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Office of the President

TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:

ACTION ITEM

For Meeting of September 14, 2010

ACCEPTANCE OF 2010-20 CAPITAL FINANCIAL PLAN AND PHYSICAL DESIGN FRAMEWORK AND AUTHORIZATION TO PARTICIPATE IN THE PILOT PHASE OF THE REDESIGNED PROCESS FOR CAPITAL IMPROVEMENT PROJECTS, SAN FRANCISCO CAMPUS

EXECUTIVE SUMMARY

Campus: San Francisco

Proposed Actions (2): Acceptance of the *UC San Francisco 2010-20 Capital Financial Plan* and the *Physical Design Framework*

Authorization to participate in Pilot Program of the Redesigned Process for Capital Improvement Projects (“Capital Projects Pilot Program”)

Previous Actions: **January 2010:** Committee on Grounds and Buildings – Action – Amendment of Standing Order 100.4 and Policy on Approval of Design, Long Range Development Plans, and the Administration of the California Environmental Quality Act

September 2008: Committee on Grounds and Building – Action – Temporary Amendment of Applicable Standing Orders and Regental Policy and Approval of Implementing Guidelines for Pilot Phase of the Redesigned Process for Capital Improvement Projects

March 2008: Committee on Grounds and Building – Action – Acceptance of the Report of the Capital Projects Working Group and Approval of Pilot Phase of Process Redesign for Capital Improvement Projects

February 2008: Committee on Grounds and Building – Discussion – Progress Report on the Capital Projects Working Group

January 1997: Certification of Environmental Impact Report and Approval of 1996 Long Range Development Plan, San Francisco Campus

Project Summary: The San Francisco campus requests approval to begin on-campus review and consideration of capital projects within the delegated authority of the Chancellor under the Capital Projects Pilot Program. Consistent with the guidelines for the Capital Projects Pilot Program, the campus is submitting its ten-year *Capital Financial Plan* and *Physical Design Framework* at this meeting. The Long Range Development Plan (LRDP) for the campus was approved by the Regents in January 1997.

RECOMMENDATION

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

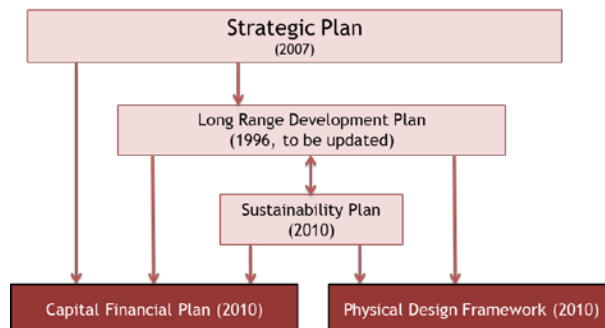
- (1) Accept the *UC San Francisco 2010-20 Capital Financial Plan* and the *Physical Design Framework*.
- (2) Authorize the San Francisco campus to participate in the pilot phase of the redesigned process for capital improvement projects.

BACKGROUND

To be eligible to participate in the Pilot Phase of the Redesigned Process, each campus must obtain acceptance by the Committee on Grounds and Buildings of its *Capital Financial Plan* and *Physical Design Framework*. These documents are based on the campus's Strategic (Academic) Plan and its Regentally-approved campus Long Range Development Plan (LRDP). The current UCSF LRDP (1996) was approved by the Regents in January 1997. The UCSF Strategic Plan was completed in 2007 and will inform the next LRDP which the San Francisco campus is about to embark upon updating to cover a planning horizon of another fifteen years.

The San Francisco campus requests acceptance of its *2010-20 Capital Financial Plan* and *Physical Design Framework* and approval to begin on-campus review and consideration of approval of capital projects within the delegated authority of the Chancellor under the pilot phase of the redesigned process for capital improvement projects. These two plans reflect the goals expressed in the 2007 Strategic Plan and together present an integrated academic, physical and capital plan forecasting capital needs and funding. The two plans will also inform the next LRDP and will be updated accordingly. Upon acceptance of these plans, the Regents will delegate authority to the Chancellor to approve non-State budgets and designs of all projects with values less than or equal to \$60 million. Through this process, the Regents will exercise portfolio oversight of capital projects; Office of the President will provide due diligence regarding approval processes, and legal, financial, or policy risks; and the campuses will have greater responsibility and accountability for the successful delivery of capital projects.

Figure 1: UCSF Plan Documents



Capital Financial Plan

The *UC San Francisco 2010-20 Capital Financial Plan* reflects key academic and strategic program goals that will be achieved through the development of projects that are consistent with the *Physical Design Framework*. The capital plan provides a financial framework for the campus to provide appropriate facilities to advance its *Strategic Plan* and the University's mission.

Plan Overview

The UCSF *Plan* describes a capital investment program with a total value of \$887 million.

- The capital plan is funded with a combination of non-State resources totaling \$713 million (80 percent) and State resources totaling \$174 million (20 percent). Non-State resources include \$652 million of hospital reserves, \$43 million of campus funds, and \$18 million of external financing.
- Divided by function, \$657 million (74 percent) of the proposed ten-year capital plan is designated for Medical Center facilities, \$189 million (21 percent) for infrastructure projects, \$23 million (3 percent) for instruction and research facilities, and \$18 million (2 percent) for auxiliary (parking) projects.
- Divided by improvement category, \$465 million (52 percent) is expected to be spent on building renovations, \$387 million (44 percent) on infrastructure development and renewal projects, and \$34 million (4 percent) on new construction.

Key Funding Issues

The funding information contained in the *Capital Financial Plan* does not reflect previous commitments of funds to major capital projects currently under construction. Over the past decade, UCSF has secured project approval of approximately \$3.7 billion, including \$2.1 billion for more than five new buildings currently under construction: the Regeneration Medicine Building, the Osher Building, the Medical Center at Mission Bay, the Cardiovascular Research Building, and the Neurosciences Research Building. To fund these projects, UCSF is relying on a combination of external financing, gifts, medical center reserves, campus funds, and State funds.

In the 2010-20 *Capital Financial Plan* the San Francisco campus is cautious about identifying specific funding sources for a few near term and most long term projects because of the impacts of budget cuts, healthcare reform, rising pension costs, post-employment benefit cost stream, and increasing facility operating expenses. Also, the future role of debt in the capital program will be largely determined by the outcomes of the operating budget issues mentioned above.

State Funding

The assumptions regarding State funding that are reflected in this *Capital Financial Plan* have been developed with the knowledge that there has not been a General Obligation Bond approved by voters since 2006, and there are limited State Lease Revenue Bonds available in 2011-12. The expected State funding of about \$174 million over ten years represents 20 percent of the total funding resources in the campus's ten-year capital program. It also assumes that any additional allocation from a proposed \$100 million annual system-wide program for Health Science facilities will be directed to the approved Medical Center at Mission Bay and that there will be no increase in the allocation of State capital funds to UCSF. The Campus believes that it will need more State funds for seismic, infrastructure and renewal project since these types of projects do not normally attract gift funds.

Campus Funds and External Financing

Campus funds are used to help support UCSF's mission, including "in-year" capital expenditures with cash or as payments toward debt and other long term obligations. The *Capital Financial Plan* assumes a total of \$43 million in campus funds to augment State funding and support high priority projects such as seismic remediation and infrastructure improvements which would have no other viable funding source.

The *Capital Financial Plan* also assumes \$18 million of external financing to fund construction of an additional parking garage at Mission Bay. Debt repayment for externally financed parking and housing projects comes from operating revenues generated by those units. The debt assumption is based on expectations that there will be sufficient revenue to cover debt repayment.

Medical Center Reserves

The Medical Center's approved capital program funded from capital reserves for the past ten years has totaled over \$440 million for renovation and infrastructure projects. The Medical Center's projected ten-year capital program for 2010-2020 is anticipated to be about \$652 million.

Gifts

In the past ten years, UCSF has enjoyed success in fundraising for new high-profile research and clinical facilities and has raised approximately \$400 million in gifts for campus capital projects. It has also undertaken a \$600 million gift campaign for construction of the UCSF Medical Center at Mission Bay. However, gift funds are normally attracted to basic science and/or clinical research programs and facilities, and do not normally support projects like life-safety and infrastructure improvements.

There are no projections of gift funding for future projects in the *Capital Financial Plan for 2010-2020*. The campus assumes that its ability to raise gifts for new capital projects will be constrained by the current need to conclude ongoing capital campaign commitments and the impact of the current downturn in the economy and slow recovery. The campus expects this

situation to change in the middle to later years of the ten year plan when gift targets have been reached for current commitments and will add gift-funded projects to future *Capital Financial Plans* when there is better potential for securing gift funds for additional capital projects.

Real Estate Opportunities

UCSF leases about 800,000 square feet of space in San Francisco to meet clinical, research and administrative program needs. In the past five years, UCSF has partnered with third party entities to deliver facilities which it was unable to deliver using traditional campus building methods. These include a new 48,000 square foot medical office building at Mount Zion and a new 237,000 square foot Neurosciences research building at Mission Bay. The Campus plans to continue to pursue real estate opportunities that include public/private partnerships for facilities such as parking garages and office buildings to solve high priority space needs.

Sustainability

The *Capital Financial Plan* provides an overview of sustainability efforts under a description of the *Sustainability Plan*. Since the *Capital Financial Plan* will be updated annually, it will provide future updates on sustainability efforts, which are continually evolving.

BREAKDOWN OF CAPITAL IMPROVEMENT PROGRAM BY FUND SOURCE, FUNCTION, AND IMPROVEMENT CATEGORY

Figure 2: Capital Investment Program by Fund Source (\$000's)

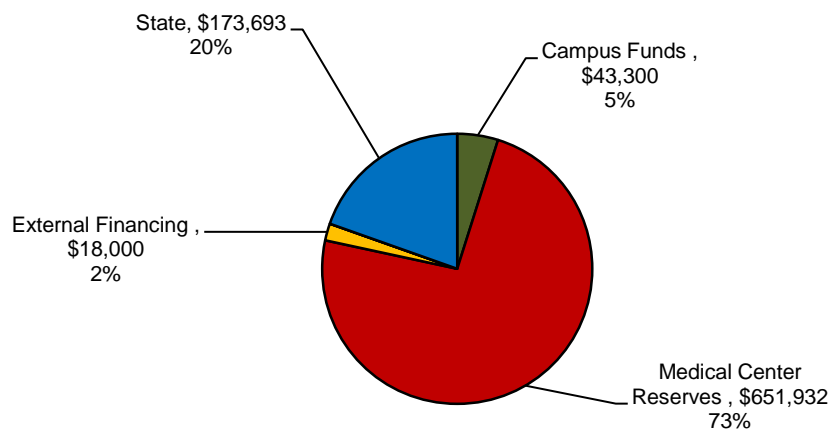


Figure 3: Capital Investment Program by Function (\$000's)

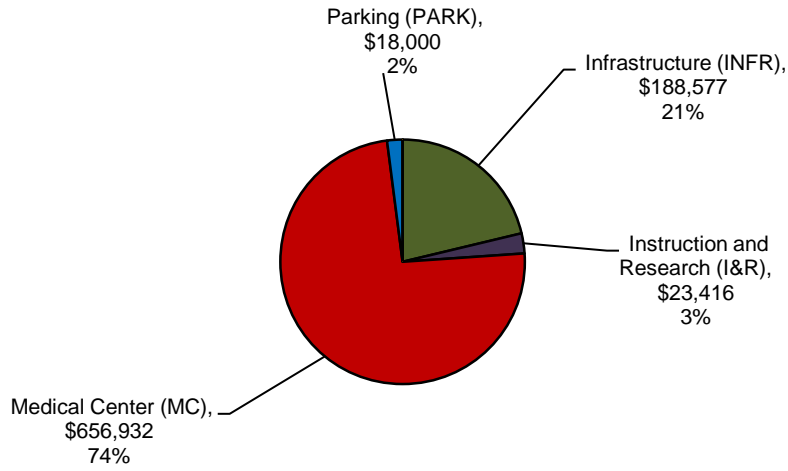
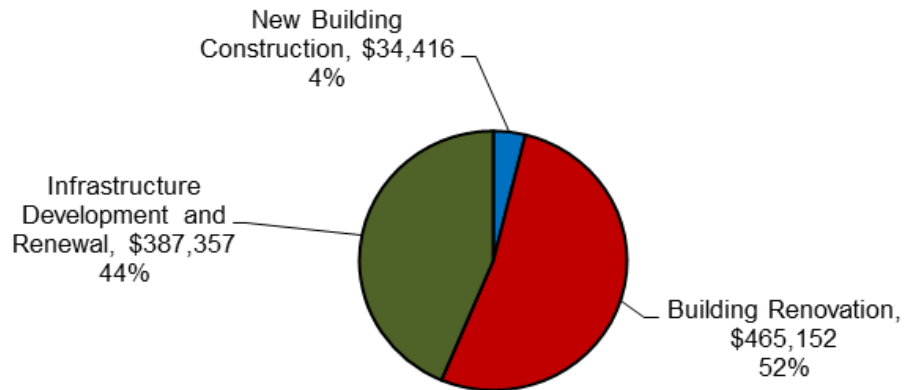


Figure 4: Capital Investment Program by Improvement Category (\$000's)



Physical Design Framework

The current UCSF Long Range Development Plan (1996 LRDP) was approved by the Regents in January 1997 and sets forth the overall land use plan for development of the campus through a projected horizon year of 2012. The environmental effects of development under the 1996 LRDP were evaluated in the LRDP Environmental Impact Report and subsequent amendments. The *Physical Design Framework* does not change the land use plan or alter the projected square footage estimated to meet the demands of the projected campus population and institutional objectives of the campus as analyzed in the LRDP EIR. Acceptance of the *Physical Design Framework* does not relieve the campus from complying with the California Environmental Quality Act (CEQA) for individual projects implementing the 1996 LRDP. Participation in the pilot program changes only the decision-making level (*i.e.*, Chancellor or Regents) for project approval.

The *UCSF Physical Design Framework* describes a vision for creating a physical environment at UCSF's multiple campus sites, consistent with the 1996 LRDP and three subsequent amendments, which support the four-fold mission of academic, research, patient care and community service through 2012. UCSF is about to embark on a multi-year process to update the 1996 LRDP to cover a planning horizon encompassing the next 15-years. This *Physical Design Framework* will serve as a design basis for physical projects articulated in the next LRDP and will be updated in conjunction with the next LRDP, if necessary.

While the LRDP identifies development goals and project proposals over the horizon of the plan to implement its two-pronged strategy of reinvesting in existing sites and establishing a major new campus site, the *Physical Design Framework* establishes six overarching planning and design principles and corresponding guidelines that are universally applicable to capital projects on all of UCSF's campus sites. It also includes six framework strategies for how these principles might be implemented at the Parnassus Heights and Mission Bay campus sites in response to particular issues and opportunities at those locations, along with site-specific planning and design objectives and actions that should be applied when more detailed planning and design of development projects occur.

In addition, the *Physical Design Framework* also describes the multi-site character of UCSF and the context of the University as a whole as being "in and of the city," the unique settings of the Parnassus Heights and Mission Bay campus sites, UCSF's development history, anticipated growth projections, campus wide transportation and utility systems and the design review and approval process.

The *Physical Design Framework* will serve as a reference for campus planners, capital project staff, architects and other professional consultants, neighbors and the larger community early in and throughout the planning and design process to ensure that these principles, guidelines and strategies are incorporated into projects that modify the built environment at all campus sites.

(Attachments **Financial** **Physical Design**)