###### COMMISSION FOR HIGHER EDUCATION

Friday, June 12, 2009

**DECISION ITEM B-1: Cinema Theatre/Drama Renovation at Indiana University Bloomington**

**Staff Recommendation** That the Commission for Higher Education recommend approval to the State Budget Agency and the State Budget Committee of the project *Cinema Theatre/Drama Renovation at Indiana University Bloomington*, as described in the project description and staff analysis dated June 3, 2009.

**Background** By statute, each repair and rehabilitation project must be reviewed by the Commission for Higher Education and approved by the Governor, on recommendation of the Budget Agency, if the cost of the project exceeds seven hundred fifty thousand dollars ($750,000) and if any part of the cost of the project is paid by state appropriated funds or by mandatory student fees assessed to all students.

The Trustees of Indiana University respectfully request authorization to proceed with the renovation of the University Theatre located at the east end of the building housing the Indiana University Auditorium on the Bloomington campus. This project is estimated to cost $15,000,000 and is to be funded through the issuance of certificates of participation in capital lease-purchase obligations between the University and an affiliated entity, or other forms of permanent financing in the amount of $10,000,000 and from gifts to Indiana University of $5,000,000. No state funds support the project.

**Supporting Document** *Cinema Theatre/Drama Renovation at Indiana University Bloomington*, June 3, 2009.

**Cinema Theatre/Drama Renovation at Indiana University Bloomington**

# Project Description and Staff Analysis[[1]](#footnote-2)\*

June 3, 2009

#### SUMMARY

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The Trustees of Indiana University also request authorization to issue certificates of participation in capital lease-purchase obligations with an affiliated entity under IC 21-33-3-5. Repayment of these capital-lease purchase obligations would be made from legally available funds of the university. No state funds support the project.

DESCRIPTION OF THE PROJECT:

This project would remodel theatre and drama space and restore the former university theatre for a cinema. The cinema would be a facility devoted to the study and exhibition of motion pictures from the past, present, and around the world. The theatre is an architectural and design jewel redolent of the 1930s, and contains four Thomas Hart Benton murals that are among the finest works of art on the Bloomington campus. The murals would be restored as part of this project.

This project would renovate the former University Theatre located at the east end of the building housing the Indiana University Auditorium. The University Theatre and adjacent theatre department space was constructed with the auditorium in 1939. This project would remodel the theatre-seating area and stage for the cinema; the existing projection booth would be enlarged for new projection equipment. Restrooms and front-of-house facilities would be made ADA accessible. The stage portion of the theatre including the fly loft would be repurposed to house academic space. The height of the fly loft would provide vertical space to house two new levels for a studio theatre and movement studio at the top level. Existing academic offices and teaching space would be renovated to current standards.

This renovation would provide needed teaching and performance space for the Department of Theatre and Drama. Additional student rehearsal/performance space and faculty office space would be provided for the program. The cinema would be a facility devoted to the study and exhibition of motion pictures from the past, present, and around the world. The university has an acclaimed collection of film that could be viewed in this ‘new’ theatre. The University Theatre is an architectural and design jewel redolent of the 1930s. It contains four Thomas Hart Benton murals that are among the finest works of art on the Bloomington campus. The murals would be restored as a part of this project. The project would provide new program space including:

* Teaching studios
* Faculty offices
* Classroom space
* Movement studios
* Studio theatre
* Black-box theatre
* University Cinema

This project would also complete necessary restorations to the exterior and secure the building envelope with a new roof and windows.

NEED AND EXPECTED CONTRIBUTION TO EDUCATIONAL SERVICES

This project envisions a more modern and appropriate facility that is properly interlinked. It would transform the current theatre into a state-of-the-of-the-art cinema that would serve the university and its community for many years. The project would also provide much needed space for the Theatre and Drama Department within current department spaces and the fly loft of the University Theatre. This new program space is needed for teaching studios, faculty offices, and classrooms. The project would provide a new black-box theatre, studio theatre and movement studio, all of which are important to the overall success of the program.

*University Cinema* – Indiana University has a number of outstanding film collections currently housed in various departments and units on campus.  The creation of a cinema theatre would greatly enhance the use and scholarship associated with these collections.  Additionally, the cinema would provide a state-of-the-art venue, which would accommodate the viewing of extremely rare films as well as the latest innovative material.  The University Cinema would schedule a number of film series, which would enhance the educational and cultural opportunities for faculty, staff, students, and residents of the community and state.

*Theatre and Drama* – The theatre and drama department is in dire need of additional classroom and office space.  With increased enrollments and a new Bachelor of Fine Arts (BFA) degree in Musical Theatre, the department cannot achieve its mission of teaching and creative activity without this renovation.  The renovation would provide studio, seminar, and lecture classrooms as well as office space for faculty and practice rooms for students.  In addition to classrooms, there would be a black- box theatre, which is an essential component for student learning that would provide space for productions.

##### RELATIONSHIP TO MISSION AND LONG-RANGE PLANNING

The theatre and cinema areas support the performance and teaching missions of Indiana University on the Bloomington campus. Completion of this project allows full-utilization of this vital facility.

ALTERNATIVES CONSIDERED

No other alternatives were considered due to the nature of this project.

RELATIONSHIP TO LONG-RANGE FACILITIES PLANS

This project is part of the overall plan for facility renovation of the Indiana University School of Theatre and Drama. It is also one of the priority renovation projects of the ten-year capital plan.

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| **Project Summary:** |  |  |
| Space in Project: | 36,300 GSF  18,105 ASF |  |
| Project Cost: | $15,000,000 |  |
| Sources of Funds: | Debt Issued through Certificates of Participation repaid through non-state funds  Gift Funds  Total | $10,000,000  $5,000,000  $15,000,000 |
| Estimated Debt Service: | N/A |  |
| Estimated Plant Expansion: | N/A |  |
| Expected Schedule: | Begin Construction:  Completion: | June 2009  September 2009 |

STAFF ANALYSIS:

1. This project is important to IU’s ability to renovate and repurpose existing facilities on the Bloomington campus. The University Theatre and adjacent theatre department space was constructed with the auditorium in 1939 and is in need of renovation and rehabilitation. This project would remodel the theatre-seating area and stage for the cinema; the existing projection booth would be enlarged for new projection equipment. Restrooms and front-of-house facilities would be made ADA accessible. The stage portion of the theatre including the fly loft would be repurposed to house academic space. The height of the fly loft would provide vertical space to house two new levels for a studio theatre and movement studio at the top level. Existing academic offices and teaching space would be renovated to current standards.

2. This is an R&R project. The Commission has encouraged our public institutions to take care of the existing facilities on campus, and repurposing space where appropriate, as opposed to building new space.

3. The facility would be funded through $5,000,000 in gift funds and $10,000,000 in debt issued through the IUBC, a university affiliated entity created by IU for this purpose. The Indiana University Board of Trustees approved creation of a new Special Purpose Entity, known as the Indiana University Building Corporation (IUBC), which would issue debt in the form of Certificates of Participation (COPs) to fund the balance of the construction costs ($10,000,000). Indiana University would then enter into a lease-purchase agreement with IUBC to lease-purchase the renovated facility space, with a lease amount necessary to pay the debt service. The lease payments are expected to be $863,793 per year for twenty years.

4. Construction project and financing, even though the financing is being done through the IUBC, would still be subject to review by the Commission for Higher Education, The State Budget Committee, the State Budget Agency, the Indiana Finance Authority and the Governor.

5. Indiana University would pledge “available funds” toward repayment of the debt. “Available Funds” include, but are not limited to, “unrestricted operating fund balances, auxiliary fund balances and certain other fund balances” of the University. While Indiana University is a large organization with diverse and substantial sources of revenue and expenditures, the University is able to identify interest earned from separate and individual sources of revenue and funds. Therefore, while the University is able to pledge a larger amount of funds, including “unrestricted operating fund balances”, Indiana University pledges that they will not use mandatory student fees, state appropriations or the interest earning therefrom. While the University makes this pledge, and Commission staff is willing to accept the University’s representations as genuine and reasonable, ultimately, all pledged assets would be responsible for the lease costs. The Capital Projects and Land Acquisition Fund at Indiana University receives its funding from interest earnings on certain university fund balances, which exclude earnings from mandatory student fees and state appropriations. The revenue stream to pay the lease-purchase payments (and therefore the debt on the facility) comes from the same sources that fund the Capital Projects and Land Acquisition Fund.

1. \* The *Staff Analysis* is a Commission staff work product. Most other portions of this document are extracted from documents authored by the institution, with occasional editing to conform to agenda presentation style. [↑](#footnote-ref-2)