

**Office of the President**

**TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:<sup>1</sup>**

**DISCUSSION ITEM**

*For Meeting of March 13, 2013*

**UPDATE ON IMPLEMENTATION OF THE 2020 PROJECT, MERCED CAMPUS**

**EXECUTIVE SUMMARY**

In the fall of 2005, UC Merced's inaugural year, the campus opened with an enrollment of 871 full-time equivalent (FTE) students. Last fall, following a record number of applications, 5,684 FTE students were enrolled at UC Merced, an increase of 553 percent.

With 99 percent of its undergraduates from within California, and more than a third from the San Joaquin Valley, UC Merced continues to be a testament to the intent of the State and the University of California to support this underserved region.

In 2009, the Regents adopted the updated Long Range Development Plan for the Merced Campus (2009 LRDP). The 2009 LRDP set forth a land use plan and principles for the development of the campus to accommodate 25,000 students by the year 2030 and detailed the second of four phases to accommodate 10,000 students by 2020 (2020 Project). While enrollment at the campus has continued on pace to reach 10,000 students in the 2020 time frame, funding for the campus facilities that are required to serve those students has not kept pace.

At present, the campus does not have enough space for its current enrollment in all categories of space and is faced with a growing gap between strong student demand for admission to UC Merced and the campus' limited physical capacity to accommodate that demand. Development of the facilities necessary to accommodate 10,000 students is critical to the success of the Merced campus and its economic viability, and also to the ability of the University of California to provide access to eligible students.

Considering the need to explore all options and alternatives to accomplish the physical development required to serve 10,000 students, Merced invited an Advisory Services Panel from the Urban Land Institute (ULI) to help identify the cost and programmatically effective means to build out the 2020 Project. The ULI report includes a set of guiding principles and recommendations to address the physical space shortfall and provide for growth, in particular by considering denser developments to optimize the existing infrastructure spine, moving additional administrative space off campus and consolidating off-campus space in a single location, and

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<sup>1</sup> Of interest to the Committee on Finance.

using public-private partnership approaches to deliver campus facilities. This item discusses the actions the campus proposes to undertake, and the evaluation, planning, and decision points that would be required to implement the 2020 Project.

As the first step in the 2020 Project process, the campus is requesting the Regents' support for its concept of an integrated, master-planned development on a more limited footprint. To encourage potential private partners to participate in the process, the Regents support for the campus' proposed approach will be beneficial. Over the next several months, the campus anticipates exploring various means to deliver and finance the 2020 Project, and at a future date will request that the Regents consider an amendment to its 2009 Long Range Development Plan (LRDP). Approval of an amendment to the LRDP will be a critical step to attract private development partners willing to devote substantial resources to the procurement process to design and deliver the 2020 Project as a mixed-use master planned development.

### **BACKGROUND**

In 1990, the University of California began the careful planning process for the selection and development of a site in the San Joaquin Valley for the tenth University of California campus. This effort culminated in the adoption of the first LRDP for the Merced Campus in 2002. The first campus buildings opened on the new site in 2005.

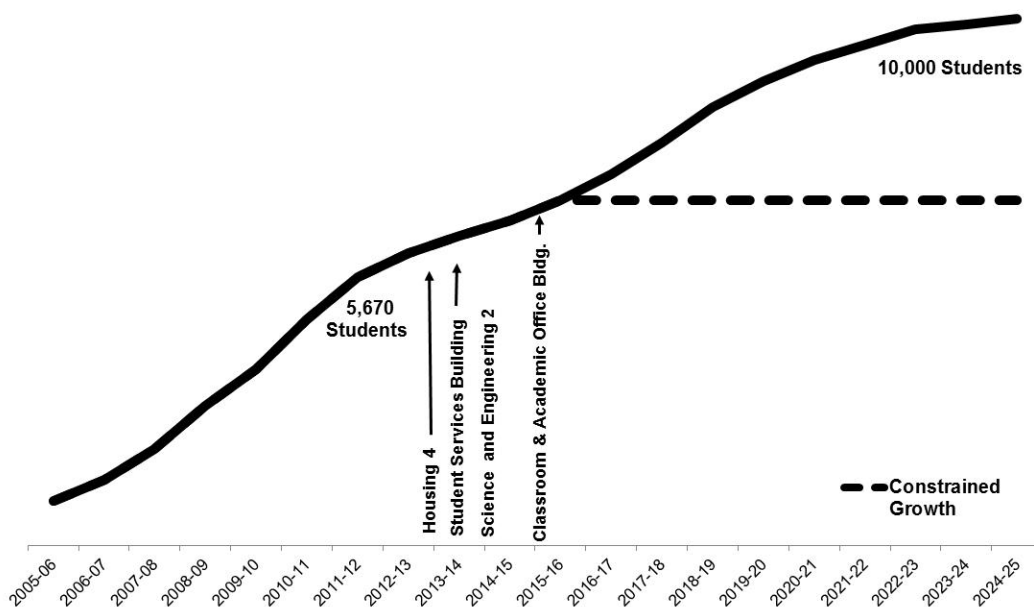
In March 2009, the Regents approved the 2009 LRDP, which set forth a land use plan and principles for the development of a 25,000-student campus by the year 2030. It includes the existing Phase 1 campus developed on the original 104-acre site and envisions the full build out of the campus in three additional phases. The next phase of development is identified in the LRDP as the Phase 2.0 campus (the "2020 Project") and provides for the facilities needed to support an enrollment level of 10,000 FTE students. The 2020 Project includes: academic, administrative, research, and recreational buildings; student residences, student services buildings; utilities and infrastructure; outdoor recreation areas; and associated roadways, parking, and landscaping.

In 2009, the Merced campus received 10,891 applications for admission and served 3,414 undergraduate and graduate students. Just over half of Merced's undergraduate students were first-generation college students, and nearly half of them received Pell Grants. Student demand to attend the Merced campus continued to soar. By fall 2012, the campus received 17,191 applications and served 5,684 FTE undergraduate and graduate students, an average annual growth of 757 FTE students per year. As it has grown, the campus has increased its commitment to first-generation and low-income applicants. In the current academic year, the percentage of undergraduates that were first-generation college students increased to 59 percent and the number of Pell Grant recipients has also continued to increase, rising to 58 percent.

While Merced has continued its enrollment growth consistent with the goal of reaching 10,000 students by 2020, it now faces critical space shortages. The campus moved administrative functions, faculty offices and research laboratories off campus to three dispersed locations in the Merced area. Among other impacts, these actions have increased costs for transportation,

information technology, and security, and have diverted scarce resources toward capital improvements and rent. Despite these actions to move staff and faculty off campus, specialized classroom and laboratory capacity remains constrained. For example, campus teaching laboratories and large academic classrooms are over-utilized and lack availability for high-demand and prerequisite courses, affecting the selection of courses, as well as students' ability to graduate within four years. The Merced campus has begun to develop and deploy hybrid distance learning courses, and will continue to develop strategies appropriate for the campus. The campus also lacks many of the student support and student life facilities that are normal on UC campuses and contribute to the well-rounded student life experience and successful matriculation.

For these reasons, the Merced campus must explore options for limiting the number of new freshmen below previous plans because of constraints in capital development. Even with the anticipated completion of the Classroom and Academic Office Building in 2015, the campus is struggling to determine a feasible path to accommodate additional growth at a level beyond 6,700 students in the absence of commitments to deliver additional facilities.



Development of the facilities necessary to enable the Merced campus to accommodate 10,000 students is critical to the success of the Merced campus. To emerge as a competitive research university campus, it is imperative for UC Merced to continue to develop its graduate programs and research capacities. In its short history, a remarkably successful research portfolio has been established at Merced. (For example, UC Merced faculty currently have active research support from every Directorate of the National Science Foundation, the government agency that currently provides the largest fraction of research support to the campus.) But further growth is severely constrained by the limitation of current facilities. The campus has committed to investing strategically in a focused set of research areas with the greatest potential of gaining prominence nationally. At the same time, the campus must continue to serve a growing

population of academically talented and deserving low-income, first-generation, and underrepresented students.

In order to develop the remainder of the 2020 Project, the Merced campus needs to make efficient use of its remaining developable land along its existing infrastructure backbone and must identify funding for additional academic and research facilities, housing, dining, parking, and student services facilities.

***The 2009 LRDP: 2020 Project***

The 2020 Project represents the ensuing phase of development of the Merced campus and constitutes what was envisioned as the next portion (Phase 2) of the long-term development proposed under the 2009 LRDP. The 2020 Project includes the facilities needed to support an enrollment level of 10,000 students, including academic, administrative, research, and recreational buildings, student residences and student services buildings, utilities and infrastructure, outdoor recreation areas, and associated roadways, parking, and landscaping.

Under the 2009 LRDP the Phase 2 projects were anticipated to be developed on approximately 355 acres and to be completed by 2020. By that time, the campus would contain 2.5 million square feet of academic space, 5150 beds of on-campus housing, and 5050 parking spaces.

Three of the buildings included in the 2020 Project are currently under development in either the construction or planning stage. When these are completed, the campus will consist of approximately 1.2 million gross square feet of building space, 2074 parking spaces, and 1693 beds of on-campus housing, located largely within the campus' original Phase 1 footprint.

The remainder of the 815-acre Merced campus site presents development challenges that make construction of the campus both time-consuming and costly. Of greatest concern is the fact that most of the 815-acre site has no infrastructure, including water and sewer service. The site is bisected by irrigation canals that make transportation and utilities infrastructure expensive, exacerbating already difficult funding challenges, given current resource constraints in the State and the UC system. Recognizing these limitations, the campus is in the process of exploring alternatives to make more efficient use of Regents-owned land on the 815-acre site.

The 2020 Project will be located on approximately 219 acres, which includes the existing 104-acre Phase 1 site. In addition, the campus will explore opportunities to develop administrative facilities off campus.

***Urban Land Institute Report***

In the face of the growing gap between strong student demand for admission and the campus' limited physical capacity to accommodate that demand, the campus must find creative ways to add capacity rapidly, both on and off campus. UC Merced invited an Advisory Services Panel from the Urban Land Institute (ULI) to identify cost and programmatically effective means to

expand the campus' physical space to accommodate 10,000 students and provide them with appropriate levels of face-to-face interaction with faculty.

The ULI submitted a final report in December 2012<sup>2</sup> with a set of recommendations and guiding principles. Those recommendations include:

- **Revise the land use plan to allow additional development on the existing 104-acre (Phase 1) footprint.** The ULI report recommends that the campus revisit the planning studies done to date and identify specific projects that use the existing infrastructure or that require minimal infrastructure investment for their delivery. This would allow the campus to increase density on the existing 104-acre site and connect to the existing infrastructure spine, potentially saving cost and time to develop. This could also include converting existing parking lots into buildable land, developing taller structures with multiple uses, increasing the efficiency of existing facilities, and clustering academic and research facilities more effectively while relocating the bulk of Merced's administrative operations off campus.
- **Consolidate off-campus administrative operations into fewer locations.** This could increase efficiency and teamwork, given that departments are currently in dispersed locations throughout the City and County of Merced. In addition, if concentrated in downtown Merced, this could strengthen the campus's presence within the city, fostering the growth of the city's business relationship with the campus, and help boost the local economy as more UC Merced's employees would frequent downtown businesses.
- **Explore off-campus housing solutions.** To meet the needs of the incoming students, the campus could explore off-campus housing options through potential facility acquisitions, construction, or lease arrangements, seeking a greater sense of community for off-campus residents and providing better amenities for the students.
- **Implement the 2020 Project as an integrated, Master Planned Development (MPD).** This approach would allow the campus to develop joint-use facilities (in lieu of single-purpose individual buildings) and deliver the buildings in clusters (instead of building-by-building). This could potentially save construction time and reduce project costs.
- **Utilize public-private partnerships (PPP).** Explore utilizing the PPP delivery method whenever feasible, both on and off campus, with a focus on joint-use facilities. Large PPP arrangements would seek to deliver facilities in an integrated manner instead of sequentially as individual buildings for separate uses.

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<sup>2</sup> ULI Final Report is available at [http://chancellor.ucmerced.edu/sites/chancellor/files/remarks-writings/docs/ULIMerced\\_PanelReport.pdf](http://chancellor.ucmerced.edu/sites/chancellor/files/remarks-writings/docs/ULIMerced_PanelReport.pdf).

*The 2020 Project Master Planned Development Proposal*

After consideration of the ULI recommendations, the campus proposes to pursue an integrated, master planned development (MPD) on the original 104-acre site and adjacent areas immediately to the east of the current campus. The total area being considered under this proposal is 219 acres. The campus intends to engage in a procurement process to determine whether a master developer can deliver any of the 2020 Project in a cost-effective manner and, if so, to select private development partners. On a parallel path, the campus intends to explore opportunities to consolidate certain administrative functions in downtown Merced.

Under the 2020 Project proposal, the total square footage of development would remain within the overall development envelope anticipated in the 2009 LRDP and evaluated in Volume 3 of the 2009 LRDP Environmental Impact Statement/Environmental Impact Report. The 2020 Project would be located on a much smaller area within the larger development area originally envisioned. The square footage allocated to various uses, and the location and arrangement of buildings within the smaller development area, would vary from the original plan set forth in the 2009 LRDP.

The campus intends to provide land use flexibility needed for the MPD by proposing an amendment to the LRDP to create a campus mixed use area. Approval of an amendment to the 2009 LRDP is a critical step to attract private development partners willing to devote substantial resources to a procurement process to design and deliver the 2020 Project.

The proposed changes to the 2009 LRDP and 2020 Project are not expected to substantially alter the environmental impacts associated with the 2020 Project, in particular off-site impacts such as traffic. In fact, the campus' approach should reduce the overall impacts associated with the 2020 Project. The mitigation measures adopted by The Regents when it certified the 2009 LRDP EIS/EIR and approved the 2009 LRDP would be implemented as part of the revised 2020 Project. All agreements reached with federal, State and local agencies regarding mitigation of campus impacts would be unaffected by the 2020 Project MPD proposal. A determination will be made whether any further environmental review is required for the 2020 Project at the time the LRDP amendment is proposed.

The campus anticipates exploring various means to deliver and finance the 2020 Project over the next several months. Several different approaches to financing the project are possible. Traditional capital project funding and ground lease structures will be explored in detail. To the extent that the University can provide its own financing, it will maximize the competition among potential bidders and thereby minimize overall project cost.

*Proposed Next Steps*

The campus proposes to undertake the following steps in order to deliver the first phase of the 2020 Project by 2017:

- Request Regents consideration of an LRDP amendment to create the campus mixed-use area.
- Release a Request for Qualifications (RFQ) to identify a “short list” of potential development partners capable of delivering a project of the size and scope of the 2020 Project. The campus anticipates that a RFQ will be released in late spring to early summer of 2013 and that qualifying firms will be identified in the fall of 2013.
- Confer with the Regents on the qualifying firms and proposed funding approaches and project delivery methods.
- Request proposals from qualified firms.
- Review and analyze financing options for the Project that include debt capacity and accounting impacts.
- Negotiate the business terms with the selected development partner.
- Request Regents’ consideration of any necessary modifications to the campus’ Physical Design Framework.
- Request Regents’ consideration of project design and proposed business terms. The campus anticipates that the Regents will be asked to consider and approve the 2020 Project in late 2014 or early 2015.
- Commence project construction in early 2015 with delivery of first phase by 2017.

Attachment: [UC Merced 2020 Project Land Use Map, showing 2009 Land Use Designations](#)