

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

DISCUSSION ITEM

For Meeting of January 24, 2024

UPDATE ON THE UNIVERSITY'S INTEGRATED CAPITAL ASSET MANAGEMENT PROGRAM AND SEISMIC SAFETY PROGRAM

EXECUTIVE SUMMARY

This item provides an update to the Finance and Capital Strategies Committee (Committee) on the University's Integrated Capital Asset Management Program (ICAMP) and Seismic Safety Program. The Committee was last updated in January 2023. The University continues to make progress in both areas through remediation and the identification of priorities and strategies that address facility restoration and renewal and seismic safety improvements.

The University occupies approximately 150 million gross square feet (gsf) of built space across the system with roughly 60 percent of this space constructed in the last (20th) century. Aging facilities are expensive to maintain with many building systems at, or beyond, their useful life.

ICAMP systematically analyzes facility conditions, determines the risk posed to operations by asset failure, and prioritizes opportunities in an efficient and cost-effective manner. ICAMP contains \$7.5 billion in building and infrastructure restoration and renewal needs systemwide, representing over 43,000 priority asset replacement opportunities. Since fiscal year 2015-16, \$818 million in building restoration and renewal projects have been funded using State resources. Campuses have also contributed their own funds to address specific projects. These substantial reinvestment funds have helped address the University's most pressing restoration and renewal needs; however, the absolute needs are vast and increasing as the portfolio of assets continues to age.

Seismic Plans for UC campuses and locations have been updated for 2023. Plans include updates to seismic projects completed, priorities identified, detailed assessments executed, and the total estimated capital needed to address facilities to bring them into compliance with the UC Seismic Safety Policy (Policy). Since 2021, the University has reduced its Policy non-compliant building area by about ten percent (i.e., a reduction from more than 47 million to approximately 42.5 million gsf). While this is a significant achievement by UC campuses and locations, the University acknowledges that there is much work to be completed, and challenges remain in

achieving the goal of full systemwide compliance. The current anticipated total capital need¹ to address seismic improvement projects systemwide is \$19.6 billion, with funding sources identified for nine percent (i.e., about \$1.8 billion) of the need. The remaining 91 percent, or approximately \$17.8 billion, of currently identified capital need does not have funding sources identified. The University's Seismic Safety Policy currently requires that all of UC's owned and leased buildings be upgraded or vacated by 2030. To provide some relief to the financial, schedule, and campus disruption challenges posed by compliance, a range of possible changes to the UC Seismic Safety Policy are being developed to better prioritize future actions and deadlines. These changes are necessary to give campuses and locations additional time to develop plans and identify funding sources.

BACKGROUND

Between 2017 and 2021, the University's Integrated Capital Asset Management Program (ICAMP) performed an initial inventory and building asset condition and risk assessment for over 2,000 State-supportable buildings, comprising 62 million square feet. Prior to the completion of the initial building assessments, the University began a similar systemwide assessment focused on campus infrastructure. The initial identification process for infrastructure assets concluded in mid-2022 with the identification of 2,500 infrastructure needs. ICAMP data identifying asset replacement and renewal opportunities are continuously updated as assets age, asset conditions change, costs change, and identified risk factors change. Subsequent to these initial assessments of State-supportable assets and predominantly over the course of 2023, the University has undertaken similar assessments in a number of auxiliaries including housing and dining and medical center locations. These have resulted in identifying more than \$325 million in additional restoration and renewal need in over 3,500 projects.

The University adopted its first Seismic Safety Policy (Policy) in 1975. The Policy was developed to go beyond the State of California's minimum standard with the goal to improve the level of earthquake safety for students, employees, and the public who occupy the University's California facilities. Since 2018, UC campuses and locations conducted over 6,000 seismic building evaluations, representing the substantial systemwide building inventory. Approximately 70 percent of the systemwide building area is compliant with Policy (approximately 96 million gsf). The remaining Policy non-compliant space (approximately 43 million gsf) must be addressed through further evaluation, retrofit, replacement, or demolition.

The existing UC Seismic Safety Policy requires that all buildings² come into compliance by December 31, 2030. Due to limited funding sources, the campuses and locations are challenged in meeting that deadline. The University is currently in the process of revising the Seismic Safety Policy to better prioritize future actions and deadlines given the massive gap in funding required to perform this work. The goal is to provide additional time for campuses to develop plans and identify funding sources and focus the available funds on the highest priority buildings.

¹ Total capital need to address seismic improvement projects systemwide includes seismic need, plus, if currently known, restoration and renewal and other capital needs - see Table 1 for additional information.

² UC Medical Centers remain under the jurisdiction of the HCAI/OSHPD 2030 deadline.

SUMMARY OF PROGRESS ON UC'S ICAMP AND SEISMIC SAFETY PROGRAM

ICAMP Summary

ICAMP helps prioritize building and infrastructure restoration and renewal need based on the likelihood and consequence of asset failure and an action timeframe for optimal replacement. Currently, ICAMP data represents \$7.5 billion in risk-prioritized building and infrastructure asset replacement need in over 43,000 priority asset replacement needs for State-eligible support. Asset condition and needs are coupled with seismic safety needs by building to determine optimal reinvestment and project opportunities.

ICAMP opportunity (asset replacement) data represents a broad distribution of needs amongst campuses and asset classes. Of these needs, the services category – comprised of heating, ventilation, and air conditioning (HVAC), electrical, plumbing, and conveyances – represents nearly 60 percent of the specific building asset replacement needs in 26,000 items, and over one-third (\$2.75 billion) of the total capital need. These deferred building mechanical replacement needs cannot be maintained indefinitely without failure and interruption to service. Additionally, these replacements typically have the benefit of increasing energy efficiency and comfort, as well as supporting sustainability objectives.

Seismic Safety Program Summary

Since 2021, the University has reduced its Policy non-compliant building area by about ten percent (i.e., from more than 47 million to about 42.5 million gsf), with four percent reduction accomplished between 2022 and 2023. This cumulative progress is a result of UC campuses and locations completing nearly 30 seismic retrofits, decommissioning and/or demolishing about 25 non-compliant buildings, and reclassifying over 70 buildings as compliant as the result of detailed seismic evaluation conducted by third-party California-licensed structural engineers. Updates from 2022 to 2023 account for approximately six seismic retrofits, eight decommissioned and/or demolished buildings, and 32 reclassifications.

Systemwide, more than ten seismic improvement projects are currently in construction, about 170 buildings are planned for demolition, more than 25 seismic improvement projects have received budget approval and are moving forward, and about 450 detailed seismic evaluations are currently in progress or in the planning stages.

Some examples of seismic improvement projects completed since the 2022 report include Public Affairs and Nimoy Theater at UCLA, 777 Mariposa Street Building and Proctor Foundation Building at UCSF, Farm Chalet at UCSC, and UCOP Hertz Hall.

Financial

The 2023-29 Capital Financial Plan (CFP) was approved by the Regents in November 2023 and represents the collaborative efforts among UC campuses and locations to assemble projects

composed of scopes of work that address restoration and renewal, seismic improvements, energy and resource efficiency, accessibility, and code-required and other program needs. The 2023-29 CFP identifies about \$30 billion in capital asset improvement projects with funding identified planned over the next six years that include approximately \$2.5 billion in seismic and life safety projects, and about \$5.1 billion in aging buildings and infrastructure projects.

Table 1 below summarizes the 2023 estimated systemwide capital need to address seismic improvements. The 2023 estimated total capital need to improve buildings not in compliance with Policy is about \$19.6 billion, with approximately \$13.7 billion of that specific to seismic need. Of the total capital need, approximately 75 percent (i.e., about \$14.7 billion) is associated with State-supportable space, and the remaining 25 percent (i.e., about \$4.9 billion) is associated with space that is not State-supportable. Furthermore, of the total capital need, approximately nine percent (i.e., about \$1.8 billion) has identified or proposed funding sources, and the remaining 91 percent (i.e., about \$17.8 billion) do not have funding sources. From 2022 to 2023, total capital need increased by about two percent (i.e., about \$19.2 billion to \$19.6 billion), the amount of funded capital need decreased by about nine percent (i.e., about \$1.9 billion to \$1.8 billion), and the amount of capital need without a funding source increased by about four percent (i.e., about \$17.2 billion to \$17.8 billion), primarily due to construction cost escalation³.

Table 1 – 2023 UC Systemwide Estimated Seismic and Other Capital Need

Total Capital Need¹	Seismic Need¹	State²	Non-State³	F⁴	FNI⁵
\$19.632B	\$13.75B	\$14.708B (75%)	\$4.924B (25%)	\$1.820B (9%)	\$17.811B (91%)

TABLE 1 NOTES:

1. Costs provided are approximate and based on limited project information, see below for additional cost assumption details.
 - a. "Total Capital Need" includes estimated costs of "Seismic Need," and if currently known/available: restoration and renewal scope, energy efficiency upgrades, program upgrades and other building code updates not triggered by seismic improvement scope, plus associated project soft costs.
 - b. "Seismic Need" refers to seismic improvement scope and building code updates triggered by the seismic improvement scope, plus associated project soft costs.
2. "State" = Approximate dollar amount and percent (%) of Total Capital Need that is State-supportable
3. "Non-State" = Approximate dollar amount and percent (%) of Total Capital Need that is not State-supportable
4. "F" = Approximate dollar amount and percent (%) of Total Capital Need for which funding is identified or proposed
5. "FNI" = Approximate dollar amount and percent (%) of Total Capital Need for which funding is not identified

³ UCOP escalated seismic related costs using the Rider Levett Bucknall (RLB) construction cost index from second quarter 2022 to first quarter 2023, resulting in 4.44 percent for the San Francisco location, 5.12 percent for Los Angeles locations, and 5.58 percent for all other campus locations.

CHALLENGES

UC continues addressing restoration and renewal, seismic improvements, energy and resource efficiency, accessibility, and code-required and other program needs. These are ongoing challenges faced by the University and individual campuses and locations. Campuses and locations have identified the following as key impacts:

Funding and resources: ICAMP currently identifies \$7.5 billion in restoration and renewal opportunities. The current anticipated total capital need to address seismic improvement projects systemwide is \$19.6 billion (see Table 1), of which approximately nine percent is identified as having or proposing a fund source. Over the past decade, restoration and renewal, and seismic improvement projects have primarily been funded using University General Revenue Bonds with debt service supported by campus resources or State General Funds appropriations. Since fiscal year 2013-14, the University has approved over \$1 billion using State support for restoration and renewal, and seismic improvement projects. While the future capital need exceeds campuses' current funding and debt capacity, the University will continue its allocation of existing resources to address capital asset needs, and in parallel explore additional funding opportunities that may become available over time, such as continuing to advocate to the State for additional one-time funds, future State General Obligation Bonds, or Lease Revenue Bonds.

The continuing volatility in construction cost escalation adds a layer of uncertainty in strategic planning efforts. Investment in these programs must consider the most effective utilization of limited resources, leverage opportunities to combine aging capital asset improvement efforts (e.g., restoration and renewal, seismic improvements, energy improvements, and program modernization). Additionally, if funded, the programs would need to be supported by an increase in staffing at campuses to oversee the project implementation.

Disruptions to core University business functions due to construction: Continuity in instruction and research may be affected due to lack of available, appropriate surge/swing space. The scale and magnitude of required planning and coordination increases complexity, and often necessitates construction of appropriate replacement space. Wayfinding and circulation may be affected for students, faculty, staff, and neighboring communities in and around campuses.

Other University needs: Addressing restoration and renewal and seismic safety needs is essential to achieving UC's fundamental missions of teaching, research, and public service. Implementing capital asset improvements will affect other campus priorities and goals.

NEXT STEPS

Despite efforts to address seismic, restoration and renewal needs, the University is far from completion of those efforts.

The identification and prioritization of asset replacement needs through ICAMP has enabled the University to focus investments in areas of critical need and integrate these asset replacement

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needs with broader building and system renewal plans presented in the University’s annual Capital Financial Plan updates.

The development of the systemwide Campus Seismic Plans Annual Update has identified approximately 335 projects that are of the highest priority.

As demonstrated by efforts and progress made in the past years, UC campuses and locations’ commitment to delivering and sustaining safe, efficient, and high-quality facilities remains. The Office of the President (UCOP) will continue to collaborate with campuses to incorporate restoration and renewal, and seismic improvement projects into future CFP updates, and to identify strategies for addressing challenges. The University is looking forward to continued collaboration with State agencies and other organizations to identify and access building and infrastructure funding sources to fulfill UC’s capital asset stewardship responsibilities.

The planning process for improvement projects is complex, dynamic, and ongoing. UCOP will periodically update the Finance and Capital Strategies Committee on the progress of the University’s ICAMP and Seismic Safety Program.

Key to Acronyms:

AB94	State Assembly Bill 94
CFP	Capital Financial Plan
gsf	gross square feet
HVAC	heating, ventilation, and air conditioning
ICAMP	Integrated Capital Asset Management Program
Policy	UC Seismic Safety Policy