

CHAPTER 8: IMPLEMENTATION STRATEGY

A. BACKGROUND

This chapter focuses on how UCSF can accomplish the facilities goals set forth in this LRDP. Provided below are the following:

- A review of facilities acquisitions and major projects funded during from 1983 through 1995;
- A discussion of the estimated facilities costs of the 1996 LRDP's proposals;
- A summary of the implementation strategy proposed to fund the facilities needs at existing sites employing traditional funding sources; and
- A summary of a development approach to acquire and develop the major new site using novel funding sources and strategies.

Two central points should be kept in mind concerning the implementation plan. First, the costs to implement the LRDP's facilities proposals at existing sites, while substantial, are similar in magnitude to the costs incurred over the past 12 years. This gives UCSF confidence that the proposals are achievable. Second, UCSF's plans for funding the new site differ from plans to fund needs at existing sites, and the two will occur on somewhat separate, though parallel, tracks. These points are discussed below.

The LRDP proposals for the existing sites would require around \$866 million.¹ Of that \$866 million, \$369 million would be for Medical Center projects, including \$248 for the replacement of the UCSF/Mount Zion Hospital, if necessary. Over the 16-year period analyzed (1996-97 through 2011-12), \$866 million translates to an annual average close to \$54 million.² While extremely large, this sum is not without precedent at UCSF. Based on a review of the last

The costs to implement the LRDP's proposals at existing sites are similar in magnitude to costs incurred over the past 12 years, and UCSF's plans for funding the new site differ from plans to fund needs at existing sites.

¹ Current 1996 dollars, not adjusted for inflation.

² The period includes the year 1996 in the "future." These investments would substantially increase the value of UCSF's physical assets, currently valued at \$600 million according to *UCSF Annual Plant Assets*, June 30, 1995.

12 years of funding for acquisitions and major facilities projects, UCSF funded \$663 million, which translates to an annual average of \$55 million.³

For the new site, about \$1 billion has been projected as a potential total buildout cost, regardless of the site chosen.⁴ However, UCSF is not projecting that the new site will be built out fully in this period of time; rather, UCSF projects a \$200 million cost as a reasonable target, sufficient to cover acquisition, initial infrastructure and a core of buildings.

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UCSF will pursue traditional funding sources as well as novel, non-traditional funding sources and strategies to implement this LRDP. Traditional sources of funding for major facilities projects have included the State of California (mainly through the Capital Improvement Program or CIP), University of California funds, UCSF working capital, gifts and grants, auxiliary funds (i.e., for parking and housing), Hospital funds and external financing. The preponderance of facilities funding in the past 12 years has not come from the state, which provided 12% of the funds, nor from the University of California, which provided 3%. Rather, the bulk has come from UCSF working capital which provided 19%, from Medical Center reserves which provided 22% and via external debt financing and instruments which covered 32%. However, UCSF expects that the facilities needs identified for the existing sites will require UCSF to devote these funding resources principally to those needs.

With respect to the new site, what is contemplated as a novel strategy is an approach to the acquisition of land and buildings that will generate new revenues or offset development costs. UCSF will seek new partnerships with the private sector and with municipalities such that mutual benefit can be derived. It is hoped that a new acquisition and development entity, a non-profit or public benefit corporation, might prove to be an effective mechanism. Expertise in real estate financing, land development, urban economics and municipal finance will be required in order to increase the number of options to UCSF. Such new mechanisms would involve the full participation of The Regents and senior UC officials, such as the President, Treasurer and General Counsel.

³ The figure includes major capital projects whose costs were above \$250,000, major acquisitions and capitalized facilities improvements to Aldea Student Housing and the Avenue Housing units. The figure does not include facilities improvements carried out with operating budget funds (major maintenance), leaseholds, or small projects, that is, those with budgets below \$250,000.

⁴ Costs were estimated by a real estate consulting firm, a cost model and Campus Planning scenarios on rate of buildout, in 1996 dollars not adjusted for inflation.