

Office of the President

TO THE MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:

ACTION ITEM

For Meeting of July 17, 2012

APPROVAL OF THE BUDGET, APPROVAL OF EXTERNAL FINANCING, LUSKIN CONFERENCE AND GUEST CENTER, LOS ANGELES CAMPUS

EXECUTIVE SUMMARY

The project would construct the 294,000 gross square foot (GSF) Luskin Conference and Guest Center on the site of Parking Structure 6 (PS 6) adjacent to the main entrance to campus at the terminus of Westwood Plaza. The project would provide a forum for faculty, researchers, and students to present papers and exchange ideas and elevate debate on society's greatest challenges among international scholars, civic leaders, and the general public.

The project would consist of four components: 1) a 242,000 GSF academic conference center with 70,000 GSF of conference facilities and 250 guest rooms; 2) a 42,000 GSF parking garage with 125 spaces for resident guests; and 3) a 10,000 GSF operationally independent campus catering kitchen to replace an older facility in the northwest campus; and 4) improvements to the adjacent traffic turnabout and pedestrian areas in the Gateway Plaza at the main entrance to campus. PS 6, a 754 space facility, would be demolished to create the site for the center.

The Regents are being asked to: 1) approve the project budget of \$162,425,000, to be funded from external financing (\$112,000,000), gift funds (\$40,000,000), housing reserves (\$7,225,000), and campus funds (\$3,200,000); 2) approve external financing (\$112,000,000); and 3) approve standby financing (\$35,000,000).

UCLA alumni Meyer and Renee Luskin have pledged \$40 million for the capital cost of the conference center and \$10 million towards an endowment to support academic departments in hosting conferences on campus. The external financing for the Conference and Guest Center (including parking) would be repaid from net revenues of the Conference and Guest Center. The operationally independent catering kitchen would serve UCLA's Housing Services' catering operations and would be funded by housing reserves. Improvements to Gateway Plaza would be funded by campus funds comprised of parking reserves, opportunity funds, and income from the short-term investment pool.

RECOMMENDATION

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

1. The 2011-12 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Los Angeles: Luskin Conference and Guest Center – preliminary plans, working drawings, construction, and equipment – \$162,425,000, to be funded from external financing (\$112,000,000), gift funds (\$40,000,000), housing reserves (\$7,225,000), and campus funds (\$3,200,000).
2. The scope of the Luskin Conference and Guest Center shall provide approximately 294,000 gross square feet, which is planned to include: a conference facility with meeting space and guest rooms, a parking garage for resident guests, a campus catering kitchen, and improvements to the adjacent traffic turnabout and pedestrian areas in Gateway Plaza at the main entrance to campus.
3. The President be authorized to obtain external financing not to exceed \$112,000,000 to finance the Luskin Conference and Guest Center project. The President requires that:
 - A. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - B. As long as the debt is outstanding, general revenues from the Los Angeles campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - C. The general credit of the Regents shall not be pledged.
4. The President be authorized to obtain standby financing not to exceed \$35,000,000 for the project, 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. As long as the debt is outstanding, general revenues from the Los Angeles campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - C. The general credit of the Regents shall not be pledged.
5. The President be authorized to execute all documents necessary in connection with the above.

BACKGROUND

State-of-the-art conference facilities are needed at the campus to foster the exchange of ideas, contribute to the pre-eminence of UCLA as one of the world's great research universities, and allow UCLA to compete with other top tier institutions for major academic conferences. Existing campus meeting facilities are in limited supply, and there is demand from faculty for modern facilities that can support major academic conferences on campus.

In December 2010, the campus received a major gift from UCLA alumni Meyer and Renee Luskin to help construct and endow a conference center on the UCLA campus, to be named the Meyer and Renee Luskin Conference and Guest Center. The donors are interested in establishing a facility that will allow faculty, researchers, and students to exchange ideas and elevate debate on society's greatest challenges among international scholars, civic leaders, and the general public.

Project Drivers

A Conference and Guest Center would help establish the campus as a global leader in education and research as envisioned in UCLA's Academic Strategic Plan. The Plan identifies four principles in support of the academic enterprise – academic excellence, civic engagement, diversity of academic inquiry, and financial security – that are commensurate with the needs of a leading public research university in the 21st century. By providing the campus with a venue for hosting academic conferences and sponsoring events at the local, national, and international levels, the Conference and Guest Center would enrich the intellectual life of the campus consistent with the principles of the Plan.

The proposed Conference and Guest Center would accommodate approximately 70,000 GSF of conference facilities with 25,000 ASF of meeting space and 250 conference guest rooms in a single campus location. The inclusion of residential rooms would provide conferees with a more productive meeting environment by allowing more time for informal contact amongst conference participants throughout the duration of their stay. In addition, this would provide conferees with more access to academic resources and cultural and recreational activities on the UCLA campus. All guests would need to demonstrate an affiliation with the University in order to book a reservation.

The campus currently operates two on-campus guest houses, a residential conference center in Lake Arrowhead, and a robust summer conference program in the campus residence halls. The two on-campus facilities – the UCLA Patient Guest House, which supports the family members of patients at the Medical Center, and the UCLA Guest House – are operating near capacity in their combined 161 rooms. Meeting space in Covell Commons and the Faculty Center is also in limited supply.

PROJECT DESCRIPTION

The proposed project would construct a 294,000 GSF (181,250 ASF) Conference and Guest Center that includes 242,000 GSF (173,750 ASF) of conference and guest facilities, a 42,000 GSF parking garage, and a 10,000 GSF (7,500 ASF) operationally independent campus catering kitchen. The project would also include improvements to the adjacent traffic and pedestrian areas in the Gateway Plaza at the main entrance to campus. PS 6 would be demolished to create the site for the new facility.

The scope of work would include site clearance; provision of utilities; installation of fixed kitchen equipment, millwork, security systems, audio visual equipment and specialty lighting; and communications connectivity and cable television conduit and cabling. The project would also procure and install movable furniture and equipment throughout the public areas, dining area, kitchen, conference facilities, and guest rooms. The project components are described below.

Conference, Guest Facilities, and Parking: The Conference and Guest Center would occupy seven floors above one level of subterranean parking. Reception, dining, lounge, and meeting facilities would be accommodated on the first two floors, with guest rooms on five floors above. The parking level would accommodate 125 spaces for resident guests, back-of-the-house support, and a loading dock. Pedestrian and vehicular access would be from Westwood Plaza. Service access would be from Strathmore Drive.

The building would accommodate conference facilities (70,000 GSF) with meeting rooms (25,000 ASF) that include a large multi-purpose conference hall for 500 persons, smaller meeting and breakout rooms, tiered classroom for 90, and related support and common space. Additionally, the proposed facility would have 250 conference guest rooms. Guest amenities would include a 160-seat casual dining room with exterior seating for 60, a business center, and a fitness center. The facility would also include space for administrative offices, food preparation and storage, housekeeping, maintenance, administration, and related support. The facility would include a landscaped forecourt at the main entrance to the building, outdoor terraces for pre-function activities, and landscaped walkways and planter areas.

The campus has determined that the parking inventory can absorb the loss of 754 spaces currently in PS 6 and also accommodate parking for non-resident guests in nearby parking structures. (See Figure 1.) There is available capacity in the parking system due to the extensive Transportation Demand Management Program and a significant increase in the resident student population – which have decreased the number of average daily trips on campus by more than 11 percent during the past four years and reduced parking demand. Currently, UCLA is experiencing its lowest traffic level since record-keeping began over twenty years ago.

Catering Kitchen: An operationally independent catering kitchen would replace an older 5,300 ASF facility in the Bradley International Center located in the northwest campus. The proposed location would place the production capability of UCLA Catering closer to its customer base on the campus, reduce transportation and set-up costs, and ensure the timely

arrival of temperature-sensitive food. The replacement production kitchen would accommodate hot and cold prep areas, staging space for assembly of items for delivery, and administration and production support.

Gateway Plaza: Improvements to the traffic turnabout and pedestrian areas, at the most intensively used entry way to UCLA, would involve re-grading and drainage; and installation of landscaping, paving, planters, irrigation, lighting, and site furniture.

Improvements to the Gateway Plaza would provide an opportunity to resolve long-term functional issues. The Plaza would be reconfigured to achieve greater circulation efficiency for the public transit buses, improve the commuter vehicle pick-up/drop-off, improve pedestrian circulation, and strengthen the visual character and sense of arrival at UCLA.

Following design approval by the Regents' Committee on Grounds and Buildings, construction would commence in September 2013, with completion anticipated in June 2016.

ATTACHMENTS

- Attachment 1: Project Site
- Attachment 2: Project Budget
- Attachment 3: Funding Plan
- Attachment 4: Financial Analysis
- Attachment 5: Summary of Financial Feasibility
- Attachment 6: Policy Compliance
- Attachment 7: Delivery Model

PROJECT SITE

Site Alternatives

A variety of alternatives have been considered for hosting guests on campus. Studies have shown that the site of the existing UCLA Guest House is inadequate to accommodate the needed meeting space, guest rooms, and parking. Locations in the north and south campus were found to have high site acquisition costs and were too distant from campus facilities and amenities.

In early 2011, the campus proposed a Residential Conference Center and Faculty Club project on the site of the current Faculty Center in the core campus. The site was chosen due to its central location and proximity to a wide range of academic programs. In April 2011, this proposal was put on hold following concerns expressed by the faculty, many of whom have a strong personal connection to the existing Faculty Center.

Three additional locations were subsequently studied: 1) a site on a portion of the existing CHS South Parking Structure along Le Conte Avenue; 2) a site currently occupied by PS 6 at the terminus of Westwood Plaza; and 3) a site currently occupied by the West Alumni Center also at the terminus of Westwood Plaza. The Le Conte site was considered too remote from the core campus and restrictive of potential future expansion of academic and research programs in the health sciences zone. The West Alumni site was considered too crowded with respect to its proximity to Pauley Pavilion, and too costly due to the necessity of replacing the alumni center and re-routing of major campus utility infrastructure.

Proposed Site

The PS 6 site was found to be the most viable location for the proposed facility. Located at the terminus of Westwood Plaza, the site provides easy access to popular campus venues such as Ackerman Student Union and Pauley Pavilion, as well as to Westwood shops and restaurants. It is also easy to locate for first-time visitors, near the main entrance to UCLA. The site is surrounded by the West Alumni Center and Pauley Pavilion to the north, the campus Gateway Plaza with traffic turnabout and Engineering VI to the east, Strathmore Drive to the south, and Spaulding Athletic Field to the west. Figures 1, 2, and 3 show the location of the site. PS 6 is 30 years old and was built for an initial cost of approximately \$8 million.

The decision to locate the proposed Luskin Center on the site of PS 6 was informed by a careful analysis of both specific demand for parking and available inventory in the immediate area. Due to the success of UCLA's traffic management program and a significant increase in the number of students living on campus, daily trips to campus have been reduced by 20 percent from the peak traffic count in 2003.¹ Consequently, overall parking demand is down. A map that highlights the availability of other parking structures in the area is provided in Figure 1.

No funds from the parking system will be used to construct the project's 125 subterranean spaces. Conference Center revenues will be used to fund construction of the spaces. The parking system will

¹ *UCLA Today*, "UCLA traffic hits lowest level since 1990," March 28, 2012, <http://today.ucla.edu/portal/ut/ucla-traffic-hits-lowest-level-231201.aspx>

manage the garage, receive all revenues from the new spaces, and will also have the opportunity to benefit from the additional demand of future conference center events.

The Gateway Plaza, which is located at the terminus of Westwood Plaza, consists of landscaped areas, a traffic turnabout, and drop-off and pick-up areas that facilitate the arrival of pedestrians, cars, buses and multi-modal connections at the most intensively used entryway to UCLA.

Figure 1. Project Location on UCLA Campus

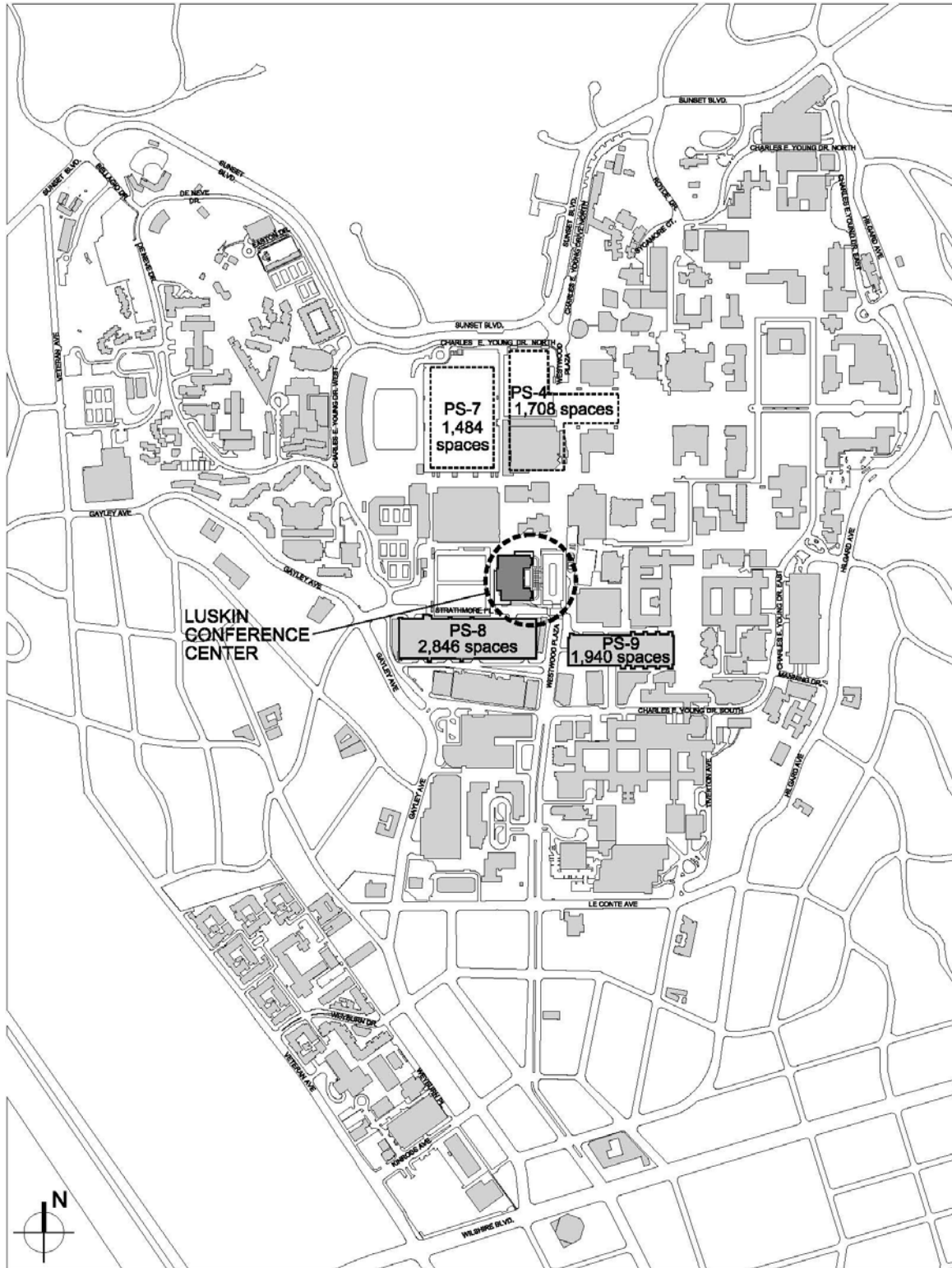


Figure 2. Existing Site

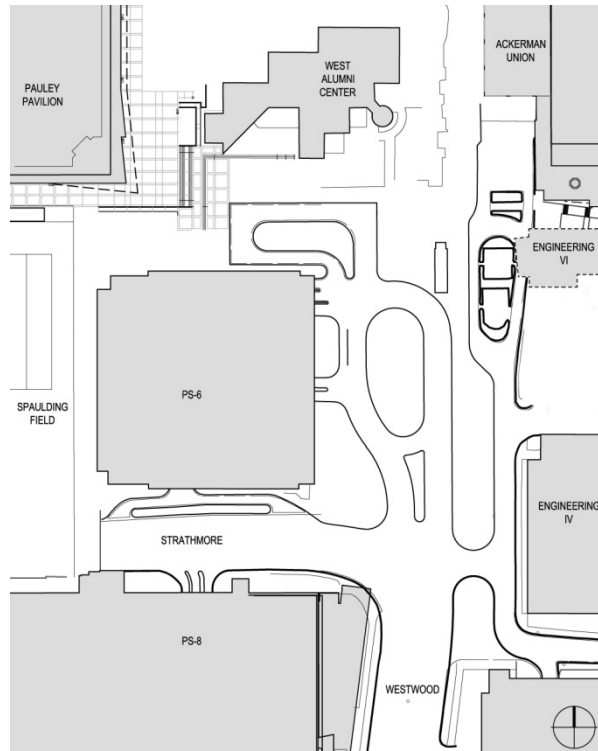
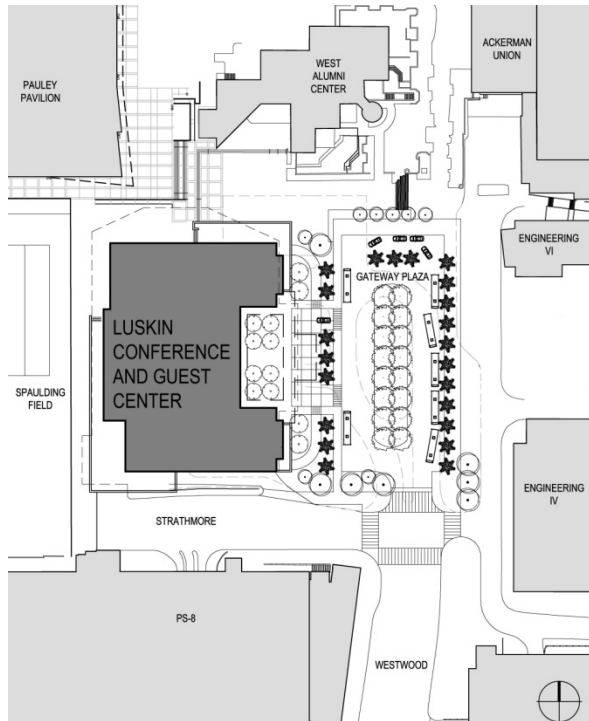


Figure 3. Proposed Site



**PROJECT BUDGET
CCCI 6132**

	<u>Luskin Center</u>	<u>Related Projects</u>		<u>Total</u>	<u>%</u>
		<u>Gateway Plaza</u>	<u>Campus Catering Kitchen</u>		
Site Clearance	3,001,000		158,000	3,159,000	2.1
Building	104,098,000	342,000	5,482,000	109,922,000	72.1
Exterior Utilities	1,216,000		64,000	1,280,000	0.8
Site Development	3,376,000	1,995,000	177,000	5,548,000	3.6
A/E Fees	6,670,000	309,000	392,000	7,371,000	4.8
Campus Admin	1,822,000	79,000	79,000	1,980,000	1.3
Surveys, Tests	2,938,000	63,000	158,000	3,159,000	2.1
Special Items ^(a)	3,273,000	173,000	155,000	3,601,000	2.0
Finance Cost	7,000,000			7,000,000	5.0
Contingency	8,606,000	239,000	560,000	9,405,000	6.2
Total	142,000,000	3,200,000	7,225,000	152,425,000	100
Group 2 & 3 Equip	10,000,000			10,000,000	
Total Project	\$152,000,000	3,200,000	7,225,000	162,425,000	

(a) Special items include pre-design study, environmental impact report, presentations, peer reviews, value engineering, specialty consultants, environmental health and safety, hazardous materials survey and monitoring, and agency fees.

	<u>Conference</u>	<u>Gateway</u>	<u>Campus Catering</u>	<u>Total</u>
GSF	242,000 (mtg & guest room)	NA	10,000	252,000
ASF:	173,750 (mtg & guest room)		7,500	181,250
Ratio (ASF/GSF)	72% (mtg & guest room)		75%	72%
GSF: Parking	42,000			
Building Cost/GSF	\$366		\$548	\$374
Project Cost/GSF ^(b)	\$500		\$723	\$518

(b) Exclusive of Group 2 and 3 Equipment.

Comparable Projects

There are no specifically comparable projects involving the construction of university-related conference center with guest rooms. The three university projects shown below are out of state, in geographical areas where construction costs are far below those in California. These projects are not subject to California seismic and accessibility codes.

<u>Name</u>	<u>GSF</u>	<u>Const Start</u>	<u>Completion</u>	<u>Building Cost/GSF</u>	<u>Project Cost/GSF</u>
University of Texas at Austin <i>Thompson Conference Center</i>	333,000	March 2006	August 2008	\$335	\$450
• Excludes parking					
Emory University <i>Emory Conference Center</i>	88,000	March 2008	December 2009	\$401	\$457
• Excludes parking					
University of Notre Dame <i>The Morris Inn</i>	124,000	June 2012	August 2013	\$320	\$374
• 24% is renovated space					
• Low-rise building					

FUNDING PLAN

The total budget for the proposed project is \$162,425,000. The Luskin Center, including the construction of 125 subterranean parking spaces, will be funded from \$112,000,000 of external financing and \$40,000,000 of gift funds. The external financing will be repaid from net revenues of the conference and guest center. Two campus projects will be constructed concurrently with the Luskin Center: 1) an operationally independent campus catering kitchen will be funded with \$7.2 million of housing reserves, and 2) improvements to the adjacent Gateway Plaza at the main entrance to the campus will be funded from \$3.2 million of campus funds comprised of parking reserves, opportunity funds, and income from the short-term investment pool (STIP). No other campus funds will be committed for the initial cost or ongoing operation of the Luskin Center.

Funding Sources

Project Cost: \$162,425,000

Luskin Center	Gifts	40,000,000
	External Financing	112,000,000
	• Repaid by Conference Center Net Revenues	
Gateway Plaza	Campus Funds (Parking Reserves, Opportunity Funds, STIP Income)	3,200,000
Campus Catering Kitchen	Housing Reserves	7,225,000

Funding Schedule

Preliminary Plans	5,067,000
Working Drawings	5,317,000
Construction	142,041,000
Equipment	<u>10,000,000</u>
	162,425,000

Gift Funds

Cash	5,000,000
Gift Pledged	35,000,000
Gifts to be Raised	<u>0</u>
	40,000,000

Standby Financing of Gifts

In addition to the external financing described above, this item also requests up to \$35,000,000 in standby financing related to the gift contribution, in order to meet Regental policy to have funds on hand at the time of contract award. To the extent gifts are received prior to completion of the project, the amount of stand-by financing will be reduced and outstanding balances will be repaid.

FINANCIAL ANALYSIS

Project Scope

The scope of the proposed \$152 million Luskin Center includes a fully-equipped conference facility with 250 conference guest rooms, restaurant and a campus catering kitchen, a 125-space subterranean parking garage and related site development and utilities. The two campus projects, totaling \$10.4 million, include an operationally independent campus catering kitchen, and reconfiguration and improvements to the Gateway Plaza.

The Project Cost Summary presented below highlights the cost of various components of the project. The proposed Luskin Center's guest rooms, restaurant facilities, and related common areas total 172,000 GSF. Conference space with meeting rooms, related support, and its share of common area are estimated at 70,000 GSF. The campus catering kitchen totals 10,000 GSF.

PROJECT COST SUMMARY				
	GSF	Cost	Cost / GSF	Cost / Guest Room
Luskin Center				
Guest Rooms ²	172,000	\$98,805,000	\$574	\$395,220
Conference Space ²	70,000	42,712,000	610	170,848
Parking	42,000	10,483,000	250	41,932
Total (Luskin Center)	284,000	152,000,000	535	608,000
Campus Projects				
Catering Kitchen	10,000	7,225,000	723	NA
Gateway Plaza	NA	3,200,000	NA	NA
Total (Campus Projects)	10,000	10,425,000		
Project Total	294,000		162,425,000	

Projected Revenues and Expenses

The proposed Luskin Conference and Guest Center would operate as a self-funded auxiliary in partnership with two other existing lodging auxiliaries: the UCLA Lake Arrowhead Conference Center and the UCLA Guest House. A mix of two-thirds academic group and one-third UCLA-affiliated guests is assumed. Projected room rates are based on a January 2011 weighted average daily rate of \$185 escalated at approximately 3.5 percent per annum. Additionally, the donor has provided a generous endowment of \$10 million for the Chancellor to subsidize rates for academic groups or campus departments that need additional assistance.

² Includes equipment. Equipment allowance for the Luskin Center is \$10 million.

Occupancy for the proposed conference center is projected at 60 percent in FY 2016-17 (the start-up year), 65 percent in FY 2017-18 (the first full year of operations), and is stabilized at 70 percent thereafter. This occupancy rate assumption is conservative when compared to the occupancy rates of existing hotels in the West Los Angeles market, given the assumption that the facility is dedicated exclusively to university-related demand.

As demonstrated in the following table, the Luskin Conference and Guest Center is projected to generate net operating revenue sufficient to cover all operating costs and debt service beginning in FY 2016-17. No other campus fund sources will be utilized.

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2026-27
	Start-Up Year	First Year of Full Operations	First Year of 70% Occupancy	First Year of Principal/Interest
Number of Rooms	250	250	250	250
Occupied Rooms	54,750	59,310	63,875	63,875
Occupancy	60%	65%	70%	70%
Average Rate	\$231	\$239	\$248	\$326
REVPAR	\$137	\$155	\$174	\$228
REVENUE				
Rooms	12,524	14,181	15,842	20,825
Food & Beverage	7,852	8,127	8,411	11,076
Conference	3,567	3,999	4,458	5,871
Other Operated Departments	505	566	631	831
TOTAL	24,448	26,873	29,342	38,603
	100.0 %	100.0 %	100.0 %	100.0 %
	51.2 %	52.8 %	54.9 %	53.9 %
	32.1	30.2	28.7	28.7
	14.6	14.9	15.2	15.2
	2.1	2.1	2.2	2.2
DISTRIBUTED OPERATING EXPENSES¹				
Rooms	3,475	3,736	4,010	5,281
Food & Beverage	6,108	6,322	6,543	8,618
Conference	1,594	1,789	1,994	2,625
Other	165	185	207	272
TOTAL	11,342	12,032	12,754	16,796
	46.4 %	44.8 %	43.5 %	43.5 %
	27.7 %	26.3 %	25.3 %	25.4 %
	77.8	77.8	77.8	77.8
	44.7	44.7	44.7	44.7
	32.7	32.7	32.8	32.7
UNDISTRIBUTED OPERATING EXPENSES^{1,2}	6,286	7,034	7,345	9,673
	25.7 %	26.2 %	25.0 %	25.1 %
NET OPERATING REVENUES	6,820	7,807	9,243	12,134
	27.9 %	29.1 %	31.5 %	31.4 %
Debt Service ³	6,384	6,384	6,384	7,842
	26.1 %	23.8 %	21.8 %	20.3 %
NET INCOME AFTER DEBT SERVICE	436	1,423	2,859	4,292
	1.8 %	5.3 %	9.7 %	11.1 %

¹ Wage Expenses have been adjusted to include a 8.1% campus contribution to UCRP for new employees.

² Undistributed Operating Expenses including Administrative & General Expense, Marketing, OMP, Utilities, and Campus Allocations.

³ Based on \$80M tax-exempt, 6% planning rate, amortized years 11-35; \$32M taxable, 4.95% rate, amortized years 36-40.

Explanation of Operating Assumptions

In addition to conservative occupancy projections, the forecast of income and expenses for the Luskin Center includes some key operating assumptions that are useful to highlight.

1. Parking-Site Acquisition and On-Going Revenue Stream

The decision to locate the proposed Luskin Center on the site of PS 6 was informed by a careful analysis of both specific demand for parking and available inventory in the immediate area. Due to the success of UCLA's traffic management program and a significant increase in the number of students living on campus, daily trips to campus have been reduced by 20 percent from the peak traffic count in 2003. Consequently, overall parking demand is down. A map that highlights the availability of other parking structures in the area is provided in Figure 1.

It is also important to note that Conference Center revenues will be used to fund 100 percent of the new construction of the 125 subterranean spaces. The existing PS 6 is 30 years old and was built for an initial cost of approximately \$8 million. The parking system will manage the garage, receive all revenues from the new spaces, and will also have the opportunity to benefit from the additional demand of future conference center events while student demand for parking continues to decrease.

The pro formas for the Luskin Center do not include any net revenue associated with the \$10.48 million investment to build the 125 spaces.

2. Debt Service

The debt service calculation presented in the pro formas is based upon the current UC planning rate of 6 percent for long-term tax-exempt financing (\$80 million), with the balance of the financing (\$32 million) to be provided from taxable century bond proceeds available to the campus with a known fixed rate of 4.95 percent. Various "what if" scenarios can be developed to test the impact of a probable lower effective rate for the tax-exempt rate financing upon issuance. For example:

	Annual Debt Service		
	Tax-Exempt	Taxable	Total
	\$80M	\$32M	
6% Tax - Exempt	4,800,000	1,584,000	6,384,000
5% Tax - Exempt	4,000,000	1,584,000	5,584,000
4.5% Tax - Exempt	3,600,000	1,584,000	5,184,000

A 5 percent effective rate for the tax-exempt portion of the financing would reduce overall annual debt service by \$800,000 and a 4.5 percent rate would decrease annual debt service by \$1,200,000 compared to the \$6,384,000 currently shown in the pro forma.

3. Margin Statement

The cash flows associated with the Luskin Center are projected to be sufficient to cover all related expenses and debt service, while passing along as much savings as possible back to the academic community. The intent of this project is to fulfill Meyer and Renee Luskin's vision to create a gathering space for faculty, researchers, and students to exchange ideas, not to maximize profits.

SUMMARY OF FINANCIAL FEASIBILITY

Los Angeles	
Project Name	Luskin Conference and Guest Center
Project ID	946375
Total Estimated Project Cost	\$162,425,000

Proposed Sources of Funding	
External Financing	\$112,000,000
Gift Funds	\$40,000,000
Housing Reserves	\$7,225,000
Campus Funds	\$3,200,000
Total	\$162,425,000

Financing Assumptions	
Amount Financed	\$112,000,000
Anticipated Repayment Source	General Revenues of the Los Angeles Campus
Anticipated Fund Source	Auxiliary Funds: Net Revenues of Conference & Guest Center
Financial Feasibility Rates	\$80,000,000 6% tax-exempt - 10 years interest only, 25 years amortization. \$32,000,000 4.95% taxable Century Bond – 35 years interest only, 5 years amortization.
First Full Year of Principal	Year 11 (debt model assumes FY 2027)
Final Maturity	Year 40 (debt model assumes FY 2056)
Term	40 years final maturity – 25 years (tax-exempt) principal amortization from years 11 – 35 and 5 years (taxable Century Bond) principal amortization from years 36 – 40.
Estimated Annual Debt Service:	\$6,384,000 in year 1 (interest only) \$7,842,000 in year 11* (first year of principal on \$80,000,000 tax-exempt financing) \$7,381,000 in year 36* (first year of principal on \$32,000,000 taxable Century Bond financing)

**Financial model assumes two sources of financing:*

\$80,000,000 of tax-exempt financing at a 6 percent planning rate with interest only payments in years 1-10, followed by 25 years amortized debt in years 11-35.

\$32,000,000 of taxable Century Bond financing at 4.95 percent with interest only payments for 35 years, followed by 5 years of amortized debt in years 36-40.

Campus Financing Benchmarks			
Measure	10 Year Projections Max/Min Values	First Year Principal (FY 2027)	Approval Threshold
Debt Service to Operations	4.0% (max: FY2017)	2.6%	6.0%
Debt Service Coverage	2.98x (min: FY 2017)	4.68x	1.75x
Expendable Resources to Debt	n/a	n/a	1.0x
Auxiliary Financing Benchmarks			
Debt Service Coverage	1,53x (min: FY 2017)	1.98x	1.25x
Lodging Auxiliaries			
Debt Service Coverage	1.29x (min: FY 2017)	1.80x	1.10x

Financing approval requires the campus to meet the debt service to operations benchmark and one of the two other benchmarks for approval.

Fund sources for external financing shall adhere to University policy on repayment for capital projects.

Calculation of the auxiliary financing benchmarks have been corrected since the March 2012 numbers.

POLICY COMPLIANCE

Capital Financial Plan. The *2011-21 Capital Financial Plan* for the Los Angeles campus includes the Residential Conference Center and Residential Conference Center Parking projects at a total project budget of \$160,000,000.

Environmental Analysis. Pursuant to the California Environmental Quality Act (CEQA) and the University Procedures for implementation of CEQA, the potential project-specific environmental effects of the proposed project would be analyzed in an Environmental Impact Report tiered from the 2002 Long Range Development Plan EIR, as amended in March 2009.

Sustainable Practices. This project will comply with the *University of California Policy on Sustainable Practices*. As required by this policy, the project will adopt the principles of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements, and achieve a minimum USGBC LEED™ Gold – New Construction certified rating. Specific information regarding energy efficiency and sustainability will be provided when the project is presented for design approval.

DELIVERY MODEL

The campus evaluates alternative delivery models for new capital projects, including their potential as developer-delivered Public Private Partnerships (PPPs). PPPs have the potential to offer savings in both time and money over conventional delivery, but the unique characteristics of each project and prevailing market conditions must be evaluated.

The campus has determined that the proposed Conference and Guest Center is not a suitable candidate for a PPP due to: 1) the \$40 million in gifts cannot be transferred for private use to an outside developer; and 2) low financing available to the University.