

UCSF, Developers Team up on Center

University to lease \$198M Mission Bay neuroscience building

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A first-of-its-kind deal allowing private developers to construct and lease back to UCSF a \$198 million neuroscience center at the Mission Bay campus could open the door to similar lower-cost building projects for the cash-strapped University of California system.

[McCarthy Cook & Co.](#), [Clark Construction Co.](#) and its Edgemore Realty unit this spring will start building a 237,000-square-foot, five-story center. The building could be ready for move-in by spring 2012, consolidating eight [University of California, San Francisco](#), locations and some 600 employees for neuroscience research. That firepower will include as many as 100 investigators like Nobel Prize winner Stan Prusiner.



The center's research will focus on identifying molecular targets, discovering compounds and finding biomarkers for a range of neurological diseases — from Alzheimer's and Parkinson's to autism and migraines — while a first-floor clinical research center will connect researchers and patients.

“Our doors are open for new ways of thinking with Silicon Valley, technology, biotech and pharma,” said Steve Hauser, chair of UCSF's neurology department. “Answers can come if we bring the right people together.”

The initial construction costs would be covered with a nonprofit bond offering — either via the federal economic stimulus package's Build America Bond program or a tax-exempt bond — and UCSF would lease back the building over about 30 to 40 years.

UCSF lease payments, covering a 32-year bond, would equal \$11.8 million per year for the first 10 years, plus \$1.7 million paid to McCarthy Cook for building operations. That would increase to \$16.4 million a year in interest and principal for 22 years. The annual rent would be lower with a 40-year bond.

The total cost of the project does not include \$37 million for infrastructure improvements tied to the neuroscience building and three adjacent blocks.

After the lease expires, UCSF would take ownership of the building.

The nonprofit entity — headed by retired San Francisco County Chief Administrative Officer Rudy Nothenberg and including San Francisco Foundation CEO Sandra Hernandez and real estate consultant Lynn Sedway — would float the bonds.

The arrangement gives the private developer access to public financing at cheaper rates than those available through commercial paper.

Rent and program expenses, including covering the cost of new faculty, would be covered in part by an endowment overseen by another nonprofit entity that involves notables like venture capital legend Ron Conway. Those costs would also be covered by campus funds and other sources. In all, the public-private partnership could net savings up to 20 percent, Hauser said, compared with the UC system's typical design-bid-build approach that is overseen in-house.

With the system in a full-on cash crunch due in large part to California's budget woes, such new ways of building and operating facilities are sure to get a close look. In fact, UC President Mark Yudof and new UCSF Chancellor Susan Desmond-Hellmann put the neuroscience building project under review in the fall to make sure the numbers penciled out.

The strategy of funding the building through a so-called campus facilities improvement association, if it works, could be used for other projects at Mission Bay, other UCSF campuses or elsewhere in the UC system. [UC Berkeley](#), for example, has weighed similarly structured projects.

One target could be buildings associated with the planned \$1.5 billion women's, children's and cancer hospital at Mission Bay.

A new model for campus construction, however, wasn't the main reason the project started about five years ago. Bruce Spaulding, then-UCSF senior vice chancellor for advancement and planning, heard that Hauser and Prusiner were considering leasing part of a 450,000-square-foot building under consideration by Shorenstein Properties and moving their labs from UCSF's Parnassus campus to Mission Bay.

[FibroGen Inc.](#) has since taken 239,000 square feet of the structure, just southeast of the UCSF Mission Bay campus, and holds an option for the remainder.

At the time, the deal could have been one of UCSF's more expensive leases because Shorenstein's lease rate, like that of any developer, would recover its land costs.

Instead, Spaulding convinced Hauser and Prusiner to house their labs in a new neuroscience center, assigning space on the growing Mission Bay campus. In the process, the building plan leapfrogged other projects.

Meanwhile, Prusiner's work on prions diseases — implicated in misfolding proteins brain-wasting Creutzfeld-Jakob Disease, as well as other neurodegenerative conditions — was garnering more attention. Then Mike Homer, a founding executive at [Netscape](#) and a high-tech industry marketing wunderkind, was diagnosed with Creutzfeld-Jakob Disease.

Homer died in February 2009.

Homer's diagnosis spurred a fundraising push that in a matter of months raised more than \$7 million for CJD research. That campaign was led by Conway, a good friend of Homer and vice chairman of the [UCSF Foundation](#), who is well connected in Silicon Valley.

"We want to understand new ways to work with biotech, Silicon Valley and pharma — everyone involved in these diseases — to find answers," Hauser said.

rlauty@bizjournals.com / (415) 288-4939