The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE
March 15, 2017

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

Members present: Regents Blum, Elliott, Kieffer, Makarechian, Schroeder, Sherman, and Zettel; Advisory members Lemus and White; Chancellors Blumenthal and Hawgood; Staff Advisor Richmond

In attendance: Regent-designate Monge, Assistant Secretary Lyall, General Counsel Robinson, Chief Investment Officer Bachher, Executive Vice President and Chief Investment Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Stobo, Vice President Duckett, Chancellor Gillman, Interim Chancellor Hexter, and Recording Secretary Johns

The meeting convened at 10:05 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 January 25, 2017 were approved.

2. **APPROVAL OF BUDGET AND EXTERNAL FINANCING, MINNESOTA STREET GRADUATE STUDENT AND TRAINEE HOUSING, SAN FRANCISCO CAMPUS**

   The President of the University recommended that:

   A. The 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

   From: San Francisco: Minnesota Street Graduate Student and Trainee Housing – preliminary plans – $12.8 million to be funded from housing reserves ($7 million) and campus funds ($5.8 million).

   To: San Francisco: Minnesota Street Graduate Student and Trainee Housing – preliminary plans, working drawings, construction, and equipment – $231.3 million to be funded from external financing ($213.9 million), housing reserves ($7 million), and parking reserves ($10.4 million).

   B. The scope of the Minnesota Street Housing project shall provide approximately 214,000 assignable square feet (asf) of space and 595 units to house
approximately 706 graduate and professional students and trainees, along with retail, community spaces, and building support. The scope also includes garage parking with approximately 137 spaces.

C. The President be authorized to obtain external financing not to exceed $213.9 million plus additional related financing costs. 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, general revenues from the San Francisco campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

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

D. The President be authorized, in consultation with the General Counsel, 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.]

Associate Vice President Sandra Kim briefly introduced the item. UCSF Senior Vice Chancellor Paul Jenny observed that this project was part of a coordinated strategy for the Mission Bay campus and the Dogpatch neighborhood, including five projects in the first half of the current year. These significant investments had been vetted financially, and were being made in support of UCSF’s clinical, research, and educational enterprise. UCSF had a strong operating margin and cash flows for the foreseeable future.

With respect to the Minnesota Street Graduate Student and Trainee Housing project, in September 2015, UCSF received approval from the Regents to purchase and finance two parcels in the Dogpatch neighborhood, just south of the Mission Bay campus. This neighborhood was re-zoned in the 1990s to promote housing development. The two parcels were currently occupied by superannuated and dilapidated warehouses that would be removed. There was a critical demand for UCSF campus housing, and UCSF needed to provide that housing at rental rates below market levels. The Minnesota Street Graduate Student and Trainee Housing project would provide 595 units by 2019, almost doubling UCSF’s current inventory. Mr. Jenny described the project features. The campus would deliver the project using the “construction manager at risk” approach and anticipated completion by June 2019. He briefly outlined the size and type of the building units and reviewed debt service coverage criteria.

Chancellor Blumenthal asked why UCSF did not choose to use a public-private partnership for this project. Associate Vice Chancellor Clare Shinnerl responded that UCSF hired a third-party consultant to advise UCSF on this project. There were a number
of compelling reasons to pursue this as an in-house project; the primary reason was to retain full control of the rental costs.

Committee Chair Makarechian noted that the price of the land, $55 million, was not included in the total cost, and requested clarification of the reasons for the high price of the project. Chancellor Hawgood responded that UCSF purchased the land using a “friendly condemnation” approach that provided some tax advantages to the seller. Buyers other than UCSF would have purchased the land at a substantially higher price.

Committee Chair Makarechian expressed concerns about the high cost per square foot of the project, the fact that it would meet the debt service coverage requirement only in the 11th year of operations, and the building’s efficiency in terms of assignable or rentable square feet. Associate Vice Chancellor Michael Bade responded that the campus had considered two construction approaches: wood frame over a concrete parking podium, and cast-in-place concrete, which was selected. The cast-in-place concrete system was found to be less expensive per square foot and yielded a greater number of units. The building was being planned with an interior circulation corridor and community spaces.

Committee Chair Makarechian stated his view that there was wasted space in the project as proposed, and that the buildings could fit a larger number of units. He cited the large difference between the gross square footage (approximately 373,000 gross square feet) and assignable square footage (214,000 assignable square feet) in this project. Regent Sherman requested clarification of this difference. Mr. Bade responded that these square footage numbers reflected the starting point of the project; the building design would evolve. Chancellor Hawgood suggested that these questions would be addressed at the May meeting, when the campus would seek design approval. Committee Chair Makarechian opined that the item could not be approved until this issue was clarified.

Regent Sherman noted that the cost of parking space in this project seemed excessive. He asked why the cost was higher than in previous projects. Mr. Bade attributed this to excavation costs, since some of the parking would be fully underground. UCSF would be excavating into the floor of an old quarry, rock excavation below six or seven feet.

Regent Kieffer asked how common spaces and lobby contributed to the “extra” space in the project and if they were important to the project. Mr. Bade responded that the buildings were being designed as courtyard buildings with a garden court in the middle, student community rooms, lounges, and game rooms, providing indoor and outdoor social activities for students on the ground floor. With the exception of some small study rooms, the upper floors would be reserved exclusively for student residences.

Regent-designate Lemus asked how the number of parking spaces was determined. Mr. Bade responded that UCSF studied demand and constructability. Students would be encouraged not to use cars, but to rely on the UCSF shuttles and other transportation. Regent-designate Lemus asked if another location could be identified for parking with a lower construction cost. Chancellor Hawgood responded that parking was available across the street on the general campus. Part of the reason for including parking in this
project was the desire to be responsive to an active community group that is concerned about parking issues.

Committee Chair Makarechian stated that action on this item would be deferred until the May meeting.

3. **APPROVAL OF BUDGET AND DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, PRECISION CANCER MEDICINE BUILDING AT MISSION BAY, SAN FRANCISCO CAMPUS**

A. The President of the University recommended that the Finance and Capital Strategies Committee recommend to the Regents that:

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

   From: San Francisco: Precision Cancer Medicine Building at Mission Bay – preliminary plans – $16.6 million funded from campus funds.

   To: San Francisco: Precision Cancer Medicine Building at Mission Bay – preliminary plans, working drawings, construction, and equipment – $275 million to be funded from campus funds ($175 million) and gifts ($100 million).

(2) The scope of the UCSF Precision Cancer Medicine Building at Mission Bay shall consist of constructing a new outpatient clinical building with approximately 139,600 assignable square feet (asf) of clinical space. The project will also include the renovation of approximately 6,000 asf in an adjacent structure to create a connection and shared lobby between the buildings.

B. The President recommended that, following review and consideration of the environmental consequences of the proposed Precision Cancer Medicine Building at Mission Bay 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) Determine that the UC San Francisco 2014 Long Range Development Plan (LRDP) Final Environmental Impact Report (FEIR), certified by the Regents at the November 2014 meeting, as updated in Addendum #3, adequately analyzes the impacts of the project.
(2) Adopt CEQA Findings and a Statement of Overriding Considerations in support of the project.

(3) Approve the design of the Precision Cancer Medicine Building at Mission Bay 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.]

Associate Vice President Sandra Kim briefly introduced the item. Chancellor Hawgood explained that this project would complete Phase 1 of the UCSF Medical Center at Mission Bay. The Precision Cancer Medicine Building was a critically important element of UCSF’s clinical cancer strategy and would provide state-of-the-art cancer outpatient care. The demand for UCSF’s cancer care services was growing rapidly, and exceeded the available space at Mission Bay. The Precision Cancer Medicine Building would advance UCSF’s regional and national position in cancer care by providing the opportunity for more tightly integrated clinical and research teams to work together toward discoveries, collaboration, and innovation. Once the project is complete, cancer specialty practices in temporary spaces at the Mission Bay and Mount Zion campuses would be consolidated in the new building. Chancellor Hawgood described the proposed features and facilities of the building. The project would also include renovation of approximately 6,000 assignable square feet in the adjacent outpatient building to create a shared lobby between the two buildings. The campus funds to be used for the project were unrestricted reserves held by the School of Medicine, derived from clinical practice and investment earnings. Chancellor-held unrestricted funds, non-State, non-tuition, including strategic initiative funds generated from clinical operations, would be used to reimburse the School of Medicine reserves over time. Project completion was scheduled for spring 2019. Chancellor Hawgood identified the project site and presented architectural renderings. In response to a question by Regent Sherman, he described local transportation, the San Francisco light rail and bus lines that service the Mission Bay campus.

Regent Zettel asked if the project was being designed to provide patients with comprehensive services in one location. Chancellor Hawgood responded in the affirmative. The patient-centered design would seek to have services come to patients as much as possible, rather than having patients move from place to place for services.

Regent Blum asked if UCSF would vacate some space at the Mount Zion hospital. Chancellor Hawgood responded that some of the cancer programs at Mount Zion would relocate to Mission Bay. The space would be filled by other clinical programs. Mount Zion was becoming an ambulatory, non-cancer hub. Some cancer services needed on a daily basis would be retained at Mount Zion, such as radiation oncology and infusion.
Committee Chair Makarechian asked if the use of $175 million in campus funds for this project would affect campus liquidity or other debt service coverage ratios. Chancellor Hawgood responded in the negative. There would be no external financing for this project.

Committee Chair Makarechian asked why the campus was implementing a cost-plus design build agreement with the general contractor, which he characterized as risky. Vice President J. Stuart Eckblad responded that the agreement included a guaranteed maximum price. Savings would be shared with the contractor.

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

4. AMENDMENT OF THE 2017-18 BUDGET FOR STATE CAPITAL IMPROVEMENTS AND APPROVAL OF EXTERNAL FINANCING

The President of the University recommended that:

A. The amended 2017-18 Budget for State Capital Improvements be approved, as shown in Attachment 1.

B. The President be authorized to obtain external financing not to exceed $183,777,000 plus related interest expense and financing costs for the 2017-18 Budget for State Capital Improvements shown in Attachment 1. 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) The primary source of repayment for the external financing of $183,777,000 plus related interest expense and financing costs shall be from State General Fund appropriations, pursuant to the Education Code Section 92493 et seq. Should State General Fund appropriation funds not be available, the President shall have the authority to use any legally available funds to make debt service payments.

   (3) The general credit of the Regents shall not be pledged.

C. 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.]
Associate Vice President Sandra Kim briefly introduced the item. The 2017-18 Budget for State Capital Improvements, as amended, would consist of eight capital projects and the first phase of a systemwide deferred maintenance program. The proposed amendment would add the UC Santa Cruz Cogeneration Plant Replacement Phase 1 project to the budget.

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

5. **AUTHORITY TO FORM NON-PROFIT MUTUAL BENEFIT CORPORATION PURSUANT TO SECTION 23786 OF THE CALIFORNIA BUSINESS AND PROFESSIONS CODE, DAVIS CAMPUS**

The President of the University recommended that the Regents:

A. Authorize the President to form a non-profit mutual benefit corporation affiliated with the UC Davis campus. Pursuant to Section 23786 of the California Business and Professions Code, the non-profit entity would be authorized to:

   (1) Exercise the privileges of the alcoholic beverage license authorized by Section 23786, including:

   a. Accepting up to 20,000 gallons of wine produced by UC Davis per year;

   b. Selling the wine to consumers for consumption off the licensed premises, including bottles and bulk;

   c. Selling to other licensees authorized to sell wine, including liquor stores and restaurants, wholesalers, and wineries; and

   d. Providing samples of the wine to licensees.

   (2) Operate as a non-profit mutual benefit corporation pursuant to applicable laws.

B. Authorize the President, after consultation with the General Counsel, to approve and to execute (a) any documents reasonably required to accomplish the above; and (b) any modifications thereto, provided that such modifications do not materially increase 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.]

Executive Vice President and Chief Financial Officer Brostrom introduced the item, which would allow UC Davis to create a non-profit entity for wine sales.
David Block, Chair of the UC Davis Department of Viticulture and Enology, presented a brief overview of his department’s history. The department was started by an Act of the State Legislature in 1880, with Eugene Hilgard (1833-1916) as the first professor of viticulture and enology at UC Berkeley. In 1933, after the end of Prohibition, the department moved to the Davis campus. Mr. Block outlined the department’s missions of teaching, research, and extension to the wine industry in California, which currently covered 900,000 acres of vineyards and amounted to about $31.9 billion in annual retail sales. The UC Davis Teaching and Research Winery is the most advanced and sustainable winery in the world. Yet until now the Winery has been required to discard wine after producing it; it would have been illegal to sell the wine or even give it away. This provided impetus for recent legislation that would allow UC Davis to avoid wasting wine in a manner that is both financially and environmentally unsustainable.

Chief Campus Counsel Jacob Appelsmith explained that a license is needed to transfer the wine. The State, including the University, may not hold a license. Former State Senator Lois Wolk promoted a bill that creates a mechanism by which UC Davis can transfer the wine to a non-profit entity, which will hold the license. In response to a question by Committee Chair Makarechian, Mr. Appelsmith stated that the entity had no plans to sell anything other than wine. Its purpose would be to transfer wine produced by UC Davis and to serve the Department’s mission; it was clearly not intended to be an alcohol business like others.

Committee Chair Makarechian asked about estimates of pricing and profitability. Chik Brenneman, UC Davis winemaker, responded that UC Davis produces about 6,500 gallons of wine annually. Having a legal mechanism to transfer the wine offsite would allow UC Davis to reduce wastewater impacts. The campus processes about 100 tons of fruit a year with about 400 individual fermentations. This volume of wine would primarily be distributed on the bulk market. Bulk sales range from $5 to $10 per gallon. He anticipated that these sales might provide up to $50,000 annually in revenue to offset Department costs. The Department also has a research station at Oakville in the Napa Valley. Some wines produced there might be priced at $100 or more per bottle, but this would be a minor focus of the Department’s venture.

In response to questions by Regent Sherman, Mr. Brenneman confirmed that no particular brand would go with the bulk sales. Another producer would bottle and brand the wine. UC Davis grows primarily Cabernet Sauvignon at the Oakville Station. The campus vineyards produce Chardonnay, Zinfandel, Barbera, Petite Sirah, and Albariño.

Regent Sherman asked if new methods for the wine industry being developed at UC Davis would provide intellectual property for the campus. Mr. Block responded that intellectual property would not likely be related to the sales of UC Davis wine.

Regent Sherman asked if the Department was developing new strains of grapes. Mr. Block responded that currently there was not consumer acceptance for genetically modified grapevines. UC Davis has a large traditional breeding program to develop disease-resistant and drought-resistant varieties.
Regent Sherman noted that the legislation would allow UC Davis to transfer up to 20,000 gallons per year to the non-profit entity. He asked how many cases of wine this would amount to. Mr. Brenneman responded that this would be about 8,000 cases per year. The current capacity of the Winery was about 3,000 to 4,000 cases annually.

Regent Blum asked how the price of the wine is determined. Mr. Block responded that the bulk wine would be sold at market value. Wine from the Oakville vineyard would be priced like wine from the vineyards in the vicinity.

Regent Zettel observed that development of disease-resistant and drought-resistant varieties could be profitable for the University. Mr. Block confirmed that UC holds the intellectual property rights for these varieties that are released commercially.

Regent Zettel asked if French vintners, who have venerable, centuries-old techniques, ever visit the Department and use techniques developed at UC Davis. Mr. Brenneman responded that there had been a recent visit by French vintners interested in the Department’s sustainability mission and techniques.

Staff Advisor Richmond asked if this arrangement could also apply to UC Davis’ brewing programs. Mr. Block responded that this had been considered when the legislation was first proposed. Questions were raised during the legislative process, and it was determined that it would be more convenient to focus on wine. If this program is successful, it might later be expanded to brewing and distilled spirits.

Regent-designate Lemus asked how the campus handles the biomass waste. Mr. Brenneman responded that biomass waste is transferred to a biodigester on campus and shipped offsite for power generation.

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

6. UPDATE ON STUDENT HOUSING, BERKELEY CAMPUS

[For discussion, see item 7 below.]

7. UPDATE ON STUDENT HOUSING, 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.]

Executive Vice President and Chief Financial Officer Brostrom began the discussion by observing that access to affordable housing was a significant challenge for UC students, driven by limited vacancy rates and rising costs in the markets surrounding UC campuses. President Napolitano had announced an initiative to provide 14,000 new affordable dormitory spaces, and the University hoped to exceed that goal. Many UC student housing projects would be advanced through public-private partnerships. The
University carried out a systemwide solicitation process, identifying eight developers as eligible to compete for upcoming public-private partnership UC housing projects. The University felt that this would expedite delivery of the projects and create a level of competition resulting in greater value for UC. The first of these projects would be undertaken at UC Santa Cruz.

UC Student Association President Ralph Washington, Jr. pointed out that for many students on-campus housing is the golden ticket to success at the University, particularly for students from underrepresented groups. The campus housing situation appeared to be especially acute at UC Berkeley. According to a survey conducted by the UC Berkeley Graduate Assembly, the farther away from campus students live, the lower their academic success. UC student housing projects must address the massive enrollment increases mandated by the State. Mr. Washington expressed concern about the perception that it is less efficient to house graduate students than to house undergraduates. He urged the Regents to bear in mind the importance of housing for graduate students as they considered the housing projects brought forward for their consideration.

Regent Kieffer requested an overview of the development of student housing over the past 50 years, and information about the kind of housing the University anticipated building in the future. He reflected on changes in student demographics, traffic, and population density. Mr. Brostrom responded that the systemwide context would be discussed in a housing update at the May meeting.

Committee Chair Makarechian suggested that some of the background information for the Merced 2020 Project would address this request. Mr. Brostrom responded that this background information would be sent to the Regents between meetings.

Regent Schroeder requested information on the overall composition of housing stock versus current and projected needs for individual students and students with families. Committee Chair Makarechian responded that this would be addressed in the next housing update.

UCLA Vice Chancellor Steven Olsen stated that UCLA’s student housing master plan sets out specific goals to guarantee housing for four years to all entering first-year students, and for two years for all transfer students. UCLA currently housed 46 percent of its undergraduates in on-campus residence halls. This inventory was sufficient to provide a three-year guarantee for freshmen and a one-year guarantee for transfer students. The total number of units for undergraduates was 14,634; UCLA would need to build another 4,500 units for undergraduates. Mr. Olsen stressed that UCLA also had a longstanding commitment to housing for graduate students. UCLA currently housed 1,900 graduate students in on-campus housing, and 1,500 were housed in UCLA apartments within four miles of the campus. UCLA was planning to develop more housing inventory for graduate students.

Demand for on-campus housing was high. Eighty percent of UCLA undergraduates lived in triple rooms that were originally designed for two students. In order to reduce the
number of triples and achieve its housing guarantee goals, UCLA would have to construct an additional 4,500 beds, a mix of residence halls and apartment-style housing. Mr. Olsen described five sites under consideration by UCLA for development of student housing, the Lot 15, Drake, Bradley, University Extension, and Warren sites. If all these sites were developed, this would provide about 6,900 beds. UCLA would study the matter further, determine which sites would be most cost-effective, and return to the Regents at a future meeting with a proposal.

Regent Blum asked about the average rent per month paid by UCLA students. Assistant Vice Chancellor Peter Angelis responded that the cost to students ranged from $12,000 to $19,000 per year, including room and board. Mr. Olsen added that median rent for two-bedroom apartments in the Westwood area was $4,200 per month. The cost of UCLA housing for students was substantially below the market.

Committee Chair Makarechian reflected on the increasing density in student housing due to triple occupancy and how this could be compared to off-campus housing. Mr. Olsen responded that the same phenomenon was occurring in the private sector as well. Due to increasing rents in the area around UCLA, six to eight students might crowd into an apartment designed for four people. This demonstrated the need for UCLA’s on-campus housing strategy.

Regent Sherman asked if student residence halls would include communal kitchens. Mr. Angelis responded that the campus’ Bruin Plate residential restaurant, a unique healthy dining venue seating 950 students, was popular with students. In its housing development, UCLA’s primary goal was affordability. The campus was examining the possibility of a teaching kitchen for students.

In response to a question by Committee Chair Makarechian, Mr. Olsen stated that UCLA hoped to present an item at the next meeting to launch the approval process for student housing projects. In choosing which sites and how many sites to develop, the campus would have to consider its management capacity and the impact of construction in congested areas. Committee Chair Makarechian stressed that these projects would generate profits for the campus and urged UCLA to move quickly to realize them.

Mr. Washington conveyed concerns expressed by UCLA graduate students about the Warren site, since this building is surrounded by graduate student apartments and had been previously considered for graduate student housing.

Regent Blum asked about the financing for these projects, given increasing interest rates. Mr. Olsen responded that construction financing would be through commercial paper, and external financing would be used at the beneficial occupancy date. He recalled that the University requires a six percent feasibility rate for 30-year financing. Mr. Brostrom added that the campus’ financial projections use a six percent borrowing rate. Currently, the University’s borrowing on limited project revenue bonds was at less than four percent. The University would develop strategies to address rising interest rates.
Interim Executive Vice Chancellor and Provost Carol Christ discussed student housing at UC Berkeley. Expanding the capacity of student housing there was an urgent need. She presented figures to illustrate this point. Fall 2016 enrollment at UC Berkeley was 29,310 undergraduates and 10,863 graduate students. UC Berkeley student housing had 7,705 dormitory spaces for undergraduates; the campus could only house 22 percent of its undergraduates. Fifty percent of undergraduate rooms were triples. The campus had only 917 residential spaces for graduate students and could house only nine percent of these students. This was the lowest capacity for both undergraduates and graduate students in the UC system. UC Berkeley’s goal, more modest than UCLA’s, was to offer two years of housing for all entering freshmen, one year of housing for all entering transfer students, and one year of housing for all first-year graduate students. To achieve this, the Berkeley campus would need 14,298 undergraduate beds, approximately double the current capacity, and 3,607 graduate student beds, approximately four times the current capacity.

UC Berkeley needs to recruit outstanding graduate students. Its support packages for graduate students were not competitive with those of the best private institutions. The campus was losing potential graduate students to other institutions because of the scarcity and cost of housing in the area. A task force had identified nine sites on campus-owned land with the cumulative potential for adding 6,900 beds. The City of Berkeley is a densely developed, urban area with expensive land costs and high rent. UC Berkeley did not have open space or empty lots; all housing developments would displace current uses and require relocation. The largest sites with the greatest potential for changing the student housing situation were politically the most complex. Financing projects is challenging. The Berkeley campus had no debt capacity. Unless there were a State bond issue for student housing, all projects would have to be public-private partnerships. The campus’ next steps were to update its Long Range Development Plan (LRDP) with a housing addendum, to carry out a student survey on preferences and priorities, to appoint a working group to assess relocation of programs currently at the Oxford Tract, and to conduct financial modeling for the Oxford Tract and the Channing-Ellsworth site. To alleviate the current situation, the campus was continuing its efforts to secure master leases for apartment buildings in the commercial housing market.

In response to a question by Regent Kieffer, Ms. Christ underscored that the Berkeley main campus is fairly small. As a general principle also reflected in the current LRDP, UC Berkeley did not place housing on the main campus, but tried to locate it as closely adjacent to the campus as possible.

In response to a question by Committee Chair Makarechian, Ms. Christ described the Oxford Tract, a flat site that would be fairly easy to develop and would provide 3,000 beds. Development of the Oxford Tract would be a priority for UC Berkeley but was politically complex. There was considerable student activism opposed to building there.

Committee Chair Makarechian asked about debt capacity, noting that these projects would be self-supporting. Mr. Brostrom responded that the Berkeley projects would be
public-private partnerships using a financing trust structure. They would have an effect on debt capacity but not on credit ratings. Committee Chair Makarechian asked about other possible models for public-private partnerships, where the University would have less than 50 percent ownership. Mr. Brostrom recalled that the Bancroft student residence hall project currently under way was completely financed by the developer and off UC’s balance sheet. UC Berkeley receives an annual ground lease payment from this project.

Committee Chair Makarechian asked how the University controls rents in the Bancroft housing facility. Mr. Brostrom responded that the University has a memorandum of understanding with American Campus Communities concerning this matter. UC Berkeley shares some revenues for summer housing and retail on this project.

Chancellor Hawgood asked about the possible use of the Richmond campus for student housing. Ms. Christ responded that she hoped this site would eventually be considered for housing development, but that much work needed to be done on infrastructure and decontamination of the site before housing could be built there.

Interim Vice Chancellor Stephen Sutton presented a chart with a summary of UC Berkeley’s ten-year financial plan for student housing and dining. The plan included a steady and consistent increase in room and board rates, which would allow UC Berkeley to manage debt service for existing buildings, maintain older housing facilities in good condition for students, and replenish reserves.

Regent Zettel asked about height restrictions on buildings in Berkeley, noting that adding floors is a way of increasing density. Mr. Sutton responded that this may be eight floors. Mr. Brostrom added that development of the Oxford Tract would allow UC Berkeley to move students from existing housing facilities and to densify those facilities.

8. HARING HALL SAFETY IMPROVEMENTS AND BUILDING RENEWAL PROJECT, DAVIS 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 briefly introduced the item, noting that action on this item would occur at future meetings. Interim Chancellor Hexter noted that Haring Hall was the historic home of UC Davis’ School of Veterinary Medicine, which had now been relocated. This had freed up significant space in a prime location in the campus core. The campus’ proposal for renovation and re-use of Haring Hall would provide additional general assignment classrooms and teaching laboratories for hundreds of students, as well as office space for faculty and teaching assistants. Reinvestment in Haring Hall was a key element in the campus’ plan to accommodate growing numbers of students.

Senior Associate Vice Chancellor Kelly Ratliff described Haring Hall. The building systems were inefficient and past their useful life. Seismic corrections and improvements
to fire suppression systems would be necessary. The campus considered both renovation and rebuilding, and arrived at a combination of the two. Most of Haring Hall would be renovated. The renovation project, when complete, would have a useful life like that of a new facility, and at 80 percent of the cost. The structural grid of the building was well suited for classrooms and offices. The second part of the project would include demolition of a single-story part of the wing and some temporary buildings, providing a site for a future sciences building and leaving space for a courtyard and additional bicycle parking. Ms. Ratliff cited figures for recent growth in student enrollment and faculty at UC Davis, and emphasized that the campus has insufficient space to accommodate this growth. The east wing of the building would be dedicated to faculty and staff offices, a mix of 200 to 300 open and closed offices. The central wing would be dedicated to instruction, with about 2,000 lecture seats, and classrooms with 20 to 150 seats or more. Informal learning spaces would be included in the design.

Committee Chair Makarechian stressed that renovation of a building built around 1950 would be costly. He expressed skepticism about the campus’ belief that it could renovate Haring Hall at a cost 20 percent lower than constructing a new building. He asked the campus to provide a comparison of the cost of demolition and rebuilding versus the cost of renovation for this project.

Committee Chair Makarechian asked what was iconic about this building and if the façade had to be preserved for reasons of historic value. Assistant Vice Chancellor Clayton Halliday responded that the façade did not have to be preserved but that many historic events for UC Davis had occurred in the building. The site was analyzed by structural engineers. The campus would be saving money on walls and foundation.

Regent Sherman noted that the contractor for the project might have a hidden conditions clause. In developing a cost estimate, the campus should try to eliminate any contingency costs. Mr. Halliday responded that the campus would address this. In response to Committee Chair Makarechian’s concerns, he acknowledged that the demolition work required would be significant.

Regent Zettel questioned the value of renovation of this building. Interim Chancellor Hexter thanked the Regents for their healthy skepticism, noting that the campus had considered this project with the same skepticism. He expressed the campus’ conviction that the proposed approach would save money and result in completion at an earlier date.

Regent-designate Lemus asked if UC Davis would consider mixed use for this and other buildings, given the shortage of student housing. Ms. Ratliff responded that UC Davis was increasingly considering mixed use for all its facilities.

Committee Chair Makarechian stated that the campus could secure a fixed maximum cost for demolition and new construction, but not for renovation of an old building. He urged the campus to secure a fixed cost for this project.
The meeting adjourned at 12:15 p.m.

Attest:

Secretary and Chief of Staff
Additions shown by underscoring

### 2017-18 BUDGET FOR STATE CAPITAL IMPROVEMENTS ($000s)

<table>
<thead>
<tr>
<th>Location</th>
<th>Project Description</th>
<th>Financing Supported by State General Funds</th>
<th>Phase¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berkeley</td>
<td>Evans Hall and Hearst Memorial Gymnasium</td>
<td>$1,700</td>
<td>S P²</td>
</tr>
<tr>
<td>Berkeley</td>
<td>2223 Fulton Seismic Demolition</td>
<td>$3,050</td>
<td>C</td>
</tr>
<tr>
<td>Berkeley</td>
<td>Giannini Hall Seismic Safety Corrections</td>
<td>$3,250</td>
<td>P W</td>
</tr>
<tr>
<td>Irvine</td>
<td>Interdisciplinary Sciences Building</td>
<td>$50,000</td>
<td>D C</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>Center for Health Sciences-Neuropsychiatric Institute Seismic Correction</td>
<td>$25,000</td>
<td>C</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>Franz Tower Seismic Renovation</td>
<td>$25,000</td>
<td>C</td>
</tr>
<tr>
<td>San Francisco</td>
<td>Health Sciences Instructional &amp; Research Life Safety Improvements</td>
<td>$3,000</td>
<td>D</td>
</tr>
<tr>
<td>Santa Cruz</td>
<td>Cogeneration Plant Replacement Phase 1</td>
<td>$22,777</td>
<td>C</td>
</tr>
<tr>
<td></td>
<td><strong>Capital Projects Total</strong></td>
<td><strong>$133,777</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Systemwide State Deferred Maintenance Program</td>
<td>$50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL 2017-18 BUDGET</strong></td>
<td><strong>$183,777</strong></td>
<td></td>
</tr>
</tbody>
</table>

¹ Refer to the Key for Acronyms.
² Seismic studies and design though the schematic level only.