement; (4) to promote sustainability by optimizing the use of existing facilities, providing more on-campus housing, consolidating sites, and using sustainable practices consistent with Regents' policy; and (5) to minimize UCSF's facility and occupancy costs by investing in maintenance and renewal of existing facilities and by consolidating leased and remote sites.

Most of UCSF's space will continue to be dedicated to research and clinical programs. Growth is planned for research, clinical, and housing space, with small increases in administrative, instruction, and other types of space. Unlike general UC campuses, much of UCSF's population is involved with its large, robust research and clinical enterprises, including staffing for the Medical Center. Projected growth in research and clinical activities will require more space and more staff. Under the 2014 LRDP, housing will more than double by 2035, from 222 units to 551 units at Parnassus Heights, and from 431 to 954 units at Mission Bay. Given the high cost and low availability of housing in San Francisco, it is increasingly crucial to provide on-campus housing to recruit and retain students and faculty. Providing more on-campus housing also promotes sustainability by reducing commute trips to and from campus. The amount of childcare will increase by 45 percent, from 297 spaces to 432 spaces.

Ms. Yamauchi summarized LRDP proposals by key campus sites, displaying functional zone maps and planned development under the 2014 LRDP. At Mission Bay, undeveloped land on the North Campus can accommodate more development than was projected in the current LRDP; the 2014 LRDP proposed increasing the entitlement or development capacity of the North Campus by 991,800 gsf. This amount of increase has been carefully studied and calibrated to make efficient use of the land, while avoiding traffic and citywide infrastructure effects, enabling UCSF to accommodate projected growth on land already owned. The campus proposed developing additional research, parking, open space, and housing on the North Campus, and completing Phase One of the Medical Center at Mission Bay with additional clinical outpatient space on the South Campus. Phase Two of the Medical Center is planned on the South Campus, which although not anticipated until after the 2035 horizon of the LRDP, was analyzed in the Environmental Impact Report (EIR) to provide flexibility to proceed quickly with that clinical capacity should it be needed sooner. Planning for development of research space and parking on the East Campus is in early stages.

UCSF plans to relocate inpatient services currently at Mount Zion to Mission Bay in February 2015, with the opening of the new Medical Center. At that time, the Mount Zion inpatient hospital buildings will be converted to outpatient purposes. Seismically compromised buildings, the Hellman Building, the Brunn Building, and the obsolete dialysis center, on the east side of the Main Block, will be demolished to create an area for the future development of modern space. In addition, the seismically compromised building at 2255 Post Street will be demolished or retrofitted.

In order to achieve its seismic safety objective, UCSF is considering a new research building at San Francisco General Hospital. Because the site for the research building is owned by the City, development of this building would be contingent upon the completion of negotiations with the City to ground lease the site. Environmental review for that building would occur separately from the LRDP EIR.

In keeping with the LRDP objective of minimizing facility costs, UCSF has reviewed its long-term occupancy of the Laurel Heights site and is currently negotiating an agreement with a private developer to lease the property for non-University use. If an agreement is reached, any future development plans for the site would be subject to entitlement by the City, including environmental review under the California Environmental Quality Act. (CEQA). UCSF would continue to occupy the Laurel Heights site for its own use for up to five years.

Ms. Yamauchi discussed plans for Parnassus Heights, UCSF's oldest and largest campus. Rapid growth during the 1960s and 1970s resulted in tensions with the surrounding neighborhood, leading to the adoption by the Regents of limits to control growth in connection with UCSF's 1996 LRDP. Those limits were embodied in what the campus has referred to as the 1976 Regents' Resolution. Since that time, further growth at Parnassus has been alleviated by decentralizing activity and moving it away from the site, most notably with the development of the Mission Bay campus. Nonetheless, Parnassus Heights remains an important location for teaching, research, and clinical care, including major facilities to support the Medical Center. In addition to seismically strengthening the Clinical Sciences Building, the 2014 LRDP proposes seismic retrofitting of UC Hall and the Faculty Alumni House, and demolition of several obsolete buildings. Ms. Yamauchi displayed a map showing sites of future development under the 2014 LRDP. Additional campus housing would be developed at the current site of the Proctor Building, at the Parnassus and Fifth Avenue sites, and through the conversion of existing UC Hall and Millberry Union towers to housing. A new hospital addition, connecting to the existing Long Hospital, is proposed by 2030 at the eastern end of the Parnassus site to replace inpatient functions currently in Moffitt Hospital in order to comply with State law. Upon completion of the addition, the existing Long Hospital would be converted to non-inpatient uses.

The LRDP proposes to preserve the 61-acre Mount Sutro Open Space Reserve as permanent open space in accordance with the 1976 Resolution. The Regents were being asked to modify and amend the 1976 Resolution, which established a space ceiling intended to manage the growth of clinical, academic, and support programs at the Parnassus site, capped at 3.55 million gsf. UCSF currently exceeds that cap by 295,000 gsf, or about 8.3 percent. The 2014 LRDP proposes to update the 1976 Regents' Resolution to reaffirm the elements that will continue to guide its development, eliminate those that have already been achieved, and modify two elements regarding the space ceiling and average daily population. Under the 1976 Resolution, some but not all residential space is excluded from the space subject to the cap. The 2014 LRPD proposes to exclude all residential space from the space ceiling calculation regardless of its location on the campus site. This would help the campus meet its housing goals and support city-wide housing goals. The exclusion of all residential space, when combined with the physical development proposals outlined earlier, would decrease the space ceiling overage to 61,000 gsf, or about 1.7 percent, in 2035. The second modification regards the administration of the Parnassus Heights site in accordance with average daily population projections. The 1976 Resolution references the 1976 LRDP EIR; the amendment ties the average daily population projections to the then-current LRDP EIR, in this case the 2014 LRDP. The proposed update to the 1976 Resolution has been shared at several community meetings over the past year. While a small minority of neighbors expressed concern about the proposal, neighbors generally support UCSF's plan to build more housing and most meeting attendees did not express an opinion regarding the proposed update to the Resolution.

The EIR analyzes the potential effects of UCSF's growth, and implementation of the LRDP has the potential to result in significant impacts on the environment. While most impacts were found to be reduced to less than significant levels following mitigation, some in the areas of air quality, cultural resources, noise, traffic, and utilities are potentially significant and unavoidable.

Ms. Yamauchi stated that the proposed increase to the Mission Bay North Campus entitlement and the proposed amendment to the 1976 Regents' Resolution regarding the Parnassus Heights site are crucial components of UCSF's strategy for achieving the objectives of the 2014 LRDP. The LRDP proposals are aligned with UCSF's Capital Financial Plan. After the adoption of the LRDP, the Physical Design Framework would be updated to reflect these proposals.

Staff Advisor Coyne asked whether development of any staff housing is contemplated. Ms. Yamauchi said staff housing was considered, but given limitations on the development of additional housing, a higher priority was assigned to housing for students, trainees, and faculty. Ms. Coyne asked whether any future additional capacity

could be made available for staff. Chancellor Hawgood said current housing is short-term, with students rotating in and out; long-term housing is not being considered.
Regent-designate Davis asked whether the proposed LRDP would accommodate the possibility that UC would become increasingly self-insured for its employees' medical insurance. Chancellor Hawgood said that UCSF's population management capabilities for the greater Bay Area had been considered. In addition to expanding its own internal capabilities, UCSF would be launching an exciting new partnership to create the required geographic access through an accountable care organization.

Committee Chair Makarechian asked how much land, aside from the Mission Bay East Campus, remained to be developed. Chancellor Hawgood and Ms. Yamauchi said that 2.5 million gsf remained to be developed at Mission Bay, with 1.4 million gsf on the North Campus, about one million gsf on the South Campus, and 500,000 gsf on the East Campus. On the Mission Bay campus, housing is included in the entitlement. In response to a question from Committee Chair Makarechian, Ms. Yamauchi expressed her view that this amount of remaining capacity could accommodate Mission Bay's needs for 20 years.

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

8. **ACCEPTANCE OF THE PHYSICAL DESIGN FRAMEWORK, UC IRVINE MEDICAL CENTER, IRVINE CAMPUS**

The President of the University recommended that the Regents accept the UC Irvine Medical Center Physical Design Framework.

[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 acceptance of the proposed UC Irvine Medical Center Physical Design Framework (PDF), which would establish the planning principles and the physical design standards that would apply to all UCI Medical Center capital projects. The PDF describes UCI's vision for implementing planning concepts set forth in its 2003 Long Range Development Plan (LRDP), providing design guidance for a cohesive approach to growth toward meeting strategic goals. UCI is currently involved in an intensive strategic planning effort with the vision of being among the nation's top 20 academic medical centers in research, medical education, and patient care. The strategic plan would be presented to the Regents at a future meeting.

In addition, Mr. Lenz requested the Committee's support for approval under the Delegated Process of expansion of the UCI Medical Center's chiller plant, estimated to be a $32.5 million project. This project would ordinarily not move forward until the Committee on Health Services approved the UCI Medical Center's strategic plan. Given the overwhelming need to replace the current inefficient and obsolete system, this project is essential and needs to move forward. Committee Chair Makarechian expressed the Committee's support.

Chancellor Gillman stated that the UCI Medical Center is located on the former site of the Orange County Hospital, about 14 miles from the main UCI campus. The recent construction of the Douglas Hospital established the architectural style for future development and resulted in significant growth in inpatient and outpatient services. Over the next several years, the campus hopes to modernize several former Orange County Hospital remnants that are functionally obsolete, and have aging and inefficient utilities and infrastructure. The existing outpatient buildings are not up to market standards, consisting of one- or two-story architecturally inconsistent structures that are not well connected with one another, making wayfinding difficult and detracting from patients' experience. These multiple outpatient clinic buildings have fragmented clinic spaces that lead to operational inefficiencies, redundant staffing requirements, and less than optimal utilization of clinic space. The objectives of the PDF are to (1) locate buildings for clear wayfinding and efficient adjacencies; (2) develop a unified architectural design theme that results in a campus-like setting and establishes a clear connection between the main campus and the Medical Center in physical appearance and branding; and (3) create landscape environments that promote healing, teaching, research, and clinical care. Chancellor Gillman said that the campus hopes to build on the success of its two most recent buildings through a thoughtful planning and approval process.

In response to a question from Regent De La Peña, Chancellor Gillman stated that this item requested approval only of the PDF, which would guide planning of individual projects that would be brought to the Committee for approval in the future. Mr. Lenz added that approval of the PDF is a requirement before the Medical Center can submit capital facility projects for the Committee's future consideration.

Regent Sherman asked what consideration had been given to sustainability in the architecture and landscaping. Vice Chancellor Wendell Brase commented that projects at the Medical Center would comply with Regents' policy of achieving at least a Leadership in Energy and Environmental Design (LEED) Silver rating. The campus has exceeded that standard in recent projects, with its last 20 projects achieving 12 LEED Platinum ratings and eight LEED Gold ratings. Achieving these ratings would be more difficult at the Medical Center, since clinical buildings have more licensing and construction constraints.

Committee Chair Makarechian encouraged taking into account capacity for treating patients from widespread emergencies, such as an infectious disease outbreak or an earthquake, since UCI is the biggest and best provider in Orange County.

Regent Ruiz asked about land for future development. Chief Executive Officer Terry Belmont said there were a number of one- and two-story structures on current land that could be developed as services are consolidated.

Regent De La Peña asked for clarification of the process of making changes to the PDF if that should be desired in the future. Mr. Lenz stated that minor amendments to the PDF could be approved by the President of the University; major changes would be approved by the Regents.

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 4:00 p.m.

Attest:

Secretary and Chief of Staff

ATTACHMENT 1

Amendment of the ***"Designation of Open Space Reserve, Alteration of Campus Boundaries, Commitment of Houses to Residential Use, Authorization to Negotiate Sale of Properties and Commitment to Transportation Studies, San Francisco"*** as modified in March 2008

Additions shown by underscoring; deletions shown by strikethrough

Regents' Action Regarding the Parnassus Heights Campus Site

1. ~~That the~~ The 61-acre reserve on Mount Sutro~~, which was designated as open space for a twenty-five year period by The Regents in October, 1975, be increased from fifty-two to approximately fifty-eight acres, as shown on Attachment I and that the designation be made~~ is reaffirmed as permanent open space.

2. ~~That the boundaries of the San Francisco campus be altered to exclude properties on the west side of Third Avenue from 1309-11 Third Avenue to and including 1379 Third Avenue, as shown on Attachment I, and that the new boundaries be made permanent.~~ The Parnassus Heights campus site boundary is reaffirmed as shown on the attached Parnassus Heights Planning Agreements diagram.

3. ~~The total structures within the campus boundaries shall not exceed~~ The space ceiling for the Parnassus Heights campus site is 3.55 million gross square feet~~. (not including space committed to residential use on Third, Fourth, Fifth and Parnassus Avenues and Kirkham and Irving Streets) and this limit shall be permanent.~~ The space ceiling includes space in non-residential buildings within the boundary of the Parnassus Heights campus site.

4. The Third and Fifth avenue edges of the Parnassus Heights campus site will be consistent with the Housing functional zone designated for that area, to serve as a transition to the adjacent residential neighborhood in terms of use, character and scale.

5. ~~These restrictions prohibit expansion by~~ UCSF is prohibited from expanding the Parnassus Heights campus site by purchase or condemnation or gift of any property or lease of private residential property not only contiguous with the ~~new~~ campus site boundaries, ~~as defined in Attachment I,~~ but anywhere within the surrounding area bounded by Golden Gate Park, Oak Street, Ninth Avenue, Clayton Street, and Clarendon Avenue. This does not prohibit the use of commercial properties or the affiliation with other public agencies within the area described.

~~3. That the Regents redefine their commitment, made as part of the October, 1975, approval of the Long Range Development Plan, to return certain existing houses to residential use as alternative campus space and funds for rehabilitation and relocation become available for the activities now housed therein, and that as part of this commitment: The ten houses on Third Avenue, outside the campus boundaries revised as recommended in 2. above, be sold subject to the provisions set forth in 4. below; the thirty-four houses on Third, Fifth, and Parnassus Avenues and on Irving and Kirkham Streets be rehabilitated as required and leased for residential purposes, with priority given to University students, faculty, and staff; and the seven houses on Fourth Avenue remaining after clearance of the site for the School of Dentistry Building project be retained for non-residential campus use. (See Attachments II and III).~~

~~4. That the Treasurer be authorized to negotiate the sale of the lots and structures, and other improvements thereon, located at 1309-11, 1319, 1325, 1337, 1343, 1355, 1361-63, 1367-69, 1373,~~

~~and 1379 Third Avenue; the lot between 1355 and 1343 Third Avenue; and the lot between 1309-11 and 1319 Third Avenue, subject to the provisions listed in 4(a) through 4(e) below and that the results of said negotiations be presented to The Regents for final approval and authority to sell based on offers acceptable to The Regents:~~

~~(a) The offer for sale of the two vacant lots shall commence within six months and the offer for sale of all remaining properties shall commence within thirty-six months, except that no relocation of University activities or tenants or conversion of houses for residential uses shall be initiated until funds for such purpose are on hand as specified in 4(b) below and until space into which activities or tenants can be relocated is available;~~

~~(b) A special fund shall be established to fund projects within the Capital Improvement Program for the purpose of, first, providing accommodation for activities displaced by sale of houses, second, providing accommodation for campus activities displaced by conversion of the structures retained for residential use, and, third, converting and rehabilitating the structures retained for residential use, said fund to be funded from proceeds of the sale of the properties, except as noted in 4(c) below, and, if funds are not on hand from the sale of properties, from an advance, as needed, of not to exceed $50,000 from the University Opportunity Fund, such advance to be on a revolving basis and to be repaid with proceeds, as received, from subsequent sale of properties, it being understood that, at the completion of the sale of the properties, any part of the advance not repaid shall be converted to an appropriation;~~

~~(c) The portions of the proceeds of the sales of the lots between 1309-11 and 1319, and between 1343 and 1355 Third Avenue, attributable to the eighteen parking spaces currently located thereon, shall be deposited in the Net Revenue Account of the University of California Parking System;~~

~~(d) Funds not to exceed $10,000 shall be allocated by the President obtain an appraisal of market value of the properties for use as residences; and~~

~~(e) All properties shall be sold in the then existing condition, it being made clear to the buyer that he or she may be required to conform to all applicable State and City and County of San Francisco codes in converting the structures to residential use;~~

~~5. That funds not to exceed $25,000 be allocated to the San Francisco campus from the University Opportunity Fund for the purpose of retaining an independent consultant firm to develop additional plans for the alleviation of transportation problems such as traffic, parking congestion, and availability of public transit, it being the intent that such plans be implemented to the extend feasible within resources normally available to the campus for such purposes or within additional State appropriations that might be made available for such purposes;~~

~~6. That the Long Range Development Plan for the San Francisco campus, as approved by The Regents in October, 1975, be amended to reflect the described changes in designation of open space, boundaries, and use of housing;~~

~~7~~6. ~~That~~ The Regents recognize the principle that the ~~San Francisco~~ Parnassus Heights campus site will be administered so that the annual average of the daily campus population at the ~~Parnassus~~ site will remain substantially in accordance with the projections set forth in the then-current Environmental Impact Report related to the Long Range Development Plan for the campus, as updated from time to time and approved by ~~The~~ the Regents ~~in October 1975~~.

~~Attachment I of the 1976 Regents Action: Environs Map Showing Existing and Proposed Open Space Reserve and New Permanent Boundary, San Francisco Campus~~

~~Attachment II. Map Showing University-owned Houses, San Francisco Campus~~

~~Attachment III. Inventory of University-owned Formerly Private Residence Structures and Proposed Disposition~~

Attachment: Parnassus Heights Planning Agreements diagram

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Attachment I

UCSF CAMPUS ENVIRONS MAP
SHOWING EXISTING AND PROPOSED OPEN SPACE

MAY 1976 AND PROPOSED PERMANENT BOUNDARY

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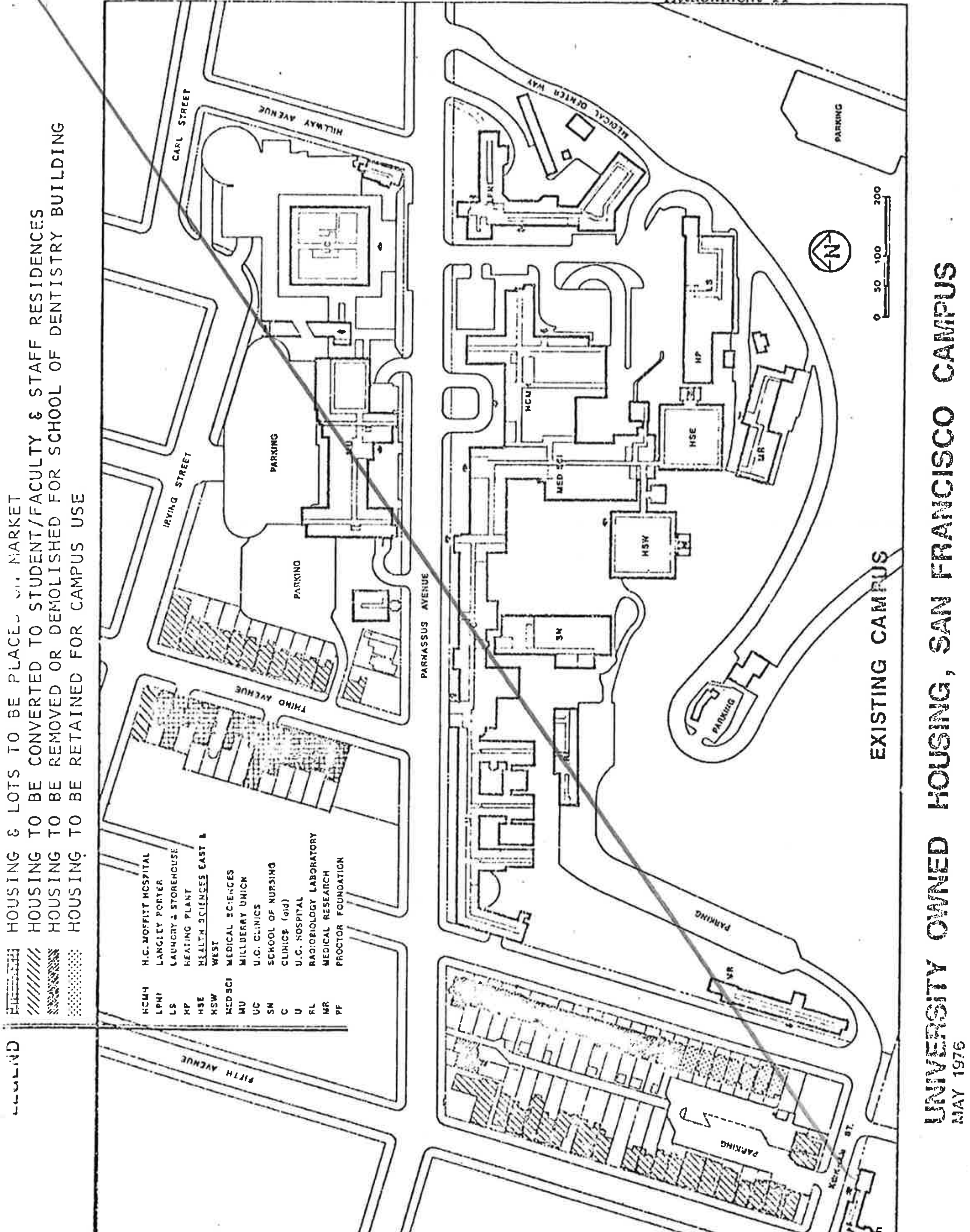
Attachment II



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Attachment III
Sheet 1 of 5

Houses and Lots Proposed to be Offered for Sale
[University Non-residential and Residential]

ADDRESS	PRESENT USE	PROPOSED USE
1325 Third Avenue	Existing Residential	Sale for Residential
1309-11 " "	University Non-residential	" " "
1319 " "	" "	" " "
1337 " "	" "	" " "
1343 " "	" "	" " "
1355 " "	" "	" " "
1361-63 " "	" "	" " "
1367-69 " "	" "	" " "
1373 " "	" "	" " "
1379 " "	" "	" " "
Lot 1343-55 Third Avenue	Parking	" " "
Lot 1309-11-19 " "	"	" " "
TOTAL		10 Structures 2 Lots 1 Existing Residential Structure 9 University Non-residential Structures

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Attachment III
Sheet 2 of 5

Houses Existing as Rented Residential and Houses Proposed to be Converted to Rental Residential

ADDRESS	PRESENT USE	PROPOSED USE
1338 Third Avenue	Existing Rental Residential	Retain as Rental Residential
1414 Fifth Avenue	" " "	" " " "
1420 " "	" " "	" " " "
1422-24" "	" " "	" " " "
1432 " "	" " "	" " " "
1440 " "	" " "	" " " "
1442 " "	" " "	" " " "
1452 " "	" " "	" " " "
1460 " "	" " "	" " " "
1468 " "	" " "	" " " "
203-209 Irving Street	" " "	" " " "
Sub-total		11 Structures
1308-10 Third Avenue	University Non-residential	Convert to Rental Residential
1320 " "	" "	" " " "
1322-24 " "	" "	" " " "
1326 " "	" "	" " " "
1332 " "	" "	" " " "
1344 " "	" "	" " " "
1350 " "	" "	" " " "
1356 " "	" "	" " " "
1362 " "	" "	" " " "
1376-78 " "	" "	" " " "

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Attachment III
Sheet 3 of 5

Houses Existing as Rented Residential and Houses
Proposed to be Converted to Rental Residential

(Continued)

ADDRESS	PRESENT USE	PROPOSED USE
1428 Fifth Avenue	University Non-residential	Convert to Rental Residential
1454 " "	" "	" " " "
1464 " "	" "	" " " "
1472-74" "	" "	" " " "
1478-80" "	" "	" " " "
1482 " "	" "	" " " "
1486-88" "	" "	" " " "
1490 " "	" "	" " " "
145 Irving Street	" "	" " " "
745 Parnassus Avenue	" "	" " " "
24 Kirkham Street	" "	" " " "
30 " "	" "	" " " "
50 " "	" "	" " " "

Sub-total 23 Structures

TOTAL 34 Structures

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Attachment III
Sheet 4 of 5

Houses Proposed to be Retained for
University Non-residential Use

ADDRESS	PRESENT USE	PROPOSED USE
1463 Fourth Avenue	Existing Rental Residential	University Non-residential
1467 " "	" " "	" "
1471 " "	" " "	" "
Sub-total		3 Structures
1475 Fourth Avenue	University Non-residential	Retain as Univ. Non-residential
1479 " "	" "	" " " "
1483 " "	" "	" " " "
1487 " "	" "	" " " "
Sub-total		4 Structures
TOTAL		7 Structures

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Attachment III
Sheet 5 of 5

Houses to be Removed from the School of Dentistry Site

ADDRESS	PRESENT USE	PROPOSED USE
1409 Fourth Avenue	Vacant	Building Removal
1415 " "	"	" "
1417 " "	"	" "
1425 " "	"	" "
1427 " "	"	" "
1429 " "	"	" "
1431 " "	"	" "
1435 " "	"	" "
1437-39" "	"	" "
1443 " "	"	" "
1451 " "	"	" "
1455 " "	"	" "
1459 " "	"	" "
735 Parnassus Avenue	"	Building Removal at End of Construction
1405 Fourth Avenue	To Be Vacated 5/28/76	Building Removal
1447 " "	" " " "	" "
701 Parnassus Avenue	" " " "	" "
727 " "	" " " "	" "
TOTAL		18 Structures

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Parnassus Heights Planning Agreements Diagram