

**Office of the President**

**TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:**

**DISCUSSION ITEM**

*For Meeting of January 24, 2018*

**DEVELOPMENT OF DUNDEE RESIDENCE HALL AND GLASGOW DINING,  
RIVERSIDE CAMPUS**

**EXECUTIVE SUMMARY**

The Riverside campus student population has grown more than 35 percent over the last decade, from 17,187 to 23,278 total students. During this period, the campus built apartment-style housing at Glen Mor, purchased two apartment complexes, and converted double occupancy rooms to triple occupancy, but was not able to keep up with demand. In fall 2017, the campus was able to provide 28 percent of UCR students with on-campus housing, which is significantly short of the 2005 Long Range Development Plan goal to provide 50 percent of students with on-campus housing.

To help address the need for on-campus housing, UCR is utilizing the systemwide public-private partnership model in support of the President's Student Housing Initiative. The campus engaged in a robust process to select a developer that would most effectively meet campus priorities. The developer selection process concluded in November 2017, with the selection of American Campus Communities as the preferred developer.

Dundee Residence Hall and Glasgow Dining, as proposed, would provide 760 residence hall beds and a new 830-seat dining facility by fall 2020. The project would be financed with a tax-exempt bond under a financing trust structure. The campus anticipates returning to the Regents for business terms approval in spring 2018, and design approval, following action pursuant to the California Environmental Quality Act, in summer 2018.

**BACKGROUND**

The current and growing demand for on-campus student housing has several driving factors. To help address this need for housing, over the last two academic years the Riverside campus has increased residence hall bed capacity by converting 508 double occupancy rooms to triple occupancy rooms. With current enrollment projections for fall 2020, the campus will need approximately 880 residence hall beds to serve its incoming first-year student population. The campus is proposing to build a new student housing development to address the majority of this current and projected demand.

*Project Drivers*

**Demand for On-Campus Housing and Housing Guarantees**

Affordable, on-campus housing is a major driver in recruitment and retention of students. The demand for on-campus student housing is driven primarily by the benefits of living near campus amenities, including: academic resources, student services, student organizations, research facilities, clinical services, and recreation. Interest in on-campus housing at the campus is very strong as shown by a wait list of nearly 2,500 students for the fall 2017 term (see Table 1).

**Table 1: Fall 2017 UC Riverside Enrollment and Students Housed**

Fall 2017		
Enrollment	Students Housed (Percent)	Wait List
23,278	6,593 (28%)	2,489

Although UCR has increased its housing stock in recent years, there remains unmet student demand due to continued enrollment growth. Over the past decade, the total campus student population has grown more than 35 percent, from 17,187 to 23,278 total students (between fall 2007 and fall 2017). During this period, 1,300 apartment-style beds were added in the two phases of Glen Mor, and approximately 860 apartment beds were added with the acquisition of Oban Apartments and Falkirk Apartments; however, these housing developments only marginally addressed UCR’s on-campus housing demands, while the demonstrated need for additional freshman housing, specifically residence hall-style beds, continued to grow without being addressed.

In November 2015 the Regents approved a budget plan that included a systemwide enrollment increase of 10,000 California resident undergraduate students over the following three years. As a result of this plan, UCR enrolled 1,329 more first-year students for the academic year 2016-17. These first-year students were given a one-year housing guarantee in fall 2016, which had an immediate impact on the availability of campus housing.

To address the influx of new students and meet the housing guarantee to first-year and transfer students, the campus reconfigured rooms. Moreover, the campus assigned first-year and transfer students to apartment-style housing, which has traditionally been set aside for sophomores and upper-division students.

**Need For New Dining Facility**

The campus needs additional dining capacity for several reasons, including higher demand as a result of the increasing number of campus residence hall beds. The campus currently provides dining services to its students at two locations, the Lothian and Aberdeen-Inverness (A-I) dining facilities. The 342-seat Lothian dining hall facility was remodeled in 2005 in order to expand seating and provide a more contemporary and efficient dining program. The 500-seat A-I dining facility was built in 1959 and needs major renovations in order to continue to serve student dining needs; furthermore, a contemporary and efficient dining program cannot work physically

in its constrained footprint. Therefore, the campus has determined that a new stand-alone dining facility would be a more cost-effective solution, from both a capital delivery and operational standpoint. Once the Glasgow Dining facility opens, the campus expects to convert the A-I dining facility to provide much needed multi-functional student support and service space.

***Off-Campus Market and Constraints***

Riverside students have historically had access to affordable, off-campus housing options. However, the Riverside housing market is changing, as evidenced by very low vacancy rates and rising rental prices. According to the third quarter 2017 CoStar Market Analytics, Multifamily Research Market Report, the City of Riverside has a reported vacancy rate below 2.25 percent for all apartment properties. Additional data provided for the Riverside market by REIS shows that apartment rents in the City of Riverside have increased each year for the past seven years, resulting in a cumulative increase of over 28 percent. In the third quarter of 2017, apartment rents in the City of Riverside rose 6.7 percent when compared to the same period the previous year. The increased demand for privately owned rental stock in Riverside has affected the rental rates near campus.

There are no directly comparable privately owned residence halls in Riverside. However, in an effort to try to compare proposed rents at Dundee Residence Hall to market rents, the campus has prepared the following analysis. Adjacent to campus are four privately owned student housing projects that have a combined total of 2,542 beds; these properties are most similar to on-campus residence hall housing because the properties have requirements to rent to college students and charge rent on a per-bed basis. This off-campus housing is not truly comparable to on-campus residence hall housing because of the amenities, support, and student-centered experience that residence halls provide. Table 2 illustrates fall 2017 rental rates for the privately owned student apartments and on-campus residence hall housing, adjusted to best provide comparable rental rates. In order to approximate the true cost of rent, the costs of services are subtracted from on-campus rates.

**Table 2: Per Student Comparison of Fall 2017 Rents**

	UCR Bed Rate Per Month ( <sup>1</sup> )	Average Private Market Bed Rate Per Month ( <sup>2</sup> )	Cost Savings vs Private Market Per Month
On-Campus Residence Hall, Double Occupancy	\$ 987	\$ 1,077	8.4%
On-Campus Residence Hall, Triple Occupancy	\$ 887	\$ 1,077	17.6%
<i>Notes:</i>			
1. Dining plan and cost of residence life fees, campus provided high-speed internet, security, and housekeeping are not included.			
2. UCR housing rates are for a 9-month tenancy (academic year). Private market apartments require a 12-month tenancy.			

Students are not required to have a 12-month lease for on-campus housing, so the annual rental costs for the nine-month residence hall housing is more affordable than privately owned student housing by approximately 30 percent.

**PROJECT DESCRIPTION**

The development of Dundee Residence Hall and Glasgow Dining (Project) is meant to fulfill the existing demand for: 1) additional residence hall beds for first-year students by delivering 760 residence hall beds, and 2) a new 830-seat dining facility. Table 3 outlines the conceptual space program for the Project.

**Table 3: Conceptual Space Program for the Dundee-Glasgow Project**

<b>Program</b>	<b>Estimated Gross Square Footage</b>
Residential Space	76,000
Student Support Spaces	8,000
Circulation, Mechanical and Structural	52,000
Community Bathrooms	18,000
Living, Learning, Community & Administration	9,000
Support and Maintenance	4,000
<b>Sub-Total for Residential Space Program</b>	<b>167,000</b>
830-Seat Dining Facility	47,000
<b>Total Space Program for Dundee-Glasgow Project</b>	<b>214,000</b>

***Developer Selection Process***

UCR has explored various options for delivering additional student housing and dining for its students and has determined that using a public-private partnership (P3) delivery model provides the optimal solution for these auxiliary programs.

The campus engaged in a rigorous evaluation process to select the developer to deliver new student housing, dining, and other student support amenities. The process involved working closely with the UC Office of the President to utilize the systemwide P3 model in support of the Student Housing Initiative and to meet campus financial feasibility, quality, and affordability demands for student housing, dining, and other complementary services.

The campus developed a two-stage Request for Proposals (RFP) process to develop the North District and Parking Lot 22 (see Attachment 1 for location) to address the campus’s need for housing and other complementary facilities. After a comprehensive evaluation process consisting of numerous working groups, two all-day developer charrettes, developer interviews, a public

presentation to the campus and Riverside community, a follow-up clarification meeting, and an extensive executive committee review process, the campus leadership recommended the selection of American Campus Communities (ACC) to President Napolitano on October 31, 2017.

***Solution for Meeting Student Housing Needs By 2020***

During the Stage 2 RFP process, it was determined that Parking Lot 22 could be developed as a separate project (the Dundee-Glasgow project) from the North District Development project, as a way to expedite development of student housing by fall 2020. The North District Development is anticipated to be built following the Dundee-Glasgow project to address the additional demand for student housing. The Dundee-Glasgow site, currently known as Parking Lot 22, is located in between the existing A-I and the Pentland Hills Residence Hall facilities that serve first-year students. As of the 2017-18 academic year, the campus instituted a new policy that restricts parking for first-year students living on campus; therefore Parking Lot 22 is currently underutilized and serves as an ideal location for the new residence hall and dining facility. These new facilities will help the campus address current and projected housing demand for first-year students as well as replace the antiquated dining facilities located at A-I. The Project supports the 2005 Long Range Development Plan (LRDP) goals to guarantee housing for freshman and provide 50 percent of students with on-campus housing.

***Ownership and Financing Structure***

The campus plans to finance the Project with a tax-exempt bond under a financing trust structure similar to the Irvine East Campus Apartments project. Tax-exempt bond financing under this structure requires that the owner of the Project and the beneficiary of such financing be a not-for-profit entity. Through a ground lease, the not-for-profit entity will be responsible for constructing, owning, operating, and managing the Project at its cost. The entity will contract with ACC for the development and management of the project through a development agreement and management agreement. Additionally, the not-for-profit entity will contract with the Project design consultants and general contractor.

Tax-exempt bond financing offers the best opportunity to achieve affordable bed rents. It is anticipated that the University would control all cash flow after payment of all expenses associated with the operation of the Project, including operating expenses, replacement reserves, and debt service. The University may use this net available cash flow at its discretion, including directing the not-for-profit entity to pay down the bond obligations on the Project.

The campus is in the process of working with ACC to meet the project objectives and the debt requirements. Over the next several months, the campus will be negotiating the ground lease and other transaction documents.

***Student Rental Rates***

One of the advantages of this tax-exempt bond structure is that the University can set the student rental rates in the initial year of operations and control rent growth. The University would set rental rates for the Project to match existing campus rates (see Table 2 for residence hall rates).

***Anticipated Project Schedule***

Key Milestones

Business Terms Presented to Regents	Spring 2018
California Environmental Quality Act (CEQA) Completed	Summer 2018
Design and CEQA Presented to Regents	Summer 2018
Bond Closing and Commencement of Construction	Fall/Winter 2018
Housing and Dining Completion	Fall 2020

**CONCLUSION**

There is an unmet and growing need for on-campus student housing, exacerbated by the City of Riverside's tightening housing market and rising rents. The campus has determined that the delivery of 760 residence hall beds and an 830-seat dining facility is best served by utilizing a P3 structure. The P3 delivery model supports the President's Student Housing Initiative by bringing on new beds by 2020. The selection of ACC as UCR's student housing development team is a step toward meeting the LRDP goal to house 50 percent of students on campus and to keep more students living, learning, and socializing in close proximity to the academic core.

**Key to Acronyms:**

A-I	Aberdeen-Inverness
ACC	American Campus Communities
CEQA	California Environmental Quality Act
LRDP	Long Range Development Plan
P3	Public-Private-Partnership
RFP	Request for Proposals
UCR	University of California, Riverside

**ATTACHMENTS:**

<a href="#">Attachment 1:</a>	<a href="#">Project Location Map</a>
<a href="#">Attachment 2:</a>	<a href="#">Project Site Plan</a>
<a href="#">Attachment 3:</a>	<a href="#">Alternatives Considered</a>