

AGENDA

COMMITTEE ON FINANCE

Meeting: 2:45 p.m., Tuesday, May 10, 2005
Glenn S. Dumke Auditorium

William Hauck, Chair
Roberta Achtenberg
Carol R. Chandler
Debra S. Farar
Bob Foster
Eric Guerra
Raymond W. Holdsworth
Kathleen E. Kaiser

Consent Item

Approval of Minutes of Meeting of March 15, 2005

Discussion Items

1. Report on the 2005/2006 Support Budget, *Information*
2. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects, *Action*
3. Approval of Resolution for Real Property Development Project at California State Polytechnic University, Pomona for Commercial Office and Research Facility for the Innovation Village Phase III, *Action*
4. Real Property Development Project at California State University, Dominguez Hills for a Hotel/Conference Center, Athletic Training Center/Office Complex, and Dormitories, *Action*

**MINUTES OF THE MEETING OF
COMMITTEE ON FINANCE
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

March 15, 2005

Members Present

William Hauck, Chair
Shailesh J. Mehta, Vice Chair
Roberta Achtenberg
Carol R. Chandler
Debra S. Farar
Robert G. Foster
Murray L. Galinson, Chair of the Board
Raymond W. Holdsworth
Kathleen E. Kaiser
Charles B. Reed, Chancellor

Approval of Minutes

The minutes of January 25, 2005 were approved.

Report on the 2005/2006 Support Budget

Mr. Patrick Lenz, assistant vice chancellor, budget development, presented the item with the use of a detailed PowerPoint presentation. The 2005-2006 budget provides an augmentation of \$211.7 million to the California State University that begins the road to fiscal recovery after three years of budget reductions totaling over \$524 million.

Mr. Lenz also provided information and comments on the recommendations of the Legislative Analyst Office (LAO) and highlights from the presentation by Chancellor Reed to the Senate and Assembly budget subcommittees.

Mr. Lenz addressed questions and concerns from trustees on budget related issues, and focused on the implications of the LAO's analysis and recommendations. Of particular concern is the LAO's recommendation to reduce CSU's General Fund appropriation by \$24.4 million.

Mr. Hauck thanked Mr. Lenz for his presentation noting there was still a long way to go with this budget.

Evolution of the Board of Trustees Financing Programs Including the Systemwide Revenue Bond Program and an Update on the Status of the California State University's Debt Program and Debt Capacity

Mr. Richard P. West, executive vice chancellor and chief financial officer, presented the item with the use of a PowerPoint presentation. He explained the item was originally scheduled for presentation at the January 2005 meeting, but was re-scheduled due to time constraints that occurred at the meeting.

Mr. West's presentation included an overview of the evolution of the Systemwide Revenue Bond program and explanation of CSU's approach to managing debt. The current approach eliminates the previous method of approving project-by-project financings to an overall general pledge of the CSU for non-general fund revenue. He noted this approach affords CSU more strength with respect to our balance sheet and ability to manage and pay for our debt.

Mr. West reviewed the various types of funding available to CSU for its revenue bond funded construction projects, as well as the results of the recent debt capacity analysis. He reported we are going to market in the next two weeks for the issuance of approximately \$750 million in refinancing and newly approved debt.

Mr. West then reviewed the current and projected annual debt service noting we expect to reach capacity within the next five years. He explained CSU's current debt is at approximately \$1.8 billion and is expected to grow significantly in the next five years. After the year 2010, it will likely be necessary to curb capacity and reassess the program once again.

Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects

Mr. Dennis Hordyk, assistant vice chancellor, financial services presented the item. He informed the committee there had been a revision to the item since the printed agenda was published and referred the committee to the handout of the revised item. Mr. Hordyk explained that the proposed resolution requested board approval to clarify and amend previously approved resolutions to more clearly describe the Board's process in refinancing certain auxiliary organizations' bonds.

The item also requested the Board of Trustees to authorize the issuance of Systemwide Revenue Bonds and the issuance of interim financing in an aggregate amount not-to-exceed \$207,495,000 to provide funding for two projects.

Mr. Hordyk provided the details and answered questions on the two projects: The San Francisco Stonestown Apartment Land Acquisition; and the CSU, Channel Islands, John Spoor Broome Library (Information Resources Center).

The committee recommended approval of the proposed resolution (RFIN 03-05-04).

Auxiliary Organization Taxable Financing California Polytechnic State University, San Luis Obispo

Mr. Hordyk explained the item that was a proposal by the Cal Poly Housing Corporation for a taxable (commercial) borrowing not to exceed \$24 million to finance the construction of sixty-nine attached for-sale units to support retention and recruitment of University faculty and staff. He noted the project would be the first faculty/staff housing project to be constructed on the campus.

Mr. Hordyk provided details on the project's financing and construction components as set forth in the written agenda item.

Trustee Hauck inquired if any provisions were in place regarding how re-sale of the units would be handled once an original owner finds it necessary to sell a unit. A discussion took place during which several trustees expressed their concerns and need for clarification of the re-sale terms and conditions to ensure future buyers receive equitable purchase options on the housing.

Mr. West and Dr. Warren Baker, president, California Polytechnic State University, San Luis Obispo, addressed the trustees' concerns and confirmed that an important component of the proposal is to protect subsequent buyers and have the margin on subsidies remain consistent with market and inflationary aspects and/or income levels. President Baker concurred that the intent is to provide an equitable subsidy from homebuyer to homebuyer.

Trustee Kaiser added that the proposed resolution appears to express that there is to be a below market subsidy rather than tying it to a specific amount and moved to approve the resolution.

The committee recommended approval of the proposed resolution (RFIN 03-05-05)

Mr. Hauck adjourned the meeting.

COMMITTEE ON FINANCE

Status Report on the 2005/2006 Support Budget

Presentation By

Patrick J. Lenz
Assistant Vice Chancellor
Budget Development

Summary

Legislative budget hearings are currently under way in both the state Assembly and Senate. A report will be presented on any actions taken by the higher education budget subcommittees regarding the CSU budget, including any action on recommendations from the Legislative Analyst's office or other issues concerning the Governor's budget proposal. The May revision of state revenue projections will not be released prior to the Board meeting so the details of that revised budget will not be available yet.

COMMITTEE ON FINANCE

Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects

Presentation By

Dennis Hordyk
Assistant Vice Chancellor
Financial Services

Richard West
Executive Vice Chancellor/Chief Financial Officer
Business and Finance

Dr. Warren J. Baker
President
Cal Poly University, San Luis Obispo

Summary

This item requests the Board of Trustees to authorize the issuance of Systemwide Revenue Bonds and the issuance of interim financing under the CSU's commercial paper program in an aggregate amount not-to-exceed \$422,220,000 to provide funds for four projects. To facilitate maximum flexibility in the commercial paper program, the Board is being asked to approve separate resolutions relating to each project. The long-term bonds for the projects will be part of a future Systemwide Revenue Bond sale and are expected to bear the same ratings from Moody's Investors Service and Standard and Poor's Corporation as the existing Systemwide program bonds.

The projects are as follows:

1. Long Beach Parking Structure 2

Previously, the Board of Trustees approved the amendment of the Nonstate Funded Capital Outlay program in July 2003 and the schematics in January 2004 for the Long Beach Parking Structure 2 project. The project will be constructed on the westerly portion of the existing parking lot 11, near the intersection of Palo Verde and Atherton. While the project will displace 616 surface spaces, it will provide 1,281 new spaces, resulting in a net increase of 665 parking spaces to the campus inventory. The structure will be three stories, plus parking on the roof, for

a total of four stories. The first level and entries are at grade level. The project includes several features, responding to unique site and environmental conditions which contribute to additional project costs, for example: seismic reinforcement of lateral resistant structural members; required deep pile foundation systems; mitigation of noise, light, and traffic flow; and project phasing. All these and other requirements increase the cost per space for the project.

The not-to-exceed par value of the proposed bonds is \$26,185,000 and is based on an estimated project cost of \$29,142,000, of which \$5,000,000 will be paid from campus parking program reserves, and the remainder will be paid from financing proceeds. The project delivery method is design-bid-build. The campus received good construction bids in April. The project is scheduled to begin construction in July 2005 and be completed in September 2006.

The following table provides information about this financing transaction.

Not-to-exceed amount:	\$26,185,000
Amortization:	Approximately level over 25 years.
Pro-forma maximum annual expected debt service:	\$1,849,131
Projected debt service coverage including the new project: ¹	
Net revenue – all Long Beach pledged revenue programs:	2.33
Net revenue – projected for the campus Parking program:	1.80

1. Projected information – Combines unaudited 2003/04 information for the campus-operated pledged revenue programs and the first full year of operation of the new project.

The not-to-exceed amount for the project totaling \$26,185,000, the maximum annual debt service, and the ratios above are based on the final construction project bid amount, expected debt service and capitalized interest at the current interest rate environment plus 50 basis points (computed average coupon rate – 5.07%; April 13, 2005), which provides a modest safeguard to be used if needed for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan includes level amortization of debt service, which is our CSU program standard. The campus has submitted a financial plan that has a 1.80 program net revenue debt service coverage and a campus combined net revenue debt service coverage from all pledged revenue programs of 2.33, both of which meet the CSU benchmarks of 1.10 and 1.35 times respectively.

2. Sacramento Parking Structure 3

The Board of Trustees approved an amendment to add the Parking Structure 3 project to the Nonstate Funded Capital Improvement program in May 2003. The Board subsequently approved the project schematic design in July 2003. The project will be constructed on a portion

of parking lot 8 in the south central quadrant of campus adjacent to the football stadium. The structure will be poured-in-place reinforced concrete, post tension design that will provide six levels of parking. Approximately 800 surface spaces will be displaced by the construction, 3,034 new spaces will be provided in the structure and 63 surface spaces will be added adjacent to the structure. The net increase will be 2,297 parking spaces. The project includes various site improvements including landscaping, sidewalks, and a traffic signal at Stadium Drive and State University Drive South.

The not-to-exceed par value of the proposed bonds is \$29,170,000 and is based on a project cost of \$39,578,000, of which \$13,344,000 will be paid from campus parking program reserves, and the remainder will be paid from financing proceeds. The project delivery method is design-bid-build. The campus received good construction bids in April. The project is scheduled to begin construction in June 2005 and be completed in January 2007.

The following table provides information about this financing transaction.

Not-to-exceed amount:	\$29,170,000
Amortization:	Approximately level over 25 years.
Pro-forma maximum annual expected debt service:	\$2,059,399
Projected debt service coverage including the new project: ¹	
Net revenue – all Sacramento pledged revenue programs:	1.48
Net revenue – projected for the campus Parking program:	1.19

¹Projected information – Combines unaudited 2003/04 information for the campus-operated pledged revenue programs and the first full year of operation of the new project.

The not-to-exceed amount for the project totaling \$29,170,000, the maximum annual debt service, and the ratios above are based on the final construction project bid amount, expected debt service and capitalized interest at the current interest rate environment plus 50 basis points (computed average coupon rate – 5.07%; April 13, 2005), which provides a modest safeguard to be used if needed for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan includes level amortization of debt service, which is our CSU program standard. The campus has submitted a financial plan that has a 1.19 program net revenue debt service coverage and a campus combined net revenue debt service coverage from all pledged revenue programs of 1.48, both of which meet the CSU benchmarks of 1.10 and 1.35 times respectively.

3. Los Angeles Student Union Replacement

In 2001, the Board of Trustees approved the renovation of the student union. At that time, students had voted and approved the construction of a fitness center and multi-purpose theatre in vacant space that previously had been occupied by the campus bookstore and credit union. However, during seismic analysis it was determined that a seismic retrofit of the entire building would be necessary to accommodate the renovation. A feasibility study was conducted to determine the options, timing and future costs associated with the student union building. Through that study, it was determined that the combined costs of renovating a portion of the facility, and the seismic retrofit of the thirty year old facility would approximate two-thirds of the cost for a new, more efficient, and state of the art facility. With the building feasibility study complete, the student union presented the information to the student body to determine if they would prefer to increase fees to seismically retrofit and renovate a portion of the existing building, or construct a new building that would allow for an enhanced return on investment. Students agreed to increase the student union facility fee by forty dollars per quarter to construct a new student union facility. In November 2004, the Board of Trustees approved the amendment of the Nonstate Funded Capital Outlay program for the new student union replacement project. The Board will be requested to approve the schematics for this project in the Committee on Campus Planning, Buildings and Grounds.

The approximately 92,000 gross square foot building will include a fitness center, multi-purpose 200 seat theatre, computer center, meeting rooms, food court, and administrative and staff offices. The not-to-exceed par value of the proposed bonds is \$32,380,000 and is based on a project cost of \$39,882,000, of which \$11,500,000 will be paid from campus student union program reserves, and the remainder will be paid from financing proceeds. The project proposed for construction will be under the design-build process. The campus received good construction bids in April. The construction project is scheduled to be awarded in June 2005 and the project is anticipated to be completed in June 2007.

The following table provides information about this financing transaction.

Not-to-exceed amount:	\$32,380,000
Amortization:	Approximately level over 30 years.
Pro-forma maximum annual expected debt service:	\$2,130,195
Projected debt service coverage including the new project: ¹	
Net revenue – all Los Angeles pledged revenue programs:	1.38
Net revenue – projected for the campus Student Union program:	1.27

¹ Projected information – Combines unaudited 2003/04 information for the campus-operated pledged revenue programs and the first full year of operation of the new project.

The not-to-exceed amount for the project totaling \$32,380,000, the maximum annual debt service, and the ratios above are based on a final construction project bid amount, expected debt service and capitalized interest at the current interest rate environment plus 50 basis points (computed average coupon rate – 5.19%; April 13, 2005), which provides a modest safeguard to be used if needed for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan includes level amortization of debt service, which is our CSU program standard. The campus has submitted a financial plan that has a 1.27 program net revenue debt service coverage and a campus combined net revenue debt service coverage from all pledged revenue programs of 1.38, both of which meet the CSU benchmarks of 1.10 and 1.35 times respectively.

4. San Luis Obispo Student Housing North

In September 2003, the Board of Trustees approved the amendment of the Nonstate Funded Capital Outlay program and schematics for the Student Housing North project. At that time, the project was being developed by Capstone West and consisted of the construction project with a land acquisition component. It was subsequently determined that, because of changes in key aspects of the envisioned project that were not feasible, the campus would terminate its relationship with the developer. At the conclusion of that effort, the campus purchased the schematic plans from the developer and has used them in proceeding with this state construction project absent the land acquisition component.

The Student Housing North project consists of an on-campus student-housing complex with approximately 2,700 beds in studios, 2 bedroom, and 4 bedroom apartments arranged in 11 buildings, for a total of approximately 1,000,000 square feet. The complex will include two parking structures (1,900 spaces) and approximately 20,000 square feet of retail and administrative space. The project, located on a thirty-acre parcel identified in the campus master plan for student housing, requires the removal and replacement of agricultural facilities currently on the site. The project is planned for delivery and occupancy over three academic years with the first phase delivered for Fall 2008 occupancy and the last phase for Fall 2010 occupancy. The project budget is \$299,885,176, which is supported by a comprehensive multi-year financial plan that utilizes revenues generated from the new and existing university student housing and parking facilities. Although the project funding extends over a number of years, the Board is being requested to approve a single, comprehensive sale and issuance resolution that approves one or more financings. The campus will be awarding one contract that encompasses all the project phases.

This project is supported by a market analysis that determined there was unmet demand for on-campus housing. This determination was based on the occupancy levels of the existing facilities, impacted conditions within the community, and planned enrollment growth. The San Luis

Obispo campus has further committed to housing all new enrollment growth in on-campus facilities and plans to offer students a two-year housing guarantee.

The not-to-exceed par value of the proposed bonds is \$334,485,000 and is based on a project cost of \$299,885,000, of which \$8,760,000 will be paid from campus housing and parking program reserves, and the remainder will be paid from financing proceeds. The campus received a good construction bid in April. The campus has received a favorable recommendation from the Housing Proposal Review Committee.

The following table provides information about this financing transaction.

Not-to-exceed amount:	\$334,485,000
Amortization:	Graduated payments for 6 years, and approximately level over 27 years.
Pro-forma maximum annual expected debt service:	\$21,964,189
Projected debt service coverage including the new project: ¹	
Net revenue – all San Luis Obispo pledged revenue programs:	1.30
Net revenue – projected for the campus Housing program:	1.25
Net revenue – projected for the campus Parking program:	1.47
Net revenue – projected for the Housing Project:	1.00

¹ Projected information – Combines unaudited 2003/04 information for the campus-operated pledged revenue programs and the first full year of operation of the new project.

The not-to-exceed amount for the project totaling \$334,485,000, the maximum annual debt service, and the ratios above are based on the expected construction project bid amount, expected debt service and capitalized interest at the current interest rate environment plus 50 basis points for the project segment to be funded in 2005, and approximately 100 basis points for the project segments to be funded in future years (computed average coupon rate – 5.23-5.76%; April 19, 2005), which provides a modest safeguard to be used if needed for changing financial market conditions that could occur before the permanent financing bonds are sold.

The campus has developed a financial plan supporting the total project by projecting net operating revenue at a 97% occupancy rate. Given the size of the overall project, both the campus's housing program and the campus net revenue debt service coverage ratios (DSCR) will be clearly and significantly impacted by the debt service incurred by the project. The current housing program is strong, showing a DSCR of 2.60 times, and the excess revenues generated by current housing will be needed to provide a subsidy to this new project to meet its debt service in the early years. Assuming graduated debt service for the first six years of the new project

following the capitalized interest period and using conservative interest rate assumptions, the housing program is projected to have a 1.25 times DSCR in the first full year of the new project's operations (2011/12). Under these same assumptions, once the project achieves level debt service in 2014/15, the overall program's DSCR drops to 1.13 times, continuing to meet the benchmark debt service coverage ratio of 1.10 times, then improving over time. The campus combined net revenue DSCR from all pledged revenue programs is 1.30 times in 2011/12, falling short of the campus benchmark of 1.35 times DSCR. However, despite falling short of this benchmark, it is recommended that the Trustees approve the project because of the compelling housing need that the project meets for this campus.

Trustee Resolutions and Recommended Action

Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing a set of resolutions to be presented at this meeting for each project described in this agenda item that authorize interim and permanent financing for the projects. The proposed set of resolutions will be distributed at the meeting and will achieve the following:

1. Authorize the sale and issuance of Systemwide Revenue Bond Anticipation Notes and the related sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds in an amount not-to-exceed \$422,220,000 and certain actions relating thereto.
2. Provide a delegation to the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, and their designees to take any and all necessary actions to execute documents for the sale and issuance of the bond anticipation notes and the revenue bonds.

Approval, individually or in total, of separate sets of the financing resolutions for the following projects as described in this agenda item is recommended for:

- 1. Long Beach Parking Structure 2.**
- 2. Sacramento Parking Structure 3.**
- 3. Los Angeles Student Union Replacement.**
- 4. San Luis Obispo Student Housing North.**

COMMITTEE ON FINANCE

Approval of Resolution for Real Property Development Project at California State Polytechnic University, Pomona for Commercial Office and Research Facility for the Innovation Village Phase III

Presentation By

Dennis Hordyk
Assistant Vice Chancellor
Financial Services

J. Michael Ortiz
President
California State Polytechnic University, Pomona

Summary

In November 1999 the Board of Trustees approved the concept for a public/private development on 65 acres at California State Polytechnic University, Pomona, called the Innovation Village. The Innovation Village was conceived as a 960,000 square foot project with multiple projects and was incorporated into the campus master plan at the July 2000 Board of Trustees meeting. The first project in Innovation Village, the 52,000 square foot Center for Training, Technology, and Incubation (CTTI) was approved by the Board of Trustees in 2000 and opened in 2001. In January 2003 the Board of Trustees approved the development of the second Innovation Village project with the American Red Cross. The Phase II project, a 201,000 square foot blood processing facility for the Southern California Blood Services region, was financed entirely by the American Red Cross and has recently opened.

The campus is seeking Board approval to enter into a long-term relationship with the Trammell Crow Company (Trammell) to construct Phase III at Innovation Village, a new 120,000 square foot commercial office and research building on approximately 7 acres.

Background

Innovation Village promotes and supports technology transfer, student and faculty professional advancement and employment, and economic development. Significant benefits resulting from the first two phases at Innovation Village include:

- Innovation Village tenant companies have developed collaborative relationships and research partnerships with the Colleges of Science and Engineering.

- Internship experiences for CSU students at start-up companies in AccelTech were funded by a \$127,000 grant.
- CSU students have been employed in AccelTech companies and the American Red Cross.
- The economic impact of the American Red Cross move to Innovation Village is expected to generate \$117 million in direct and indirect benefits annually at the local, regional, and State levels. Development of additional projects in Innovation Village will result in additional economic benefits to the community.
- The long-term ground sub-leases ensure that Innovation Village is self-supporting and will return economic benefits to the university for many years.
- The infrastructure developed for Innovation Village promotes improved traffic circulation around campus through the extensions of Kellogg Drive and South Campus Drive.

In September 2004, Cal Poly Pomona and the Foundation issued an RFP to the developer community for Phase III of Innovation Village. The purpose of this request for proposals was to facilitate the development of public/private research and technology projects that would provide synergistic benefits to the university and community. Six proposals were received and reviewed in October 2004. Four of the six developers were interviewed and invited to submit a business proposal. In January 2005 Trammell was selected as the preferred developer to enter into negotiations with the university. Trammell is a 56-year-old company and is one of the largest diversified commercial real estate services companies in the world. Trammell has provided real estate services to more than forty higher education institutions throughout the country.

Project Description

The project will be entirely financed by Trammell, who will have sole responsibility for the debt service. No State or Trustees financing will be required and the debt will not be reflected on the CSU's financial statements. The project is a new commercial office and research building on approximately 7 acres within the approved 65-acre site of Innovation Village. This project is the third development in Innovation Village and consists of tenant office and research space in a proposed 120,000 square foot, three-story building and site improvements to accommodate 522 parking spaces. Trammell will manage and sub-lease the project to future Innovation Village tenants.

Summary of Agreement Terms

Cal Poly Pomona will enter into a ground lease with the Cal Poly Pomona Foundation, Inc. (Foundation), a recognized auxiliary organization. The Foundation will then sub-lease the land to Trammell. The final terms of the sub-lease are:

- An initial 75-year term, with an option for one 15-year extension.
- Trammell will finance and construct the project on approximately 7 acres of land.
- Base rent has been established at \$0.70 per square foot of gross land area, or approximately \$221,000.
- Rent will be phased as follows:
 - ❖ 50% of base rent will be paid after either the earlier of 18 months following approval of schematic design or execution by both parties of the ground sub-lease, or after issuance of a certificate of occupancy.
 - ❖ 100% of base rent will be paid at the earlier of the 37th month of the ground sub-lease or upon economic occupancy of 50% or more of the building net rentable area.
- Rent escalation will occur every five years and is tied to the Consumer Price Index. Maximum increase of 20% for each five-year period for years 1-30 and 25% for years 31-75.
- Trammell will have the authority to sublease 100% of the facility provided the sublease complies with the CC&R's and Use Restrictions. Trammell cannot sublease without the consent of both the university and the Foundation, which consent may be withheld with reasonable discretion.
- If the 15-year option is exercised, the rental rate will be adjusted according to a new land appraisal and the new market rate will be discounted by 5%.
- Future tenant improvement construction and costs are the responsibility of Trammell and the tenant.
- The Foundation will establish a reserve to pay for the demolition or renovation of the project, as necessary.
- All improvements revert to Cal Poly Pomona upon expiration of the ground lease and any exercised options.

Educational Benefits

This project holds academic benefits for the students and faculty at Cal Poly Pomona. Trammell is interested in procuring future tenants that will have collaborative academic, business and research opportunities with the University and is currently exploring opportunities with the University and Foundation to provide research space for faculty. Trammell has agreed to pursue future tenants that can provide internship opportunities for Cal Poly Pomona students as well as employment opportunities for its graduates.

Finance
Agenda Item 3
May 10-11, 2005
Page 4 of 4

The following resolution is recommended for approval:

RESOLVED, By the Board of Trustees of the California State University that the Trustees approve Phase III of the Innovation Village project, consisting of a Commercial Office and Research Facility, at California State Polytechnic University, Pomona as described in agenda item 3 of the Committee on Finance meeting on May 10-11, 2005, and confirm the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, and their designees' authority to execute the agreements necessary to implement the plan for this project.

COMMITTEE ON FINANCE

Real Property Development Project at California State University, Dominguez Hills for a Hotel/Conference Center, Athletic Training Center/Office Complex, and Dormitories

Presentation By

Dennis Hordyk
Assistant Vice Chancellor
Financial Services

James E. Lyons, Sr.
President
California State University, Dominguez Hills

Summary

California State University, Dominguez Hills proposes to enter into an expanded phase of an existing public/private partnership with Anschutz Southern California Sports Complex, LLC (Anschutz) to develop and construct a conference center, including a 200-room hotel; a 50,000 square foot field house/training facility; a 60,000 square foot athletic performance center/administrative offices; and a 240-bed dormitory on property that is leased to Anschutz and is currently used for surface parking. Along with the new facilities, Anschutz will provide annual financial considerations and pay for the construction of replacement parking for the campus.

Background

In June 2001, the Board of Trustees approved the public/private partnership that led to the construction of the \$150 million Home Depot Center sports complex on the campus. The existing partnership provided Anschutz with a lease of 85-acres for the major components of the development. There was also a 40-acre section of campus property on which the developer renovated existing athletic facilities to allow for its programs' use when the University is not using the facilities.

Over 750,000 visitors passed through the gates of this facility during its first year of operation, which has been recognized as an official Olympic training venue. All campus athletic facility improvements agreed upon in the initial partnership were completed and the financial goals that were set have been exceeded. To date, the campus has received over \$1 million in lease and revenue sharing payments. The additional development proposed will improve programming and training opportunities as well as provide increased shared revenue opportunities for the campus.

The Board of Trustees approved the conceptual plan of this phase 2 project in November 2004. Since the November 2004 meeting, the campus has had several meetings with campus constituencies and entered into negotiations with Anschutz to address issues raised in those meetings. The major benefits gained from the negotiations are included in the agreement terms.

Educational Benefits

The hotel/conference center will allow the campus to further develop its corporate training programs and create a hotel management program. This proposal also provides for approximately 20 paid internship opportunities and academic collaborations for the students, which will enhance their educational experience. There also will be financial benefits to the campus that will provide educational program improvements.

Summary of Agreement Terms

Although final negotiations and contract development are continuing, which could lead to additional benefits to the university, the key aspects of the financial components of this project that have been proposed are:

- The campus will receive 4% of gross revenues from guest rooms, conference center rentals and fees, parking, and food and beverage, with a minimum guarantee of \$200,000 per year.
- The minimum payment will be escalated annually by the consumer price index, at a minimum of 2% and a maximum of 6%.
- An additional cash payment of \$250,000 will be made each year for the first four years, totaling \$1 million.
- Campus will receive 10% of net naming rights revenues from any new developments resulting from this proposal.
- Anschutz will pay all costs related to environmental studies and impacts including the cost of replacement parking.
- A commitment has been made by Anschutz to assist the campus in improving campus recognition during televised events and in print material.
- Anschutz will fund a campus circulation study.

The following resolution is recommended for approval:

RESOLVED, By the Board of Trustees of the California State University that the Trustees enter into an expanded phase of an existing public/private partnership with Anschutz Southern California Sports Complex, LLC at the Dominguez Hills campus, as described in the Committee on Finance agenda item 4 at the May 10-11, 2005 meeting, and confirm the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, and their designees' authority to execute the agreements necessary to implement the plan for this project.