The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE
January 19-20, 2022

The Finance and Capital Strategies Committee met on the above dates by teleconference meeting conducted in accordance with California Government Code §§ 11133.

Members present: Regents Kounalakis, Leib, Makarechian, Ortiz Oakley, Pérez, Reilly, Sherman, and Zaragoza; Ex officio members Drake and Estolano; Advisory member Horwitz; Chancellors Christ, Gillman, Hawgood, Khosla, Muñoz, and Wilcox; Staff Advisor Lakireddy

In attendance: Secretary and Chief of Staff Shaw, Chief of Staff and Special Counsel Drumm, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President Byington, Senior Vice President Colburn, Chancellor May, and Recording Secretary Johns

The meeting convened at 9:35 a.m. with Committee Vice Chair Ortiz Oakley presiding.

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

Upon motion duly made and seconded, the minutes the meeting of November 17, 2021 were approved, Regents Drake, Estolano, Kounalakis, Leib, Makarechian, Ortiz Oakley, Pérez, Reilly, and Sherman voting "aye."[1]

2. **CONSENT AGENDA**

A. ***Preliminary Plans Funding, Bechtel Engineering Center Renovation and Addition, Berkeley Campus***

The President of the University recommended that the 2021-22 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Berkeley: Bechtel Engineering Center Renovation and Addition – preliminary plans – $5.9 million to be funded with gift funds.

B. ***Preliminary Plans Funding, Hot Water Conversion Sprocket District and Thermal Energy Storage Heat Recovery Chillers, Davis Campus***

The President of the University recommended that the 2021-22 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

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

Davis: Hot Water Conversion Sprocket District and Thermal Energy Storage Heat Recovery Chillers – preliminary plans – $5.1 million to be funded from campus funds.

C. ***Preliminary Plans Funding, Peninsula Outpatient Center Tenant Improvements, San Francisco Campus***

The President of the University recommended that the 2021-22 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Francisco: Peninsula Outpatient Center Tenant Improvements – preliminary plans – $2.5 million funded from 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.]

Committee Vice Chair Ortiz Oakley briefly introduced the consent agenda.

Upon motion duly made and seconded, the Committee approved the President's recommendations and voted to present them to the Board, Regents Drake, Estolano, Kounalakis, Leib, Makarechian, Ortiz Oakley, Pérez, Reilly, Sherman, and Zaragoza voting "aye."

3. **PRELIMINARY PLANS FUNDING, THURGOOD MARSHALL COLLEGE UNDERGRADUATE STUDENT HOUSING, SAN DIEGO CAMPUS**

The President of the University recommended that the 2021-22 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Thurgood Marshall College Undergraduate Student Housing – preliminary plans – $33.2 million to be funded from housing auxiliary reserves.

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

Executive Vice President and Chief Financial Officer Brostrom began the discussion, noting that UC San Diego was presenting two housing items at this meeting as part of the campus' ambitious effort to provide a four-year housing guarantee for undergraduates. In total, these two projects, for Thurgood Marshall College and Pepper Canyon West, would provide about 5,000 new beds. The first item sought preliminary plans funding for Thurgood Marshall College Undergraduate Student Housing, a project which would provide about 2,000 beds and space for student support services and administrative functions.

Chancellor Khosla commented that the Thurgood Marshall College project would provide 2,000 new beds and space for academic programs, including new classrooms, which were in short supply at UC San Diego. The project would replace 50-year-old, low-density housing and feature eight-bedroom apartments with double-occupancy bedrooms. The COVID-19 pandemic had set the campus back in its goal of achieving a four-year housing guarantee, and this project would address that goal.

Committee Vice Chair Ortiz Oakley noted that other housing projects presented to the Regents had rental rates around 30 percent below the market rate. He asked why, for this project, rental rates would be 20 percent below market. Chancellor Khosla recalled that UC's goal for student rental rates had at one point been 20 percent below market and then moved to 30 percent below market. The local market should be taken into consideration. With respect to the housing market in La Jolla, walking distance from the campus, the rental rates would be more than 30 percent below market. However, UCSD students lived not only in La Jolla but in a number of other communities, slightly further away, where housing costs were slightly lower. In its calculations, UCSD used an aggregate based on a broad area and ensured that rental rates were 20 percent below the broad area average, not just La Jolla. Executive Director Hemlata Jhaveri confirmed that UCSD considered six large neighborhoods where the majority of its students lived, rather than just the neighborhood near the campus. Mr. Brostrom added that UCSD used the University's planning rate to calculate rents. For the last several years, UCSD had been far below the planning rate, and all the campuses had achieved substantial rent reductions due to UC financing and refinancing rates.

Committee Vice Chair Ortiz Oakley asked if this meant that UCSD could not achieve a 30 percent below market rate. Chancellor Khosla responded that, at a minimum, rates would be 20 percent below market. UCSD would keep rates as low as possible. The cost of housing at UCSD was low relative to other campuses. Vice Chancellor Pierre Ouillet commented that the rental income was just enough to cover the cost of operations and mortgages; there was no profit for UCSD. These were the lowest rents the campus could charge.

Regent Estolano asked why this project was planned as a mixed-fuel project and was not aiming for full electrification. Senior Director Amy Engel responded that UCSD would continue to meet Office of the President (UCOP) sustainability goals. UCSD was completing a life cycle cost analysis for water heating systems, both electric and the system the campus has been using, and would make a determination. The sustainability of this project was scored based on a worst case scenario.

Regent Estolano stated that a new college, a substantial project with 5,000 new units, should not be a mixed-fuel project, but all-electric. This was an urgent matter. She hoped that, when this project was presented to the Regents again, there would be a proposal for all electric power. The project in the following item, Pepper Canyon West, would use the existing campus water heating system, the co-generation facility. New units would be in place for 70 to 80 years. Now was the time to move to all-electric power. She asked that the campus report on the cost differential so that the Regents would understand what this effort would cost. Ms. Engel responded that UCSD was completing that analysis at this time for the Pepper Canyon West project as well. The budget included calculations for all-electric power, but the campus wished to analyze what made the most operational sense.

Regent Estolano urged the campus to pursue an all-electric option if this was possible. This was an important investment in the future, and UCSD should be a leader in this. Mr. Brostrom noted that the budget assumed an all-electric power source. UCOP would work with the campus on this matter.

Regent Makarechian did not understand why UCSD could not make a commitment to student rental rates at 30 percent below market. Chancellor Khosla responded that, in the UCSD college system, all undergraduate students paid the same rent, regardless of facility. UCSD could not promise a 30 percent below-market rate on one facility because this would create an unfavorable dynamic among the colleges. There were also differences between undergraduate and graduate student housing. Graduate student housing was priced based on the age of the facility, while undergraduate housing was priced the same across the board.

Regent Makarechian asked about rent per bed. Ms. Jhaveri responded that rents at Pepper Canyon West would be $1,350 per bed in single rooms; there would be no doubles. When the Thurgood Marshall College project was completed, the rental rate would be the same as for all undergraduate colleges. Chancellor Khosla asked what the current rent was. Ms. Jhaveri responded that current rent for a single at Pepper Canyon West was $1,285.

Regent Makarechian asked about the effects of rolling blackouts if campus facilities relied entirely on electric power. Regent Estolano responded that there could be a number of backup systems, such as battery storage.

Regent Makarechian expressed concern that battery storage would be inadequate to meet the power needs of a large facility with many students during a blackout. This problem must be studied if the campus wished to move to all-electric power. Chancellor Khosla responded that the campus would include this factor in its analysis. The cost of backup storage at this time would be prohibitive, but the campus would consider available technology from the standpoint of business continuity planning. Ms. Engel added that UCSD housing projects all had Tier Four generators for backup power.

Regent Pérez observed that the work of implementing single energy sources might be different in the case of housing projects than for other operations. There was no reason not to focus on all-electric power for UC student housing and there was a unique opportunity to do so at this time. For other campus buildings and enterprises this was a much more complex question. The University must focus on student housing affordability. UCSD had been able to deliver housing affordability and might have used different approaches than the other campuses. The campus had made it clear that it used a broad geographic survey that reflected the housing market where students lived off campus. He found this transparency praiseworthy.

Regent Zaragoza asked about how the University calculates market rates. She reflected that these numbers might not reflect the actual experience of students renting a house, a room, or half a room. There did not appear to be a consistent measure for the market rate. Chancellor Khosla responded that, in calculating financial aid for the UC system, UCOP carried out a campus-by-campus survey to determine housing costs for each location. Currently, UCSD most likely had the lowest housing costs in the system, by several thousand dollars. Ms. Jhaveri explained that the figures cited in the background materials for off-campus rental rates in the San Diego area were based on a study by a third-party real estate company, which compared spaces on and off campus. The on-campus rates included all utilities, cable, internet, weekly cleaning services, and furnishings. The company ensured that the off-campus rate was escalated correctly to match like to like.

Regent Zaragoza hoped that, when this project was further developed and brought back to the Regents, UCSD would be able to achieve lower rental rates for students than were currently projected in this item.

Regent Sherman asked if the new light rail trolley service to the area had had an impact on housing demand. Chancellor Khosla responded that the campus did not yet have statistics on this. Many people were still working from home due to COVID-19. The real impact would be known when operations returned to normal.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Drake, Estolano, Kounalakis, Leib, Makarechian, Ortiz Oakley, Pérez, Reilly, Sherman, and Zaragoza voting "aye."

4. **BUDGET, SCOPE, EXTERNAL FINANCING, AND DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, PEPPER CANYON WEST STUDENT HOUSING, SAN DIEGO CAMPUS**

The President of the University recommended that:

A. The 2021-22 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Diego: <u>Pepper Canyon West Upper Division Undergraduate Student Housing</u> – preliminary plans – $20 million to be funded with auxiliary – student housing reserves.

To: San Diego: <u>Pepper Canyon West Student Housing</u> – preliminary plans, working drawings, construction, and equipment – $365 million to be funded with external financing ($362.5 million), auxiliary – housing reserves from the Office of the President (UCOP) Housing Assistance Program ($1 million), and campus funds ($1.5 million).

B. The scope of the Pepper Canyon West Student Housing project be approved. The project shall provide approximately 580,500 gross square feet (gsf), including 1,316 new beds (1,297 undergraduate student beds, 13 beds for resident student advisors, and three two-bedroom units for resident professional staff) for a total of 572,500 gsf of housing and 8,000 gsf of retail space in two high-rise (22- and 23-story) towers, each with connected mid-rise (five-story) buildings. Public realm improvements shall include installing the west rim pedestrian and bicycle trail and completing landscape, hardscape, and open space restoration on the west and south sides of Pepper Canyon. The scope includes demolition of 11 buildings (304 beds) and removing and landscaping the surface parking lot P406 (approximately 100 parking spaces).

C. The President be authorized to obtain external financing in an amount not to exceed $362.5 million, plus additional related financing costs to finance Pepper Canyon West Student Housing. The President shall require that:

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

(2) As long as the debt is outstanding, general revenues from the San Diego 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. Following review and consideration of the environmental consequences of the proposed Pepper Canyon West 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 48 hours in advance of the beginning of the Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:

(1) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC San Diego, as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2018 Long Range Development Plan (LRDP) Environmental Impact Report (EIR).

(2) Adopt the CEQA Findings for Pepper Canyon West Student Housing having considered the 2018 LRDP EIR for the La Jolla Campus and Addendum No. 9 to the 2018 LRDP EIR for Pepper Canyon West Student Housing.

(3) Approve the design of the Pepper Canyon West Student Housing project, San Diego Campus.

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

Regent Leib commented that this student housing project was in a perfect location near the trolley. Chancellor Khosla added that this would be housing for upper-division and transfer students.

Regent Makarechian found that the cost of this project was too high, considering that no underground parking would be built and that the building would use the existing campus water heating system. He asked how UCSD had arrived at these very high numbers. La Jolla units selling for $1.5 million or close to $800 per square foot had one bathroom per bed. In this UCSD project, there would be one bathroom for every two bedrooms and no need for a water heating system. These costs were inflated and, in his view, 25 to 30 percent above what they should be in competitive bidding. He suggested that this project budget be revised and lowered by at least 20 percent. Chancellor Khosla responded that the project had been value-engineered. Senior Director Amy Engel confirmed that the project price per square foot was $572. UCSD had tried to focus on enhancing the student experience in the Pepper Canyon West project and compared it with the most recently approved UC Berkeley project. The UCSD project had twice as much amenity space, and three times the amount of outdoor living area. She briefly outlined recreation, retail, and security enhancements. The UC Berkeley project had double occupancy, while this project would be all single occupancy. Showers would be located separately from bathrooms to ensure privacy. All floors would have study and lounge spaces, which were double to three times as large as the spaces in the UC Berkeley project. Chancellor Khosla emphasized that the square foot costs were in a reasonable range. This project provided study and collaborative spaces. Living in student housing was not the same as living in an apartment building.

Regent Makarechian countered that, while this project had 30 percent common areas, this was normal for any condominium project. He reiterated that the proposed costs were excessive. According to his own calculation, the cost would be $1,862,000 per apartment unit. These numbers should not be disclosed to contractors. This budget should be reduced by at least 20 percent, and rental rates in this building should be at least 30 percent below market.

Chancellor Khosla reiterated that this project had been value-engineered. He acknowledged that the budget could be reduced, but, at some point, reductions would not make sense. It was in the campus' interest to not pay more than was necessary, and UCSD would try to do this, but could not make a commitment to arbitrary numbers. The costs for UC construction projects were different than for commercial enterprises for a number of reasons. Ms. Engel added that another factor in the project cost was the prevailing wages that UCSD had to pay. Typical condominium building construction did not have the same wage rates that UCSD had. She referred to information in the background materials about comparable projects at UC and at other universities. The Pepper Canyon West project cost was higher than the average, but not the highest.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Drake, Estolano, Kounalakis, Leib, Pérez, Reilly, and Sherman voting "aye" and Regents Makarechian, Ortiz Oakley, and Zaragoza voting "no."

5. **BUDGET, SCOPE, EXTERNAL FINANCING, LONG RANGE DEVELOPMENT PLAN AMENDMENT NO. 1, AND DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, CALIFORNIA HOSPITAL TOWER, DAVIS HEALTH CAMPUS**

The President of the University recommended that:

A. The 2021-22 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

From: Davis: California Hospital Tower – preliminary plans, Advanced Work Phase working drawings and Advanced Work Phase construction – $234,218,000 funded with hospital reserve funds.

To: Davis: California Hospital Tower – preliminary plans, design, construction, and equipment – $3,773,251,000 to be funded from external financing ($2,325,000,000) and hospital reserve funds ($1,448,251,000).

B. The scope of the California Hospital Tower project be approved. The project shall consist of the construction of approximately 909,000 gross square feet (gsf) of medical inpatient, operating rooms, and support services space, providing approximately 332 patient beds, and an upgrade to the campus central utility plant. Site development shall include landscape and hardscape, utilities, and pathways to integrate the new tower into the campus. The square footages noted are subject to change as the design is refined through the progressive design-build process. The scope of work also includes approximately 82,000 gsf of renovations to the existing Pavilion. The proposed renovations to the existing Pavilion will include work to the emergency department, imaging, and education areas.

C. The President be authorized to obtain external financing in an amount not to exceed $2,325,000,000 plus additional related financing costs to finance the California Hospital Tower project. The President shall require that:

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

(2) As long as the debt is outstanding, the general revenues of UC Davis Health 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. Following review and consideration of the environmental consequences of the California Hospital Tower 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 to the Regents no less than 48 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 California Hospital Tower Environmental Impact Report (EIR) of which the California Hospital Tower and Long Range Development Plan Amendment No. 1 is a part, determine that no further environmental analysis pursuant to CEQA is required and adopt the CEQA Findings and Statement of Overriding Considerations.

(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 California Hospital Tower EIR.

(3) Approve Long Range Development Plan Amendment No. 1 to the UC Davis Sacramento Campus 2020 Long Range Development Plan Update.

(4) Approve the design of the California Hospital Tower project.

E. The President be authorized, in consultation with the General Counsel, to execute any agreements and documents reasonably required to implement the foregoing, including any subsequent agreements, modifications, or amendments thereto, provided that such agreements, modifications, amendments or related documents are materially consistent with the terms above and do not otherwise materially increase the obligations of the Regents or materially decrease the rights 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.]

Chancellor May introduced the item, commenting that the California Hospital Tower would increase the amount of high-quality patient care in the Sacramento region and strengthen the greater community. The project was currently on schedule and within budget. In addition to the goal of improving patient care, the project was motivated by the need for seismic safety improvements. The plan called for a 14-story tower encompassing more than 900,000 gross square feet of new construction. Core values in this project were cultivating and advancing equity, and promoting inclusion for the diverse community of Sacramento. The project would also move the campus on its path toward carbon neutrality. Five guiding principles were influencing the design and planning of the California Hospital Tower: (1) it must stand the test of time, with future flexibility; (2) it must be patientcentered; (3) it must feature operational efficiency; (4) it must promote communications and collaboration; (5) it must be fiscally responsible. Under the proposed plan, the hospital's square footage would nearly double, to accommodate more private rooms. UC Davis also looked forward to the project advancing equity and inclusion in Sacramento. The campus' strategies were to hire, purchase, invest, and volunteer locally. Strategic outreach had focused on underserved areas and communities. During fiscal year 2020-21, UC Davis conducted 30 outreach events, 60 percent of them in Sacramento's underserved communities. Three thousand prospective job applicants engaged with UC Davis during that time. In the current fiscal year, UC Davis had conducted 25 outreach events, with 76 percent in underserved communities. A dashboard was being developed to track demographic information about the applicant pool. Overall, the California Hospital Tower project would create hundreds of prevailing wage construction jobs and thousands of new healthcare positions for the surrounding community. Anchor institutions like this one can leverage economic power along with human and intellectual resources to improve the long-term health and social welfare of surrounding communities.

UC Davis Human Health Sciences Vice Chancellor David Lubarsky emphasized that UC Davis was committed to building a project that would serve the entire Northern California region. The northern part of the state already relied on UC Davis to a great degree for the ability to transfer patients with complex conditions from 33 counties. When the project was completed, the UC Davis Medical Center would have up to 350 of its total 700 beds available for intensive care unit care and would be able to serve as an anchor institution for the region in providing complex care. This was an important project at UC Davis Health and represented a generational change.

Committee Vice Chair Ortiz Oakley wished to ensure that UC Davis' commitment to the local community, including the commitment to hiring locally, was clearly communicated. He hoped that Chancellor May and his team would have these discussions with Sacramento area elected officials and leaders, who had expressed concerns. Chancellor May responded that the campus was aware of these concerns and would address them. Dr. Lubarsky added that UC Davis Health's commitment to the economic trajectory of the surrounding region and to ending healthcare disparities was essential to its work and did not depend on the construction of this project. This commitment was integrated into everything UC Davis Health does and would be integrated into this project. UC Davis would hire locally and was committed to meeting community goals.

Regent Pérez requested further details on what equity meant in this project. The commitment to hire, invest, and source locally sounded good. The background material provided for this item stated that one UC Davis goal was to "hire and develop local talent." He asked what this meant. Dr. Lubarsky responded that the UC Davis Chief Human Resources Officer had held numerous local job fairs, encouraging local applicants to apply for open positions and went out into the community to ensure that, where possible, the campus was soliciting and not just waiting for people to apply for jobs.

Regent Pérez believed that there needed to be an investment to create an alignment in underserved parts of the Sacramento community and to develop the necessary skill sets.

UC Davis was not planning to help identify people who might qualify for jobs in the coming years, help identify community college certification programs, and help people increase their skill sets and qualifications. Regent Pérez moved that this item be deferred and brought back to the Committee at the next meeting with these details worked out.

Regent Estolano asked about the implications of delaying the project for another two months. Chancellor May responded that a delay would increase the project cost. This was the most significant construction project on the UC Davis Sacramento campus over the next eight to ten years.

Regent Kounalakis asked if the reason for delay was to gather more information on UC Davis' programs in the community for participation in the construction project. Regent Pérez explained that this would allow time for the campus and its partners to provide more details on equity, hiring, and community benefit questions. In response to another question by Regent Kounalakis, Regent Pérez confirmed that he felt that there was currently not enough detail.

President Drake emphasized that there was a great need for this hospital and that it would take eight years to build. He expressed appreciation for the concerns that had been stated, but did not see why those concerns could not be addressed concurrently with the project.

Upon motion duly made and seconded, the motion to defer the item was approved, Regents Kounalakis, Leib, Ortiz Oakley, Pérez, Sherman, and Zaragoza voting "aye" and Regents Drake, Estolano, Lott, Makarechian, and Reilly voting "no."

(See continuation of this discussion in item 10 below.)

6. **AUTHORIZATION OF MEDICAL CENTER POOLED REVENUE BONDS EXTERNAL FINANCING**

The President of the University recommended that the Regents authorize the President to:

A. Issue bonds in an aggregate principal amount not to exceed $2 billion plus financing costs under the University's Medical Center Pooled Revenue Bond indenture. As long as the bonds are outstanding, the medical centers receiving such proceeds shall satisfy the following requirements:

(1) The medical centers receiving proceeds, Davis, Irvine, Los Angeles, San Diego, and San Francisco (the "Medical Centers"), shall maintain revenues in amounts sufficient to pay the debt service and meet the related requirements of the authorized financing.

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

B. Take all necessary actions related to the action approved above, including, but not limited to, approval, execution, and delivery of all necessary or appropriate financing documents.

[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 would authorize up to $2 billion of financing for Medical Center Pooled Revenue Bonds. This was authorization to finance; it did not constitute approval of bond proceeds. Each project would have to be presented separately to the Regents for approval. The UC medical centers had close to $14 billion in financing planned over the next decade. The University estimated that almost $9 billion of this amount would come from external financing and wished to go to market as soon as possible to take advantage of historically low interest rates.

Regent Makarechian commented that UC medical centers had so far obtained their own external financing for projects. He asked how these funds would be allocated and who would allocate them. Mr. Brostrom responded that UC had reviewed financial feasibility and found that every UC medical center project would be able to be financed through external financing. Several projects had already been approved. Director Meghan Gutekunst explained that the allocation would be based on Regental approval for external financing. No bond proceeds would be distributed to campuses unless the Regents approved a project; at that point, a medical center would be allowed to use the proceeds.

Regent Makarechian stated his understanding that this external financing, when it came to the Regents for approval, would in fact not be external financing, but from this pool of UC bonds. Mr. Brostrom confirmed that this was the case, and added that the funding was both prospective and retroactive for some projects already approved.

Regent Makarechian asked why the University would not choose to raise the approximately $9 billion that were needed. Mr. Brostrom responded that there were provisions in the tax code that limited how quickly the University could raise this money. UC must spend down most of its tax-exempt proceeds within three years. The University would address projects like the Hillcrest Campus at UC San Diego and the later stages of the UC Davis California Hospital Tower in a future round of financing. UC was also contemplating a forward-starting swap and locking in these rates for some other projects as well.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Drake, Kounalakis, Leib, Lott, Makarechian, Ortiz Oakley, Pérez, Reilly, Sherman, and Zaragoza voting "aye."

7. **AMENDMENT OF REGENTS POLICY 5309: POLICY ON THE UNIVERSITY OF CALIFORNIA EMPLOYEE HOUSING ASSISTANCE PROGRAM**

The President of the University recommended that Regents Policy 5309: Policy on the University of California Employee Housing Assistance Program be amended as shown in Attachment 1 to add the Zero Interest Supplemental Home Loan Program product and that balloon payments be allowed exclusively for the Zero Interest Supplemental Home Loan 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.]

Executive Vice President and Chief Financial Officer Brostrom introduced this item, which would create a new supplemental housing loan program, to be administered through UC's Employee Housing Assistance Program. The Office of the President had developed this program working together with Academic Affairs and the Academic Senate. Director Meghan Gutekunst explained that the University believed that this proposed zero interest program or ZIP loan would provide more affordable housing assistance for faculty and more flexibility for campuses in determining the best use of campus funds for recruitment and retention. It would be part of the Supplemental Home Loan Program, which provides secondary financing for faculty. The interest rate on this product would be zero percent. There would also be a forgiveness feature which would allow a portion of the principal bonds to be forgiven every year the loan is outstanding as long as the faculty member meets certain criteria. The item requested approval to amend Regents Policy 5309: Policy on the University of California Employee Housing Assistance Program to add the ZIP loan as a product and to add a balloon payment solely for this product.

Regent Makarechian noted that the maximum loan amount was up to $150,000 per person. He asked about the limit on the number of people to whom UC would offer this loan. Mr. Brostrom responded that this number was the maximum for a startup package for a faculty member. The program was designed to maximize the effectiveness of these startup packages. A new assistant professor might receive a startup package of $100,000, and, rather than giving out one lump sum, the campus could apply this to the ZIP loan and amortize the loan over ten years to make better use of the package. The $150,000 was a maximum amount.

Regent Makarechian asked if there was a total dollar limit for the campuses. Mr. Brostrom responded that funding for this program came from the individual campuses and was tied to their startup package programs as they recruit new faculty. The program was billed from the campuses' own supplemental housing loan programs, which were allocated annually.

Regent Makarechian asked who would make decisions about loan forgiveness, and, when a loan was forgiven, he asked how this was accounted for as an expense. Mr. Brostrom responded that the decision to forgive was made by the campus, based on a professor's progress in tenure and advancement. It counted as taxable income to the professor in the year that it was forgiven. The expense would be identical to an expense UC would currently have. In the current program, the campus would forgive this in one lump sum; under this program, the forgiveness would be given over a longer period. This program would be consistent with the practice of many private universities for forgivable supplemental housing loans for faculty.

Regent Makarechian asked about other professors who would not receive this benefit, which he compared to a raise or a bonus. Mr. Brostrom responded that most campuses provided startup packages for new faculty hires. This item did not present a new practice, but a way that campuses could exercise this more effectively than they did currently, as one lump sum payment to an incoming faculty member.

In response to another question by Regent Makarechian, Mr. Brostrom affirmed that this practice is legal. This must be a true loan, and the forgiveness factor must be administered through an established campus protocol. The Office of the President had carefully reviewed this program with the Internal Revenue Service and in the context of UC's role as a home loan corporation.

Regent Makarechian asked about the liability that chancellors might bear. Mr. Brostrom responded that there was no real liability; this was a change in practice. This was funding that was already being issued by the campuses, but it would now be issued over a protracted period rather than in the year that a professor is hired. Ms. Gutekunst explained that, because this would be structured as a balloon payment loan, it would be considered a non-qualified loan, and, as a result, the chancellors would have to review and sign off on it, as was the case for other longer-term and non-standard mortgages.

Regent Makarechian asked who would bear this responsibility. Mr. Brostrom responded that an individual chancellor would bear the responsibility of determining that a certain portion of a loan was a non-qualified loan, as opposed to a Mortgage Origination Program loan, which was a qualified loan under UC's certification.

Chancellor Hawgood expressed strong support for this proposal. One of the hardest tasks for a chancellor was to find ways to support a down payment for new faculty. The proposed program would be a significant benefit. He did not believe that the campuses' exposure would be significant, because this was discretionary and not imposed. The loan would be a voluntary part of a startup package that the campus would authorize. This program would give campuses another tool to recruit and retain exceptional faculty. It was an imaginative and helpful program.

Regent Makarechian asked Chancellor Hawgood how a campus would find an individual to be qualified, and if a committee or an individual would make this decision. Chancellor Hawgood responded that, in general, the chair of the department that was recruiting a faculty member would propose this to the dean. The chancellor had the ultimate signoff authority in the current Supplemental Home Loan Program, and this was only a minor modification to the Supplemental Home Loan Program. The campus makes individual decisions about whether to provide a Supplemental Home Loan Program loan since this uses campus funds, unlike the Mortgage Origination Program, which is a home loan program. The Supplemental Home Loan Program assumes that discretionary dollars are available from the campus for the loan. This would just provide an added degree of flexibility to an already existing program.

In response to another question by Regent Makarechian, Chancellor Hawgood confirmed that these loans were based on what a faculty member could afford. A campus is aware of the salary being provided and the circumstances of the faculty member. In the current program, which is a true loan program with interest payments, campuses were not encouraging faculty members to overextend themselves. This was part of a campus' consideration in determining an offer.

Faculty Representative Horwitz reported that faculty were happy about this program but wished it to focus on assistant professors. Chancellors have a great deal of discretionary power and might use this program to recruit a star professor. This program should be intended for assistant professors and entry-level faculty, who have difficulty entering the real estate market. Mr. Brostrom responded that the program was designed to help recruit new generations of faculty, to advance the diversity of faculty, and to assist faculty who could not afford a down payment. He asked the chancellors to comment.

Chancellor Hawgood stated that he would be comfortable with language that would prioritize the use of these funds for entry-level faculty and diverse faculty but was opposed to restricting the use of these funds. There were individual circumstances at all levels where these funds could be helpful, particularly as campuses worked to diversify their faculty. The probable predominant use of the program would be for entry-level faculty.

Mr. Horwitz requested that language be added to the recommendation stating that the program is intended to prioritize assistant professors. This program should not be used to allow a high-level faculty member to purchase more expensive home.

Chancellor Khosla opined that the program should prioritize new recruits to the University, not just assistant professors.

Chancellor Muñoz commented that the idea of prioritizing early career faculty was appealing to the chancellors. The importance of diversity was recognized throughout the recruitment process. For a younger campus, the ability to offer this program to more seasoned faculty from across the U.S., allowing them to relocate to California, would be an invaluable recruitment tool. He did not disagree about the need to pay particular attention to faculty early in their career, but campuses should not be precluded from using this program for other categories of faculty.

Chancellor Wilcox expressed agreement with Chancellor Hawgood's statement.

Chancellor Drake stated that language prioritizing new hires would be acceptable, but it was important to have flexibility for specific cases. A campus might wish to recruit a professor coming from an area with a lower housing price market, and this professor might be more advanced in his or her career. He expressed support for prioritizing assistant professors, but chancellors needed discretion in order to recruit the best faculty.

Regent Pérez expressed support for prioritizing assistant professors and early career faculty but believed that too much restriction on the program would be counterproductive. Campuses might use this program to retain mid-career faculty who did not have significant resources and who had not been able to enter the real estate market early in their careers. There should be flexibility for the campuses to determine the best use of the program. Regent Pérez asked that there be reporting to the Regents on the experience of the program. Over time, the University would find ways to improve the program and make it more effective. Regent Pérez asked if it was the case that actions taken in this program on one campus would not affect other campuses. Mr. Brostrom responded in the affirmative.

Regent Pérez reiterated his request for future reporting on the program in order to improve its efficacy.

Regent Reilly noted that funding for this program came from each campus' discretionary funds. She wished to ensure that campuses with fewer resources would be able to take advantage of this program. Mr. Brostrom acknowledged that there were differences in resources among the campuses but stated that campuses that were growing, such as Merced and Riverside, would have the resources for faculty recruitment.

Regent Leib requested confirmation the chancellors would have the decision-making authority for this program. Chancellor Khosla explained that the faculty relocation allowance program at UC San Diego was part of the startup package. This program would provide no additional money and was part of an existing practice and would allow the campus to provide loan forgiveness over multiple years. A loan amount up to \$100,000 would be within the authority of the campus provost, while a \$150,000 loan would come to Chancellor Khosla for approval.

Regent Leib expressed support for the proposed prioritization, which indicated the intent of the program, but the policy should allow flexibility for the campuses to make individual decisions when unusual or other circumstances warrant this.

Regent Sherman found the proposed figures for loan forgiveness amounts to be reasonable. He asked if this program could be extended to faculty who wish to rent rather than purchase a home. Mr. Brostrom responded that the intent of this program was to provide a down payment. A chancellor could alter a startup package to provide that type of assistance to a faculty member.

Committee Vice Chair Ortiz Oakley concluded that the item was being amended by adding language stating that the Program is intended to prioritize assistant professors. There would be a reporting requirement. He suggested that a report be required in five years. Mr. Brostrom explained that there would be annual reporting on the program. Ms. Gutekunst confirmed that reports would be provided as part of regular annual reporting for the UC Housing Assistance Program.

Upon motion duly made and seconded, the Committee approved the President's recommendation as amended and voted to present it to the Board, Regents Drake, Estolano, Kounalakis, Leib, Makarechian, Ortiz Oakley, Pérez, Reilly, Sherman, and Zaragoza voting “aye.”

8. **FALLING LEAVES FOUNDATION MEDICAL INNOVATION 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 introduced this discussion item concerning an exciting and urgently needed research laboratory building project for the Susan and Henry Samueli College of Health Sciences. The College’s programs in medicine, pharmacy, public health, and nursing were growing rapidly and the wet laboratories planned in this building would be a key component of UC Irvine's strategy for accommodating that growth.

Vice Chancellor Steve Goldstein outlined the campus’ vision for the Falling Leaves Foundation Medical Innovation Building as an innovation hub. This facility would foster interdisciplinary health research to advance health insights, technology, and therapeutics. The building would provide state-of-the-art flexible laboratory spaces to support and enhance the College’s team-based approach to basic translational and clinical research and education. This facility would help UCI retain top-level clinical researchers and attract others needed to support planned growth across the College; notably, the clinician researchers who would come to work in the new UCI Medical Center Irvine complex being built on the north campus. The building would house 50 principal investigators and their teams, providing modern facilities for cutting-edge research in disciplines in which UCI excels, such as cancer, neuroscience, gastroenterology, precision medicine, and drug discovery. UCI Health had grown its external funding for health research by 50 percent over the last five years but had built no new health research space since 2003. The new laboratories would be an important training ground for students who would become the diverse future healthcare workforce that UCI was dedicated to training, including students in the Program in Medical Education for the Latino Community (PRIME-LC) and the Leadership Education to Advance Diversity – African, Black, and Caribbean (LEAD-ABC) program. These students would receive dual training as investigators and as doctors, nurses, pharmacists, or public health professionals.

Chancellor Gillman noted that UCI had reported to the Regents on other occasions about its general work to expand the health sciences. Many pieces of this plan were in place, but the campus needed additional research space. This discussion item presented the initial concept.

Regent Reilly expressed strong support for this promising project.

Regent Leib asked how the project would be funded. Chancellor Gillman responded that the campus would present a detailed plan at a future meeting. The campus had secured a $30 million lead gift from Adeline and Robert Mah through the Falling Leaves Foundation. The campus was still finalizing the larger gift commitment associated with construction.

Regent Leib asked if the campus expected the funding to be almost entirely philanthropic. Chancellor Gillman responded in the negative. He anticipated that funding would be a mix of campus resources, philanthropy, and some external funding.

9. **REVIEW OF THE GOVERNOR'S JANUARY BUDGET PROPOSAL FOR 2022-23**

[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 reported that, on January 10, Governor Newsom released his budget proposal for the 2022-23 fiscal year.

President Drake stated that the Governor's blueprint for California was very favorable to educational access, equity, and opportunity. He expressed the University's gratitude to Governor Newsom for his steadfast support for public higher education in general and for UC in particular. His priorities reflected a shared commitment to expanding the impact of UC for all Californians. President Drake looked forward to working with the Governor's administration and with the State Legislature as they finalize the budget in the months ahead. He drew attention to a few key aspects of the budget proposal. First, through the five-year funding compact with the University, this proposal offered budget stability and reliable support for UC's tripartite mission of teaching, research, and public service. Second, the five percent budget increase in each of the next five fiscal years would help UC grow California undergraduate enrollment, eliminate gaps in graduation rates for students from disadvantaged backgrounds, expand graduate education, and enhance college access and affordability for students and families across the state. At a time when Californians faced many difficulties, this budget proposal was a critical boost for opportunity and access. Third, the Governor's proposal included $185 million in one-time funding for research and innovation to combat climate change. This would include the creation of new, climate-focused innovation hubs, workforce development, and seed grants to foster resilience and mitigate the impacts of climate change. It was inspiring to imagine how this funding would support UC's efforts in addressing this existential threat. Finally, the Governor's budget included one-time funding for energy efficiency projects across UC campuses and for critical deferred maintenance. This aligned well with UC's ongoing commitment to sustainability. The University would continue to advocate for the Regents' budget and engage all stakeholders—Regents, faculty, staff, students, alumni, and others—in this work.

Mr. Brostrom stated that the budget was positive and constructive overall, but that UC was particularly grateful for the commitment made to the University and public higher education. The overall budget proposal totaled $286 billion, of which about three-quarters was in the State General Fund. Much of the revenue stemmed from capital gains and personal income tax, given historic and record gains last year. As a result, Governor Newsom had put a great deal of funding into reserves and allocated significant amounts of one-time funds. Mr. Brostrom felt particularly gratified to see the rainy day fund reach its maximum. The budget had two key components for UC. The first was a budget proposal for the upcoming year 2022-23 which included ongoing funding of over $300 million for both base budget increases and enrollment growth, and about $300 million in one-time funding. The second component was a multi-year framework; the proposed 2022-23 budget would be the first of five years in this framework.

Associate Vice President David Alcocer outlined investments proposed for the next fiscal year. The Governor's proposal included $307 million in new, ongoing State support for UC in 2022-23. Four out of the five components of this appropriation would directly affect priorities that were included in the budget request approved by the Regents in November 2021. These included a base budget adjustment of five percent over current levels for general operating costs. Together with UC's continuing cost-saving efforts and new tuition revenue, this would go a long way toward covering cost increases in core campus operations next year. The proposal would fund enrollment growth of over 6,000 California undergraduates. In UC's ongoing discussions with the Governor's administration and the Legislature, the University wished to ensure that the students that campuses have already added above State-funded levels, together with additional growth this fall, can count toward that target. The proposal also made good on the legislators' intent to reduce nonresident enrollment and further increase California enrollment at three campuses, and, critically, to make these changes revenue-neutral by offsetting any reduction in nonresident tuition revenue with new State support. The proposal also provided $6 million in new, ongoing funds to expand services for students who were former foster youth, and, although not part of UC's formal budget request, the proposal also provided new funding for firearms research.

The budget proposal included three categories of one-time investments totaling $295 million. The first category was climate resilience. The University was in a unique position to make a lasting difference in an area of utmost importance to the state and to the world. The proposal included $100 million for climate action research seed and matching grants that would be made available on a competitive basis to researchers at UC, the California State University (CSU), and other institutions for research and to leverage additional federal and private funds. Fifty million dollars would be used to add up to three new climate-oriented innovation and entrepreneurship centers, to create a network of regional climate incubators that provide workforce training, generate seed funding, and provide equity-focused student and citizen education and business opportunities in climate-related areas. An additional $35 million would support workforce development and training hubs located together with the climate incubators to offer training opportunities in science, technology, engineering, and mathematics fields ranging from college preparation through career certification and training. The goal would be to provide tools, resources, and support to prepare participants from every sector of society for a range of community climate resilience career opportunities. The budget proposal provided $100 million in one-time support for deferred maintenance and energy projects at UC campuses, also consistent with the University's budget request of November 2021. The budget would also provide $10 million for dyslexia research at UCSF.

Governor Newsom had proposed a multi-year compact with the University through 2026-27. The compact combined a funding commitment from the State with a commitment by the University to advance a number of shared goals. The compact called for annual base budget increases of five percent; in addition, the State would continue to provide offsetting funds so that UC campuses could continue to reduce nonresident enrollment and increase California resident enrollment over the course of five years. The shared goals spanned a number of areas: continued growth in undergraduate and graduate enrollment, closing equity gaps, enhancing UC affordability, increasing collaboration across the segments of higher education in California, workforce preparation, and online instruction. Each area had additional associated sub-goals and actions. Taken together, these areas formed a robust framework for making progress in areas of shared and general concern, not just serving more students, but providing greater equity and educational opportunity and improving student outcomes.

Mr. Alcocer drew attention to three budget items of interest for higher education, among others. First, $750 million would be provided as the second installment of a planned $2 billion investment by the State in affordable student housing. The University stood to qualify for $150 million of this installment. Second, the budget would fund the expansion of the Middle Class Scholarship program with an investment of $515 million. It would expand the program to cover not just a portion of a student's tuition and fees, but other components of the cost of attendance. Third, the budget would provide $53 million to the Office of Planning and Research and in particular to the California Education Learning Lab, primarily for grants to support instructional excellence and innovation at California public colleges and universities.

Mr. Brostrom then noted that the budget proposal allocated nearly $65 billion in General Fund expenditures to California Health and Human Services Agency programs. There were several budget items of interest to UC and UC Health. The first was a $2.8 billion commitment to California Advancing and Innovating Medi-Cal (CalAIM). This was a framework that included both a broad-based delivery system and reforms across programs and payments in the Medi-Cal program. As UC hospitals care for a significant percentage of Medi-Cal patients, this initiative would support UC Health's work. A second item was a $2.7 billion COVID-19 emergency response package that would cover expanded testing availability, vaccine distribution, surge staffing of medical professionals, and support for vulnerable populations. Given the breadth of UC Health's work in response to the pandemic, this should be helpful to UC hospitals and campuses.

Mr. Brostrom recalled that this budget proposal by the Governor was the beginning of the legislative process, which would lead to the May Revise and the budget process in June, to be finished by July 1. The University was very grateful for the Governor's support and would focus its advocacy primarily on one-time opportunities that were not currently in the Governor's plan. UC wanted to ensure that it received recognition for the California undergraduates that it had already enrolled on its campuses since the State funding for enrollment in 2019-20. In the area of one-time funding, UC would advocate for campus capital needs including energy efficiency and deferred maintenance, and for further elements of the climate resiliency plan, which might be part of other components of the Governor's budget. There were several interesting initiatives emanating from the Legislature. One was a proposal for a student housing revolving loan fund, which would greatly support UC's goals of expanding student housing and keeping it affordable. This was introduced in the first week of the legislative session and UC would monitor this closely.

Regent Leib thanked Governor Newsom for his strong commitment to the University and to higher education in general. He asked how the funding for former foster youth had come about and noted that the Regents had discussed this earlier as a priority. Mr. Brostrom responded that UC's request had been broader, not only for former foster youth but also for formerly incarcerated students. Mr. Alcocer added that this funding matched exactly the $6 million in the University's budget request. This item had been part of UC's overall budget request to the State for a few years now. The funding reflected a broader concern on the part of the Governor's administration about former foster youth, and CSU was also receiving funding for former foster youth. The University had been early in recognizing this as a critical need, and it was gratifying to see the Governor address this.

Regent Leib asked how these funds would be used; whether to support former foster youth who were now students at UC, or if UC would use some of this funding to recruit high school students who were former foster youth as well. Mr. Alcocer responded that this had not yet been determined.

Regent Leib welcomed the State support for climate action research and requested an example of what this funding would support. Mr. Brostrom responded that this proposal was broad-based and discretionary. The University carried out significant amounts of research on different aspects of climate change. One example was research on resilience in the face of wildfires. There was research on preparedness for wildfires and the use of innovative wood products. UC Davis was researching the use of seaweed to reduce methane emissions from cows. There were other aspects of the Governor's budget directed toward climate issues, about $21 billion, and much of this could be applicable to UC activities.

Regent Leib asked if some of the State support could be applied to electrification of the campuses. Mr. Brostrom responded that this element of State funding was not intended for that goal, but for innovation hubs and seed grants for basic and applied research. In the list that UC was preparing for its expanded capital program, the University was considering funding that would help it study electrification on all the campuses. This would be a high priority in UC's capital project funding request.

Regent Leib asked if UC felt that the funding for the Middle Class Scholarship program was sufficient. Regent Pérez clarified that this funding did not flow to the University but to students. Over the last several years, there had been significant expansions to the program. This investment by Governor Newsom was the largest increase in investment since inception of the program. Regent Pérez hoped that this funding would help UC financial aid offices in assisting students and their families. Mr. Alcocer added that this funding also expanded the concept of what costs the Middle Class Scholarship program would cover. The program had been initiated following substantial tuition and fee increases and was focused on helping middle class families cover tuition and fees. Since then, there has been greater awareness of the other costs of attendance, which UC had long recognized in its own institutional aid program. Preliminary estimates suggested that about $240 million of the $515 million increase for next year would come to UC students. Additional increases were anticipated in future years with the goal of reaching more students and covering more non-tuition costs of attendance.

Regent Makarechian asked how the $6 million for former foster youth would be distributed to the campuses and if there were restrictions on use of these funds. Mr. Brostrom responded that the University had not yet received any details. Presumably, UC would be involved in developing the program. There were many existing programs for former foster youth at UC campuses already, and Mr. Brostrom hoped that this funding would be complementary and supplemental to those programs.

Regent Makarechian asked if UC had given up requesting funds for the UC Retirement Plan (UCRP). Mr. Brostrom responded that the University did not make this request this year; UC had made this request in past years. Regent Makarechian asked if the University would make this request in the following year. Mr. Brostrom responded that this would depend on the future funding ratio. There were about $100 billion in liabilities in the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS). UCRP liability was less than this, and, in Mr. Brostrom's view, capital for deferred maintenance and seismic safety was currently a greater priority for UC, since there was no general obligation bond or other way to fund these needs.

Committee Vice Chair Ortiz Oakley recalled that one was now at the very beginning of the State budget season. There would be sufficient time for the University to make requests for other UC priorities in the coming months.

In response to a question by Regent Zaragoza, Mr. Brostrom explained that the compact was included in the Governor's proposal. There was no separate document yet, and clarification was needed on several points. There might be refinements as one moved toward the May Revise.

Regent Zaragoza asked if the funding for former foster youth also included support for formerly incarcerated students. Mr. Alcocer responded that the funding in the January proposal was for former foster youth. UC had sought and would continue to seek additional funding for undocumented students and formerly incarcerated students.

Regent Estolano thanked Governor Newsom and emphasized the work and advocacy of President Drake, which had led to this win for the University. The $185 million investment in climate research was excellent, but should be seen as a leverage point that could be leveraged several times over. If UC could keep and leverage this funding in the current budget, the University could make a good case next year that money invested in UC climate research pays back three, four, or five times in terms of grant funding and applied research. UC researchers were carrying out much excellent work that was helping the State of California not just mitigate but adapt to the reality of climate change. While funding for climate research could not be applied to electrification, it was important to think about next steps. The Regents needed to increase their advocacy and be able to demonstrate why UC should be included in a future bond measure in order to become fossil-fuel-free by a certain date. This would require a substantial investment by the State, but this investment might be matched by federal funding, and there might be a rare opportunity for federal funding in the next few years. The Regents needed to work now to ensure that the University would keep this budget through the budget process and perhaps gain some more funding, particularly for deferred maintenance, the big shift from fossil fuels to electrification, and student housing. UC could not meet its goals for enrollment growth without substantial investment in student housing. When UC can house its students, it not only relieves pressure on the short supply of affordable housing in California communities in general but ensures better outcomes for students and a greater ability to reduce achievement gaps and time to degree. The Regents must advocate for these particular items.

President Drake emphasized that advocacy with the State for UC was a team effort. Governor Newsom was an ideal partner for the University and this was a historic budget. President Drake thanked Mr. Brostrom and his team at the Office of the President who work throughout the year so that the University can present its budget proposals.

The Committee recessed at 12:00 p.m.

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The Committee reconvened on January 20, 2022 at 10:50 a.m. with Committee Chair Cohen presiding.

Members present:	Regents Cohen, Kounalakis, Leib, Lott, Makarechian, Ortiz Oakley, Pérez, Reilly, Sherman, and Zaragoza; Ex officio members Drake and Estolano; Advisory members Horwitz and Pouchot; Chancellors Christ, Gillman, Hawgood, Khosla, Muñoz, and Wilcox; Staff Advisor Lakireddy
In attendance:	Regents Anguiano, Elliott, Guber, Hernandez, Lansing, Park, and Sures, Regents-designate Blas Pedral, Cochran, and Timmons, Secretary and Chief of Staff Shaw, General Counsel Robinson, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President Byington, Executive Vice President and Chief Operating Officer Nava, Senior Vice President Colburn, Chancellors Block, Larive, May, and Yang, and Recording Secretary Johns

10. **BUDGET, SCOPE, EXTERNAL FINANCING, LONG RANGE DEVELOPMENT PLAN AMENDMENT NO. 1, AND DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, CALIFORNIA HOSPITAL TOWER, DAVIS HEALTH CAMPUS, CONTINUED**

[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 moved that the Committee pull this item from the jurisdiction of the Committee and move it to the full Board for consideration. This was an important matter that had been under consideration for some time. A number of issues were raised by the Committee: a need for additional information and assurances that the campus has been working with and would continue to work with local elected officials and community members to deliver substantial community benefits in connection with this project. A number of speakers during the public comment period had underscored the importance of this hospital for the community and the general Sacramento region.

Regent Pérez objected to the motion, which he described as an infringement on the role of the Committee.

Regent Ortiz Oakley expressed agreement with Regent Pérez. This issue should not be taken out of the purview of the Committee, which was working on this matter and working on a resolution. A resolution was being worked out and should be worked out within the Committee.

In response to a question by Regent Park, Regent Estolano explained that this matter would be resolved on this day. This was not an attempt to infringe on the authority of the Committee.

Regent Lansing asked when the Committee might arrive at a resolution of this matter. Regent Pérez responded that the idea was to achieve an initial resolution today so that the matter could move forward, but not by taking the matter out of the Committee. The matter could be addressed later in the day, when the Finance and Capital Strategies Committee makes its report to the full Board.

President Drake observed that the Regents were largely in agreement about what action they wished to take. For this matter, he and others had asked for a pathway so that this matter could be considered today, in the easiest and most efficient manner possible.

Regent Estolano expressed a willingness to withdraw her motion if the Committee would meet now to consider the item.

Committee Chair Cohen stated that the Committee could do so.

The Committee would reconsider item F4, *Budget, Scope, External Financing, Long Range Development Plan Amendment No. 1, and Design Following Action Pursuant to the California Environmental Quality Act, California Hospital Tower, Davis Health Campus*. Questions had been raised about how the campus and the hospital would serve the community through workforce development during construction and commitments to the community after the project was completed similar to those that had been made by UC Davis for the Aggie Square project. This item had been deferred to allow for more time for development of these commitments.

General Counsel Robinson suggested that the Committee remove the item from the table and return it to the Committee for consideration.

Upon motion duly made and seconded, item F4 was removed from the table, Regents Cohen, Drake, Estolano, Kounalakis, Leib, Lott, Makarechian, Ortiz Oakley, Pérez, Reilly, Sherman, and Zaragoza voting "aye."

Chancellor May recalled that a number of questions were asked of the Davis campus about community engagement. He noted that UC Davis' Aggie Square commitments included the City of Sacramento and private partners. He emphasized that UC Davis' commitment to the community was among its highest priorities. The campus was prepared to continue with similar negotiations for this project and to make similar commitments. The campus would pursue a "small business first" program to achieve 25 percent of addressable spending with small and diverse businesses in the area, as well as to ensure that community members, those living in the zip code adjacent to the project, would make up 20 percent of the workforce, as UC Davis had done for the Aggie Square project.

Regent Pérez asked what would be presented to the Committee at the next meeting. He had hoped that the campus would work with the Committee to resolve the open questions. Chancellor May responded that this commitment was still in place.

Committee Chair Cohen stated that he intended to schedule an agenda item in order to follow through on the commitment made by Chancellor May that would allow the Regents to see the progress that had been made.

With regard to fulfilling the goal of engaging small and diverse businesses, Regent Lott requested information on how UC Davis would hold the general contractor to that commitment and about checks and balances used to confirm that the general contractor was doing what the University wanted it to do. Chancellor May responded that this information would be provided.

Faculty Representative Horwitz referred to carbon offset plans and commented that the carbon offset market was unreliable at best. He asked which offset policy the project would be built upon and how the campus would ensure the quality of any credits used. UC Davis Human Health Sciences Vice Chancellor David Lubarsky responded that UC Davis' plan involved the reconfiguration of the central generating plant in a move toward full electrification of the campus. This building would be the first fully electric building and meet at least the Leadership in Energy and Environmental Design (LEED) Gold standard and would strive for Platinum certification. There would be net zero emissions from the building and no purchase of abatements. Mr. Brostrom added that the campus would continue to purchase electricity from the Sacramento Municipal Utility District (SMUD). Progress on carbon-free electricity would depend on SMUD, which was moving in that direction.

Upon motion duly made and seconded, the Committee approved the President's recommendation in item F4, *Budget, Scope, External Financing, Long Range Development*

Plan Amendment No. 1, and Design Following Action Pursuant to the California Environmental Quality Act, California Hospital Tower, Davis Health Campus, and voted to present it to the Board, Regents Cohen, Drake, Estolano, Kounalakis, Leib, Lott, Makarechian, Ortiz Oakley, Pérez, Reilly, and Sherman voting "aye."

The meeting adjourned at 11:05 a.m.

Attest:

Secretary and Chief of Staff

Additions shown by underscoring

REGENTS POLICY 5309: POLICY ON THE UNIVERSITY OF CALIFORNIA EMPLOYEE HOUSING ASSISTANCE PROGRAM

POLICY SUMMARY/BACKGROUND

This policy is intended to work in conjunction with Bylaw 22.2 (c) of the Regents of the University of California (Regents), which provides the Regents with the approval authority for the University of California Employee Housing Assistance Program (Program) policies. The Program is administered by the University of California Home Loan Program Corporation (Corporation).

POLICY TEXT

A. University of California Housing Assistance Program

Program loans provide financing using deeds of trust secured on real property to assist faculty and other eligible employees with the purchase of a primary residence. Program loans are available for eligible employees at the University of California (University) campuses, Lawrence Berkeley National Laboratory, UC Hastings College of the Law (UC Hastings) and the University's Office of the President and Division of Agriculture and Natural Resources.

B. Eligibility

The eligible population for Program participation consists of full-time University appointees with positions in the following categories:

1. Academic Senate members.

2. Academic titles equivalent to titles held by Academic Senate members as defined in University policy.

3. Acting Assistant Professors.

4. Senior Management Group employees.

5. UC Hastings faculty members

6. University or UC Hastings employees who will be appointed to any of these eligible categories effective no more than 180 days after loan closing.

7. Other appointees who have received required additional approvals to be eligible for participation.

C. Eligible Properties

1. Properties financed using a Program loan must be used primarily for residential, non-income producing purposes.

2. Eligible properties are limited to Single Family Residences, Condominiums and properties located in a Planned Unit Development.

3. The subject property must be the principal place of residence for the participant throughout the term of the loan, other than during absences for sabbatical leave or other approved leaves of absence.

D. General Loan Parameters

1. The sum of monthly mortgage payments (principal and interest) of the Program loan and all other loans secured by the subject property may not exceed 40% of the participant's household income.

2. Program loan payments shall be made by payroll deduction while a participant is on salary status, unless it is not administratively feasible.

3. Program loans are not assumable.

4. Program loans carry no prepayment penalty.

5. Program loans carry no balloon payments<u>, with the exception of the Zero Interest Supplemental Home Loan Program (ZIP-SHLP)</u>.

6. Program loans are condition of employment loans.

7. Program participation may continue during the term of the participant's employment, as long as the subject property continues to meet the requirements for an eligible property. If the subject property no longer meets these specifications, the Program loan shall be reviewed for appropriate disposition.

E. Loan Options

1. The University of California Employee Housing Assistance Program is comprised of the following loan options:

   a. Mortgage Origination Program (MOP)

   b. Graduated Payment Mortgage Origination Program (GP-MOP)

   c. 5/1 Mortgage Origination Program (5/1-MOP)

d. Supplemental Home Loan Program (SHLP)

e. Centrally-Funded Supplemental Home Loan Program (CF-SHLP)

f. Interest-Only Supplemental Home Loan Program (IO-SHLP)

g. Zero Interest Supplemental Home Loan Program (ZIP-SHLP)

2. Detailed descriptions of the available loan options are included in the Program Implementation Guidelines that are incorporated into Presidential guidance.

COMPLIANCE/DELEGATION

1. All housing loans issued by the University are governed by Program policies. The President is authorized to take all appropriate actions associated with the administration of the Program that are in conformance with standard mortgage industry procedures for the origination and servicing of mortgage loans. Specific procedures for administering the Program are included in the Program Implementation Guidelines that are incorporated into Presidential guidance. The President is also authorized to administer the periodic sale of selected Program loan pools.

2. Implementation and compliance with this policy shall be administered by the Office of the Executive Vice President - Chief Financial Officer (or any successor position based on a change of title). The Office of the Executive Vice President - Chief Financial Officer is authorized to represent the University in administrative transactions with financial institutions, lenders, and governmental and other agencies in matters related to the day-to-day operation of the Program.

3. The President is required to report to the Regents annually on the status of the Program.

NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

PROCEDURES AND RELATED DOCUMENTS

1. University of California Housing Assistance Program - Implementation Guidelines.

2. University of California Home Loan Program Corporation Master Note Agreement.

3. University of California Home Loan Program Corporation Services Agreement.

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.