

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM

For Meeting of January 25, 2017

APPROVAL OF PRELIMINARY PLANS FUNDING, NUEVO EAST STUDENT HOUSING PROJECT, SAN DIEGO CAMPUS

EXECUTIVE SUMMARY

The San Diego campus has embarked upon a series of student housing projects in response to the high demand for on-campus housing. Over the past year, the wait list for on-campus housing grew to approximately 4,000 students (graduates and undergraduates). In response to record high demand, the campus has converted more than 80 percent of double-occupancy rooms to temporary triple-occupancy rooms – accommodating more students than these facilities were designed to house. With student enrollment projected to increase, and as San Diego private rental market costs continue to rise substantially, the shortage of convenient and affordable student housing will worsen if new on-campus housing projects are not advanced.

The campus is proposing the Nuevo East Student Housing project, which would demolish the remaining 22 buildings at North Mesa (336 beds), displace 224 existing surface parking spaces, and construct 1,100 new beds (764 net new beds). The housing would consist of one and two-bedroom apartments which would allow the campus flexibility to offer different types of housing, on a temporary basis, to upper division undergraduate students or graduate students depending on the most urgent needs at that time. The project would also provide 550 parking spaces (326 net new spaces). The parking may be provided with a combination of structured and surface parking, which would depend on the outcome of the design-build competition. Parking at Nuevo East would be available to all Mesa Housing residents.

As presented in the *Update on Student Housing and Plans for North Torrey Pines Living and Learning Neighborhood, San Diego Campus* at the July 2016 meeting, the proposed project is part of a coordinated plan to increase the overall amount of on-campus housing as quickly as possible in order to satisfy the high demand from students wanting to live on campus.

The Regents are being asked to approve preliminary plans funding in the amount of \$8,515,000, to be funded from housing auxiliary reserves. The preliminary plans funding would support site surveys, specialty consultants, selection of a design-build team through a competitive process, and preparation of environmental documentation pursuant to the California Environmental

Quality Act (CEQA). Approval of budget, external financing, and design pursuant to CEQA will be requested in a subsequent Regents' action.

RECOMMENDATION

The President of the University recommends that the Finance and Capital Strategies Committee recommend to the Regents that the 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Nuevo East Student Housing – preliminary plans – \$8,515,000 to be funded from housing auxiliary reserves.

BACKGROUND

The Nuevo East Student Housing project would provide affordable housing for single graduate and upper division undergraduate students. As stated in the *Update on Student Housing and Plans for North Torrey Pines Living and Learning Neighborhood, San Diego Campus*, presented to the Regents in July 2016, affordable on-campus housing aids in the recruitment and retention of students. It also expands opportunities to fully integrate new students into the academic and social life of the UC San Diego campus. Year after year, increasing numbers of graduate students and continuing undergraduate students apply for on-campus housing only to learn that they cannot be accommodated.

Part of the attraction of University-owned housing is the community setting that is provided by living on campus, adjacent to the academic, research, clinical, and recreation facilities that are available within walking distance of most on-campus housing. By living on campus, students are able to get around campus without a car – by foot, bicycle, and campus shuttles. Affordable off-campus housing options in the San Diego region are few, and those that are available are a significant distance from campus.

Project Drivers

Demand for Affordable Housing

The shortage of reasonably priced rentals in the surrounding community strongly affects the demand for on-campus housing. UC San Diego is located adjacent to the University Town Center (UTC) and La Jolla, areas where housing costs are extremely high and, in 2016, the apartment vacancy rate off-campus was approximately two percent¹. The average unfurnished two-bedroom, one-bathroom apartment in the area adjacent to campus currently rents for \$2,063

¹ Source: KPBS September 2016 article (<http://www.kpbs.org/news/2016/sep/16/san-diego-county-rents-rise-vacancies-fall/>)

(\$1,032 per student)², requires a 12-month contract, and does not include utilities. In contrast, the monthly rental rate on campus for a furnished two-bedroom apartment averages \$1,780 (\$890 per student) for undergraduate students, which is a nine-month contract and includes all utilities. For graduate students, the monthly rental rate on campus for a two-bedroom apartment averages \$1,162 (\$581 per student), which is based on a 12-month lease, and excludes costs such as electricity, cable/internet, and furniture.

The rental rates for all proposed housing projects will be lower than the market rate in the La Jolla and UTC area. Additionally, the rental rates for all proposed projects are set in consultation with the UC San Diego Graduate Student Association via the appointed housing advisory committee. Because UC San Diego can offer campus housing at significantly lower rates than private market housing in the surrounding neighborhoods, demand for on-campus housing is significantly greater than the number of students the campus can house. During the summer of 2016, the wait list for undergraduate and graduate housing grew to a record high of approximately 4,000 students. This demand is expected to grow with campus plans to increase student enrollment, further exacerbating the housing deficiency.

Graduate Housing Guarantee

In response to the campus' recent *Graduate and Professional Student Experience and Satisfaction Committee Report*, the campus established a goal to offer all incoming single graduate and professional students a two-year front-end guarantee of on-campus housing. Unfortunately, UC San Diego is not able to fulfill this guaranteed housing goal to graduate and professional students at this time, which makes competitive recruitment difficult. Upon completion of Mesa Nueva (currently in construction), Nuevo West (currently in design), and Nuevo East (proposed), the campus anticipates being able to meet the two-year front-end guarantee for graduate and professional students by 2020.

Provide Housing to Master's Degree Students

Master's degree students are a distinct population of graduate students because the duration of their degree program is only two years. Since the current waiting period for on-campus housing exceeds two years, master's degree students typically do not apply for housing. UC San Diego plans to increase the number of master's degree students in coming years. Being able to provide on-campus housing would be an essential part of attracting and retaining this target group, as well as enhancing their educational experience.

Provide Housing to Upper Division Single Undergraduates

At this time, the San Diego campus is unable to offer housing to undergraduate students beyond their first two years. Within the proposed Nuevo East project, the campus would have the flexibility to offer approximately 50 percent of the new beds to upper division single

² Source: RealFacts data, fourth quarter 2015, and covers all of zip code 92122. This includes the UTC, but excludes La Jolla.

undergraduates temporarily if needed to meet demand. Additionally, integrating undergraduate students with graduates could provide opportunities for mentor/mentee relationships.

Long Range Development Plan

The housing goal of UC San Diego, as stated in its 2004 Long Range Development Plan (LRDP), is to provide housing for 50 percent of eligible students (which includes graduate and professional students) in campus-owned facilities. As of fall 2016, only about 37 percent of students were housed on campus, leaving a shortage of more than 4,000 beds to achieve the LRDP goal. That shortage is expected to increase as both undergraduate and graduate enrollments increase. Table 1 identifies how many beds are needed to achieve the LRDP goal.

Additionally, housing a greater number of students on campus is an integral feature of UC San Diego’s Transportation Demand Management strategy and aligns with the San Diego Association of Governments’ Smart Growth strategy for the region. Housing more students on campus reduces daily vehicle commute trips, which reduces the impact of vehicles on the regional roadway network and negative impacts on air quality.

Table 1: UCSD Proposed Housing Projects

| | Fall 2016 | Fall 2017* | Fall 2018* | Fall 2019* | Fall 2020* | |
|------------------------------------------------|-------------------------------------------------------------------------------|------------|------------|------------|------------|-------------------------------------|
| Enrollment | 34,300 | 35,400 | 36,000 | 36,600 | 36,900 | Total Net Beds Added |
| Number of Beds | 12,992 | 12,992 | 14,247 | 13,911 | 14,715 | |
| Housing Projects | Mesa Nueva (In Construction) | | 1,355 | | | 1,355 |
| | Nuevo West (In Design) | | (100) | | 804 | 704 |
| | North Torrey Pines Living & Learning (In Preliminary Plans) | | | | | 2,000 |
| | Nuevo East (Proposed) | | | (336) | | 1,100 |
| Number of Beds (after new housing projects) | 12,992 | 14,247 | 13,911 | 14,715 | 17,815 | 4,823 |
| Deficit to Meet LRDP Goal | (4,158) | (3,453) | (4,089) | (3,585) | (635) | |
| Estimated Wait List | 4,000 | 3,000 | 2,250 | 2,250 | 3,200 | |

*Enrollments and wait lists are projections and subject to change. These do not include students in self-supporting programs. Actual project delivery dates do not necessarily correspond to “Fall” quarter as implied by the table above. Please refer to individual project schedules for expected delivery dates. Wait list numbers are projected to increase from Fall 2019 to Fall 2020 as the campus plans to return temporary triples to doubles and expand the two-year housing guarantee for undergraduates and graduates to four years.

UC President’s Student Housing Initiative

In January 2016, President Napolitano announced a Student Housing Initiative (Initiative) aimed at accelerating the construction of new housing projects that will add a minimum of 14,000 student beds across the system by the 2020 academic year. The projects are to include both undergraduate and graduate student housing. The goals of the Initiative are to provide sufficient housing for UC's current and growing undergraduate and graduate student population, as well as to keep housing for UC students affordable. In response to the President's Initiative and the high demand for on-campus housing, the campus plans to add almost 5,000 beds (net) for undergraduate and graduate students by 2020, as shown in Table 1.

PROJECT DESCRIPTION

The proposed Nuevo East Student Housing project would be a continuation of the campus plan to redevelop Mesa Housing on the east campus (see Attachment 2, Project Location Map). The project would include demolition of the remaining 22 buildings at North Mesa (one laundry building, 21 apartment buildings with eight units per building, two bedrooms per unit, 336 beds total) that were originally built in 1968 in order to provide approximately 1,100 new beds for single graduate and upper division undergraduate students.

The project would include new construction of one- and two-bedroom apartments. The project would provide approximately 550 parking spaces, which would serve all Mesa Housing residents.

The project site is located immediately to the east of Mesa Nueva, currently under construction. Attachment 3, Project Site Map, reflects the relationship between this project and the other projects in the Mesa Housing Neighborhood.

As identified in the recently completed Mesa Housing Neighborhood Planning Study, the project would be designed to be integrated with planned pedestrian, bicycle, and vehicular connections to existing housing, medical center, academic, and research enterprises, and regional transportation projects that will serve the campus. Those regional transportation projects include the future Gilman Bridge, the proposed Mesa Housing Bike and Pedestrian Bridge, and extension of the San Diego Light Rail Transit.

The overall development plan would be comprised primarily of residential space with additional support services such as parking, laundry facilities, study space, fitness/wellness space, and common gathering areas. The proposed Nuevo East project and future redevelopment phases are anticipated to enrich the living experience and community and belonging that a typical residential community or neighborhood in San Diego provides.

Parking

Mesa Housing is isolated from the rest of campus because it is bordered by Interstate 5 to the west, an environmentally sensitive canyon to the north, Regents Road (a local City of San Diego road) to the east and La Jolla Village Tennis Club (a private condominium community) to the south. Street parking is not permitted on Regents Road. It is critical that all parking for the Mesa

Housing community be located within the neighborhood boundaries so that negative impacts to the surrounding neighborhoods are limited. Neighbors who live in the surrounding La Jolla and University Town Center communities are very sensitive to continued growth on campus and do not want students parking in front of their residences or in the local shopping center parking lots.

The proposed project would displace 224 existing surface parking spaces. To provide adequate parking, the campus proposes to provide approximately 550 spaces (326 net). The parking may be provided as a combination of structured and surface parking; this would depend on the outcome of the design-build competition. Parking at Nuevo East would be available to all Mesa Housing residents.

The campus expects, based on historical and current parking needs, that the proposed parking ratio of spaces to beds would meet the needs of Mesa Housing residents, guests, and support services with no impacts to the adjacent private sector community. Car-share vehicles will be available to reduce demand for private vehicles and private vehicle parking.

Graduate students and upper division undergraduate students living on campus are older adults and are more likely to own vehicles than lower division undergraduates. The parking for the project is not intended to promote driving on campus for the residents of these facilities, but rather to provide a place to park their vehicles until they need to leave campus, typically for off-campus jobs or internships. Parking on West Campus is at capacity and residents currently living in the Mesa Housing neighborhood typically walk, ride their bicycles, or take campus shuttles to West Campus. Once the Interstate 5 Gilman Bridge and the Mesa Housing Pedestrian and Bicycle Bridge are completed, residents will have direct pedestrian and bicycle access to West Campus.

APPROVAL REQUEST AND PROJECT SCHEDULE

The campus has chosen a design-build delivery model for this project. The campus considered using a Public Private Partnership (P3), but opted to use design-build because of the likelihood of completing the project in less time; a P3 delivery model would require additional time to execute an agreement with the selected developer. For additional information on alternatives considered, please see Attachment 4.

The campus is requesting preliminary plans funding of \$8,515,000. This funding would enable the campus to complete site surveys, hire specialty consultants, and select a design-build team through the competitive process. The funding would support scope refinement, detailed programming, preliminary design, design development, and project cost estimating by allowing the campus to utilize services of the selected design-build team prior to requesting full budget, financing, and design approval from the Regents.

Approval of full budget, external financing, and design following action pursuant to the California Environmental Quality Act would be requested in summer 2018. The campus estimates that construction of the project will take approximately 18 months with completion expected in spring 2020.

COMMITTEE

January 25, 2017

Key to Acronyms

| | |
|------------|--------------------------------------------|
| CEQA | California Environmental Quality Act |
| DBFOM | Design-Build-Finance-Operate-Maintain |
| LRDP | Long Range Development Plan |
| HDH | UC San Diego Housing, Dining + Hospitality |
| Initiative | Student Housing Initiative |
| P3 | Public Private Partnership |
| UTC | University Town Center |

ATTACHMENTS

Attachment 1: Preliminary Plans Budget

Attachment 2: Project Location Map

Attachment 3: Project Site Map

Attachment 4: Alternatives Considered

Attachment 5: Project Delivery Model

PRELIMINARY PLANS BUDGET

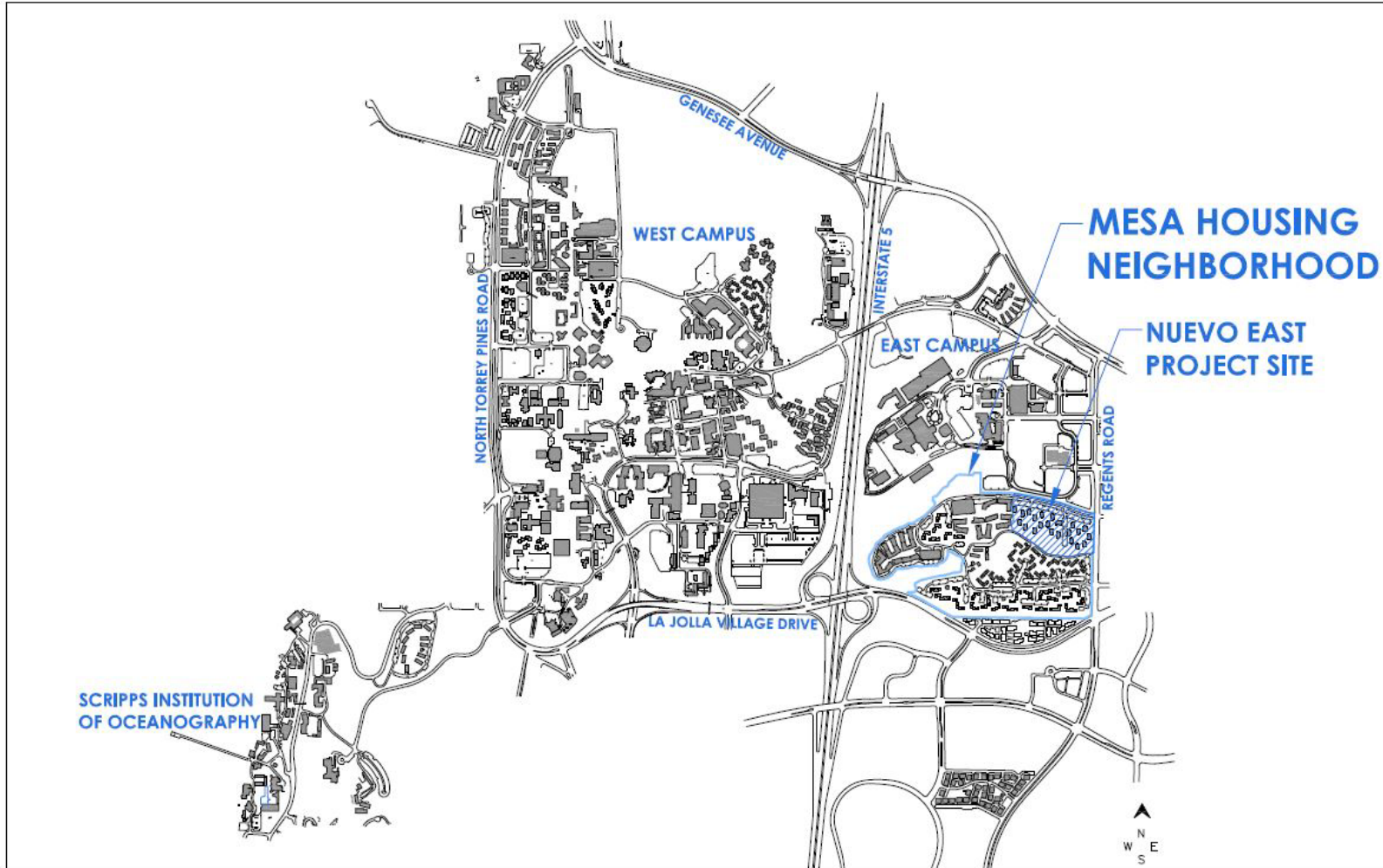
| Category | Amount |
|----------------------------------------------|--------------------|
| Design-Build Fees ¹ | \$6,470,000 |
| External Design Consultant Fees ² | \$860,000 |
| Campus Administration ³ | \$355,000 |
| Surveys, Tests, Plans ⁴ | \$105,000 |
| Special Items ⁵ | \$725,000 |
| Total Preliminary Plans Budget | \$8,515,000 |

The preliminary plans budget supports the following activities:

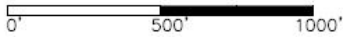
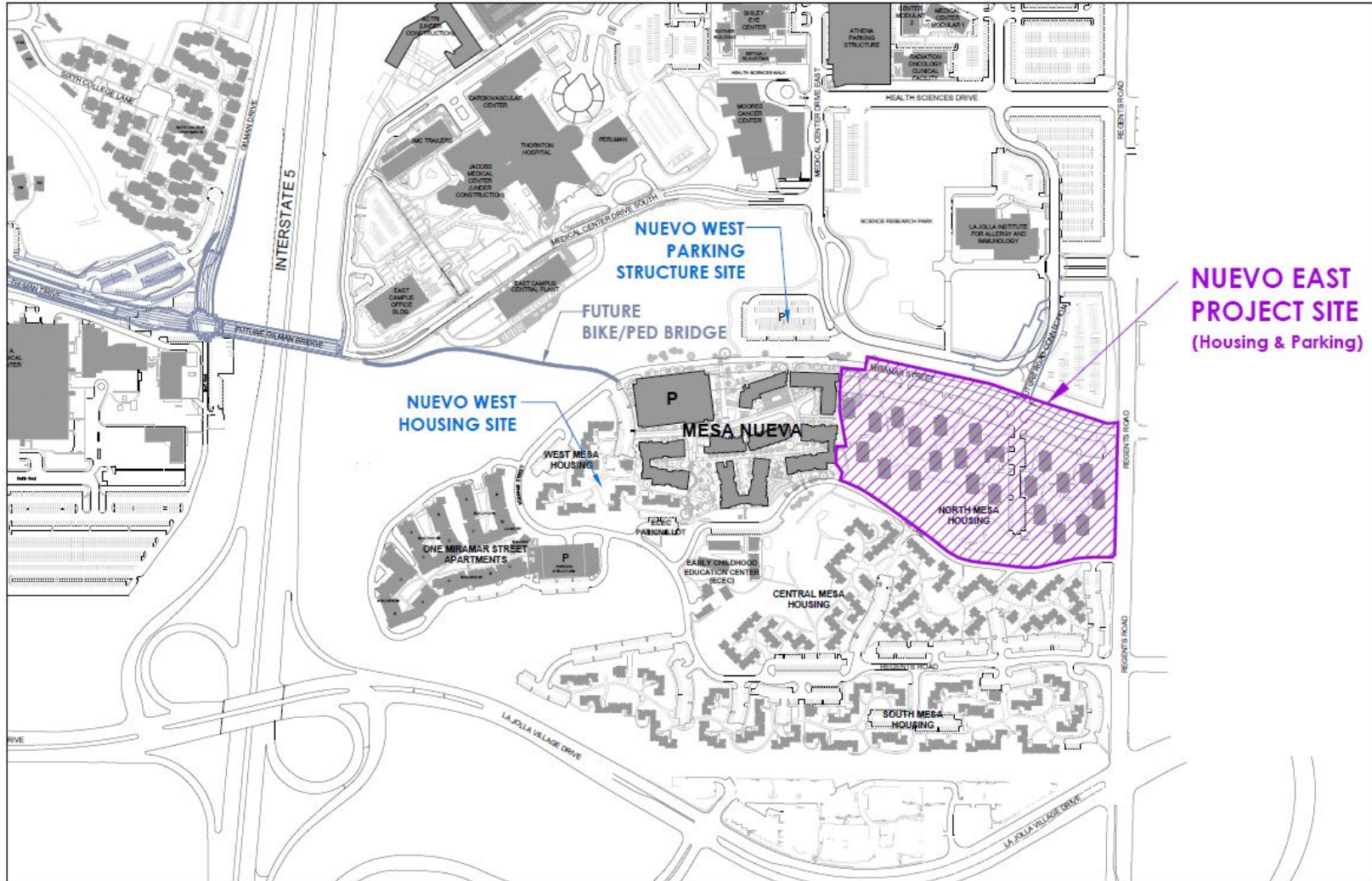
- Retain architectural services to establish overall baseline project performance requirements in terms of qualitative and quantitative measures. These criteria will be developed into a Detailed Project Program which will be used to complete the Design-Build selection process.
- Complete a multi-step process to select the most competent design-build teams. Pre-qualified teams will be invited to submit a preliminary design scheme responding to project performance criteria and to submit a cost proposal. Selection will be made through a competitive Best-Value process where the value is a function of proposed total cost against design quality, scope optimization, and added value by the Design-Build team.
- Complete planning and design activities to generate information required to obtain necessary approvals and adoption of environmental documentation.

Notes:

1. Includes Payment and Performance bonds and insurance for the full design and construction cost and preconstruction fees through the Design-Build competition.
2. Includes master architect for design-build programming; design-build competition and selection process.
3. Includes campus project management, planning, engineering, design review, and contracts administration.
4. Includes site surveys such as soils, geologic borings and trenching, and design phase testing.
5. Includes design-build competition stipends, specialty consultants, California Environmental Quality Act documentation, and peer reviews.



NUEVO EAST STUDENT HOUSING
UNIVERSITY OF CALIFORNIA, SAN DIEGO
STUDY AREA LOCATION MAP



NUEVO EAST STUDENT HOUSING
UNIVERSITY OF CALIFORNIA SAN DIEGO
PROJECT SITE

ALTERNATIVES CONSIDERED

Information regarding alternatives considered for delivery of new student housing is provided below, including:

Option 1 – Redevelopment with New Construction on Campus

Option 2 – Lease or Purchase off Campus

Option 3 – Redevelopment with Public-Private Partnership

Option 4 – Reallocate Existing Housing

Option 5 – “Do Nothing” (No Project)

Option 1 - Redevelopment with University-Delivered New Construction on Campus

The proposed project is the only viable alternative that would provide net new housing in the shortest amount of time – which is what is urgently needed to meet current demand as well as projected demand for 2020-21 and beyond. Without additional housing, the San Diego campus will be unable to meet demand from all students.

Option 2 - Lease or Purchase off Campus

As previously mentioned, UC San Diego is located in La Jolla/University Town Center (UTC) where housing costs are extremely high and rents are among the highest in the county. This reduces the availability and financial feasibility of leasing or buying off-campus developments. The rental market is so robust in La Jolla/UTC that, although UC San Diego has continually looked for opportunities to lease or purchase, there has not been an opportunity to secure a large number of units within any single private sector community. In fact, during the past ten years, only five apartment complexes in the UTC area have transferred ownership. Because the UTC area is one of the premium apartment investment markets in San Diego County, competition for those few properties that are offered for sale is fierce and capitalization rates are competitively bid downward to historically low rates. Owners of surrounding apartment communities have little to no interest in negotiating on price or committing to a long-term master lease.

The other portion of the private market housing in the adjacent community is designated as condominiums with individual owners and Home Owner Associations, and typically houses a high percentage of non-UC San Diego residents. Pursuing these opportunities would not generate enough new beds for UC San Diego students and would place the University in the position of purchasing and operating a property made up of non-affiliates as the homeowners, who are not compatible neighbors with students.

The campus recently investigated several different properties for potential purchase; however, further evaluation revealed that these properties were older wood frame units that would require significant seismic and building Code upgrades in order to bring the property within University of California standards. Purchase of off-campus residential property would have

also triggered environmental issues such as increased traffic and impacts to the surrounding community. One such purchase would have displaced approximately 250 residents to make room for students. The high sales prices combined with necessary seismic retrofitting and building modernization costs exceeded the cost of new construction and this option was therefore rejected.

Option 3 – Redevelopment with Public-Private Partnership (P3)

Delivering the Nuevo East project using a Public-Private Partnership (P3) model would require the developer to complete significant improvements to the portion of Miramar Street just west of Regents Road in order to adequately serve and calm increased traffic into the densified residential community. These improvements would include bicycle pathways to provide a route between Regents Road and the proposed Bicycle and Pedestrian Bridge. In addition, design of Nuevo East requires significant coordination to complete a connection between Athena Circle and Miramar Street so that Mesa Housing has an internal vehicular connection to the East Campus. All of these improvements would add costs to the P3 approach that would be unattractive to the developer and would also add complexity that would be difficult for the campus to manage.

Additionally, as part of the overall approved neighborhood plan for this community, each new housing phase in the Mesa Housing Neighborhood is required to contribute to the redevelopment of the central community green space. This requirement would be transferred to a P3 developer in terms of common area improvement costs, site restrictions, and ongoing maintenance.

The campus is currently evaluating future parcels for redevelopment that would not have these restrictions and requirements and, therefore, would be more feasible to deliver using a P3 approach.

Option 4 - Reallocate Existing Housing

While it is possible for UC San Diego's Housing, Dining, and Hospitality (HDH) organization to reallocate housing among campus constituencies, reallocation does not create more housing – which is what is needed in order to meet current and future demand. Current demand from all students exceeds available housing supply and, where possible, the available housing has already been converted to accommodate additional students.

It should be noted that, with completion of proposed housing projects such as Mesa Nueva, Nuevo West, and the North Torrey Pines Living and Learning Neighborhood, HDH is evaluating opportunities to move undergraduate and graduate students around in order to better accommodate demand from all groups; however, reallocation alone will not meet the demand for on-campus housing.

Option 5 - “Do Nothing”

As previously described in this document, the current housing inventory is not sufficient to meet the demand from the campus community (students, staff, and faculty) in the near and long term. Without increasing the housing inventory, UC San Diego:

- Will not be able to contribute towards the UC Student Housing Initiative;
- Will not be able to address current and projected demand for student housing;
- Will not progress towards meeting the 50 percent housing goal as stated in the LRDP;
- Will not be able to provide enough affordable housing to meet student demand, forcing these students to live farther away from campus and resulting in longer commutes/more traffic on local roadways; and
- Will not be able to improve the overall experience for residential students, which may threaten the campus’ ability to recruit and retain top talent.

PROJECT DELIVERY MODEL

The campus intends to utilize the fixed-price design-build delivery process that would support the accelerated completion schedule for the proposed project. UC San Diego has had success in utilizing a design-build delivery method for housing projects. The process allows the University to pre-qualify design-build teams and establish a comprehensive Request for Proposal (RFP).

The design-build RFP outlines all program requirements including quality of construction elements (for both the housing facility and parking structure), quantity and type of housing units, specific amenities for each unit, requirements for common and administrative areas, site amenities, project color palettes, and life-safety requirements. Design Guidelines are included with the RFP to ensure that specific product and detailing requirements align with the UC San Diego Physical Design Framework, as well as with Housing, Dining, and Hospitality operational and maintenance practices.

A Maximum Allowable Price and Design/Construction Schedule are built into the RFP. Three pre-qualified design-build teams would be short-listed and invited to participate in a competition to create a schematic design technical proposal. Each proposal would be reviewed and scored by a selection committee consisting of UC San Diego staff as well as several appointed members from the Design Review Board. The competitive nature of this approach has shown that the teams strive not only to meet the minimum program requirements, but also to offer enhancements such as additional housing units and enhanced site amenities as part of their technical proposals. The design from the selected design-build team will be presented to Regents for design/CEQA approval.