

*Note: This report was mailed to all Regents in advance of the meeting that was scheduled for March. A dotted line in the text indicates the beginning of items added since then.*

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Office of the Secretary of The Regents  
May 1, 2003

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

**ITEM FOR INFORMATION**

For the meeting of May 15, 2003

**Report of Actions Taken Between Meetings**

In accordance with authority previously delegated by The Regents, interim action was taken on routine or emergency matters as follows:

1. The Chairman of the Board and the President of the University approved the following recommendations:
  - A. ***Authorization to Issue Variable Rate Bonds and Executive Interest Rate Swap to Refinance UC Davis Medical Center Revenue Bonds***
    - (1) The President be authorized to issue variable rate bonds to refinance all or a portion of the outstanding UC Davis Medical Center Revenue Bonds, subject to the following:
      - a. Repayment of the debt shall be from gross revenues of the UC Davis Medical Center; and
      - b. The general credit of The Regents shall not be pledged.
    - (2) The President be authorized to employ floating-to-fixed interest rate swaps based on receiving 67 percent of LIBOR to achieve a fixed rate for the variable rate bonds issued in (1).
    - (3) The Officers of The Regents be authorized to provide certification to the lenders that interest paid in connection with the refinancing 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 refinancing, including an indenture and all documents related to the variable rate bond issuance and interest rate swap.

B. ***Authorization to Approve and Execute Modifications to the Department of Energy Contracts for the Los Alamos National Laboratory and Lawrence Livermore National Laboratory to Add Clause***

That the President be authorized to approve and execute a modification to the provisions of contracts W-7405-ENG-36 and W-7405-ENG-48 in order to incorporate Clause I.104 DEAR 952.211-71 Priorities and Allocations (Domestic Energy Supplies) ( JUN 1996) (Alternate I).

C. ***Approval of Action Items from the Cancelled March 19-20, 2003 Regents' Meeting***

That items from the cancelled Regents' meeting, originally scheduled to take place March 19-20, 2003, be approved under interim authority and that item 902 on the March 13, 2003 Committee on Audit agenda also be approved under interim authority, since a quorum was not achieved during that meeting.

The items are:

2-GF	Action	Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Parking and Transportation Improvements Program, Step 6, Irvine Campus
503	Action	Proposed Authority for UC to Become a Founding Member of the Nonprofit Corporation, Integrated Ocean Drilling Program Management International, Incorporated
505	Action	Establishment of Loan Portfolio Sale Program for the University of California Supplemental Home Loan Program
1-EF	Action	University Indemnification of Donors for Claims Unrelated to Donor Activity
302	Action	Establishment of College Ten, Santa Cruz Campus
303	Action	Proposed Public Phase of Fundraising Campaign, San Diego Campus
902	Action	Approval of External Audit Plan for the Year Ending June 30, 2003

D. ***Approval to Enter into an Agreement with California Institute of Technology to Form CELT Development Corporation***

- (1) That the President and his designees, after consulting with the General Counsel, be authorized to execute an agreement with the California Institute of Technology to form a nonprofit public benefit corporation under the name CELT Development Corporation (CELT) for the initial purpose of developing a preliminary design for a 30-meter-class telescope. Ultimately, CELT's mission may be broadened to include not only the preliminary design phase, but also a final design, construction, and commissioning and operation of an observatory.
  - (2) That after consultation with the General Counsel, the President and his designees be further authorized to approve and execute any other contract or ancillary documents that do not substantially modify the above terms.
2. The Chairman of the Board, the Chair of the Committee on Finance, and the President of the University approved the following recommendation:

***Approval of UCRP Amendments to Implement the Staff and Academic Reduction in Time (START) Program***

That the University of California Retirement Plan be amended to facilitate a voluntary reduction of time and salary plan, to be called the Staff and Academic Reduction in Time (START) program.

3. The Chairman of the Board, the Chair of the Committee on Grounds and Buildings, the Chair of the Committee on Finance, and the President of the University concurred in the following recommendations:
- A. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Campus Surge Building, Irvine Campus***

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

- (1) That the President, subject to the concurrence of the Chairman of the Board, the Chairman of the Committee on Grounds and Buildings, and the Chairman of the Committee on Finance, amend the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program to include the following project:

Irvine: Campus Surge Building – preliminary plans, working drawings, and construction – \$12,860,000 to be funded from external financing.

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

- (2) That the President be authorized to obtain financing not to exceed \$12,860,000, 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 the debt for the Campus Surge Building shall be from the Irvine campus' share of the University Opportunity Fund.
  - c. The general credit of The Regents shall not be pledged.
- (3) That 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) That the Officers of The Regents be authorized to execute all documents necessary in connection with the above.

B. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for La Jolla Playhouse Play Development and Education Center, San Diego Campus***

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

- (1) That the President amend the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program as follows:

From: San Diego: La Jolla Playhouse Play Development and Education Center – preliminary plans, working drawings, construction, and equipment – \$14,736,000, total project cost to be funded from gift funds.

To: San Diego: La Jolla Playhouse Play Development and Education Center – preliminary plans, working drawings, and construction – \$14,974,000, total project cost to be funded from gift funds.

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

- (2) That the President approve standby financing to be obtained not to exceed \$7 million prior to awarding a construction contract for any gift funds not received by that time and 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 gift funds, and in the event such gift funds are insufficient, from the UC San Diego campus' share of the University Opportunity Fund; and
  - c. The general credit of The Regents shall not be pledged.
- (3) That the Officers of The Regents be authorized to provide certification that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- (4) That the Officers of The Regents be authorized to execute all documents necessary in connection with the above.

C. ***Approval of the Acquisition of and External Financing and Common Area Lease and Related Documents for Laureate Court Property, Santa Cruz Campus and Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing and Approval of the Subdivision, Lot Lease, and Related Documents for Hagar Court Apartments, Santa Cruz Campus***

A. Laureate Court

- (1) That The Regents approve the purchase of 700-752 Nobel Drive in Santa Cruz (the Laureate Court Property) from Laureate Court Partnership for a purchase price not to exceed \$15,400,000 plus estimated closing costs not to exceed \$100,000.
- (2) That the President be authorized to obtain financing not to exceed \$15,500,000 to finance the purchase listed in (1) above, subject to the following conditions:
  - a. For external financing of \$7,044,259, as long as the debt is outstanding, the rental rates at the Laureate Court Property shall be established at levels to provide excess net revenues to pay the debt service and to meet the related requirements of the financing, and if such income is insufficient, from Telecommunications reserves (a campus auxiliary department);

- b. For interim financing of \$8,455,741, repayment shall be from the rental income of the Laureate Court Property and the sale of condominium units at the Laureate Court Property and the Hagar Court Apartments in an amount to provide to pay the debt service and to meet the related requirements of the financing, and if these are insufficient, from Telecommunications reserves; and
  - c. The general credit of The Regents shall not be pledged.
- (3) That the President, or designee, in consultation with General Counsel, be authorized to execute the Condominium Common Area Lease, the Declaration of Covenants, Conditions, and Restrictions, the Home Purchase Contracts, and other related documents as necessary for the completion and sale of condominium units in the Laureate Court Property. These documents shall contain the following provisions:
- a. Condominium Common Area Lease to be between the Homeowners Association and the Regents with a term of 60 years;
  - b. The Condominium Common Area Lease to provide for the Association to sublease an undivided interest to the buyers of the Laureate Court units;
  - c. The Homeowners Association to initially pay annual ground rent of \$720 per year for each owner (other than the University) of a Laureate Court unit for expenses associated with the Santa Cruz faculty and staff housing program, subject to annual increases at the discretion of the University by an amount not to exceed 8 percent of the previous year's rent. The Association will pass through the ground rent to the owners and may request that it be paid by payroll deduction;
  - d. The initial purchasers of the Laureate Court units to be selected from University affiliated persons determined to be eligible by the Chancellor of the Santa Cruz campus;
  - e. Upon the resale of a Laureate Court unit, the owner must offer the unit to buyers in the priority established by the Chancellor of the Santa Cruz campus, at a price which conforms to A(3) g. below;
  - f. At any time when fewer than 45 years remain on the Lease, the Homeowners Association may request a new Condominium Common Area Lease. If in the opinion of the University, the

Faculty for Sale Housing Program will benefit thereby, a new Condominium Common Area Lease may be entered into for a term not to exceed 60 years;

- g. To ensure that Laureate Court units remain affordable by members of the University community, resale prices shall be limited to the lesser of:
    - i. the price negotiated between the buyer and the owner; or
    - ii. the sum of:
      - (a) the original purchase price of the unit paid by the owner, plus
      - (b) the product of the original purchase price of the unit paid by owner and the fractional change in that one of the following indices which shall result in the largest product: (x) the National Consumer Price Index (all items), or (y) the Faculty Salary Index (as published by the Office of Loan Programs), using the value for each Index published for the month immediately preceding the date on which the owner originally purchased the condominium and the value for each Index last published prior to the date of the offer to sell, plus
    - iii. the cost of all capital improvements to the unit made by the owner or the Homeowner's Association, but only to the extent that each such capital improvement to a unit exceeds \$1,000 in cost (including such costs as may be distributed to an owner's unit as a result of qualified capital improvements made by the Homeowner's Association) and was certified by the University at the time such improvement was completed, less
    - iv. the cost of correcting damage to the unit in excess of normal wear and tear.
- (4) That The Regents accept title to the Laureate Court property described above, to be conveyed by deed from the seller and consent to recordation of said deed.
- B. Hagar Court Apartments

- (1) That the President be authorized to obtain interim financing not to exceed \$3,036,000 to finance the cost of renovating the Hagar Court Apartments, subject to the following conditions:
  - a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period;
  - b. Repayment shall be from the rental income of Laureate Court and proceeds of the sale of units in the Hagar Court Apartments in an amount to pay the debt service and to meet the related requirements of the financing, and if these are insufficient, from Telecommunications reserves; and
  - c. The general credit of The Regents shall not be pledged.
  
- (2) That the President or designee be authorized to designate, describe, and subdivide that portion of the Santa Cruz campus previously approved by The Regents as the site for the Hagar Court Apartments into condominium units including separately designated units, common area, and condominium owners exclusive use areas, and to prepare a legal description indicating such subdivision, with said legal description to be filed with the Recorder of the Santa Cruz County as evidence of the action.
  - a. The initial purchasers of the Laureate Court units to be selected from University affiliated persons determined to be eligible by the Chancellor of the Santa Cruz campus;
  - b. Upon the resale of a Laureate Court unit, the owner must offer the unit to buyers in the priority established by the Chancellor of the Santa Cruz campus, at a price which conforms to B(2) c. below;
  - c. To ensure that Laureate Court units remain affordable by members of the University community, resale prices shall be limited to the lesser of:
    - i. the price negotiated between the buyer and the owner; or
    - ii. the sum of:
      - (a) the original purchase price of the unit paid by the owner, plus

- (b) the product of the original purchase price of the unit paid by owner and the fractional change in that one of the following indices which shall result in the largest product: (x) the National Consumer Price Index (all items), or (y) the Faculty Salary Index (as published by the Office of Loan Programs), using the value for each Index published for the month immediately preceding the date on which the owner originally purchased the condominium and the value for each Index last published prior to the date of the offer to sell, plus
    - iii. the cost of all capital improvements to the unit made by the owner or the Homeowner's Association, but only to the extent that each such capital improvement to a unit exceeds \$1,000 in cost (including such costs as may be distributed to an owner's unit as a result of qualified capital improvements made by the Homeowner's Association) and was certified by the University at the time such improvement was completed, less
    - iv. the cost of correcting damage to the unit in excess of normal wear and tear.
  - (3) That the President, or designee, be authorized to execute new documents for the formation of a separate Faculty for Sale Housing Project, with the same applicable restrictions and provisions as the existing Faculty for Sale Housing Project.

C. General Provisions

- (1) That the President or his designee be authorized to provide certification that the interest paid by The Regents on financing obtained pursuant to A(2) and B(1) above is excluded from gross income for purposes of federal income taxation under existing law.
- (2) That the President, in consultation with the General Counsel, be authorized to execute all documents, including all amendments as may be necessary or appropriate related to changing circumstances or unforeseen conditions, as long as such amendments or other documents do not contravene the basic meaning or purpose of provisions approved by the Regents in connection with the above.

Patricia L. Trivette  
Secretary of The Regents