

Office of the President

TO THE MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:

ACTION ITEM

For Meeting of March 28, 2012

AMENDMENT OF THE BUDGET AND APPROVAL OF EXTERNAL FINANCING AND STANDBY 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 venue for faculty, researchers and students to exchange ideas and fill a demand by faculty for additional and more modern conference space on campus.

The project would consist of four components: 1) a 242,000 GSF conference facility with 25,000 assignable square feet (ASF) of meeting space 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 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 be funded by housing reserves. Improvements to Gateway Plaza would be funded by campus funds.

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 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 UCLA to foster the exchange of ideas, enhance the image of the campus 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 conferences.

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 from 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 conferences and sponsoring events at the local, national and international levels, a Conference and Guest Center would enrich the intellectual life of the campus consistent with the principles of the Plan. A guest center would also help the campus build a stronger base with its alumni, students and their parents, and medical center/hospital guests who want to stay on campus when they visit.

The proposed Conference and Guest Center would accommodate approximately 25,000 ASF of meeting space and 250 guest rooms in a single campus location. The inclusion of guest rooms would provide conferees with a more productive meeting environment by minimizing travel time between the campus and off-campus hotels, allow more time for informal contact amongst conference participants throughout the duration of their stay, and provide conferees with more exposure 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 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 181,250 ASF (294,000 GSF) Conference and Guest Center that includes 173,750 ASF(242,000 GSF) of conference and guest facilities, a 42,000 GSF parking garage, and a 7,500 ASF (10,000 GSF) operationally independent catering kitchen. The project would also include improvements to the adjacent traffic and pedestrian areas in Gateway Plaza at the main entrance to campus. Parking Structure 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 facility would accommodate 250 guest rooms in a mix of king, double queen and suites. Meeting facilities (25,000 ASF) would include a large multi-purpose conference hall for 500 persons, smaller meeting and breakout rooms, and a tiered classroom for 90. 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 dining and 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 Attachment 6, 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 - that 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.

Redevelopment of the PS 6 site would provide an opportunity to make improvements to the plaza since a portion of this area would need to be re-graded to construct the proposed facility. Improvements to the plaza would help to resolve long-term functional issues related to the flow of public transit and drop-off/pick-up activities in the area, and to enhance the plaza as a welcoming point to 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 Budget
- Attachment 2: Fiscal Analysis and Funding Plan
- Attachment 3: Financial Summary
- Attachment 4: Policy Compliance
- Attachment 5: Project Site
- Attachment 6: Delivery Model

ATTACHMENT 1

**PROJECT BUDGET
CCCI 6132**

Category	Conference	Parking	Gateway Plaza	Catering	Total	%
Site Clearance	2,843,000	158,000		158,000	3,159,000	2.1%
Building	96,291,000	7,807,000	342,000	5,482,000	109,922,000	72.1%
Exterior Utilities	1,152,000	64,000		64,000	1,280,000	0.8%
Site Development	3,199,000	177,000	1,995,000	177,000	5,548,000	3.6%
A/E Fees	6,114,000	556,000	309,000	392,000	7,371,000	4.8%
Campus Admin	1,683,000	139,000	79,000	79,000	1,980,000	1.3%
Surveys, Tests	2,733,000	205,000	63,000	158,000	3,159,000	2.1%
Special Items ^(a)	3,052,000	221,000	173,000	155,000	3,601,000	2.0%
Finance Cost	6,480,000	520,000			7,000,000	5.0%
Contingency	7,970,000	636,000	239,000	560,000	9,405,000	6.2%
Total	131,517,000	10,483,000	3,200,000	7,225,000	152,425,000	100%
Group 2 & 3 Equip	10,000,000				10,000,000	
Total Project	\$141,517,000	10,483,000	3,200,000	7,225,000	162,425,000	

Project Statistics

	Conference	Parking	Gateway	Catering	Total
GSF	242,000	42,000	NA	10,000	294,000
ASF	173,750	NA	NA	7,500	181,250
Parking Spaces	NA	125	NA	NA	NA
Ratio: ASF/GSF	72%	NA	NA	75%	62%
Building Cost/GSF	\$398	\$186	NA	\$548	\$374
Project Cost/GSF ^(b)	\$543	\$250	NA	\$723	\$518

(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.

(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; however, the projects listed below have some similarities. The three university projects are out of state and are not subject to the same seismic and accessibility standards.

Name	GSF	Const Start	Completion	Building Cost/GSF	Project Cost/GSF
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					

FISCAL ANALYSIS AND FUNDING PLAN

Fiscal Analysis

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 business mix of two-thirds academic group business and one-third UCLA-affiliated individual traveler is assumed. Projected room rates are based on a January 2011 weighted average daily rate of \$185 escalated at 3.5 percent per annum. Additionally, the donor has provided an endowment of \$10 million for the Chancellor to subsidize rates for academic groups or campus departments that need additional assistance.

Occupancy for the proposed conference center is projected at 60 percent in year one, 65 percent in year two, and is stabilized at 70 percent thereafter, assuming that the facility caters specifically to university-related demand. This occupancy rate assumption is conservative when compared to the existing occupancies of hotels in the West Los Angeles market.

As demonstrated in the following table, the auxiliaries are projected to generate net operating revenue sufficient to cover debt service beginning in Year 1. No other campus fund sources will be utilized. The debt service coverage calculation assumes a ten year period of interest only payments followed by a 30-year amortization term. In 2026-27, the first year of principal amortization, the auxiliaries are projected to generate \$14.0 million of net operating revenues and debt coverage of 1.64X.

Projected Debt Service Coverage				
	Year 1	Year 2	Year 3	Year 11
	2016-17	2017-18	2018-19	2026-27
Occupancy Rate	60%	65%	70%	70%
				first year of Principal/Interest
<u>Revenue</u>				
Luskin Center	24,448	26,873	29,342	38,604
Existing Operations ¹	<u>13,446</u>	<u>14,116</u>	<u>14,834</u>	<u>18,190</u>
TOTAL	37,894	40,989	44,176	56,794
<u>Expense</u>				
Luskin Center	19,060	20,105	21,191	27,905
Existing Operations	<u>10,712</u>	<u>11,278</u>	<u>11,890</u>	<u>14,908</u>
TOTAL	29,772	31,383	33,081	42,813
Net Operating Revenues	8,122	9,606	11,095	13,981
<u>Debt Service</u>				
Luskin Center ²	6,384	6,384	6,384	7,842
Existing Operations	<u>1,032</u>	<u>1,030</u>	<u>1,014</u>	<u>701</u>
TOTAL	7,416	7,414	7,398	8,543
Net Income After Debt	706	2,192	3,697	5,438
Debt Service Coverage	1.10X	1.30X	1.50X	1.64X

1 UCLA Guest House and Lake Arrowhead Conference Center

2 Based on \$80 million tax-exempt, 6 percent planning rate, amortized years 11-35 at \$32 million taxable, 4.95 percent rate, amortized years 36-40.

Funding Schedule

Phase	Proposed 2011-12	Funding Source	Total
Preliminary Plans	5,067,000	Gift Funds	5,067,000
Working Drawings	5,317,000	Gift Funds	5,317,000
Construction	19,616,000	Gift Funds	19,616,000
Construction	112,000,000	External Financing	112,000,000
Construction	3,200,000	Campus Funds	3,200,000
Construction	7,225,000	Housing Reserves	7,225,000
Equipment	10,000,000	Gift Funds	10,000,000
Totals	\$162,425,000		\$162,425,000

Funding Sources

Project Cost: \$162,425,000	<u>External financing:</u>	\$112,000,000
	Anticipated repayment sources	
	Conference Center Net Revs	\$112,000,000
	<u>Equity:</u>	50,425,000
	Gifts	\$40,000,000
	Housing Reserves	\$ 7,225,000
	Campus Funds	\$ 3,200,000
		\$112,000,000

Funding Distribution

External financing and gift funds would support the construction of the Conference and Guest Center, and parking. Housing reserves would fund the replacement catering kitchen. Campus funds would fund the improvements to Gateway Plaza.

External Financing

See Attachment 3 (Financial Feasibility)

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. The status of the funds is identified below:

Gifts In Hand	\$ 5,000,000	
Gifts Pledged	35,000,000	(standby financing)
Gifts to be Raised	0	
Total Gifts	\$ 40,000,000	

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	2.93x (min: FY 2017)	4.64x	1.75x
Expendable Resources to Debt	n/a	n/a	1.0x
Auxiliary Financing Benchmarks			
Debt Service Coverage	2.57x (min: FY 2017)	3.23x	1.25x
Lodging Auxiliaries			
Debt Service Coverage	1.10x (min: FY 2017)	1.64x	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.

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.

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 facility.

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 would restrict 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.

Gateway Plaza, 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, and buses at the most intensively used entryway to UCLA.

Figure 1. Project Location on UCLA Campus

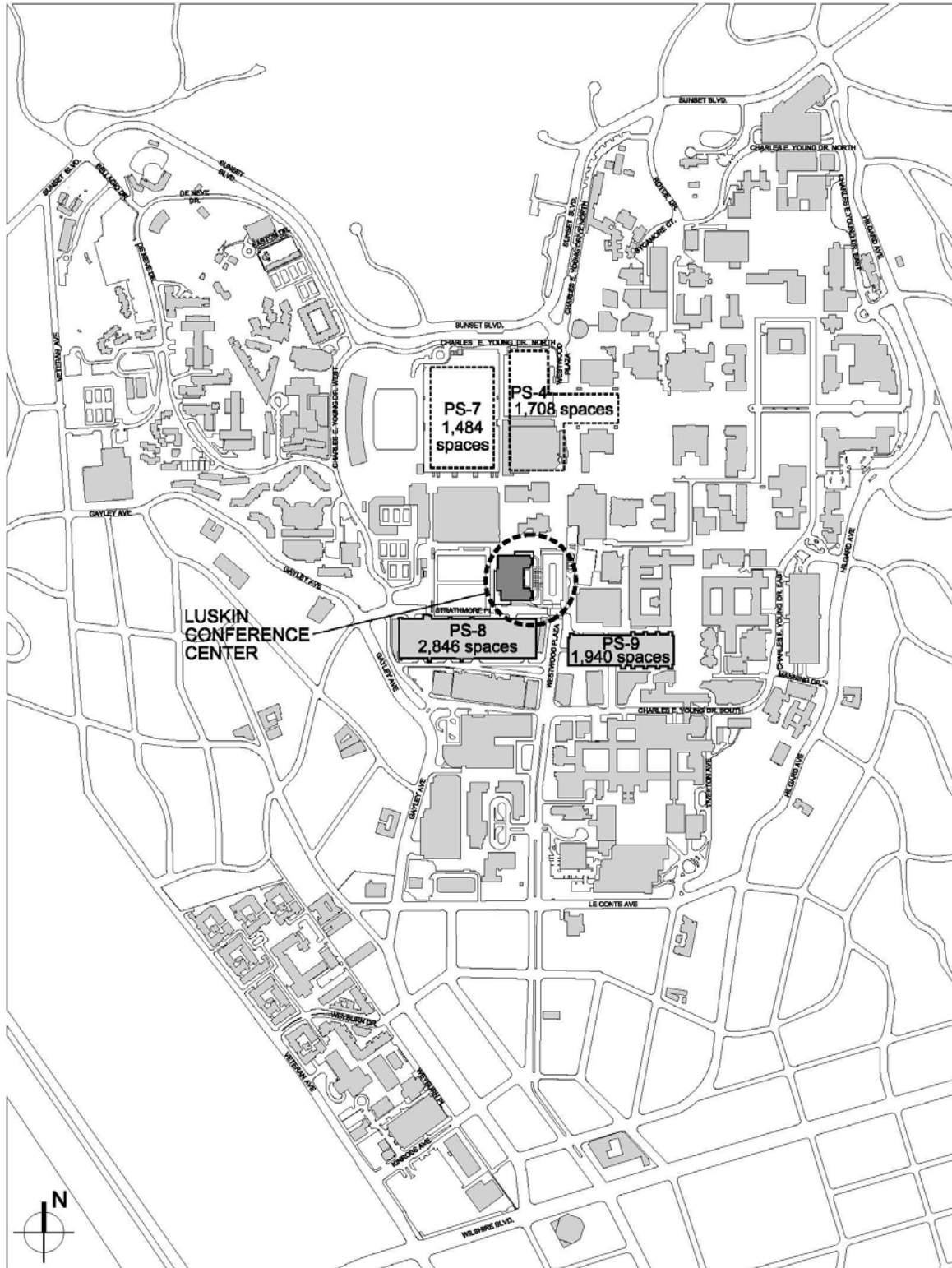


Figure 2. Existing Site

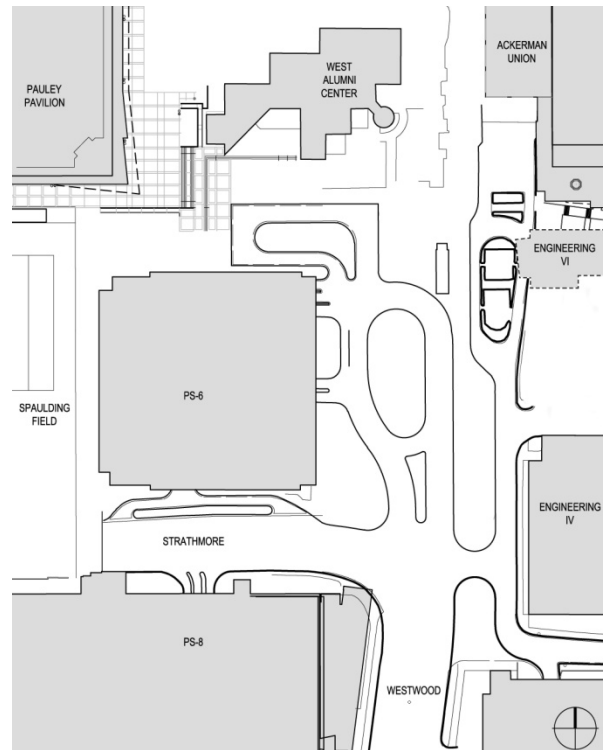
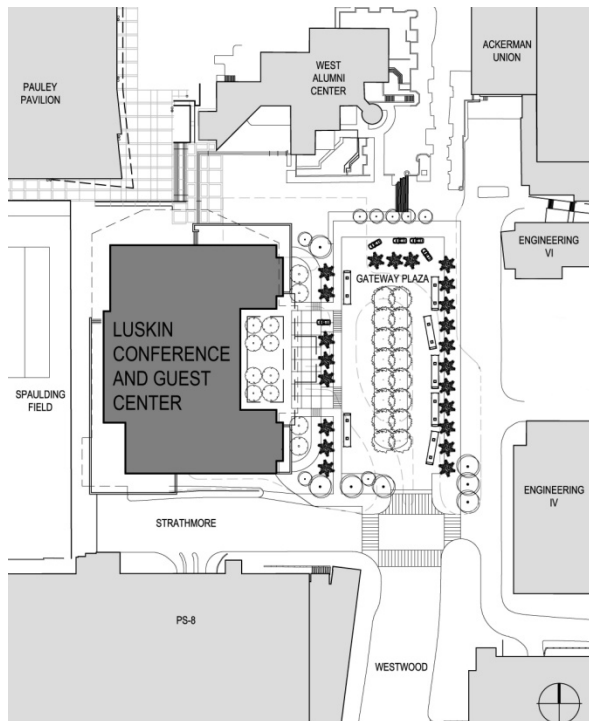


Figure 3. Proposed Site



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) low financing available to the University; and 2) the need to coordinate campus construction with the operations of major campus facilities, the traffic turnabout, and pedestrian uses in the heavily trafficked main entrance to campus.