



OFFICE OF THE PRESIDENT

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June 11, 2007

**ACTION UNDER PRESIDENT'S AUTHORITY - AMENDMENT OF THE BUDGET  
FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM  
AND APPROVAL OF EXTERNAL FINANCING FOR LAKE ARROWHEAD  
FACILITY IMPROVEMENTS, LOS ANGELES CAMPUS**

It is recommended that:

**Pursuant to Standing Order 100.4(q)**

- (1) The President amend the 2006-07 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

From: Los Angeles: Lake Arrowhead Facility Improvements - preliminary plans, working drawings, construction and equipment -- \$9,341,000 to be funded from external financing (\$8,756,000) and Lake Arrowhead Conference Center Reserves (\$585,000).

To: Los Angeles: Lake Arrowhead Facility Improvements - preliminary plans, working drawings, construction and equipment -- \$7,341,000 to be funded from external financing (\$6,756,000) and Lake Arrowhead Conference Center Reserves (\$585,000).

**Pursuant to Standing Order 100.4(nn)**

**Deletions by strikeout; additions by underline**

- (2) The President be authorized to obtain financing not to exceed ~~\$8,756,000~~ \$6,756,000 to finance the Lake Arrowhead Facility Improvements 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, Lake Arrowhead Conference Center fees shall be established at levels sufficient to pay the debt service and to meet the related requirements of the proposed financing; and
  - c. The general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents be authorized to provide certification to the lender 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

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

2006-07 Budget for Capital Improvements  
and Capital Improvement Program  
Scheduled for Regents' Allocation, Loans, Income Reserves,  
University Registration Fee Reserves, Gift Funds, and Miscellaneous Funds

Campus and Project Title (Total Cost)		<u>Prior</u> <u>Approval</u>			<u>Proposed</u> <u>2006-07</u>	
<u>Los Angeles</u>						
Lake Arrowhead	P	424	LB	P	(50)	LB
Facility Improvements	W	557	LB	W	95	LB
	C	7,775	LB	C	(2045)	LB
	C	260	N	C	225	N
	E	325	N	E	(225)	N
(\$7,341,000)						

### DESCRIPTION

The Los Angeles campus proposes to reduce the scope of the approved project and reduce the prior approved external financing by \$2,000,000, with a revised total project cost of \$7,341,000 to be funded from external financing (\$6,756,000) and Lake Arrowhead Conference Center Reserves (\$585,000).

In June 2003, The President approved the Lake Arrowhead Facility Improvements project with a total project cost of \$9,341,000 funded from external financing (\$8,756,000) and Lake Arrowhead Conference Center Reserves (\$585,000).

#### ***Background***

The Lake Arrowhead Conference Center (LACC) provides lodging, meeting, dining and recreational services to guests in a facility located approximately two hours from campus in the San Bernardino Mountains. The facility operates as a conference center that is open to both University of California departments and non-university guests from September through May, and as the Bruin Woods Family Resort program from June through August of each year. The family-focused summer program builds and sustains quality working relationships between the UCLA Alumni Association and its membership by strengthening on-going communications with alumni, by providing a basis for identifying and recruiting volunteers, and by providing further motivation for future financial contributions from alumni to the University. The facility accommodates up to 185 overnight guests per day during conference season and up to 400 guests per session during the summer months.

The conference center consists of 33 buildings, including a main lodge with dining, conference and meeting rooms; two conference lodges; 25 residential condolets and cottages; and 5 support facilities. Among the latter are buildings for LACC's maintenance, arts and crafts and spa functions. The Main Lodge and cottages were originally constructed in the 1920s. New

residential units and support facilities were added to the property in the 1980s, and the main lodge was expanded at that time to provide the conference center with more meeting, dining and administrative office space. The last significant renovations occurred in 1990.

Improvements to the Main Lodge and several of the support buildings are necessary to correct functional and operational deficiencies related to LACC's current volume of use. Deficient conditions include a kitchen in the main lodge that has not been functionally updated since it was constructed in the 1920s; a maintenance building that is insufficiently sized to support the center's dual conference and summer program activities; an arts and crafts building that lacks adequate sales, work and storage space; and a spa facility with poor ventilation and obsolete amenities, fixtures and finishes. Planning studies have shown that the most cost-effective way to correct these deficiencies would be through a combination of building replacement, renovation and expansion.

The June 2003, approval included construction of a Maintenance Replacement Building to accommodate an expanded shop, support and storage space; a new Recreation Building to replace outdated facilities with upgraded crafts, spa, fitness and locker facilities; and renovation and expansion of the food service facilities in the Main Lodge to correct functional and operational deficiencies in the kitchen, dining room and snack bar. Overall, the project as approved consisted of constructing 15,145 gsf and renovating 6,776 gsf. Net of demolition, the project would have resulted in the addition of 9,769 gsf to the property.

### ***Need for Amendment***

In January 2004, bids received for the Maintenance Replacement Building exceeded the pre-bid cost estimate of \$2,122,000 by over one million dollars. This bid result was due to major fires in the San Bernardino Mountains during Fall 2003 that resulted in significant increases to the cost of building materials and labor in the Lake Arrowhead area, and caused unforeseeable delays to the project bidding and construction schedules.

The changed bidding environment in the aftermath of the fire and the long-term impacts to costs in the Lake Arrowhead construction market necessitated a re-design of the project so that it could be completed with available funds. Since project approval, a detailed investigation of existing conditions in the Main Lodge revealed the need for more extensive infrastructure repairs and upgrades than was originally anticipated. Finally, the campus has entered into negotiations to purchase an adjacent property at 840 Willow Creek Road with two commercial buildings that can accommodate the conference center's maintenance and housekeeping functions at a cost that is less than that to build a replacement maintenance building. A revised scope of work is described below.

### ***Project Description***

The proposed amended project would eliminate the Maintenance Replacement Building from the project, and construct a smaller Recreation Building and renovate (instead of demolish and replace) the Cabana Building. The Main Lodge would be renovated and expanded as approved. Overall, the amended project would construct 3,467 gsf and renovate 8,561 gsf. Net of

demolition, the project would result in the addition of 2,048 gsf to the property. The proposed work is described in greater detail below.

**Recreation Building:** A new one-story 2,098 asf (2,331 gsf) building with a useable storage attic would replace the existing Arts & Crafts Building on its existing site adjacent to the swimming pool. The building would accommodate a crafts workroom, as well as sales and storage areas, and a fitness center with exercise equipment.

**Cabana Building:** The existing 1,071 asf (1,785 gsf) building would be renovated to provide the conference center with updated spa and locker facilities.

**Main Lodge:** Renovations to the food service facilities would involve construction of 1,022 asf (1,136 gsf) and renovation of 6,047 asf (6,776 gsf) to correct functional and operational deficiencies in the kitchen, dining room and snack bar. As previously approved, the project would expand and renovate the kitchen to support its current volume of meals; expand and renovate the dining room to improve workflow between the kitchen and dining room and to provide additional serving and presentation space; expand and renovate the snack bar to provide additional food preparation and storage space; renovate a storage room and attic into a new staff dining room; replace the steam boiler and emergency generator, and upgrade building mechanical and electrical systems to support the proposed renovations.

The scope of work involves demolition, excavation and grading; removal and replacement of landscape and hardscape elements impacted by the work; installation of fixed food service and spa equipment; and provision of finishes. Group 2 and 3 equipment would be reduced to only include the procurement of movable food service equipment and small appliances. Fitness equipment would be procured separately, and existing office and dining furniture would be re-used instead of replaced.

Construction of the Recreation Building and renovations to the Cabana Building were completed in Summer 2006. Infrastructure repairs and upgrades at the Main Lodge are estimated to begin Winter 2008 with completion anticipated in Summer 2008. The work on the Main Lodge cannot begin until housekeeping functions located there can be moved to the buildings the campus is proposing to acquire at 840 Willow Creek Road. Construction is currently estimated to begin in Fall 2008 with completion by Winter 2010. Studies are currently underway to find the most cost-effective ways to minimize construction impacts to business operations in the Main Lodge.

### ***Policy on Sustainable Practices***

This project will comply with the *University of California Policy on Sustainable Practices*. As required by this policy, the amended project will adopt the principles of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements.

### ***CEQA Classification***

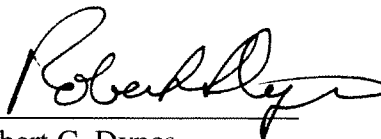
In accordance with the California Environmental Quality Act (CEQA) and University of California Procedures for the Implementation of CEQA, the proposed project is Categorically Exempt under Article 19, Section 15301, Class 1, Existing Facilities, Section 15302 and Class 2, Replacement or Reconstruction.

### ***Financial Feasibility***

The total project cost of \$7,341,000 would be funded from external financing (\$6,756,000) and LACC Reserves (\$585,000). Group 2 & 3 equipment and staging costs would be funded with LACC Reserve funds. Debt service of \$477,800 per year (30 years at 5.75% interest) would be repaid from guest room rates generated by the existing LACC facilities. LACC and Bruin Woods rates would increase in the aggregate by \$15.00 per bed per night over a four-year period between FY 2003-04 and FY 2007-08 to support the cost of the project, revised scope of work described above, and the property acquisition.

Additional financial feasibility information may be found on Attachment 2.

Approved by:

  
Robert C. Dynes  
President of the University

6/13/07  
Date

Attachments

**PROJECT STATISTICS  
LAKE ARROWHEAD FACILITY IMPROVEMENTS  
CAPITAL IMPROVEMENT BUDGET  
LOS ANGELES CAMPUS  
CCCI 4261**

<b><u>Cost Category</u></b>	<b><u>Prior Approval</u></b>	<b><u>Proposed Change</u></b>	<b><u>Total</u></b>	<b><u>% of Total</u></b>
Site Clearance	\$110,000	(\$90,000)	\$20,000	0%
Building	5,887,000	(1,318,000)	4,569,000	63%
Exterior Utilities				
Site Development	410,000	(410,000)	0	0%
A/E Fees	566,000	752,000	1,318,000	18%
Campus Administration <sup>(a)</sup>	195,000	(64,000)	131,000	2%
Surveys, Tests	250,000	(100,000)	150,000	2%
Special Items <sup>(b)</sup>	1,009,000	(322,000)	687,000	9%
Contingency	<u>589,000</u>	<u>(223,000)</u>	<u>366,000</u>	<u>5%</u>
<b>Total</b>	<b>\$9,016,000</b>	<b>(1,755,000)</b>	<b>\$7,241,000</b>	<b>100%</b>
Group 2 & 3 Equipment	<u>325,000</u>	<u>(225,000)</u>	<u>100,000</u>	
<b>Total Project</b>	<b>\$9,341,000</b>	<b>(2,000,000)</b>	<b>\$7,341,000</b>	

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<b><u>Statistics</u></b>	<b><u>Prior Approval</u></b>	<b><u>Proposed Change</u></b>	<b><u>Total</u></b>
Gross Square Feet (GSF) <sup>(c)</sup>	16,545	(5,936)	10,609
Assignable Square Feet (ASF) <sup>(c)</sup>	13,799	(4,614)	9,185
Ratio ASF/GSF (%)	83%		87%
Building Cost/GSF <sup>(c)</sup>	\$356		\$431
Building Cost/ASF <sup>(c)</sup>	\$427		\$498

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(a) Campus administration includes project management and inspection.

(b) Special items PPG preparation, independent structural review, water proofing consultant, Division of State Architect, Fire Marshal, food consultant, lighting consultant, independent cost review expenses; staging; and interest expense.

(c) 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 FINANCIAL FEASIBILITY ANALYSIS

**Project Title:** Lake Arrowhead Facility Improvements  
Lake Arrowhead Conference Center (LACC)

**Total Estimated Project Cost:** \$ 7,341,000

**Proposed Source of Financing:**

External Financing	\$ 6,756,000
Lake Arrowhead Conference Center Reserves	\$ 585,000
Total	\$ 7,341,000

**Projected Financing Terms:**

Interest Rate: 5.75%  
Duration: 30 years

**Estimated UCLA LACC Revenue (2011-12) <sup>1</sup>**

Revenues from existing LACC Facilities	\$ 10,513,000
Total Revenue	\$ 10,513,000

**Estimated UCLA LACC Expenses (2011-12) <sup>1</sup>**

Expenses from existing LACC Facilities	\$ 7,366,900
Contribution to Alumni Association	\$ 325,400
Total Expenses	\$ 7,692,300

**Estimated UCLA LACC Surplus for Debt Service** \$ 2,820,700

**Estimated UCLA LACC Debt Service (2011-12) <sup>1</sup>**

Lake Arrowhead Facility Improvements Project	\$ 477,800
Potential Property Acquisition <sup>2</sup>	\$ 141,000
Existing Debt	\$ 800,000
Total Principal and Interest	\$ 1,418,800

**Estimated UCLA LACC Surplus for Major Maintenance (2011-12) <sup>1</sup>** \$ 1,401,900

**UCLA LACC Summary Information (2011-12) <sup>1</sup>**

Estimated Annual Net Revenues <sup>3</sup>	\$ 2,820,700
Estimated Annual Debt Service	\$ 1,418,800
Estimated Annual Surplus for Major Maintenance	\$ 1,401,900
Average Debt Service Coverage	1.99X

<sup>1</sup> – First full year of principal and interest payment (2011-12)

<sup>2</sup> – Includes Debt associated with projects expected to request approval under Presidential Authority.

<sup>3</sup> – Excludes estimated interest income