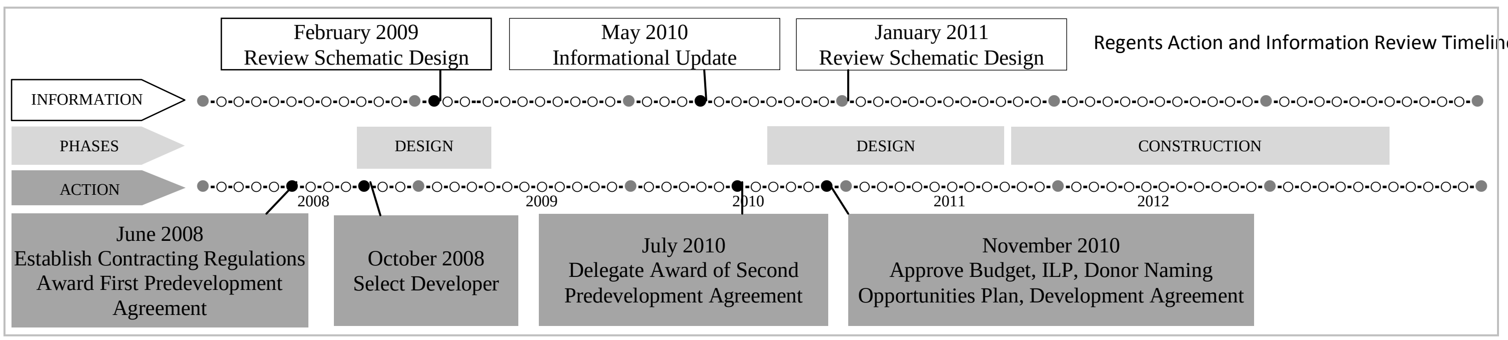
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

In Joint Session with

B. Finance, Audit and Facilities Committee

<u>Husky Stadium Renovation – Adopt Project Budget, Approve Use of the Internal Lending Program, Approve the Donor Naming Opportunities Plan and Delegate Authority to Sign a Development Agreement</u>



<u>Note for duration of project:</u>
Written semi-annual reports

<u>RECOMMENDED ACTION:</u>

It is the recommendation of the administration and the Finance, Audit and Facilities and Academic and Student Affairs Committees that the Board of Regents:

1) Adopt the project budget for the Husky Stadium Renovation at $250,000,000;

2) Approve the use of the Internal Lending Program (ILP) for up to $250,000,000 for design, construction, capitalized interest, and other project costs;

3) Approve the Donor Naming Opportunities Plan; and

4) Delegate authority to the President to sign a Development Agreement with Wright Runstad & Company.

<u>PROJECT DESCRIPTION:</u>

The Husky Stadium Renovation Project, using a Developer-led delivery model, will renovate, replace and add to the existing facility to correct structural and

A. Academic and Student Affairs Committee

In Joint Session with

B. Finance, Audit and Facilities Committee

Husky Stadium Renovation – Adopt Project Budget, Approve Use of the Internal Lending Program, Approve the Donor Naming Opportunities Plan and Delegate Authority to Sign a Development Agreement (continued page 2)

building code deficiencies, meet current Americans with Disabilities Act (ADA) standards for accessibility and upgrade the fan experience.

PREVIOUS REGENTS ACTIONS:

Approve Developer Process	June 2008
Approve Issuing Request for Proposals to select a developer	May 2010
Delegate authority to sign Predevelopment Agreement with Wright Runstad	July 2010

PROJECT SCOPE:

The general work elements of the Husky Stadium Renovation project include:

- complete demolition and reconstruction of the lower bowl and south side stands;
- construct new 70,000 sf football operations support building integrated into the west end zone;
- implement premium seat program located primarily in the new south stands with suites (25 plus president's box), loges (25), club seats (2,555) and the Don James Center (756) located in the existing north stands;
- remove track and lower the field by four feet to optimize proximity and sightline values, there will be no view obstructed seats;
- construct a 200 space parking garage below the south side stands; and
- achieve sustainable (LEED) initiatives and ADA accessibility.

PROJECT SCHEDULE:

Predevelopment (Schematic Design)	September – October 2010
Regents meeting to approve the project	November 18, 2010
Development Agreement executed	December 1, 2010
Design Development	December – January 2011
Construction Documents	February – June 2011
Start construction	November 7, 2011

VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

In Joint Session with

B. Finance, Audit and Facilities Committee

Husky Stadium Renovation – Adopt Project Budget, Approve Use of the Internal Lending Program, Approve the Donor Naming Opportunities Plan and Delegate Authority to Sign a Development Agreement (continued page 3)

Games played at Qwest Field	2011 Apple Cup and 2012 season
Construction complete	August 2013
Occupancy	September 2013

CURRENT PROJECT STATUS:

The development team has completed the design work for the Predevelopment Phase and the University is in the process of reviewing this submittal. The Development Agreement language is being finalized in preparation for execution by December 1, 2010.

FINANCING PLAN

The project will be funded through $50m in gifts and a $210m loan from the Internal Lending Program. The loan will begin with the first project draw, which is expected in December 2010. Interest will be capitalized through August 2013 and ICA will pay interest-only on the loan through June 2014. The annual debt service payment will be approximately $14.3m and will be paid with revenue from premium seating, increased Tyee donations and season tickets, and naming rights. **Attachment 1** identifies sources of repayment.

The sources and uses for the project are below:

VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

In Joint Session with

B. Finance, Audit and Facilities Committee

Husky Stadium Renovation – Adopt Project Budget, Approve Use of the Internal Lending Program, Approve the Donor Naming Opportunities Plan and Delegate Authority to Sign a Development Agreement (continued page 4)

Sources of Funds (in thousands)	
ILP loan as of January 2016 (1)	$210,221
Gifts	50,000
Total Sources of Funds	**$260,221**
Uses of Funds (2)	
Developer Guaranteed Maximum Price	$205,500
Other project costs	$25,000
Sales tax	19,500
Total Construction Cost	$250,000
Financing Costs	
Capitalized interest to August 2013	12,200
Cost of issuance	2,200
Less payments to January 2016	(4,179)
Total Uses of Funds	**$260,221**

Source of Repayment	
ICA New Stadium Revenue	$14,300
Annual Debt Service	**$14,300**

NOTES:
(1) Loan amount is estimated based on current project cash flows and timing of gifts. The last stadium related gift is expected to be received in December 2015.
(2) See **Attachment 2** for detailed project budget.

VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

In Joint Session with

B. Finance, Audit and Facilities Committee

Husky Stadium Renovation – Adopt Project Budget, Approve Use of the Internal Lending Program, Approve the Donor Naming Opportunities Plan and Delegate Authority to Sign a Development Agreement (continued page 5)

DONOR NAMING OPPORTUNITIES PLAN:

Attachment 3 details the outdoor areas and interior spaces that have been identified as possible donor and/or corporate naming opportunities for the campaign to renovate Husky Stadium. Construction costs have been evaluated and all amounts are aligned with the University of Washington Facilities and Spaces Naming Policy.

CREDIT ANALYSIS

The Treasury Office performed a detailed credit analysis for Intercollegiate Athletics as part of the due diligence for this borrowing. The objectives of this analysis were to assess the reasonableness of the financial model base case assumptions, identify the risks of the project to ICA and the institution, stress test the financial model, evaluate ICA's ability to mitigate adverse outcomes, and assess the impact of the additional debt on UW's cost of capital.

Based on this analysis, the risks of proceeding with the Project are acceptable based on review of key risks, mitigating factors, and input from third parties experienced in the construction, operations, management and financing of stadium facilities.

Third Party Reviews

The gift levels have been reviewed and found to be reasonable by Conventions Sports & Leisure (CSL) and the Office of Advancement. The pricing plan for the premium seats have been reviewed by PricewaterhouseCoopers, CSL, Goldman Sachs, and Barclay's Bank. All parties believe that the premium seating revenues are obtainable and that the base case model has an upside from other revenue categories, such as concessions, media rights and naming opportunities.

Key Risks

The key project risks are:

1) lower than projected attendance due to increased seat prices;

Husky Stadium Renovation – Adopt Project Budget, Approve Use of the Internal Lending Program, Approve the Donor Naming Opportunities Plan and Delegate Authority to Sign a Development Agreement (continued page 6)

2) a shortfall in projected gifts; and
3) ICA's ability to mitigate risks in the short term given the department's modest level of reserves (estimated at $4.6m as of 6/30/2011).

Base Case and Stress Tests

The base case proforma assumes 87.5% occupancy beginning in the 2013 football season versus a long term average of 94%. Net new incremental revenues are generated primarily from new premium seating, a significant increase in Tyee seats, and naming rights. Debt service is estimated at approximately $14.3m annually.

The base case proforma was "stress-tested" assuming significantly lower occupancy at 84% and only $15m in gifts versus the projected $50m. Under this "perfect storm" scenario, net revenues cover debt service over the planning horizon (2013-2023). In the case of 84% occupancy or reduced gift funding, debt coverage exceeds 1.25 times.

Risk Mitigation

ICA has identified actions that it would take in the event of lower than base case stadium revenues and planned gifts.

- The Pac-12 conference distributions contract is currently being negotiated and is conservatively assumed to generate $3m in new annual revenue in 2012 and beyond.

- The value of corporate naming rights opportunities could be more than the $1.25m per year assumed in the base case model.

- Conservative pricing for premium seats indicates a potential for increasing revenue.

Husky Stadium Renovation – Adopt Project Budget, Approve Use of the Internal Lending Program, Approve the Donor Naming Opportunities Plan and Delegate Authority to Sign a Development Agreement (continued page 7)

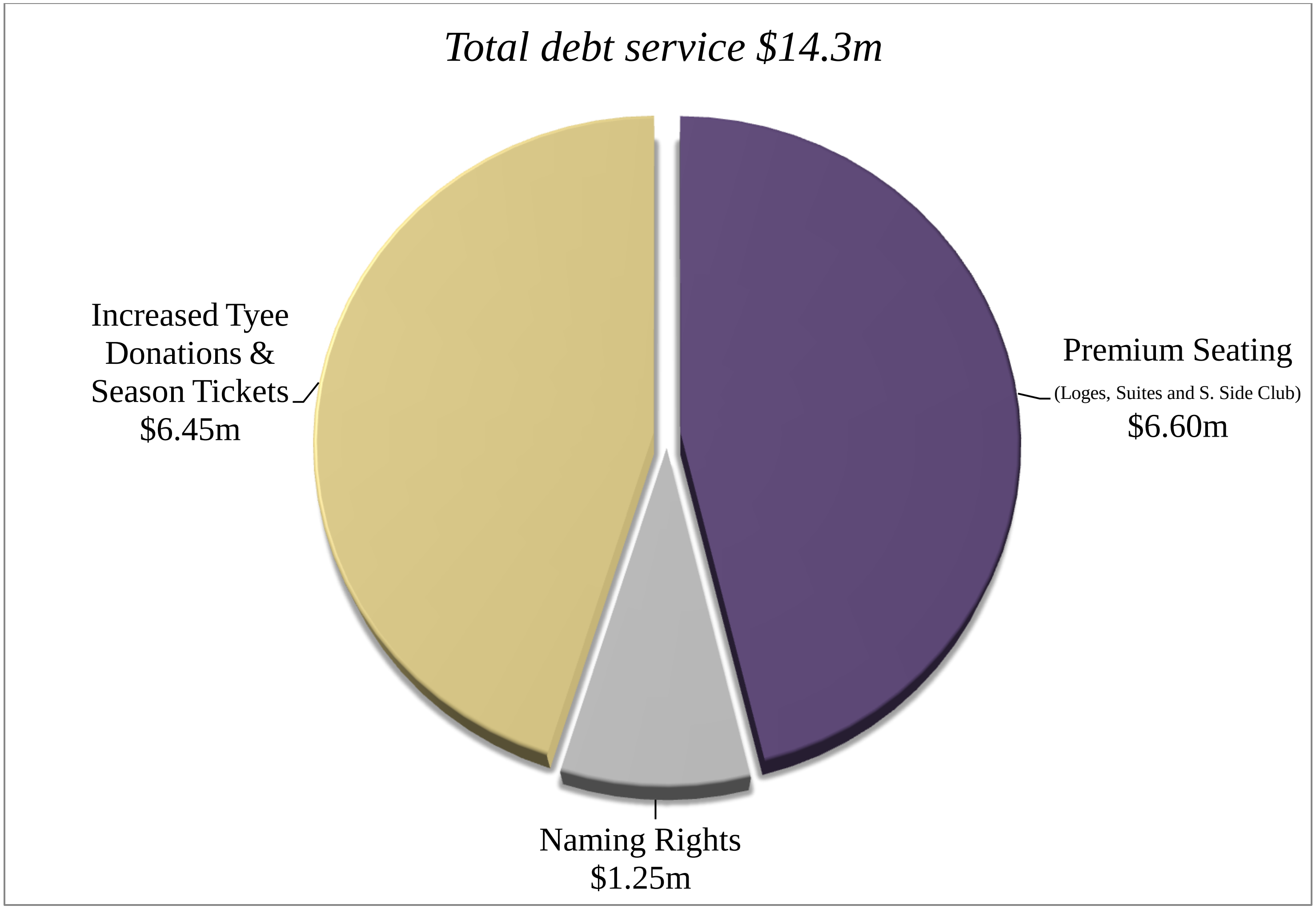
- ICA costs could be reduced by managing project contingencies, decreasing ongoing expenditures for capital and through a broad decrease in departmental expenses.

REVIEWS AND APPROVALS

This recommendation has been reviewed and approved by the Athletic Director, the Senior Vice President, and the Vice Provost for Planning and Budgeting. The structure of the transaction and the viability of the financing plan have been reviewed by Intercollegiate Athletics, Planning and Budgeting, Capital Projects and the Treasury Office.

Attachments
1. New Stadium Revenue FY 2013
2. Project Budget
3. Donor Naming Opportunities Plan

ICA NEW STADIUM REVENUE



ATTACHMENT 1

F–12.1/211-10
11/18/10

PROJECT BUDGET

Construction Cost	
Construction Guaranteed Maximum Price (GMP)	157,600,000
Architecture and engineering	11,900,000
Contractors fee and general conditions	10,200,000
Developer fee and overhead	10,900,000
Predevelopment fee	1,000,000
Project and owner contingency	13,900,000
Developer Guaranteed Maximum Price (GMP)	**$205,500,000**
Sales tax	19,500,000
Total Construction Cost	**$225,000,000**
Other Project Costs	
Track relocation	5,500,000
Scoreboards and audio visual equipment	5,000,000
Equipment, relocation, insurance, utilities, admin, misc	4,500,000
Contingency	10,000,000
Total Other Project Costs	**$25,000,000**
Total Project Cost	**$250,000,000**

ATTACHMENT 2

DONOR NAMING OPPORTUNITIES PLAN

The amounts listed below are the target amounts recommended for this project. The minimum amounts will be per the Naming Policy: 50% of the project costs for buildings or outdoor areas; and the cost to provide and equip the space for interior features, objects or spaces.

Buildings and/or Outdoor Areas

Field	$50,000,000 or $1.5 million annually*
Field Tunnel	$2,000,000-3,000,000
Football Operations Building	$10,000,000
Stadium Entrances (each, 5 total)	$2,000,000 or $300,000-500,000 annually*
Plaza Areas (each, 4 total)	$500,000- $1,000,000

Interior Features/Objects or Spaces

Student Athlete Services/Support Spaces	$50,000- $1,000,000
Offices	$100,000-$500,000
Meeting Rooms	$100,000-$250,000
Other rooms and spaces (inside the Stadium and Football Operations Building)	$100,000- $5,000,000

* Years to be determined for corporate naming rights partner

ATTACHMENT 3