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December 21, 2017

Office of the President

**PRESIDENT OF THE UNIVERSITY
CHAIR OF THE BOARD OF REGENTS
CHAIR OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE**

ACTION ITEM

ACTION UNDER INTERIM AUTHORITY – AMENDMENT OF THE BUDGET AND APPROVAL OF EXTERNAL FINANCING, CLINICAL SCIENCES BUILDING SEISMIC RETROFIT AND RENOVATION, SAN FRANCISCO CAMPUS

EXECUTIVE SUMMARY

The Clinical Sciences Building (CSB) Seismic Retrofit and Renovation project at UC San Francisco's Parnassus campus will renovate and seismically strengthen the 109,126-gross-square-foot building, replace aging building systems, and renovate the interior of the building as contemporary dry research and instruction space. Constructed in 1933, CSB requires remediation to comply with the University's Seismic Safety Policy.

This project was approved for preliminary plans funding in May 2013. In July 2014, the project received approvals for additional preliminary plans funding, working drawings funding, and design following action pursuant to the California Environmental Quality Act (CEQA). In May 2015, the project budget and funding sources were approved. The building was vacated and construction began in January 2016.

In November 2016, it was necessary for the campus to discuss termination with the general contractor and the project was suspended. A new general contractor was brought in and the project has now been rebid at both the general contractor and subcontractor levels, and the proposed budget amendment is based on these bids. The costs associated with the delay in construction, rising construction costs reflected in the new bids, and remobilization exceed the approved budget and the campus is requesting a budget augmentation of \$55,378,000 (58 percent) in order to complete the approved scope of work. That scope has not changed since the prior approval and there are no changes to the determination that the project qualifies for a categorical exemption in accordance with CEQA.

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Given the significant budget increase, the campus reevaluated the alternative of addressing this project through new construction as opposed to the approved renovation. It was determined that projected building costs for new construction would still be higher than the current bids for renovation. Additionally, the transition to a new construction project would include several risks, including extending the schedule by as much as three to four years to design, approve, and bid a new-build project, which would prolong disruptions to teaching and research operations that have been relocated to temporary space. Therefore, the option to proceed immediately with completing the approved renovation is the best solution for providing modern research facilities. Since the work has been fully bid, construction can recommence immediately.

The campus originally planned to request this approval at the November 2017 Regents meeting; however, critical issues related to the assignment of subcontractor bids to the new general contractor could not be resolved in time to meet the November 2017 Regents agenda deadline. The current bids for the project are set to expire on January 9, 2018. If the item is considered at the Regents meeting scheduled for January 24, 2018, the project would be required to re-bid several trades and the impact would possibly result in both additional cost increases and schedule delays.

This item seeks approval under interim authority due to the need to keep the project moving forward, avoid additional cost increases related to delay, and to support efforts to retain faculty and research staff.

In this action, the Regents are being asked to: (1) approve a \$55,378,000 augmentation for a total project budget of \$151.19 million and (2) approve a \$55,378,000 increase of external financing for a total of \$113.13 million.

RECOMMENDATION

It is recommended that:

- A. The 2017-18 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Francisco: Clinical Sciences Building Seismic Retrofit and Renovation – preliminary plans, working drawings, construction, and equipment – \$95,812,000 to be funded from external financing (\$57,752,000), external financing supported by State appropriations under Sections 92493 through 92496 of the California Education Code¹ (\$24,535,000), and campus funds (\$13,525,000).

To: San Francisco: Clinical Sciences Building Seismic Retrofit and

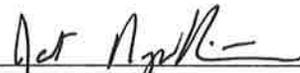
¹ This source was previously identified as the AB94 mechanism. Assembly Bill (AB) 94 was the legislation that allowed the use of State general funds for the payment of debt service and other capital costs for certain projects approved by the State, as now described in sections 92493 through 92496 of the Education Code. There has been no change in this source of funds, only the description has been updated for clarity.

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Renovation – preliminary plans, working drawings, construction, and equipment – \$151.19 million to be funded from external financing (\$113.13 million), external financing supported by State appropriations under Sections 92493 through 92496 of the California Education Code (\$24,535,000), and campus funds (\$13,525,000).

- B. The President of the University be authorized to obtain additional external financing not to exceed \$55,378,000 plus additional related financing costs, for the project. The President shall require that:
 - a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
 - b. As long as the debt is outstanding, the general revenues of the San Francisco campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - c. The general credit of the Regents shall not be pledged.
- C. The President, or designee, be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.

APPROVED:

By:  Date: 1-5-18
Jafet Napolitano
President of the University

By:  Date: 1-8-18
George Kieffer
Chair of the Board of Regents

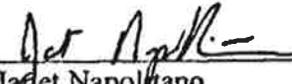
By: _____ Date: _____
Hadi Makarechian
Chair of the Finance and Capital Strategies Committee

Action Under Interim Authority – Amendment of the Budget and Approval of External Financing, Clinical Sciences Building Seismic Retrofit and Renovation, San Francisco Campus

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By:  Date: 1-5-18
 Jafet Napolitano
 President of the University

By: _____ Date: _____
 George Kieffer
 Chair of the Board of Regents

By:  Date: 1-6-18
 Hadi Makarechian
 Chair of the Finance and Capital Strategies Committee

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BACKGROUND

The Clinical Sciences Building (CSB) Seismic Retrofit and Renovation project would renovate and seismically strengthen the eight-story building, replace deteriorated building systems, and renovate the interior of the building as contemporary dry research work space and instructional space. The renovation would modernize the aging interior to provide highly efficient and flexible office layouts, encourage collaboration, and provide flexibility for growth and contraction of programs without costly future construction. The renovation would increase the number of dedicated workspaces from 350 workspaces in research laboratories and offices to approximately 500 desktop workspaces.

The Regents approved the project budget and external financing in May 2015. Since that approval, the design of the interior improvements has been refined, resulting in more efficient use of space and minor adjustments to the assignable square feet (asf). The primary program functions of the project remain unchanged, and the planned distribution by function is shown in Table 1.

**Table 1
Clinical Sciences Building
Planned Distribution of Space (ASF) by Function**

Function	May 2015 ASF	December 2017 ASF	Change
Office/Dry Research	70,600	75,000	4,400
Instructional	4,800	6,500	1,700
Logistical Support/Commons	3,300	2,500	(800)
Total	78,700	84,000	5,300

The proposed CSB retrofit and renovation project would remediate the seismic hazards in the building in compliance with the University’s Seismic Safety Policy; upgrade building systems; improve disabled access; provide workspace for desktop research, administration, and clinicians who are providing patient care in UCSF Medical Center’s Moffitt/Long Hospitals; and upgrade the instructional and meeting space within the building to contemporary standards. Because of the building’s age, the shell of the building would be renovated per the Secretary of the Interior’s Standards for Treatment of Historic Properties. Upon completion of the renovation, the asset would provide a high-performing, seismic and code compliant facility, with an extended life of 50 plus years.

ADDITIONAL COSTS

The project is being delivered utilizing a Construction Management at Risk contract structure. A Construction Manager/General Contractor (CM/GC) was originally hired in January 2014.

The campus bid the project in two phases to allow completion of earlier stages of work, while the balance of the working drawings continued. The first bid package (BP-1) addressed the site

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logistics, shoring, foundation seismic improvements, interior demolition, and procurement of steel for the seismic retrofit. The budget for BP-1 was \$23.18 million and contracts for this first bid package were awarded in December 2015. Pre-demolition work included implementation of fire life safety measures (including temporary fire alarm and pull stations) and demolition began in April 2016.

The second bid package (BP-2) addressed the interior renovation work and seismic improvements. The budget for BP-2 was \$57,835,000 and, although bids for the second package were ready to award in July 2016, the contracts were not awarded.

During implementation of BP-1 work and following detailed review of BP-2 bids, it was determined that the contract with the CM/GC must be terminated. The project was suspended in November 2016 until a new CM/GC could be selected. A new CM/GC was selected and hired in May 2017. Due to project delays, escalation has affected all aspects of the project. Although the campus is working diligently with the new CM/GC to minimize schedule loss, there still are additional costs associated with changing the CM/GC, rebidding trade packages, and planned remobilization. These increases in material and labor costs cannot be absorbed within the approved project budget.

Details of Budget Increase

The summary of the cost drivers related to the budget increase is provided below:

Bidding Climate (approximately \$16.62 million)

The San Francisco bidding market is affected by the tremendous amount of construction work being done in the city and the high demand for both skilled and unskilled labor as well as materials. The current CM/GC prequalified 380 subcontractors and on bid day received approximately 100 bids for 46 bid packages, of which 15 packages received only one bid. When surveyed, many subcontractors who were prequalified decided that they would not bid because they were too busy.

Escalation (approximately \$22.7 million)

The actual escalation experienced on this project and typical escalation experienced on all projects was nine percent per year between the current bids and the previous bids received in 2015. Therefore, a sizeable percentage of the cost increase for this project is due to actual escalation experienced in the San Francisco market.

Scope Gap Identified from Prior Bidding (approximately \$12.7 million)

The previous BP-1 and BP-2 established a prime contract cost, \$68.92 million, that was within the \$69 million maximum allowable cost; however, it was determined that portions of the identified project scope were not fully described or included in the subcontractor bid packages developed by the original CM/GC, though the information was clearly documented

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in the construction documents. This was not apparent in the original CM/GC subcontractor bid packages and did not come to light until the project was rebid by the new CM/GC. The proposed budget accounts for the full scope of work, including scope gaps implicit in previous bid submittals.

Increase in Estimated Interest during Construction (approximately \$5.36 million)

The increase in costs would be funded with external financing, which results in additional costs for estimated interest during construction (refer to Attachment 2: Summary of Financial Feasibility).

Reduction in Equipment Budget (approximately -\$2 million)

During final design, the movable equipment needs of the contemporary dry research space were further refined. The budget to purchase the necessary furniture, furnishings, and equipment is able to be reduced by \$2 million, offsetting some of the increased construction costs.

Risk of Incurring Additional Project Costs

The new CM/GC rebid both BP-1 and BP-2 concurrently as a strategy to obtain the most favorable bids, based on input from the subcontractor community. The requested augmentation is based on these bids for the full scope; these will expire on January 9, 2018. Beyond that date the project would be at risk for further cost increases. Even if a portion of the bids were successfully retained following this expiration date, the delay to rebid any other subcontractor bid packages would adversely affect those subcontracts that were retained and the overall project. Costs would increase, with an estimated dollar value impact of anywhere from \$5 million to \$10 million. The scenarios below describe this range of costs:

- In the best case, the subcontractors would accept a four-week bid extension; although schedule impacts apply, the cost impacts would be less than the other scenarios.
- The low bidder on a package may use this opportunity to increase their bid, increasing the cost of the project.
- Low bidder for early work packages could drop out, requiring negotiation with next bidders and possibly incurring higher costs and affecting the construction schedule. Similarly, the low bidder on an individual package may use this opportunity to withdraw, which would require the campus to select the next lowest bidder and increase the cost of the project.
- For bid packages that received a single bidder, the subcontractor could withdraw, requiring rebidding the package which may affect starting the project and possibly incurring higher costs.
- Subcontractor may not have available labor force to complete job due to revised schedule, requiring identifying a replacement, and incurring higher costs.

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Alternatives Considered

In November 2017 the campus considered several alternatives to augmenting the project budget, including putting the project on hold for the foreseeable future. It was determined that space to accommodate the programs planned for the renovated CSB building, many of which must be relocated from the seismically-deficient UC Hall, is critical to the success of the academic and research programs at the Parnassus campus site. If the project were placed on hold, there would not be sufficient alternative seismically-compliant space to house existing programs in Parnassus campus buildings.

The campus also reconsidered demolition and replacing the facility with a new building, which had been one of the scenarios considered during the early planning stage. The same conclusion was reached; it is more cost-effective, less disruptive, and faster by three to four years to renovate the existing building. The advantages to renovation are primarily due to existing site conditions and timing. New construction would have to contend with limited site access and connections to existing buildings that would add a premium to the costs. As noted above, the renovation project is fully bid out and can recommence immediately. Please refer to Attachment 4 for building locations in the dense, urban Parnassus campus site.

Project Status and Schedule

Construction completion was originally planned for July 2017. Assuming approval of this interim item, the project is scheduled for completion in December 2019.

Environmental Considerations

The proposed budget increase does not change the July 2014 Regents determination that the project qualifies for a categorical exemption in accordance with the California Environmental Quality Act.

FINANCIAL FEASIBILITY

The proposed increase in the project budget of \$55,378,000 would be funded by external financing, and includes \$5.36 million in additional estimated interest during construction. The revised total project budget would be \$151.19 million, funded from external financing (\$113.13 million of which the previously approved amount of \$57,752,000 was externally financed in 2017), external financing supported by State General Funds (\$24,535,000) and campus funds (\$13,525,000). The campus funds would come specifically from a centrally managed pool of unrestricted (non-State, non-tuition) funds, including indirect cost recovery on sponsored contracts and grants and investment earnings.

At the tax exempt planning rate of six percent, the estimated average annual debt service payment over a 30-year term is approximately \$4,023,000 for the additional \$55,378,000 in external financing. The campus meets the minimum requirements of the University's Debt

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Policy. Projected minimum modified cash flow margin is three percent in FY 2025, and maximum debt service to operations is 4.4 percent in FY 2023. The Summary of Financial Feasibility is provided in Attachment 2.

KEY TO ACRONYMS

ASF	Assignable-Square-Feet
BP-1 (or -2)	Bid Package 1 (or 2)
CM/GC	Construction Manager/General Contractor
CSB	Clinical Sciences Building
GSF	Gross-Square-Feet

ATTACHMENTS:

Attachment 1:	Project Sources and Uses
Attachment 2:	Summary of Financial Feasibility
Attachment 3:	Project Budget Approval History and Funding Plan
Attachment 4:	Project Location
Attachment 5:	Supplementary Materials



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ATTACHMENT 1

PROJECT SOURCES AND USES
CLINICAL SCIENCES BUILDING SEISMIC RETROFIT AND RENOVATION
CCCI 6620

PROJECT SOURCES

Sources	Approved Budget May-15	Proposed Change	Proposed Budget Dec-17
External Financing	\$57,752,000	\$55,378,000	\$113,130,000
External Financing (State) ¹	\$24,535,000	-	\$24,535,000
Campus Funds	\$13,525,000	-	\$13,525,000
Total Sources	\$95,812,000	\$55,378,000	\$151,190,000

PROJECT USES

Category	Approved Budget May-15	Proposed Change	Proposed Budget Dec-17	% of Total
Site Clearance	\$5,152,000	\$107,000	\$5,259,000	3.6%
Building	\$61,661,000	\$48,804,000	\$110,465,000	75.5%
Exterior Utilities	\$651,000	-	\$651,000	0.4%
Site Development	\$955,000	\$2,038,000	\$2,993,000	2.1%
A/E Fees ²	\$4,783,000	\$978,000	\$5,761,000	3.9%
Campus Administration ³	\$5,007,000	(\$1,169,000)	\$3,838,000	2.6%
Surveys, Tests, Plans	\$184,000	\$129,000	\$313,000	0.2%
Special Items ⁴	\$3,701,000	\$63,000	\$3,764,000	2.6%
Interest During Construction	\$2,140,000	\$5,360,000	\$7,500,000	5.1%
Contingency	\$4,797,000	\$1,068,000	\$5,865,000	4.0%
Total before Equipment	\$89,031,000	\$57,378,000	\$146,409,000	100%
Group 2 & 3 Equipment	\$6,781,000	(\$2,000,000)	\$4,781,000	
Total Uses	\$95,812,000	\$55,378,000	\$151,190,000	

Project Statistics	Approved Budget May-15	Proposed Budget Dec-17
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¹ External financing serviced by State General Funds.

² A/E Fees include the executive architect/engineer's basic services contract fee.

³ Campus Administration includes: project management, contract administration, and inspection.

⁴ Special Items include: consultants (telecommunications/audio visual, legal, security, interior design, historic preservation, water proofing), campus CEQA and planning, CEQA compliance, structural peer review, programming studies, occupancy evaluation, community presentations, and permits and agency review.

Gross-Square-Foot (GSF)	109,126	109,126
Assignable-Square-Foot (ASF)	84,000	84,000
Efficiency Ratio ASF/GSF	0.77	0.77
Building Cost/GSF	\$565	\$1,012
Project Cost/GSF ⁵	\$816	\$1,342

ATTACHMENT 2

SUMMARY OF FINANCIAL FEASIBILITY

SAN FRANCISCO CAMPUS	
Project Name	Clinical Sciences Building Seismic Retrofit and Renovation
Project ID	9002027
Total Estimated Project Costs	\$151,190,000
Anticipated Interest During Construction	\$7,500,000

PROPOSED SOURCES OF FUNDING	
External Financing	Previously Approved and Financed \$57,752,000 For Approval \$55,378,000
External Financing (Supported by State Appropriations) Previously Approved	\$24,535,000
Campus Funds	\$13,525,000
Total	\$151,190,000

Fund sources for external financing shall adhere to University policy on repayment for capital projects.

Externally Financed Projects (if applicable)

Long-term external financing assumptions are listed below.

FINANCING ASSUMPTIONS	
External Financing	\$55,378,000
Anticipated Repayment Source	General Revenues of the San Francisco Campus
Anticipated Fund Source	Campus Funds (specifically from a centrally managed pool of unrestricted funds (non-State, non-tuition), including indirect cost recovery on sponsored contracts and grants and investment earnings)
Financial Feasibility Rate	6.0%
First Year of Principal	FY 2019-2020
Final Maturity (e.g. 20XX)	FY 2048-2049
Term (e.g. 30 years)	30 years
Estimated Average Annual Debt Service	\$4,023,000

Below are results of the financial feasibility analysis for the proposed project using the campus' Debt Affordability Model. The model includes projections of the campus' operations and planned financings.

⁵ Excludes Group 2 & 3 Equipment.

Measure	10 Year Projections	Approval Threshold	Requirement
Modified Cash Flow Margin ¹	3.0%, (min), FY 2025	≥ 0.0%	Must Meet
Debt Service to Operations ¹	4.4%, (max), FY 2023	≤ 6.0%	Must Meet 1 of 2
Expendable Resources to Debt ^{1,2}	1.41x (FY 2016)	≥ 1.00x	

¹ Modified Cash Flow Margin, Debt Service to Operations, and Expendable Resources to Debt are campus metrics.

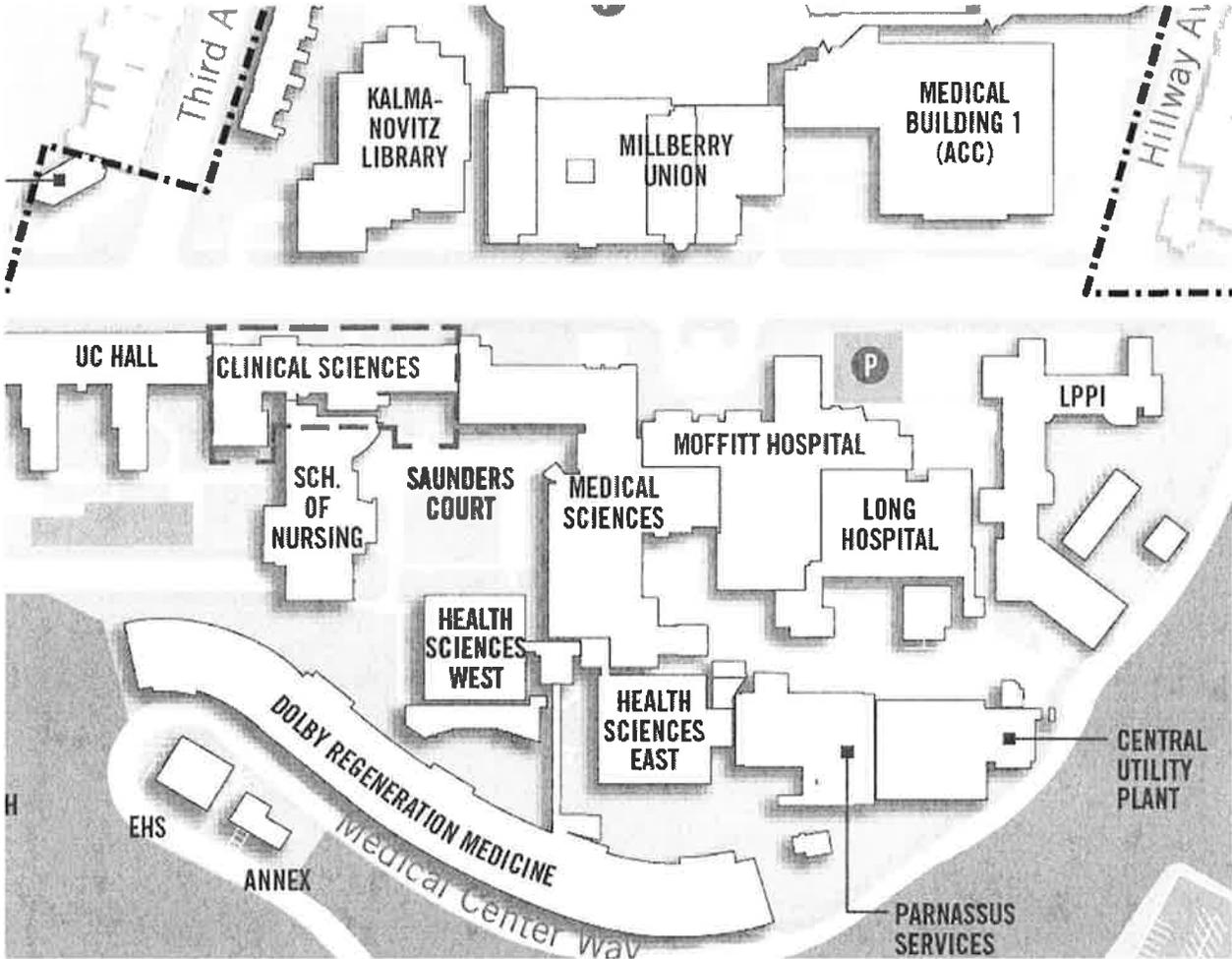
² Expendable Resources to Debt are not projected. The ratio provided here is a snapshot as of the most recent fiscal year-end available.

ATTACHMENT 3

PROJECT BUDGET APPROVAL HISTORY AND FUNDING PLAN

Regental Budget Approvals	External Financing	State Funds	Campus Funds	Total
May 2013				
Preliminary Plans Funding				
<i>Action</i>	-	-	\$2,400,000	\$2,400,000
Approved Budget	-	-	\$2,400,000	\$2,400,000
July 2014				
Preliminary Plans & Working Drawings Funding				
<i>Action</i>	-	\$2,800,000	\$2,816,000	\$5,616,000
Approved Budget	-	\$2,800,000	\$5,216,000	\$8,016,000
May 2015				
Budget Approval (PWCE)				
<i>Action</i>	\$57,752,000	\$21,735,000	\$8,309,000	\$87,796,000
Approved Budget	\$57,752,000	\$24,535,000	\$13,525,000	\$95,812,000
December 2017				
Proposed Budget Amendment				
<i>Proposed Action</i>	\$55,378,000	-	-	\$55,378,000
Proposed Budget	\$113,130,000	\$24,535,000	\$13,525,000	\$151,190,000

PROJECT LOCATION



SUPPLEMENTARY MATERIALS

The campus presented the following briefing materials to the Chair of the Board and the Chair of the Finance and Capital Strategies Committee on December 18, 2017.

Clinical Sciences Building Seismic Retrofit and Renovation

Overview

- By way of overall background, the CSB building was constructed in 1933 and requires remediation to comply with the University's Seismic Safety Policy.
- The project will renovate and seismically strengthen the building, replace aging building systems, and renovate the interior of the building as contemporary dry research and instruction space.
- This project is critical to the success of the academic and research programs at the Parnassus Heights campus site, which is why we are pursuing this significant increase in the budget in order to complete the project without further delay.
- In July 2016, after demolition had begun and before the second bid-package set was awarded, it was determined that the contract with the CM/GC should be terminated. The project was suspended in November 2016 and a new CM/GC was selected and hired in May of 2017.
- We now have the new CM/GC on board (Plant Construction) and have rebid the subcontractor packages; unfortunately, the tremendous amount of construction work being done in the city and the high demand for both skilled and unskilled labor and materials have greatly impacted the cost of the project. This is further compounded by the actual nine percent per year escalation realized since the project was originally bid in 2015, additional estimated interest during construction costs for the external financing proposed to fund the overage, and gaps found in the original CM/GC's bid packages that have been corrected in the new bid packages.
- We have considered alternatives to proceeding with this project; after further consideration of putting the project on hold (which would require costs to stabilize and secure the building and to find new locations for the occupants proposed for the building) and revisiting a "demo/build new" option, we believe that proceeding with the renovation/retrofit project is the best course to meet our pressing academic and research needs.

Questions & Answers

- **Why was the contract divided into phases?**

The project was divided into two phases in order to utilize the demolition phase (BP-1) as a means of confirming existing conditions, and minimizing the risk of hidden and unforeseen conditions, prior to starting the actual renovation and retrofit work of Phase II (BP-2).

- **What was the scope and budget for each phase?**

The original BP1 – The first bid package (BP-1) addressed the site logistics, shoring, foundation seismic improvements, interior demolition, and procurement of steel for the seismic retrofit. The budget for BP-1 was \$23.18 million and contracts for this first bid package were awarded in December 2015. Pre-demolition work included implementation of fire life safety measures (including temporary fire alarm and pull stations) and demolition began in April 2016.

The original BP2 – The second bid package (BP-2) addressed the interior renovation work and seismic improvements. The budget for BP-2 was \$57,835,000 and, although bids for the second package were ready to award in July 2016, the contracts were not awarded.

- **What is our certainty that the augmentation will cover the full cost?**

If we are able to release the contractor and their subcontractors to proceed prior to bid expiration on January 9, 2018, UCSF is certain that this budget will allow us to complete the project. The work completed in BP-1 demolished the entire inside of the building exposing everything from slab to slab. In the few areas that have not been exposed, we have included allowances in the budget to mitigate any unforeseen conditions. In addition, there is adequate contractor contingency included for unforeseen conditions that arise during the construction.

- **Did we spend enough and do a thorough enough job in destructive testing of the building, so we had an accurate assessment of the scope of work? Do we need to do more work on this upfront?**

Yes, as noted above, the interior of the building has been completely gutted and virtually all existing conditions exposed. In the few areas that remain unexposed - basement foundation and installation of micro piles - we have included allowances to mitigate any unforeseen conditions. In addition, there is adequate contractor contingency to cover any other issues that might arise during construction.

- **Which engineering firm did the work?**

EHDD is the architect of record with Forell Elsesser as the structural engineer.

EHDD is a San Francisco firm started in 1946 and has worked on projects at UC Berkeley as well as other higher educational institutions. With Forell Elsesser's on-going participation in the Pacific Earthquake Engineering Research Center's (PEER) Seismic Evaluation and Retrofit of Older Tall Buildings Group, they continue to stay involved in code development, research, and investigations. They were selected for the project based on their expertise in the seismic retrofit of tall buildings in the Bay Area.

- **Are PLANT experts in retrofit and renovation work?**

Yes. Plant Construction Company was explicitly chosen for their extensive experience and expertise in seismic renovation and retrofit work, which comprises a significant portion of their overall work in Northern California. We are highly confident in their abilities both as a firm, and of the project personnel assigned to UCSF to complete this project.

- **What form of contract did we use for the project? Is it appropriate?**

We used the UCOP approved Construction Manager at Risk (CMAR) contract with Design/Build subcontractors. The contract was modified to include lean delivery methods and to incorporate a program of eleven individual projects into a single contract and procurement model. The contract includes the same provisions that all UC CMAR contracts have.

- **What is the current percent of completion of construction work?**

Construction is about ten percent complete overall. (Bid Package #1 (BP-1) is approximately 50 percent complete. No work has been done under BP-2, which includes the majority of the project work.) The building interior has been abated and demolished in preparation for the start of seismic upgrades and interior improvements. Elements of the façade at the street level have also been demolished in preparation for a new main entrance to the building. Work not completed due to the University's Stop Work Order included shoring, foundation seismic improvements, and procurement of steel for the seismic retrofit. The status of the building is a cold shell with certain components exposed to the outside elements.

- **Is this new budget a complete budget? What is the degree of certainty that a \$151 million budget is sufficient to complete the renovation? What is the plan to address unknown issues that arise during renovation?**

This is a complete project budget. If we are able to release the Contractor and their subcontractors to proceed prior to bid expiration on January 9, 2018, UCSF is certain that this budget will allow us to complete the project. The work completed in BP-1 demolished the entire inside of the building exposing everything from slab to slab. In the few areas that have not been exposed, we have included allowances in the budget to

mitigate any unforeseen conditions. In addition, there is adequate contractor contingency included for unforeseen conditions that arise during the construction.

- **Provide a breakdown of the construction component of the new \$151 million budget as to what amount is based on bids and what is based on estimates. For estimates, who provided the estimates?**

The project is 100 percent bid, there are no estimates included in the budget.

- **When will a GMP be executed with the new general contractor, Plant Construction?**

Upon Regents' approval the Guaranteed Maximum Price (GMP) will be executed and contract amended to include the full CSB construction value.

- **How much risk is there in requesting extensions from subcontractors beyond the January 25, 2017 Regents meeting date?**

Risks of Incurring Additional Project Costs due to extensions:

- The new CM/GC rebid both BP-1 and BP-2 concurrently as a strategy to obtain the most favorable bids, based on input from the subcontractor community. These bids will expire on January 9, 2018. Extensions of the bids beyond January 9, 2018 will incur an increase in cost, with a dollar value impact of anywhere from \$5 million to \$10 million or more – the actual impact is unknown at this time. There would likely be schedule impacts delaying completion, regardless of the outcome of the possible scenarios described below, if the amendment is not approved until the January 2018 Regents meeting.
- In a best case scenario, the subcontractors would accept a four-week bid extension; although schedule impacts would apply, the cost impacts would be less than those incurred under other scenarios.
- Other scenarios, include the following:
 - The low bidder on an individual package may use this opportunity to withdraw, which would require the campus to select the next lowest bidder and increase the cost of the project.
 - The low bidder on a package may use this opportunity to increase their bid, increasing the cost of the project.
 - For bid packages that received a single bidder, the subcontractor could withdraw, requiring rebidding the package and likely incurring higher costs and potential schedule delays.
 - The low bidder for early work packages could drop out, requiring negotiation with the next lowest bidders and likely incurring higher costs and significantly affecting the construction schedule.

- Subcontractors may not have an adequate labor force available to complete the job, due to revised schedules, requiring the identification of a replacement subcontract and, in turn, incurring higher costs.
- To mitigate these risks for additional costs and schedule delays - as well as to retain faculty and research staff through timely completion of the project - approval under interim authority is requested.

Budget – Approved and Proposed:

- **What is the approved project budget?**

The project budget, as approved in May 2015, totals \$95,812,000. The approved funding includes \$57,752,000 of external financing, \$24,535,000 of State General Fund Financing, and \$13,525,000 of campus funds.

- **What is the proposed budget augmentation?**

We are requesting a budget increase of \$55,378,000 to be funded with external financing. This would bring the total project budget to \$151.19 million. No change in State funding or campus funds is being requested.

- **What are the underlying drivers for the cost increase?**

There are four main elements of the increased costs: current bidding climate, escalation, scope gap identified from prior bidding, and increase in estimated interest during construction.

The **current bidding climate** comprises about \$16.62 million of the requested increase. The San Francisco bidding market is significantly affected by the tremendous amount of construction work being done in the city and the high demand for both skilled and unskilled labor as well as materials.

The current CM/GC prequalified 380 subcontractors and received approximately 100 bids for 46 bid packages. About 15 packages received only one bid. Many of the prequalified subcontractors indicated that they would not bid because they were too busy.

Escalation also is a major contributor to the budget increase, comprising \$22.7 million of the requested increase. The actual escalation experienced was nine percent per year between the time the project was originally bid in 2015 and the current bids received.

During the rebid of the project, it was discovered that a **significant amount of the identified project scope was not fully described** or included in the subcontractor bid packages developed by the original CM/GC – though the information was clearly documented in the construction documents. So, while the original bids may have appeared to be within the maximum allowable cost, there in fact were missing elements

to the bids. The proposed budget is based on the new bids that include the full scope of work. This accounts for about \$12.7 million of the cost increase.

By using external financing to fund the additional costs, there are additional costs for **estimated interest during construction** of about \$5.36 million.

The budget increase, however, was able to be offset by \$2 million, realized through further refinement of the moveable equipment needs for the building.

Alternatives:

- **What alternatives to augmenting the project did the campus consider?**

The campus considered putting the project on hold and also revisited the prior analysis for a “demolish and build new” scenario. Neither alternative was determined to be appropriate, even with the higher cost of the CSB renovation project.

- **Did the campus consider demolition and building new on the site?**

The campus considered the “demolish and build new” scenario during the original Business Case Analysis for the project and again when the bids for the current project were received. The same conclusion was reached; it is more cost-effective, less disruptive, and faster by as much as four years to renovate the existing building. Such a delay would prolong disruptions to teaching and research operations that have been relocated to temporary space. In addition, the cost was at least as much as the current renovation project – without taking into account other factors involved in building at the Parnassus campus site for which costs are difficult to quantify.

Even with the higher cost, we believe that proceeding immediately with completing the renovation project is the most prudent and cost effective approach in the long run.

- **Did the campus consider putting the project on hold?**

The space to be provided by the renovated CSB building is critical to the success of the academic and research programs at the Parnassus Heights campus site – many of which must be relocated from the seismically deficient UC Hall. Alternative seismically-compliant space is not available within current Parnassus campus buildings.

Timing for Approval:

- **Why didn't the campus seek approval of the budget increase at the November 2017 Regents meeting?**

We originally planned to request this approval in November. This ended up not being possible, because the issue of whether subcontractor bids associated with the original

project would be retained under the new General Contractor could not be resolved in time to meet the deadline for the November meeting.

- **Why is it necessary to obtain approval of the budget increase before the January 2018 Regents meeting?**

The current bids for the project are set to expire on January 9, 2018, which is before the January 24, 2018 meeting. *(See above for potential risks for trying to extend bid hold.)*

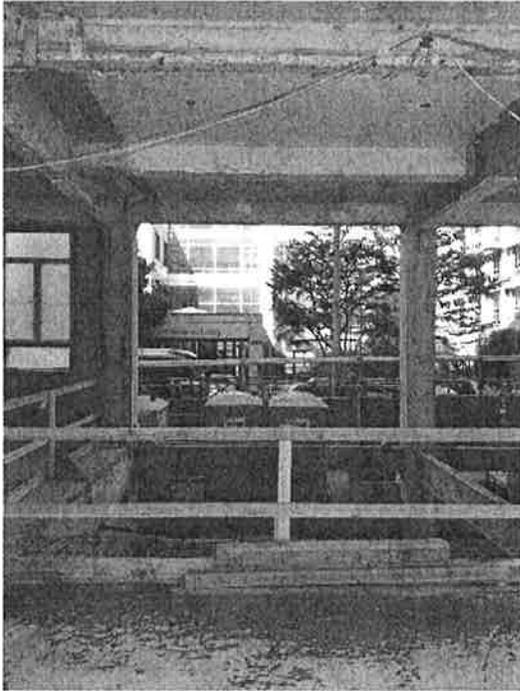
Photos of CSB



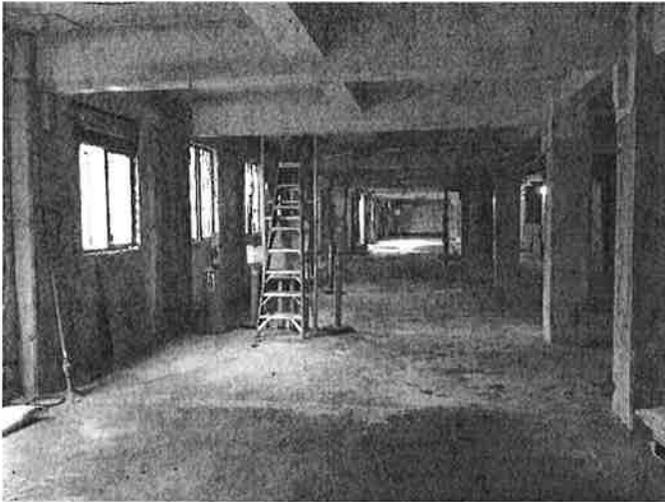
East end of front elevation, new entry opening



West end of front elevation



New entry opening from the interior



Lower level (LL), cold shell



Looking up into new entry from LL



Level 7, cold shell with man lift ramp visible