

The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE

January 22, 2020

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

Members present: Regents Blum, Estolano, Kounalakis, Makarechian, Sherman, Simmons, and Um; Advisory members Bhavnani, Mart, and Muwwakkil; Chancellors Christ, Gillman, Hawgood, and Khosla

In attendance: Secretary and Chief of Staff Shaw, General Counsel Robinson, Executive Vice President Byington, Executive Vice President and Chief Operating Officer Nava, Interim Executive Vice President and Chief Financial Officer Jenny, Chancellors Block, Wilcox, and Yang, and Recording Secretary Johns

The meeting convened at 5:10 p.m. with Committee Chair Makarechian presiding.

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

Upon motion duly made and seconded, the minutes the meeting of November 13, 2019 were approved.

2. **CONSENT AGENDA**

A. *Approval of Preliminary Plans Funding, College of Chemistry Expansion Building, Berkeley Campus*

The President of the University recommended that the 2019-20 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Berkeley: College of Chemistry Expansion Building – preliminary plans – \$3,199,000 to be funded with campus funds.

B. *Approval of Preliminary Plans Funding, School of Medicine Education Building II, Riverside Campus*

The President of the University recommended that:

- (1) The 2019-20 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Riverside: School of Medicine Education Building II – preliminary plans – \$6.4 million to be funded from external financing supported by State General Funds.

- (2) The President shall be authorized to obtain external financing not to exceed \$6.4 million, plus additional related financing costs. The President shall require that:
 - a. The primary source of repayment 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.
 - b. The general credit of the Regents shall not be pledged.

C. *Conforming Amendments to the 2019-20 and 2020-21 Budgets for State Capital Improvements*

The President of the University recommended that:

- (1) The amended 2019-20 Budget for State Capital Improvements be approved as shown below:

		State General Funds Financed (\$000s)		
		Approved Budget Nov 2018	Proposed Change	Proposed Budget Jan 2020
Berkeley	University Hall Seismic Safety Improvements	\$6,050		\$6,050
Irvine	Student Wellness & Success Center	\$13,000		\$13,000
Riverside	Pierce Hall Interiors	\$13,000		\$13,000
Riverside	School of Medicine Education Building II		\$6,400	\$6,400
Santa Barbara	Classroom Building	\$79,787		\$79,787
Santa Cruz	Kresge College Academic	\$47,200		\$47,200
Division of Agriculture and Natural Resources	Facilities Renewal and Improvements	\$19,237		\$19,237
Capital Projects Total		\$178,274	\$6,400	\$184,674
2019-20 Systemwide State Deferred Maintenance Program		\$35,000		\$35,000
TOTAL STATE FUNDS FINANCED		\$213,274	\$6,400	\$219,674

- (2) The amended 2020-21 Budget for State Capital Improvements be approved as shown below:

		State General Funds Financed (\$000s)		
		Approved Budget Sept 2019	Proposed Change	Proposed Budget Jan 2020
Los Angeles	Public Affairs Building Seismic Improvements	\$25,000		\$25,000
Riverside	School of Medicine Education Building II	\$100,000	(\$6,400)	\$93,600
Systemwide	UC Center in Sacramento	\$11,400		\$11,400
Systemwide	2020-21 UC Seismic Program Supported by State Resources	\$300,000		\$300,000
Systemwide	2020-21 Planning for Future State Capital Outlay	\$80,000		\$80,000
Capital Projects Total		\$516,400	(\$6,400)	\$510,000
2020-21 Systemwide State Deferred Maintenance Program		\$35,000		\$35,000
TOTAL STATE FUNDS FINANCED		\$551,400	(\$6,400)	\$545,000

D. ***Approval of Design Following Action Pursuant to the California Environmental Quality Act, Biological and Environmental Program Integration Center Project, Lawrence Berkeley National Laboratory***

The President of the University recommended that, following review and consideration of the environmental consequences of the Biological and Environmental Program Integration Center, 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 to the Regents no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:

- (1) Following review and consideration of the previously certified Lawrence Berkeley National Laboratory (LBNL) 2006 Long Range Development Plan (LRDP) Environmental Impact Report (EIR), as supplemented, of which the Biological and Environmental Program Integration Center is a part, determine that no further environmental analysis pursuant to CEQA is required and adopt CEQA Findings for the Biological and Environmental Program Integration Center.
- (2) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of LBNL, as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2006 LRDP EIR.
- (3) Approve the design of the Biological and Environmental Program Integration Center, Lawrence Berkeley National Laboratory.

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

Committee Chair Makarechian briefly introduced the consent agenda items.

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

3. **AUTHORIZATION TO ADOPT RESOLUTION OF NECESSITY FOR PROCEEDINGS IN EMINENT DOMAIN ACTION, HILLCREST MEDICAL CENTER, SAN DIEGO CAMPUS**

The President of the University recommended that the Regents:

- A. Adopt a Resolution of Necessity authorizing the University to file an eminent domain action to acquire approximately 5,432 square feet of vacant land located at the terminus of First Avenue in the City of San Diego, County of San Diego, California (Assessor's Parcel No. 444-302-19) (Subject Property) in order to implement the phased redevelopment of the Hillcrest Campus (Project) based on the following findings:
- (1) The public interest and necessity require the Project, which is the 2019 Long Range Development Plan, Hillcrest Campus Project;
 - (2) The Project is planned and located in a manner which will be most compatible with the greatest public good and the least private injury;
 - (3) The property sought to be acquired is necessary for the Project; and
 - (4) The offers to purchase the property required by Section 7267.2 of the Government Code of the State of California have been made to the owner of the real property.
- B. Authorize the General Counsel or his duly authorized designee to:
- (1) Institute and conduct an action in eminent domain to acquire the Subject Property and take such actions as he deems advisable or necessary in connection therewith; and
 - (2) Obtain an order for prejudgment possession in said action and issue a warrant to the State Treasury Condemnation Fund, in the amount determined by the Court to be so deposited, as a condition to the right of immediate possession.

[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.]

Regent Estolano asked what would happen to the redevelopment plan for the UC San Diego Hillcrest campus if UCSD was unable to acquire the particular piece of property referenced in this item. UCSD Executive Director – Real Estate Jeff Graham responded that the entire Hillcrest project would have to be redesigned, which would likely delay the project for years. The planned outpatient pavilion, utility plant, and parking structure were part of Phase 1 of a multi-phase development which would ultimately result in a new, acute care hospital being built by 2030. If UCSD is unable to deliver this hospital by 2030, its existing hospital at Hillcrest will be noncompliant with State standards and will have to be closed. Given that this is the only feasible site for the hospital and outpatient pavilion, not acquiring this property would be devastating for the entire Hillcrest project.

In response to another question by Regent Estolano, Mr. Graham confirmed that UCSD could not redesign around this property. UCSD had been successful in negotiating friendly purchases of all the other properties it needed for this project. The property referenced in this item, a vacant lot, was the only remaining property that UCSD needed to acquire.

Regent Estolano stated that she was satisfied that, unfortunately, the Regents were required to approve a resolution of necessity.

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

4. **IRVINE CAMPUS MEDICAL COMPLEX AND AMENDMENT OF SCOPE AND BUDGET, CENTER FOR CHILD HEALTH/MEDICAL OFFICE BUILDING, IRVINE CAMPUS**

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

Chancellor Gillman explained that this one agenda item encompassed two different projects. One project was a Center for Child Health, which had been in development for some time. In spring 2018, UC Irvine received administrative approval from the Executive Vice President – Chief Financial Officer for this project. The campus now realized that it would be appropriate to expand this project more substantially, with more efficient use of the land, and was proposing to increase the project scope to construct a medical office building.

Separately, UC Irvine was giving preliminary consideration to a larger project for a medical complex closer to the main campus. The campus had conducted feasibility studies but not yet any project planning. This project would be presented at a future meeting.

5. **UPDATE ON THE UNIVERSITY'S SEISMIC SAFETY PROGRAM**

[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 Peggy Arrivas reported that, in the University's seismic safety assessment of its 6,000 buildings, over 2,000 had been reviewed so far. More than 1,000 of these buildings were compliant with policy, with seismic ratings of IV or lower. Three buildings had ratings of VII, the worst rating; these buildings were unoccupied and access to them had been restricted. About 75 buildings, rated VI, were not compliant with UC policy and had been prioritized for improvements. About 850 buildings, rated V, required further evaluation to determine what types of improvements were needed, and these further evaluations had begun. Ms. Arrivas anticipated that all remaining building assessments would be completed later in 2020 and that the University would be able to report on all its buildings later in 2020 or early in 2021.

Committee Chair Makarechian asked if there would be a list of all buildings, with names, locations, costs, and sources to fund the costs. Ms. Arrivas responded that several campuses had posted lists of evaluated buildings and their ratings on the campus websites. With regard to the cost of remediation work, buildings can be retrofitted for continued use, or, if the cost of doing this is too high, buildings can be taken out of use and replaced. Campuses were currently determining which buildings to retrofit and which to replace. With regard to buildings with a seismic rating of VI, the University had identified Assembly Bill (AB) 94 funds to cover 14 projects and proposed to use general obligation bond funding to cover further projects.

Committee Chair Makarechian stated that it would be desirable to assemble a timetable for the remaining buildings for which financing had not yet been identified. Interim Executive Vice President and Chief Financial Officer Jenny drew attention to an area of complexity. If a campus decides to retrofit rather than demolish a building, and the retrofit work is so extensive that people must be moved out of the building, the campus might decide to upgrade the programming of that building. The University could provide the cost of seismic repair for these buildings but not the cost of repurposing. The cost of seismic repairs might not represent the total cost of a project.

Committee Chair Makarechian stated that it would be helpful, to the extent possible, to identify the extent of retrofit work, costs, and financing.

Student observer Aidan Arasasingham, a UCLA student, noted that the work of the Finance and Capital Strategies Committee has a strong connection to the lives of students. The Committee's robust discussions of tuition have been invaluable and thorough review of any tuition proposal is important. Students were concerned about issues of deferred maintenance and seismic safety, and students, as the primary users of campus facilities, should be consulted in campus decisions in these areas. The UC Student Association had endorsed Proposition 13, the general obligation bond measure, and students hoped to be active stakeholders in the process for State allocations beyond the March election. The proposed Gateway Student Housing Project at UC Berkeley was a compelling model for affordable student housing and represented the best of intentional philanthropy. This project would meet an urgent housing need with minimal public funds. The proposal included maintenance support and scholarship funding, and this could serve as a model for future developments. The People's Park Housing project provided another model for

affordable housing and helped address the housing and homelessness crisis in a neighboring community. Students are excited and inspired when the University takes an activist stance in the public interest. Homelessness was a major crisis facing California, and this project, including permanent supportive housing, support services, and a research component, could serve as a model for future collaborations to address homelessness. Mr. Arasasingham encouraged UC to use its campuses as laboratories for housing innovation and to leverage its capital strategy in the public interest.

6. **INTEGRATED CAPITAL ASSET MANAGEMENT PROGRAM**

[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.]

Discussion of this item was deferred.

7. **PEOPLE'S PARK HOUSING, BERKELEY CAMPUS**

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

Chancellor Christ began the discussion by stating that the Regents were familiar with the history of People's Park and were aware of the acute need for student housing at UC Berkeley. Among UC campuses, the Berkeley campus housed by far the smallest percentage of its undergraduate and graduate students in UC housing. The People's Park project was intended to solve three problems. First, the project was intended to unlock the site. Due to the almost mythical political history of People's Park and the controversy surrounding the site, it has been very difficult for the University to make even minor physical alterations to it. Second, the project was meant to address the public safety problem. During the day, a significant number of homeless people sojourn there. The park is cleared at night, although recently there had been a growing number of tents which were hard to remove. Crimes are committed in the park and homeless people are often the victims. People's Park is located in the middle of UC Berkeley's student housing and dining neighborhood, a concern for students and their families. Third, the project was intended to address the need for student housing.

UC Berkeley envisioned using one quarter of the site for permanent supportive housing for the homeless, with about 125 beds. The campus would use the location as a training and educational site for students in the Schools of Social Welfare and Public Health. One quarter of the site would be a park, memorializing the history of People's Park, and would be more usable than the park was currently. The remaining half of the site would be used for student housing. The campus was seeking the Regents' advice and comments on this general concept.

Regent Estolano commended the campus for its multi-faceted approach to this challenging site, noting that the campus had sought out a nonprofit developer. In particular, she expressed appreciation for the fact that UC Berkeley was seeking to address homelessness,

provide supportive services, and integrate this into students' learning experience. This was an excellent concept.

Chancellor Hawgood asked if the City of Berkeley had expressed interest in helping with supportive services, which were costly. Chancellor Christ responded that the City of Berkeley supported the project. The Mayor and City Council had publicly expressed support, but she did not believe that the City intended to make a financial contribution. The economics of the project still needed to be worked out, and the nonprofit partner would be engaged in this work. The campus was also considering whether medical services should be provided on the site.

Committee Chair Makarechian asked how the campus would separate student housing from the community park, which can attract drug dealers. UC Berkeley Professor Emeritus Sam Davis, special faculty assistant for the People's Park project, responded that the campus was in the beginning planning stages and was seeking input from the community. The supportive housing would be located in a completely separate building which might have its own private outdoor space as well. There was an approximately 20-foot topography difference between parts of the site. The student housing would likely be at a different elevation than the supportive housing, but Mr. Davis stressed that UC Berkeley wishes this project to be an integrated whole and for the site to be part of the neighborhood.

Chancellor Christ remarked that UC Berkeley Professor of Landscape Architecture Walter Hood would design the park element of this project. The campus wishes this to be a memorial, and many interesting ideas had been suggested for shaping this space, such as a walk through the history of People's Park.

In response to another question by Committee Chair Makarechian, Chancellor Christ confirmed that the park would be under the control of UC Berkeley; the property would not be turned over to the City. The permanent supportive housing would be under the control of the not-for-profit partner, but UC Berkeley would have educational programs there.

Regent Blum asked how well publicized this concept was in the community. He recalled past incidents of community opposition and protest against the removal of trees on the Berkeley campus, including a long-term tree-sit. He urged the campus to be mindful of possible opposition to this project. Chancellor Christ responded that the campus was well aware that public controversy was likely. She noted that she had spoken publicly about these plans with many neighborhood groups. While a small group of opponents felt that UC Berkeley should not violate what they saw as a sacred space, public opinion about the park had shifted, in large part due to the park's current character. Mr. Davis added that two religious institutions, located on different corners of People's Park, were supportive of the project, as was the Telegraph Business Improvement District. The campus would anticipate problems, arrange for adequate security, and have time to plan.

Chancellor Christ noted that UC Berkeley had hired a social worker who works full-time at People's Park; this has helped the campus' relations with the community.

Faculty Representative Bhavnani asked how the Academic Senate was involved in this project. Chancellor Christ responded that there had been discussions with the Academic Senate throughout the development of the project. In particular, UC Berkeley was calling on faculty with expertise on homelessness issues. Mr. Davis commented that most committees working on this project included faculty members. There had been ongoing interactions with faculty from the Schools of Social Welfare, Public Health, and Education.

Chancellor Christ concluded that UC Berkeley had a responsibility to work with the City of Berkeley to alleviate the problem of homelessness, and this was one of her goals for this project.

8. **GATEWAY STUDENT HOUSING PROJECT, BERKELEY CAMPUS**

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

This information item was not discussed.

9. **MISSION BAY EAST CAMPUS PHASE 2 (BLOCK 34) CLINICAL BUILDING AND PARKING GARAGE, SAN FRANCISCO CAMPUS**

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

This information item was not discussed.

10. **OVERVIEW OF UCPATH BENEFITS**

[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.]

Discussion of this item was deferred.

The meeting adjourned at 5:45 p.m.

Attest:

Secretary and Chief of Staff