



OFFICE OF THE PRESIDENT

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**ACTION UNDER PRESIDENT'S AUTHORITY--AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR RADIATION ONCOLOGY PROGRAM TENANT IMPROVEMENTS, SAN DIEGO CAMPUS**

It is recommended that:

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

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

San Diego: Radiation Oncology Program Tenant Improvements – preliminary plans, working drawings, and construction – \$1,995,000 to be funded from external financing.

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

- (2) The President be authorized to obtain financing not to exceed \$1,995,000 to finance the Radiation Oncology Program Tenant Improvements 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. As long as the debt is outstanding, the San Diego campus' share of the School of Medicine's Clinical Enterprise Development Fund shall be maintained in amounts sufficient to pay debt service and to meet related requirements of the authorized financing; and
  - c. The general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents execute all documents in connection with the above.

A Key to the abbreviations and the project description are attached.

**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  |

Budget for Capital Improvements and  
Capital Improvement Program  
Scheduled for  
Regents' Allocation, Loans, Income Reserves, University Registration Fee Reserves,  
Gift Funds, and Miscellaneous Funds

| Campus and Project Title<br>(Total Cost)       |         | Proposed<br>2007-08 |
|--|---------|---------------------|
| <u>San Diego</u>                               |         |                     |
| Radiation Oncology Program Tenant Improvements | P, W, C | \$1,995,000         |

**DESCRIPTION**

The San Diego campus is seeking approval of \$1,995,000 funded from external financing for the tenant improvements of the UC San Diego Radiation Oncology Center (the Center) at 1200 Garden View Road, Suite 210, Encinitas, CA 92024.

***Background***

Currently, the Moores UCSD Cancer Center provides radiation oncology services for their patients. Many UCSD radiation oncology patients requiring treatment have requested to be referred to non-UCSD services closer to their home.

The San Diego Cancer Center (SDCC) has developed a center providing cancer services in Encinitas. SDCC provides only medical oncology services, but is interested in offering radiation oncology and other subspecialties. The SDCC approached the San Diego campus to discuss the possibility of UCSD subleasing existing medical office space at their Encinitas location and building a radiation oncology vault in space adjacent to SDCC Properties, LLC, an affiliate of SDCC. In January 2008, the Office of the President approved the lease of 2,330 rentable square feet (rsf) for the UCSD School of Medicine from the LLC adjacent to the SDCC. The lease would end April 30, 2014 and would be subject to continuation.

***Project Description***

This proposal is to complete the tenant improvements of the UCSD Radiation Oncology Center. The Center would be operated by the UCSD School of Medicine and its Department of Radiation Oncology. The lease space is below grade; patients and staff would have access from the elevator in the SDCC. Additionally, adjacent to the entrance of the Center would be underground parking for patients and staff. Equipment planned for the Center includes a state-of-the-art Varian Trilogy linear accelerator.

***Green Building and Clean Energy Standard***

The project will comply with the *Presidential Policy on Sustainable Practices*. As required by this policy, the project will adopt the principles of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements.

***CEQA Classification***

This project is classified Categorical Exempt under the provisions of the California Environmental Quality Act (CEQA) as an existing building.

***Financial Feasibility***

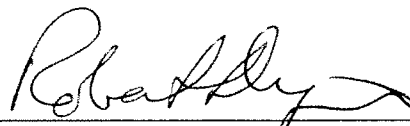
The total cost for the Radiation Oncology Program Tenant Improvements project payable by University of California prior to lease commencement would be \$1,995,000, to be funded from external financing.

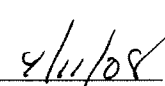
Repayment of the external debt would be from the San Diego School of Medicine's Clinical Enterprise Development Fund (CEDF). The CEDF is the annual health system support provided by the Medical Center to the School of Medicine and is used to fund clinical programs at the discretion of the Dean. The projected annual debt service for the project would be approximately \$350,000, calculated at an annual rate of 5.3750 percent for 7 years. As long as the debt is outstanding, the San Diego campus' share of the School of Medicine's Clinical Enterprise Development Fund shall be maintained in amounts sufficient to pay debt service and to meet related requirements of the authorized financing.

The external financing would be paid from revenue sources specified in the external financing documents; therefore, the general credit of The Regents would not be pledged.

A summary of the financial feasibility analysis is presented in Attachment 2.

Approved by:

  
Robert C. Dynes  
President of the University

  
Date

Attachments

**PROJECT STATISTICS  
ENCINITAS ONCOLOGY TENANT IMPROVEMENTS  
CAPITAL IMPROVEMENT BUDGET  
SAN DIEGO CAMPUS**

| <u>Cost Category</u>                                 | Amount             | <u>% of Total</u> |
|--|--------------------|-------------------|
| Tenant Improvements                                  |                    |                   |
| Design & Construction Per Lease 1/29/08              | \$1,609,000        | 80.65%            |
| Landlord Project Management & Start-Up               | 150,000            | 7.52%             |
|  | <u>\$1,759,000</u> | <u>88.17%</u>     |
| UCSD Reserve Contingency for Potential Change Orders | 236,000            | 11.83%            |
| Total Project Cost                                   | <u>\$1,995,000</u> | <u>100.00%</u>    |

**ATTACHMENT 2**

**SUMMARY FINANCIAL FEASIBILITY ANALYSIS**

**Project Title: Encinitas Oncology Tenant Improvements**

**Total Estimated Project Cost** \$ 1,995,000

**Proposed Sources of Funding**

External Funding \$ 1,995,000

**Proposed Financing Terms**

Clinical Enterprise Development Fund (CEDF):

Interest Rate: 5.3750%

Duration: 7 Years

**Cash Flow from CEDF (2006-2007):**

|                           |                     |
|---------------------------|---------------------|
| Gross Revenues            | \$39,583,000        |
| Other Funding Commitments | <u>\$32,559,000</u> |
| Net Revenues              | \$7,024,000         |

|   |                   |
|---|-------------------|
| Projected annual debt service (2006-07) |                   |
| Proposed project                        | <u>\$ 350,000</u> |
| Total                                   | \$ 350,000        |

Debt Service Coverage 20.07 X