

The Regents of the University of California

**FINANCE AND CAPITAL STRATEGIES COMMITTEE**

July 30, 2020

The Finance and Capital Strategies Committee met on the above dates by teleconference meeting conducted in accordance with Paragraph 3 of Governor Newsom's Executive Order N-29-20.

Members present: Regents Cohen, Estolano, Leib, Makarechian, Muwwakkil, Park, Reilly, and Sherman; Advisory member Bhavnani; Chancellors Christ, Gillman, Hawgood, Khosla, and Wilcox; Staff Advisor Jeffrey

In attendance: Regent-designate Lott, Secretary and Chief of Staff Shaw, General Counsel Robinson, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President Byington, Chancellors May and Muñoz, and Recording Secretary Johns

The meeting convened at 1:05 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 May 19-20, 2020 were approved, Regents Cohen, Estolano, Leib, Makarechian, Muwwakkil, Park, Reilly, and Sherman voting "aye."<sup>1</sup>

**2. CONSENT AGENDA**

**A. *Continuation of Life-Safety Fee, Berkeley Campus***

The President of the University recommended that the life-safety portion of the Berkeley Campus Fee (Life-Safety Fee) continue at its current level for four years, from fall 2020 through summer 2024, with the following specifications:

- (1) All students enrolled at the Berkeley campus during the regular academic year be assessed a mandatory life-safety portion of the Berkeley Campus Fee of \$46 per student per term from fall 2020 through spring 2024.
- (2) Students enrolled in summer sessions be assessed a mandatory life-safety portion of the Berkeley Campus Fee of \$23 per student from summer 2021 through summer 2024.

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<sup>1</sup> Roll call vote required by the Bagley-Keene Open Meeting Act [Government Code § 11123(b)(1)(D)] for all meetings held by teleconference.

B. ***Preliminary Plans Funding, Academic Seismic Replacement Building (Evans Hall Seismic Replacement), Berkeley Campus***

The President of the University recommended that:

- (1) The 2020-21 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Berkeley: Evans Hall – study – \$1.1 million to be funded from external financing supported by State appropriations.

To: Berkeley: Academic Seismic Replacement Building (Evans Hall Seismic Replacement) – study and preliminary plans – \$7.1 million to be funded from external financing supported by State appropriations.

- (2) The President shall be authorized to obtain external financing not to exceed \$6 million, plus additional related financing costs, to finance the Academic Seismic Replacement Building. The President shall require that the Berkeley campus satisfy the following requirements:

- a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the period.
- b. The primary source of repayment of \$6 million plus related interest expense and financing costs shall be from State appropriations, pursuant to the Education Code Section 92493 et seq. Should State appropriation funds not be available, the President shall have the authority to use any legally available funds to make debt service payments.
- c. The general credit of the Regents shall not be pledged.

C. ***Approval of Design Following Action Pursuant to the California Environmental Quality Act, Orchard Park Graduate Student Housing and Family Housing Project, Davis Campus***

The President of the University recommended that, following review and consideration of the environmental consequences of the Orchard Park Graduate Student Housing and Family Housing project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of this Regents meeting, testimony, or written materials presented to the Regents during the scheduled public comment period and the item presentation, the Regents:

- (1) Adopt the CEQA Findings for the Project, having considered both the 2018 Long Range Development Plan (LRDP) Environmental Impact Report (EIR) for the Davis campus and the July 2020 Addendum.
- (2) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC Davis as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2018 LRDP EIR.
- (3) Approve the design of the Orchard Park Graduate Student Housing and Family Housing project, Davis campus.
- (4) Authorize the President, or designee, in consultation with the Office of 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.]

Committee Chair Makarechian briefly introduced the consent agenda. He asked Executive Vice President and Chief Financial Officer Brostrom to confirm that, in item C, *Approval of Design Following Action Pursuant to the California Environmental Quality Act, Orchard Park Graduate Student Housing and Family Housing Project, Davis Campus*, the Regents would not be approving project partners or financial terms. He also noted that he had requested a correction to a bathroom floor plan. Mr. Brostrom responded that the business terms for the development, financing, and management of this project would be taken up at a subsequent meeting. With regard to Committee Chair Makarechian's concerns about the floor plan and layout, Chancellor May confirmed that the campus had taken these concerns into consideration and would make this correction.

Committee Chair Makarechian stated that the floor plan for building plan B1 in the background materials still needed to be corrected. UC Davis Vice Chancellor Kelly Ratliff responded that the campus would correct this document and provide the corrected document.

Upon motion duly made and seconded, the Committee approved the President's recommendations and voted to present them to the Board, Regents Cohen, Estolano, Leib, Makarechian, Muwwakkil, Park, Reilly, and Sherman voting "aye."

3. **APPROVAL OF SERVICES AGREEMENTS WITH BEAR RIVER LAND HOLDINGS, LLC AND CERTAIN OTHER AFFILIATED ENTITIES, DAVIS CAMPUS**

The President of the University recommended that the Regents:

- A. Authorize the University of California, through its UC Davis Health campus, to enter into a services agreement (LUP Services Agreement) with Bear River Land Holdings, LLC (Bear River), a related party with respect to the University, consistent with the terms presented below:
- (1) UCDH will provide consulting support to Bear River in the development of a Land Use Plan (LUP). The LUP will be shared by Bear River with non-University third party entities in support of Bear River's requests for requisite permits and zoning permissions, as well as Bear River's satisfaction of other applicable regulatory requirements to proceed with the planned development of the Community for Health and Independence (CHI), in the Sacramento area.
  - (2) The Regents shall be compensated in cash for the services provided in accordance with UCDH's standard rate determination process for similar services to third parties (i.e., where no committee-approved standard rate applies), which includes: (i) reimbursement of all costs and expenses incurred, (ii) payment of salary and benefits of all staff involved, pro-rated via time commitment to the services, and (iii) application of the appropriate indirect cost rate to the overall total direct cost amount pursuant to guidance from the Office of the President (at present, the indirect cost rate is 39 percent). The anticipated total cost for the services under the LUP Services Agreement is approximately \$285,000.
  - (3) UCDH shall provide a comprehensive, detailed report that will include information, recommendations, and guidance that are within its areas of expertise, which may include, among other things:
    - a. The overarching features, planning, and design components that should be included in the LUP to optimize healthy aging and independence in the community setting.
    - b. Ways to promote the expansion, replication, and sustainability of this community model.
    - c. Ways to enhance the research related to healthy aging and provide improved access and delivery of healthcare for older adults, individuals with disabilities, and other vulnerable populations.

- d. Strategies to align with the University's mission, including providing excellent, accessible, and affordable healthcare; pursuing state-of-the-art research; delivering superb medical/healthcare education; and engaging in meaningful ways with the community.
- B. Authorize the University of California, through its UC Davis Health campus, to enter into future services agreements with Bear River (Additional Services Agreements) in connection with the CHI, on substantially the same terms as the LUP Services Agreement, though for different services to be determined by UCDH and Bear River from time to time. Bear River has expressed interest in working with UCDH on similar service agreements in the future. For example, Bear River has expressed interest in utilizing UCDH's expertise regarding: (i) the design and operation of technology-enabled health and wellness centers; (ii) appropriate commercial partners to operate health kiosks that could be placed within a residential community and/or within homes; and (iii) on tools to help underserved populations access care.
- C. Authorize the President, which authority is expected to be further delegated by the President to the Chancellor of the Davis campus, in consultation with the General Counsel, to execute all documents, amendments, and modifications thereto, as may be necessary or appropriate 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.]

Executive Vice President and Chief Financial Officer Brostrom explained that this action item was for approval of an agreement for a small dollar amount, about \$300,000. The item required Regental approval because it involved a party related to one of the Regents, namely, Regent Kounalakis' father.

Committee Chair Makarechian praised the project concept, which would address many societal concerns about the elderly population and access to health care.

General Counsel Robinson commented that the relevant standard in this case was the question of whether the agreement was fair and reasonable and in the best interests of the University. If the Regents approved this item, the record would reflect that they had made this determination.

Regent Cohen stated his understanding that this agreement was a consulting contract for using the University's expertise in developing a concept. The Regents would not be giving authorization for any construction or the development of an actual project. Committee Chair Makarechian confirmed that this was the case. The developer would consult with UC Davis. This was essentially a consulting agreement, for which UC would charge the same rate as with any third party.

Secretary and Chief of Staff Shaw read a statement by Regent Kounalakis: “My family has had a longstanding relationship with UC Davis and has been very supportive of the incredible work of the University for years, including the MIND Institute. Given this relationship, I recuse myself from this item.”

Upon motion duly made and seconded, the Committee approved the President’s recommendation and voted to present it to the Board, Regents Cohen, Estolano, Leib, Makarechian, Muwwakkil, Park, Reilly, and Sherman voting “aye.”

4. **PRELIMINARY PLANS FUNDING, HOSPITAL BED REPLACEMENT TOWER, DAVIS HEALTH CAMPUS**

The President of the University recommended that the 2020-21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Davis: Hospital Bed Replacement Tower – preliminary plans – \$101,618,000 to be funded with hospital 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.]

Executive Vice President and Chief Financial Officer Brostrom remarked that this Hospital Bed Replacement Tower project would encompass approximately 600,000 to 800,000 gross square feet and be located next to the existing main hospital complex. The project would enable UC Davis to come into compliance with seismic safety law, Senate Bill 1953, by the target date of 2030.

Chancellor May recalled that the UC Davis Main Hospital was a 625-bed acute care hospital which served six million residents across 33 California counties. It was the only Level 1 adult and pediatric trauma center in the region and admitted about 31,000 patients each year. Per Senate Bill 1953 mandate, the North/South Wing of the hospital must be removed from service by 2022, and the East Wing by 2030. This project would address the obsolescence of existing facilities and allow UC Davis Health to continue to provide high-quality care.

Committee Chair Makarechian commented that the amount being requested for preliminary plans funding, about \$101 million, was significant. He observed that building codes might change at this point due to the COVID-19 pandemic; this was a current topic for architectural firms. He expressed concern that UC Davis might be spending time and funds at a time when things were subject to change and asked how the campus could ensure that these funds would not be wasted. UC Davis Human Health Sciences Vice Chancellor David Lubarsky responded that the campus would take into consideration the Regents’ thoughts and concerns about the cost of borrowing and their wish that the hospital architecture support the ability of UC Davis Health to respond to possible future crises. Dr. Lubarsky noted that these future crises might include pandemics, radiation exposure,

earthquakes, and fires. During the planning phase, UC Davis would strive to build a hospital of the future. He hoped that UC Davis would be able to negotiate a lower rate from the architect because the architect would be able to use this as the first example of many model projects. Over the past months, UC Davis had been considering ideas for the changes it would make from its original plans for the project.

Committee Chair Makarechian asked about the financial situation of UC Davis Health and UC Davis, and about stress testing. Dr. Lubarsky responded that the campus had developed a variety of cash flow models based on alternative sizing of the towers or combining Phase 1 and Phase 2 of the project. This would be a profitable venture, and the cash flow models supported an even more aggressive approach. UC Davis Health now had more business than ever before in its history. Managing patient volume had become a significant problem. The future of providing service in the region was clear; UC Davis needed to proceed with this project.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Estolano, Leib, Makarechian, Muwwakkil, Park, Reilly, and Sherman voting "aye."

5. **COMPREHENSIVE PARNASSUS HEIGHTS PLAN, LONG RANGE DEVELOPMENT PLAN AMENDMENT AND PHYSICAL DESIGN FRAMEWORK AMENDMENT, SAN FRANCISCO CAMPUS**

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

Chancellor Hawgood recalled that an overview of UCSF's Parnassus Heights planning had been discussed in 2019 with the Health Services Committee. This would be one of two discussion items for the Finance and Capital Strategies Committee before UCSF presented an action item for approval of an Environmental Impact Report (EIR) and amendment to the Long Range Development Plan (LRDP), anticipated in January 2021.

UCSF had begun a review of planning for the historic Parnassus Heights campus in 2018, culminating in the publication of the Comprehensive Parnassus Heights Plan, a site plan for the next several decades to reimagine the campus. The oldest building on Parnassus Heights opened in 1917, and the most recent in the early 2000s. The average age of the Parnassus Heights buildings was now well over 50 years. The campus had been built incrementally over the course of a century, without strong design guidelines. UCSF had published the EIR for public comment on July 13. The public comment period would be open for 60 days. UCSF had chosen four projects to be part of Phase 1 of the Parnassus Heights Plan. The first would be the new Helen Diller Medical Center, which would address seismic and functional obsolescence of the existing Moffitt Hospital. The second would be a new research and academic building, which would replace the oldest building on campus, UC Hall. The third project would create a new, more welcoming arrival space on Irving Street. Most visitors to the campus take public transportation and come through this portal. The fourth project would add new housing in the Aldea Housing complex.

Chancellor Hawgood drew attention to an important past action by the Regents, the 1976 *Designation of Open Space Reserve, Alteration of Campus Boundaries, Commitment of Houses to Residential Use, Authorization to Negotiate Sale of Properties and Commitment to Transportation Studies, San Francisco*, also referred to as the 1976 Regents' Resolution. The Resolution addressed a number of land use issues on the Parnassus Campus. It called for the permanent delegation of a green space of about 61 acres, the Mount Sutro Forest, to be maintained with public access. Chancellor Hawgood noted that UCSF was happy to do this. UCSF was not seeking any change to the campus boundaries. The Resolution had also applied a space ceiling of 3.55 million gross square feet of built space. UCSF was now asking for the space ceiling to be increased by 1.5 million gross square feet to 5.05 million gross square feet. UCSF would densify the built part of the campus. UCSF believed that it was possible to increase density and, at the same time, improve access to the campus for the community. This would be accomplished through a comprehensive rebuilding of about 50 percent of the built space on Parnassus Heights over the next 30 years. As part of the future proposed LRDP amendment, UCSF would be asking the Regents to make a significant change to the 1976 Regents' Resolution by increasing the space ceiling.

Committee Chair Makarechian asked about the Regents' ability to amend the LRDP and change the space ceiling, and if this could be done as one action. Chancellor Hawgood confirmed that the Regents had this ability, and had done so in 2014. The 2014 LRDP revised the 1976 Regents' Resolution to exclude residential square footage from the space ceiling. UCSF was working with the Office of the President to determine the correct way to make these changes. Chancellor Hawgood believed that the change to the space ceiling could be made as part of the LRDP amendment.

Regent Sherman asked when construction might begin. Chancellor Hawgood responded that UCSF would like to begin construction of the new research and academic building in 2022, and to get most of the hard work on this project finished before beginning work on the new hospital tower in 2024, with the goal of completing the hospital by 2030. This was a tight construction site, and UCSF wished to build these two projects in this sequence. UCSF would present a second EIR for the hospital project. The design for this project was just beginning. There would be an EIR for the whole campus project and a second EIR for the hospital project.

In response to another question by Regent Sherman, Chancellor Hawgood stated that most of the proposed increase in the space ceiling, about 900,000 square feet, would be for the hospital.

Regent Reilly asked about UCSF's dialogue with community groups and what kind of feedback the campus was receiving. Chancellor Hawgood responded that UCSF had engaged with the community over the past 24 months. For the past six or seven months, UCSF had a formal community advisory group. Community outreach was going well, including outreach to elected officials. There were naturally concerns about a project of this size, and the concerns fell in the categories UCSF anticipated. There was concern about whether UCSF would be building enough new housing for the increasing number of people

who would be working at Parnassus Heights. UCSF planned to build approximately 760 new units of housing, which was an aggressive goal. There were concerns about congestion and the effects on transportation. UCSF transportation consultants were working on this question and working with the City of San Francisco on possible joint investments. There were concerns about the bulk and siting of the hospital itself. UCSF was continuing to work with community members to address these concerns. UCSF was excited about having engaged Herzog & de Meuron as the design architect for the hospital project. This was the architect who designed the De Young Museum in Golden Gate Park in San Francisco, and UCSF believed that this architect would be responsive to community concerns.

6. **HEALTH AND BEHAVIORAL SCIENCES BUILDING (MEDICAL EDUCATION PROJECT), MERCED 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 Muñoz recalled that bringing medical education to the Central Valley was one of the highest priorities for UC Merced, and a priority which was supported by the University and members of the State Legislature. It was also a dream which had been deferred for too long for the Merced community, which was among the most medically underserved communities in California. Chancellor Muñoz thanked the Regents for their support of this measure to begin planning the Health and Behavioral Sciences Building, which would be a key element in UC Merced's already robust public health research enterprise and the cornerstone of its medical education program. The COVID-19 pandemic had demonstrated clearly the lack of resources in the Central Valley, and medical facilities in the region were straining to cope with the number of cases. Chancellor Muñoz emphasized the need to start this project now, at a time when the rate of COVID-19 infections in the Central Valley was more than twice the state average.

Director of Medical Education Thelma Hurd remarked on the rationale for this new building at this time. The effects of the COVID-19 crisis in the Central Valley had made clear to all the reality in outcomes due to lack of access to testing and medical treatment in the context of a chronically underfunded public health system with limited capacity. The results were a burgeoning population of infected and sick people and a dearth of providers. This pandemic had highlighted the urgent need to increase the physician and healthcare provider pipeline. UC Merced was uniquely positioned to do this, as the only UC campus in the Central Valley and a longstanding partner of the San Joaquin Valley Program in Medical Education (PRIME) with a diverse student body, 30 percent of whom came from the Central Valley. The success of UC Merced was reflected in robust growth in student and faculty numbers. In medical education, UC Merced, UCSF-Fresno, and UCSF were now beginning to build a combined graduate medical education program. This program planned to matriculate its inaugural B.S./M.D. class in 2023. Recent State funding for this graduate medical education program and the planned matriculation of first-year medical students at UC Merced in 2027 mandated adequate facilities to meet medical training needs. Partnerships with community colleges, secondary schools, other accredited medical

education programs in the Central Valley, and with Federally Qualified Health Center Look-Alike programs would require facilities that promote community access and interaction. Without additional space, the Departments of Psychological Sciences, Public Health, and Cognitive Science would not be able to continue to support enrollment growth at the undergraduate and graduate levels or hire the additional faculty required to develop anticipated new programs necessary to deliver a flourishing medical education pipeline program.

The Health and Behavioral Sciences Building was a critical step toward achieving UC Merced's goals of improving health in the Central Valley by building capacity for Central Valley students to enter a community-based and community-engaged medical education program that would equip them to address and find innovative solutions for the Central Valley's unique and disproportionate burden of disease; by strategically expanding regional capacity to eliminate health disparities, promote health equity, and address public health issues through community partnerships; and by creating an academic center that would ultimately become an academic health center. This building would be designed with flexible instructional spaces that could be adapted to changes in use and pedagogy. The building would house the medical education program, the Health Sciences Research Institute, and Psychological Sciences and Public Health departments. It would create an environment for interdisciplinary learning and research, with distance learning classrooms, clinical laboratories, practicum spaces, digital anatomy laboratories, and simulation training facilities, and it would allow UC Merced to offer high-quality medical and health science training. Dr. Hurd stressed the urgent need to proceed with this project for the future of medical and health sciences training and workforce development in the Central Valley.

Executive Vice Chancellor and Provost Gregg Camfield stressed that this medical education program would be community-based and community-engaged. This reflected the development of UC Merced up to this point. UC Merced had already developed expertise in healthcare communication and outreach to communities which had been underserved, with faculty and students working together. A flattened hierarchy made UC Merced a powerful community of inquiry, and UC Merced would bring this quality to medical education. UC Merced was excited to partner with UCSF. The curriculum would be innovative, reflecting recent discoveries, and it would manifest an awareness of the need for partnership with patients and awareness of community needs.

Regent Leib asked if this project would address needs in the field of mental health. Mr. Camfield responded that UC Merced did not intend to build a program in clinical psychology at this point. In the future, the medical education program might include expertise in psychiatry. UC Merced's approach to community mental health was operating at a preventive level. UC Merced health psychologists were studying questions such as the reasons why people engage in risky behaviors and factors that disrupt community cohesion. The campus' efforts were focused on helping communities to be healthier.

Regent Muwwakkil asked if the campus had pipeline programs to attract students from the Merced area for the programs that would be housed in the new building. Mr. Camfield

responded that, from the outset, the campus had a community engagement program to improve college attendance throughout the San Joaquin Valley. Both UCSF-Fresno and UC Merced were developing pipeline programs with public school systems. UC Merced hoped to expand these programs across the San Joaquin Valley, so that young people understand how they need to apply themselves early on in working toward a medical career. UC Merced intended to have a holistic, integrated approach to medical education. The campus was engaged in negotiations with Modesto Junior College and Merced College to create a combined R.N./B.S.N. program. The pipeline programs would lead not just to medical education per se, but would address the entirety of healthcare needs in the San Joaquin Valley. Chancellor Muñoz noted that there was an effort under way, the “Merced Promise,” to encourage community college students in the region to transfer to UC Merced, in order to retain talent in the Central Valley.

Chancellor Hawgood expressed his strong support for this project. UCSF was excited about this partnership with UC Merced.

Regent Estolano voiced her enthusiasm for the project.

Regent Sherman asked if the project plan provided enough space, or if the building should be planned to be larger. Chancellor Muñoz expressed agreement with Regent Sherman. Executive Vice President and Chief Financial Officer Brostrom commented that UC Merced’s debt was more than twice the systemwide average. This would have to be worked out before expanding this project. He anticipated that the campus’ next large project would be for housing.

Regent Sherman asked if UC Merced would use its partner from the Merced 2020 project to take on this project. Mr. Brostrom responded that construction of this project was still several years in the future. There would be competitors for this project.

Committee Chair Makarechian asked about funding sources and noted that the campus planned to seek approval for preliminary plans funding at the September Regents meeting. Mr. Brostrom responded that this preliminary plans funding was limited. This building project would have been UC Merced’s top project funded by the general obligation bond proposed in Proposition 13, which failed in the March 2020 State elections. The campus would have to consider other sources. UC Riverside had received a direct State appropriation for a medical school building, so this might be a possibility. Long-term funding for this project remained to be identified.

Committee Chair Makarechian asked if campus funds would fund the design component of the project. Mr. Brostrom responded this would be funded with about \$6 million in AB 94 funds.

## 7. **2021-22 STATE CAPITAL BUDGET**

[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 this information item. There were no questions from Committee members.

8. **WELCOME CENTER BUILDING ON LAWRENCE BERKELEY NATIONAL LABORATORY'S MAIN CAMPUS IN BERKELEY**

[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 noted that the entire funding for this project would be provided by the U.S. Department of Energy.

The meeting adjourned at 1:55 p.m.

Attest:

Secretary and Chief of Staff