The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE
January 25, 2017

The Finance and Capital Strategies Committee met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members present:	Regents Gould, Kieffer, Makarechian, Schroeder, Sherman, Varner, and Zettel; Advisory members Lemus and White; Chancellors Blumenthal and Hawgood; Staff Advisor Richmond
In attendance:	Assistant Secretary Lyall, Interim Chief Compliance and Audit Officer Lohse, Executive Vice President and Chief Financial Officer Brostrom, Vice President Duckett, Chancellors Khosla, Wilcox, and Yang, Chief Deputy General Counsel Petrulakis, and Recording Secretary Johns

The meeting convened at 10:30 a.m. with Committee Chair Makarechian presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of November 16, 2016 were approved.

2. **APPROVAL OF PRELIMINARY PLANS FUNDING, NUEVO EAST STUDENT HOUSING PROJECT, SAN DIEGO CAMPUS**

The President of the University recommended that the 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Nuevo East Student Housing – preliminary plans – $8,515,000 to be funded from 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.]

Associate Vice President Sandra Kim briefly introduced the item, explaining that the proposed funding would support site surveys, specialty consultants, selection of a design-build team through a competitive process, and preparation of California Environmental Quality Act documentation.

Chancellor Khosla recalled that UC San Diego planned to construct student housing with space for 5,000 beds by 2020, all at below-market rates. The campus also wished to guarantee four years of housing to all undergraduates and Ph.D. students. Currently, UCSD could only offer a one-year guarantee; the additional 5,000 beds would extend that guarantee to two years. The Nuevo East Student Housing project was the third stage of the campus plan for 5,000 new beds. It would provide 1,100 beds for graduate students, with about 764 net new beds. Developing this project would free up existing campus housing space, about 300 beds, for upper-division undergraduates; this would be housing without a meal plan and thus more affordable for these undergraduates. Vice Chancellor Pierre Ouillet briefly remarked on the proposed financing, which followed the campus' usual procedure for such projects.

Regent Zettel commended UC San Diego for developing housing with the quality of the student experience in mind and the goal of providing a positive environment that fosters student success.

Regent Kieffer asked how the campus would guarantee on-campus housing for two or four years at below-market rates. Chancellor Khosla responded that the campus was currently close to being able to offer a one-year guarantee for all undergraduates. He hoped that UCSD would achieve a four-year housing guarantee by 2024-25. Regent Kieffer asked how this would affect the campus budget and operations. Chancellor Khosla responded that housing was one of the only components of the UCSD budget that was self-supporting. In response to Regent Kieffer's first question about financing at low rates, Mr. Ouillet responded that the land was free, financing was inexpensive, and the scale of the project would drive the cost down. In addition, UCSD was already a large operation, with relatively low operating costs, which made increasing from 15,000 beds to 20,000 beds feasible. Chancellor Khosla added that the campus had no mandatory profit margin, unlike a commercial real estate builder.

Regent Kieffer observed that student housing had become a greater concern for UC over the past 20 to 30 years. The demographics of the student body had changed, with fewer students now capable of paying the full costs of education beyond tuition. He requested a discussion of UC student housing over time, as a percentage of undergraduates having access to student housing at below-market rates; how the University has addressed this issue in the past and how it would address current needs, which were different and greater than in the past. Such a long-term perspective would be useful for the Regents and the Legislature. Committee Chair Makarechian responded that the Office of the President had this information. Executive Vice President and Chief Financial Officer Brostrom offered to make a short presentation.

Regent Varner asked how the Nuevo East Student Housing project would be financed. Mr. Ouillet responded that the campus would present an agenda item for budget approval at a future meeting. The project would use the design-build approach. The financing cost would be fully covered by the rent paid by students. In the first phase of the campus plan for 5,000 new beds, the Mesa Nueva project, UCSD achieved a cost of $307 per square foot, well below the UC average. A year later, with the Nuevo West project, the cost was lower still, $304 per square foot. The campus anticipated that the cost of the Nuevo East project would be in the same range. Mr. Ouillet estimated that UCSD would be able to offer a two-bedroom apartment for $1,100 to $1,200 per month, while the San Diego market rate was $2,100. Mr. Brostrom added that debt for all UC student housing projects was issued in the form of limited project revenue bonds. Chancellor Khosla noted that UC San Diego was not pursing public-private partnerships in developing student housing. The campus had significant internal capability for managing housing and dining.

Committee Chair Makarechian urged UCSD to set a goal to lower its rental costs relative to market rental rates. He asked why the campus was planning to add parking spaces at the same time as it encouraged students not to drive. The cost of building parking was high, and it would increase total project cost and the cost of rent for students. He asked the campus to reconsider if parking was in fact a necessary element of this project. Mr. Ouillet responded that the campus chose to develop surface parking for this very reason; it would not be constructing a building. The campus might get rid of these surface parking lots in the next phases of development.

In response to another question by Committee Chair Makarechian, Mr. Ouillet explained that rental costs for students, as a percentage of market rates, would vary between graduates and undergraduates. The cost for undergraduates included a meal plan. Chancellor Khosla seconded this point, emphasizing the amenities and additional facilities included in student housing. Committee Chair Makarechian referred to information provided in the background materials according to which an average rent on campus was $890 per student, while off campus it was about $1,000 per student. Mr. Brostrom explained that the $890 rate was for undergraduate students and included utilities. The rate for graduate students was lower, $581 per student, but did not include utilities.

In response to a question by Regent Sherman, Mr. Ouillet stated that the campus expected this building to have up to eight stories. Regent Sherman asked if the campus was considering building any higher than this to add more units. Executive Director Mark Cunningham responded that the first phase, the Mesa Nueva project, was up to eight stories tall; Phase 2, Nuevo West, was up to 15 stories tall. The Nuevo East project would be in the range of four to eight stories. It had not yet been designed and might be taller. In response to another question by Regent Sherman, Mr. Cunningham stated that this building might cast a shadow over a Jacobs Medical Center parking lot, but not over campus neighbors. Committee Chair Makarechian asked about height restrictions due to a local Marine Corps air station. Mr. Cunningham responded that he believed the height limit to be 22 stories. In response to Regent Sherman's earlier question about building higher, Mr. Cunningham stated that UCSD would allow the competing design-build teams the full range of height and the opportunity to be as creative and as efficient as possible.

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

3. **APPROVAL OF PRELIMINARY PLANS FUNDING, MULTIDISCIPLINARY RESEARCH BUILDING 2, RIVERSIDE CAMPUS**

The President of the University recommended that the 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Riverside: Multidisciplinary Research Building 2 – preliminary plans – $7.6 million to be funded from campus 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.]

Chancellor Wilcox presented this item as part of the continued expansion of the Riverside campus and the growth of its research infrastructure. UCR's 2020 strategic plan called for increased student enrollment combined with targeted faculty growth to improve the faculty-student ratio, enhance research productivity, and contribute to the region's economic development. Consistent with these goals, in fall 2016 UCR enrolled about 23,000 students, including the largest incoming undergraduate and graduate cohorts in its history. The campus had added 181 faculty members in the past three years and in the same period experienced a remarkable 50 percent increase in research grant and contract award activity. With these gains in research, the campus had outgrown its existing physical infrastructure, presenting a challenge for campus planning. UCR's approaches to addressing faculty research needs included more efficient allocation of existing space, off-campus leases for dry laboratories and office support, renovations, and new buildings. UCR had fallen behind in its efforts to accommodate research space needs, but Chancellor Wilcox reported that the campus administration's consultation with faculty on use of campus space had improved, internal processes had been streamlined to clear a backlog of laboratory renovation projects, and UCR had broken ground on the Multidisciplinary Research Building 1 (MRB 1) project in fall 2016.

The Multidisciplinary Research Building 2 (MRB 2) would be a key piece of the campus' comprehensive growth plan. It would be located on the east campus, adjacent to other research laboratory facilities, but the specific site had not yet been identified. Like MRB 1, MRB 2 would include a combination of wet, dry, and computational laboratory space, offices and meeting rooms, and critically important vivarium spaces to support faculty research with live specimens. The building was envisioned as providing 72,000 to 84,000 assignable square feet to accommodate about 50 faculty members and their research teams.

Chancellor Wilcox presented a chart showing the projected cost of MRB 2 relative to the costs of comparable buildings at other UC campuses and other universities. Based on its success with the competitive design-build process for MRB 1, the campus anticipated similar cost savings and efficiencies. Chancellor Wilcox then discussed a chart of UCR financing benchmarks, showing modified cash flow margin and debt service to operations, taking into account the MRB 1 and MRB 2 projects. UCR's debt affordability model indicated that UCR met the Office of the President's campus debt service test of cash flow margin and debt service to operations. The campus had also taken into consideration the costs of operations and plant management, as well as start-up costs associated with faculty research. Chancellor Wilcox noted that UCR could modulate both the amount and timing of faculty growth. If necessary, UCR could slow faculty hiring.

Regent Sherman asked if the campus had an estimate of the increased revenue to be derived from adding MRB 2, and asked if that revenue would be incremental, net of increased debt service. Vice Chancellor Maria Anguiano responded that UCR was planning for ten percent annual growth for research, beginning with a $76 million base. The campus believed that when it began the MRB 2 project, it would be able to cover the debt service; incremental revenue would cover the incremental debt service. In response to another question by Regent Sherman, Chancellor Wilcox confirmed that if research revenues were lower than anticipated, the campus would hire fewer faculty.

Committee Chair Makarechian asked if the campus' debt service to operations would reach the upper mandated limit of six percent due to the MRB 2 project, leaving no debt capacity for other projects. Chancellor Wilcox responded that UCR would present its student housing plans at a future meeting. These plans might involve public-private partnerships, both to offload debt and to allow more creative financing.

Committee Chair Makarechian expressed concern about use of space in the planned building, which appeared significantly less efficient than in MRB 1. In MRB 1, the assignable square feet had been approximately 75 percent of the gross square feet; in MRB 2, this would be only about 50 percent. Chancellor Wilcox explained that this was due to the nature of the site. The MRB 1 site was flat and ready for construction of a cube-shaped building. The MRB 2 site would be on a hill, with topographical complexity.

Committee Chair Makarechian stressed that the cost appeared high, even taking into consideration the topographical complexity of the site. Ms. Anguiano responded that the campus was using the same planning assumption as it had for MRB 1. Chancellor Wilcox added that the MRB 1 project had turned out to be more efficient than planned.

Committee Chair Makarechian urged the campus to make the design of MRB 2 as efficient as possible. Given that the project would use the design-build process, he asked why the preliminary plans budget for this item included a separate $400,000 fee for architectural design services. Ms. Anguiano described this as the "basis of design" fee, work that must be done by the campus to establish a framework for the bids of the design-build teams. The fee was for an architect to work with UCR's team, which would evaluate the design-build teams. Committee Chair Makarechian objected that for projects on other campuses, this work was included in a single design-build fee. He pointed out that the item already included a campus administration fee of about $1.6 million, and requested clarification of the "special items" fee of $2.08 million. Ms. Anguiano responded that the design-build competition was part of the special items fee.

Committee Chair Makarechian emphasized that the projected fees were very high for a 120,000-gross-square-foot building. Chancellor Wilcox noted that permitting also accounted for some of the project fees. This project was modeled on the MRB 1 process, which resulted in a satisfactory end product. He stated that the $400,000 fee could be reduced, but averred that this fee provided value in guidance for setting up the design-build competition. The MRB 2 project would use the same financial plan as MRB 1, but a different construction plan.

Committee Chair Makarechian reiterated his concern about the magnitude of the fees for this project. Associate Vice President Sandra Kim recalled that other UC capital projects had similar preliminary plans budgets. The Riverside campus wished to establish performance criteria for a successful design-build process with upfront investment. Chancellor Wilcox added that the upfront investment in the MRB 1 project had paid off. Executive Vice President and Chief Financial Officer Brostrom suggested that he could provide information about preliminary plans budgets versus expenditures in recent years. Ms. Kim suggested that the campus provide comparison information for MRB 1 and MRB 2 in the future items for MRB 2.

Committee Chair Makarechian expressed concern that the MRB 2 budget would set a high cost precedent. He asked that the campus report back on the building's efficiency. Chancellor Wilcox responded that UCR could provide an interim report. Regent Gould expressed approval for such a report, with information to Committee Chair Makarechian including a comparison with MRB 1.

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

4. **APPROVAL OF BUDGET, EXTERNAL FINANCING, AND DESIGN FOLLOWING ACTION PURSUANT TO CALIFORNIA ENVIRONMENTAL QUALITY ACT, MIDDLE EARTH EXPANSION, IRVINE CAMPUS**

A. The President of the University recommended that:

(1) The 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

Irvine: <u>Middle Earth Expansion</u> – preliminary plans, working drawings, construction, and equipment – $132,123,000 to be funded from external financing ($98.1 million) and housing reserves ($34,023,000).

(2) The scope of the Middle Earth Expansion project shall include the construction of a residence hall facility with approximately 494 beds; replacement and expansion of the dining commons, Housing Administrative Services space, and building support space; and renovation of the existing Pippin Dining Commons to provide a fitness facility and other support functions, totaling approximately 230,000 gross square feet.

(3) The President be authorized to obtain external financing not to exceed \$98.1 million plus additional related financing costs. The President shall require that:

a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.

b. As long as the debt is outstanding, general revenues of the Irvine campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

c. The general credit of the Regents shall not be pledged.

B. The President recommended that following a review and consideration of the environmental consequences of the proposed Middle Earth Expansion 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 this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Finance and Capital Strategies Committee:

(1) Adopt the Initial Study/Mitigated Negative Declaration for the Middle Earth Expansion project in accordance with CEQA.

(2) Adopt the CEQA Findings for the Middle Earth Expansion project.

(3) Approve the design of the Middle Earth Expansion project.

C. The President recommended that, in consultation with the General Counsel, she be authorized to execute all documents necessary in connection with the above.

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

UC Irvine Vice Chancellor – Administrative and Business Services Wendell Brase began the discussion of this item in the context of UC Irvine's need for additional on-campus housing to support recent and projected enrollment growth. Enrollment had increased by 5,000 students in the last eight years, and the campus envisioned continued growth, consistent with the campus' strategic planning goals and UC's framework agreement with the State to enroll more California resident undergraduates over the next two years. UCI's 2007 Long Range Development Plan (LRDP) established a goal of providing housing for 50 percent of undergraduate and graduate students. The campus wished to provide housing at more affordable rates than in the local community, which had some of the highest rental rates in California. The Middle Earth Expansion project was consistent with the LRDP goal of housing freshmen in residence halls located in the academic core of the campus. In spite of the opening of the new Mesa Court Towers project in fall 2016, existing housing still fell short of the LRDP goal; UC Irvine currently housed only 44 percent of its enrolled students. There was a wait list of 2,200 students, including 1,300 undergraduates. The demand for freshman housing was particularly strong. Each year, approximately 80 percent of freshmen take advantage of UCI's offer of guaranteed housing on campus. The campus' housing plan included two projects to address undergraduate housing needs: East Campus Student Apartments Phase 4, a third-party project that would provide housing for 1,400 continuing students, and the Middle Earth Expansion project, a residence hall facility with approximately 494 beds for freshmen in the central campus.

Vice Chancellor – Student Affairs Thomas Parham explained that the Middle Earth Expansion project would include demolition of two small, 40-year-old buildings. The project would be similar in concept to the Mesa Court Towers facility, with two residential towers above a podium structure. The residence halls would be designed primarily with triple occupancy rooms. The podium structure would provide dining and community spaces, including classrooms and study rooms, for the entire Middle Earth community, which would number 2,300 students when this projected is completed. The existing dining hall in Pippin Commons would be renovated to provide fitness and recreation facilities. Debt service on the project would be repaid from housing revenues. The Irvine campus anticipated that undergraduate housing rates would increase by no more than 5.25 percent annually. Upon opening in fall 2019, the anticipated rate for a triple occupancy room, excluding a meal plan, would be $10,944 for the academic year. This rate would include utilities and was considerably lower than rental rates in the local community.

Assistant Vice Chancellor Brian Pratt explained that this project would be delivered using a best value award through a design-build competition. He described the proposed architecture and spaces for the podium structure and the residential towers. The scale of the towers was comparable to neighboring buildings across the Ring Mall. Roofs would be designed to accommodate photovoltaic cells. The color palette of the exterior would be consistent with UC Irvine's long-term inclination toward medium to strong earth tones. At a minimum, the project would achieve a Leadership in Energy and Environmental Design Gold certification, with the goal of exceeding this rating.

Regent Kieffer asked if the fitness and recreation facilities were included in this financial package, or financed differently. Mr. Parham responded that they were included in this package.

Regent Gould referred to the rent increases built in as part of the debt coverage and asked how the campus had determined the level of the rent increase. Director Lisa Anderson explained that the campus set this rate of 5.25 percent to cover operating expenses and debt service for this project.

Regent Gould asked if the campus was confident that its rental rate would remain below market. Mr. Parham responded that Irvine campus housing projects are built to offer below-market rates. Projects built with third-party developers had rates ten percent below the market, while this project would have rates another ten percent lower than that.

Regent Kieffer requested information comparing student housing and goals for student housing at UC campuses with those at other top public universities.

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

5. **APPROVAL OF BUDGET, STANDBY FINANCING, INTERIM FINANCING, AND DESIGN FOLLOWING ACTION PURSUANT TO CALIFORNIA ENVIRONMENTAL QUALITY ACT, ANDERSON SCHOOL OF MANAGEMENT ADDITION, LOS ANGELES CAMPUS**

A. The President of the University recommended that:

(1) The 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

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

To: Los Angeles: Anderson School of Management Addition – preliminary plans, working drawings, construction, and equipment – $70,835,000 to be funded from gift funds.

(2) The Anderson School of Management Addition project (the Project) shall construct an approximately 62,650-gross-square-foot (gsf) addition to the Anderson School of Management complex to accommodate technology-equipped teaching spaces, student support, and event spaces. The Project will also include renovation of approximately 1,100 gsf in the existing complex to provide a connection to the new addition, making the total Project area approximately 63,750 gsf.

(3) The President be authorized to obtain standby financing not to exceed $38,453,000. The President shall require that:

a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

b. Repayment of any debt shall be from gifts funds. As gifts are received, the campus will reimburse the standby financing in a timely fashion. If gift funds are insufficient and some or all of the debt remains outstanding, then the Anderson School of

Management reserves shall be used to pay the debt service and to meet the related requirements of the authorized financing.

c. The general credit of the Regents shall not be pledged.

(4) The President be authorized to obtain interim financing not to exceed $28,235,000. The President shall require that:

a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.

b. To the extent additional gifts are received as documented legally binding pledges, the interim financing will be converted to standby financing.

c. As long as the debt is outstanding, general revenues from the Los Angeles campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

d. The general credit of the Regents shall not be pledged.

B. The President recommended that following review and consideration of the environmental consequences of the proposed Anderson School of Management Addition 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 this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Committee:

(1) Adopt the Final Initial Study/Negative Declaration.

(2) Adopt the Findings in support of the Project.

(3) Approve the design of the Anderson School of Management Addition, Los Angeles campus.

C. The President recommended that, in consultation with the General Counsel, she be authorized to execute all documents necessary in connection with the above.

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

UCLA Vice Chancellor Steven Olsen began the discussion by describing the location of the proposed project, directly adjacent to the historic core of the Los Angeles campus.

The Anderson School of Management Addition would be built on top of Parking Structure 5 and physically attached to and integrated with the existing six buildings of the Anderson complex. The architectural team would include Pei Cobb Freed & Partners, with Gensler as the lead architect. The construction manager would be PCL. The project delivery model would be the “construction manager at risk” model.

Mr. Olsen presented a diagram of the proposed Addition, describing the proposed new four-level building, its entrances, and its relationship with the existing five-level parking structure. Most of the space in the Addition would be devoted to student functions, such as classrooms and study areas, and these functions would be better integrated than they were currently in the Anderson School. The exterior materials to be used, brick and buff cast stone, would be consistent with existing Anderson School and UCLA architecture.

Regent Sherman observed that $28 million remained to be raised for the project. He asked about the level of reserves available to offset this amount. Mr. Olsen responded that the reserves available were far in excess of $28 million. Operating reserves were in the range of $50 million. The Anderson School also had nine-figure quasi-endowments. He stressed that he had no concerns about the security of the financing.

Regent Sherman asked if there would be an increase in enrollment following construction of the Addition. Mr. Olsen responded that an important motivation for the project was to accommodate enrollment growth that had already occurred. The Anderson School was developing new degree programs in emerging fields, and there might be enrollment increases.

Regent Sherman asked if the Anderson School anticipated any additional revenue through development of this building, or if the project was designed to catch up with enrollment growth. Mr. Olsen responded that the business case for the Addition was not return on investment from a financial standpoint. The Anderson School was in a healthy financial position and was not dependent upon enrollment growth to meet financial goals. Students at top-level business schools in the U.S. have high expectations regarding the quality of school facilities, the Anderson School facilities did not yet meet that high level, and the School might find itself at a competitive disadvantage. This was the primary motivation for the project and the reason for strong support from donors.

Regent Sherman observed that the building cost, more than $1,000 per square foot, was high for a building for which UCLA would not have to construct a foundation or a parking structure. Mr. Olsen responded that the building had large enclosed volumes, such as an event space and student study areas, and one of the classrooms had a sloped floor. These inherent features of the design would have an impact on the efficiency of the building. He expressed confidence that the cost of the project would be lowered. Information provided on the project cost reflected the best information now available, based on the current stage of design.

Regent Sherman asked about the ratio of assignable square feet to gross square feet and what appeared to be a low percentage of assignable square feet. Mr. Olsen responded that the designation of assignable square feet for this project was not equivalent to the commercial measurement of an entire usable or rentable area, but a somewhat more restricted definition. The project was not designed like a commercial facility.

Regent Sherman asked about changes to the Dean's existing suite. Mr. Olsen responded that this and other spaces in the existing Anderson complex would be freed up for other student support or academic purposes.

Committee Chair Makarechian emphasized the complexity of the project and asked about the increased weight load that would have to be borne by the parking structure. Director Kathleen Fitzgerald responded that this question was considered early on in project development to determine if this was a feasible site. At the concept design stage, a structural engineer recommended increasing the size of the parking structure columns and strengthening the foundations directly below the parking structure. These costs were embedded in the project budget.

Committee Chair Makarechian asked how the parking facility would be kept open during construction. Ms. Fitzgerald responded that portions of the parking facility, which has about 734 spaces, would be closed in sequence, but parking would largely be kept available.

Committee Chair Makarechian asked about evacuation routes out of the building. Individuals might find themselves trapped inside many structures. He asked if they would be evacuated down into the parking structure. Ms. Fitzgerald responded that the exits of the new building lead to the top level of parking structure; adjacent to that are a stairway and bridge over to the main campus. Committee Chair Makarechian asked if evacuees would use the existing parking structure staircases. Ms. Fitzgerald responded that the project might include a new stairwell, although not required. Committee Chair Makarechian asked if this was included in the budget. Mr. Olsen responded in the negative. The campus was studying the stairwell issue. The primary focus was on managing overall circulation in that part of the campus.

Committee Chair Makarechian asked about allocation of costs between the Anderson School and UCLA. Mr. Olsen responded that as a general rule, the campus would pay for work that is conceptually separable from the project and provides broad benefits for the campus. The School would be responsible for self-contained elements of the project that benefit only the School. He acknowledged that there are sometimes gray areas requiring discussion and equitable accommodation. As an example, he suggested that the stairwell just mentioned would likely be paid for by the campus.

Committee Chair Makarechian asked how the campus would manage possible future conflicts with a contractor, for example, regarding problems with the building foundations. A contractor would likely attribute problems to the existing parking structure. Mr. Olsen responded that the key to resolving such issues was to ensure that one had thorough information and knowledge about the project before proceeding with a contract, and this was the approach being used by UCLA and its construction manager. In the past, UCLA had encountered difficulties due to use of faulty, incomplete construction documents. The contractor was then overwhelmed with requests for information and change orders. The project delivery method currently being employed was designed to reduce such risks to a tolerable level before the contract phase.

Committee Chair Makarechian asked if liability would rest with the Anderson School and not burden UCLA, stressing that the project was being built over an existing structure with many connections to old structures, and that an outside contractor could claim that problems were due to an old structure rather than the new structure it had built. Mr. Olsen acknowledged the validity of this concern. He recalled that UCLA had evaluated and decided against two other possible sites for the project.

Regent Gould expressed his confidence in UCLA's ability to raise the money for this project. He requested information about the Anderson School reserves that would be used to cover debt service if gift funds were insufficient. Mr. Olsen responded that this information would be provided.

Regent Zettel asked if the expansion of programs at the Anderson School would create a challenge in providing sufficient parking. Mr. Olsen responded that the project would remove about 60 parking spaces on a permanent basis. He anticipated that these 60 spaces would be absorbed by the remaining UCLA parking inventory of approximately 23,000 spaces. Ms. Fitzgerald noted that UCLA has the ability to assign or reassign parking spaces to a monthly or daily status, and that some of the largest campus parking structures were fairly close to the Anderson School.

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

6. **APPROVAL OF BUDGET, EXTERNAL FINANCING, STANDBY FINANCING, AMENDMENT #2 TO THE UC SAN FRANCISCO 2014 LONG RANGE DEVELOPMENT PLAN, AND DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, MISSION BAY EAST CAMPUS PHASE 1 BUILDING (BLOCK 33), SAN FRANCISCO CAMPUS**

A. The President of the University recommended that:

(1) The 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Francisco: <u>Mission Bay East Campus Phase 1 Building (Block 33)</u> – preliminary plans – $11 million funded from campus funds.

To: San Francisco: <u>Mission Bay East Campus Phase 1 Building (Block 33)</u> – preliminary plans, working drawings, construction, and equipment – $237.13 million, to be funded from external financing

($159.13 million), gifts ($60 million), and campus funds ($18 million).

(2) The scope of the UCSF Mission Bay East Campus Phase 1 Building (Block 33) (the Project) shall consist of constructing a new academic, administrative, and outpatient clinical building with 275,400 assignable square feet (asf) of space that would include: desktop workspace (200,500 asf); clinical (45,200 asf); laboratory and biomedical workshop (5,700 asf); centralized meeting space, building support and a small amount of retail (24,000 asf).

(3) The President be authorized to obtain external financing not to exceed $159.13 million plus additional related financing costs. The President shall require that:

a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

b. As long as the debt is outstanding, the general revenues of the San Francisco campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

c. The general credit of the Regents shall not be pledged.

(4) The President be authorized to obtain standby financing not to exceed $50 million. The President shall require that:

a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

b. Repayment of any debt shall be from gifts funds. As gifts are received, the campus will reimburse the standby financing in a timely fashion. If gift funds are insufficient and some or all of the debt remains outstanding, then campus funds from a centrally managed pool of unrestricted funds (non-State, non-tuition), including indirect cost recovery on sponsored contracts and grants and investment earnings, shall be used to pay the debt service and to meet the related requirements of the authorized financing.

c. The general credit of the Regents shall not be pledged.

B. The President recommended that, following review and consideration of the environmental consequences of the proposed Mission Bay East Campus Phase 1 Building (Block 33) 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 this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Finance and Capital Strategies Committee:

(1) Find the Project to be in conformance with CEQA as indicated in Addendum #2 to the UC San Francisco 2014 Long Range Development Plan (LRDP) Final Environmental Impact Report (FEIR).

(2) Adopt Findings in support of the Project.

(3) Approve Amendment #2 to the LRDP to revise the functional zone map for the Mission Bay campus site by designating the Block 33 building site as within the "Research" functional zone.

(4) Approve the design of the Mission Bay East Campus Phase 1 Building (Block 33) project, San Francisco campus.

C. The President recommended that, in consultation with the General Counsel, she be authorized to execute all documents necessary in connection with the above.

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

Chancellor Hawgood identified this Mission Bay East Campus Phase 1 Building (Block 33) project as part of a larger strategy for further development of the Mission Bay campus and the adjoining neighborhood. Senior Vice Chancellor Paul Jenny explained that the proposed new building would accommodate research and administrative programs currently located at the UCSF Laurel Heights campus. UCSF would be vacating Laurel Heights and turning it over to a private developer. In addition, the new building would house a new center for visual neuroscience, including ophthalmology clinics, desktop research, and administrative and teaching space, to be relocated from the Parnassus campus. UCSF would also be able to relocate its Development and Alumni Relations office from expensive leased space in downtown San Francisco to Mission Bay. The building would provide approximately 275,000 assignable square feet at an efficiency ratio of 80 percent. The project budget was $237 million, to be funded by a combination of external financing of $159 million, gift money of $60 million, and internal campus funds of $18 million. The projected completion date was July 2019. A consideration of UCSF's debt capacity, including the external financing of $159 million for this project and other projects in UCSF's ten-year capital plan, indicated that this project met three campus financing benchmarks. First, modified cash flow margin would reach a low point of 2.5 percent, improving to 3.1 percent in 2026-27, while the threshold was greater than or equal to zero percent. Second, debt service to operations would reach a high point of 4.9 percent, while the threshold was less than or equal to six percent. Third, expendable resources to debt was estimated to be a ratio of 1.2 percent, while the threshold was greater than or equal to one percent.

Mr. Jenny described the site location and the appearance of the building, with three key massing areas. Academic and administrative office space would be located in the 12-story tower, 160 feet tall. A centralized meeting area or conference center would be located in the three-story north wing, which would also provide a roof terrace and green space. There would be balconies to allow building occupants relaxation and to increase the interest of the façade. The five-story south wing would house the Center for Vision and Neurological Sciences and teaching laboratories. The south entrance was designed for smooth drop-off of patients, with easy access to parking and shuttle buses.

Regent Varner referred to the Golden State Warriors Event Center to be built across Sixteenth Street from the proposed building. He asked about planning for traffic flow, ingress, and egress. Mr. Jenny responded that this would be challenging; the campus had a mitigation plan in place. Associate Vice Chancellor Lori Yamauchi explained that ingress and egress would occur from Illinois Street, in order to avoid Third Street. The drop-off area for patients would be in the interior of the block, not at the curb. UCSF anticipated that some patients would use alternative transportation to minimize parking demand for the site. Golden State Warriors events would typically occur in the evening, after clinic and office hours of operation. UCSF had been working closely with the City of San Francisco and with the Golden State Warriors to address traffic concerns and to ensure that patients have unimpeded access during Warriors events.

Regent Varner asked about long-term plans for public transportation. Mr. Jenny responded that UCSF was coordinating such plans. A priority for UCSF, working with the City of San Francisco, was the addition of a ferry terminal at the terminus of Sixteenth Street as well as increased service on the Muni Metro T line, which runs along Third Street.

In response to a question by Committee Chair Makarechian, Chancellor Hawgood stated that UCSF was making good progress toward achieving the remaining $10 million needed in gift funds and expressed confidence that this amount would be raised before construction began.

Committee Chair Makarechian praised the 80 percent space efficiency of this building. He suggested to Executive Vice President and Chief Financial Officer Brostrom that the University hold all projects to a certain set of basic standards of efficiency, noting that architects like to construct impressive buildings but can be extravagant with UC money in doing so.

Committee Chair Makarechian recalled that UCSF had been leasing space to the Warriors for parking. He asked if this would continue. Chancellor Hawgood responded that UCSF had not agreed to provide any campus parking to the Warriors. The campus would let this and other projects mature before making any commitments.

Regent Sherman asked how many parking spaces would be provided in the lot to the south of the building. Ms. Yamauchi responded that 200 spaces were planned for the surface parking lot. In addition, there were approximately 2,000 parking spaces on the hospital site and on the north campus. UCSF anticipated that parking not accommodated on the surface lot would be accommodated elsewhere on the Mission Bay campus. Regent Sherman asked if the surface lot might be developed in the future. Ms. Yamauchi responded that UCSF planned to maintain it as a surface lot until development of Block 34.

Regent Sherman asked if the allocation of about 3,000 square feet for dining options was typical; the number seemed low. Ms. Yamauchi responded that the building would have a café and this accounted for the 3,000 square feet. In addition, there are dining facilities directly across the street at the medical center and to the north of the building. Regent Sherman asked if these facilities would have the capacity for the hundreds of people who would occupy the building. Mr. Jenny responded that the Dogpatch Neighborhood to the south also provides dining opportunities. In response to a question by Committee Chair Makarechian, he confirmed that all visitors to the campus, including patients, can ride UCSF shuttles.

Regent Kieffer referred to Committee Chair Makarechian's earlier comments on the need for more consistency and efficiency in UC buildings and requested clarification of the term "efficiency" in this context. Committee Chair Makarechian responded that efficiency in this case meant the ratio of usable to non-usable space.

Regent Gould expressed confidence in the ability of UCSF to fund this project with private donations. He requested additional information, an overview of the campus' unrestricted funds that would provide a financial back-up, should fundraising not be successful. Chancellor Hawgood responded that the campus as a whole had well over $1 billion in unrestricted cash on hand, divided among the core campus, the School of Medicine, and the Medical Center. He stated he would provide the information.

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

7. **ACCEPTANCE OF THE 2016-26 CAPITAL FINANCIAL PLAN**

The President of the University recommended that the *University of California 2016-26 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.]

Executive Vice President and Chief Financial Officer Brostrom began the discussion of the 2016-26 Capital Financial Plan by recalling that the University was committed to enrolling an additional 10,000 California resident undergraduates over the next three years and to add at least 14,000 beds by 2020. This Capital Financial Plan did not articulate UC's entire capital need, but only identified those parts of the capital program for which UC can prospectively identify funding. There were significant differences among the campuses, given their financial situations. He advised that this discussion would not cover all ten years of the plan, but the current fiscal year and the next five years, 2016 to 2022. For this period, UC had identified $14.6 billion in capital improvements.

Associate Vice President Sandra Kim reviewed the capital program's three broad categories: "education and general," auxiliary enterprises, and the medical centers. The "education and general" category totaled $7.65 billion, or roughly half the program. Many of these projects are categorized as State-eligible, but due to the lack of State funding for capital projects over the past decade, campuses had identified alternative funding sources, primarily external financing. The next largest program category was auxiliary enterprises, self-supporting services for students, faculty, and staff, such as housing, parking and dining, about $4.13 billion in the Capital Financial Plan. The capital financial needs of UC's medical centers totaled about $2.78 billion. Many medical center projects were self-supporting through patient care revenue and other sources of income. Almost two-thirds of the medical centers' portfolio supported program improvements.

Throughout its history, the University has relied on a variety of fund sources to support its capital program, including long-term debt financing, reserves, gifts, and until recently, State funds. Without new State funding, UC has relied heavily on external financing. Some of this debt was used to fund medical center auxiliary projects, but recently, a significant amount of this borrowing had been used to support State-eligible projects. At times, UC had made the difficult choice to defer capital renovation projects. Of the fund sources for the Capital Financial Plan for the years 2016-22, external financing would support almost half the program, at $7.1 billion. The Plan forecasted $2.9 billion of debt for projects to support the core instructional and research mission of the University, as well as $2.9 billion for the auxiliary enterprises, and $1.2 billion for the medical centers. Gift funds were a significant source for the Plan, at $3.2 billion. Campuses were continuing to pursue fundraising to address high-priority capital needs. Reserves would be used, with about $1.8 billion in campus funds, $1 billion in hospital reserves, and $600 million in auxiliary reserves. Reserves were generally used to support tranches of small capital projects, generally under $5 million. The Plan also featured public-private partnerships with $800 million, including the Merced 2020 Project. Funding associated with public-private partnerships was understated for this Capital Financial Plan. As these partnerships gain momentum and larger capital projects are implemented using this delivery method, the Plan would begin to incorporate these numbers as well.

Ms. Kim discussed charts that showed capital program amounts by campus and medical center. For the campuses there was a range from $171 million at UC Berkeley to over $2 billion at UC San Diego, and the chart depicted the challenges faced by some campuses in funding a capital program with limited debt capacity and available resources. Some campuses, such as Davis and Irvine, rely heavily on fundraising campaigns. The gap between real campus needs on the one hand and affordable projects and available fund sources on the other varies greatly among the campuses. For those campuses presenting smaller capital programs, this gap can be significant. The chart for medical centers showed that these programs had largely been funded by debt and reserves, while there was a large gift component for the Los Angeles campus.

Mr. Brostrom underscored the critical nature of disinvestment by the State for UC capital projects. The last general obligation bond by the State for UC capital projects had been issued in 2006. In the period 2001 to 2010, UC received $3.7 billion in funding in general obligation bonds and lease revenue bonds. In the current decade, UC had received only about $300 million in one tranche of lease revenue bonds. He pointed out that UC's State-eligible projects are among its most critical projects, ones that provide academic space – classrooms, teaching laboratories, academic offices, student services offices, and libraries. The University has often had to fund these State-eligible projects with non-State resources. Nearly half of the Capital Financial Plan for the next six years was State-eligible; campuses had identified other fund sources for some of these projects, including external debt, fundraising, and reserves, but Mr. Brostrom emphasized that this represented a trade-off with other parts of the operating budget, and that these monies could be used instead to support graduate students, faculty hiring, or other operating budget needs. There were still about $3 billion in State-eligible projects for which UC had not identified fund sources. These projects were often to be found on the campuses that are most dependent on State support or tuition, like UC Santa Cruz and UC Santa Barbara. It was imperative that the University work with the State Legislature and gubernatorial candidates on the reintroduction of lease revenue bonds and the introduction of a general obligation bond.

Regent Varner asked if the Capital Financial Plan included funds for deferred maintenance and if there was a shortfall for deferred maintenance. Mr. Brostrom responded that the Plan included deferred maintenance, recognized in the categories of infrastructure deficiencies, facilities modernization, and program improvements. The University estimated a $3 billion backlog on deferred maintenance. The University would include $50 million in its budget for deferred maintenance and had issued century bonds to help address this, but Mr. Brostrom acknowledged that this was one of the most significant shortcomings in UC's capital program.

In response to a question by Regent Kieffer, Mr. Brostrom confirmed that the medical center and auxiliary enterprises capital programs are generally self-funded. There are fund sources that can be used to pay for the "education and general" category, such as indirect cost recovery, UC general funds, and nonresident tuition, although projects in this category do not usually generate additional revenue. UC currently did not include a capital component in its marginal cost of instruction, but planned to address this issue in future financial modeling, which would indicate that increasing student enrollment represented not only an operating cost but also a capital cost.

Regent Kieffer asked about payment of debt in the past, when the State provided capital funding. Mr. Brostrom explained that in the case of a general obligation bond, the State covers the debt service. A lease revenue bond is "double barreled," an annual appropriation paid by the State. However, if the Legislature did not make the appropriation, the University would be responsible. Mr. Brostrom described this latter scenario as almost unthinkable, as it would taint the State's credit.

Regent Kieffer summarized this situation, noting that in the past, the State had put up capital to build educational facilities and paid the debt. Currently the University was putting forward capital, paying debt, and paying this out of its operating budgets, taking money away from other needs, which makes reductions in tuition or the provision of more access to students infeasible. The Legislature and public should be aware of this double blow that the University had been experiencing for years: the budget for a given year was cut, and UC lost the ability to apply the budget where it was needed. Disinvestment by the State was not only disinvestment in budgeting, but disinvestment in building a University for the current and future generations of students. Mr. Brostrom provided an example of this, namely, the amount of debt on UC Merced's balance sheet. He recalled that the Merced campus was ten years old, with 6,200 students. Nevertheless, UC Merced had almost as much debt as UC Santa Cruz, which was 50 years old, with three times as many students. This was because the University had to bear the cost of construction at Merced, whereas the State had built many buildings at Santa Cruz.

Regent Kieffer asked if UC's competitor institutions were operating in a similar way in the area of capital expenditures. Mr. Brostrom responded that the situation varied by state. Some states provided capital funding, others not. He stated his view that the University might be able to persuade the Legislature of its need for more capital funding in order to increase enrollment. Ms. Kim added that resident undergraduate tuition is not used for debt service or for capital projects.

Chancellor Blumenthal noted that many campuses were leasing space off-campus due to the absence of a capital program. He asked if the University could quantify campus costs for leasing and debt service as a fraction of operating expenses. This would serve as an indication of how much UC had shifted the burden of capital expenses to its operating budget. Ms. Kim responded that debt service to operations had increased by several percentage points in the past year, having moved from about three percent to four or 4.5 percent. The campuses use a debt model to project a debt service to operations ratio when presenting new debt requests. The absolute dollar magnitude had grown as well.

Staff Advisor Richmond referred to Mr. Brostrom's earlier comment that in future budget modeling, capital needs would be factored into the cost of instruction. Until this occurred, there was still a gap, a number of capital needs for which the University had not identified funding. She asked how this gap would be closed. Mr. Brostrom responded that campuses were accomplishing this. One example was the renovation and expansion of the veterinary medical center at UC Davis, a $500 million project which would be entirely gift-funded. Previously, the State would have funded a portion of this project. The UC system was funding the Merced 2020 Project. The campuses were forced to make difficult decisions on deferred maintenance and capital renewal. There were $3 billion in needs for which there was not a ready source. Mr. Brostrom reiterated his view that the University might seek State action on this.

Committee Chair Makarechian referred to a chart included in the 2016-26 Capital Financial Plan document showing 2016-17 to 2021-22 funding by location. He asked if the figures shown for external financing were realistic. Mr. Brostrom responded that the figures on the chart reflected the debt model for the campuses including three criteria: cash flow margin, operating margin or debt service as operating expense, and overall wealth, or expendable funds for debt. He recalled that projects in the auxiliary enterprises and medical center categories added revenue as well as debt service. This can be plotted out in order to achieve a steady state with these projects. Debt service was increasing without concomitant revenue in the "education and general" category.

Committee Chair Makarechian requested historical data explaining how UC Berkeley had reached the point of having no debt capacity. Mr. Brostrom responded that the campus had negative cash flow and was experiencing a deficit. Committee Chair Makarechian stressed his serious concern about how UC would address the capital financial situation at the Berkeley campus. Ms. Kim agreed with this concern, observing that UC Berkeley had significant infrastructure needs. Mr. Brostrom added that the Office of the President was working with the Berkeley campus to address funding sources for deferred maintenance and capital renewal. UC Berkeley had been building housing using public-private partnerships.

Regent-designate Lemus asked about the impact of UC Berkeley's capital financial situation on students at that campus. He asked that the Regents receive information on the impact of capital financial needs such as deferred maintenance on a per student basis. Ms. Kim responded that UC Berkeley would likely make a presentation at a future meeting about the campus housing plans. This presentation might include information on the campus' capital needs and impacts on students.

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

8. UPDATE ON FIAT LUX CAPTIVE INSURANCE COMPANY

[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.]

This item was deferred.

9. CONSENT AGENDA

A. ***Amendment of Standing Order 100.4 – Duties of the President and Regents Policy 8102 – Approval of Design, Long Range Development Plans, and the Administration of the California Environmental Quality Act to Extend the Pilot Phase of the Delegated Process for Capital Projects***

The President of the University recommended that the Regents:

(1) Following service of appropriate notice, amend Standing Order 100.4 – Duties of the President as shown in Attachment 1.

(2) Upon final approval of the amendment of Standing Order 100.4 – Duties of the President as shown in Attachment 1, amend *Regents Policy 8102: Policy on Approval of Design, Long Range Development Plans, and the Administration of the California Environmental Quality Act* as shown in Attachment 2.

B. ***First Amendment to 2010 Cooperative Agreement for Isla Vista Community Improvements, Santa Barbara Campus***

The President of the University recommended that:

(1) The President or her designee be authorized to approve the First Amendment to the 2010 Cooperative Agreement for Isla Vista Community Improvements to modify the timing of University payments provided that the total financial obligation of the University of $2 million is not increased and the County's financial obligations are not reduced.

(2) The President or her designee, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above.

C. ***Authority to Indemnify the California Coastal Commission for Development Permits for UC Santa Barbara Projects in the Coastal Zone, Santa Barbara Campus***

The President of the University recommended that:

(1) The President or designee be authorized to approve the special condition of the California Coastal Commission's permits for UC Santa Barbara to indemnify and hold harmless the Commission from and against any liability arising from any damage due to hazards including storm waves, surges, flooding, fire, tsunami, and sea level rise.

(2) The Regents approve Special Condition 3 of the California Coastal Commission's Permit for the North Campus Open Space Restoration Project (Project) to indemnify and hold harmless the Commission from and against any liability arising from any damage due to hazards including storm waves, surges, bluff erosion, flooding, fire, tsunami, and sea level rise.

(3) The President, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above.

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

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

The meeting adjourned at 12:45 p.m.

Attest:

Secretary and Chief of Staff

Additions shown by underscoring; deletions shown by strikethrough

STANDING ORDER 100.4

DUTIES OF THE PRESIDENT OF THE UNIVERSITY

***

(q)(1)

Except as provided in paragraph (q)(2) below, the President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed $10 million. The President is also authorized to approve amendments to the Capital Improvement Program for projects exceeding $10 million up to and including $20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~, and also provided that all actions taken in excess of $10 million up to and including $20 million under this authority be reported at the next following meeting of the Board. However, the following shall be approved by the Board: (1) projects with a total cost in excess of $20 million, (2) for projects in excess of $20 million, any modification in project cost over standard cost-rise augmentation in excess of 25%, or (3) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications.

(q)(2)

This paragraph shall apply exclusively to capital projects for those campus entities approved by the Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~ for inclusion in the pilot phase of the Delegated Process for Capital Improvement Projects.

The President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed $70 million. However, the following shall be approved by the Board: (1) projects with a total cost in excess of $70 million, (2) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications. The President is authorized to approve an increase in project cost as long as the total augmented project cost remains under $70 million; for augmented projects resulting in a total project cost in excess of $70 million, the augmented project shall be approved by the Board.

This paragraph shall become inoperative and is repealed on March 31, 2018 ~~March 31, 2017~~, unless a later Regents' action, that becomes effective on or before March 31, 2018 ~~March 31, 2017~~, deletes or extends the date on which it becomes inoperative and is repealed.

***

(nn)(1)

Except as provided in paragraph (nn)(2) below, the President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including $10 million for the planning, construction, acquisition, equipping, and improvement of projects. The President is also authorized to obtain external financing for amounts in excess of $10 million up to and including $20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the <u>Finance and Capital Strategies Committee</u> ~~Committee on Finance~~, and also provided that all actions taken to obtain external financing for amounts in excess of $10 million up to and including $20 million be reported at the next following meeting of the Board. External financing in excess of $20 million requires Board approval. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President's authority to issue such refinancing shall not be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.

(nn)(2)

This paragraph shall apply exclusively to capital projects for those campus entities approved by the <u>Finance and Capital Strategies Committee</u> ~~Committee on Grounds and Buildings~~ for inclusion in the pilot phase of the Delegated Process for Capital Improvement Projects.

The President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including $70 million for the planning, construction, acquisition, equipping, and improvement of projects. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President's authority to issue such refinancing shall not be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.

This paragraph shall become inoperative and is repealed on March 31, 2018 ~~March 31, 2017~~, unless a later Regents' action, that becomes effective on or before March 31, 2018 ~~March 31, 2017~~, deletes or extends the date on which it becomes inoperative and is repealed.

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Additions shown by underscoring; deletions shown by strikethrough

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

Approved July 16, 1993;
Amended and Renamed January 16, 2003;
Amended September 18, 2008, January 21, 2010, January 20, 2011, and January 23, 2014 and January 22, 2015.

(1) The Regents designate the following categories of projects as requiring design approval by the Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~:

a. Building projects with a total project cost in excess of $10,000,000, except when such projects consist of the following:

i. alterations or remodeling where the exterior of the building is not materially changed;

ii. buildings or facilities located on agricultural, engineering, or other field stations; or

iii. agriculture-related buildings or facilities located in areas of a campus devoted to agricultural functions.

b. Capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by the Regents because of budget matters, fundraising activities, environmental impacts, community concerns, or other reasons.

(2) This paragraph shall apply exclusively to eligible projects for those campus entities approved by the Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~ for inclusion in the pilot phase of the Delegated Process for Capital Projects. The President of the University is authorized to approve the project's design. This subparagraph shall become inoperative and is repealed on March 31, 2018 ~~March 31, 2017~~, unless a later Regents' action, that becomes effective on or before March 31, 2018 ~~March 31, 2017~~, deletes or extends the date on which it becomes inoperative and is repealed.

(3) The approval of building projects other than those subject to approval by the Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~ as set forth above is governed by applicable Bylaws, Standing Orders, and delegations.

(4) Consistent with applicable Bylaws and Standing Orders, the President shall determine the responsibility for unique project approvals and other actions significantly affecting land use that, given their nature, do not involve a design approval.

(5) All building project approvals shall be generally in accordance with an applicable Long Range Development Plan. Adoption by the Regents is required for new and substantially updated LRDPs. All LRDP amendments or actions having the practical effect of an LRDP amendment shall be approved at the following level:

a. The Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~ shall consider for approval all LRDP amendments except those delegated in b. below;

b. The President is authorized to approve minor LRDP amendments, provided that the amendment preserves the fundamental planning principles of the LRDP and is limited to:

i. siting a building project of $10,000,000 or less;

ii. shifting less than 30,000 gross square feet of allocated building space; and/or

iii. changing land-use boundaries and designations for 4 acres or less of land.

(6) The President has the responsibility for the administration of the University's compliance with the California Environmental Quality Act. As provided by CEQA, the certification or adoption of environmental documents is undertaken at the level of the associated project approval. The modification of environmental documents, including mitigation measures, may occur at the same level as the original certification or adoption, provided that the President is authorized to modify an environmental document certified or adopted by the Regents so long as the modification does not result in new or increased significant impacts.

(7) Notwithstanding the foregoing, the approval of the Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~, or in appropriate circumstances the Regents, may be required for any project or other action addressed by this policy when, in the judgment of the President, an action merits review and approval by the Regents because of budget matters, fundraising activities, environmental impacts, community concerns, or other reasons.