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December 18, 2009

Vice Chancellors – Administration

Dear Colleagues:

RE: New Policy on University-Provided Housing
Change in Approval Requirements for Capital Improvements at the Chancellors' and President's residences
and offices

Several of you have raised questions concerning recent changes to University policy governing the President's and Chancellors' residences. The purpose of this letter is to address those questions.

During the March meeting of the Committee on Grounds and Buildings, the Regents approved Policy 2.725 regarding University-Provided Housing. The policy became effective on August 1st, pursuant to President Yudof's letter to the Chancellors dated July 29th. A copy of the policy, including President Yudof's transmittal letter, is attached to this letter.

The new policy is intended to bring together in a single document all policies governing the President's and Chancellors' residences. As such, the new policy clarifies the taxability of the housing benefit and IRS reporting requirements (Section III.A.), sets forth new requirements for renovation and remodeling of executive officers' residences (Section III.B.), specifies the conditions under which alternative housing arrangements may be accommodated (Section III.C.), and provides rules governing reimbursement of expenses associated with moving in and moving out of University housing (see Section III.D.). The policy also sets forth standards concerning Approval Authority for both policy implementation and revision, and for compliance. With approval of the new policy, previous policies were rescinded.

I would like to call your attention specifically to Section III. B. relating to the renovation and remodeling of the President's and Chancellors' residences. This section of the policy reads as follows:

All capital improvements to the President's residence in excess of \$25,000 require the prior approval of the Regents. Capital improvements under \$25,000 require the prior approval of the Senior Vice President—Chief Compliance and Audit Officer.

Capital improvement projects of a Chancellor's residence under \$25,000 require the prior approval of the Executive Vice President—Business Operations. Capital improvement projects between \$25,000 to \$5,000,000 require the prior approval of the University President. Capital improvement projects greater than \$5,000,000 require the prior approval of the Regents. In approving projects, the approving authority must consider the need and extent of the improvements and their benefit to the University. A list of such capital projects will be reported annually to the Regents.

Under the new policy, approval by the Executive Vice President—Business Operations is now required of for all capital improvements to the residence of a Chancellor costing \$25,000 or less. This is a change from previous policy, which only required that campuses obtain prior approval (from the President, rather than the Executive Vice President) for all projects with a value of or in excess of \$25,000 performed with regard to Chancellor residences and offices. Similarly, approval of capital improvement projects with a value of less than \$25,000 to be performed at the President’s residence must be approved beforehand by the Senior Vice President—Chief Compliance and Audit Officer.

I suggest you consult the University’s Facilities Manual to clarify the difference between capital improvement projects which require these prior approvals (construction) and maintenance work that does not require any approval by the President or the Regents. Definitions of “maintenance” and “construction” in Chapter 1.3.2 of Volume 6 of the Manual may be accessed at

<http://www.ucop.edu/facil/fmc/facilman/volume6/volume6.pdf>

Whenever a residence alteration is not maintenance, the need to obtain approval from the Office of the President, the President, or the Regents applies. It is important to note that many alterations with a very small dollar value which a typical homeowner might consider to be simple maintenance are not considered maintenance pursuant to the definition of maintenance provided in the Facilities Manual, and therefore require documented pre-approval pursuant to this policy. Also note that minor alterations which are undertaken simultaneously with the repair of a defective building system or component of a building system in residences are expressly subject to his policy, no matter how small the dollar value of the repair, and regardless of the nature of the event giving rise to the need for the repair.

Questions regarding whether a particular alteration constitute maintenance or capital improvement subject to this policy should be directed to George Getgen of the Facilities Management Services unit of the Budget and Capital Resources Department at the Office of the President, or to the Office of General Counsel. Campuses are urged to consult with Office of the President staff on any work that is not clearly maintenance work as defined in the Facilities Manual, to avoid violating the policy by making an error in determining work to be maintenance that does meet the definition of maintenance as clarified in the Facilities Manual.

Procedure to Request Administrative Approval for Improvements under \$25,000, pursuant to the policy. A letter requesting approval of such work should be sent to me and should briefly describe the work to be done and its purpose, estimated costs, and reference to the new policy. A copy (either hard or electronic) should be also sent to Clif Bowen in Budget and Capital Resources (clifton.bowen@ucop.edu or 510 987-9819). If the processing of the request needs to be expedited, then the letter should so state.

A summary of which administrators must approve projects is provided below. The chart summarizes the changes to policy regarding which administrators must approve capital improvements at the applicable value thresholds.

Prior Approval Required For Capital Improvements to President’s and Chancellors’ Residences and Offices			
	Less Than \$25,000	From \$25,000 to \$5,000,000	Above \$5,000000
Chancellors’ residences	Senior Vice President-Business Operations	President	Regents
President’s residence	Senior Vice President-Chief Compliance and Audit Officer	Regents	Regents

The same approval thresholds that apply to Chancellors' residences also apply to Chancellors' offices, pursuant to interim Presidential policy (as provided in the section on "Revision History"). That interim policy provides that:

In addition, on an interim basis, renovation and remodeling of Chancellors' offices are also subject to the same approval thresholds contained in Section III.B. of the University-Provided Housing policy. Later this year, the President will seek Regental approval to expand the University-Provided Housing policy to also cover Chancellors' offices, at which point this instruction with respect to Chancellors' offices will be superseded by the revised policy

Should you have any questions concerning the administrative approval process for improvement work under \$25,000, please contact Clif Bowen in my office.

Sincerely,



Vice President for Budget and Capital Resources

Cc: Facilities Directors
Capital Planning Directors
Dennis Larsen
Karen Ernst
Mona Litrownik
Nancy Capell
John Fox