

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

DISCUSSION ITEM

For Meeting of March 15, 2017

UPDATE ON STUDENT HOUSING, BERKELEY CAMPUS

EXECUTIVE SUMMARY

This report provides an update on the Berkeley campus' plans for strategically expanding its stock of on-campus housing available to students, centered primarily on the results from the campus-wide Housing Master Plan Task Force and anticipated next steps.

The campus currently has the lowest percentage of beds for its students of any campus in the UC system. The planned increases in enrollment of incoming students create additional pressures on the campus housing supply as UC Berkeley aims to provide affordable housing and an excellent residential experience to all first-year students and as many continuing, graduate, and transfer students as possible. Furthermore, given the current financial situation of the campus, the expensive and limited housing market in the City of Berkeley and the broader East Bay, and the limited availability of physical space for potential expansion in the surrounding area, the campus is committed to exploring additional strategies for meeting the housing needs of its students.

In summer 2016, the Housing Master Plan Task Force (Task Force), was charged to develop a master housing plan for the campus. The Task Force has drafted a report that provides an initial assessment of potential sites for additional housing expansion and offers several recommendations for next steps for meeting both the current and long-term housing needs of the campus.

UPDATE ON STUDENT HOUSING

Housing Master Plan Task Force

In June 2016, Chancellor Dirks charged a campus Task Force to develop a housing master plan for the Berkeley campus. The need to plan for affordable, convenient housing is of critical importance both for accommodating increasing undergraduate enrollment and also for attracting talented faculty, postdoctoral scholars, and graduate students. These needs, coupled with the current campus budget challenges, demand careful and immediate attention to expanding the campus housing capacity. The specific charges to the Task Force included:

1. Enumerate and evaluate potential sites for development (both on and near campus, as well as other owned real estate), as well as needs for replacing or renovating existing housing stock.
2. Consider the impact on campus and the City of Berkeley of developing certain sites, as well as options for mitigating potentially adverse effects.
3. Develop a financial model that will guide decisions about future housing development.
4. Evaluate market conditions and the Long Range Development Plan (LRDP) as parameters for housing development.
5. Establish criteria that should guide decision making around the development of housing.

The Task Force was chaired by Interim Executive Vice Chancellor and Provost Carol Christ, and included senior-level campus representatives from Real Estate, Graduate Division, Residential & Student Service Programs, Undergraduate Education, the Vice Provost of the Faculty, and the Berkeley Division of the Academic Senate. Other subject matter experts (*e.g.*, the Campus Architect, the Chief Financial Officer, Community and Government Relations) were consulted to provide both breadth and depth to the Task Force deliberations.

Student Housing

Campus housing, and specifically student housing, provides critical support for the University's academic mission and provides students with the necessary academic and social support to facilitate their success. Students desire housing options with ready access to the campus that provide them with a safe and affordable community and include the amenities that allow them to excel both within and outside the classroom.

Despite the fact that the East Bay is one of the tightest housing markets in the state, Berkeley currently has the lowest percentage of beds for its student body of any campus in the UC system – approximately 22 percent for undergraduates and nine percent for graduate students. By comparison, the systemwide average is 38.1 percent for undergraduates and 19.6 percent for graduate students. Lack of campus housing capacity adversely affects the overall student experience; a shortage of campus housing also challenges the campus' ability to recruit faculty, graduate students and post-doctoral scholars. Figure 1 depicts campus housing locations.

Figure 1: Current Campus Housing Locations



2005 Long Range Development Plan

Under the current Long Range Development Plan (LRDP) published in 2005, the long-term goals for both faculty and student housing include:

- provide two years of University housing for entering freshmen;
- provide one year of University housing for entering transfers;
- provide one year of University housing for graduate students;
- maintain the number of University housing units suitable for students with children; and
- provide up to three years of University housing to new untenured ladder-rank faculty.

As campus enrollment numbers have continued to climb, it has been difficult to keep pace in delivering new housing units towards meeting these LRDP goals. The Office of Planning and Analysis reports that the undergraduate population has increased by 15 percent from 2006 to spring 2016 for a total current student headcount of 26,094; the graduate student population has increased by seven percent during this same timeframe to a total of almost 11,000. The Task Force recommended a campus goal of housing approximately 50 percent of undergraduate

students and 25 percent of graduate students. This translates to a need for almost 15,900 beds, a significantly larger number than the current stock of approximately 8,700 beds.

Campus Housing Demand

As reflected in the residence hall applications received annually (see Table 1), the demand for housing continues to rise and outpaces the available inventory by over 30 percent. Still, applications may not fully reflect the demand for on-campus housing: first, students are aware of the limited inventory available to undergraduates; and second, many upper-division students desire to live in apartments and apartment-style units, which are extremely limited on campus. Both factors may drive down applications.

Table 1: Undergraduate Housing Supply and Demand

Academic Year	Undergraduate Housing Applications (1)	Available Inventory	Shortfall	
2011-12	8,755	6,257	2,498	29%
2012-13	8,854	6,645	2,209	25%
2013-14	9,675	6,724	2,951	31%
2014-15	9,880	6,930	2,950	30%
2015-16	10,401	7,125	3,276	31%
2016-17	10,863	7,476	3,387	31%

1. Only undergraduate applications are reflected here because graduate applications are a dynamic, moving target.

City of Berkeley Housing Market and Constraints

The cost of housing in Berkeley (and more broadly in the East Bay) is extraordinarily high and rising, and amplified by a very low vacancy rate. The average rate of a one-bedroom unit in Berkeley has risen from less than \$1,500 in January 2011 to nearly \$2,600 in fall 2016; and has risen from around \$2,000 to over \$3,200 for a two-bedroom unit. While housing construction is a priority for the City of Berkeley, the vast majority of new construction caters to the luxury apartment market, and given the lack of necessary supply for students, demand far outstrips the availability of affordable housing.

Given the rising cost of housing in the Bay Area and particularly Berkeley, students are being pushed farther and farther away from the campus in their search to find available and affordable housing. Longer commutes lead to reduced opportunities to become integrated into the academic and social fabric of the campus, a situation that results in negative student outcomes – reduced student engagement, lower student persistence and a longer time to degree, along with isolation and resulting adverse consequences.

Rental Rates

The cost of on-campus housing is comparable to or more favorable than local rental rates. Table 2 shows current on-campus and average City of Berkeley off-campus housing rates.

Table 2: Student Housing Rates

Accommodation Type	UC Berkeley Housing Rates (Per bed) (1),(2)	Average Berkeley Apartment Rental Rates (3),(4),(5)
Single room/Studio	\$1,630	\$2,251
Single Suite/1 Bedroom	\$1,490-\$1,800	\$2,597
Double Suite/2 Bedrooms	\$1,590-\$1,780	\$1,685-\$1,758/room (\$3,371-\$3,517 total rent)
Triple Suite/3 Bedrooms	\$1,390-\$1,570	\$1,667/room (\$5,000 total rent)

1. UC Berkeley rates deduct the value of the meal plan estimated at \$300/month.
2. Rates based on academic year 10-month tenancy and include utility costs.
3. City of Berkeley off-campus private housing rental rates are per unit, unless otherwise noted.
4. Rates based on 12-month tenancy and exclude utility costs.
5. Date Source: RealFacts, Q4 2015.

Current Housing Projects

Under the 2005 LRDP, the Berkeley campus has remaining capacity for approximately 2,250 beds. Bancroft Hall, a 775-bed freshman residence hall at the corner of Bancroft Avenue and Dana Street (the former location of Stiles Hall) is under construction. UC Berkeley will still have the capacity to develop 1,500 beds after the opening of this new housing project and the Task Force used this figure for planning purposes.

The most recent housing construction undertaken by the campus was Maximino Martinez Commons, which was completed in 2012 and houses approximately 400 students in both traditional residence hall rooms and multi-room apartments. Since then, in order to meet the emergent housing needs of incoming students, the campus has also undertaken several temporary measures. During the 2013-14 school year, UC Berkeley added 75 beds by converting doubles to triples, and 106 beds in converted lounges. During the 2014-15 academic year, 206 beds were added by converting double to triple rooms. In 2015-16, inventory was additionally strained by the loss of 192 beds in Bowles Hall during its renovation; 172 beds were added by converting rooms of all sizes to higher occupancy, and an additional 52 beds were created in converted lounges.

In fall 2016, the campus enacted temporary measures to provide more housing: 1) signed master leases with Garden Village and New Sequoia apartment buildings to house a combined 346 students (110 and 236, respectively), 2) converted triples to quads to house 92 additional students; and 3) entered into minor agreements with Holy Names College and Mills College to house 10 and 15 students respectively.

Fiscal Considerations

Because of the limited campus debt capacity, the Berkeley campus must explore new and innovative ways of developing housing that has limited impact on campus debt obligations. With the construction of Bancroft Hall under way, the campus has begun a new phase in its development of campus housing through the use of Public-Private Partnerships (P3). Bancroft Hall is a P3 project being developed in partnership with American Campus Communities and utilizes third-party equity instead of campus debt. The campus expects to partner with the Office of the President to utilize the systemwide P3 development model in support of the Student Housing Initiative for future projects.

PLANS FOR CONTINUED DEVELOPMENT

Potential Sites for Future Development

The Task Force explored a number of potential housing locations near campus. While not an exhaustive inventory, Table 3 outlines the sites with the most near- to mid-term promise. These site locations will enable the campus to add beds both in residence halls (which would cater primarily to undergraduates), apartment buildings that may include some support services (meeting the needs of upper-division students and graduate students), as well as apartments and housing that could be more suitable for faculty and postdoctoral scholars. The list is shown in preliminary priority order, and is subject to the results of a full financial analysis of the costs and benefits of each site and input from campus and community parties as the planning process continues.

Table 3: Potential Housing Sites

Location	Type	Proposed Population	Preliminary Beds / Apts. (range)*	Notes
Channing/ Ellsworth	Residence halls; apartments	Upper-division undergraduates; graduate students	200-400 beds	Relocation of tennis courts is required; parking replacement will also be needed.
Oxford Tract	Residence halls; apartments	Undergraduates; upper-division undergraduates; graduate students	1,000-3,000 beds	Existing academic research will need to be relocated. Food service operation will need to be included in the project, other uses such as parking, retail, student support areas, etc should be studied as well.
Bancroft/ Oxford	Residence halls; apartments	Upper-division undergraduates; graduate students	100-120 apartments	Relocation of administrative offices (<i>i.e.</i> , Public Affairs) required.
Unit 3 Densification	Residence halls	Undergraduates	650-900 (net new beds)	Surge space needed during construction; renovation/ replacement of the current dining facility is also needed.
Upper Hearst Garage	Apartments	Various	75-100 apartments	Parking replacement will be needed.
People's Park	Residence halls on a portion of the site; long-term Indigent Housing.	Undergraduates	200-350 beds	Develop site with allocation of uses between campus-serving residence halls (likely including food service), community-serving very low-income supportive housing, open space including a memorial to the People's Park history, consistent with historical and continuing cultural significance of People's Park. Requires careful collaboration with City of Berkeley and other community and governmental partners.
Albany Village	Apartments	Undergraduates; graduate students; post-docs with families; single graduate students	150-200 apartments	Need to consider how this site might relate to uses that need to be relocated from the Oxford Tract site to Albany Village.
Smyth-Fernwald	Apartments	Graduate students, faculty; post-docs	200-250 beds	Requires close collaboration with the neighbors.
Richmond Field Station	Apartments	Graduate students, faculty; post-docs	TBD	Requires a thorough assessment of site conditions and an amended Long Range Development Plan (LRDP).

** bed & apartment ranges are estimates that require more detailed analysis and planning*

Financial and Resource Considerations

Though the campus has several viable options for developing new housing stock, campus real estate sites are a finite resource. As with any limited resource, the campus must make judicious decisions about how these resources are deployed, particularly during constrained budget times. The Task Force remains firm in the campus commitment to providing a campus housing program which serves a diversity of campus user types consistent with the campus' academic mission.

Given the debt and other structural financial issues facing the campus, a comprehensive campus master plan is needed to guide a strategic vision for space planning across campus; any new space must be developed in a way that is financially sustainable at the level of the overall portfolio. Within this larger campus plan, these respective housing projects can be sequenced with other large campus projects. Identifying affordable options for financing housing projects will be critical and will ultimately determine whether the campus is able to achieve the goals it has set for housing.

Though the Task Force has yet to develop a specific financial model to guide decisions about future housing development, the following analyses are needed to develop a list of prioritized projects:

- Each site should be considered for alternative uses including selling the land, leasing it for commercial development, or using it for other campus programs.
- Analyses should include relocation/replacement costs for existing uses (*e.g.*, parking, recreational facilities, academic space, etc.) and all operating expenses related to the project should be in the pro forma analysis so that there is a clear idea of net revenue.
- Proposed project components should be reviewed independently before consolidating into an overall site program. As an example, for a mixed-use project, develop “mini-models” for housing, dining, and parking to evaluate viability of each use before combining them into the larger project. The campus should understand the financial impact of each component.
- For each potential housing project, the campus needs to evaluate financial implications for the campus against affordability to the student occupants in deciding how to prioritize and phase a housing master plan.

Other Considerations

Maintenance of Current Housing

As the campus plans for significantly increasing the number and mix of beds for its student community, it must also pay attention to maintaining the quality of its current housing stock. The largest number and density of students are currently located in the high-rise units (Units 1, 2, and 3) that opened in the early 1960s. While all housing units have undergone some form of capital renewal or renovation over time (some being more extensive than others such as the seismic retrofitting in the high-rise units in 2014), the campus still needs to invest significant financial resources to keep these units operational.

Dining Facilities

An integral part of the student living experience, in particular for new students, is the community that extends from the living environment in campus housing into the dining facilities. Through its discussions this fall, the Task Force emphasized that dining adds significant complexity to planning for student housing. Today's students require healthy, diverse, grab-and-go options, as well as extended dining hours, with food prepared in sustainable ways. In addition, the issue of food insecurity has increased in recent years and a financial model that allows the campus to prioritize affordable dining options is also critical. Thus, as the campus adds housing units, student dining will need to be addressed as well. Therefore, the campus must consider the feasibility of and capacity for introducing dining facilities as it plans new housing.

Next Steps

The Task Force acknowledged that the accessibility and availability of campus housing is an urgent issue for the UC Berkeley community. To that end, the Task Force sees the following items as the immediate next steps for the spring and summer of 2017.

Consult with Various Constituencies

Many on the Berkeley campus are eager to learn about the work of the Task Force. During the spring of 2017, members of the Task Force will be reaching out to various groups to determine the forum for sharing and soliciting feedback on these draft ideas. These groups include but are not limited to Undergraduate Education, the Associated Students of the University of California (ASUC) Senate, the Graduate Assembly, the Academic Senate, the UC Berkeley Foundation Board of Trustees and Board of Visitors, and the UC Office of the President. Other campus subject matter experts (*e.g.*, Parking & Transportation, Residential & Student Services Program, Cal Dining, etc.) will also need to be consulted in order to determine how new development may have an impact on their operations.

Survey of Students

In order to better learn the needs and interests that students have regarding their housing choices, the campus plans to survey its various student populations to determine their preferences regarding such issues as type of housing (*e.g.*, microunits versus apartments), proximity to campus, rent elasticity, and other desired amenities.

Outreach to the Berkeley Community

The City of Berkeley is a valued and interested partner in addressing student housing needs. The campus will engage the City and interested neighbors regarding how to address the mutual needs of each within the overall housing master plan.

Develop Financial Plan and Assess Feasibility

This report outlines potential locations for future housing sites. The campus must submit each of these locations to a rigorous review to determine the best use of each site, feasibility of each site, the viability of each financial plan, an overall development timeline, and rank all sites using cost per bed and present-value-based measures. The review would include specific elements such as:

- creating evaluation criteria and design guidelines;
- determining a pro forma;
- engaging planners in determining site capacity (*i.e.*, number of beds);
- planning to ascertain temporary and/or relocation needs (*i.e.*, surge space);
- collaborating with the Office of the President to issue an RFP to developers participating in the systemwide Student Housing Initiative; and
- providing resources for review, award, and management of the development process.

Key to Acronyms

P3	Public-Private Partnerships
LRDP	Long Range Development Plan
ASUC	Associated Students of the University of California
RFP	Request for Proposals