

Office of the President

TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:

**ACTION ITEM**

*For Meeting of March 17, 2009*

**ACCEPTANCE OF 2008-18 CAPITAL FINANCIAL PLAN AND PHYSICAL DESIGN FRAMEWORK AND AUTHORIZATION TO PARTICIPATE IN THE PILOT PHASE OF THE REDESIGNED PROCESS FOR CAPITAL IMPROVEMENT PROJECTS, SAN DIEGO CAMPUS**

**EXECUTIVE SUMMARY**

- Campus: San Diego
- Proposed Actions: Acceptance of 2008-18 Capital Financial Plan and the Physical Design Framework
- Authorization to participate in Pilot Program for Redesigned Capital Improvement Projects
- Previous Actions: None specific to San Diego campus.
- September 2008:** Committee on Grounds and Building – Action – Temporary Amendment of Applicable Standing Orders and Regental Policy and Approval of Implementing Guidelines for Pilot Phase of the Redesigned Process for Capital Improvement Projects
- March 2008:** Committee on Grounds and Building – Action – Acceptance of the Report of the Capital Projects Working Group and Approval of Pilot Phase of Process Redesign for Capital Improvement Projects
- February 2008:** Committee on Grounds and Building – Discussion – Progress Report on the Capital Projects Working Group
- Project Summary: The San Diego campus requests approval to begin reviewing and approving capital projects under the pilot phase of the process redesign for capital improvement projects. Consistent with the guidelines for the pilot phase, the campus is submitting its ten-year Capital Financial Plan and Physical Design Framework at this meeting. The Long Range Development Plan for the campus was updated and approved by the Regents in September 2004.

## RECOMMENDATION

The President recommends that the Committee on Grounds and Buildings recommend to the Regents that the Regents:

- A. Accept the 2008-18 **Capital Financial Plan** and the **Physical Design Framework**.
- B. Authorize the San Diego campus to participate in the pilot phase of the redesigned process for capital improvements projects.

## BACKGROUND

In 2007, the University of California initiated efforts to identify specific opportunities to achieve administrative efficiencies within the Office of the President (OP) and across the system. One outcome of those efforts was the recommendation to engage in an in-depth study of the capital project review and approval process and, if warranted, propose modifications. Subsequently, recommendations from a Capital Projects Working Group, comprised of campus and OP representatives and supported by the Monitor Group, were advanced. In March 2008, the Regents authorized an 18-month pilot phase to implement the new process.

During the pilot phase, the Regents will review and, if warranted, accept a ten-year *Capital Financial Plan* and a *Physical Design Framework* from each campus which demonstrates integrated academic, physical, and capital plans, and financial feasibility. Acceptance of these plans, in concert with prior approval of a Long Range Development Plan (LRDP), will authorize campus participation in the pilot phase, and delegate authority to approve the budgets and designs of projects with values less than or equal to \$60 million. These two new documents, in association with the campus' LRDP, will provide the Regents with a comprehensive understanding of the frameworks and processes that are guiding both long-term programmatic and physical developments and financial strategies that are being implemented at each campus. Through this process, the Regents will exercise portfolio oversight of capital projects; OP will provide due diligence regarding approval processes, and legal, financial, or policy risks; and the campuses will have greater responsibility and accountability for the successful delivery of capital projects.

### ***Capital Financial Plan***

The UC San Diego *Capital Financial Plan, 2008-18*, reflects key academic and strategic program goals that will be achieved through the development of projects that are consistent with the *Physical Design Framework*. This capital plan will provide a framework for the campus to design and build new, energy-efficient facilities, renew existing aged buildings and infrastructure, and satisfy utility needs in an increasingly sustainable manner. Key elements of the proposed ten-year capital plan follow.

- With an estimated total value of \$3.014 billion, this capital improvement program is expected to be funded with a combination of non-State resources totaling \$2.276 billion (76 percent) and State resources totaling \$738 million (24 percent).
- Non-State resources include \$1.223 billion (41 percent of total plan) of external financing, \$561.4 million (19 percent) of anticipated gift funds, \$267.7 million (9 percent) of capital reserves, \$211.6 million (7 percent) of campus discretionary funds, and approximately \$12 million (less than 1 percent) of federal funds.
- The capital improvement program reflects an estimated need for \$1.223 billion of external financing, including \$467.6 million (39 percent) for Medical Center facilities, \$405.3 million (33 percent) for academic (or educational and general) facilities, \$295.7 million (24 percent) for housing facilities, and \$54.5 million (4 percent) for plant operations projects.
- Broken down by function, \$1.391 billion (46 percent) is expected to be spent on academic (or educational and general) facilities, \$785.4 million (26 percent) for Medical Center facilities, \$308.3 million (10 percent) for housing facilities, and the remainder of \$528.6 million (18 percent) for various types of facilities; e.g., infrastructure, parking, childcare, etc.
- Broken down by improvement type, \$2.335 billion (77 percent) is expected to be spent on new facilities, \$412.2 million (14 percent) on building renovations, and \$266.7 million (9 percent) on infrastructure renewal or development projects.

The campus' ten-year plan was developed based on a number of assumptions. For general campus programs, OP has assumed that approximately \$395 million per year would be provided to the University over a ten-year period. The San Diego campus share of those expected funds reflects the 2009-14 campus allocations previously approved by the President and extrapolated over the ten-year period. In addition, the campus has assumed that it would receive \$130.7 million (16 percent) of a General Obligation bond for health sciences (based on \$100 million per year of funding being proposed for the system for eight years beginning in 2010-11) and that it would received \$68.8 million in Children's Hospital bond funds (net of administrative and bond issuance fees). The assumptions regarding State funding that are reflected in this capital financial plan are being developed by OP during a period of unprecedented economic volatility. In particular, in December 2008, the State imposed a freeze on expenditures for capital projects – including those already in construction – that has introduced an element of uncertainty regarding the schedules of State funded projects included in this plan.

The feasibility of external financing was based on existing system-accepted business models for auxiliaries (self-supporting programs and facilities, such as housing and parking), education and general debt (for core instruction, research, and support space), medical center debt (for patient care facilities and medical center support space), and plant operations (such as the energy savings program). Federal funds represent anticipated or actual successful grant awards; the ten-year plan does not include assumptions on possible federal funding available from the economic

stimulus package. The campus has a long history of successful fundraising efforts, and the capital projects shown in the ten-year plan will advance when gift funds are identified. Capital reserves and campus discretionary funds comprise the remaining non-State fund sources and are used as necessary to support appropriate projects.

Funding and program details can be found in the attached *2008-18 Capital Financial Plan*.

### *Physical Design Framework*

The LRDP exists as the document that creates entitlement for development, and the LRDP has been evaluated in an Environmental Impact Report. The *Physical Design Framework* does not change land use development entitlement. It does not increase the projected square footage or population. The irrevocable commitment to a project for the purposes of defining when CEQA documentation is required remains the same; the design approval is the irrevocable commitment. Participation in the pilot program will change the decision-making level (Chancellor or Regents), but does not change the requirements to comply with CEQA prior to the irrevocable commitment to the project.

From its inception in 1960, the San Diego campus has engaged in integrated campus planning. The campus' earliest formal plans, the 1963 Academic Plan and the 1963 LRDP, defined key academic and auxiliary program goals, and described physical design concepts that guided the transformation of the main campus site, a former military training base, into a world class research university. UC San Diego's *Physical Design Framework* reflects a comprehensive approach to planning that has resulted in a portfolio of land use plans and design documents that guide the physical improvements. This set of documents includes the *1989 UC San Diego Master Plan Study*, succeeding *neighborhood planning studies*, and the *2004 LRDP*.

- The *1989 Master Planning Study* is a comprehensive design analysis that was prepared to enable UC San Diego to manage physical expansion and urbanization so that aesthetic and functional considerations would be properly balanced. This study presented five conceptual planning principles to guide physical development: Neighborhoods, University Center, Academic Corridors, the Park, and Connections. Since its completion, the campus has extended and refined the *Master Plan Study* through a series of more focused neighborhood-level studies that provide detailed land use and design guidance based on updated program goals and projections of space needs.
- UC San Diego has completed ten *neighborhood planning studies* that analyze the development potential of discrete districts of the campus. These urban design plans are geared to achieve key program objectives, and provide location specific design guidelines to guide the development of the capital improvement projects.
- The *2004 LRDP* provides a general land use plan that is consistent with the 1989 Master Plan Study and the neighborhood studies. The LRDP includes primary academic and auxiliary program goals, and key planning parameters: e.g., enrollment targets, faculty and staff population statistics, square footage objectives, housing, and parking data, etc.

In addition, a Long Range Development Plan for the UC San Diego Medical Center – Hillcrest was completed in 1995, and a set of neighborhood level planning studies has also been prepared for that location.

The LRDP for the San Diego campus was approved by the Regents in September 2004. This LRDP provides a general land use plan to guide the physical development of the campus. Based upon academic and student life goals, the LRDP identifies development objectives, delineates campus land uses, and estimates the new building space needed to support program expansion through the planning horizon of 2020-21. The LRDP addresses nine factors:

- academic and non-academic program requirements and objectives
- distribution of student enrollment across the academic programs
- student, faculty, and staff growth
- appropriate ratio of graduate students to undergraduate students
- UC San Diego's unique characteristics in light of its history and culture
- environmental resources and sustainability
- need for services such as student housing, parking, transportation, recreation, childcare, and administrative support
- opinions of campus constituencies and community stakeholders
- the needs and interests of the surrounding community, city, state, and nation

In concert with the *2004 LRDP* (and the associated *2004 LRDP Environmental Impact Report*), UC San Diego's *Physical Design Framework* and *Capital Financial Plan* have been prepared to provide an effective and valid basis for developing new facilities that will address the campus' key academic, strategic, and auxiliary program objectives.

For more contextual and design details, see the attached *Physical Design Framework* and appendices, which include the above-referenced planning documents.

(Attachments: [Capital Financial Plan](#) [Physical Design](#))