



OFFICE OF THE PRESIDENT

Robert C. Dynes
President

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

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ACTION UNDER PRESIDENT'S AUTHORITY - AMENDMENT OF THE BUDGET FOR THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR 2006-07 DEFERRED MAINTENANCE AND FACILITIES RENEWAL PROGRAM FOR 654 MINNESOTA, SAN FRANCISCO CAMPUS

It is recommended that:

Pursuant to Standing Order 100.4 (q)

- (1) The President amend the 2006-07 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

San Francisco: 2006-07 Deferred Maintenance and Facilities Renewal Program for 654 Minnesota – preliminary plans, working drawings, and construction - \$10,000,000, to be funded from external financing.

Pursuant to Standing Order 100.4 (nn)

- (2) The President be authorized to obtain financing not to exceed \$10,000,000 to award construction contracts, 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 financing shall be from the San Francisco campus share of Federal Indirect Cost Recovery deposited to Fund 19933, which shall be in amounts sufficient to pay debt service and to meet the related financing requirements; and
 - c. The general credit of The Regents shall not be pledged.

- (3) The Officers of The Regents 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 execute all documents in connection with the above.

DESCRIPTION

The San Francisco campus requests approval of the 2006-07 Deferred Maintenance and Facilities Renewal Program for the 654 Minnesota Street building. This approval for \$10,000,000 would be funded from external financing. These funds would be used to renew the original core building systems that have failed or are operating substantially below their original design capacity and specifications and are unable to support the planned redevelopment of the building.

The proposed projects would target core building systems, including the Heating, Ventilation, Air Conditioning (HVAC), Fire Protection and Plumbing, Electrical and Telecommunications, exterior skin, roof, and infrastructure systems, elevators, and restrooms. The proposed project would follow the University policy in Sustainable Practices.

As part of the renewal of the HVAC system, all intake and exhaust fan ducts, as well as the supply fans, would be replaced. Renewal of the fire protection and plumbing systems would require modifications to serve the planned office functions and accommodate space partitioning of the redeveloped building, with lines added to the stairs, corridors and equipment room. The outdated main fire alarm control panel would be replaced with current technology. The gas distribution service/piping would be renewed to connect to the new HVAC gas-fired furnace/boiler equipment. Old incoming service of the building's electrical systems would be replaced, and a new transformer and switchgear system would be installed. Fiber cabling would be extended to a new Main Point Of Entry (MPOE) and a conduit would be used for fiber optic cabling from the Mission Bay network backbone. The two existing elevators, subject to frequent breakdowns and technologically obsolete, would be replaced with a larger, more efficient one. The restroom fixtures and plumbing system are also outdated and well beyond their serviceable life. The renewal work would restore lighting, ventilation and plumbing components of the three original restrooms resized to meet the building's new occupancy needs and designed for maintainability and water conservation. Renewal work would stop accelerating deterioration of fixtures and surfaces and eradicate mold that has infiltrated restroom walls.

Background

UCSF purchased the 654 Minnesota Street property from Amersham Biosciences (SF) Corp. on July 14, 2005, with Presidential approval on same date, for the purchase price of \$8,000,000, plus customary closing costs. The campus conducted an extensive due diligence of the property and developed a comprehensive preliminary budget for redevelopment as administrative office space. The building has been unoccupied for four years. The building was constructed in 1982 as a research and manufacturing facility for biotechnology research devices and equipment. The building is a 66,000 gross square feet (gsf), three-story tilt-up structure, comprised of two large

floors (30,000 gsf each) and a smaller third floor (6,000 gsf). Several administrative units would relocate to the renovated building: 1) UCSF's Capital Projects and Facilities Management department would relocate from leased space (inconveniently located at both Mission Bay and Parnassus campuses) when the lease expires in June of 2008 and would occupy approximately 26,000 gsf; 2) the School of Medicine's Information Services Unit of 6,800 gsf would relocate from UCSF's Laurel Height's building (space they vacate at Laurel Heights would accommodate Parnassus academic surge needs); and 3) the Campus Data Center would relocate from the Ambulatory Care Center and would utilize approximately 10,000 gsf. The current plan also calls for two additional departments, as yet unidentified, to occupy approximately 11,600 gsf. These departments are likely to be part of the UC Hall decant plan.

Redevelopment of the building would convert the building to "like new" modern office space with mechanical and other building systems and infrastructure capable of supporting the program needs of tenant departments. The proposed projects to renew the original core building systems are an integral part of the building's redevelopment plan. In addition to renewing and upgrading the HVAC, electrical, and life safety systems, making minor ADA improvements, replacement of the roof and installing energy efficient windows. This plan also includes minor seismic strengthening work that is necessary to meet the University of California's Seismic Policy rating of "Good", which would be done as a separate project with a separate funding source. Certain additional ancillary upgrades reflect the University's expected long term holding period for the property and are designed to be advantageous from a life-cycle cost perspective.

Environmental Classification

Pursuant to State law and the University procedures for implementation of the California Environmental Quality Act (CEQA), the campus prepared an Initial Study and Draft Mitigated Negative Declaration to evaluate the environmental effects of renovating the structure at 654 Minnesota Street ("the project"). Potentially significant impacts were identified in the areas of aesthetics (light and glare), air quality (during construction), hazardous materials (construction related), water quality (construction related) and noise (during construction). Mitigation measures were presented which would mitigate all impacts areas to less-than-significant levels. The renovation of an existing facility is within the delegated authority of the Chancellor, and the environmental document will be presented to the Chancellor in conjunction with the request for project approval following the budget approval.

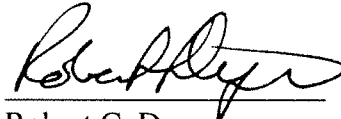
Financial Feasibility

The total cost of this San Francisco campus 2006-07 Deferred Maintenance and Facilities Renewal Program for 654 Minnesota would be \$10,000,000 funded by external financing. A summary of the financial feasibility analysis is presented in Attachment 1. Interest during construction (IDC) is included in the total project cost.

The campus would use its share of the Federal indirect cost recovery deposited to campus University General Funds as the pledged source of repayment for the external financing. The projected annual debt service would be approximately \$996,256, calculated at an interest rate of 5.50 percent for 15 years. Total projected annual debt service, including the existing annual debt

service, the previously approved debt service for Mission Bay Utilities and Distribution Phase I, the additional debt service for 2006-07 Deferred Maintenance and Facilities Renewal Program, and the projected annual debt service for this proposed project would be approximately \$3,463,082, which results in debt service coverage of 6.51 times.

Approved by:



Robert C. Dynes
President of the University

6/14/07
Date

Attachments

ATTACHMENT 1

UNIVERSITY OF CALIFORNIA
2006-2007 Deferred Maintenance and Facility Renewal Program
Summary of Scope of Work Requested for Approval

Priority	Building Name	Project Title	Project Cost
1	654 Minnesota Building	654 Minnesota Building Renewal	\$10,000,000

Scope Components:

Heating, Ventilation, Air Conditioning (HVAC)	\$ 1,750,000
Fire Protection and Plumbing	\$ 750,000
Electrical and Telecommunications	\$ 2,250,000
Exterior Skin, Roof, and Infrastructure	\$ 3,750,000
Elevators	\$ 750,000
Restrooms	\$ 750,000

SUMMARY FINANCIAL FEASIBILITY ANALYSIS**Project Title:**

2006-07 San Francisco Campus Deferred Maintenance and Facilities Renewal Program for 654 Minnesota

Total Estimated Program Cost: \$10,000,000

Proposed Source of Funding:

External Financing \$10,000,000

Proposed Financing Terms:

Interest rate: 5.50%

Duration: 15 years

Pledged Source of Repayment (FY 2008-09):

Federal Indirect Cost Recovery
Campus Allocation of Fund 19933 \$22,540,000

Estimated Annual Expense:

Existing Annual Debt Service	\$ 763,408
Previously Approved Debt Service:	
Mission Bay Utilities and Distribution Phase 1	\$ 707,162
Projected Annual Debt Service (current proposed project)	\$ 996,256
Projected Annual Debt Service (DM)*	<u>\$ 996,256</u>

Total Estimated Annual Debt Service: \$ 3,463,082

Debt Service Coverage 6.51x

*Being presented for Presidential approval concurrently with this project.