

## Office of the President

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

#### ACTION ITEM

*For Meeting of January 19, 2022*

### **BUDGET, SCOPE, EXTERNAL FINANCING, AND DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, PEPPER CANYON WEST STUDENT HOUSING, SAN DIEGO CAMPUS**

#### **EXECUTIVE SUMMARY**

The Pepper Canyon West Student Housing project at UC San Diego would provide 1,316 new beds in apartment-style units for transfer and upper-division students in response to the high demand for affordable on-campus housing. The project design would include two high-rise (22- and 23-story) towers with connected mid-rise buildings. This proposed development is located immediately adjacent to the new UC San Diego Blue Line Trolley Station in Pepper Canyon and within a five-minute walk of the Gilman Transit Hub, providing extensive public bus transit options. It is transit-oriented and will not include new parking.

This project supports diversity, equity, and inclusion by expanding access to the “living/learning community” model to transfer and upper-division students who typically do not have an opportunity to live on campus. Living on campus gives students access to a rich variety of academic and social resources and supports student success. Students who benefit from living on campus are immersed in the University community with easy access (via campus shuttle, bicycle, or on foot) to adjacent academic, research, clinical, recreation, and retail facilities, supporting the campus’s Climate Action Plan.<sup>1</sup>

In coordination with the UC Office of the President (UCOP), UC San Diego has submitted an application for this project that requests \$100 million from the State Higher Education Student Housing Grant Program (Senate Bill 169). If the application is successful, the campus would be able to offer discounted rates of either \$832/month for nine to 12 months to 1,100 students or \$418/month for nine to 12 months to approximately 390 students (depending upon which of the two strategies the State award is based on). The financial feasibility presented in this item does not assume the proposed grant as a fund source since the application status would not be known until sometime later in 2022.

In March 2019, the Regents approved \$20 million of preliminary plans funding for the project, funded from auxiliary – student housing reserves. The proposed project remains consistent with

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<sup>1</sup><https://sustain.ucsd.edu/files/focus/UCSD-Climate-Action-Plan-2019-final.pdf>

the description presented in the March 2019 Regents item. The project was included on the March 2020 Regents agenda for full approval; however, during the meeting, the Finance and Capital Strategies Committee requested to defer action on capital projects until the University had an opportunity to analyze the long-term financial impacts from the COVID-19 pandemic.

For reference, the San Diego campus is also bringing forward another housing project at this meeting. The Thurgood Marshall College Undergraduate Student Housing item is being proposed for the approval of preliminary plans funding.

The Regents are asked to: 1) approve the project budget of \$365 million, to be funded from external financing (\$362.5 million), auxiliary – housing reserves from the UCOP Housing Assistance Program (\$1 million), and campus funds (\$1.5 million); 2) approve \$362.5 million in external financing; 3) approve the project scope; 4) adopt the California Environmental Quality Act Findings; and 5) approve the design of the Pepper Canyon West Student Housing project.

### **RECOMMENDATION**

The President of the University recommends that the Finance and Capital Strategies Committee recommend to the Regents that:

- A. The 2021-22 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Diego: Pepper Canyon West Upper Division Undergraduate Student Housing – preliminary plans – \$20 million to be funded with auxiliary – student housing reserves.

To: San Diego: Pepper Canyon West Student Housing – preliminary plans, working drawings, construction, and equipment – \$365 million to be funded with external financing (\$362.5 million), auxiliary – housing reserves from the Office of the President (UCOP) Housing Assistance Program (\$1 million), and campus funds (\$1.5 million).

- B. The scope of the Pepper Canyon West Student Housing project be approved. The project shall provide approximately 580,500 gross square feet (gsf), including 1,316 new beds (1,297 undergraduate student beds, 13 beds for resident student advisors, and three two-bedroom units for resident professional staff) for a total of 572,500 gsf of housing and 8,000 gsf of retail space in two high-rise (22- and 23-story) towers, each with connected mid-rise (five-story) buildings. Public realm improvements shall include installing the west rim pedestrian and bicycle trail and completing landscape, hardscape, and open space restoration on the west and south sides of Pepper Canyon. The scope includes demolition of 11 buildings (304 beds) and removing and landscaping the surface parking lot P406 (approximately 100 parking spaces).

- C. The President be authorized to obtain external financing in an amount not to exceed \$362.5 million, plus additional related financing costs to finance Pepper Canyon West Student Housing. The President shall require that:
- (1) Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
  - (2) As long as the debt is outstanding, general revenues from the San Diego campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
  - (3) The general credit of the Regents shall not be pledged.
- D. Following review and consideration of the environmental consequences of the proposed Pepper Canyon West project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 48 hours in advance of the beginning of the Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:
- (1) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC San Diego, as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2018 Long Range Development Plan (LRDP) Environmental Impact Report (EIR).
  - (2) Adopt the CEQA Findings for Pepper Canyon West Student Housing having considered the 2018 LRDP EIR for the La Jolla Campus and Addendum No. 9 to the 2018 LRDP EIR for Pepper Canyon West Student Housing.
  - (3) Approve the design of the Pepper Canyon West Student Housing project, San Diego Campus.

## **BACKGROUND**

The shortage of available and affordable housing for UC San Diego's students is a matter of urgent concern. UC San Diego has tremendous demand for on-campus housing attributed to unprecedented enrollment growth (more than 13,000 students in the past decade<sup>2</sup>) and the affordable housing shortage in San Diego County, which has seen an 8.4 percent increase in the average rent over the past year.<sup>3</sup> The campus housing shortage negatively affects the student experience and challenges the University's ability to serve its students adequately.

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<sup>2</sup> Data Source: <https://ir.ucsd.edu/third-week/index.html>

<sup>3</sup> Average rent data for San Diego County as published in the San Diego Union Tribune on July 19, 2021: <https://regents.universityofcalifornia.edu/meetings/videos/mar2020/mar2020.html>

***On-Campus Housing Supports Diversity, Equity, and Inclusion***

Affordable on-campus housing aids in the recruitment and retention of students and supports their success by expanding opportunities for integration into the academic and social life of the UC San Diego campus. UC San Diego prioritizes underrepresented minority (URM) access on a long-term basis, offering a four-year housing guarantee to approximately 900 students from the Chancellor's Associates Scholarship Program, Hope Scholars (former foster youth), and Regents Scholars (selected based on academic excellence).

Additionally, a two-year housing guarantee is offered to PATHways to STEM through Enhanced Access and Mentorship Program Scholars<sup>4</sup>, academically talented students demonstrating an interest in advancing historically underrepresented populations in the sciences and related fields. The housing guarantee allows URM students to have a fully engaged, meaningful, and supportive experience.

In addition, the campus offers culturally-based living-learning communities (LLC), including Raza LLC, LGBTQIA+ LLC, Multi-cultural LLC. UC San Diego is committed to creating more spaces where the diverse population of undergraduate students can connect with each other, the campus, and others within the community. These programs provide spaces for students from all Colleges to live, gather, learn from one another, and build a strong community. Residents in these communities are committed to developing and participating in educational and social opportunities for students. Interest in these LLCs is high; in fall 2021, the African Black Diaspora LLC was filled to capacity.

Additional housing will grow LLC numbers, expanding access for third- and fourth-year URM students not captured through the various scholarship programs without reducing bed capacity for the general population. Concerning the percentage of African American/Black, American Indian/Alaska Native, and Chicano/Latino students attending UCSD, a higher proportion of these groups chose to live in on-campus housing for fall 2021.

***Post-COVID Campus Space Utilization***

In response to the COVID-19 pandemic, in 2020, the Chancellor appointed a task force to develop a plan for campus administrative staff to return to work, including timelines for return, safer campus protocols, and envisioning a new way to work. As campus administrative departments establish their work arrangements, including on-site, remote, and hybrid schedules, a reevaluation of current space utilization is underway to determine whether the campus can reassign administrative space for other needs. The long-term impact on campus administrative space is yet to be fully determined; however, the campus is studying whether a reduced demand for administrative space could free up resources to serve the campus' teaching and research mission and accommodate campus growth. In response to the design of spaces in a post-pandemic environment, the campus continues to evaluate the utilization of administrative and

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<sup>4</sup> <https://paths.ucsd.edu/program/index.html>

instructional spaces. Concerning Pepper Canyon West Student Housing, the campus has designed the proposed project to place one student in each bedroom, consistent with findings of upper-division transfer student housing needs and surveys.

### ***Project Drivers***

There are three key drivers for the Pepper Canyon West Student Housing project:

1. Provide affordable on-campus housing.
2. Provide housing for transfer and upper-division undergraduate students.
3. Support 2018 Long Range Development Plan (LRDP) goals: house 65 percent of students on campus and support transit-oriented development to benefit the region.

### **Provide Affordable On-Campus Housing**

The shortage of affordably-priced rentals in the surrounding (private market) community strongly drives the demand for on-campus housing. Per an article published in the *San Diego Union-Tribune* on July 19, 2021, the average rent in San Diego County was \$2,009 per month in the second quarter of 2021, representing an 8.4 percent increase over the past year. UC San Diego is adjacent to the La Jolla and University City neighborhoods, where housing costs are higher. The average rent in University City was \$2,745 per month<sup>5</sup>; the average rent in La Jolla is typically higher, making it cost-prohibitive for most students.

Off-campus leases require one-time, upfront fees for rental applications (including a credit check), rental deposits, and utility deposits, increasing the total annual cost for the off-campus rate listed above. Students who live off campus may also choose to own a vehicle and purchase a campus parking permit, further increasing their annual expenses and placing further demand on the campus's limited parking supply.

The campus has committed to maintaining rates at least 20 percent lower than the surrounding private market for all new proposed on-campus housing. The regular student rate at Pepper Canyon West would be \$1,350 per month. However, if the campus were awarded \$100 million of State funding through the State Higher Education Student Housing Grant Program (Senate Bill 169), the campus would be able to offer discounted housing rates to students. The campus has proposed two strategies for implementing the \$100 million grant:

1. The funds would fully subsidize the construction cost of 390 beds, and students with demonstrated need would be assessed a monthly rental charge of \$418 per month; or
2. The campus would realize approximately \$5 million in annual financing savings that would be deployed to assist about 1,100 low-income students with an additional discount

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<sup>5</sup> Average rent data for San Diego County as published in the San Diego Union Tribune on July 19, 2021: <https://www.sandiegouniontribune.com/news/education/story/2021-07-18/housing-shortage-uc-san-diego>

on their housing costs. The resulting rate would be \$832/month.

Table 1 summarizes estimated rental rates for Pepper Canyon West Student Housing (with and without the State funding grant) compared to the surrounding average private market rental rates, escalated by 4.5 percent annually from today's rates to the academic year 2024-25. On-campus rates for undergraduate students are uniform across the entire campus housing inventory. An undergraduate student living on campus in a private (single-occupancy) bedroom will pay the same rate, regardless of the campus housing facility in which they live.

**Table 1: Rental Rate Comparison  
Estimated for Academic Year 2024-25**

<b>Proposed Pepper Canyon West Project Rates v. Off-Campus</b>	<b>Rate Per Bed Per Month</b>	<b>% Below Market</b>
Pepper Canyon West – Regular Rate	\$1,350	22%
Pepper Canyon West with \$100M State Funding Grant, Strategy 1 – Assistance for 1,100 Students	\$832 <sup>1</sup>	52%
Pepper Canyon West with \$100M State Funding Grant Strategy 2 – 390 Beds Discounted	\$418 <sup>2</sup>	76%
Off-Campus <sup>3</sup>	\$1,720	--
<sup>1</sup> Campus would offer the reduced rental rate of \$832 to about 1,100 students meeting income eligibility requirements as determined by the Office of Financial Aid and in collaboration with the deans of the graduate and undergraduate divisions. <sup>2</sup> Campus would offer the reduced rental rate of \$418 to about 390 students across the entire campus housing portfolio who meet income eligibility requirements as determined by the Office of Financial Aid and in collaboration with the deans of the graduate and undergraduate divisions <sup>3</sup> Off-campus rent is an average of data provided in XPERA Group Report, published August 2019 escalated to 2024-25.		

### Provide Housing for Transfer and Upper Division Undergraduate Students

Students face a tremendous challenge when trying to secure affordable off-campus housing, often resorting to overcrowded living conditions, securing housing that is a significant distance from campus, or both. They compete with the general population for rental housing in the immediate area surrounding campus, one of the most expensive areas to live in San Diego County. Because UC San Diego can offer campus housing at significantly lower rental rates than private market housing in the surrounding neighborhoods, demand for on-campus housing is substantially higher than the campus can accommodate.

In August 2018, the campus conducted a Student Housing Survey. The purpose of the survey was to collect undergraduate student input on proposed new student apartment-style housing at Pepper Canyon West. The largest proportion of respondents lived off-campus. Sixty-six percent of juniors and 59 percent of seniors reported that they would prefer to live on campus.

### LRDP Goal to House 65 Percent of Eligible Students

The UC San Diego 2018 LRDP includes a goal to provide housing for up to 65 percent of

eligible students (which includes undergraduate, graduate, and professional students)<sup>6</sup> in campus-owned facilities. As of fall 2021, the campus provided housing for approximately 42 percent of all eligible students. The campus anticipates that completion of current and proposed projects, as shown in Table 2 (below), will allow housing of approximately 50 percent of eligible students. The campus will require continued expansion of the student housing inventory through 2027-28 to achieve the 65 percent goal. This expansion is also critical to achieving the goal of a four-year housing guarantee for on-campus student housing.

**Table 2: Current and Proposed Student Housing Projects**

<b>Project</b>	<b>New Beds</b>	<b>Regental Approval</b>	<b>Expected Delivery Year</b>
Theatre District Living and Learning Neighborhood (in construction)	2,050	September 2020 (partial working drawings and design), November 2020 (budget, scope, and external financing)	2023
Proposed Pepper Canyon West Housing	1,310*	January 2022	2024
Proposed Marshall College Housing	2,000**	Fall 2022 (budget, scope, and external financing)	2025
<b>TOTAL BEDS</b>	<b>5,360</b>		
*Total bed count for Pepper Canyon West project is 1,316. Six beds are for resident professional staff. See Project Description below for a breakdown of bed count.			
**Total bed count for Marshall College Housing will be finalized during the design phase.			

## **PROJECT DESCRIPTION**

The project would include two high-rise towers (22- and 23-story), each with connected five-story mid-rise buildings to provide a total of 1,316 new beds (1,297 undergraduate student beds, 13 beds for resident student advisors, and three two-bedroom units for resident professional staff) and approximately 8,000 gsf of retail foodservice. The project would demolish existing structures on the project site including a 100-space surface parking lot.<sup>7</sup> This will substantially increase the site density from the current 61 beds per acre (304 existing beds) to 262 beds per buildable acre, while balancing the need for open space and being sensitive to surrounding development and site context. See also Attachment 2.

Apartments would be constructed in the proposed mix shown in Table 3. Each bedroom will be single-occupancy (one bed per room). Rather than a traditional dining hall, individual apartment units would have kitchens. Students will also have access to an array of retail food service

<sup>6</sup> To be determined “eligible”, students must have met all required deadlines in the admissions and housing application process and undergraduates must maintain a minimum of 12 units per quarter.

<sup>7</sup> Parking is not included as part of this project due to immediate proximity to public transit. The nearby Gilman Transit Hub and LRT station provide access to high ridership bus routes and the countywide San Diego Trolley system. Accessible parking is available at the Gilman Parking Structure immediately adjacent to the project site. The path of travel from these parking spaces to the project will be in alignment with code requirements.

options, both within the proposed project and in the surrounding neighborhood. Residential space would also include offices for Counseling and Psychological Services, co-working/study rooms, student lounges, and a social kitchen, mail services, laundry, a small fitness room, and a wellness center.

**Table 3: Proposed Unit Mix**

Unit Type	No. of Units	No. of Beds
Six-Bedroom	117	702
Eight-Bedroom	76	608
<b>Subtotal Student Beds*</b>	-	<b>1,310</b>
Two-Bedroom for Professional Resident Staff	3	6
<b>TOTAL BEDS</b>		<b>1,316</b>
<i>*Includes 13 beds for resident student advisors.</i>		

The program would include three separate spaces totaling approximately 8,000 gsf for retail. Two retail spaces would be located on the ground floor of Building A (north building) with frontage along Rupertus Walk, the main pedestrian thoroughfare between the new trolley station and the center of campus. The third retail space would be located in the southwest corner of Building D with frontage at the intersection of Gilman Drive and Villa La Jolla Drive. Back-of-house areas such as maintenance, trash, mechanical, electrical, and fire pump rooms would be located adjacent to this retail space in Building D.

Public realm improvements include landscaping in and around the buildings, including the North and South Courtyards; trails and walkways to facilitate movement through the site and access to the canyon; a woonerf (or “living street”) to accommodate pedestrians, bicycles, and minimal low-speed vehicular service traffic and serve as a buffer between the existing Gilman Parking Structure and the proposed project; and installation of landscaping to create the Gilman Park as shown on Attachment 6, Page 2 – Site Plan.

### ***Sustainable Practices***

The project team aims to achieve Leadership in Energy and Environmental Design (LEED™) building certification Gold, with strategies organized around six themes:

1. Transit-Oriented Development: project is sited adjacent to new LRT station; no parking on site; retail; and bicycle storage on site.
2. Site and Landscape: the project features native and adapted plant species to reduce water consumption, accessibility to nature via outdoor study/gathering spaces, and canyon trails.
3. Water-Use Reduction: the scope includes green roofs, porous paving, bio-retention zones to reduce storm water runoff, a tie-in to campus reclaimed water loop where irrigation is required, and low-flow fixtures at kitchens and bathrooms.
4. Energy-Use Reduction: Design includes the use of natural ventilation wherever possible to reduce demand for mechanical ventilation; optimization of daylight to reduce electrical demand.



5. Materials: will be selected based on evaluation of health impacts, recycled content, durability, maintenance requirements, the proximity of regional suppliers, and life-cycle cost analysis.
6. Construction Methods: Utilizes off-site prefabrication of certain elements to improve labor efficiency; reduce construction waste, noise, and traffic; and create a safe construction site.

The building would be serviced by electric energy for heating to reduce reliance on fossil fuels and move toward carbon neutrality. Hot water will be sourced from the campus Central Utility Plant.

This project will comply with the University of California Sustainable Practices Policy. The Sustainable Practices Policy establishes goals for green building, clean energy, transportation, climate protection, facilities operations, zero waste, procurement, food service, and water systems. The project's budgeting, programming, and design include a full range of sustainability practices for building design and operations.

This project has been analyzed by the UC Operational Carbon and Energy Assessment for New Construction (OCEAN) Tool (see Attachment 9). The OCEAN Tool identifies high-level estimates of the proposed project's target site energy use, utility costs, and operational greenhouse gas emissions. Building performance metrics are compiled within UC's capital projects database to compare and assess future projects.

### ***Project Implementation and Schedule***

The campus has selected the progressive design-build delivery process to support the accelerated completion schedule for the proposed project. The San Diego campus has assembled a diverse and inclusive team, both in selecting the design consultants and their workforce and the contractor, trade partners, and vendors who will support the construction of this project. Part of the ongoing mission will be to set goals for utilizing small and diverse businesses from the local community. Refer to Attachment 7: Alternatives Considered and Attachment 8: Project Delivery Model for an expanded narrative on these topics.

Site work is planned to begin after commencement ceremonies in mid-June 2022 and would include utilities and hazardous materials abatement of existing structures before full demolition. The goal is to complete the new housing at Pepper Canyon West for the start of the fall 2024 academic term.

### ***Funding Plan and Financial Feasibility***

As shown in Attachment 1, Project Sources and Uses, the total project budget of \$365 million would be funded from external financing (\$362.5 million), auxiliary – housing reserves from the UCOP Housing Assistance Program (\$1 million), and campus funds (\$1.5 million). Over a ten-year period, the campus is projected to have a minimum modified cash flow margin of 9.9 percent and debt service coverage of 1.9x as required by the University's Debt Policy. Days'

cash on hand is greater than 60 days as of October 31, 2021, which also meets the requirements of the University's Debt Policy. Additional information about the project budget by scope and financial feasibility is provided below and in Attachments 1 and 3.

#### Non-Residential Scope

The project budget related to retail dining and public realm improvements is \$13,099,000, funded from external financing (\$11,599,000) and campus funds (\$1.5 million). The debt service related to the non-residential scope would be sourced from campus funds. At the tax-exempt planning rate of 4.25 percent and assuming a 35-year term, the estimated annual debt service payment for the \$11,599,000 of external financing is \$660,000.

#### Housing Auxiliary

The project budget related to the housing program is \$351,901,000 and will be funded from external financing (\$350,901,000) and auxiliary – housing reserves (\$1 million). The debt service related to the housing program would be sourced from housing revenues. At the tax-exempt planning rate of 4.25 percent and assuming a 35-year term, the estimated annual debt service payment for the \$350,901,000 of external financing is \$19,970,000. The project-specific coverage ratio is projected to be a minimum of 0.82x in FY 2027, which falls short of the 1.0x project debt service coverage ratio required by the University of California Debt Policy (Debt Policy). In addition, the campus' overall auxiliary debt service coverage ratio falls below the Debt Policy minimum of 1.1x in FY 2021 and FY 2022.

An exception to the University's Debt Policy has been granted by the Office of the Chief Financial Officer as the project is critical to addressing the student housing shortfall, and the campus has demonstrated its plans to service the specific project debt from overall housing revenues, if necessary, and to meet the required auxiliary system debt service coverage ratio by FY 2023.

## **PROJECT DESIGN**

### ***Location and Site Conditions***

In November 2021, the UC San Diego Blue Line light rail transit (LRT) extension expanded the San Diego Trolley system from Downtown San Diego to La Jolla, including nine new trolley stations. Two of these stations are located on the UC San Diego campus. Now that the LRT project is complete, faculty, staff, students, and visitors can access the campus in an entirely new way. One UC San Diego LRT stop is immediately adjacent to the proposed project site. (Refer to Attachment 5: Existing Project Site Map, and Attachment 6: Proposed Site Plan.)

The selected site for the proposed project is the former location of Sixth College, which relocated to its permanent home at North Torrey Pines Living and Learning Neighborhood in fall 2020. This has created an opportunity for the campus to redevelop existing low-density and outdated

housing at a prime location in the center of campus, immediately adjacent to the new LRT station, and to construct new, high-density student housing in response to unprecedented demand.

The project site is east of the Gilman Parking Structure and Pepper Canyon Hall, with Gilman Drive along the southern boundary (refer to Attachment 4: Context Map). A new extension to Rupertus Walk is currently under construction as part of a separate project and will form the site's northern boundary. Rupertus Walk (also referred to as Concordance Walk) will provide enhanced pedestrian-focused circulation from the new LRT Station west to Russell Lane and the core of the West Campus.

Pepper Canyon forms the eastern boundary of the building site. A large portion of it is currently under restoration by the LRT contractor after the recent completion of the LRT extension and trolley stop. The total project site area is 8.6 acres, which includes a buildable area of five acres with an additional 3.6 acres of non-buildable area under the LRT guideway and surrounding a storm water retention and treatment basin at the bottom of the canyon.

The 3.6 acres includes space for building setbacks from the canyon and existing improvements, and an area requiring restoration following completion of the LRT. Prior to restoration, this area will be used for project staging and will then be restored as part of project demobilization. Restoration would include landscaping with native and adaptive plant species and completion of the West Rim pedestrian and bicycle trail along the west side of the canyon (refer to Attachment 6, Design Graphics, Page 2, Site Plan).

### ***Building Design***

Pepper Canyon West would mark a new high-density urban gateway to the campus with two mid-rise buildings that each culminate in a high-rise, slender tower (one is 22 stories, the other is 23 stories) rising from the topography of the adjacent canyon. The towers would be a significant landmark for commuters using the LRT (see Attachment 6, Design Graphics).

The buildings would be clad in a curtain wall unitized glazing system with a series of vertical opaque panels and sun-shading overlays that would respond to façade orientation and maximize vision glazing without excessive solar heat gain. Colored glass panels in hues inspired by the landscape would be arranged across the façade. The building will be a post-tensioned concrete structure to allow efficient floor-to-floor heights. A series of stepped building forms cascading down from the towers terminate in lounge and outdoor terrace seating and planting areas, visually prominent from the Trolley, reinforcing the concept that the buildings emerge from the adjacent Canyon landscape. The green treatment of the outdoor terrace spaces provides the added benefits of reducing urban heat island effect and decreasing storm water runoff.

Level One and the partially below-grade level would be occupied by a mix of lobbies, student co-working spaces, and additional residential units. In addition, ground-level retail space would be located predominantly along Rupertus Walk to take advantage of the high population of pedestrians and bicyclists traveling to and from the LRT station. Interior finishes would be

classic, calm, and warm, with color accents strategically placed to aid wayfinding. Courtyards would contain a variety of seating arrangements and planting types to encourage “outdoor living.”

### ***Long Range Development Plan***

The project is consistent with the 2018 LRDP. The LRDP land use designation for the site is Academic Mixed-Use (housing portion of the site) and Open Space Preserve (canyon portion of the site). The Academic Mixed-Use designation allows for academic and housing use. The Open Space Preserve allows for a diversity of trees and infrastructure for bicycle and pedestrian circulation. The project supports the following LRDP objectives:

- Activate the campus through strategic mixed-use and transit-oriented development and improved public spaces
- Provide housing for 65 percent of the eligible student population by constructing new higher-density units and replacing aging low-density units
- Recognize land as a limited and valuable resource and optimize usage of the few remaining development areas
- Recognize the importance of campus open spaces that form a balance with the built environment and continue to be responsible stewards of campus natural resources

### ***Physical Design Framework***

The Physical Design Framework (PhDF) is a document that describes all of the UC San Diego planning documents and how they are compatible with each other, and the design review process that each capital improvement project must undergo. The 2009 UC San Diego PhDF was recently updated in May 2021 to align more closely with recently completed planning documents such as the 2018 LRDP (described above), the 2019 Pepper Canyon Neighborhood Study (PCNS; described below), and other planning studies and design guidelines.

Consistent with the PhDF and campus design vision, the project would restore the Open Space Preserve; provide new bicycle, pedestrian, and vehicular service connections; provide student housing at the center of campus; and will be one of the first projects to transform a neighborhood into a dense, transit-oriented community, complete with housing, academic buildings, Open Space Preserve, and retail and recreation. The project would also implement the vision for the site in the 2019 PCNS, which describes a dense high-rise housing development with courtyards connecting to the Pepper Canyon Urban Forest Open Space Preserve; bicycle and pedestrian connections between Gilman Drive and Rupertus Walk; and ground-floor retail oriented to the new Rupertus Walk and LRT Station.

### ***Seismic Safety Policy***

This project will comply with the University of California Seismic Safety Policy and independent seismic peer review.

## **CEQA COMPLIANCE**

Pursuant to the California Environmental Quality Act (CEQA), Addendum No. 9 to the 2018 LRDP Environmental Impact Report (EIR) (SCH#2016111019) has been prepared for the Pepper Canyon West Housing Project (Attachment 10). None of the circumstances that would trigger subsequent or supplemental environmental review under Public Resources Code Section 21166 and CEQA Guidelines Sections 15162 or 15163 have occurred or are present. Findings have been prepared to support the University's determination that the proposed project would not require major revisions of the 2018 LRDP EIR (Refer to Attachment 11 – UCSD 2018 LRDP, Attachment 12 – UCSD 2018 LRDP EIR, and Attachment 13 – CEQA Findings).

## **KEY TO ACRONYMS**

asf	Assignable Square Feet
DVBE	Disabled Veteran Business Enterprise
gsf	Gross Square Feet
CEQA	California Environmental Quality Act
LGBTQIA+	Lesbian, Gay, Bisexual, Transgender, Queer, Intersex, Asexual
LLC	Living Learning Community
LRDP	Long Range Development Plan
LRT	Light Rail Transit (also known as the UC San Diego Blue Line, or Trolley)
OCEAN	Operational Carbon and Energy Assessment for New Construction
PATHS	PATHways to STEM through Enhanced Access and Mentorship
PCNS	Pepper Canyon Neighborhood Study
PhDF	Physical Design Framework
URM	Underrepresented Minority
WBE	Women-Owned Business Enterprise

## **ATTACHMENTS:**

Attachment 1:	Project Sources and Uses
Attachment 2:	Comparable Project Information – Scatterplot and Table
Attachment 3:	Summary of Financial Feasibility
Attachment 4:	Context Map
Attachment 5:	Site Map (Existing Conditions)
Attachment 6:	<a href="#">Design Graphics (including Proposed Site Plan)</a>
Attachment 7:	Alternatives Considered
Attachment 8:	Project Delivery Model
Attachment 9:	<a href="#">UC OCEAN Report</a>
Attachment 10 (link):	Addendum No. 9 to the 2018 LRDP Environmental Impact Report (EIR) <a href="https://drive.google.com/file/d/1WxW5IUk11BIPAFP3ncT0txL5DBA0FcQe/view">https://drive.google.com/file/d/1WxW5IUk11BIPAFP3ncT0txL5DBA0FcQe/view</a>

Attachment 11 (link):	UCSD 2018 Long Range Development Plan <a href="https://plandesignbuild.ucsd.edu/planning/lrdp/la-jolla.html">https://plandesignbuild.ucsd.edu/planning/lrdp/la-jolla.html</a>
Attachment 12 (link):	UCSD 2018 LRDP EIR <a href="https://plandesignbuild.ucsd.edu/planning/lrdp/la-jolla.html#Environmental-Impact-Report">https://plandesignbuild.ucsd.edu/planning/lrdp/la-jolla.html#Environmental-Impact-Report</a>
Attachment 13:	<a href="#">CEQA Findings</a>

**PROJECT SOURCES AND USES  
PEPPER CANYON WEST STUDENT HOUSING**

<b>PROJECT SOURCES</b>	<b>Total</b>	<b>Percent of Total</b>
External Financing	\$362,500,000	99.3%
Campus Funds	\$1,500,000	0.4%
Housing Auxiliary Reserves (originally UCOP Housing Assistance Program)	\$1,000,000	0.3%
<b>Total Sources</b>	<b>\$365,000,000</b>	<b>100.0%</b>

<b>USES</b>	<b>Student Housing</b>	<b>Retail</b>	<b>Public Realm Improvements<sup>(a)</sup></b>	<b>Total</b>	<b>Percent of Total</b>
<b><u>Cost Category</u></b>					
Site Clearance <sup>(b)</sup>	2,400,000	-	500,000	2,900,000	0.9
Building Construction	264,807,000	2,427,000	3,122,000	270,356,000	79.9
Exterior Utilities	9,450,000	-	-	9,450,000	2.8
Site Development	6,000,000	-	-	6,000,000	1.8
A/E Fees <sup>(c)</sup>	21,358,000	844,000	1,932,000	24,134,000	7.1
Campus Administration <sup>(d)</sup>	3,930,000	156,000	356,000	4,442,000	1.3
Surveys, Tests, Plans, Specs	2,740,000	111,000	250,000	3,101,000	0.9
Special Items <sup>(e)</sup>	9,639,000	38,000	300,000	9,977,000	2.9
Contingency	7,205,000	285,000	650,000	8,140,000	2.4
<i>Total P-W-C</i>	<i>\$327,529,000</i>	<i>3,861,000</i>	<i>7,110,000</i>	<i>338,500,000</i>	<i>100%</i>
Groups 2 & 3 Equipment	8,000,000	-	-	8,000,000	
<i>Project Total Uses</i>	<i>\$335,529,000</i>	<i>3,861,000</i>	<i>7,110,000</i>	<i>346,500,000</i>	
Interest During Construction	16,372,000	648,000	1,480,000	18,500,000	
<b>Grand Total</b>	<b>\$351,901,000</b>	<b>4,509,000</b>	<b>8,590,000</b>	<b>365,000,000</b>	

(a) Includes all Landscaping and Site Improvements.

(b) Includes abatement of hazardous materials in the existing structures and cost of demolition; removal and proper disposal of some assumed quantity of contaminated soils.

(c) Includes Executive Architect (as part of the design-build team) and other professional design contract costs.

(d) Campus Administration includes campus staff time for planning and management, plan reviews and construction inspection.

(e) Special Items includes progressive design build competition fees, detailed project program, pre-design studies, environmental documentation and monitoring, specialty consultants, commissioning, agency fees, and peer seismic reviews.

## FUNDING SCHEDULE BY PHASE

Preliminary Plans	20,000,000
Working Drawings	4,750,000
Construction	313,750,000
<b>Total P-W-C</b>	<b>338,500,000</b>
Groups 2 & 3 Equipment	8,000,000
Interest During Construction	\$18,500,000
<b>Total Project</b>	<b>\$365,000,000</b>

## PROJECT STATISTICS

	<b>Student Housing</b>	<b>Retail</b>	<b>Total Project<sup>(h)</sup></b>
ASF <sup>(f)</sup>	387,000	8,000	395,000
GSF <sup>(g)</sup>	572,500	8,000	580,500
Efficiency Ratio: ASF / GSF	68%	1.00	68%
Construction Cost / ASF	\$684	\$303	\$677
Construction Cost / GSF	\$463	\$303	\$460
PWC Cost / ASF	\$846	\$483	\$839
PWC Cost / GSF	\$572	\$483	\$571
PWC Cost / Bed <sup>(i)</sup>	\$248,882	N/A	N/A

(f) ASF is the Assignable Square Footage and represents the net usable area.

(g) GSF is the Gross Square Footage and includes the total area, including usable area, stairways, and space occupied by the structure itself.

(h) "Total Project" column in this table excludes Public Realm Improvements.

(i) PWC Cost in Project Statistics table excludes Groups 2 & 3 Equipment and Interest During Construction.



## **Pepper Canyon West Housing – Cost Drivers**

Several unique factors have contributed to the cost of the Pepper Canyon West Housing project, including:

### ***General Note***

- Project has been affected by the historic inflation surge across the construction market as described in recent Engineering News-Record (ENR) article: <https://www.enr.com/articles/52596-nerves-of-steel-needed-as-firms-face-volatile-prices-broken-contracts-and-price-gouging>

### ***Poor Soil***

- Early geotechnical investigation indicates the presence of lead in the soil, which will require abatement. The exact quantity is yet to be determined. Approximately \$2 million is included in the budget above to address this condition.

### ***High-Rise Construction***

- Structural and fire/life-safety costs increase due to code requirements specific to high-rise construction.
- High-rise construction also adds a premium to general requirements due to material handling and labor.

### ***White Concrete***

- In keeping with UC San Diego's existing design guidelines, white concrete will be used for all exposed concrete, which adds a premium. Standard grey concrete would be utilized for all foundations and other non-exposed elements.

### ***Glazing Type:***

- Pepper Canyon West Housing project design includes curtain wall exterior to maximize natural light to interior spaces. A curtain wall system is more expensive than the typical punched opening/vinyl window used on other campus housing projects.

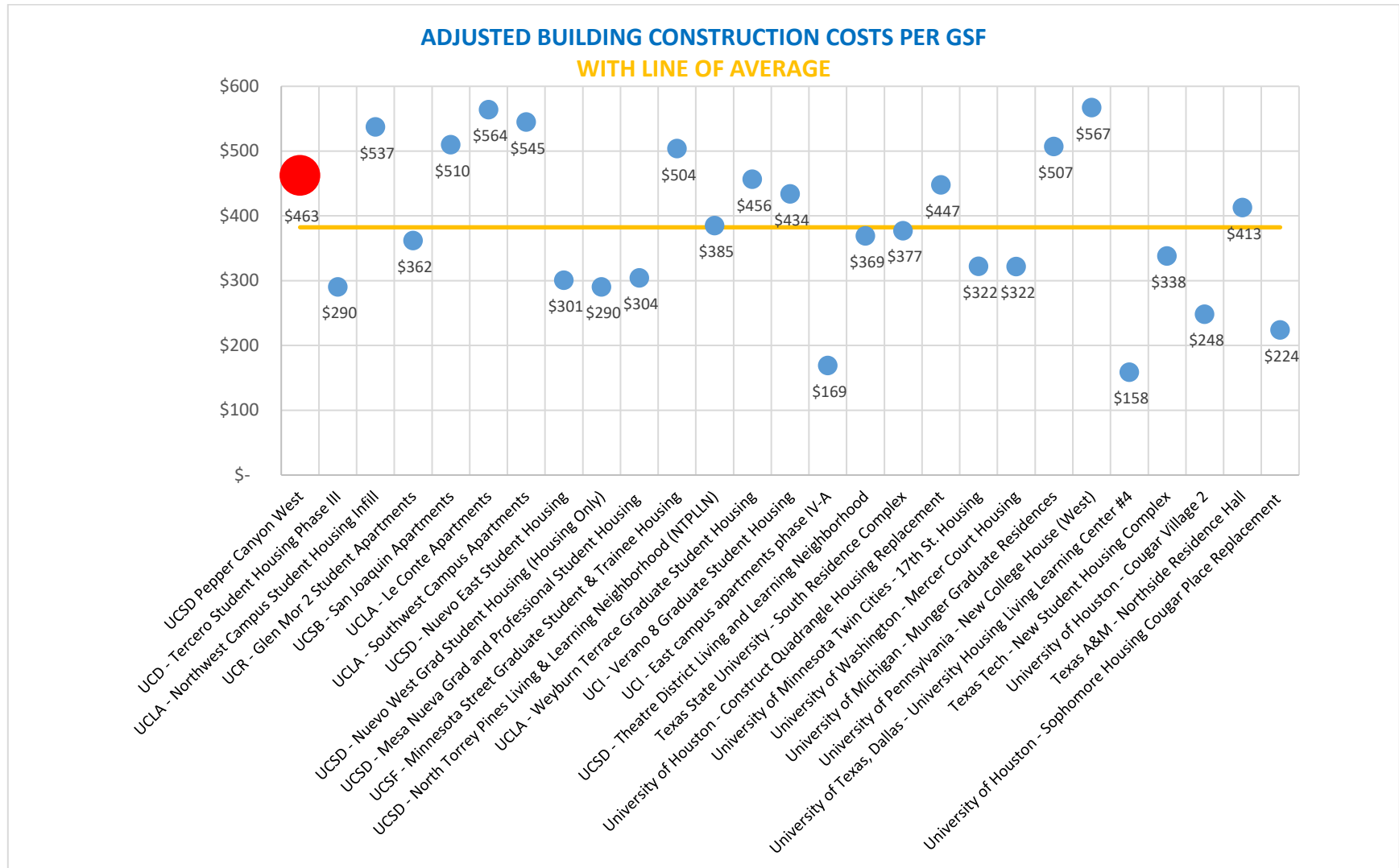
### ***Single Bed (one bed per room)***

- Pepper Canyon West project is design to be entirely comprised of single bedroom units (one student per bedroom). This design feature is in direct response to student input from transfer and upper division students.

### ***Ratio of Kitchens and Bathrooms to Beds***

- Project design includes one bathroom for every two beds (lower ratios than typical for undergraduate housing)
- Project design includes six or eight beds for each kitchen (lower ratios than typical for undergraduate housing)
- Kitchen in each unit is a unique design feature

## COMPARABLE PROJECT INFORMATION – SCATTERPLOT



## ATTACHMENT 2

### COMPARABLE PROJECT INFORMATION – TABLE

Data Source: UCOP Housing Comparables Database for Higher Institutions. The 27 projects included below were determined to be comparable if their GSF was within 60 percent of the GSF of the proposed project. All comparable projects included in the UCOP Housing Database have been adjusted to account for location (RS Means City Cost Index) and date (RLB Construction Cost Index). Costs shown for the proposed project exclude the following: Retail Space and Public Realm Improvements. For University of California projects "Building Construction Cost" is from Attachment 1, Project Sources and Uses, 2<sup>nd</sup> row under Uses; "Total Project Cost" is the "Grand Total" as reported on Attachment 1, Project Sources and Uses.

#	Project Name	City/ Campus	GSF	Md. Pt. Const Yr	Beds	Units	Building Construction Cost	Adj. Building Cost	Adj. Building Cost / GSF	Total Project Cost*	Adj.Total Project Cost**	Adj. Total Project Cost/ GSF	Adj. Building Cost / Bed	Adj. Total Project Cost/ Bed
							<b>COMP AVERAGES</b>		<b>\$382</b>			<b>\$511</b>	<b>\$157,013</b>	<b>\$210,792</b>
1	<i>UCSD Pepper Canyon West</i>	<i>San Diego</i>	<i>572,500</i>	<i>2023</i>	<i>1316</i>	<i>0</i>	<i>\$264,807,000</i>		<i>\$463</i>	<i>\$351,901,000</i>		<i>\$615</i>	<i>\$187,543</i>	<i>\$267,402</i>
2	UCD - Tercero Student Housing Phase III	Davis	322,265	2013	1200	644	\$64,609,000	\$93,570,000	\$290	\$88,441,000	\$128,085,000	\$397	\$77,975	\$106,738
3	UCLA - Northwest Campus Student Housing Infill	Los Angeles	503,175	2012	1511	769	\$179,652,000	\$270,301,000	\$537	\$224,927,000	\$338,421,000	\$673	\$178,889	\$223,972
4	UCR - Glen Mor 2 Student Apartments	Riverside	334,187	2012	814	232	\$78,822,000	\$120,855,000	\$362	\$126,400,000	\$193,805,000	\$580	\$148,471	\$238,090
5	UCSB - San Joaquin Apartments	Santa Barbara	283,873	2016	1019	186	\$113,058,000	\$144,658,000	\$510	\$182,544,000	\$233,566,000	\$823	\$141,961	\$229,211
6	UCLA - Le Conte Apartments	Los Angeles	289,200	2020	1159	192	\$152,388,000	\$163,064,000	\$564	\$188,374,000	\$201,571,000	\$697	\$140,694	\$173,918
7	UCLA - Southwest Campus Apartments	Los Angeles	563,200	2020	2279	358	\$287,890,000	\$306,796,000	\$545	\$354,249,000	\$377,513,000	\$670	\$134,619	\$165,649
8	UCSD - Nuevo East Student Housing	San Diego	729,300	2019	1374	653	\$191,972,000	\$219,237,000	\$301	\$254,446,000	\$290,584,000	\$398	\$159,561	\$211,488

#	Project Name	City/ Campus	GSF	Md. Pt. Const Yr	Beds	Units	Building Construction Cost	Adj. Building Cost	Adj. Building Cost / GSF	Total Project Cost*	Adj.Total Project Cost**	Adj. Total Project Cost/ GSF	Adj. Building Cost / Bed	Adj. Total Project Cost/ Bed
9	UCSD - Nuevo West Grad Student Housing (Housing Only)	San Diego	401,909	2018	804	0	\$99,594,000	\$116,689,000	\$290	\$131,957,000	\$154,607,000	\$385	\$145,136	\$192,297
10	UCSD - Mesa Nueva Grad and Professional Student Housing	San Diego	607,083	2016	1355	0	\$143,789,000	\$184,661,000	\$304	\$187,838,000	\$241,231,000	\$397	\$136,281	\$178,030
11	UCSF - Minnesota Street Graduate Student & Trainee Housing	San Francisco	331,000	2018	706	595	\$163,925,000	\$166,718,000	\$504	\$223,843,000	\$227,657,000	\$688	\$236,144	\$322,460
12	UCSD - North Torrey Pines Living & Learning Neighborhood (NTPLLN)	San Diego	816,000	2019	2048	407	\$274,981,000	\$314,035,000	\$385	\$391,376,000	\$446,961,000	\$548	\$153,337	\$218,243
13	UCLA - Weyburn Terrace Graduate Student Housing	Los Angeles	259,000	2011	500	500	\$76,900,000	\$118,224,000	\$456	\$110,020,000	\$169,142,000	\$653	\$236,448	\$338,284
14	UCI - Verano 8 Graduate Student Housing	Irvine	421,715	2021	1050	409	\$175,092,000	\$182,940,000	\$434	\$240,398,000	\$251,173,000	\$596	\$174,229	\$239,212
15	UCI - East campus apartments phase IV-A	Irvine	580,000	2018	1441	410	\$82,940,000	\$97,906,000	\$169	\$147,320,000	\$173,903,000	\$300	\$67,943	\$120,682
16	UCSD - Theatre District Living and Learning Neighborhood	San Diego	823,000	2023	2050	324	\$305,450,000	\$303,581,000	\$369	\$403,843,000	\$401,372,000	\$488	\$148,088	\$195,791

#	Project Name	City/ Campus	GSF	Md. Pt. Const Yr	Beds	Units	Building Construction Cost	Adj. Building Cost	Adj. Building Cost / GSF	Total Project Cost*	Adj.Total Project Cost**	Adj. Total Project Cost/ GSF	Adj. Building Cost / Bed	Adj. Total Project Cost/ Bed
17	Texas State University - South Residence Complex	Huntsville	232,822	2016	670	0	\$54,761,126	\$87,790,000	\$377	\$67,400,000	\$108,052,000	\$464	\$131,030	\$161,272
18	University of Houston - Construct Quadrangle Housing Replacement	Houston	336,127	2019	1189	0	\$105,523,400	\$150,414,000	\$447	\$124,000,000	\$176,750,000	\$526	\$126,505	\$148,654
19	University of Minnesota Twin Cities - 17th St. Housing	Minneapolis	230,747	2012	600	0	\$51,396,587	\$74,273,000	\$322	\$61,424,851	\$88,765,000	\$385	\$123,788	\$147,942
20	University of Washington - Mercer Court Housing	Seattle	460,000	2012	926	0	\$95,813,400	\$147,895,000	\$322	\$113,344,000	\$174,954,000	\$380	\$159,714	\$188,935
21	University of Michigan - Munger Graduate Residences	Ann Arbor	380,000	2014	634	0	\$130,849,200	\$192,569,000	\$507	\$184,999,200	\$272,261,000	\$716	\$303,737	\$429,434
22	University of Pennsylvania - New College House (West)	Philadelphia	249,000	2020	450	0	\$134,500,000	\$141,154,000	\$567	\$169,500,000	\$177,886,000	\$714	\$313,676	\$395,302
23	University of Texas, Dallas - University Housing Living Learning Center #4	Richardson	590,000	2013	600	0	\$51,400,000	\$93,454,000	\$158	\$74,850,000	\$136,089,000	\$231	\$155,757	\$226,815
24	Texas Tech - New Student Housing Complex	Lubbock	236,500	2014	455	0	\$42,673,500	\$79,896,000	\$338	\$54,800,000	\$102,600,000	\$434	\$175,596	\$225,495

[illegible]

## ATTACHMENT 3

### SUMMARY OF FINANCIAL FEASIBILITY

San Diego Campus	
Project Name	Pepper Canyon West Student Housing
Project ID	966250
Campus PPM Number	1002656
Total Estimated Project Costs	\$365,000,000
Anticipated Interest During Construction (included in estimated project cost)	\$18,500,000

Proposed Sources of Funding	
External Financing – Tax-Exempt	\$362,500,000
Housing Auxiliary Reserves – UCOP Housing Assistance Program	\$1,000,000
Campus Funds	\$1,500,000
<b>Sources of Funding Total</b>	<b>\$365,000,000</b>

*Fund sources for external financing shall adhere to University policy on repayment for capital projects.*

FINANCING ASSUMPTIONS: HOUSING	
External Financing Amount	\$350,901,000
Anticipated Repayment Source	General Revenues of the San Diego Campus
Anticipated Fund Source	Housing Revenues
Financial Feasibility Rate	4.25%
First Year of Principal	FY 2025
Term (e.g. 30 years)	35 years, 2 years interest only
Final Maturity	FY 2059
Estimated Average Annual Debt Service	\$19,970,000

FINANCING ASSUMPTIONS: NON-RESIDENTIAL	
External Financing Amount	\$11,599,000
Anticipated Repayment Source	General Revenues of the San Diego Campus
Anticipated Fund Source	Campus Funds
Financial Feasibility Rate	4.25%
First Year of Principal	FY 2025
Term (e.g. 30 years)	35 years, 2 years interest only
Final Maturity	FY 2059
Estimated Average Annual Debt Service	\$660,000

*Below are results of the financial feasibility analysis for the proposed project using the campus' Debt Affordability Model. The model includes projections of campus operations and planned financings.*

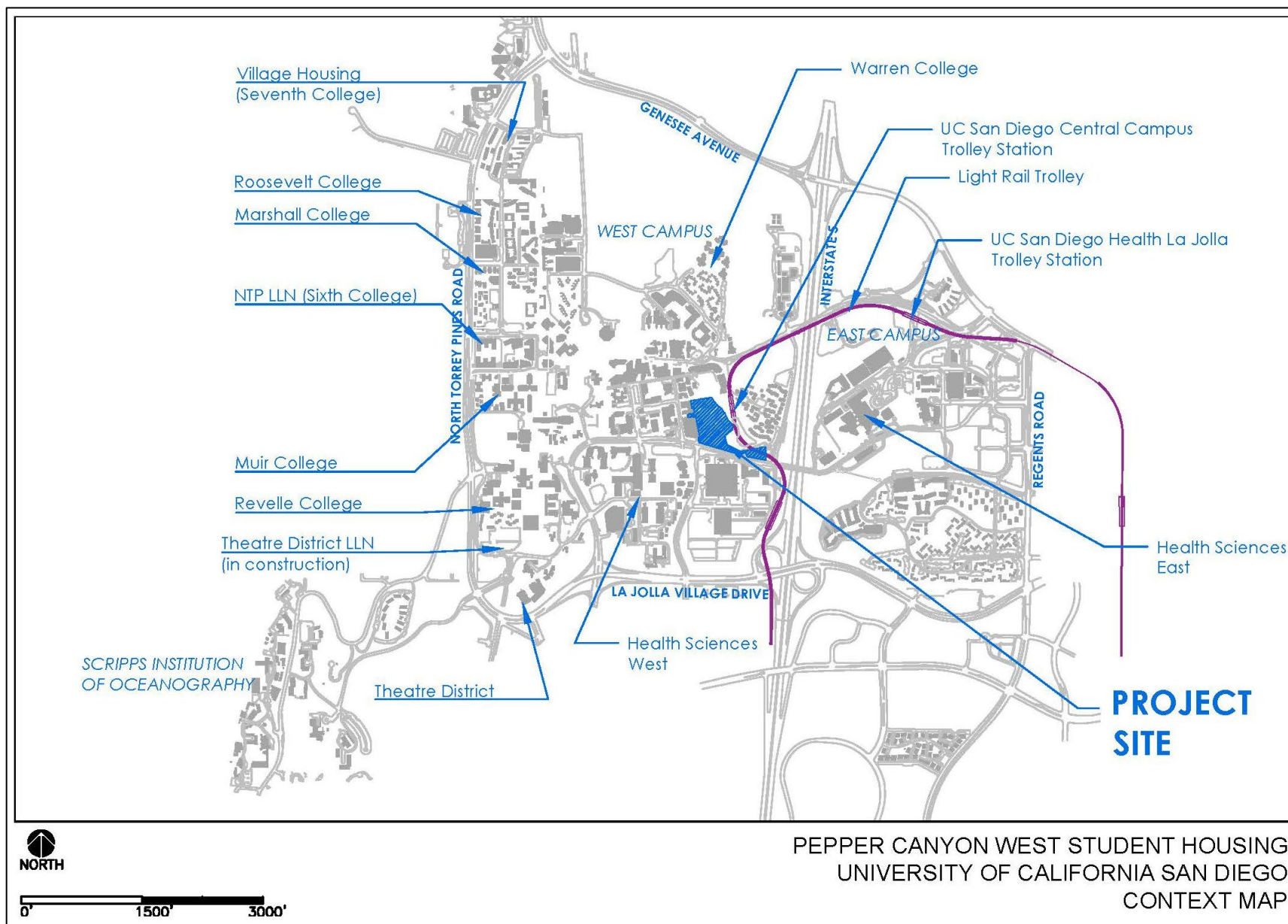
CAMPUS FINANCING BENCHMARKS			
Measure	Campus Metric	Approval	Requirement
Modified Cash Flow Margin	9.9% (min), FY2030	≥ 0.0%	Must Meet
Debt Service Coverage	1.9x (min), FY2030	≥ 1.1x	
Days Cash on Hand	65 days, 10/31/2021	≥ 60 days	
Auxiliary Project Debt Service Coverage <sup>1</sup>	.82x (min), FY2027	≥ 1.0x	Must Meet for Auxiliary Projects
Auxiliary System Debt Service Coverage <sup>2</sup>	.27x (min), FY 2021	≥ 1.1x	

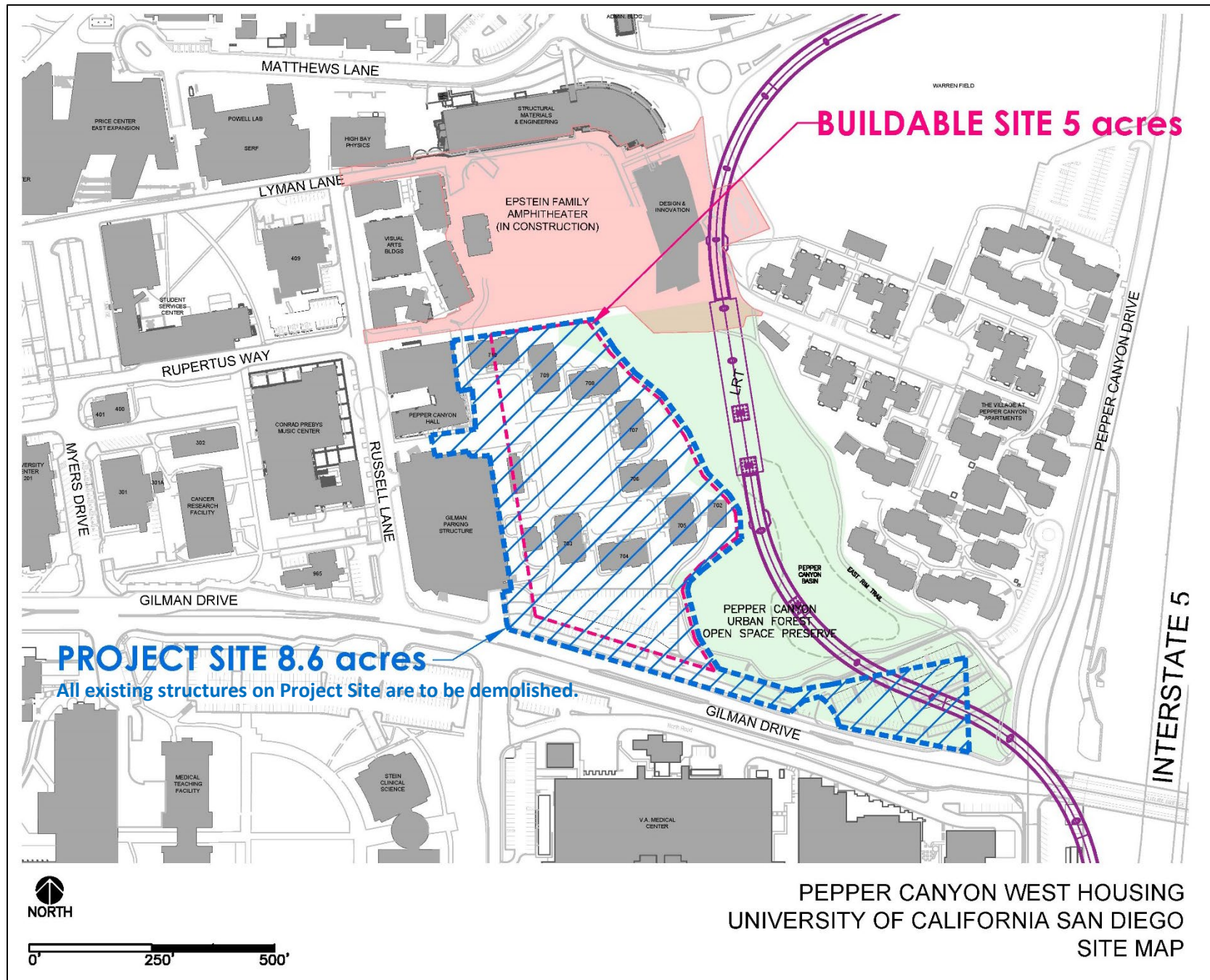
<sup>1</sup> *The Auxiliary Project Debt Service Coverage falls below the minimum 1.0x requirement. The project coverage ratio is expected to recover to meet the requirement by FY 2031. An exception to the University's Debt Policy is granted by the Office of the Chief Financial Officer.*

<sup>2</sup> *The Auxiliary System Debt Service Coverage is a Campus auxiliary system metric. The campus does not meet the minimum 1.1x requirement in FY2021 or FY2022 as a result of one-time losses associated with COVID and the opening of the North Torrey Pines Living and Learning Neighborhood in December 2020. Note that this project approval does not negatively affect the campus's debt ratios and that an exception to the University's Debt Policy is granted by the Office of the Chief Financial Officer.*



# ATTACHMENT 4





## ALTERNATIVES CONSIDERED

The proposed project is the best alternative to provide housing that is urgently needed to meet current demand as well as projected demand for 2025-26 and beyond. Without additional housing, the San Diego campus will be unable to meet demand from undergraduate students.

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 (P3)
- Option 4 – "Do Nothing" (no project)

### **Option 1 - Redevelopment with University-Delivered, New Construction on Campus**

The preferred option would redevelop an 8.6-acre site (buildable area of five acres) on campus to create the Pepper Canyon West Student Housing project. As described in the item, the project would provide approximately 1,300 new beds for transfer and upper-division undergraduate students.

Option 1 is the only solution of the alternatives considered that would provide new housing in the shortest amount of time – which is urgently needed to meet current demand and projected demand associated with increased enrollment. Compared to current market rates in the surrounding area, the proposed project is the best solution for making affordable housing available to undergraduate students. The campus would proceed with a progressive design-build, fixed-price delivery model, with the plan being to complete the new housing by fall 2024. This scenario provides the greatest likelihood for meeting campus goals as described above in the section on “Project Drivers.” Without additional housing, the San Diego campus will be unable to offer housing to upper-division undergraduate students.

### **Option 2 - Lease or Purchase off Campus**

UC San Diego is located in the La Jolla/University City (LJUC) area of San Diego, 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 properties. The rental market is so robust in this area that although UC San Diego has continually looked for opportunities to lease or purchase, there has not been an occasion to secure a large number of units within any single private sector facility. In fact, during the past ten years, no multifamily sale transactions have occurred in the LJUC area (as confirmed by the campus's real estate partner). Because the LJUC area is one of the premium apartment investment markets in San Diego County, competition for those few properties that are offered for sale is intense and capitalization rates are competitively bid downward to historically low rates. Owners of

surrounding apartment communities have shown 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 and tenants and, in these types of residential arrangements, conflicts tend to occur between the University users and non-affiliates.

Lease or purchase of off-campus residential property would also trigger environmental issues such as increased traffic and impacts to the surrounding community, including displacement of any current residents inhabiting a selected property. High sales prices combined with necessary seismic retrofitting and building modernization costs would far exceed the cost of new construction and, for these reasons, lease or purchase of off-campus property has been rejected.

The campus continues to work with its real estate broker to identify potential multifamily property acquisition opportunities near the La Jolla campus as well as along the UC San Diego Blue Line of the LRT.

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

The campus evaluated a variety of delivery methods for this student housing project, including ground lease and concession agreement types of P3 structures. A P3 structure is typically selected for several reasons, including the desire to transfer design, construction, financing, and leasing risk; potential preservation of the campus debt capacity and credit; or inadequate campus resources to successfully deliver and operate a unique type of project.

UC San Diego has a solid track record of developing and operating student housing projects cost-effectively, resulting in student housing rents averaging 20 percent below local market rates. The campus views student housing projects as inherently low-risk with operating revenues that support the debt service, thus preserving the campus's debt capacity. A P3 project would result in lesser revenues to the campus, the payment of a developer fee for a low-risk project, and potentially greater rents charged to students.

The campus is currently planning several new projects that are excellent candidates for a P3 delivery approach due to their level of risk; specialization of design, construction and operations; and opportunity to preserve the campus balance sheet.

### **Option 4 - "Do Nothing"**

As previously described, current housing inventory at UC San Diego is insufficient to meet demand. Without completion of proposed housing projects, the campus:

- Would not progress towards meeting the 65 percent housing goal as stated in the LRDP;

- Would not meet student demand, forcing students to live farther away from campus and resulting in longer commutes/more traffic on local roadways;
- Would not progress towards the campus goal of offering four years of housing; and
- Would not be able to improve the overall experience for residential students, which may threaten the campus' ability to recruit and retain top students.

**PROJECT DELIVERY MODEL**

The campus is using the progressive design-build delivery process to support the accelerated completion schedule for the proposed project. UC San Diego has successfully utilized a design-build delivery method for multiple housing projects over the years, including Mesa Nueva, Nuevo East, Nuevo West, and the North Torrey Pines Living and Learning Neighborhood. The process allows the University to pre-qualify design-build teams and establish a comprehensive Request for Proposal (RFP).

The design-build RFP outlines program requirements, including quality of construction elements, quantity and type of housing units, proposed amenities for each unit, requirements for common and administrative areas, site amenities, and life-safety requirements. Design guidelines are included with the RFP to ensure specific product and detailing requirements to align with UC San Diego Housing, Dining and Hospitality's operational and maintenance practices.

Three pre-qualified design-build teams were short-listed and invited to participate in a design and collaboration exercise. Each proposal was reviewed and scored by a selection committee consisting of UC San Diego personnel and several appointed members of the Design Review Board. The competitive nature of this approach has shown that the teams strive not only to meet the program requirements but are incentivized through a point system evaluation to convey their team building, creativity, communication, and technical skills.

The campus is committed to promoting and increasing participation of minority, women-owned, and disabled veteran business enterprises (MBE/WBE/DVBES) in all purchasing and contract business. Providing qualified MBE/WBE/DVBES with the maximum opportunity to participate will be encouraged with the selected general contractor. In fact, the project team has established a goal of 15 percent of the design and construction costs be spent utilizing MBE/WBE/DVBES.