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March 20, 2003

**CHAIRMAN OF THE BOARD
CHAIRMAN OF THE COMMITTEE ON GROUNDS AND BUILDINGS
CHAIRMAN OF THE COMMITTEE ON FINANCE
PRESIDENT OF THE UNIVERSITY**

ACTION BY CONCURRENCE--AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR LA JOLLA PLAYHOUSE PLAY DEVELOPMENT AND EDUCATION CENTER, SAN DIEGO CAMPUS

It is recommended that:

Pursuant to Standing Order 100.4(q)

- (1) The President amend the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program as follows:

From: San Diego: La Jolla Playhouse Play Development and Education Center - preliminary plans, working drawings, construction, and equipment – \$14,736,000, total project cost to be funded from gift funds.

To: San Diego: La Jolla Playhouse Play Development and Education Center - preliminary plans, working drawings, and construction – \$14,974,000, total project cost to be funded from gift funds.

Pursuant to Bylaw 21.4(d) and Standing Order 100.4(nn)

- (2) The President approve standby financing to be obtained not to exceed \$7,000,000 prior to awarding a construction contract for any gift funds not received by that time and 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. Repayment of any financing shall be from gift funds, and in the event such gift funds are insufficient, from the UC San Diego campus' share of the University Opportunity Fund; and

c. The general credit of The Regents shall not be pledged.

- (3) The Officers of The Regents be authorized to provide certification that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

A Key to abbreviations and the project description are attached.

KEY
Capital Improvement Program Abbreviations

S	Studies
P	Preliminary Plans
W	Working Drawings
C	Construction
E	Equipment
-	State Funds (no abbreviation)
F	Federal Funds
G	Gifts
HR	Hospital Reserve Funds
I	California Institutes for Science and Innovation
LB	Bank Loans or Bonds (External Financing includes Garamendi, Bonds, Stand-By, Interim and Bank Loans)
LR	Regents' Loans (Internal Loans)
N	Reserves other than University Registration Fee (Housing and Parking Reserves)
R	University Registration Fee Reserves
U	Regents' Appropriations (President's Funds, Educational Fund)
X	Campus Funds
CCCI	California Construction Cost Index
EPI	Equipment Price Index

2002-03 Budget for Capital Improvements and
 2002-05 Capital Improvement Program
 Scheduled for
 Regent's Allocations, Loans, Income Reserves,
 University Registration Fee Reserves, Gift Funds, and Miscellaneous Funds
 (\$ in thousands)

Campus and Project Title (Total Cost)				<u>Approved</u>				<u>Proposed 2002-03</u>
<u>San Diego</u>								
La Jolla Playhouse	P	600	G					
Play Development and	W	800	G					
Education Center	C	12,836	G	C	738	G		
	E	500	G	E	<500>	G		
(\$14,974)								

DESCRIPTION

This action requests approval of a \$238,000 budget augmentation, a reduction of 3,680 asf, and standby financing authorization of \$7,000,000 for the La Jolla Playhouse Play Development and Education Center project at the San Diego campus.

History of Approvals

In November 2000, the President and Chairmen of the Board, Committee on Grounds and Buildings, and Committee on Finance approved the La Jolla Playhouse Play Development and Education Center project for the San Diego campus at a total project cost of \$14,736,000 to be funded entirely from gifts to the La Jolla Playhouse. In July 2002, The Regents approved the design for the project and adopted the Mitigated Negative Declaration.

Background

In 1997, the La Jolla Playhouse embarked on a five-year Campaign to raise \$36 million by 2002. With substantial early fundraising success and evolving needs, this goal was later increased to \$41 million. Goals of this Campaign included funding: (1) a new building (\$15,000,000); (2) expanding education and outreach programs throughout San Diego County; (3) providing initial funding for an endowment; (4) further strengthening the partnership between the Playhouse and UCSD; and (5) providing annual operating funds. For the first time, the Playhouse would have a year-round presence, including a full calendar of performances. As of March 2003, the Campaign has raised in excess of \$39 million towards its \$41 million goal.

The San Diego campus has completed working drawings to construct the La Jolla Playhouse Play Development and Education Center. Construction is expected to commence in May 2003, with completion scheduled for July 2004. This facility would jointly support the San Diego campus' Department of Theatre

and Dance and the La Jolla Playhouse (a California nonprofit corporation), a nationally prominent independent theatre company based on the campus.

Description

The facility was approved to include approximately 37,200 asf of space for a “black box” theatre, sound studio, three classroom/rehearsal spaces, offices and support space, workshop and related storage, and space for social and educational public events and food service. This project would be the fourth and final performing arts facility located in the campus’ Theatre District, begun in 1982.

Scope Changes

Of the original project program, approximately 3,680 asf was for food service. This component of the project may be bid as an alternate; currently there are no gift funds or pledges available. Therefore, this project would construct approximately 33,520 asf , instead of the originally approved 37,200 asf .

In addition, the budget’s original allocation for movable equipment (\$500,000) has been reallocated to cover increased construction costs. The La Jolla Playhouse would relocate existing furnishings, furniture, and movable equipment to the new facility for use until such time the La Jolla Playhouse has additional funds for new purchases.

Need for Standby Financing

The campus is ready to bid the project at this time. The standby financing will enable the project to be completed in July 2004. As a result, the facility would be operational for the 2004 theatre season and provide much needed space for Fall 2004 UCSD classes.

Financial Feasibility

The total project cost of \$14,974,000 at CCCI 4019 would be funded from gifts. Additional information regarding the project budget and comparable projects is included as Attachment 1.

As of March 1, 2003, the gift campaign status is as follows:

Cash gifts received	\$ 2,950,000
Pledges to be collected	\$12,024,000 (\$5,024 pledged with campus backstop and \$7,000,000 standby financing)
Total	\$14,974,000

The campus has collected \$2,950,000 of gifts and has a remaining \$12,024,000 of pledges that the campus has raised, or designated for the cost of the project. In addition, the campus now seeks \$7,000,000 of standby financing. If all of the gift funds are not in hand at the time of construction bidding, the campus will provide the funds necessary to comply with Regental policy regarding bid and award so that the project may proceed, or the project will be deferred until the necessary funds are available.

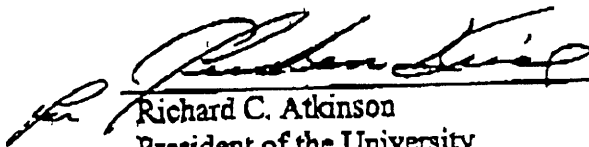
It is anticipated that the campus will collect gift funds sufficient to pay the principal and interest on the standby financing, in the event such gifts are insufficient, the San Diego campus' share of the University Opportunity Fund has been pledged as an additional source of repayment. Opportunity funds are a portion of the indirect cost recovery on federal contracts and grants. In FY 2005-06, the second full year of occupancy, 59% of Opportunity Funds are pledged for debt service.

See Attachment 2 for further details.

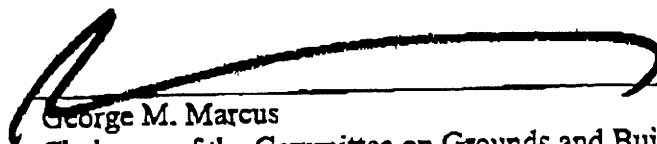
Environmental Consideration

In July 2002, The Regents approved the design for the project and adopted the Mitigated Negative Declaration in accordance with the University of California guidelines for the implementation of the California Environmental Quality Act of 1970. The proposed changes to the project are within the scope of the environmental document analysis.

Approved by:



Richard C. Atkinson
President of the University



George M. Marcus
Chairman of the Committee on Grounds and Buildings

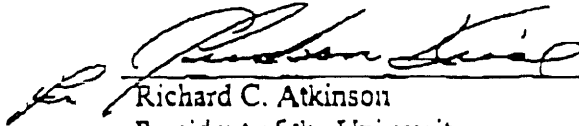
Judith L. Hopkinson
Chairman of the Committee on Finance

John Moores
Chairman of the Board

Attachments

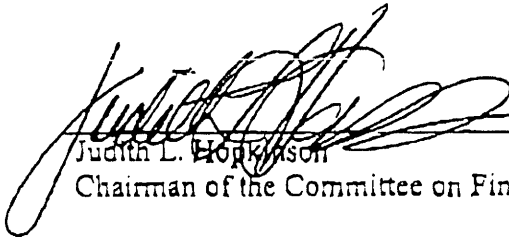
La Jolla Playhouse

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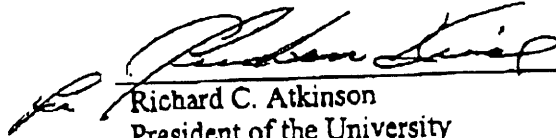
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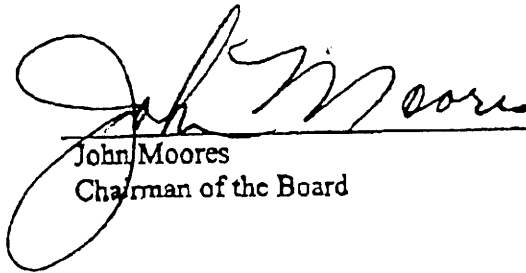
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John Moores
Chairman of the Board

Attachments

PROJECT STATISTICS
LA JOLLA PLAYHOUSE PLAY DEVELOPMENT AND EDUCATION CENTER
CAPITAL IMPROVEMENT BUDGET
SAN DIEGO CAMPUS
CCCI 4019

<u>Cost Category</u>	<u>Amount</u>	<u>% of Total</u>
Site Clearance	\$ 121,000	0.8
Building	10,312,000	68.9
Exterior Utilities	285,000	1.9
Site Development	1,000,000	6.7
A/E Fees ^(a)	1,289,000	8.6
Campus Administration ^(b)	500,000	3.3
Surveys, Tests	150,000	1.0
Special Items ^(c)	747,000	5.0
Contingency	570,000	3.8
Total	\$ 14,974,000	100%
Group 2 & 3 Equipment	0	
Total Project	\$ 14,974,000	

Statistics

Gross Square Feet (GSF) ^(d)	43,373
Assignable Square Feet (ASF) ^(d)	33,527
Ratio ASF/GSF (%)	77%
Building Cost/GSF ^(d)	\$237
Building Cost/ASF ^(d)	\$307

Comparable University Projects at CCCI 4019

<u>Date of Latest Approval*</u>	<u>Campus</u>	<u>Project</u>	<u>Ratio gsf/asf</u>	<u>Building Cost/GSF*</u>
7/1998	Riverside	Fine Arts Seismic Facility	55%	\$202
	Irvine	Humanities/Fine Arts Facility (Studio Bldg. Only)	67%	\$205
	Santa Cruz	Improvements to Arts Facility (Add. To Music Facility Only)	78%	\$251

* Date of latest approved CIB

(a) Fees include executive architect and other professional design contract costs.

(b) Campus administration includes project management and inspection.

(c) Special items include EIR studies, special consultants, value engineering, as well as interest during construction/finance costs.

(d) Gross square feet (GSF) is the total area, including usable area, stairways, and space occupied by the structure itself. Assignable square feet (ASF) is the net usable area.

SUMMARY OF FINANCIAL FEASIBILITY ANALYSIS

Project Title: La Jolla Playhouse Play Development and Education Center,
San Diego Campus

Estimated Project Cost: \$ 14,974,000

Proposed Sources of Funding:

Gifts \$ 14,947,000

Project Financing Terms:

Standby Financing -- \$7,000,000

Interest Rate: 7.125%

(Debt service to be covered by Gift funds)

Campus Opportunity Fund Information (2005-06): ⁽¹⁾

Pre-Off-the-Top Existing Garamendi Projects \$ 12,551,000

Opportunity Funds Allocated \$ 30,875,240

Total Estimated Annual Revenue \$ 43,426,240

Estimated Average Annual Debt Service/O&M Expenditures (2005-06): ⁽¹⁾

Potential Project Debt Service on Standby Financing \$ 0

Existing Garamendi Debt Service and O&M Expenditures \$ 12,551,000

Pledged Expenditures – Other Capital Projects \$ 13,222,000

Total Estimated Annual Expenses \$ 25,773,000

Percentage of Opportunity Funds Pledged for Debt: 59%

Debt Service Coverage: 1.69X

⁽¹⁾ Fiscal Year 2005-06 represents second full year of operation for project.