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Office of the President

TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:

ACTION ITEM

For the Meeting of May 20, 2015

AMENDMENT OF THE BUDGET AND APPROVAL OF EXTERNAL FINANCING, CLINICAL SCIENCES BUILDING SEISMIC RETROFIT AND RENOVATION PROJECT, SAN FRANCISCO CAMPUS

EXECUTIVE SUMMARY

The San Francisco campus proposes the seismic retrofit and renovation of the Clinical Sciences Building (CSB), located at UCSF's Parnassus Heights campus site. The proposed project would be to renovate and seismically strengthen the eight-level building to bring it into compliance with the University's Seismic Safety Policy. The project would also include replacing aging building systems, and renovating the interior of the building as contemporary dry research and instructional space.

This project is one element of the Parnassus Heights campus renewal plan that was presented to the Regents as a discussion item in September 2013. The renewal plan addresses seismic risk, laboratory modernization, and other facility needs across the campus. This action would provide budget approval for the construction phase of the CSB project and allow the campus to maintain the sequence planned for related seismic safety projects. This budget includes an augmentation of campus funds used in the construction phase to address the conversion of an existing shared lobby into instructional space. This scope was approved in prior action.

In May 2013, the Regents approved Preliminary Plans funding of \$2.4 million from campus funds. In November 2013, the Regents approved the *2013-14 Budget for State Capital Improvements*, and subsequently, the State approved \$2.8 million of funds for Working Drawings for the project under the Assembly Bill (AB) 94¹ funding mechanism.

In July 2014, the Regents approved additional project preliminary plans funds and working drawings funds with a budget of \$8,016,000 to be funded from campus funds (\$5,216,000) and external financing supported by State appropriations under the AB 94 mechanism (\$2.8 million).

¹ The State passed legislation in 2013-14, Assembly Bill No. 94, Chapter 50, Section 8 which added, among other provisions, sections 92495 et seq. to the Education Code. This legislation allowed the University to use its State General Fund allocation with certain conditions to finance the design, construction, and equipment of academic facilities to address seismic and life safety needs, enrollment growth, modernization of out-of-date facilities, or renewal or expansion of infrastructure to serve academic programs.

In the same action, the Regents approved the project scope and design, and found the project to be categorically exempt from environmental review in accordance with the California Environmental Quality Act.

The Regents are being asked to: (1) approve a project budget augmentation of \$4,344,000 to be funded from campus funds, for a revised project budget of \$95,812,000; and (2) approve external financing (\$57,752,000). The remaining \$24,535,000 in external financing will be supported by State appropriations and is being addressed in the May 2015 Committee on Finance item that requests approval of external financing under the AB 94 funding mechanism.

RECOMMENDATION

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

1. Subject to the concurrence of the Committee on Finance, the 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Francisco: Clinical Sciences Building Seismic Retrofit and Renovation – preliminary plans, working drawings, construction, and equipment – \$91,468,000 to be funded from external financing (\$57,752,000), external financing supported by State appropriations under the AB 94 mechanism (\$24,535,000) and campus funds (\$9,181,000).

To: San Francisco: Clinical Sciences Building Seismic Retrofit and Renovation – preliminary plans, working drawings, construction and equipment – \$95,812,000 to be funded from external financing (\$57,752,000), external financing supported by State appropriations under the AB 94 mechanism (\$24,535,000), and campus funds (\$13,525,000).
2. The President of the University be authorized to obtain external financing in an amount not to exceed \$57,752,000. The President of the University shall require that:
 - A. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
 - B. As long as the debt is outstanding, the general revenues of the San Francisco campus shall be maintained in amounts sufficient to pay the debt service and to meet the requirements of authorized financing.
 - C. The general credit of the Regents shall not be pledged.
3. The President, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above and to make changes in the terms that do not materially increase the cost of the project or the obligations of the Regents.

4. The Regents find that the July 2014 California Environmental Quality Act (CEQA) determination that the project is Categorical Exempt under Class 1 and 31 remains in effect, and no further CEQA action is required.

BACKGROUND

The Parnassus Heights campus site, which is one of multiple UCSF campus sites, is the home of all four UCSF professional schools: Schools of Medicine, Pharmacy, Nursing and Dentistry. The campus also contains wet and dry biomedical research laboratories and offices, core instructional facilities (including classrooms, auditoria, etc.), UCSF Medical Center inpatient and outpatient facilities, and other campus support functions.

UCSF has embarked on a long-range renewal plan for the Parnassus campus site, consistent with the campus' 2014 Long Range Development Plan, Physical Design Framework, and Ten-Year Capital Financial Plan. The renewal plan contains a number of goals, which include remediating seismic hazards, renovating obsolete laboratory space in existing high-rise laboratory buildings, and improving the office space supporting UCSF faculty and staff who provide patient care, educate students and trainees, and conduct research at Parnassus.

In order to keep essential functions available and minimize impacts to classes, research, and other campus activities, the renewal plan involves a complex series of department relocations and distinct but related projects. Several approved projects are underway to accommodate the units moving from the Clinical Sciences Building (CSB), and future seismic safety projects in the plan hinge on the CSB remediation being completed in a timely manner.

With the renewal plan, the programmatic emphasis at the Parnassus campus site would remain essentially the same, except that pediatrics, obstetrics/gynecology, and cancer clinical programs and their faculty have been relocated to the new UCSF Medical Center at Mission Bay and Mission Hall. Clinical programs serving adult patients at Parnassus will backfill existing clinical space in Moffitt-Long Hospital and the Ambulatory Care Center on Parnassus vacated by programs moving to Mission Bay. New faculty and staff will be hired to support the Parnassus programs and will require dry research work space at the Parnassus campus site adjacent to the clinical facilities. The proposed project to retrofit and renovate CSB would provide dry research space to help address this need.

CSB is an eight-level building, constructed in 1933 at the Parnassus Heights campus site. It is located along Parnassus Avenue, the main public street which bisects the Parnassus site. The building is adjacent and connected to the Medical Sciences Building and UC Hall. The renovation of CSB would modernize the interior and provide efficient and flexible office layouts. The number of dedicated workspaces would increase from 350 to approximately 500 desktop workspaces. At project completion, the building would be 109,100 gross square feet (GSF), an increase of 3,200 GSF through the additions of seismic strengthening on the 6th and 7th levels, and 78,700 assignable square feet (ASF), an increase of 7,491 ASF primarily due to efficiencies from converting laboratory space into desktop workspace, and the conversion of a shared entry lobby into instructional space as detailed below.

Financial Feasibility

The current budget is \$95,812,000. This budget is higher than the amount estimated in the 2014-2024 Capital Financial Plan, which included a total budget \$91,468,000 for this project. The increase of \$4,344,000 results from the conversion of the UC Hall lobby into a multi-purpose instructional space. This conversion was initially contemplated under the future UC Hall Retrofit and Renovation project instead of the CSB project. The shift in scope from one building to the other was included in the July 2014 design and California Environmental Quality Act (CEQA) approval for CSB, and is required in order to accommodate the relocation of the 7th-floor auditorium in CSB to this ground floor location. The campus will be using \$4,344,000 of non-State resources to supplement the construction phase in order to address this scope, and will reduce the scope and budget of the UC Hall Retrofit and Renovation project accordingly.

This action is proposing approval of external financing of \$57,752,000. Based on long-term debt of \$57,750,000 amortized over 30 years at 6.0 percent interest, the estimated annual principal and interest debt service payment for the project would be approximately \$4,174,000. The Summary Financial Feasibility Analysis is provided in Attachment 3.

Approval of financing for \$24,535,000 supported by State appropriations is concurrently being considered by the Committee on Finance as part of an action to approve external financing for the systemwide 2015-16 State Capital Program. That action constitutes financing approval for only that portion supported by State appropriations. This project was included in the State's April 7, 2015 approval of the University's 2015-16 State Capital Outlay Program.

This action is contingent upon the approval of the Committee on Finance action referenced above. The campus cannot implement the proposed funding plan for this project without the approval of both this item and the action under consideration by the Committee on Finance.

PROJECT DESCRIPTION

In accordance with the scope approved by the Regents in July 2014, the proposed CSB retrofit and renovation project would be to decant the building (renovation of decant space is covered under separately approved projects), remediate the seismic hazards in the eight-level building in compliance with the University's Seismic Safety Policy, upgrade building systems, improve disabled access, create a new workplace in support of clinical programs in Moffitt-Long Hospital, and upgrade the instructional and meeting space within the building to contemporary standards. The shell of the building would be renovated per the Secretary of the Interior's Standards for Treatment of Historic Properties. The asset would be improved and provide a high-performing, seismic- and code-compliant facility with an extended life of 50-plus years after the renovation is completed.

Remediate Seismic Hazards

CSB is an eight-level steel frame building, with a poured concrete exterior envelope. The building structural deficiencies have led to a seismic performance rating of Level VI under the California Building Code and UC Seismic Safety Policy. Seismic reinforcement of CSB requires construction of new shear walls as well as reinforcement of the steel frame. A portion of the 6th and 7th floors and roof would also be removed and replaced with slightly larger areas (1,100 GSF) to provide improved access and seismic connectivity to the original building.

Upgrade Building Systems

The building's infrastructure is aged and out of date. Restrooms do not meet disabled accessibility requirements and the main air-handling and electrical equipment are not code compliant. The roof, electrical and information technology distribution systems, and a majority of windows need to be replaced. The exterior concrete walls of the building would be repaired and recoated.

Improve Accessible Access and Repurpose Lobby

The main entry to CSB would be through a new accessible lobby. Included within the CSB project, an existing 7th floor classroom would be relocated to the ground floor. The area of the existing 1957 entry would be repurposed for this use. The space would provide a classroom configured for multi-purpose uses with on-grade access from the street.

Program

The number of workspaces would increase from 350 (in a combination of wet and desktop workspaces) to around 500 (in a desktop workplace environment). Current building population includes clinics and patient population which have relocated or will soon relocate to other space (under separate Chancellor-approved projects). Total current building population is approximately 500 people, thus there would be no increase in overall building population.

FUNCTION	ASF	GSF
Office/Dry Research	70,600	98,000
Instructional	4,800	6,500
Logistical Support/ Commons	3,300	4,600
Total	78,700	109,100

Schedule

Construction is anticipated to commence in July 2015. Project completion is scheduled for July 2017. This represents no change in schedule since the last approval.

CEQA Determination

The project received design approval and was determined to be Categorical Exempt under CEQA Class 1 and 31 in July 2014. The University has determined that no changes to the previous CEQA documentation are necessary to support the proposed action. There are no additions to the project that change the environmental impacts, and there are no changed circumstances or new information.

Related Projects

The decantation of CSB relies on several renovation projects across the San Francisco campus. The permanent relocation of the wet research laboratories now in CSB to Health Sciences East, Health Sciences West, Laboratory Animal Resource Center, and Medical Sciences Building will be completed in mid-2015. The laboratory renovations were approved in December 2013 and have been undertaken as separate projects under the Chancellor's authority.

Various desktop programs are being relocated permanently to the Medical Sciences Building, Millberry Union, the Ambulatory Care Center, and UC Hall. The relocations to UC Hall are temporary, and desktop occupants will vacate the building and relocate to CSB in mid-2017. Clinics now in CSB would relocate to other existing clinical space at Parnassus. In total, 39 programs will be relocated to seven sites on the Parnassus campus site. All renovation projects to accommodate these occupants were approved separately in the fall of 2014 at the chancellor's level and with presidential approval for external financing where required.

All the projects in the Parnassus facilities renewal plan that address seismic risk have a combined estimated budget of \$360 million.

Key to Acronyms

AB 94	Assembly Bill 94
ASF	Assignable Square Feet
C	Construction
CEQA	California Environmental Quality Act
CRHR	California Register of Historic Resources
CSB	Clinical Sciences Building
E	Equipment
GSF	Gross Square Feet
OB/GYN	Obstetrics and Gynecology
P	Preliminary Plans
W	Working Drawings

ATTACHMENTS:

- Attachment 1: Project Budget - below
- Attachment 2: Funding Plan - below
- Attachment 3: Summary of Financial Feasibility - below
- Attachment 4: Prior Approval Actions - below
- Attachment 5: Project Site Location - below

PROJECT BUDGET
CLINICAL SCIENCES BUILDING SEISMIC RETROFIT AND RENOVATION
CCCI 6284

Cost Category	Campus Funded Core & Shell	State Funded Core & Shell	Campus Funded Tenant Improv.	Total	% of Total
Site Clearance	\$5,152,000	\$0	\$0	\$5,152,000	5.8
Building	22,738,000	21,724,000	17,199,000	61,661,000	69.3
Exterior Utilities	651,000	0	0	651,000	0.7
Site Development	955,000	0	0	955,000	1.1
A/E Fees ⁽¹⁾	3,093,000	570,000	1,120,000	4,783,000	5.4
Campus Admin. ⁽²⁾	3,870,000	380,000	757,000	5,007,000	5.6
Surveys, Tests, Plans	99,000	0	85,000	184,000	0.2
Special Items (excl. financing costs) ⁽³⁾	1,662,000	391,000	1,648,000	3,701,000	4.2
Financing Costs	1,388,000	0	752,000	2,140,000	2.4
Contingency	2,389,000	1,470,000	938,000	4,797,000	5.4
<i>Total P-W-C</i>	\$41,997,000	\$24,535,000	\$22,499,000	\$89,031,000	100%
Group 2 & 3 Equipment	0	0	6,781,000	6,781,000	
Total Project	\$41,997,000	\$24,535,000	\$29,280,000	\$95,812,000	

Project Statistics

GSF ⁽⁴⁾	109,100
ASF ⁽⁴⁾	78,700
Efficiency ratio: ASF/GSF	72%
Building Cost/GSF	\$565
Project Cost/GSF ⁽⁵⁾	\$816

Comparable University Projects at CCCI 6284

This project has unique site and seismic structural conditions that greatly impact unit costs and make comparison with projects of similar scope and program invalid. Therefore, no comparable metrics available for this project.

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- (1) A/E fees include the executive architect/engineer's basic services contract fee of \$4,783,000 which represents 7 percent of the construction budget.
 - (2) Campus Administration includes project management and inspection.
 - (3) Special items include: consultants (TD/AV, legal, security, interior design, historic preservation, water proofing), campus CEQA and planning, CEQA compliance, structural peer review, programming studies, occupancy evaluation, community presentations, and permits and agency review
 - (4) Gross square feet (GSF) is the total area, including usable area, stairways, and space occupied by the structure itself. Assignable square feet (ASF) is the net usable area.
 - (5) Project Cost excludes Group 2 & 3 Equipment.
 - (6) Building and Project Costs inclusive of structural upgrade and base building infrastructure replacement.

FUNDING PLAN

Project Cost	May 2015
External Financing	\$57,752,000
External Financing: State Appropriations ⁽¹⁾	\$24,535,000
Campus Funds ⁽²⁾	\$13,525,000
Total	\$95,812,000

Funding Schedule	May 2015
Preliminary Plans (P)	\$5,216,000
Working Drawings (W)	\$2,800,000
Construction (C)	\$81,015,000
Equipment (E)	\$6,781,000
Total	\$95,812,000

Notes

- (1) Being addressed in the May 2015 Committee on Finance item requesting Approval of External Financing under Funding Mechanism AB 94.
- (2) Campus Funds are from a centrally-managed pool of non-state, non-tuition, unrestricted sources, including indirect cost recovery on sponsored contracts and grants, gift assessments, and investment earnings.

SUMMARY OF FINANCIAL FEASIBILITY

SAN FRANCISCO CAMPUS	
Project Name	Clinical Sciences Building Seismic Retrofit and Renovation
Project ID	9002027
Total Estimated Project Costs	\$95,812,000
Anticipated Interest During Construction (included in estimated project cost)	\$2,140,000

PROPOSED SOURCES OF FUNDING	
External Financing – tax-exempt	\$57,752,000
Campus Funds	\$13,525,000
External Financing - State appropriations under AB 94 funding mechanism	\$24,535,000
Total	\$95,812,000

Fund sources for external financing shall adhere to University policy on repayment for capital projects.

Long-term external financing assumptions are listed below.

FINANCING ASSUMPTIONS	
External Financing Amount	\$57,752,000
Anticipated Repayment Source	General Revenues of the San Francisco Campus
Anticipated Fund Source	UCSF's Core Financial Plan unrestricted discretionary sources for capital purposes
Financial Feasibility Rate	6.00%
First Year of Principal	2018-19
Final Maturity (e.g. 20XX)	2048
Term (e.g. 30 years)	30 years
Estimated Average Annual Debt Service	\$4.174 million

Below are results of the financial feasibility analysis for the proposed project using the campus' Debt Affordability Model. External financing approval requires the campus to meet the debt service to operations benchmark and one of the two other benchmarks for approval. The financial projections take into consideration market conditions, new sources of revenue and all previously approved projects. The corresponding campus Debt Affordability Model has been submitted to Capital Markets Finance at UCOP. Capital Markets Finance is working on a revised version of the Debt Affordability Model for campuses that may have revised benchmarks and approval thresholds as a result of general revenue pledge changes.

Measure	CAMPUS FINANCING BENCHMARKS	
	10 Year Projections	Approval Threshold
Debt Service to Operations	5.94% (max, FY2021-22)	Less than 6.0%
Debt Service Coverage	2.12x (min, FY2020-21)	Greater than 1.75x

The metrics used to determine financing feasibility are defined below.

Measure	Definition
Debt Service to Operations (%)	$\frac{\text{Annual Debt Service}}{\text{Total Operating Expenses}}$
Debt Service Coverage (x)	$\frac{\text{Operating Income} + \text{Depreciation} + \text{Interest}}{\text{Annual Debt Service}}$
Expendable Resources to Debt (x)	$\frac{\text{Expendable Financial Resources (unrestricted net assets} + \text{temporarily restricted net assets} - \text{net investment in plant)}}{\text{Total Debt Outstanding}}$

PRIOR APPROVAL ACTIONS

May 2013	Regents Approved Preliminary Plans Budget
November 2013	Regents Approved 2013-14 Budget for State Capital Improvements including Working Drawings Budget funds for the project
December 2013	State Approved Working Drawings Budget under AB 94 for FY 2013-14
March 2014	Regents Approved External Financing of FY 2013-14 State General Funds Financed (AB 94) Projects
July 2014	Regents Approved Additional Preliminary Plans Funds
	Regents Approved Working Drawings Budget
	Regents Approved Design and CEQA
September 2014	Regents Approved Project Budget under the Approval of University of California 2015-16 Budget for State Capital Improvements
April 2015	State Approval of Construction Funds under AB 94 for FY 2015-16

PROJECT SITE LOCATION

