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FINANCE, BUDGET, AND CAPITAL PROGRAMS
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May 1, 2009

Mr. Richard Bergman
175 S. Barrington Place
Los Angeles, Ca 90049-3305

Dear Richard:

Chancellor Gene Block has asked me to respond to your April 14, 2009, correspondence to Chairman Richard Blum and President Mark Yudof.

Your correspondence raises several issues and concerns related to the proposed plan to renovate Pauley Pavilion. Specifically, the letter states that you cannot support the current design and financing plans for the following reasons:

1. The proposed design plan does not solve Pauley Pavilion's functional deficiencies, will make certain deficiencies worse, and will not provide fans with an experience comparable to modern arenas.
2. The proposed \$200M project and its associated financing plan place too great a financial burden on students, student athletes, and the broader UCLA community.
3. The proposed construction timeline may not be achievable, keeping UCLA's athletic teams out of Pauley Pavilion for longer than anticipated.

Comments on Design Issues

At its November 2006 meeting, the Executive Committee provided an endorsement for UCLA Athletics to pursue plans for a major renovation of Pauley Pavilion. Since that time the Executive Committee has convened seven full committee meetings where design plans and fund raising plans were discussed. Numerous subcommittee and individual meetings also have taken place to discuss design plans, fund raising, and financing of the project. At each step, Committee members were supportive of UCLA's efforts and have remained fully committed to this project.

The Design Committee is very excited about the progress made to date in achieving a project that balances the overall program goals within the constraints of an existing building major renovation with site limitations.

It is important to point out that the design and financial analysis provided with your correspondence was based on the Schematic Design package of November 6, 2008. As you are aware, the project design has evolved considerably since last November, and a number of the issues that were raised regarding the design and function of the facility have been addressed through the normal course of the Design Development process. Attachment 'A' provides a response to your analysis of the November 6, 2008 Schematic Design package.

Project Cost and Funding Issues

The most recent project cost estimate (as of April 15, 2009) is based on completion of design development and reflects current construction market conditions. Total construction costs are now estimated at \$132 million, which includes additions for the South Concourse and other scope changes, alternatives for broadcast, lighting and storm water retention, and all arena equipment. Total project cost is now estimated at less than \$185 million, which includes construction and equipment costs, plus marketing costs for the campaign, the campus' administrative fee on gifts, interest expenses during construction, cost escalation, displacement costs, and design and construction contingencies. These costs are quite favorable compared to the construction costs for other new arena projects you reference in your letter, and are substantially less than the cost of a replacement facility for Pauley.

Your letter states that "the proposed plan requires considerable funds from the UC System at a time when state education is being negatively affected by broader economic distress." To the contrary, the project will be funded from donations specific to this project, from new seating and event revenues that are directly related to project benefits, and from existing student fees already approved for improvement of student facilities. The project requires no new student fees, and does not use any state or other university resources that could otherwise be used to support the UCLA teaching or research mission.

You also expressed concerns about the potential impact of proposed debt financing on season ticket holders and the UCLA athletics program. Season ticket holders will be asked to contribute toward the cost of the project, although not through a personal seat license, as you state. UCLA believes that the benefits of the project to the ticket holders justify this approach, and our marketing research indicates that our fans are willing to participate.

With regard to the impact on the UCLA athletics program, our planning will increase operating revenue over time through additional sponsorships, marketing, and strategic partnerships in order to continue UCLA's top-flight intercollegiate athletics program. These new revenues will provide adequate coverage for debt service, and as a result the project will place no additional burden on students or student programming.

Finally, you state that UCLA's current fundraising plan does not recognize the loyalty and longevity of basketball supporters. To the contrary, the current plan specifically rewards loyalty. The plan incorporates a new Equitable Point Program for selecting season tickets in the new Pauley Pavilion for the 2012-2013 season, which grants points specifically for longtime season ticket holders and UCLA alumni. The Equitable Point program is consistent in that it gives each ticket holder the right to select and purchase seats of their choosing based on his/her respective point total. While various fundraising strategies have been discussed, to our knowledge no alternative financing models have ever been proposed by members of the Executive Committee. We believe the Committee has understood the proposed method of financing this project since the summer of 2007.

Project Timeline Issues

The construction phasing and timeline has been reviewed at each phase of design. The current plan calls for an overall project duration of thirty-three months. The specific phase related to the renovation within the bowl is anticipated to be eighteen months. At this time, we are confident the construction phasing and timeline allows for the minimum disruption of facility operations.

In regards to your comments relative to project management, UCLA Capital Programs has the long-standing experience necessary to successfully manage projects of this scope and complexity. Capital Programs also has the authority to contract with outside experts to maintain proper controls over the design and construction process.

Historic Preservation Issues

In your correspondence you also brought up the issue of preserving the history and tradition of Pauley Pavilion. From the outset, the project team has made these issues a priority. The consensus among the UCLA community – the Executive Committee, campus administration, intercollegiate athletics and recreation staff, and focus groups -- has been in strong support of a major renovation as the most appropriate means of preserving Pauley.

As an element of the Environmental Impact Review process a Historical Resource Assessment was completed by a preservationist architect. The results of this review determined that the current Design Development plans for Pauley Pavilion will not have a significant impact on the facility and the proposed project is in general conformance with the Secretary of Interior's Standards for the treatment of Historic Properties.

We hope that the attached information addresses your issues and concerns.

Sincerely,



Steven A. Olsen
Vice Chancellor
Finance, Budget, and Capital Programs

cc: Chairman Richard Blum
President Mark Yudof
Chancellor Gene Block

Attachment

Summary of Analysis

Item 1. Concourse Capacity

NBBJ provided comparisons of other recent projects and demonstrated that the concourse square footage per person is comparable to contemporary arenas. The south concourse is supported by the inner concourse and the opportunity for circulation through the marketplace. Primary circulation on the west will utilize the inner concourse due to the site constraints. The Acosta building is positioned such that the Pauley footprint cannot be expanded further west due to a required fire lane.

The re-aisling of the bowl benefits the patrons by allowing the arena population greater opportunity to access the new concourse. There is a significantly improved distribution and number of concessions and restrooms around the bowl to serve patrons.

Item 2. Concourse Continuity

The new approach for the concourse in Pauley combines new perimeter concourse with existing inner concourse (in limited areas) as a result of existing site conditions.

Services (restrooms/concessions) are appropriately distributed to support patrons in proximal locations to their seating areas.

Item 3. Dysfunctional In-the-Bowl Cross Aisles

Currently Pauley has 266 seats that are considered obstructed by either multiple railings or patron seat access. There have been thorough studies to vet the proposed configuration for site line and circulation. The plan corrects rail obstructions by using glass instead of the existing pipe rail and lowering the handrail height. The re-aisling of the upper level brings the potential site obstructed count from patron access down to only 72. Wheelchair locations are "inboard" of any cross aisle traffic.

Item 4. Adding Seats in Cross Aisle Locations

We are no longer considering seats on the south side. We are moving forward with seats on the north side because the concourse is more generous and there is no desire to have cross aisle traffic on the north. The additional 120 seats are also a source of significant potential project and annual income.

Items 5 and 6. Eliminating Vertical Aisles at 300 Level/Aisles Overall

The seating plan has been analyzed and row widths and aisles have been adjusted to provide optimal patron comfort and access. Aisles in the lower levels were adjusted to

insure that access to the retractables were in line with middle level aisles and vomms feeding those aisles. The number of seats in each row is equal and in many cases less than both the Galen Center and Staples.

Item 7. Bi-Fold Doors at South Side

In addition to the bi-fold doors, standard doors allow patron circulation to the "Marketplace" or plaza. In the event of inclement weather, there is appropriate flexibility built into the operational function and use of the bi-fold doors.

Item 8. New 100 Level Sightline Impacts.

A sightline study and live physical mock-up was done in Pauley Pavilion on Feb 25, 2009. It was determined that we could achieve 14 unobstructed rows on the east and west ends in addition to 3 rows of courtside seating. There are 9 rows on the north and south with two rows of courtside seating on the south and a scorer's table/team benches on the north. The courtside seating will not obstruct the view from the first row which is 10 inches above floor level. Each row above the first row is 8" above the row in front. The additional courtside rows and site lines are consistent with other modern arenas.

Item 9. End Zone Seats

Bowl intimacy is significantly improved in the east/west by adding 3 rows of courtside seating and bringing the retractable seating closer by 14 feet.

Item 10. Student Seating (Standing)

The student seating has been identified as an issue and will utilize operational procedures to mitigate. To design the retractable seating specifically for standing students would compromise the multi-use purpose of the facility.

Item 11. High Percentage of Seats Not Facing Court

Pauley Pavilion floor is a 28k square foot surface and lends to the campus mandated multi-use purpose of the facility.

Item 12. No Practice Court

An early program element has proven to be costly and cumbersome due to its inherent space/volumetric requirements. Given the choice by the coaches, they prefer to practice where they play.

The planned team lockers will be in closer proximity to the bench than they are presently.

Item 13. No Functioning Lobby

The north lobby is the new "front door" of Pauley Pavilion and is appropriately scaled for the intended university multi-use functions. It is with purpose that the northwest corner of the lobby/concourse was not extended in order to create an outdoor plaza for student gatherings as well as a comfortable entry sequence for Acosta.

No New Revenue Potential**Items 1 and 2. Loge Box and Club Seating**

Based on patron surveys and UCLA's needs, loge boxes and club seating were deemed not desirable. Implementation of loge boxes at this stage would limit the multi-use purpose of the facility. Use of Club seating on Levels 200 and 300 was studied and determined to be inappropriate. UCLA prefers a collegiate club model which allows access to the club based on donor level or invitation rather than seating proximity to the club.

Item 3. Kitchen

For the limited number of events in Pauley, external catering services will serve the needs of this building. Industry consultants utilized on this project have designed a cost effective solution for game-day concessions and Pavilion Club operations.

Item 4. Mid-Level LED ribbon board.

Current studies show that the continuous LED board in its proposed location will create a dramatic presence within the bowl. The upper level location helps to unify the fans into one space, not divide them, and is considered the most appropriate location for Pauley.

Appendix A - Concourse Comparisons

See earlier responses regarding concourse design

Appendix B - Alternate Scheme 1

The April 2008 presentation studied the Level 100 retractable seating, and made recommendations which maximize the quantity and proximity of the seats to the court while still preserving the functionality of existing program space below the bowl. In addition, the study concluded that relocating the Level 300 closer to the court was infeasible from a cost perspective, and was shown to actually diminish the quality of the site lines from those seats.

Appendix C - Alternate Scheme 2

Based on the requirement for Pauley to remain a multi-use facility, and to maintain the minimum seating capacity of the current bowl, the basic configuration of the bowl was maintained.

Exhibit D – Supplemental Presentation

Most Significant Existing Design Issues

The proposed design meets or exceeds the goals of resolving existing design issues within the constraints of a building renovation with site limitations.

The Pauley Pavilion project is a major renovation and expansion dealing with building, site, budget and schedule constraints. The project brings the building to current code and establishes another 20 – 40 years of use.

MODERNIZATION FEATURES

- Provide New Seating throughout Entire Bowl
- Realign Step aisles in Bowl to Improve Circulation and Correct Unsafe Conditions
- Improve Level 300 Circulation and Sightlines
- Provide New Handrails Throughout
- Improve Level 300 Soffit
- Create UCLA Sports Tradition Display
- Renovate Locker Room Facilities
- Install New Smoke Evacuation System
- Resolve Life-Safety Deficiencies
- Increase Toilet Count to Approximately 30% above Current Code
- Increase Concessions to Industry Standards
- Maintain, at a Minimum, Current Seat Count

Key MEP Upgrades and Renovations
Key Structural Upgrades and Renovations
Upgrade Seismic Design to UC "Good" Standard
Center Playing Court and Replace Entire Arena Level Surface
Replace and Enhance Level 100 Retractable Seats

EXPANSION FEATURES

Bring Athletic Facilities to Top Tier Division I Standards
Improve Patron Amenities – Pavilion Club
Improve / Enhance Patron Circulation
Create a New Face for Pauley Pavilion
Multi-purpose Lobby Space
Increased Storage throughout the Facility
Maintain Historic Character of Existing Building

Most Significant Proposed Design Issues

All issues have been addressed in previous comments with the exception of the below:

Item 5 - The existing northwest and northeast vomitory stairwells are granted existing nonconforming status by the State Fire Marshal and in the proposed design are intended for emergency egress only.

Item 7 - The southeast lobby will utilize wayfinding signage and operational methodology to move patrons swiftly to desired destination points.

Key Amenities not Provided

All of these amenities have been vetted and determined not to be part of the project program requirement.