



OFFICE OF THE PRESIDENT

1111 Franklin Street  
Oakland, CA 94607-5200  
Phone: (510) 987-9074  
Fax: (510) 987-9086  
<http://www.ucop.edu>

May 21, 2002

**ACTION UNDER PRESIDENT'S AUTHORITY--AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL FINANCING FOR SCIENCE RESEARCH PARK INFRASTRUCTURE, SAN DIEGO CAMPUS**

It is recommended that:

**Pursuant to Standing Order 100.4(q)**

- (1) The President amend the 2001-02 Budget for Capital Improvements and the 2001-04 Capital Improvement Program to include the following project:

San Diego: Science Research Park Infrastructure - preliminary plans, working Drawings, and construction -- \$4,917,000, to be funded from external Financing (\$4,127,000) and campus funds (\$790,000).

**Pursuant to Bylaw 21.4(d) and Standing Order 100.4(nn)**

- (2) The President be authorized to obtain financing not to exceed \$4,127,000 to finance the Science Research Park Infrastructure project, subject to the following conditions:
  - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
  - b. Repayment of the debt shall be from San Diego campus' share of the University Opportunity Fund; and
  - c. The general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents be authorized to provide certification that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

KEY  
Capital Improvement Program Abbreviations

<b>S</b>	Studies
<b>P</b>	Preliminary Plans
<b>W</b>	Working Drawings
<b>C</b>	Construction
<b>E</b>	Equipment
<b>-</b>	State Funds (no abbreviation)
<b>F</b>	Federal Funds
<b>G</b>	Gifts
<b>HR</b>	Hospital Reserve Funds
<b>I</b>	California Institutes for Science and Innovation
<b>LB</b>	Bank Loans or Bonds (External Financing includes Garamendi, Bonds, Stand-By, Interim and Bank Loans)
<b>LR</b>	Regents' Loans (Internal Loans)
<b>N</b>	Reserves other than University Registration Fee (Housing and Parking Reserves)
<b>R</b>	University Registration Fee Reserves
<b>U</b>	Regents' Appropriations (President's Funds, Educational Fund)
<b>X</b>	Campus Funds
<b>CCCI</b>	California Construction Cost Index
<b>EPI</b>	Equipment Price Index

**2001-02 Budget for Capital Improvements and  
2001-04 Capital Improvement Program Scheduled for  
Regent's Allocations, Loans, Income Reserves,  
University Registration Fee Reserves, Gift Funds, and Miscellaneous Funds**

<u>Campus and Project Title</u>	<u>Prefunded</u>	<u>Proposed 2001-02</u>			<u>Proposed After 2001-02</u>
Science Research Park Infrastructure	---	P	150	X	---
		W	300	X	
		C	4,127	LB	
(\$4,917,000)		C	340	X	

**DESCRIPTION**

The San Diego campus proposes to prepare the Science Research Park (a 30-acre site) for future development and provide a vehicular connection to the East Campus Health Sciences neighborhood. The site is located on the East Campus, southeast of the East Campus Health Sciences neighborhood.

**Background**

The San Diego campus has designated a 30-acre parcel on the East Campus for development of a Science Research Park (SRP). The objective of the proposed SRP is to augment and enhance the instructional and research base of the University, and provide added flexibility for UCSD to meet changing program requirements by:

- Creating an intellectual resource to enhance UCSD's instruction and research programs by providing opportunities for interaction between outstanding industrial and academic research activities;
- Creating an intellectual resource to enhance UCSD's ability to continue to attract and retain top researchers and scientists;
- Creating a climate that enhances the private support for the University research, graduate fellowships, undergraduate and graduate student training, and collaborative faculty and private sector industrial research projects; and
- Creating a financial resource.

In support of these objectives, research companies, institutes, and government agencies that meet the following programmatic criteria may lease land (under long-term groundleases) or facilities in the SRP:

- The nature of the firm's research activity must be industrial, scientific, or technological (deed restriction);
- Significant linkages between research programs conducted in the SRP and current or proposed campus research and/or instruction must be clearly demonstrated; and
- Programs may not include research designated by the Federal Government as classified.

Permitted activities for the prospective tenants who meet the programmatic criteria include:

- Research, product development, prototype testing, and consulting along with the offices, laboratories, or other facilities that support these activities;
- Production or assembly of prototypes and pilot facilities that are related to on-site research and development activities or the testing of production processes located elsewhere; and
- Provision of research-related services that support research programs within the SRP or the UCSD campus.

Tenants will reflect multiple industry sectors that support and enhance UCSD's academic program.

The SRP site has been designed with five building lots, three shared parking lots and a parking structure, open space, and landscape areas. Total buildable area over the five lots comprises a total SRP development capacity of approximately 500,000 gsf, on 15 acres. The remaining 15 acres support the terraces and walks, streets, parking, and open space. The three shared parking lots would be completed as tenants are secured and building lots are ground leased. Each tenant would be responsible to fund the cost of its parking requirements as a pro-rated share of the parking lots as a condition of the groundlease. The campus would use the funds collected to have the three surface lots constructed. In addition, the development of parking below each research building is required as a condition of the groundlease. The underground parking would be constructed by the tenant. The parking structure would be built at the time of construction of the fifth and final research building. The structure would be constructed by the campus using tenant funds and campus funds in the event that UCSD constructs buildings in the Science Research Park.

The Science Research Park site is currently vacant and requires site preparation and infrastructure before groundlease development can begin. Infrastructure on the site, including grading and drainage improvements, water, sewer, reclaimed water, fiber optics, and electric and gas utilities would be constructed in this proposed Science Research Park Infrastructure project. The graded parking areas would receive erosion control measures as part of this infrastructure project. The campus, at its expense, would maintain the roads, sidewalks, landscaping, and other open space until such time as such costs are pro-rated to tenants occupying their buildings as part of a common area maintenance program.

The campus is currently in discussion with potential tenants, some of whom are interested in occupying buildings in the SRP as early as December 2004. Completion of the proposed infrastructure project is necessary to meet this initial occupancy goal. In addition, an established infrastructure would help secure additional tenants and provide a vehicular connection to the East Campus Health Sciences neighborhood.

#### Project Description

The proposed Science Research Park Infrastructure Improvements project would prepare a 30-acre site for future development of the Science Research Park and provide a vehicular connection to the East Campus Health Sciences neighborhood. The site is located on the East Campus, southeast of the East Campus Health Sciences neighborhood. Site preparation would include grading of building and parking lot pads, roads, storm drains, underground utilities, landscaping, irrigation, and street lighting.

- Connections would be made to water and sewage lines, with stub outs at each of five building lots.
- Electrical connections would be made to outside service for the short-term, with the option of connecting to the campus system in the future.
- Telecommunications, with the exception of the fiber optics, would be connected to outside service for the short-term. The fiber optics would be connected to the campus telecommunications system.
- Switches, switch pads, transformers, and fire hydrants would be located at each of the five building lots.
- An asphalt road would be constructed with curb and guttering, bike lane, shuttle stop, sidewalk, and some landscaping behind the curb. This road would loop through the Science Research Park.
- Utility corridor would be part of the loop road.

- Lots for future building lots and parking lots would be graded and partially landscaped.
- Erosion control would also be part of this project.
- Construction of general signage would be completed.

#### Financial Feasibility

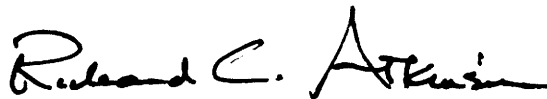
The total project cost for the Science Research Park Infrastructure is \$4,917,000 including interest during construction, to be funded by external financing (\$4,127,000) and campus funds (\$790,000). Additional information regarding the project budget and comparable projects is included as Attachment 1.

The San Diego campus' share of the University Opportunity Fund has been pledged as a source of repayment. Opportunity funds are a portion of the indirect cost recovery on federal contracts and grants. Based on \$4,127,000 of external financing at 6.125% over 30 years, the average annual debt service is estimated to be \$304,000. By University policy, up to 65% of campus Opportunity Funds may be pledged for debt service, but only up to 33% of actual debt service may be paid from Opportunity Funds. The campus is within prescribed limits. In FY 2003-04, the first full year of project completion, 52% of Opportunity Funds are pledged for debt service. Inclusive of projects approved and projects projected to be presented at the July Regent's meeting, the campus will have a maximum pledge of 63% in FY 2005-06. See Attachment 2 for further details. UCSD proposes to begin construction in August 2002 and complete construction in April 2003.

#### CEQA Classification

In accordance with University of California guidelines for the implementation of the California Environmental Quality Act, environmental documentation will be prepared for consideration at the time of design approval by the Chancellor.

Approved:



Richard C. Atkinson  
President of the University

Date

Attachments

**PROJECT STATISTICS**  
**Science Research Park Infrastructure**  
**Capital Improvement Budget**  
**San Diego Campus**  
**CCCI 4019**

<u>Cost Category</u>	<u>Amount</u>	<u>% of Total</u>
Site Clearance	\$ 4,180,000	85.0
Building		
Exterior Utilities		
Site Development		
A/E Fees <sup>(a)</sup>	280,000	5.7
Campus Administration <sup>(b)</sup>	110,000	2.2
Surveys, Tests	90,000	1.8
Special Items <sup>(c)</sup>	97,000	2.0
Contingency	160,000	3.3
<b>Total</b>	<b>\$ 4,917,000</b>	<b>100.0</b>
Group 2 & 3 Equipment	0	
<b>Total Project</b>	<b>\$ 4,917,000</b>	<b>100.0</b>

- (a) Fees include executive architect and other professional design contract costs.  
(b) Campus administration includes project management and inspection.  
(c) Special items include EIR studies, special consultants, value engineering, as well as interest during construction/finance costs.  
(d) 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.

May 2002

## SUMMARY OF FINANCIAL FEASIBILITY ANALYSIS

Project Title: Science Research Park Infrastructure, San Diego Campus

Total Estimated Project Cost	\$ 4,917,000
------------------------------	--------------

Proposed Sources of Funding

Campus Funds	\$ 790,000
External Financing	\$ 4,127,000

Proposed Financing Terms

External Financing - \$4,127,000  
 Interest Rate: 6.125%, 30 years  
 Average Annual Debt Service - \$304,000

San Diego Opportunity Fund Information:

Estimated Annual Revenue (2003-04): <sup>(1)</sup>

Pre-Off-the-Top Generated (Garamendi)	\$ 11,199,000
Opportunity Funds Generated	\$ 28,304,000
Total Estimated Annual Revenue	\$ 39,503,000

Estimated Average Annual Debt Service (2003-04):

Garamendi Debt Service and O&M Expenditures	\$ 11,199,000
Estimated debt service on this project	\$ 304,000
Pledged Expenditures – Other Capital Projects	\$ 8,996,000
Total Estimated Annual Expenses	\$ 20,499,000

% Opportunity Fund Pledged for Debt (policy limit 65%) <sup>(2)</sup> 52%

Debt Service Coverage 1.93X

<sup>(1)</sup> Fiscal Year 2003-04 represents first full year of completion for project.

<sup>(2)</sup> Inclusive of other approved projects and a project pending approval at the meeting in July 2002, the maximum pledge is 63% in FY 2005-06