

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM

For Meeting of January 22, 2025

UNIVERSITY HILLS AREA 12-2, IRVINE CAMPUS: BUSINESS TERMS FOR GROUND LEASE AMENDMENT, DESIGN FOLLOWING CONSIDERATION OF AN INITIAL STUDY AND MITIGATED NEGATIVE DECLARATION, AND DELEGATION OF AUTHORITY TO THE IRVINE CAMPUS CHANCELLOR FOR IRVINE CAMPUS HOUSING AUTHORITY BOARD OF DIRECTORS APPOINTMENTS

EXECUTIVE SUMMARY

The proposed University Hills Area 12-2 project (“Area 12-2” or “Project”) represents the next phase of University Hills, the faculty and staff residential community located on the Irvine campus and developed through a ground lease with the Irvine Campus Housing Authority (“ICHA” or “Ground Lessee”). The proposed Project would construct approximately 82 for-sale townhomes, consistent in design with the for-sale townhomes currently under construction in University Hills Area 12-1, approved by the Regents in May 2023. The proposed amendment of the Ground Lease would expand the University Hills community by adding 4.4 acres of campus land, including the 3.9-acre project site, to the 306 acres currently covered by the Ground Lease to allow for the construction of the townhomes. All other terms of the Ground Lease would remain unchanged. Currently, the Area 12-2 site is improved with a 50-unit apartment complex originally constructed for faculty and staff housing by the campus in 1982 (“Las Lomas”). The campus would demolish the existing Las Lomas apartment units prior to ICHA initiating construction of the Area 12-2 townhomes.

The Regents approval of the creation of ICHA in 1983 and the resulting ICHA Articles of Incorporation require that all directors of the non-profit corporation are appointed by the Irvine Chancellor and approved by the President. The Regents are requested to approve a delegation of authority to the Chancellor for approving the directors, which would provide administrative efficiencies for both the President and Chancellor.

RECOMMENDATION

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

- A. The President or his designee be authorized to approve and execute, after consultation with the General Counsel and following appropriate action pursuant to the California Environmental Quality Act, an amendment to the Ground Lease and any related documents between the Regents, as Lessor, and the Irvine Campus Housing Authority (ICHA), as Lessee, to add land to the existing land covered by the Ground Lease as follows:

Add approximately 4.4 gross acres (Area 12-2) of the Irvine Campus Inclusion Area, for a total Ground Lease area of approximately 311 acres (Property).

- B. All costs associated with the future development of Area 12-2 and ongoing operation of the Property, including maintaining the landscaped area and road improvements, shall be the obligation of the Ground Lessee during the term of the Ground Lease.
- C. The Regents' reversionary interest in the land shall not be subordinated, and no encumbrances of the Ground Lessee's interest in Area 12-2 shall extend beyond the term of the Ground Lease.
- D. The President or his designee, after consultation with the General Counsel, shall be authorized to approve and execute any additional documents necessary to implement the Ground Lease amendment and to facilitate the development of Area 12-2 by ICHA.
- E. The scope of the University Hills Area 12-2 project shall consist of demolition of 50 existing apartment units followed by construction of approximately 82 for-sale townhomes to support recruitment and retention of faculty and staff. Homes will include three to five bedrooms, and three to 4.5 bathrooms. The Project includes supporting streets, utilities, trails, and other community infrastructure.
- F. Following review and consideration of the environmental consequences of the proposed Project design, 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 this 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 Irvine as identified in the Mitigation Monitoring and Reporting Program adopted in connection with approval of the University Hills Area 12-1 and Long Range Development Plan (LRDP) Amendment #4 project.
 - (2) Adopt the CEQA Findings for the University Hills Area 12-2 project, having considered the Initial Study and Mitigated Negative Declaration for the University Hills Area 12 and LRDP Amendment #4 project (IS/MND), and Addendum No. 2 to the IS/MND.

- (3) Approve the revised design of the University Hills Area 12-2 project, Irvine campus.
- G. Approve the delegation of authority to the Irvine campus Chancellor for approval of ICHA board member appointments.

BACKGROUND

The Irvine Campus Housing Community program (Program) enables ICHA to develop affordable for-sale and rental housing for full-time University faculty and staff. University Hills, UCI's academic community-in-residence created by the Program, contains a variety of housing, including four apartment communities, two condominium associations, townhomes, paired homes, and single-family detached homes, all developed and managed by ICHA. The community currently consists of 1,330 for-sale homes and 384 apartment homes. Serving a population of over 5,500 people in 1,714 households, University Hills is the largest on-campus, for-sale workforce housing community in the nation.

Currently, approximately 306 acres on the Irvine campus are covered by the Ground Lease between the Regents and ICHA, as shown in Attachment 1. Per the terms of the Ground Lease, for-sale homes are subject to certain eligibility and resale restrictions that have kept homes in University Hills affordable for faculty and staff.

During the planning for Area 12-1, a range of housing product types were evaluated to optimize land use efficiency while achieving affordability targets for both Area 12-1 and 12-2. Area 12-2 is a continuation of the same townhome design and layout as approved for Area 12-1. These homes are under construction now and are well received by prospective buyers. Significant cost efficiencies are being realized with this approach.

PROJECT DRIVERS

The need for additional affordable housing is evidenced by the existing University Hills waitlist, which currently includes 270 Senate faculty.

Nearly 100 percent of incoming faculty request to live in University Hills due to the dramatic escalation of housing prices in the region. In Irvine, new homes ranging in size from 1,400 square feet to 2,400 square feet have sold recently for between \$895,000 and \$3.1 million. Comparable resale homes in University Hills currently sell for \$455,000 to \$900,000, significantly under market and achieving the affordability levels required for incoming faculty income levels. Based on an ICHA's analysis of household income data, the average maximum loan capacity for an assistant professor is approximately \$720,000, assuming a Mortgage Origination Program (MOP) loan at 3.25 percent and ten percent down.

PROJECT DESCRIPTION

The proposed Area 12-2 project consists of approximately 82 for-sale townhomes. The townhomes have the same floorplans as those approved on the Area 12-1 site. They range in size from 1,395 to 2,477 square feet and contain three to five bedrooms and three to 4.5 bathrooms. The design and Type V wood frame construction will allow these homes to be built and sold at below-market pricing. The prices will range from the high \$400,000’s to the high \$800,000’s with an average price of \$685,000. Renderings of this townhome product can be found in Attachment 4.

The Project includes demolition of 50 Las Lomas apartment units on the Area 12-2 site, which are currently utilized as temporary student housing while new residence halls are under construction. Las Lomas was built in 1982 and is owned and operated by the Irvine campus. The campus will be responsible for demolishing these units, and is scheduled to commence the work in September 2025 after the temporary student housing leases have expired. As shown in Attachment 3, the 3.9-acre project site is located in University Hills and is bordered to the north by East Peltason Drive and the Academic Core, to the east by Los Trancos Drive, to the west by State and federally protected lands, and south by existing employee-occupied townhomes. The 3.9-acre site would be redeveloped by ICHA with the proposed townhomes arranged to accommodate the site’s shape and topography. Guest parking provided at a minimum of 0.65 parking stalls per home will be available on site. The Project would have a floor area ratio (FAR) exceeding 1.0 and 20.95 dwelling units per acre.

**Table 1
EXISTING AND PROPOSED FACULTY AND STAFF HOUSING IN UNIVERSITY HILLS**

	For-Sale Homes	For-Rent Homes	Total
Existing*	1,330	384	1,714
Proposed Area 12-2	82	0	82
Total	1,412	384	1,796

*Excludes the 50 Las Lomas Apartments on the 12-2 site and includes the 104 for-sale homes under construction in the 12-1 project.

The Project includes supporting streets, parking, utilities, recreational elements, trail connectivity to the campus open space trails, a loop walkway around the project site, and other community infrastructure. Pedestrian, bicycle, and vehicular connections to campus as well as University Hills facilities would be incorporated, in addition to the creation of a small pocket park on site. University Hills varied recreational facilities would be available for use by the residents of Area 12-2.

Project Delivery Model and Ground Lease Amendment

The Project will be delivered through a public-private partnership with ICHA. ICHA will contract with a general contractor to both design and construct the Project, and the contractor will obtain a construction loan from a third-party lender which will be paid off by home sale proceeds. No public nor University funds or loans will be used. To implement the Project, the existing ground lease with ICHA will be modified to adjust the boundary of the leased premises to add approximately 4.4-acres as depicted in Attachment 2.

Project Schedule

Demolition is expected to start in September 2025 with construction commencing in January 2026. Delivery of the first home is anticipated in June 2027, and the last home in October 2028.

PROJECT DESIGN

Project Site

As shown in Attachment 2, the 3.9-acre project site is located in University Hills and is bordered to the north by East Peltason Drive and the Academic Core, to the west by Los Trancos Drive, and to the east and south by existing employee-occupied townhomes, single-family homes, and condominiums. The project site is improved with 50 Las Lomas apartment units which will be demolished and replaced with approximately 82 townhomes.

One new point of site ingress/egress will be constructed along the eastern edge of Los Trancos Drive. Internal streets will provide access to private, two-car garages. A new six-foot wide sidewalk along Los Trancos Drive will connect the site to the Academic Core to the north and to University Hills amenities to the south and east.

Building Design

In accordance with architectural guidelines in the 2010 Physical Design Framework, the design of Area 12-2 buildings will be responsive to surrounding homes in University Hills and will reinforce the existing architectural vocabulary of the community even though the Project will be denser. The massing and placement of buildings in Area 12-2 will be cognizant of existing homes adjacent to the site. The buildings will enhance or frame important view corridors and will be sited to reduce potential visual impacts. Sloping roof forms and appropriately applied façade articulation will moderate the scale of the buildings consistent with University Hills' residential character. Acoustic separation between homes, daylighting, and natural ventilation are primary considerations in this residential building design.

Materials

Building materials will convey a quality of permanence and durability. The Spanish architectural style utilizes both smooth- and medium-textured stucco, metal, and wood detailing. All materials

used will support the campus requirement for buildings to last a minimum of 70 years, with no major maintenance required for 20 years. Detailing will include archway entries to the buildings and significant articulation of building mass.

Responding to the surrounding built environment, exterior building colors will complement the community's existing palette. Subtle earth tones will be in keeping with the Spanish architectural style of the proposed buildings while also enhancing adjacent neighborhoods. Exterior and interior elements will consist of durable, low-maintenance materials.

CONSISTENCY WITH SELECT UC POLICIES AND PRACTICE

The project complies with UC policies and practices regarding Seismic Safety, Sustainability, and Small/Disabled Veteran Business Enterprises.

Sustainability

The Sustainable Practices Policy establishes goals for green building, clean energy, transportation, climate protection, facilities operations, zero waste, procurement, food service, and water systems. This project has been analyzed by the UC Operational Carbon & Energy Assessment for New Construction (OCEAN) Tool, which identifies high-level estimates of target site energy use, utility costs, and operational greenhouse gas emissions for the proposed project. The Project seeks to balance affordability, sustainability, and energy efficiency. Sustainable features in the current design include:

- Minimum Gold certification rating under the GreenPoint Rated program with target for Gold for new homes¹
- Outperform the California Energy Code by 20 percent
- All-electric
- High performance building envelope, glazing, and roof systems and materials
- Electric vehicle charging circuits
- Natural ventilation and daylighting optimization
- Energy-efficient building systems including HVAC, water heating, and appliances
- Each home will include solar panels standard
- LED lighting design in both the homes and the common areas
- Volatile Organic Compounds (VOC) emissions reduction by use of no- and low-VOC products
- Drought-tolerant landscape materials, reclaimed water irrigation, and smart irrigation controls and systems
- Bicycle parking, including bicycle racks and covered and lockable storage

¹ Currently, in California there are two green building rating systems designed specifically for single and multifamily projects: LEED for Homes and GreenPoint Rated. Both systems utilize a third-party verification program. The City of Irvine participates in GreenPoint Rated and ICHA has employed this system for new homes in University Hills for many years.

CEQA COMPLIANCE

Pursuant to the California Environmental Quality Act (CEQA), the Initial Study and Mitigated Negative Declaration for the University Hills Area 12 and Long Range Development Plan Amendment #4 (IS/MND) (SCH# 2021090375), which included University Hills Area 12-2, was prepared for the project and was adopted by the Regents at the November 2021 meeting (Attachment 5). The Initial Study was tiered from the UCI 2007 Long Range Development Plan Environmental Impact Report (LRDP EIR, SCH #2006071024). A link to the 2007 LRDP EIR may be found in Attachment 6. Addendum #2 to the IS/MND has been prepared to document minor changes to the project (Attachment 8). 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 IS/MND (Attachment 9).

**DELEGATION OF AUTHORITY TO IRVINE CAMPUS CHANCELLOR
FOR ICHA BOARD MEMBER APPOINTMENTS**

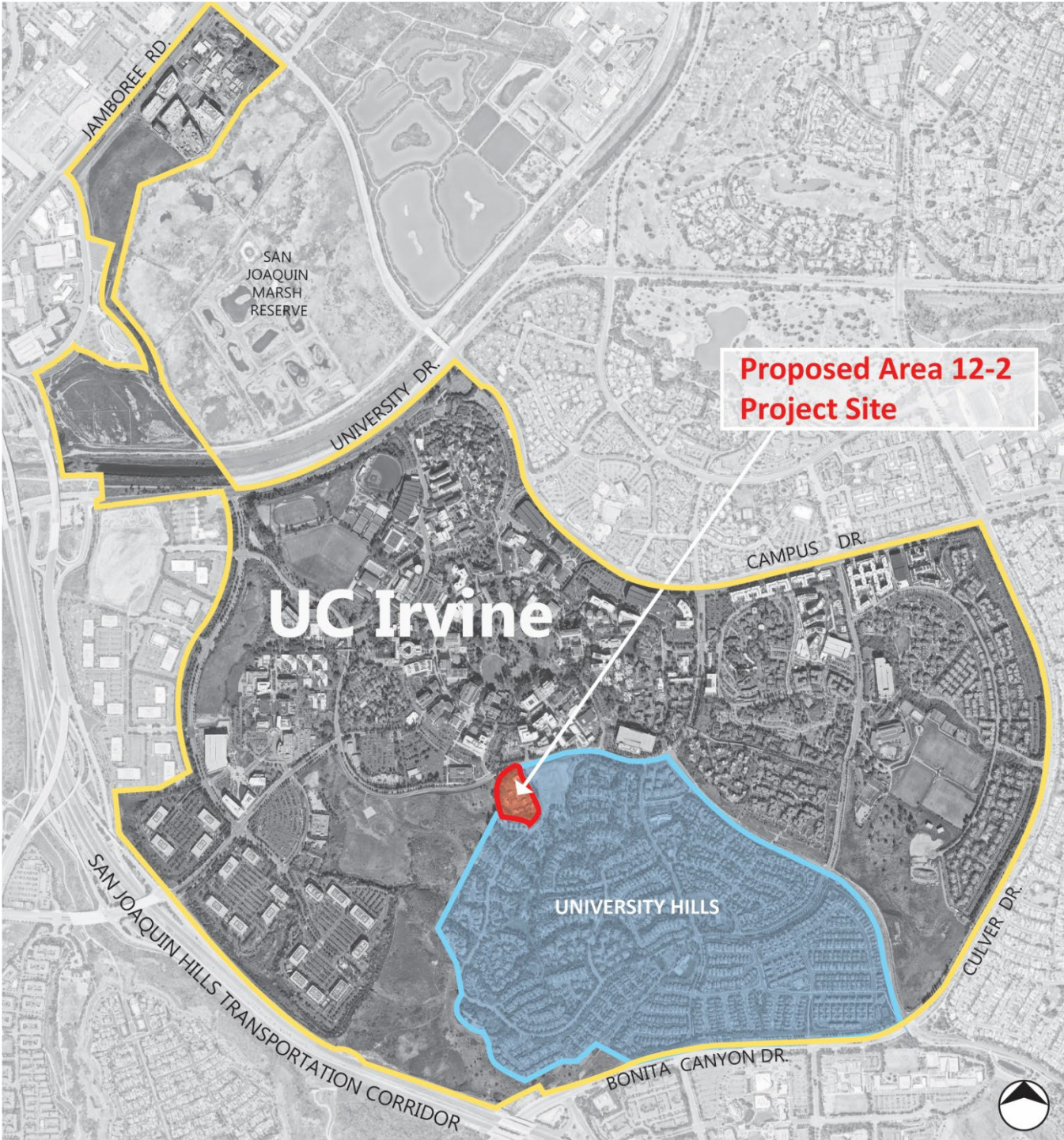
The Regents’ approval of the creation of ICHA in 1983 and the resulting Bylaws of ICHA require that all members of the Board of Directors of the non-profit corporation be appointed by the Chancellor and approved by the President of the University. This process includes both the initial two-year appointment and subsequent re-appointments for up to three additional terms. With a ten-member board, the President’s approval of the Chancellor’s appointments is sought on a nearly annual basis and is no longer adding value to the Board composition given that the Irvine campus has over 40 years of working with ICHA. Therefore, the Regents are requested to approve a permanent delegation of authority to the Irvine campus Chancellor to approve ICHA Board members.

ATTACHMENTS

Attachment 1	Project Location
Attachment 2	Proposed Ground Lease Amendment Boundary
Attachment 3	Site Plan
Attachment 4	Design Graphics
Attachment 5	Area 12-1 November 2021 Regents Approval Item: https://regents.universityofcalifornia.edu/regmeet/nov21/f2.pdf
Attachment 6	UC Irvine 2007 Long Range Development Plan Environmental Impact Report: https://planningandsustainability.uci.edu/environmental/campus-feir.php
Attachment 7	Initial Study/Mitigated Negative Declaration:

	https://planningandsustainability.uci.edu/environmental/pdf/21-11-01_Area-12_Final-ISMND.pdf
Attachment 8	Addendum #2 to the Initial Study and Mitigated Negative Declaration for the University Hills Area 12-2 and Long Range Development Plan Amendment #4: https://planningandsustainability.uci.edu/environmental/pdf/25-01-06_University-Hills-Area-12_Addendum.pdf
Attachment 9	CEQA Findings

PROJECT LOCATION



PROPOSED GROUND LEASE AMENDMENT BOUNDARY



ATTACHMENT 3

SITE PLAN



- LEGEND
- 1 8' WIDE BIKE / PEDESTRIAN PATH
 - 2 ON-STREET SHARED BIKE LANE
 - 3 BIKE PATH ON EXISTING 6' WIDE SIDEWALK
 - 4 'THE SUMMIT'
 - 5 'THE SHORTCUT'
 - 6 FIRE ACCESS CONNECTION
 - 7 DECORATIVE PAVING IN ALLEY TO MATCH PHASE 1
 - 8 980 3-STORY PRODUCT
 - 9 990 4-STORY PRODUCT
 - 10 NATURAL COMMUNITY CONSERVATION PLANNING BOUNDARY
 - 11 FEDERAL JURISDICTIONAL BOUNDARY
 - 12 STATE JURISDICTIONAL BOUNDARY
 - 13 AT&T EASEMENT

PROJECT TREES
 PROPOSED TREES.....147 TREES
 EXISTING TREE TO BE REMOVED.....131 TREES

