The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE
March 19, 2025

The Finance and Capital Strategies Committee met on the above date at the UCLA Luskin Conference Center, Los Angeles campus and by teleconference meeting conducted in accordance with California Government Code §§ 11133.

Members present: Regents Cohen, Elliott, Kounalakis, Lee, Makarechian, Matosantos, and Sures; Ex officio members Drake and Reilly; Advisory members Cheung and Komoto; Chancellors Hawgood, Larive, and May; Staff Advisor Frías

In attendance: Regent-designate Wang, Secretary and Chief of Staff Lyall, Deputy General Counsel Drumm, Chief Compliance and Audit Officer Bustamante, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Rubin, Vice President Williams, Chancellors Khosla, Lyons, and Muñoz, and Recording Secretary Johns

The meeting convened at 2:10 p.m. with Committee Chair Cohen presiding.

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

Upon motion duly made and seconded, the minutes the meeting of January 22, 2025 and the minutes of the joint meetings of the Academic and Student Affairs Committee and the Finance and Capital Strategies Committee of January 25, 2024 and January 22, 2025 were approved, Regents Cohen, Drake, Elliott, Lee, Matosantos, and Sures voting "aye."[1]

2. **CONSENT AGENDA**

A. ***Authorization to Establish and Maintain Commercial Paper Program***

The President of the University recommended that:

A. The President be authorized to establish and maintain the University's Commercial Paper (CP) program in an amount not to exceed $4 billion in principal amount outstanding and to utilize the CP Program for any University-related purpose.

B. The President be authorized to utilize legally available cash balances in the unrestricted portions of the University's investment pools and to enter into standby letters of credit, lines of credit, or other liquidity agreements to provide liquidity support for the CP Program.

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

C. The President be authorized to determine the combined outstanding balances for liquidity support for the CP Program, medical center working capital needs, and the University of California Mortgage Origination Program (MOP) from the unrestricted portions of the University's investment pools.

B. ***Authority to Indemnify San Diego Gas and Electric for Disclosure of Proprietary Information for Analysis of Household Electricity Consumption by the Department of Agricultural and Resource Economics, Davis Campus***

The President of the University recommended that he be authorized to approve and execute a Non-Disclosure Agreement (NDA) with San Diego Gas & Electric (SDG&E), allowing the Davis campus to access proprietary data for the analysis of household electricity consumption response to time-of-use (TOU) pricing variations, including a third-party indemnity provision in favor of SDG&E.

[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 Cohen briefly introduced the items.

Upon motion duly made and seconded, the Committee approved the President's recommendations and voted to present them to the Board, Regents Cohen, Elliott, Lee, Makarechian, Matosantos, and Sures voting "aye."

3. **HILLCREST MEDICAL CENTER REPLACEMENT, SAN DIEGO CAMPUS: PRELIMINARY PLANS FUNDING**

The President of the University recommended that:

A. The 2024–25 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Hillcrest Medical Center Replacement – preliminary plans – $150 million, to be funded from external financing.

B. The President be authorized to obtain external financing in an amount not to exceed $150 million plus additional related financing costs to finance the Hillcrest Medical Center Replacement project and declare that external financing may be used to reimburse prior expenditures. 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 revenues of the San Diego Medical Center 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.

(4) Any reimbursements will meet all requirements set forth in Treasury Regulations Section 1.150-2.

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UC San Diego Health Chief Executive Officer Patricia Maysent explained that this item sought preliminary plans funding for the Hillcrest Medical Center replacement project. The was the original UCSD hospital, built in the 1960s, and not compliant with seismic safety standards. UCSD completed a Long Range Development Plan for the site in 2019. The current phase involved the replacement of the hospital. UCSD was aiming to build a replacement hospital with 300 patient beds.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Elliott, Lee, Makarechian, Matosantos, and Sures voting "aye."

4. **2200 BANCROFT STUDENT HOUSING, BERKELEY CAMPUS: BUDGET, SCOPE, EXTERNAL FINANCING, AND DESIGN FOLLOWING CONSIDERATION OF AN ADDENDUM TO THE 2021 LONG RANGE DEVELOPMENT PLAN ENVIRONMENTAL IMPACT REPORT PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT**

The President of the University recommended that:

A. The 2024–25 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Berkeley: <u>2200 Bancroft Housing Project</u> – preliminary plans – $7.06 million, to be funded from campus funds.

To: Berkeley: <u>2200 Bancroft Student Housing Project</u> – preliminary plans, working drawings, construction, and equipment – $443,503,000, to be funded from external financing supported by housing revenues ($441,503,000) and auxiliary reserves ($2 million).

B. The scope of the 2200 Bancroft Student Housing project be approved. The project shall provide approximately 583 units containing approximately 1,625 residence hall-style beds and student-focused amenities (approximately 312,000 gross square feet); and a dining commons with a capacity of approximately 500 seats (approximately 41,000 gross square feet).

C. The President be authorized to obtain external financing in an amount not to exceed $441,503,000 plus additional related financing costs to finance the 2200 Bancroft Student Housing project and declare that external financing may be used to reimburse prior expenditures. 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 the Berkeley 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.

(4) Any reimbursements will meet all requirements set forth in Treasury Regulations Section 1.150-2.

D. Following review and consideration of the environmental consequences of the 2200 Bancroft Student 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 to the Regents 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) Adopt the CEQA Findings for the 2200 Bancroft Student Housing Project, having considered both the 2021 Long Range Development Plan (LRDP) Environmental Impact Report (EIR) for the Berkeley campus and Addendum #7 to the 2021 LRDP EIR for the Bancroft Student Housing project.

(2) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of the Berkeley campus, as identified in the Mitigation Monitoring and Reporting program adopted in connection with the 2021 LRDP EIR.

(3) Approve the design of the 2200 Bancroft Student Housing Project, Berkeley campus.

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

Chancellor Lyons introduced the 2200 Bancroft Student Housing project, which would add 583 units and 1,625 beds for first-year students to UC Berkeley's housing inventory. The project also included a 500-seat dining commons and other student-focused amenities to foster community, belonging, and wellness such as an academic center, meeting spaces, a communal kitchen, music rooms, and a fitness center. The project was critical to meeting UC Berkeley's student housing needs and objectives. It represented a significant step toward achieving the goal of guaranteeing on-campus housing for all first- and second-year students. The project was also an important step in addressing the deferred maintenance backlog in older student housing facilities. By increasing bed capacity, the campus would have greater flexibility to plan for the renewal or eventual redevelopment of Unit 3, a mid-20th-century residence hall tower where residents frequently experience unplanned maintenance issues. Should the Regents approve this item, the campus would begin preparing construction documents with physical construction starting in January 2026 to allow the building to open for the 2028–29 academic year.

Regent Sures asked about financing for the project. Executive Vice President and Chief Financial Officer Brostrom responded that UC would finance the project with general revenue bonds from its Central Bank at 4.25 percent financing for either 30 or 35 years. Rental rates were projected to be between 25 percent and 30 percent below market. The building would provide mostly triple occupancy rooms, increasing density. The project met the University's debt service coverage requirements on both a project and a portfolio basis.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Elliott, Kounalakis, Lee, Makarechian, Matosantos, Reilly, and Sures voting "aye."

5. **CLASSROOM AND OFFICE BUILDING III, MERCED CAMPUS: BUDGET, SCOPE, EXTERNAL FINANCING, AND DESIGN FOLLOWING CONSIDERATION OF ADDENDUM NO. 3 TO THE 2020 LONG RANGE DEVELOPMENT PLAN SUBSEQUENT ENVIRONMENTAL IMPACT REPORT PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT**

The President of the University recommended that:

A. The 2024–25 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Merced: <u>Classroom and Office Building III</u> – preliminary plans – $8.6 million to be funded from external financing supported by State General Fund appropriations.

To: Merced: <u>Classroom and Office Building III</u> – preliminary plans, working drawings, construction, and equipment – $78 million to be funded from external financing supported by State General Funds.

B. The scope of the Classroom and Office Building III project be approved. The project scope shall consist of constructing an approximately 53,000-gross-square-foot (gsf) (approximately 36,000-assignable-square-foot) building that would provide large instructional and auditorium space, as well as student support, academic, and administrative office, and scholarly activity space. Site development shall include the demolition of approximately 16,000 gsf of modular space, utilities modifications, hardscape, and landscape. The square footage noted is subject to change based on the selected design-build proposal. To address the challenges of construction market volatility, if design-build teams are unable to submit a bid that delivers the full program within the approved budget, the campus may defer a portion of the initial program scope–excluding instructional programs—by shelling specific program areas.

C. The President be authorized to obtain additional external financing of $69.4 million in a total amount not to exceed $78 million plus related interest expense and additional related financing costs to finance the Classroom and Office Building III and declare that external financing may be used to reimburse prior expenditures. The President shall require that:

(1) The primary source of repayment shall be from State General Fund appropriations. Should State General Fund appropriation funds not be made available, the President shall have authority to use any legally available funds to make debt service payments.

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

(3) Any reimbursements will meet all requirements set forth in Treasury Regulations Section 1.150-2.

D. Following review and consideration of the environmental consequences of the Classroom and Office Building III 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 the 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 Classroom and Office Building III project, having considered both the 2020 Long Range Development Plan Subsequent Environmental Impact Report (LRDP EIR) and Addendum No. 3 to the 2020 LRDP EIR.

(2) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of the Merced campus as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2020 LRDP EIR.

(3) Approve the design of the Classroom and Office Building III, 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 the Regents had approved $8.6 million in preliminary plans funding for the Classroom and Office Building III at UC Merced in March 2024. The campus was now seeking an additional $69.4 million, for a total of $78 million. The campus had added $3 million to the budget in anticipation of increases to costs of materials, such as a tariff on steel. The Classroom and Office Building III was designed to support 12 new high-demand undergraduate programs. The campus needed and currently did not have large lecture halls and events and performance venues. The 53,000-square-foot facility would have a 400-seat auditorium and large lecture halls. It would also include dedicated student advising and tutoring space. The facility would target Leadership in Energy and Environmental Design (LEED) Platinum certification and would be all-electric, in the spirit of the UC's carbon neutrality goals.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Elliott, Kounalakis, Lee, Makarechian, Matosantos, Reilly, and Sures voting "aye."

6. **AUTHORIZATION TO FORM A VENTURE CAPITAL INVESTMENT FUND, BERKELEY CAMPUS**

The President of the University recommended that the Regents:

A. Authorize the President to approve the formation of a new campus-controlled venture capital investment fund, the UC Berkeley Chancellor's Fund, and the management of UC Berkeley's interest therein by the Chancellor of UC Berkeley, as a separate for-profit California limited liability company to make and hold investments in UC-affiliated startups and UC-affiliated venture capital (VC) funds, subject to the following conditions:

(1) Entity Type: The Fund will be an investment-holding entity that is organized as a for-profit California limited liability company. The sole owner of the Fund will be the Regents on behalf of UC Berkeley. No third parties will have an ownership interest in the Fund or have any rights to the Fund's investment returns.

The Fund will be taxed as a for-profit C corporation under the U.S. Internal Revenue Code. The Fund's for-profit status and taxation as a C corporation will enable it to (i) protect the Regents' own non-profit status, (ii) maximize the types of securities of UC-affiliated startups and UC-affiliated VC funds it can purchase for investment (including LLC and LP units), and (iii) make the review and execution of investment documents more efficient to maximize deal flow.

(2) Governance: The Fund will be a manager-managed LLC which will be

governed by an Operating Agreement (OA) to be executed by the Fund and UC Berkeley.

The OA will provide for a Board of Managers (the "Board") to oversee the Fund. The Board may appoint Officers, including a Chief Executive Officer, to manage the Fund on a day-to-day basis. The Managers and Officers will be UC employees who constitute "Services Personnel" under the Services Agreement; these are UC employees who work on UC-affiliated startup equity and technology transfer and UC-affiliated VC funds as part of their regular employment duties. To ensure compliance with the University's conflict of interest and conflict of commitment policies, the legal duties of the Managers and the Officers will, to the fullest extent under the California Revised Limited Liability Company Act, be limited such that the primary duties of the Managers and Officers will be to the University and not to the Fund.

The OA will generally contain customary provisions for governance of a manager-managed LLC, except that the Board may not authorize certain fundamental corporate transactions without the approval of UC Berkeley, including, without limitation, making distributions of investment returns to third parties, incurring debts not in the ordinary course of business, and making any investments other than in "Permitted Investments" as defined below.

The OA will grant the Board the authority to form special purpose vehicles (SPVs), which are separate subsidiary entities of the Fund that may hold certain investments in UC-affiliated startups and UC-affiliated VC funds where the Board deems it to be advantageous to the Fund or to carry out certain investment strategies. Each SPV will be owned indirectly, in whole or in part, by the Regents through their ownership of the Fund. An SPV may permit co-investments with third-party investors. An SPV may form other SPVs at additional lower levels of corporate ownership.

The OA will require that the Fund adhere to commercially reasonable investment practices, including, without limitation, an avoidance of an overconcentration of holdings in only one or a few investments.

The OA will require that the Fund make investments only in connection with a UC-affiliated startup or a UC-affiliated venture capital fund ("Permitted Investment"). An affiliation with UC for purposes of a Permitted Investment by the Fund exists if any of the following apply:

a. A startup is a licensee of UC's intellectual property;

b. A startup is a current or past user of UC incubator or accelerator facilities;

c. A startup is founded, co-founded, or substantially assisted in its founding by a current UC employee, researcher, or student (in the case of a student, the student's activities with the startup must have a demonstrable connection to the student's UC education);

d. A startup has granted its securities or rights to invest in its securities (e.g. participation rights, pro rata investment rights, and similar rights) to UC directly, or to a third party (e.g. a donor to UC or a UC-affiliated VC fund) who subsequently assigns or grants such securities or rights to invest in securities to UC;

e. A venture capital fund (or any of its affiliated entities or vehicles) is a "UC-affiliated VC fund" in which (i) there is an executed affiliation agreement between the venture capital fund and UC Berkeley, (ii) the venture capital fund is part of the UC Berkeley campus shared-return program, or (iii) the venture capital fund invests directly in the UC ecosystem of startups;

f. There is an "other commercial arrangement" with a startup or venture capital fund that has been determined to fall within the scope of Presidential Delegation of Authority (DA) 2650;

g. There is a successor entity that acquired the equity of a startup or a UC-affiliated VC fund that satisfied any of clauses a-f above at the time that UC made its initial investment therein; or

h. There is an investment in money market, short-term, or similar securities for commercially reasonable management by the Fund of cash proceeds (including, without limitation, capital gains, dividends, and gifts) derived from the investments or commercial arrangements described in any of clauses a–g above.

Startups or venture capital funds founded by UC alumni will not by themselves have a sufficient connection to the University to constitute a Permitted Investment unless any of the criteria in clauses a–h above apply.

(3) Initial Capital from Unrestricted Donations: The initial capital for the Fund to make investments and to provide for the initial expenses of the Fund's formation shall be provided by unrestricted donations to UC Berkeley. Donors who make such donations will receive a tax deduction in the same manner as any other donation to the campus. Donors will have no right to receive any returns from the Fund's investments or to direct the Fund's capital towards any particular investment.

(4) Indemnification: The Regents will not be providing indemnification to the

Fund.

(5) Corporate Documents: Prior to adoption by the Fund, the Articles of Organization of the Fund, the OA, the Services Agreement, and any other constitutive corporate documents and related documents shall be subject to the approval of the UC Berkeley Chancellor and the General Counsel.

B. Authorize the Chancellor of UC Berkeley to expand the authority delegated to UC Berkeley pursuant to DA 2650 to allow for the formation of the Fund, and authorize the Office of the General Counsel to negotiate and enter into a Services Agreement with the Fund under the following terms and conditions:

(1) Purpose of Services Agreement: The Fund will not hire its own employees directly and will not have the resources to do so. The Services Agreement will allow for the Regents to provide management and other services to the Fund.

(2) Consideration to the Regents: The consideration that the Regents will receive under the Services Agreement consists of (i) ownership of all of the Fund’s equity, and (ii) the right to receive distributions of the Fund’s returns on its investments.

(3) Services Personnel: The Services Personnel are employees of the Regents who will be authorized to provide services to the Fund under the Services Agreement, including, without limitation, serving on the Fund’s Board of Managers and as Officers of the Fund. Only employees who ordinarily work on startup investments, technology transfer, or UC-affiliated VC funds as part of their regular employment duties, or who work on specific services that may benefit the Fund (e.g. accounting) will be part of the Services Personnel. The Regents will determine which employees will constitute the Services Personnel and may make changes to such employees at their discretion.

Services Personnel will receive their regular compensation as part of their employment with the Regents and will not receive any additional compensation from the Fund. The campus will receive all net fund flows and could compensate Services Personnel outside of the Fund where necessary to attract and retain talent.

Services Personnel will be subject to all UC policies in the course of providing any services to the Fund, including, without limitation, policies relating to conflicts of interest and conflicts of commitment.

(4) Legal Counsel: UC Legal attorneys who normally work on campus startup and venture capital matters may be part of the Services Personnel and may provide legal counsel to the Fund simultaneously with counsel to the

Regents. The Services Agreement will contain customary language under the California Rules of Professional Conduct to permit joint representation of the Regents and the Fund.

(5) Scope of Services: The Regents will determine the scope of the services to be provided to the Fund under the Services Agreement in the Regents' sole discretion and may be changed by the Regents at any time.

(6) Confidentiality: The Regents and the Fund will have mutual confidentiality obligations, subject to any duty of the Regents to make required disclosures under the California Public Records Act.

(7) SPVs and Services for Third Parties: An SPV may receive services from Services Personnel only if such SPV is wholly owned by the Fund and thus indirectly wholly owned by the Regents. To avoid the conferring of private benefits as prohibited by the Regents' nonprofit status, any third party and any SPV that is not wholly owned by the Fund (i.e., in which there is a co-investment by the Fund along with one or more non-UC third parties) will not receive services from Services Personnel under the Services Agreement, and will be charged for any services provided by the Regents under a separate written agreement or will obtain their own personnel at their own expense.

(8) Real Estate: The Fund will exist only as a separate legal entity. It will conduct business from UC Berkeley's existing facilities that manage equities under DA 2650 and is not expected to require new or separate real estate or other facilities. Any use of UC Berkeley real estate or facilities will require a separate agreement between UC Berkeley and the Fund.

(9) Use of UC Marks and Publicity: The Fund will have a license to use UC marks and to publicize its connection with UC Berkeley only to the extent determined to be necessary by applicable Services Personnel. The license will terminate if UC Berkeley ceases to be the sole member of the Fund.

(10) Vendors and Other Third Parties: Nothing in the Services Agreement prevents the Fund from entering into any agreement with vendors or other third parties to provide services to the Fund.

(11) Termination: The Regents may terminate the Services Agreement at will.

C. Authorize the Chancellor of UC Berkeley, pursuant to DA 2650 and following consultation with the General Counsel, to approve and execute: (i) any documents reasonably required to accomplish the above; and (ii) any modifications, addenda or amendments thereto.

[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 Lyons recalled that the Regents promulgated Regents Policy 5105, Policy on Innovation Transfer and Entrepreneurship, in May 2021. The policy states that "The responsibility, authority, and accountability their innovation transfer and entrepreneurship shall reside generally with the campuses." Campuses act as the managers of equity generated from their innovation transfer and entrepreneurship activities. Following this policy, in 2022, President Drake issued the Delegation of Authority (DA) 2650 to delegate equity management to campuses that were ready to accept it. UC Berkeley accepted this in 2023 and has successfully implemented equity management processes and procedures. UC Berkeley now sought approval to create and manage a dedicated campus-controlled investment fund, the UC Berkeley Chancellor's Fund (Fund), to invest in the ecosystem of startups on campus and in the broader UC ecosystem. The Fund would have four main features. First, it would be a separate for-profit California limited liability company wholly owned by the Regents. Second, it would be operated by existing UC employees under a services agreement. These employees were already working on innovation and entrepreneurship and would be subject to all UC policies. Third, the initial capital would be sourced primarily from gifts with no strings attached, and fourth, all of the Fund's investments would be in or connected to UC-affiliated startups and venture capital funds. The Fund would balance more flexibility for UC Berkeley to increase returns on its investments in affiliated startups on the one hand with maintaining UC's policies and nonprofit status on the other. The Fund would operate within the UC innovation ecosystem and would invest alongside the growing list of commercial venture capital relationships. This strategic pillar of growth at UC Berkeley would permit the campus to take larger stakes in promising UC startup opportunities and fill in gaps in the case of opportunities that commercial venture capital partners might not take.

Chancellor Lyons explained that one objective of the Fund was to fund the core operations of UC Berkeley, such as libraries, graduate students, and deferred maintenance, which are difficult to fund. He raised a natural question: why would there be any kind of comparative advantage in allocating capital to venture funds? UC Berkeley would have access to companies right when the so-called "capitalization table" is being formed. The campus had a large portfolio of participation rights and the ability to invest in various companies. New companies were coming out of the campus itself. Perhaps more importantly, UC Berkeley had due diligence through seven affiliated outside venture capital funds that were sharing their due diligence. This information would help guide the campus' investments. Chancellor Lyons expressed confidence in the campus' ability to take on this undertaking, with appropriate internal capacity and checks and balances in place.

Student observer Miguel Craven described the proposed UC Berkeley Chancellor's Fund as a great opportunity to promote UC innovation, support startups, and see them succeed and develop into full-scale companies. He expressed concern about the fact that students were not included explicitly in the mission of the Fund or on its Board of Managers. Second, students were concerned about UC investments, and it appeared that the Fund was not limited to shares of these startups but could invest in other assets as well. The Fund could be set up in a way to ensure that it does not raise more student concerns. Mr. Craven asked if students could be included on the Board of Managers or in some capacity involved with the Fund through a voting or advisory position. He suggested that a certain percentage of the return on investments in this Fund, even a small percentage or fraction, be dedicated for student services, programs, or scholarships.

Committee Chair Cohen asked how students would be involved in the Fund. Chancellor Lyons responded that the Fund would be investing in UC-affiliated companies only; this fact should largely address Mr. Craven's second concern. The campus planned to spend much of the return on investment from the Fund on students, particularly in areas where philanthropy and other sources are not sufficient. Student interns would no doubt participate in the operation of the Fund. There would be professional development opportunities for students.

Regent Makarechian asked how the Fund would take into account the services of UC employees and the use of UC real estate, such as office space. Outside entities who invest in these companies would benefit disproportionately because they would not pay for these services or real estate. Principal Counsel Rafael Pacquing responded that all who were involved in the design of the Fund were concerned about private inurement. Regarding investments by third parties, he noted that the time spent by UC employees on the Fund would not benefit third parties who invest in particular startup companies. Those investments would be made on a purely independent basis. In cases of a co-investment with a third party, between the Fund and a third party, that particular investment would not benefit under the services agreement between the Fund and the campus. With respect to accounting for the time spent by UC employees on the Fund, the objective of the services agreement was that the Regents would be receiving all the investment returns from the fund and the right to 100 percent ownership of the fund in exchange for the time spent by UC employees. The employees who would be working under the services agreement were employees who were already working in the area of innovation and entrepreneurship. For them, there would be a seamless transition. The intention was to keep the functioning of the Fund, as a separate entity, as smooth as possible.

In response to another question by Regent Makarechian, Mr. Pacquing explained that, at the Fund level, which was directly beneath the Regents, there would be no co-investors. The Fund level would be 100 percent owned by the Regents. If there are co-investments, these would occur under a special purpose vehicle which would be a further, separate subsidiary under the Fund. That special purpose vehicle would not be part of the services agreement and would not receive any employee time by UC employees unless there is a separate charge for UC employees' time at that point. Regarding real estate, he noted that the Fund itself would be purely a legal entity and would not require any additional real estate beyond the facilities already being used by Intellectual Property and Industry Research Alliances (IPIRA), Equity Solutions Services (ESS), and the innovation and entrepreneurship ecosystem at UC Berkeley.

Regent-designate Wang asked about the projected size of the Fund. Chancellor Lyons responded that this venture would be philanthropically funded. Over the last year, UC

Berkeley received $75 million of philanthropy, which the campus had to invest as a limited partner in an outside venture firm that was investing in UC Berkeley companies, but there are sources of philanthropy who are interested in enabling the Fund. The campus had not yet projected an ideal size, but Chancellor Lyons believed that the Fund would allow the campus to undertake an interesting project even with $10 million or $20 million. ESS Director Omar Qarshi opined that, to bring the Fund into operation, the campus would definitely need a minimum gift amount of about $900,000 to $1 million. This would be an evergreen fund, and the level of donations would fluctuate during more and less favorable periods. An amount of $10 million to $20 million would be ideal for putting the Fund into operation.

Regent-designate Wang asked about the sourcing pipeline for other campuses, and how UC Berkeley would spread not only awareness of the Fund but also sourcing across the UC system. Mr. Qarshi commented that the Fund provided two benefits for the entire UC system. First, the Fund could invest in startups and opportunities across the system. Second, the Fund would allow UC Berkeley to help smaller campuses without the facilities or staff to work with this Fund and allow the Fund to make investments in those campuses' ecosystems using those campuses' own dollars through this vehicle. As was the case with UC Berkeley's other innovation and entrepreneurship programs, the campus was thinking about how this venture could be helpful across the UC system.

Regent-designate Wang expressed enthusiasm about the proposed Fund, which would serve as a major case study of alternative, unique, and innovative ways to generate revenue for the University. She referred to her own experience as an entrepreneur and UCLA alumna. While she had had excellent mentors, she did not benefit from UC capital, which would have expedited her organization's growth and valuation. She underscored the value of working with other UC campuses. There was great talent and potential philanthropy across the system. In her view, the larger the Fund, the better, because this would benefit individual founders.

Committee Chair Cohen thanked the UC Berkeley team for sharing their expertise with other campuses. He anticipated that some campuses would establish similar funds, while others might wish to partner with UC Berkeley. This would be very positive for the University as a whole. Executive Vice President and Chief Financial Officer Brostrom commented that UC Berkeley has held seminars about the Fund and shared software with other campuses. This would be a model that other campuses would adopt.

Regent Reilly congratulated the campus on this exciting development and looked forward to seeing the Fund launched and growing.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Drake, Kounalakis, Lee, Makarechian, Matosantos, Reilly, and Sures voting "aye."

7. **WORKFORCE HOUSING, SANTA BARBARA CAMPUS: OCEAN ROAD PILOT PROJECT AND USE OF AN ALTERNATE CONTRACTING MODE**

[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 recalled that one of the significant barriers to recruiting and retaining faculty, staff, and graduate students was the high cost of housing around UC campuses. The University has done a good job of building student housing, providing 34,000 student beds over the last decade, but has had a much harder time building staff and faculty housing. The University has worked on several public-private partnerships to leverage private sector expertise and shift operational risk to a third-party operator, but some of these projects have not been realized, primarily due to high commercial financing and construction costs. This item was a discussion of a pilot project for workforce housing on Ocean Road at the Santa Barbara campus. The Regents approved a housing project on Ocean Road in May 2022, but the campus was unable to realize and build the project. Mr. Brostrom hoped that this pilot project would provide a pathway to enable projects on other campuses as well.

Associate Director Jacob Lavin explained that this project would be conducted under the fee development contracting mode, an adaptation of the design-build method that is used by many campuses. UC has also used fee development in student housing public-private partnership projects with 501(c)(3) bonds. The major difference in the approach being proposed for this project was that the University would be contracting with the developer after the solicitation process. The developer would be responsible for contracting with the general contractor, key designers, and property manager if these functions are not self-performed. This approach would introduce another level of overhead in the project cost structure, the payment of the development fee for the developer's role. The University expected that there would be cost advantages that might outweigh this additional overhead cost. These advantages would come from the developer's active participation in the private multifamily housing sector and experience with comparable projects. UC would expect from the developer highly informed budget decisions, effective coordination of scopes and processes, an expanded pool of contractors compared to the pool that typically submits bids for UC work, reduced soft costs from the developer's in-house construction and design staff, and general efficiencies in subcontractor bidding.

One major cost advantage would be the ability to use the University's commercial paper program during construction and UC financing for long-term debt. Compared to public-private partnership projects, the transaction costs with this proposed process would be reduced. The ability to use the University's property self-insurance program would offer significant operating cost advantages as well.

The project scoping for this workforce housing project was a low-cost proposition because of standardization in this area. Norms and standards are well known and therefore, solicitation would not require intensive scoping and design work by the campus. The outcome should be an actionable proposal that the campus can consider. The developer would fully understand the financial feasibility criteria due to the availability and predictability of UC financing. The parameters were set forth in the solicitation. The criteria under the University's debt policy were clear.

The Regents would have two opportunities to review the project: first, when the campus seeks approval for preliminary funding and presents the preferred developer's proposal, and second, when the campus seeks approval for design, budget, and external financing. Mr. Lavin stressed that there would be appropriate accountability in this process. In the second presentation to the Regents, the campus would show how the project at this stage compared to the proposal presented earlier. During the project development phase, incentives and off-ramps would be built into the process. Each discrete phase would have a general guaranteed maximum price that the campus could use as an exit if the project was not proceeding well. The developer would be undertaking the work at risk in terms of being able to earn profit on the project. The direct labor cost would be part of the project scope as it advances, but with respect to profit, the development fee would not be earned until the project reaches the finish line and is authorized for construction. The campus was also incorporating incentives for sharing if the project is completed under budget and for meeting lease-up targets.

Mr. Lavin presented a site plan and described the location of the project, currently occupied by Parking Lot 23. One of the challenges with the initial attempt in 2022 was rigid adherence to the development standards in the Long Range Development Plan (LRDP) certified by the California Coastal Commission. The campus would reimagine the overall development opportunity, adding more density, reducing parking, reducing the scope of the infrastructure realignment, and creating more rental housing. The pilot project could proceed independent of this reimagining of the scope. Under the LRDP, there was a 65-foot height limit, and this allowed for a good-sized project. The boundary of the site could be set irrespective of the larger reimagining process and would inform that process. As the next step, if the Regents had no objections to testing out this pilot project, the campus would proceed with a solicitation using this alternative contracting mode and hoped to return to the Regents with an actionable proposal that meets the financial feasibility parameters.

Committee Chair Cohen asked about the public and competitive process that the campus would use for choosing a developer. Mr. Lavin affirmed that there would be a well-advertised competitive process for this development opportunity. Selection would be based on the published criteria, one of which would be financial feasibility.

Committee Chair Cohen commented that, given the campus' inability to proceed with the prior project, it seemed prudent to try a different approach. Mr. Brostrom added that, if this project succeeds, it could be a good model for delivering cost-effective housing for staff, faculty, and graduate students on other campuses as well. Committee Chair Cohen hoped that the project would be successful and that this model could be deployed at other campuses.

8. **MID-YEAR REPORT OF THE UC OFFICE OF THE PRESIDENT'S BUDGET TO ACTUAL EXPENDITURES AND SECOND QUARTER FORECAST FOR FISCAL YEAR 2024–25**

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

This information item was not discussed.

9. **SIGNIFICANT INFORMATION TECHNOLOGY PROJECTS REPORT FOR THE PERIOD SEPTEMBER 1, 2024 THROUGH DECEMBER 31, 2024**

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

This information item was not discussed.

The meeting adjourned at 2:45 p.m.

Attest:

Secretary and Chief of Staff