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September 26, 2003

**CHAIRMAN OF THE BOARD
CHAIRMAN OF THE COMMITTEE ON GROUNDS AND BUILDINGS
CHAIRMAN OF THE COMMITTEE ON FINANCE
PRESIDENT OF THE UNIVERSITY**

ACTION BY CONCURRENCE--AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR UCSF MEDICAL CENTER CHINA BASIN CLINICAL LABORATORIES AND IMAGING CENTER EXPANSION, SAN FRANCISCO CAMPUS

It is recommended that:

Pursuant to Standing Order 100.4(q)

- (1) The President, subject to the concurrence of the Chair of the Board, the Chair of the Committee on Grounds and Buildings, and the Chair of the Committee on Finance, authorize that the 2003-04 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Francisco: UCSF Medical Center China Basin Clinical Laboratories and Imaging Center Expansion - preliminary plans, working drawings, construction, and equipment - \$17,797,000 to be funded from external financing (\$15,279,000) and landlord contribution (\$2,518,000).

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

- (2) The President be authorized to obtain financing not to exceed \$15,279,000 to finance the project listed in (1) above, 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 any financing shall be from the gross revenues of the UC San Francisco Medical Center; and
 - c. The general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents be authorized to provide certification to the lender 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.

A Key to abbreviations and the project description are attached.

(Attachment)

KEY

Capital Improvement Program Abbreviations

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

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

Campus and Project Title <u>(Total Cost)</u>		Proposed <u>2003-04</u>	
<u>San Francisco</u>			
MC China Basin	P	\$584,000	LB
Clinical Laboratories And Imaging Center Expansion	W	\$646,000	LB
	C	\$16,117,000	LB
	E	<u>\$ 450,000</u>	LB
		\$15,279,000	
	C	\$2,518,000	Landlord contribution
(\$17,797,000)			

DESCRIPTION

The Medical Center of the San Francisco campus is seeking approval and financing for tenant improvements for the expansion of the Clinical Laboratory and Diagnostic Imaging programs at China Basin Landing, a leased site located at 185 Berry Street, San Francisco, in close proximity to UCSF's Mission Bay Campus.

Background

In November 2002, The Regents approved the lease of 109,000 square feet at China Basin Landing. Of the 109,000 rentable square feet (rsf), approximately 63,000 rsf is needed for Medical Center facilities, 40,000 rsf is being occupied by the Department of Radiology, and the balance of 6,000 rsf is uncommitted.

The Medical Center has a critical need for additional inpatient beds, not only to meet the current caseload, but to accommodate an increase in caseload due to the planned expansion of the Moffitt-Long operating rooms. The Medical Center has been unsuccessful in identifying any practical location within Moffitt-Long Hospital to meet this need. The relocation of beds as a result of this project would generate release space for new inpatient acute care beds at Moffitt-Long. This outcome would support the Medical Center's program to provide more surgical patient beds at the Parnassus campus, thereby generating more revenue.

Tenant improvements to the space at China Basin would also allow for growth of the clinical laboratories as important new diagnostic techniques are being developed. In addition, the proposed space at the China Basin Landing site would support the expansion of cancer research programs that are seriously impacted by the constrained space conditions at the Parnassus and Mt. Zion campus sites, by providing the space for new imaging equipment required to support the expansion of cancer studies, as well as the need to provide critical patient care.

Project Description

As indicated above, construction of clinical space at the China Basin Landing site would result in the addition of new inpatient acute care beds at Moffitt-Long Hospital, thereby permitting the Medical Center to expand its program and to combine its current and new clinical imaging programs with the Department of Radiology's 3T magnet research program. There are four project components.

Project 1

The first project would address clinical laboratories and laboratory support space located in approximately 30,550 useable square feet on the second floor of China Basin Landing. Clinical laboratories include: Virology, Microbiology, and Donor Processing Labs; Molecular Biology, Immunology, Chemistry, and Research and Development Labs; Central Processing; and a Molecular Pathology and Cytogenetic Laboratory. Department Administration and Laboratory Administration offices and office support areas are included, as well as laboratory support space to include autoclave, glass wash, freezer and cold rooms, and chemical and waste storage areas.

Project 2

The second project would be improvement of 5,020 useable square feet contiguous with the clinical laboratory space in Project 1, above, to accommodate clinical research space for Medical Center faculty.

Project 3

The third project is construction of a first floor Diagnostic Imaging Center, including a reception/waiting area for 20 patients, examination and interview rooms, separate men's and women's dressing areas, a bone density exam room, a nurses' station and a patient/prep area. Also planned are two 1.5T MRI's and one CT Scan area, each with an adjacent computer room and a control station. Staff areas include manager's and radiologist's offices, a workroom, reading areas, and picture archive computer system (PACS) workstations. There would be three ADA accessible toilets for patients and staff. The center occupies approximately 8,070 useable square feet of space.

Project 4

The fourth component would be an expansion of the Nuclear Medicine Imaging Center including space for a PET/CT scanner, new technology, and relocation of two nuclear medicine cameras from the third floor of Long Hospital. The outpatient nuclear medicine services requires approximately 9,280 useable square feet for waiting areas and dressing rooms, PET/CT scan and control rooms, imaging prep lab, nuclear medicine cameras, injection rooms and a future imaging area. Staff areas include a lounge and faculty offices. The Diagnostic Imaging Center in the adjacent space would provide space for patient reception, waiting, registration, and patient records for the Nuclear Medicine Imaging Center.

All four projects would include the following scope of tenant improvements (“TI”) work:

- General construction
- Utilities and roof site work
- Limited foundation and structural work
- Interior walls and one hour rated walls for occupancy separation where required
- Interior doors and finishes
- Casework
- Heating, ventilating, and air conditioning system
- Electrical systems and slab coring
- Plumbing system
- Data and telecommunications systems
- Security system
- Equipment connections

Projects Planned for Space Released as a Consequence of the China Basin Work

The space released as a consequence of the proposed China Basin project would create significant efficiencies, as well as accommodate 22 new inpatient acute care beds. The projects planned to execute that work would be separately proposed and approved in accordance with University policy. They are shown in the following table and described below.

UC San Francisco Moffitt/Long Hospitals				
<i>Projects Planned for Space Released by the China Basin Project</i>				
<i>Project</i>	<i>Scope of Work</i>	<i>ASF</i>	<i>Fund Source</i>	<i>Total</i>
1. M, L-5 Clinical Labs Consolidation	Consolidate remaining clinical labs	5,855	Hospital Reserves	\$ 1,592,000
2. L-5 Heart Center	Renovate Long 5th Floor.	8,496	Hospital Reserves	\$ 9,850,000
3. M-12 Patient Care Unit	Provide 22 new acute patient beds at 12th floor of Moffitt	6,650	Hospital Reserves	\$ 5,922,000
4. M-13 GCRC Administration Office Relocation	Relocate research facility from 12th floor of Moffitt to 13th floor	<u>2,550</u>	Hospital Reserves	<u>\$ 2,114,000</u>
Total		23,551		\$ 19,478,000

1. The ***M, L-5 Clinical Labs Consolidation*** project would consolidate the clinical labs remaining in renovated space on the 5th floor of Moffitt/Long Hospital and create space for the Heart Center project (Item No. 2). This 5,855 asf project is estimated to cost \$1,592,000, funded with Hospital Reserves.
2. The ***L-5 Heart Center*** project would renovate Long Hospital 5th floor space released by the Clinical Labs. Included would be two cardiac catheterization labs, two electro-physiology labs, an observation room, and associated support space. The two catheterization labs and one electrophysiology lab would be relocated from the 12th and 13th floors of Moffitt/Long to the 5th floor, while the second electrophysiology lab would be new, providing increased revenue for the Medical Center. This 8,496 asf project is estimated to cost \$9,850,000, funded with Hospital Reserves.
3. The ***M-12 Patient Care Unit*** project would relocate the General Clinical Research Center (GCRC) from the 12th floor of Moffitt/Long to the 13th floor. Twenty-two new acute care patient beds on the 12th floor could then be accommodated in the space vacated by GCRC and the Heart Center (Item No. 2). The new beds would provide a significant new revenue opportunity, while also serving to meet the increase in caseload resulting from the expansion of the Moffitt/Long operating rooms. The 6,650 asf project is estimated to cost \$5,922,000, funded with Hospital Reserves.
4. The ***M-13 GCRC Administration Office Relocation*** project would relocate displaced GCRC functions and administrative/faculty offices from the 12th to the 13th floor of Moffitt Hospital. This 2,550 asf project is estimated to cost \$2,114,000, funded by Hospital Reserves.

Schedule

The Clinical Lab and expansion projects (Projects 1 and 2) are currently under preliminary design with completion scheduled in April 2004. Initiated by the School of Medicine's Dept. of Radiology, the Diagnostic Imaging Center (Project 3) is currently under construction, with completion scheduled for October 2003. A feasibility study for the Nuclear Medicine Imaging Center (Project 4) is underway, with an anticipated completion date of June 2004.

CEQA Classification

This project is classified Categorical Exempt under the provisions of the California Environmental Quality Act as an existing building. The construction of this space will be the responsibility of the property owner and, therefore, will conform to City and County of San Francisco zoning and building codes.

Financial Feasibility

The project cost for the UCSF Medical Center China Basin Clinical Laboratories and Imaging Center Expansion project is \$17,797,000. The project would be funded from external financing (\$15,279,000) and by a landlord contribution (\$2,518,000).

The base lease provides a tenant improvement allowance of \$40 per rsf, which is \$2,518,000 for the four project areas combined (63,000 rsf). Medical Center external financing will be needed to cover the balance of tenant improvement ("TI") costs for a total of \$15,279,000 for all four projects.

The cost of tenant improvements will be funded by external financing. At a rate of 5.75% for up to 15 years, \$15,279,000 of tenant improvement costs will result in an estimated annual debt service of \$1,522,000. Debt service will be repaid by the gross revenues of the Medical Center. Lenders will be provided a Uniform Commercial Code security agreement covering the tenant improvements.

Fiscal year 2004-05 will be the first full year of debt service for this project. Hospital revenues are anticipated to be \$799 million with an excess of revenue over expenses of \$36 million. Funds available for debt service, which includes interest expense and depreciation expense, provides debt service coverage of 4.76 for fiscal year 2004-05. Cash balances are projected to be \$92 million at FY 2005, sufficient to fund the Medical Center's operations.

In addition to the \$17,797,000 project, the Medical Center intends to purchase an additional \$7,000,000 of medical equipment related to the Clinical Laboratory and Imaging Centers, which will be financed separately under the campus's delegated authority for capital leasing. Additional financial information is shown in Attachment 2 and Attachment 3.

Approved by:

A handwritten signature in black ink that reads "Richard C. Atkinson". The signature is written in a cursive style with a large initial 'R' and 'A'.

Richard C. Atkinson
President of the University


Ward Connerly
Vice Chair of the Committee on Finance

George M. Marcus
Chairman of the Committee on Grounds and
Buildings

John J. Moores
Chairman of the Board

Approved by:

Richard C. Atkinson
President of the University



Judith L. Hopkins
Vice Chairman of the Committee on Finance

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Approved by:

Richard C. Atkinson
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Judith L. Hopkinson
Chairman of the Committee on Finance



George M. Marcus
Chairman of the Committee on Grounds and
Buildings

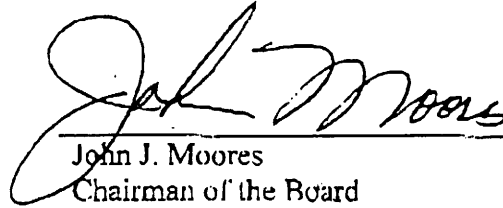
John J. Moores
Chairman of the Board

Approved by:

Richard C. Atkinson
President of the University

Judith L. Hopkinson
Chairman of the Committee on Finance

George M. Marcus
Chairman of the Committee on Grounds and
Buildings



John J. Moores
Chairman of the Board

**PROJECT STATISTICS
UCSF MEDICAL CENTER
CHINA BASIN CLINICAL LABORATORIES AND IMAGING
CENTER EXPANSION
CAPITAL IMPROVEMENT BUDGET
SAN FRANCISCO CAMPUS
CCCI 4020**

<u>Cost Category</u>	<u>Amount</u>	<u>% of Total</u>
Site Clearance	\$ 0	
Building	\$ 14,285,000	82.4%
Exterior Utilities	\$ 75,000	0.4%
Site Development	\$ 50,000	0.3%
A/E Fees ^(a)	\$ 1,238,000	7.1%
Campus Administration ^(b)	\$ 91,000	0.5%
Surveys, Tests	\$ 219,000	1.3%
Special Items ^(c)	\$ 668,000	3.8%
Contingency	\$ 721,000	4.2%
Total	\$ 17,347,000	100%
Group 2 & 3 Equipment	\$ 450,000	
Total Project	\$ 17,797,000	

Statistics

Gross Square Feet (GSF) ^(d)	56,061
Assignable Square Feet (ASF) ^(d)	49,482
Ratio ASF/GSF (%)	88%
Tenant Improvement Building Cost/GSF ^(d)	\$254
Tenant Improvement Building Cost/ASF ^(d)	\$288

Comparable University Projects at CCCI 4020

<u>CIB Dated</u>	<u>UC Campus</u>	<u>Project Name</u>	<u>Building Cost/gsf</u>	<u>Ratio gsf/asf</u>
6/03	San Francisco	UCSF Medical Center M,L Operating Room Expansion	\$481	62%
3/01	San Francisco	UCSF Medical Center Emergency Department Expansion	\$566	89%

- (a) Fees include executive architect and other professional design contract costs.
- (b) Campus administration includes project management and inspection.
- (c) Special items include acoustical consultant; city taxes, building management fee, state fire marshal fees, and interest expense totaling \$668,000.
- (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.

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: MC China Basin Clinical Laboratories and Imaging Center Expansion

Total Estimated Project Cost \$17,797,000

Proposed Sources of Funding

External Funding:	\$15,279,000
Landlord Contribution	<u>2,518,000</u>
	\$17,797,000

Proposed Financing Terms

Interest Rate: 5.75%
Duration: 15 Years

Cash Flow from Operations (2004-05)

Revenues less operating expenses	\$36,000,000
Excess of revenue over Expense	50,000,000
Add: depreciation expense	<u>8,300,000</u>
Add: interest expense	\$94,300,000
Funds available for debt service	

Estimated Debt Service

Existing principal	\$9,978,000
Existing interest	8,300,000
Tenant Improvements	<u>1,522,000</u>
Total debt service	19,800,000

Debt Service Coverage

4.76

RESERVE ANALYSIS

UCSF MEDICAL CENTER/CLINICAL PRACTICE COMBINED FINANCIAL PROJECTION	Actual 12 months 6/30/2003	Budget 6/30/2004	Projected FYE 6/30/2005	Projected FYE 6/30/2006	Projected FYE 6/30/2007	Projected FYE 6/30/2008	6 Year Total
RESERVE ANALYSIS							
SOURCES OF FUNDS							
Operations							
Net income	\$ 48,413	\$ 25,101	\$ 36,000	\$ 38,000	\$ 40,000	\$ 45,000	\$ 232,514
Fund Balance Transfers	(15,444)	(16,000)	(16,000)	(16,000)	(16,000)	(16,000)	(95,444)
Depreciation	49,669	48,834	50,000	50,000	50,000	50,000	298,503
Changes in operating assets and liabilities	(23,155)	(12,581)	(7,500)	(8,000)	(8,500)	(9,000)	(68,736)
Total from operations	59,483	45,354	62,500	64,000	65,500	70,000	366,837
Add: outside funding							
Liquidation of Stanford investment	6,714						6,714
Outside Funding	5,902	10,000	1,855	5,000	5,000	5,000	32,757
State funding - general funds	7,138	-	-	-	-	-	7,138
State funding - lease revenue bonds	-	-	25,000	-	-	-	25,000
Subtotal outside funding	19,754	10,000	26,855	5,000	5,000	5,000	71,609
Add: new debt							
China Basin financing		15,279	-				15,279
Lease proceeds equipment	16,656	17,000	10,000	10,000	10,000	10,000	73,656
Subtotal new debt financing	16,656	32,279	10,000	10,000	10,000	10,000	88,935
Less: retirement of current indebtedness							
Bonds	(1,590)	(1,660)	(1,500)	(1,500)	(1,500)	(1,500)	(9,250)
Leases	(8,107)	(7,500)	(10,000)	(10,000)	(10,000)	(10,000)	(55,607)
Subtotal debt repayments	(9,697)	(9,160)	(11,500)	(11,500)	(11,500)	(11,500)	(64,857)
Funds Available for Capital Expenditures:	86,196	78,473	87,855	67,500	69,000	73,500	462,524
USES OF FUNDS							
Existing construction spending							
M/L 4th floor OR	1,594	5,900	6,912	-	-	-	14,406
M/L 1st floor ED	2,079	4,091	3,482	-	-	-	9,652
M/L SB 1953 2002 compliance	59	100	300	500	500	-	1,459
M/L SB 1953 2008 Phase I	800	2,100	4,300	2,788	-	-	9,988
M/L SB 1953 2008Phase II	-	-	-	5,500	8,500	3,000	17,000
Long 5th floor Heart Center	100	1,250	8,500	-	-	-	9,850
Moffitt 12 & 13 Patient Care Unit	-	150	2,200	5,686	-	-	8,036
Moffitt/Long Infrastructure Projects	1,472	1,850	4,154	-	-	-	7,476
Mount Zion Ancillary Upgrades	3,808	2,300	1,494	-	-	-	7,602
Mount Zion Inpatient Upgrades	5,074	3,161	-	-	-	-	8,235
Mount Zion Infrastructure Upgrades	527	1,140	1,882	-	-	-	3,549
Ambulatory Care facilities upgrades	1,729	4,592	2,800	2,500	950	-	12,571
China Basin -- tenant improvements	2,100	13,179	-	-	-	-	15,279
China Basin -- equipment	-	7,000	-	-	-	-	7,000
Other projects	8,161	4,426	15,810	-	-	-	28,397
New Project Budgets	-	-	-	30,000	35,000	40,000	105,000
FY04 Infrastructure Contingency	1,300	2,565	4,100	1,300	1,300	1,300	11,865
Total Construction	28,803	53,804	55,934	48,274	46,250	44,300	277,365
Total Equipment - Existing and New	16,479	35,305	24,017	20,819	20,350	20,250	137,220
Total capital expenditures	45,282	89,109	79,951	69,093	66,600	64,550	414,585
Increase (decrease) in cash	40,914	(10,636)	5,712	(1,593)	2,400	8,950	45,747
Opening balance	56,983	97,897	87,261	92,973	91,380	93,780	56,983
CLOSING BALANCE	\$ 97,897	\$ 87,261	\$ 92,973	\$ 91,380	\$ 93,780	\$ 102,730	\$ 102,730