




Office of the Executive Vice President for  
Administration and Chief Financial Officer  
**Scott A. Jordan**  
Executive Vice President  
for Administration  
and Chief Financial Officer

October 29, 2018

TO: Members of the Buildings, Grounds, and Environment and  
Financial Affairs Committees

FROM: Scott A. Jordan   
Executive Vice President for Administration and Chief Financial Officer

RE: Plan of Finance for New Ice Hockey Arena on Storrs Campus

RECOMMENDATION:

That the Buildings, Grounds, and Environment and Financial Affairs Committees of the Board of Trustees approve the attached Plan of Finance to fund \$45,000,000 for a New Ice Hockey Arena on the Storrs Campus.

BACKGROUND:

On September 26, 2018, the Board of Trustees authorized the Administration to execute agreements necessary for any portion or all of the design, construction, financing, and operation of a new ice hockey arena on the Storrs campus, provided that the arena meets the minimum requirements of the Hockey East Association, and provided further that, at the Board meeting on October 31, 2018 and prior to execution of any agreements relating to the ice hockey arena project, (i) the Chief Financial Officer shall have submitted to the Board a Plan of Finance which will include a description of the final scope of the ice hockey rink project, the projected schedule for completion of the project, the projected capital and operating costs of the project, the projected sources and uses of funds to be used to finance construction and operation of the project and related enabling projects, and the principal terms of the agreements to be entered into by the University in connection with the project, (ii) the Buildings, Grounds and Environment Committee and the Financial Affairs Committee shall have approved the Plan of Finance and (iii) the Plan of Finance shall not have been rejected by the Board at its meeting on October 31, 2018.

Pursuant to the September 26 Board authorization, I submit the attached Plan of Finance.

## **Plan of Finance for New Ice Hockey Arena on the Storrs Campus**

### **Project Background & Scope:**

In 2013, the University joined the Hockey East Association for Men's and Women's ice hockey. In our acceptance of the offer of membership in Hockey East, UConn committed to meet the Hockey East requirement of an on-campus arena with a capacity of 4,000 seats. Hockey East has since approved the University's request to reduce the number of seats in the arena to 2,500.

Concurrent with our efforts to manage the scope and schedule of the project, the University has worked to secure a development partner for construction of a new arena. Through the Request for Expressions of Interest (RFEI) process conducted at the end of 2017, the University received three responses with financial terms. As a result of further refinement of University needs and requirements, a RFEI addendum was recently issued to the three responders seeking additional information, which was evaluated prior to presenting this Plan of Finance.

The RFEI addendum included the following specifications:

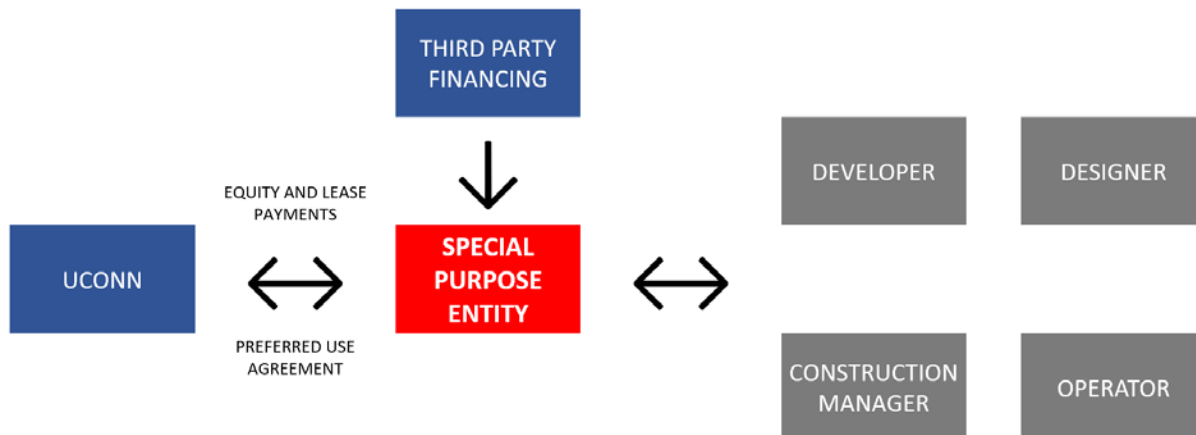
- New ice arena to be located adjacent and connected to the existing Freitas Ice Forum with approximately 75,000 usable square feet.
- Seating capacity of 2,500 seats with 20% chair backs; expansion capability for the facility to 3,500 seats in the future.
- The arena facilities and ice will need to meet all NCAA Division I ice hockey requirements, all Hockey East conference standards and all University guidelines and requirements.
- Parking for approximately 750 vehicles adjacent to the new arena.

Note that this new arena project excludes the previously authorized \$11.0 million in improvements to the existing Freitas Ice Forum (approved by the Board on August 1, 2018) and any enabling infrastructure work, which is currently part of the Southwest Campus Infrastructure Upgrade project (approved by the Board on August 1, 2018).

### **Preferred Terms of Agreement:**

The specific terms of agreement(s) will be negotiated over the next few months, and final agreements will be submitted to the Board before execution. In negotiation, the University intends to take the following approach for the arena development.

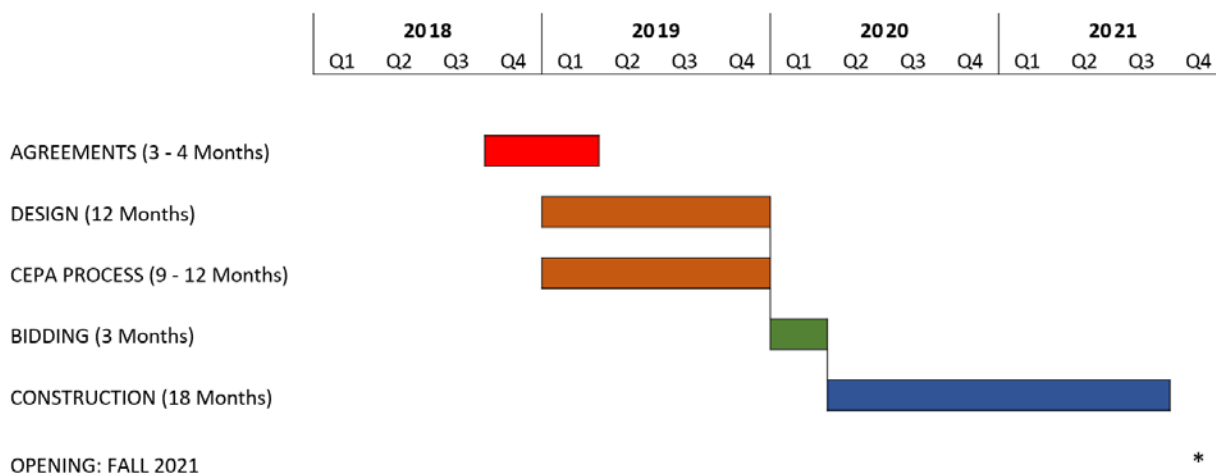
The Developer will create a Special Purpose Entity (SPE) to design, construct, own and operate the arena. The SPE will be granted a long-term ground lease from the University for the development of the new arena and related parking. The SPE, in turn, will engage the Developer, who will have authority for the direction and control of all construction and development activity. This structure is described in the following graphic.



The University will invest up to 49% equity for the cost of the new development. The SPE will issue tax-exempt bonds for the balance of the project costs. The University will execute with the SPE a 30-year amortizing sublease of the completed arena to repay the bonds. The University will have the option to buy-out its sublease obligation, and repay the bonds, at years 5 and 10. The ground lease and the building sublease will terminate upon retirement of the bonds.

The SPE will execute an operating agreement with an operator that will be responsible for administration of all non-UConn arena use. This operating agreement will provide for revenue sharing with the University. The University anticipates revenues of approximately \$400,000 annually, which will be used for the annual bond payment. It is our intention to utilize any additional revenue received by the University, if any, under this operating agreement toward the remaining debt service.

The proposed development schedule is presented below.



**Projected Costs & Sources of Funds:**

The University estimates a total cost of \$45,000,000 for this project. While a small portion of this total will be borne directly by the University for various activities such as permitting, legal, and FFE, most of this total will be used by the SPE for planning, design and construction of the new ice arena.

The University will utilize the following fund sources to support this project:

<b>Fund Sources</b>		
Internal Loan from University Reserves	\$12,500,000	Philanthropy & Athletics to pay back University cash advance
Property Sales	10,000,000	West Hartford Campus & Hotel
Tax-Exempt Bond	22,500,000	To be issued by SPE
<b>Total Fund Sources</b>	<b>\$45,000,000</b>	

The University will be responsible for lease payments to the SPE, which will be equal to the debt service on the Tax-Exempt Bond of approximately \$1.6 million per year. We anticipate the bond will be issued in FY21 based upon estimated project cashflow, and that partial debt service payments will begin in FY21.

On a year-over-year basis, we anticipate the impact of these debt service payments to be minimal. This is a result of two factors: first, we expect operating revenues of \$400,000 per year to offset debt service, and second, as existing debt is paid down, the University’s annual debt service is reduced. See the table below (in millions) that describes the next ten years of the University’s non-state supported debt service.

<b>FY</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>A+B-C=D</b>	<b>Year-Over-Year Change</b>
	<b>Current Debt Service</b>	<b>Hockey Debt Service</b>	<b>Operating Revenue</b>	<b>Net New Debt Service</b>	
2020	\$21.2	\$0.0	\$0.0	\$21.2	\$0.0
2021	20.7	0.8	0.0	21.5	0.3
2022	20.7	1.6	0.4	21.9	0.4
2023	19.9	1.6	0.4	21.1	(0.8)
2024	19.9	1.6	0.4	21.1	0.0
2025	19.9	1.6	0.4	21.1	0.0
2026	19.9	1.6	0.4	21.1	0.0
2027	20.0	1.6	0.4	21.2	0.1
2028	19.9	1.6	0.4	21.1	(0.1)
2029	18.4	1.6	0.4	19.6	(1.5)
2030	18.4	1.6	0.4	19.6	0.0
2031	9.1	1.6	0.4	10.3	(9.3)