

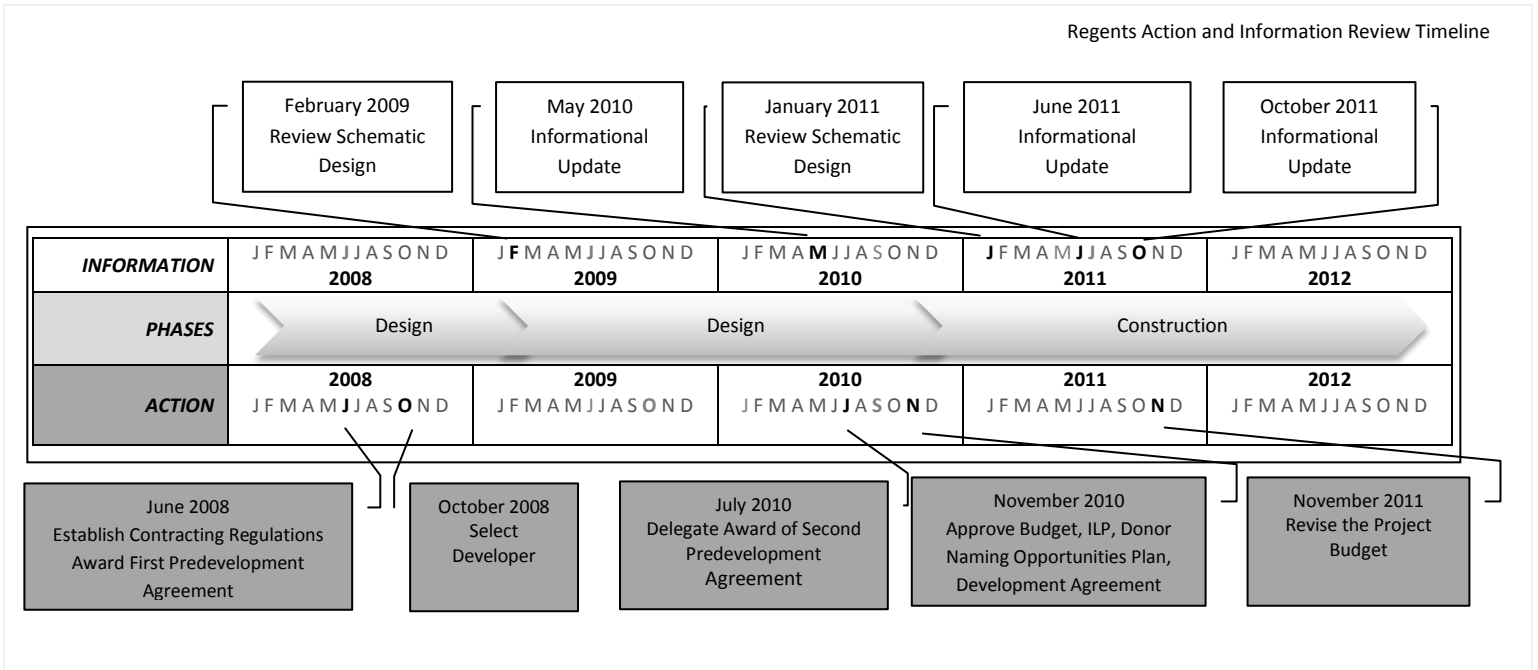
VII. STANDING COMMITTEES

A. Academic and Student Affairs Committee

in Joint Session with

B. Finance, Audit and Facilities Committee

Husky Stadium Renovation – Revise the Project Budget and Approve Funding



RECOMMENDED ACTION

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

- 1) Increase the Husky Stadium Renovation Project budget to \$260,832,000 to reflect additional project scope for the UWMC Sport Medicine and Sports Performance Center, and
- 2) Increase the use of the Internal Lending Program (ILP) up to \$261,500,000 to fund design, construction, capitalized interest, and other project costs associated with the Sports Medicine and Sports Performance Center.

PROJECT DESCRIPTION

The Husky Stadium Renovation Project will renovate, replace and add to the existing facility to bring the stadium up to current competitive venue standards,

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correct structural and building code deficiencies, meet current Americans with Disabilities Act (ADA) standards for accessibility, upgrade the fan experience, increase revenues to support other sports programs, strengthen Intercollegiate Athletics as a self-sustaining unit and collocate upgraded team training facilities. A developer lead delivery model was recommended by the Stadium Committee and implemented by the University to help mitigate impacts with the current Sound Transit construction activities, take advantage of the depressed construction market and shorten the time for completion of the project.

INCREASED PROJECT SCOPE

The increased project scope is to add the University of Washington Medical Center (UWMC) Sport Medicine and Sports Performance Center (the “Center”) at the south side of the Stadium. The Department of Intercollegiate Athletics and UWMC have been working together for decades. This collaborative relationship has led to numerous partnerships between student-athletes, coaches, doctors and staff members. In particular, the current Sports Medicine Center has been a critical partner in the success of Husky Athletics. With the renovation of Husky Stadium, the Sports, Spine and Orthopedic Health Center shared a program vision that combines the success of UWMC and ICA to create a flagship all-encompassing Center that will change the face of sports medicine in the Northwest, compete for the best sports medicine program in the nation and provide UW student-athletes with the best care in the country.

UWMC and ICA have agreed to develop a 30,660 square feet facility on the south side of Husky Stadium to house the UWMC Center. UWMC will pay for the project through a 30 year internal lease agreement with ICA.

PREVIOUS ACTIONS

| | |
|-----------|---|
| June 2008 | Approve developer Process |
| May 2010 | Informational update to discuss issuing a Request for Proposals to Select a Developer |
| July 2010 | Delegate Authority to Sign Predevelopment Agreement with Wright Runstad |

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| | |
|---------------|--|
| November 2010 | Adopt the project budget for the Husky Stadium Renovation at \$250,000,000 and approve use of the Internal Lending Program (ILP) for up to \$250,000,000 for design, construction, capitalized interest, and other project costs; approve the Donor Naming Opportunities Plan; and delegate authority to the president to sign a Development Agreement with Wright Runstad & Company |
| June 2011 | Informational update prior to the authorization of the pre-construction phase and construction phase limited for site work |
| October 2011 | Informational update prior to the authorization of the complete construction phase work |

PROJECT SCHEDULE

| | |
|--|--|
| Predevelopment (Schematic Design) Regents meeting to approve the project | September – October 2010 November 18, 2010 |
| Development Agreement executed Design Development Construction Documents | December 2010 December 2010 - January 2011 February 2011 – June 2011 |
| Start construction | November 2011 |
| Games played at Qwest Field | 2012 |
| Construction complete Occupancy | August 2013 September 2013 |

CURRENT PROJECT STATUS

Construction was authorized and started on November 7, 2011 after the home game against the University of Oregon. The contractor has fenced off the construction area and is preparing to start demolition work of the existing lower bowl, west and south stands.

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FINANCING PLAN

The sources and uses (both Current and Revised) for the Center project are below:

| <u>Sources of Funds</u> | <u>Current</u> | <u>Revised</u> |
|--|------------------------|------------------------|
| Stadium ILP Loan, January 2016 | 210,221,000 | 210,221,000 |
| New ILP Loan | 0 | 11,407,000 |
| Gifts | 50,000,000 | 50,000,000 |
| Total Sources of Funds | 260,221,000 | 271,628,000 |
| | | |
| <u>Uses of Funds</u> | | |
| Stadium Project Cost | 250,000,000 | 250,000,000 |
| Sports Medicine and Sports Performance Center | | 10,832,000 |
| Total Project Cost | 250,000,000 | 260,832,000 |
| | | |
| Stadium Capitalized interest to Aug 2013 | 12,200,000 | 12,200,000 |
| Stadium Cost of issuance | 2,200,000 | 2,200,000 |
| Less payments to June 2016 | (4,179,000) | (4,179,000) |
| Center Capitalized Interest | 0 | 462,000 |
| Center Cost of Issuance | 0 | 113,000 |
| Total Financing Costs | 10,221,000 | 10,796,000 |
| Total Uses of Funds | 260,221,000 | 271,628,000 |
| | | |
| <u>Sources of Repayment for Debt Service</u> | | |
| ICA Net Revenues | 14,300,000 | 14,300,000 |
| Center Lease Payment (debt service portion only) | 0 | 785,000 |
| Total Sources of Repayment | 14,300,000 | 15,085,000 |

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CREDIT ANALYSIS

The Treasury Office performed a credit analysis for both ICA and UWMC as part of the due diligence for this borrowing.

The ILP loan for the Center will be made to ICA and repaid from ICA system revenues. ICA will use the lease payments it receives from UW Medical Center to pay the loan. In addition, UWMC will be responsible for all operating costs, equipment and future capital expenditures associated with the Center.

In the event that patient revenues from the Center are insufficient to make the lease payment to ICA and pay all associated costs, UW Medical Center will make up the shortfall from UWMC system revenues.

Based on the agreement with UWMC, the plan for the Center, and the revenues and reserves of UWMC, the Treasury Office believes that the financial risks of proceeding with this project are acceptable.

REVIEWS AND APPROVALS

This plan has been reviewed and approved by the Chief Health System Officer - UW Medicine, the Director of Athletics, and the Senior Vice President.