

Office of the President

TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:¹

ACTION ITEM

For Meeting of January 16, 2013

**APPROVAL OF THE BUDGET AND APPROVAL OF INTERIM FINANCING,
TEACHING AND LEARNING CENTER FOR HEALTH SCIENCES, LOS ANGELES
CAMPUS**

EXECUTIVE SUMMARY

The proposed Teaching and Learning Center project is for construction of a 110,000 gross square foot (gsf) medical education building located near the intersection of Le Conte Avenue and Tiverton Drive, at the southeastern border of the Health Sciences zone to accommodate the academic teaching and learning programs of the David Geffen School of Medicine. The project also includes a 10,000 gsf driveway enclosed to preserve access to existing parking in the adjacent Center for the Health Sciences (CHS) complex.

Emerging curricular trends in medical education during the last decade have prompted a re-evaluation and redefinition of existing medical education facilities. Since 2006, more than 20 universities across the nation with medical schools have built or have initiated new medical education buildings ranging from 100,000 gsf to 180,000 gsf.

The proposed building would enable the School of Medicine to realize synergies between its educational programs that are currently scattered in obsolete facilities throughout the vast CHS complex and other campus locations. A new building with modern learning facilities will bring the School in compliance with contemporary Liaison Committee on Medical Education (LCME) accreditation standards for education facilities. It would also provide the School of Medicine with an identifiable presence on campus, enhance its ability to recruit students, faculty, and professional staff, and provide a world class educational environment that will benefit future generations of students in the medical and health sciences at UCLA.

The building includes: technology-enabled classrooms that facilitate active learning; a clinical skills training center; innovative and flexible teaching labs that promote collaboration and interaction; and much-needed study, student amenity, and centralized support services space.

¹ Of interest to the Committee on Finance.

The Regents are being asked to:

- 1) Approve the project budget of \$104,700,000 to be funded from hospital reserves (\$55,700,000) and gift funds (\$49,000,000).
- 2) Approve interim financing (\$49,000,000).

UCLA's goal is to fully fund this project from gift funds. Gifts received beyond \$49 million will enable Medical Center funds to be released.

RECOMMENDATION

The President recommends that the Committee on Grounds and Buildings recommend to the Regents that:

1. The 2012-13 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Los Angeles: Teaching and Learning Center for Health Sciences – preliminary plans, working drawings, and construction – \$104,700,000 to be funded from hospital reserves (\$55,700,000) and gift funds (interim financing) (\$49,000,000).
2. The scope of the Teaching and Learning Center for the Health Sciences project (the "Project") is to construct a 120,000 gross square feet (gsf) facility to accommodate academic, teaching and learning programs of the David Geffen School of Medicine, including a 110,000 gsf medical education building for classrooms, teaching labs, a clinical skills center, student study and amenities space, administrative offices, and common and support space; and a 10,000 gsf enclosed access drive to existing parking in the Center for the Health Sciences.
3. The President be authorized to obtain interim financing not to exceed \$49,000,000 for the project. The President shall require that:
 - A. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - B. To the extent additional gifts are received as documented legally binding pledges, the interim financing will be converted to standby financing.
 - C. As long as the debt is outstanding, general revenues from the Los Angeles campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - D. The general credit of the Regents shall not be pledged.

4. The President be authorized to execute all documents necessary in connection with the above.

BACKGROUND

The David Geffen School of Medicine is internationally recognized as a leader in medical education, research, and patient care. It currently has more than 2,000 full-time faculty members, 1,300 residents, more than 750 medical students, and almost 400 Ph.D. candidates. The medical education program prepares its graduates for distinguished careers in clinical practice, teaching, and public service through a multidisciplinary and collaborative approach to problem solving. The School was named following the announcement of a \$200 million unrestricted endowment from David Geffen in 2002.

A new medical education building is needed to provide the David Geffen School of Medicine with modern instructional space that cannot be accommodated within existing facilities; to provide needed study and student amenity space, as well as common space to support interaction and collaboration; and house administrative functions that directly serve students from a central location.

Project Drivers

Medical education programs at UCLA currently utilize a total of 121,387 assignable square feet (asf) that is split between 108,644 asf in the CHS and 12,743 asf in other campus buildings. The space in CHS is scattered among eleven structures on a dozen floors and includes classrooms, teaching laboratories, computer and training laboratories, student support facilities, and administrative offices. The other campus buildings house additional classroom, training, and administrative space that cannot be accommodated in the CHS, and are located a 10- to 20-minute walk from the main CHS instructional space.

The CHS is a 2.4 million gsf complex, built in phases beginning in 1951, that was originally designed to house hospital, research laboratories, and student educational functions in a series of interconnected structures. The teaching spaces were designed when medical education consisted primarily of lectures and laboratory instruction in gross anatomy, as well as other laboratory work involving animals, biology, and bio-chemicals. Since then, new pedagogy incorporated into the curriculum has altered the physical and technological requirements for instructional space, resulting in the need for more classrooms and fewer class laboratories. Classrooms equipped with audio visual, video-conferencing, and information technology are now required in an array of sizes and configurations to promote group discussion, collaboration, and problem solving. While some existing medical education spaces have been upgraded over the past few years, their physical limitations make them inadequate for contemporary teaching and learning activities.

The Liaison Committee on Medical Education (LCME), the authority responsible for accreditation of medical education programs in the United States, has challenged medical schools to use contemporary technologies to prepare better medical students for problem solving in clinical settings. In responding to contemporary accreditation requirements, medical schools across the country have re-examined their approach to educating future physicians. Since 2006,

more than 20 universities across the nation have built or initiated new medical education facilities that range in size from 100,000 gsf to 180,000 gsf.

PROJECT DESCRIPTION

The proposed Teaching and Learning Center project is for construction of a 120,000 gsf facility to accommodate the academic teaching and learning programs of the David Geffen School of Medicine. New construction would include a 110,000 gsf (69,000 asf) medical education building with a 10,000 gsf enclosed driveway to preserve access to parking in the adjacent CHS complex. The building would be located on an undeveloped site that currently contains vehicle circulation and underground utilities at the southeastern border of the Health Sciences zone, adjacent to the intersection of Le Conte Avenue and Tiverton Drive.

The building would be designed to meet the needs of the first two years of instruction-based medical education, provide collaborative learning spaces and services support to third and fourth year students engaged in clinical training in UCLA-affiliated hospitals and clinics, serve continuing education programs, and satisfy contemporary accreditation standards for medical education facilities. Classes currently consist of approximately 187 students each. Instructional space would be sized to accommodate classes of up to 200 to allow for potential enrollment increases during the coming decades.

The building would include new classrooms, teaching laboratories, a clinical skills center, study and amenity space for students, common areas for collaborative and interactive space, and administrative offices. The proposed building would include both formal and informal learning spaces to provide students with a variety of environments for collaborative interactions and hands-on experience. These new facilities would enhance the ability of the School to recruit and retain high caliber students, faculty, and professional staff.

State-of-the-art audio visual and information technology would connect students with grand rounds, surgical procedures, and conferences taking place off-site in partner hospitals, clinics, and other educational facilities. The technology would allow access to patient videos and imaging results to use as teaching tools for use in case discussions, provide opportunities for mentoring and consultation from campus faculty to students working in clinical settings, and improve overall teaching and learning capabilities in the medical school.

The scope of work would include site clearance; construction of an enclosed driveway to access existing CHS parking facilities; and site improvements.

Project space components are described below.

Space	ASF	GSF
Classrooms	29,560	
Teaching Labs	3,830	
Clinical Skills Center	8,560	
Student Study Space	3,650	
Student Amenities	4,460	
Administrative Office	13,200	
Common Space	3,370	
Building Support	2,370	
Sub total	69,000	110,000
Enclosed Driveway to CHS Parking		10,000
Total	69,000	120,000

Classrooms: A range of large and small technology-enabled instructional rooms would be configured and equipped to promote group discussion, collaboration, and problem solving. They would include a tiered lecture hall for 220 persons; a flat floor multi-purpose room seating 200 at tables and up to 400 in auditorium-style seating; two case study rooms for 70 students each in a stepped-horseshoe layout; twenty-five multi-use classrooms for 10 students each for problem-based learning activities that include standardized examination techniques; and three seminar rooms for 32 students each for small group teaching.

Teaching Labs: Two teaching labs for 72 students each would promote active engagement with course material and instructors. Flexible furnishings would allow the rooms to be used for lectures as well as small group activities.

Clinical Skills Center: A dedicated suite would be provided for the teaching and assessment of clinical skills using standardized patients. The suite would be designed to simulate conditions in a real outpatient clinic with examination rooms and separate circulation for students and standardized patients. It would also include a monitoring area with a master control station, briefing/debriefing rooms, staff offices, and related support.

Student Study and Amenities Space: Informal learning space for individual and collaborative study would be distributed throughout the building. These would include lounge, counter, and table seating areas. A student lounge, an office suite for student organizations, student lockers, and a wellness suite would be provided to support student academic life.

Administrative Offices: Space would be provided for the Office of the Dean, the Office of Medical Education, and a portion of Student Affairs that interacts directly with students.

Common and Support Space: This space would include a central lobby, exhibit area, and café. The lobby would serve as a hub that connects the classrooms with the informal learning spaces, and provide a centralized space for larger gatherings. Building support would include space for maintenance, security, mail, custodial, audio/visual support services, and loading dock.

Proposed Location

The proposed location – the only undeveloped area in the Health Sciences zone – is immediately adjacent to other School of Medicine education and research programs in the CHS complex. It is bounded by Tiverton Drive and the Botanical Garden to the east, Le Conte Avenue to the South, the CHS Parking Structure to the West, and the Marion Davies building and CHS Parking E to the north. The site currently consists of roadways and an unused parking kiosk that were designed for a higher volume of traffic than currently exists now that the hospital is no longer in the CHS. Under this project, these roadways would be reconfigured to accommodate the proposed use and provide vehicular access to the parking structures in the CHS.

The construction work would include removal of campus roadways, a parking kiosk, walkways, trees, and signage; relocation of underground fuel tanks and fire department connections; and relocation of on-site utilities to accommodate the new construction (water sewer, storm drain, and electrical/telecommunications). Site improvements would include a new enclosed access drive to existing CHS parking facilities, and new walkways, landscaped areas, irrigation, drainage, and site lighting.

Related Campus Projects

Provision of campus utilities to the site (chilled water, steam power, and telecommunications); and movable furniture and equipment (including audio visual, communications, and information technology) would be provided under separate projects.

Schedule

Recommendation of design approval by the Regents Committee on Grounds and Buildings is projected for March 2013. Construction of the separately funded project to bring utilities to the site is estimated to commence in September 2013, with completion in April 2014. Construction of the building is estimated to commence in March 2014, with completion in August 2016.

ATTACHMENTS:

Attachment 1: Alternatives Considered

Attachment 2: Campus Map

Attachment 3: Project Budget

Attachment 4: Funding Plan

Attachment 5: Summary of Financial Feasibility

Attachment 6: Policy Compliance

Attachment 7: Delivery Model

ALTERNATIVES CONSIDERED

In November 1998, the campus discussed their Academic Health Facilities Reconstruction Plan with the Regents. The plan outlined a series of projects to seismically upgrade or replace portions of the CHS that were damaged during the 1994 Northridge earthquake. The first phase of the plan is now complete, following the completion of the Health Sciences Replacement Buildings 1 and 2 in 2004 and 2007, respectively, and the occupancy of the Westwood Replacement Hospital in 2008. The second phase of the plan addressed seismic safety for the remaining programs occupying seismically deficient space in the CHS that included construction of a replacement medical education building.

Phase 2 projects currently underway include the State-funded seismic renovation of the CHS South Tower for School of Medicine research labs that occupy seismically deficient space in the complex, a campus-funded project to seismically upgrade the School of Public Health, and planning for a series of projects in the accepted 2011-21 *Capital Financial Plan* to seismically upgrade the remainder of the complex, subject to the availability of State funds.

Alternatives Considered

The campus considered three approaches to provide the School of Medicine with modern medical education facilities: 1) a new building; 2) renovation of existing facilities; and 3) a no project alternative.

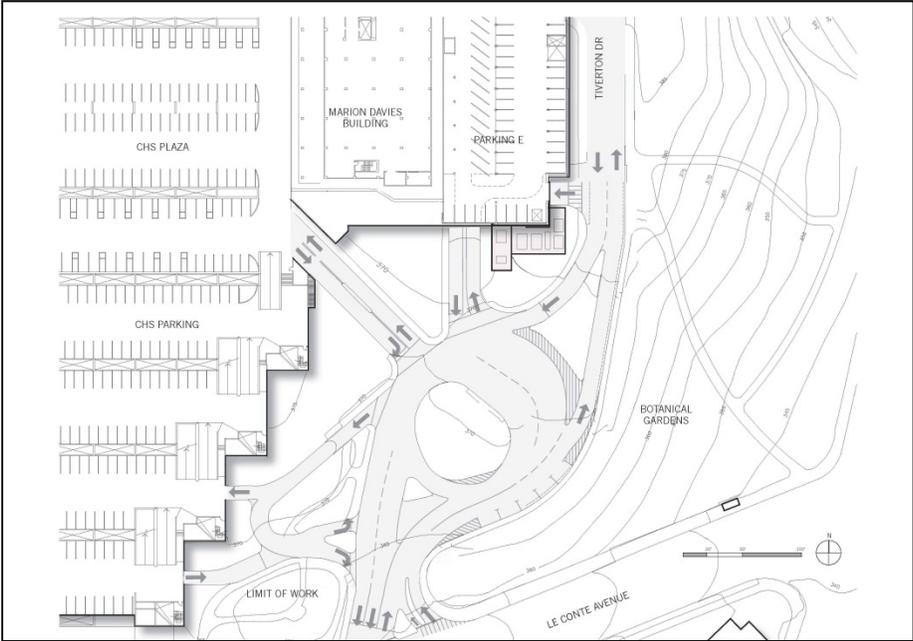
A new building is the preferred approach because it is the only one that provides needed teaching and learning facilities in a central location; provides the School with technologically and pedagogically current instructional, student amenity and common space that cannot be accommodated in existing buildings; satisfies contemporary accreditation standards for medical education facilities by providing centralized study, common, and support services space; and provides the School with an identifiable presence on campus.

Renovation of existing facilities is not desirable because the needed instructional, student amenity, and common space cannot be accommodated in a central location; existing buildings are not sized or configured for a new tiered auditorium, stepped case study rooms, multi-use classrooms, and common space; they cannot satisfy contemporary accreditation standards for medical education facilities; and do not provide the School with an identifiable presence on campus. Additionally, this approach would take longer than a new building because existing building infrastructure would need to be extensively modernized and seismically upgraded first, and building operations maintained during construction.

A “no project” alternative is not a viable long-term solution. Under this approach, medical education programs would remain scattered in obsolete facilities. While cosmetic improvements and technological upgrades to existing spaces would continue, medical education programs would not have appropriately sized or configured space with the desired adjacencies. This approach would not satisfy accreditation standards for medical education facilities and does not address the need to provide the School with an identifiable presence on campus.

CAMPUS MAP

Existing Site Plan



**PROJECT BUDGET
CCCI 6452**

Category	Building	Site/Driveway⁽²⁾	Total	%
Site Clearance		270,000	270,000	0.3
Building	73,175,000	5,375,000	78,550,000	75.0
Exterior Utilities		1,345,000	1,345,000	1.3
Site Development		2,390,000	2,390,000	2.3
A/E Fees	5,195,000	614,000	5,809,000	5.5
Campus Administration	1,601,000	174,000	1,775,000	1.7
Surveys, Tests, Plans	1,553,000	169,000	1,722,000	1.6
Special Items ⁽¹⁾	2,322,000	261,000	2,583,000	2.4
Interest Expense	1,800,000	200,000	2,000,000	2.0
Contingency	7,318,000	938,000	8,256,000	7.9
Total	92,964,000	11,736,000	104,700,000	100%
Group 2 & 3 ⁽³⁾				
Equipment				
Total Project	92,964,000	11,736,000	104,700,000	

Notes

- (1) Special items include CEQA documentation, peer reviews, constructability review, specialty consultants, agency fees, and hazardous materials survey.
- (2) Costs include removal of campus roadways; construction of a new enclosed driveway to existing CHS parking areas; and relocation of underground fuel tanks, fire department connections, and on-site utilities to accommodate the new construction; and new walkways and landscaped areas.
- (3) Furniture and equipment to be funded under a separate project at an estimated cost of \$6 million.

GSF	110,000	10,000	120,000
ASF	69,000	NA	69,000
Ratio (ASF/GSF)	63%	NA	57%
Building Cost/GSF	\$655	\$371	\$655
Project Cost/GSF *	\$845	\$91	\$873

* Exclusive of Group 2 and 3 Equipment.

Comparable Projects

Name	GSF	Construction Start	Completion	Building Cost/GSF	Project Cost/GSF
UCSD –Telemedicine and PRIME-HEQ Education Facility	91,502	Sept 2009	Nov 2011	\$667	\$880
Stanford – Li Ka Shing Center for Learning and Knowledge	104,000	June 2007	Dec 2009	\$625	\$884

FUNDING PLAN

Funding Sources

Project Cost	
Hospital Reserves	\$55,700,000
Gift Funds (Interim Financing)	<u>\$49,000,000</u>
Total	\$104,700,000
Funding Schedule	
Preliminary Plans	3,960,000
Working Drawings	3,839,000
Construction	<u>97,485,000</u>
Total	\$104,700,000
Funding Available	
Medical Center Commitment	\$55,700,000
Gifts to be Raised (Interim Financing)	<u>\$49,000,000</u>
Total	\$104,700,000

Interim Financing of Gifts

UCLA's goal is to raise \$120 million of gifts in support of the School of Medicine. The Medical Center has committed to a total of \$60 million of which \$55.7 million will support construction of the building under the proposed project, and \$4.3 million will support the provision of campus utilities to the site under a separate project. This item requests up to \$49 million in interim financing related to the gift contribution, in order to meet Regental policy to have funds on hand at the time of contract award. To the extent the first \$49 million of gifts are received, the amount of interim financing will be reduced and outstanding balances will be repaid. Gifts received beyond \$49 million will enable Medical Center funds to be released to fund an endowment to cover the cost of operating the building and support for educational programs.

SUMMARY OF FINANCIAL FEASIBILITY

Los Angeles Campus	
Project Name	Teaching & Learning Center for Health Sciences
Project ID	944020
Total Estimated Project Cost	\$104,700,000
Interest During Construction	\$2,000,000

Proposed Sources of Funding	
Hospital Reserves	\$55,700,000
Gift Funds (Interim Financing)	\$49,000,000
Total	\$104,700,000

Financing Assumptions	
Amount Financed	\$49,000,000 (interim financing)
Anticipated Repayment Source	General Revenues of the Los Angeles campus
Anticipated Fund Source	Facilities and Administrative Indirect Cost Recovery Funds
Financial Feasibility Rate	6.00%
First Year of Principal (e.g. year 10)	FY 2017-18
Term	30 Years
Final Maturity	FY 2046-47
Estimated Average Annual Debt Service	\$3,560,000 (interim financing if converted to long term debt)

Measure	Campus Financing Benchmarks	
	10 Year Projections	Approval Threshold
Debt Service to Operations	4.1% (max – FY 2013-14)	6.0%
Debt Service Coverage	2.92x (min - FY 2016-17)	1.75x
Expendable Resources to Debt	n/a	1.0x

Financing approval requires the campus to meet the debt service to operations benchmark and one of the two other benchmarks for approval.

Funding sources shall adhere to University policy on repayment for capital projects.

POLICY COMPLIANCE

Capital Financial Plan. The project is included in the *2012-22 Capital Financial Plan* for the Los Angeles campus.

Environmental Analysis. Pursuant to the California Environmental Quality Act (CEQA) and the University Procedures for implementation of CEQA, the potential project-specific environmental effects of the proposed project will be analyzed and documentation presented when the project is proposed for design approval.

Sustainable Practices. This project will comply with the *University of California Policy on Sustainable Practices*. As required by this policy, the project will adopt the principles of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements, and achieve a minimum USGBC LEED™ Gold – New Construction certified rating. Specific information regarding energy efficiency and sustainability will be provided when the project is presented for design approval.

DELIVERY MODEL

The campus evaluates alternative delivery models for new capital projects, including their potential as developer-delivered Public Private Partnerships (PPPs). PPPs have the potential to offer savings in both time and money over conventional delivery, but the unique characteristics of each project and prevailing market conditions must be evaluated.

The campus has determined that the proposed Teaching and Learning Center is not a suitable candidate for a PPP due to: 1) an extended project schedule to negotiate development agreements; 2) higher escalation costs due to the extended project schedule; and 3) low financing available to the University.