

The Regents of the University of California

COMMITTEE ON GROUNDS AND BUILDINGS

May 10 and 12, 2016

The Committee on Grounds and Buildings met on the above dates at the Sacramento Convention Center, 1400 J Street, Sacramento.

Members present: Regents Davis, Oved, Pérez, Sherman, and Zettel; Ex officio members Lozano and Varner; Advisory members Hare and Schroeder; Staff Advisors Acker and Richmond

In attendance: Regents Gorman, Rendon, and Torlakson, Regent-designate Ramirez, Faculty Representative Chalfant, Secretary and Chief of Staff Shaw, General Counsel Robinson, Executive Vice President and Chief Financial Officer Brostrom, Vice Presidents Budil and Sakaki, Chancellors Block, Blumenthal, Hawgood, Khosla, Leland, and Yang, Acting Chancellor Hexter, and Recording Secretary McCarthy

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

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of March 24, 2016 were approved.

2. PRESIDENT'S STUDENT HOUSING INITIATIVE

[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.]

Executive Vice President and Chief Financial Officer Brostrom introduced this discussion of President Napolitano's Student Housing Initiative, announced at the January meeting. Since that time, Mr. Brostrom and Associate Vice President Sandra Kim had visited all ten UC campuses to meet with campus leadership, departments of finance, capital projects, and housing, and with students to hear of their experiences with both on- and off-campus housing. As the Housing Initiative advances, individual campuses would come to the Regents both to give broad housing overviews and to request approvals for specific projects. UC Berkeley, UC San Diego, and UCSF would make presentations on housing at the current meeting.

Mr. Brostrom summarized the two main messages from his campus visits. First, there is a tremendous need for student housing across all UC campuses. This need is driven not only by enrollment growth, but also by escalating housing costs in the communities where UC campuses are located. This housing need encompasses undergraduates, graduate students, staff, and faculty. Second, the University does not have enough debt

capacity to accommodate housing projects in traditional ways and would have to explore many different models including public-private partnerships to meet the need. Fortunately, many attractive models exist.

Mr. Brostrom displayed a table showing that the prior fall the University housed more than 87,000 students, approximately 34 percent of its students. Percentages of students living in University housing ranged from 20 percent at UCSF and UC Berkeley, to nearly 50 percent at UC Santa Cruz. Most UC campuses have set goals in their Long Range Development Plans (LRDPs) to house 40 to 50 percent of their eligible students. Mr. Brostrom anticipated that many of those LRDPs would be reexamined as a result of current trends in the real estate market.

Mr. Brostrom was charged with leading the Student Housing Initiative and coordinating a comprehensive approach to develop more student housing cost-effectively. The Initiative also targets projects in the planning process, with strategies to accelerate completion, and examines acquisition strategies and opportunities for master leasing in order to further accelerate housing capacity. Another aspect of the Initiative was to identify funding and delivery models that maintain affordability, while managing the University's overall debt capacity. The Office of the Chief Investment Officer was engaged to evaluate on- and off-campus housing investment opportunities, particularly to house graduate students, postdoctoral scholars, faculty, and staff.

Ms. Kim reported on campus visits with staff and students to learn more about specific campus housing opportunities and constraints, and to consider how systemwide leveraging could address those challenges. Other campus capital projects compete with housing for limited campus debt capacity. UC campuses have become increasingly built out, with fewer unencumbered sites. Identified housing sites may have other facilities on them that would have to be moved before housing construction could begin. Or new housing projects may involve redevelopment of existing, aging housing facilities at higher densities. These complexities can add cost to the overall capital project delivery. Housing projects tend to be located on campus perimeters or in communities and, as a result, generate more public attention than projects located on campus interiors. As campus staffs present their housing overviews to the Regents, they would share specific information about local constraints.

Ms. Kim related students' reports of compelling housing needs, reaffirming the need for the Student Housing Initiative and the importance of providing more affordable housing options as quickly as possible. While each campus operates in a unique environment, the following general themes emerged. Many campuses indicated a significant unmet housing demand for both undergraduate and graduate students. In 2015-16, the campuses identified almost 15,000 students on wait lists for University-provided housing. The need for additional affordable housing would become even more urgent as enrollment increases over the next several years. To address this demand, campuses are maximizing existing space by using double bedrooms as triples, and converting study and lounge spaces into bedrooms whenever possible. For example, UC Santa Barbara is planning to increase the number of its triples by 300 in fall 2016 to accommodate additional

enrollment growth. In addition, campuses are evaluating opportunities to master lease multi-family residential properties where available in surrounding communities to quickly secure affordable housing. Initial data analysis and campus discussion confirmed the challenge presented by many UC campuses' being located in expensive and volatile real estate markets. Overall vacancy rates for off-campus multi-family residential units in proximity to campuses are very low and available units are frequently rented before students begin searching for housing in advance of fall classes. Based on a survey performed by UC Davis, for example, the vacancy rate for off-campus multi-family residential apartments was less than one percent, consistent with reports from many other UC campuses. This is causing students to live farther away and make longer commutes. Given high demand and limited availability, off-campus rates have escalated dramatically. San Francisco is currently the most expensive real estate market in the nation, surpassing New York City; rental rates have increased more than 50 percent over the past four years. Around UCLA, rental rates have risen approximately ten percent over the past year alone. To address these affordability and availability problems, students are finding multiple roommates to share off-campus housing and to reduce their individual cost, in some cases exceeding city ordinances. In Riverside, an ordinance was established to limit the number of non-related tenants per dwelling to address the high number of students sharing units.

Discussions with undergraduate and graduate students revealed that timing of financial aid does not align with contracts needed to secure housing. Furthermore, off-campus housing requirements for first- and last-month's rent and security deposits can be cost-prohibitive. In response, some UC campuses are providing bridge loans to students to allow them to secure off-campus housing in advance of financial aid disbursement. Since undergraduates can be inexperienced in negotiating rental contracts, some campuses such as UC Santa Cruz have developed community housing websites and online training tools for students.

Student housing is a critical component in support of the University's mission. Student housing projects have steadily advanced. Since fall 2013 approximately 3,800 new beds have been added systemwide. In support of the President's Student Housing Initiative, the Office of the President developed a comprehensive list of potential housing projects, compiled from campus capital financial plans and from opportunities identified during campus consultations. They include new construction, renovation, redevelopment, and master leases. Opportunities to build housing with approximately 14,000 beds by 2020 have been identified. Planned projects totaling 7,200 beds are anticipated to have been approved by the Regents by July 2016. Of those, approximately 2,000 will become available in fiscal year 2016-17. Additional projects totaling 6,800 beds are in planning stages and have been identified as opportunities to be developed and occupied by 2020. These include projects from UC Berkeley, UC San Diego, UC Davis, UC Irvine, UCLA, UC Riverside, and UC Santa Cruz. Beyond these projects, campuses have plans for additional projects that would yield an additional 15,000 beds. The Office of the President would continue to work with the campuses and, with the increased focus, the number of beds to be developed may increase over time.

Mr. Brostrom reported that the campuses have identified a number of projects that would provide an opportunity to meet the objectives of the Student Housing Initiative, but the projects face several challenges. The first challenge is debt capacity and maintaining affordable rental rates for UC students and a rate structure consistent with current on-campus housing. The University would finance as much as possible through its limited project revenue bonds and would also explore other models. Given the size and scope of this Initiative, one delivery model would not fit all projects. A multi-faceted approach would fit each project with the best model possible. Several different delivery models would be considered, including design-build, design-bid-build, and private-public partnerships. The Housing Initiative would include individual projects delivered by the campuses as well as projects that would be included in a systemwide solicitation for master developers who could be engaged to design, build, and potentially operate projects financed by the University's tax-exempt financing trust structure.

Each campus would make a presentation of an overview of its housing plans to the Committee. Individual projects would be brought to the Committee for approval. Mr. Brostrom's office would issue a systemwide Request for Proposals (RFP) for master developers to identify three or four with whom campuses could work to develop their own projects. The Initiative would also have a systemwide approach to financing under its financing trust structure. Mr. Brostrom anticipated the developer teams would be selected by the fall. The Regents would receive periodic updates.

Regent Pérez asked whether the RFP would be systemwide. Mr. Brostrom answered in the affirmative; the RFP would require that the developers include every UC campus. Regent Pérez noted the importance of local context for various UC campuses. Engaging developers with systemwide capacity could eliminate local developers that might be appropriate for particular campuses and might be best at managing affordability. In particular, the University's ability to partner with a consortium of affordable and non-profit housing developers could be beneficial.

Regent Pérez emphasized the importance of maintaining affordability for students as an overarching consideration. He recalled a UC Berkeley housing project that was being considered that assumed an automatic three percent annual rental increase, which when compounded may be too high to maintain affordability. He said a level of desirable affordability should be established initially and compared to the Area Median Income as a way to maintain affordability over time. Regent Pérez invited Mr. Brostrom to suggest a better method that would provide a comparable level of affordability for students. Mr. Brostrom agreed that affordability was a key concern expressed on every UC campus. He said that master leases would be used to accelerate housing development, noting that UC Berkeley had already signed two master leases just to accommodate fall enrollment. Every campus uses a benchmark against the local rental market. For example, UCSF intends its student housing to be 40 percent below the market. UC San Diego plans its housing to be 20 percent below its local market rates. Mr. Brostrom expressed his view that it would be better to set benchmarks by campus rather than systemwide. He agreed with Regent Pérez that long-range projections of increases would be important, particularly with private developers, to ensure that price escalations would be

appropriate. While he agreed that each campus rental market was unique, Regent Pérez said an automatic three percent annual increase on an already high price was problematic. It would be important for the University to guarantee long-term affordability in negotiations in which it had leverage. Mr. Brostrom commented that on-campus housing rates would be more predictable for students than off-campus housing rates.

Chairman Lozano affirmed the importance of affordability in the development of all student housing, which she said was not sufficiently addressed in the presentation. She pointed out that the urgency to develop student housing stems from the effect of increased enrollment for fall 2016 on current UC students. She urged Mr. Brostrom to develop short-term solutions to help alleviate this impact on UC's current students. Mr. Brostrom agreed that campuses are facing large challenges for fall 2016 with enrollment growth and the lack of available, affordable off-campus housing. New housing would have to be developed each year during this period of enrollment growth.

Committee Vice Chair Sherman asked if projects at campuses with larger wait lists for housing would be given priority. Ms. Kim responded that individual campuses were using wait lists to prioritize projects.

Regent Oved asked if conversions of existing housing from double to triples and triples to quads would be permanent. Mr. Brostrom answered in the negative, saying that most of those rooms would revert when new housing was developed. Regent Oved asked if students would be charged less for a triple room than for a double. Mr. Brostrom said that each campus had its own rate structure.

Regent-designate Ramirez noted the effect on students' mental health of adding more beds to double rooms and converting student lounges to bedrooms. Mr. Brostrom agreed, commenting that UCLA had converted 80 percent of its double rooms to triples, but had preserved all common space.

Regent Zettel asked if development of tent cities to house students had been considered. Mr. Brostrom responded that UC Santa Cruz had used some modular containers that had been effective for surge space, but that even those required infrastructure.

Staff Advisor Acker asked about the capacity of dining facilities to absorb the enrollment growth. Mr. Brostrom said housing development plans would include dining facilities.

Committee Vice Chair Sherman inquired about data confirming the benefits of students' living on campus. Mr. Brostrom said student satisfaction surveys have supported living on campus.

3. UPDATE ON STUDENT AND TRAINEE HOUSING STRATEGY AND DISCUSSION OF MINNESOTA STREET STUDENT AND TRAINEE HOUSING, 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.]

Chancellor Hawgood presented UCSF's student and trainee housing strategy, and the Minnesota Street Housing Project. Campus housing has become a major focus for UCSF because of increasing difficulties its students and trainees were experiencing in finding proximate and reasonably priced housing. San Francisco is currently the most expensive rental market in the nation. Demand for UCSF's limited supply of reasonably priced on-campus housing far exceeds supply. This issue seriously threatens UCSF's recruitment and retention efforts, and endangers UCSF's success as a top-ranked health science university.

As an immediate bridge solution, UCSF has established a need-based cost-of-living supplement program for its students unable to live on campus, equivalent to \$200 per month. For years, UCSF has had a supplement of \$835 per month for most of its medical residents and postdoctoral fellows. The campus also has many strategies to optimize its current housing, such as enforcing a two-year term limit and maximizing per unit occupancies.

San Francisco's housing market has experienced unprecedented rent increases in the past few years. An average one-bedroom unit in San Francisco rented for \$3,452 per month as of August 2015. By contrast, an average one-bedroom unit on campus rents for \$2,300 per month, 40 percent below market. UCSF's students and trainees have difficulty competing with workforce professionals for market-rate housing. Proximity to campus facilities is essential because of students' fluctuating schedules, overnight shifts, and involvement in patient care. This situation has led to a high demand for reasonably priced campus housing proximate to campus laboratories, hospitals, classes, and services.

UCSF's current on-campus housing supply of 662 units can accommodate only 900, or 14 percent, of its 6,400 students, trainees, residents, and postdoctoral scholars. Recent studies indicate that at least 2,600 students and trainees want campus housing, nearly three times the number the campus can currently house. To avoid overdevelopment, UCSF calculated its housing deficit conservatively to be 1,400 units that would accommodate 1,700.

Given the effect that this housing shortage is having on all of its programs, UCSF is embarking on a series of housing initiatives. After considering various options, it has determined that the most viable and cost-effective way to address the problem is to increase its on-campus housing inventory by developing new, reasonably priced on-campus housing as soon as possible. Mr. Hawgood displayed a graph showing how the campus would address anticipated demand by 2025. The campus set a near-term target supply of 2,000 units including its current inventory.

The UCSF student and trainee housing strategy includes three key projects to meet the supply target by 2025. First, the Minnesota Street housing would add up to 610 units by 2019 on property the campus recently acquired contiguous with the Mission Bay campus. The second project is the Parnassus Heights UC Hall housing project, phase one of which would provide 120 units by 2021. The third project is UCSF's new partnership with UC Hastings to provide up to 680 units in two phases by 2025. Together these projects would add up to 1,400 units and would meet UCSF's projected housing demand. The campus plans to set rents of these units at below-market levels and spread the costs of these projects across its entire housing portfolio. The campus explored more immediate housing options such as buying existing housing or entering into master leases with existing developments, but they were rejected because of cost, operational concerns, or location.

Chancellor Hawgood noted that UCSF has diverse sites and limited land. Even given its limited land, the campus is considering additional housing at some of its campus sites. At Mission Bay, Block 15 is designated for housing in the campus' 2014 Long Range Development Plan. However, UCSF has deferred the development of housing there with the purchases of the parcels on Minnesota Street when they became available in 2015.

The first project to be implemented would be the Minnesota Street housing. UCSF acquired the Minnesota Street property for housing development, given its proximity to its Mission Bay campus and the residential character of the surrounding Dogpatch neighborhood. The campus could build up to 610 units for 750 students and trainees on these sites. However, because of neighborhood concerns, UCSF expects to build no more than 600 units. The building would be consistent with the City's zoning envelope and neighborhood character. UCSF is proposing to develop the project using in-house resources as recommended by a third-party consultant, Century Urban, which found that in-house development of this particular project was more advantageous to UCSF than a public-private partnership with developers. UCSF plans to complete the project by the summer of 2019 and would return to a future meeting to request approval of preliminary plan funding.

Chancellor Hawgood displayed a financial forecast, showing that UCSF could build the proposed project and absorb its costs within UCSF's housing finances. Even after the project is completed and accounting for its debt service, UCSF's housing would generate positive net revenue, which would be directed back into reserves used for replacement, renewal, and new development of student housing. The projected net revenue would meet debt coverage ratios set by Regents' policy. To meet these requirements, rents would need to increase by 6.5 percent annually for four years, but thereafter would meet the target of four percent annual increases. This 6.5 percent rental increase for four years is the worst-case scenario and is in compliance with UC Office of the President's six percent planning rate on debt and a 1.25 debt service coverage ratio in the first two years of operating at principal and interest levels. The campus remains hopeful that the actual borrowing rate would be closer to five percent, therefore allowing it to keep the annual rental increases at four percent. UCSF is in discussions with the Office of the President regarding extending the 1.25 debt service coverage ratios to the first four years of

operations, which would enable UCSF to keep annual rent increases at just four percent. Chancellor Hawgood expressed confidence that UCSF's housing strategy would address the needs of its students and trainees in a fiscally prudent manner, so that the campus can continue to recruit and retain the best talent.

Regent Davis congratulated UCSF on its planned collaboration with UC Hastings College of the Law on housing development. Chancellor Hawgood commented that UCSF and UC Hastings also have cooperative academic programs. Space that UC Hastings has available is equidistant from UCSF's two main campuses and would complement these growing academic interactions.

Regent Pérez also complimented UCSF on its plans to develop housing in partnership with UC Hastings. He asked about community relations with the Dogpatch neighborhood. Chancellor Hawgood commented that the historic Dogpatch neighborhood is immediately to the south of UCSF's Mission Bay campus; Dogpatch had enjoyed a quiet existence for many decades and had been supportive of artists and small startup businesses. The Mission Bay campus, the overall development of Mission Bay, and the current San Francisco technology boom have put gentrification pressure on the Dogpatch neighborhood. This pressure would exist on Dogpatch, even without the presence of UCSF. For many years, UCSF has had one administrative building at 654 Minnesota Street, two blocks south of Mariposa Street, which the local community felt defined the southern end of the Mission Bay campus. The two blocks UCSF had acquired contained old, dilapidated warehouses. Recently UCSF purchased the intervening lot abutting Mariposa Street, so that it now owns continuous lots from Mariposa Street south to the 654 Minnesota Street building. That site currently holds a functioning warehouse housing a plumbing supply company with a lease that runs through the next two years. UCSF would honor that lease. UCSF currently has no specific plans for the development of that site. UCSF is in close, frequent communication with the Dogpatch community group. On one hand, that group is pleased with UCSF's responsiveness, but on the other hand is concerned about UCSF's continued growth and expansion. The project attracting the most conversation currently is a proposal to relocate UCSF's clinical psychiatry clinics into Dogpatch, with a gift to the University of land from an anonymous donor. UCSF is working closely with the neighborhood group to try to garner its support for that critical project. UCSF's experienced community advocacy group has deep connections in the community and would continue to work with the community on design and much-needed retail space, such as a grocery market.

Regent Pérez asked if there were other ongoing businesses in the acquired properties that had the potential to be displaced. Chancellor Hawgood replied that the warehouses contained some very small businesses. UCSF would assist in their relocation.

Committee Vice Chair Sherman asked why automatic four percent rent increases were built into financial projections. Chancellor Hawgood replied that four percent annual increases roughly meet the inflation of the cost of administering and maintaining the housing, so the campus had historically used that amount. UCSF does not run its housing as a profit center, but does try to maintain a balance sheet so it can respond to

depreciation and replacement issues. A four percent annual increase allows the campus to maintain a positive revenue stream.

4. APPROVAL OF DESIGN PURSUANT TO CALIFORNIA ENVIRONMENTAL QUALITY ACT FOR THE STILES STUDENT HOUSING PROJECT, BERKELEY CAMPUS

The President of the University recommended that, following review and consideration of the environmental consequences of the proposed Stiles Student Housing Project, 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 the Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Committee on Grounds and Buildings:

- A. Adopt CEQA Findings based on the analysis of environmental impacts presented in the *Addendum to the University of California, Berkeley 2020 Long Range Development Plan Environmental Impact Report for Stiles Site Student Housing Project*.
- B. Approve the design of the Stiles Site Student Housing Project, 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.]

Associate Vice President Sandra Kim introduced this action to approve the design of the UC Berkeley Stiles Student Housing Project to build housing for approximately 773 beds, with construction anticipated to begin in fall 2016.

Campus Architect Emily Marthinsen observed that providing housing is a huge challenge for UC campuses, whose students currently face intense pressure in finding housing. The Committee was being asked to adopt California Environmental Quality Act Findings for the Stiles Hall Project based on the environmental impacts identified in the Addendum to UC Berkeley's 2020 Long Range Development Plan and approve the Project design. The Project is being developed in partnership with American Campus Communities (ACC); the business terms were approved by the Regents in January 2016. In addition to UC Berkeley's known need for new housing, the City of Berkeley has strongly urged the campus to provide additional housing to accommodate new and continuing students. This project would be critical in addressing the housing shortage.

The Stiles Student Housing Project would be a seven-story infill project in the southside neighborhood, across Bancroft Avenue from the central campus and across Durant Avenue from Unit Three. Unit Three, built in 1964, is comprised of four high-rise ten-story residential halls and a dining facility. In the City of Berkeley's Southside Plan Bancroft Avenue is an important link between Telegraph Avenue and downtown

Berkeley, and is envisioned as a densely developed area with a lively retail mix and an urban design character.

Of the 32,500-square-foot Project site, about 26,000 square feet are currently owned by the University. The remaining parcel is owned by a nonprofit service organization, Stiles Hall, which provides counseling and coordinates volunteer service opportunities for UC Berkeley students. The University and ACC have negotiated the terms of an agreement to purchase the Stiles Hall site and to incorporate space for the organization into the ground floor. The site slopes approximately ten feet from its northeast to its southwest corner.

The Stiles Hall Project would be seven stories tall; the Durant side of the building, which is the entrance to the residence hall, opens to student social spaces and amenities. Along Dana Street, the retail storefront and windows to student social spaces, as well as a landscaped setback, would be attractive for pedestrians.

Regent Pérez asked about the existing Stiles Hall. Ms. Marthinsen said the Project would provide space for the same kinds of activities that are in the existing building. During construction, existing Stiles Hall services would be temporarily located in the Martin Luther King Student Union.

Ms. Marthinsen displayed a typical floor layout, with about 60 bedrooms, most doubles with a few singles; student lounge and study space would be located on the building's corners. The bedrooms on each floor would be grouped in clusters, with three 20-bedroom clusters of 35 to 40 students on each floor, with their own resident assistant, lounge, and study space. Although the building would contain a large number of students, the building's design allows smaller groupings. Ms. Marthinsen described plans for the building's exterior in detail. The project would target Leadership in Energy and Environmental Design Gold certification and would address all UC sustainability goals.

Committee Vice Chair Sherman asked how the Project's cost per bed compared with other UC housing projects systemwide. Associate Vice Chancellor of Real Estate Rajiv Parikh responded that, while he was unfamiliar with systemwide data, the campus tried to make the Project as efficient as possible in terms of square footage. On a bed per square foot basis, the Project cost would be lower than any other UC Berkeley housing, except perhaps Unit Two. The Project was also designed to avoid putting too many students per room, since the rooms were designed for two beds per room, and the built-in furniture would make it difficult to add more students in the future.

Regent Pérez asked how the units in the proposed Project compare in size to units at the Foothill residence hall or on the Clark Kerr campus. Associate Vice Chancellor for Residential and Student Service Programs Stephen Sutton responded that the Clark Kerr units were suites. He noted that the ratio of resident assistants to students was typically one to 55, but was lowered for the proposed Project to one to 30 in order to encourage community-building.

Committee Vice Chair Sherman asked about the proportion of bathrooms in the proposed Project compared with other UC Berkeley housing, since the drawings appeared to have few bathrooms for the number of bedrooms. Ms. Marthinsen said the Project would have the number of bathrooms required by building codes. Each dormitory neighborhood would have two gender-inclusive bathrooms. Executive Vice President and Chief Financial Officer Brostrom added that the campus had made great effort to optimize the space available, given the scarcity of available housing sites.

Committee Vice Chair Sherman asked if the roughly 700 square feet of retail restaurant space would be operated by third parties and if students could use their meal cards. Mr. Parikh confirmed that the restaurants would be operated by third parties, but said that under current campus practices they would not accept student meal cards. The campus was interested in providing students the ability to use their meal cards in third-party operated campus dining facilities. Mr. Sutton added that it was anticipated that occupants of the Stiles Hall would dine across the street in Unit Three's dining hall, which would accept meal plan cards.

Regent Pérez asked what studies had been done about the capacity of the Unit Three dining facility, Café 3, to accommodate an increase of 800 students from the Stiles Hall Project, given that Café 3 was originally intended to accommodate Unit Three students when that building contained all double rooms, many of which have since been converted to triples. Mr. Sutton responded that dining hours had been expanded. Mr. Parikh added that discussions with managers of student dining facilities suggested that they would be able to accommodate the increase through increased hours. Regent Pérez expressed dissatisfaction with these assurances without a formal study to determine if the additional 800 students from the proposed Project could be accommodated in Unit Three dining.

Regent Oved associated himself with Regent Pérez's comments and asked how it was determined to have the retail dining in the proposed Project operated by a third party, rather than add a campus-operated dining hall. Mr. Parikh confirmed that the food tenant in the project's retail space would not be a dining hall, to conform with the City of Berkeley's expectation that Bancroft Avenue be a vibrant retail location. The Project would benefit financially from having a retail tenant. Regent Oved explained that buying a meal plan is a significant cost for students who often have unused meals at the end of the term if they cannot use their meal plans at third-party operated campus dining facilities. He expressed disappointment that increased dining options for students were not considered as part of this Project.

Regent Pérez commented that the Project's first priority should be to serve UC students, particularly since UC Berkeley has relatively few on-campus dining options for students. Mr. Sutton said the campus would further investigate this issue in relation to the ground floor retail space. Regent Pérez asked that this item be tabled pending further consideration of dining options. Mr. Brostrom suggested that the campus put together a memorandum on the Project's retail opportunities, the Project's relationship with existing dining facilities, and with student meal plans. Regent Pérez said if such a memo could be

submitted to the Committee within 24 hours, the Committee could reconvene on the last day of these meetings. Mr. Brostrom agreed with that plan.

Regent Pérez also requested that he be provided again with the full Environmental Impact Report prior to the Committee's reconvening.

Committee Vice Chair Sherman concluded that this item would be tabled until the last day of this meeting.

5. **OVERVIEW OF CAPITAL PRIORITIES, SAN DIEGO 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.]

Associate Vice President Sandra Kim introduced this discussion of the factors influencing UC San Diego's capital needs and its strategy to address near-term priorities. The campus continues to face a shortage of academic space as construction of new facilities had not kept up with prior campus enrollment growth. Also, the campus must continue to address ongoing maintenance and modernization needs. The campus intends to bring forward several capital improvement projects that would improve teaching and research, address space deficiencies, provide new housing, and help address critical deferred maintenance and capital renewal needs.

Chancellor Khosla discussed UC San Diego's capital priorities for the upcoming five years, given the campus' rapid enrollment growth over the past ten years and projected enrollment increases. Until the current year, no new construction of academic buildings or housing had occurred. This presentation would be based on a thoughtful strategic planning process that had resulted in a plan that is rational and sustainable, aimed at providing an unparalleled student experience.

The plan's goals are, first, to maintain academic excellence and continue to strengthen UC San Diego's teaching and research. Chancellor Khosla expressed pride that UC San Diego had been ranked first by *Washington Monthly* six years in a row for positive impact based on three criteria: research, social mobility, and public service. The campus intends to maintain that vibrant momentum and its partnership with the San Diego community. The light rail system coming to UC San Diego would allow it to be even more integrated with the community. Other capital program goals are to accommodate enrollment growth, to invest in academic infrastructure and affordable on-campus housing, to create a living and learning community, and to be financially sustainable. Chancellor Khosla confirmed the campus' intention to develop undergraduate and graduate student housing at a cost 20 percent below local rental market rates. The campus' goal is to be able to guarantee four years of on-campus housing to every undergraduate and Ph.D. student who wants to live on campus. With anticipated enrollment growth, UC San Diego would have about 42,000 students four years hence. The campus expects to expand its college system from six to eight colleges.

Vice Chancellor and Chief Financial Officer Pierre Ouillet discussed UC San Diego's needs for academic infrastructure and student housing. He anticipated \$300 million in capital investment to address a shortage in classrooms, laboratories, and faculty offices. Key capital needs are in engineering, which has experienced quick growth, social sciences, and humanities. Campus housing needs, reflected by student wait lists, are being addressed systematically. The Regents approved plans for 1,200 beds for graduate students. The campus has 7,000 additional beds in various stages of planning, specific projects for which would be brought to the Regents. Campus facility planning is based on a need study of projected enrollment and space standards. Mr. Ouillet noted the unique opportunity offered by regional transportation projects that would include highway widening, bridges that would connect UC San Diego's West and East Campuses, and a rapid transit system that would connect the campus with downtown San Diego. Mr. Ouillet cited student survey results showing increased satisfaction and sense of belonging from living on campus compared with off campus.

Mr. Ouillet displayed a chart listing near-term capital projects. Nuevo West, 800 beds of graduate student housing and 1,200 parking spaces, was planned to be delivered within three years. The North Torrey Pines Project would likely be proposed this summer, a mixed-use development of undergraduate housing and academic infrastructure for social sciences, arts, and humanities. He displayed a campus map showing that these new projects would transform every area of the campus.

UC San Diego uses six strategies to lower its capital costs. Renewal or renovation of existing facilities is used whenever possible. Variations of design-bid-build or design-build delivery methods are used as appropriate to achieve low costs. The campus is increasingly developing mixed-use buildings to share infrastructure and lower costs. The campus utilizes campus debt capacity to access University financing. Capital plans would be a large part of an aggressive fundraising campaign the campus would launch in the fall. Potential donors are enthusiastic. Public-private partnerships would be considered in very focused areas. Mr. Ouillet confirmed the campus' ability to remain financially sustainable through this development. The campus' modified cash margin should remain at three percent or above, even while factoring in these capital plans, its ratio of debt service to operations should remain healthy, and its housing revenues to debt service ratio would exceed requirements.

Regent Pérez expressed support for UC San Diego's thoughtful plan, which he complimented for being student-centered in terms of learning, housing, and career opportunities. The increased engagement with the broader San Diego community, including through the new light rail system, would benefit students and the University and would amplify UC San Diego's already exemplary connection with innovative businesses.

Regent Zettel complimented the campus on its plan and asked if plans for parking would meet future demand, given the anticipated enrollment increase. Chancellor Khosla explained that campus parking and housing were formerly administered separately. More housing had been developed than parking, leading to the current shortage of parking. In

the future, development of parking would be integrated into every housing project. Future parking would also be distributed closer to users' buildings. Mixed-use facilities would include housing, parking, academic buildings, and faculty offices all with the same infrastructure in living-learning communities. He anticipated a three-year transition period with some challenges, but excellent results. Dining options for students would be more varied and widely distributed. Regent Pérez agreed that this innovative approach was exemplary.

Committee Vice Chair Sherman asked whether developing additional parking would encourage more use of cars rather than the light rail system. Chancellor Khosla responded that the campus would encourage use of the light rail. The campus has a free shuttle system from Hillcrest Medical Center to campus. Mr. Ouillet added that student passes would allow discounted transit pricing. The campus was considering asking first- and second-year students not to bring cars to campus. Careful coordination of pedestrian walkways and rapid transit would increase convenience. Chancellor Khosla commented that development of parking would be an ongoing process that the campus would review and update each year.

Committee Vice Chair Sherman asked whether any processes used in development of the Merced 2020 Plan were being considered for use in future development of UC San Diego. Mr. Brostrom said his office had met with UC San Diego staff regarding an area to be developed for mixed use at UC San Diego, for which a public-private partnership development method would be appropriate.

Committee Vice Chair Sherman asked if multi-use spaces would be developed to accommodate possible future changes in use. Mr. Ouillet responded that much of the graduate student housing would be independent living units that could be re-purposed if necessary. Mr. Brostrom added that almost all laboratory space being developed would be flexible space. Chancellor Khosla agreed, noting that the new engineering building that would be brought to the Regents for approval would contain very flexible interior space. Undergraduate housing would also be independent living spaces, which could reduce housing costs for undergraduates who would not necessarily have to purchase a meal plan.

6. **APPROVAL OF PRELIMINARY PLANS FUNDING, NUEVO WEST GRADUATE STUDENT HOUSING, SAN DIEGO CAMPUS**

The President of the University recommended that the 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Nuevo West Graduate Student Housing – preliminary plans – \$7.56 million to be funded from UC San Diego Housing Auxiliary Reserves and Parking 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.]

Associate Vice President Sandra Kim introduced this item requesting approval of \$7.56 million in preliminary plan funding from campus auxiliary reserves for the proposed UC San Diego Nuevo West graduate student housing project (Project), part of a coordinated effort to improve student housing options. The Project would add to the more than 1,300 beds of graduate housing already approved for the West Mesa Nueva campus neighborhood. The Project would include redevelopment of a low-density six-building complex and the construction of a new parking structure.

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

7. PLANS FOR THE GEFFEN ACADEMY, LOS ANGELES 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.]

Associate Vice President Sandra Kim introduced this discussion of the proposed renovation of a three-story 75,000 gross-square-foot building located in the southwest campus to house a program of the Geffen Academy at UCLA. The scope would include site improvements and interior upgrades to be implemented in phases to facilitate a fall 2017 opening of the Geffen Academy. The proposed renovation would be funded through a portion of a \$100 million gift from philanthropist David Geffen to establish and support the Geffen Academy.

Director of the Geffen Academy Sibyll Catalan discussed the impact UCLA hopes to create through the Geffen Academy. A goal of the Academy is to graduate a diverse group of students well-prepared in foundational disciplines represented by "a-g" subject requirements and competitive for UCLA and other top universities. In addition, the Geffen Academy would focus on the science of adolescent mental health and creativity, giving students an opportunity to develop their own creative work. The Geffen Academy would contribute to making secondary teaching more attractive to college graduates and Ph.D.s. The Geffen Academy would have a bidirectional effect on UCLA. The University would benefit from having an opportunity to recruit faculty and staff who seek opportunities for their own children's education; UCLA students could participate in the Geffen Academy by being teaching assistants and readers. The Academy would benefit from being able to offer its students the opportunity, for instance, to take classes at UCLA. As a university started as a normal school with a deep connection to K-12 education, UCLA would benefit from the Geffen Academy's participation in the larger conversation about secondary schooling so that many more students have access to college preparatory schooling and more students in Los Angeles can benefit from UCLA programming.

In response to a question from Regent-designate Ramirez, Chancellor Block confirmed that children of UCLA graduate and undergraduate students would be eligible to attend the Geffen Academy.

8. APPROVAL OF PRELIMINARY PLANS FUNDING, ANDERSON SCHOOL OF MANAGEMENT ADDITION, LOS ANGELES CAMPUS

The President of the University recommended that the 2015-16 Budget for Capital Improvements be amended to include the following project:

Los Angeles: Anderson School of Management Expansion – preliminary plans – \$4.2 million to be funded from gift funds.

[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.]

Associate Vice President Sandra Kim explained that this item sought approval of preliminary plans funding for the Anderson School of Management Expansion at UCLA, authorizing use of \$4.2 million in gift funds. Approval of this funding would enable UCLA to refine the scope of work and budget, and complete schematic design and design development prior to submitting a full project budget to the Regents. Funding would also support site surveys, specialty consultants, and California Environmental Quality Act documentation. The proposed project is expected to be funded entirely through gifts and had already secured significant commitments.

In response to a comment from Regent Zettel, Chancellor Block clarified that the Anderson School's master's degree programs were self-supporting; the School receives a small amount of support from the University for its undergraduate and Ph.D. programs. Regent Zettel expressed support for the expansion project.

Committee Vice Chair Sherman explained that, because of the lack of a quorum, action on this item would be deferred.

9. APPROVAL OF THE BUDGET AND APPROVAL OF EXTERNAL FINANCING, MEDICAL CENTER ELECTRICAL PLANT, IRVINE CAMPUS

The President of the University recommended that:

- A. The 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Irvine: University of California Irvine Medical Center (UCIMC) Electrical Plant – preliminary plans, working drawings, and construction – \$33,178,000 to be funded from external financing.

- B. The President be authorized to obtain external financing in an amount not to exceed \$33,178,000 (plus related financing costs) to finance the UCIMC Electrical Plant project. The President shall require that:
- (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - (2) As long as the debt is outstanding, the gross revenues of the UC Irvine Health system shall be maintained in amounts sufficient to pay the debt service and to meet the requirements of the authorized financing.
 - (3) The general credit of the Regents shall not be pledged.
- C. The scope of the UCIMC Electrical Plant project shall include the upgrade of electrical equipment and distribution to support a modern 12 Kilovolt system for non-California Office of Statewide Health Planning and Development buildings on the UCIMC campus.
- D. The President, in consultation with 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.]

Associate Vice President Sandra Kim introduced this item requesting approval of a project budget of \$33,178,000 in external financing for the UC Irvine Medical Center's (UCIMC's) Electrical Plant. This project was endorsed by the Committee on Health Services at its April 2016 meeting. A sufficient and reliable power supply is essential to the Medical Center's ongoing operations. This project would provide a modern electrical distribution system to serve the approximately 511,000 gross square feet of existing non-California Office of Statewide Health Planning and Development (OSHPD) buildings at the Medical Center, and would be sized to accommodate potential growth. The Regents were being asked to approve the budget and external financing.

UCIMC Interim Chief Operating Officer Larry Anstine confirmed that this critical infrastructure investment would provide safe and consistent electrical power to the medical campus. UCIMC Director of Capital Design and Construction Léon Roach explained that the existing 5,000-volt system supplies 28 buildings at UCIMC. The oldest parts of the existing system are almost 50 years old. The Medical Center has experienced several interruptions of business; the system is not dependable and needs to be replaced. The project scope is to replace the existing system with a 12,000-volt system. The incoming electricity from the utility is 12,000 volts, so it would not be necessary to step it down again before it is brought into the buildings. This power would be both emergency and normal power. The new system would be able to be maintained, whereas the campus

has difficulty obtaining parts for its current, antiquated 5,000-volt system. The new system would be designed as a loop system so that, in case of an interruption in distribution, the Medical Center could feed electricity from the opposite direction. The new system also could be used as a backup, with a manual tie-in to the hospital system. The new system would segregate the non-OSHPD from other buildings.

Regent Zettel asked whether the campus was considering using any solar power to feed into the system. Mr. Roach said that, if any solar power were to be used in the future, it would be connected to the proposed system.

Committee Vice Chair Sherman explained that, due to the lack of a quorum, action on this item would be deferred.

The Committee recessed at 5:05 p.m.

The Committee reconvened on May 12, 2016 at 10:20 a.m.

Members present: Regents Davis, Elliott, Oved, Pérez, Sherman, and Zettel; Ex officio members Lozano, Napolitano, and Varner; Advisory members Hare and Schroeder; Staff Advisors Acker and Richmond

In attendance: Regents De La Peña, Gorman, Gould, Island, Kieffer, Lansing, Ortiz Oakley, Pattiz, and Reiss, Regent-designate Ramirez, Faculty Representative Chalfant, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice Presidents Henderson and Peacock, Vice Presidents Budil, Duckett, and Sakaki, Chancellors Block, Blumenthal, Dirks, Hawgood, Khosla, Leland, Wilcox, and Yang, Acting Chancellor Hexter, and Recording Secretary McCarthy

10. APPROVAL OF DESIGN PURSUANT TO CALIFORNIA ENVIRONMENTAL QUALITY ACT FOR THE STILES STUDENT HOUSING PROJECT, BERKELEY CAMPUS, CONTINUED

Committee Vice Chair Sherman recalled that it had been requested that the campus provide further information about dining options for students prior to the Committee's taking action.

Regent Pérez commented that he had expressed concern about the non-student centered focus of the retail third-party dining space planned for the project. The Berkeley campus had since provided more information, which had substantiated his concern that the planning for student dining options had been inadequate. Regent Pérez stated that he was still not satisfied with the campus' response, but realized that the project needed to move forward.

Regent Oved reiterated that adding 800 students to already crowded dining facilities would create bottlenecks for students. Students want to maximize opportunities to use meal plan cards at on-campus dining facilities, since students who live on campus are required to purchase meal plans at a substantial cost.

Committee Vice Chair Sherman suggested that, when this project is brought to the Regents for further approvals, the campus provide updated information about student dining options, whether third-party operated restaurants in the project's retail space would be required to accept student meal plan cards, and whether other space in the project could be used for additional dining facilities.

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

11. APPROVAL OF PRELIMINARY PLANS FUNDING, ANDERSON SCHOOL OF MANAGEMENT ADDITION, LOS ANGELES CAMPUS, CONTINUED

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

12. APPROVAL OF THE BUDGET AND APPROVAL OF EXTERNAL FINANCING, MEDICAL CENTER ELECTRICAL PLANT, IRVINE CAMPUS, CONTINUED

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 10:25 a.m.

Attest:

Secretary and Chief of Staff