



DAVID PIERPONT GARDNER
President

RONALD W. BRADY
Senior Vice President
Administration

OFFICE OF THE PRESIDENT
300 Lakeside Drive
Oakland, California 94612-3550

March 28, 1989

Steven Mathews, Director
Faculty Housing Programs
9th Floor Kaiser Building

Dear Steve:

Minor Amendment of Delegation of Authority 0915--Administration
of Irvine Campus Housing Community Program

This is to confirm my understanding of the minor amendment of Delegation of Authority 0915--Administration of Irvine Campus Housing Community Program [DA addressed to Chancellor Peltason and dated October 28, 1986] proposed on behalf of the Treasurer's Office by Assistant Treasurer DeWeese in the second paragraph of his January 18, 1989 letter, copy attached, written jointly to you and to Vice Chancellor Leon Schwartz of the Irvine campus.

As we have agreed, numbered paragraph 17 on page 2 of DA 0915 will be amended effective January 18, 1989, as shown below; the change pursuant to Regents' action in July 1988, as mentioned in DeWeese's letter. Substantiating documentation will be maintained and the amendment will be recorded in the system files in Coordination & Review and on any Office of Record hard copy of DA 0915 so that (1) anyone receiving a copy of DA 0915 will be given the amended version, and (2) if DA 0915 is reissued in the future, the amended language will be incorporated:

* * *

17. Determination of land values, particularly with respect to reassignment of leasehold interests, in consultation with the ~~Treasurer~~ Senior Vice President--Administration.

* * *

The reason for not reissuing DA 0915 at this time is that the change is non-affective, conforming the language of DA 0915 both to Regents' approval and to current practice.

Please let me know if C&R can be of further assistance.

Sincerely,


Joan Rogin, Director
Coordination & Review

Attachment

cc: Vice Chancellor Schwartz
Assistant Treasurer DeWeese
University Counsel Lee
Principal Analyst Correia
Analyst Ripley, with file ~~-----~~

Coordination & Review

FEB 3 1989

RECEIVED

January 18, 1989

RECEIVED

MAR 22 1989

BC

VICE CHANCELLOR LEON SCHWARTZ
DIRECTOR STEVEN M. MATHEWS

Dear Leon and Steve:

Re: University of California, Irvine Faculty Housing Program--Phase IV
Land Values

By memorandum dated January 12, 1989, the Irvine Campus requested that the Treasurer's Office approve proposed lot values for Phase IV of University Hills.

You may recall that, by our memorandum dated June 14, 1988, we raised certain questions regarding the lack of conformance between Regents' items, the ground lease, and actual practice with respect to valuation of the land. We also suggested a solution to resolve the problem. This suggestion was incorporated in the Regents' item of July 14, 1988 by which a change in the definition of "imputed land value" was approved. The change now permits the Lessor to "reasonably determine the imputed value of the land". You will recall that the previous definition of imputed land value was intended to be "market based," and thus it was logical to have the Treasurer's Office participate in the process of establishing lot values. Given the greater flexibility in determining land value as approved by The Regents, and the clear intention of the campus to set land values so as to maintain parity between ground rents of existing homeowners and Phase IV homeowners, the Treasurer's Office is of the opinion that the Office of the President should either set the values or review and approve those recommended by the campus.

I also would note that a cursory reading of an unexecuted "Sixth Amendment to the Ground Lease", which was available from the Office of the Secretary, indicated that the definition of imputed land value has not yet been changed.

Let me know if you wish to discuss this issue further. If you agree with our proposal, then the Office of The President will need to revise the current delegation of authority regarding approval of the lot values.



Gary S. DeWeese
Assistant Treasurer-Real Estate

cc: Lloyd Lee

COMMITTEE ON FINANCE
July 14, 1988

IN CONFIDENCE

F. AMENDMENT OF LEASE OF INCLUSION AREA LAND TO IRVINE CAMPUS HOUSING AUTHORITY

The President recommends that the Committee on Finance recommend to The Regents: That the actions of The Regents in September 1983, June 1984, September 1985, November 1985, May 1986, and May 1988 authorizing and amending a groundlease between The Regents and the Irvine Campus Housing Authority be further amended and that the groundlease be restated as shown below, it being understood that all other actions of The Regents in September 1983, June 1984, September 1985, November 1985, May 1986, and May 1988 in connection with said groundlease remain unchanged: (deletions shown by strike-out; additions shown by underscoring)

1. The Officers of The Regents be authorized to execute a seventh amendment of this unsubordinated ~~fourth/amended/and restated~~ groundlease between The Regents of the University of California as Lessor, and Irvine Campus Housing Authority (ICHA), a nonprofit California corporation, as Lessee, for approximately 81 acres of Irvine campus inclusion area land located south of South Circle View Drive and southwest of the existing faculty rental apartments, to facilitate the development, construction, and administration of the Irvine Campus Housing Community Program, said lease, following such amendment, to be restated to include or be subject to the following provisions:

* * *

- d. ~~W~~With respect to the initial sale and resale of a For-Sale Housing unit, the purchaser shall be selected in accordance with the following priority system, reserving unto The Regents the option to purchase the property at any stage of the sale offering:
- (i) first priority will be given to members of the Executive Program of the University, any other University-~~A~~Associated persons designated by Lessor, and to members of the Academic Senate;
 - (ii) second priority will be given to University-~~A~~Associated persons who are members of the nonfaculty academic staff and members of the Management and Professional Program of the University;
 - (iii) third priority will be given to University-~~A~~Associated persons who are current nonacademic staff of the University; and

Action will not be released to the public until execution of lease documents.

- (iv) final priority will be given to members of the general public, with part-time employees of the University treated as members of the general public.

* * *

f. ~~To~~ assure that all For-Sale Housing units will continue to remain affordable by the academic community, resale price limitation will be imposed on each resale transaction, ~~that is,~~ except for purchases and sales by Lessor or Lessee, such that no unit may be offered or sold at greater than its "Maximum Resale Price",...

g. A University-Associated person who purchases a For-Sale Housing unit shall choose one of the following alternative plans or such other plan which Lessor may, in writing, approve for payment of land rent to Lessor:

(i) (a) Annual rent equal to four percent of the "imputed land value" (the imputed land value to be defined as Fair/Market/Value the value of the land, for the use of which it is put as reasonably determined by Lessor, based on the uses permitted and restrictions imposed by Lessor) with the land being revalued every five years but provided that the total amount of any incremental increase in rent does not exceed ten percent every year or fifty percent every five years;

(b) Plus ten percent of the unit's appreciation and subsequent capital improvements, if any, upon resale;

* * *

i. With respect to a prepaid groundlease of a custom lot, the purchaser/sublessee shall elect one of the following rental payment plans: (i) an option under which the purchaser/sublessee, upon transfer, is obligated to pay to the Lessor an adjusted rent of 66.67 percent of the prevaling/market value of the land, for a similar lot in Orange County as reasonably determined by Lessor, based on the uses permitted and restrictions imposed by the Lessor, plus an additional 10 percent of the appreciation in the value of the home constructed on the site, if any, upon subsequent resale; or (ii) an option under which the purchaser/sublessee pays to the Lessor [A] a capitalized lease payment, to be made at the time of the sublease, equal to the infrastructure and infrastructure financing costs of the Leasehold Parcel

as determined by the Lessee, and [B] further rent to the Lessor in accordance with the terms of paragraph 1.g (iii), above. For purposes of this paragraph 1.i, however, "imputed land value", as used in paragraph 1.g (iii)(a) above means 66.67 percent of the value of the prevailing market price for similar land in Orange County at the time of the sublease (as reasonably determined by the Lessor, based on the uses permitted and restrictions imposed by the Lessor, less the capitalized lease payment made pursuant to this paragraph 1.i. If this option is selected by the first purchaser/sublessee, the provisions of the lease regarding Maximum Resale Price controls shall apply to any assignment and sale of the Leasehold Parcel and the improvements thereon.

* * *

BACKGROUND

There have been two amendments to the groundlease between The Regents, as lessor, and the Irvine Campus Housing Authority, as lessee, since the last restatement in November 1985. Those intervening amendments have added land and provided authorization for construction of Phase 3, now completed, and Phase 4, on which construction will commence later this summer. This proposed amendment would authorize three modifications to the groundlease and the restatement of the entire groundlease prior to initiation of Phase 4 of the development.

The three modifications are: (1) deletion of the reference to the University's former management program and insertions of references to the new Executive and Management and Professional Programs in the priority for sales sections of the groundlease, (2) inclusion of an exception to the maximum resale price restrictions in the case of units purchased by the lessor to allow for potential reimbursement of holding and repair costs, and (3) modification to the definition of imputed land value used to determine annual land rent by purchasers of units in order to provide more flexibility in establishing land rents that both maintain affordability and provide sufficient revenues to operate the Irvine Campus Housing Community Program.

It should be clarified under modification (1) that while members of the Executive Program were not previously mentioned specifically in the first priority category, they were intended to be and, operationally, have been included as other "University-Associated persons designated by the Lessor".