

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM

For Meeting of January 22, 2025

UC MERCED/MERCED COMMUNITY COLLEGE DISTRICT “PROMISE” INTERSEGMENTAL STUDENT AFFORDABLE HOUSING BUILDING, MERCED CAMPUS: BUDGET, SCOPE, EXTERNAL FINANCING AND DESIGN FOLLOWING ADOPTION OF A MITIGATED NEGATIVE DECLARATION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

EXECUTIVE SUMMARY

The Merced campus is seeking approval for the UC Merced/Merced Community College District “Promise” Intersegmental Student Affordable Housing Building project to expand campus housing and support increased transfer student enrollment. This collaboration with Merced Community College District (Merced College) would provide 488 beds in a 130,000-gross-square-foot building on Bellevue Road, near the campus’s main entrance and across from the El Portal residence hall. The building would also house a Transfer Student Resource Center to support transfer students’ integration into campus life and access to student services. The project is fully funded by external financing supported by State General Funds for the Higher Education Student Housing Grant Program.

In July 2023, the Regents approved \$10.05 million for preliminary plans (Attachment 10). Since that time, the campus developed a Detailed Project Plan and conducted a successful design-build competition. The Regents are now being asked to: (1) approve the budget of \$108,557,000; (2) approve the scope; (3) approve \$108,557,000 of external financing supported by State General Funds, (4) adopt the Initial Study/Mitigated Negative Declaration, Mitigation Monitoring and Reporting Program and California Environmental Quality Act Findings; and (5) approve the design.

RECOMMENDATION

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

- A. The 2024-25 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Merced: UC Merced/Merced Community College District “Promise” Intersegmental Student Affordable Housing Building – preliminary plans – \$10.05 million to be funded from external financing supported by State General Fund appropriations (\$9.68 million) and 2022-23 General Funds for the Higher Education Student Housing Grant Program appropriated to “Merced College for an intersegmental project with the University of California, Merced” (\$370,000).

To: Merced: UC Merced/Merced Community College District “Promise” Intersegmental Student Affordable Housing Building – preliminary plans, working drawings, construction, and equipment – \$108,557,000 to be funded from external financing supported by State General Funds for the Higher Education Student Housing Grant Program (\$108,557,000).

- B. The scope of the UC Merced/Merced Community College District “Promise” Intersegmental Student Affordable Housing Building project be approved. The project shall provide a new approximately 130,000-gross-square-foot building with approximately 488 beds, a Transfer Student Resource Center, and residential amenities.
- C. The President be authorized to obtain additional external financing of \$98,877,000 in a total amount not to exceed \$108,557,000 plus related interest expense and additional related financing costs to finance the UC Merced/Merced Community College District “Promise” Intersegmental Student Affordable Housing Building project and declare that external financing may be used to reimburse prior expenditures. The President shall require that:
- (1) The primary source of repayment shall be from State General Fund appropriations. Should State General Fund appropriation funds not be made available, the President shall have authority to use any legally available funds to make debt service payments.
 - (2) The general credit of the Regents shall not be pledged.
 - (3) Any reimbursements will meet all requirements set forth in Treasury Regulations Section 1.150-2.
- D. Following review and consideration of the environmental consequences of the UC Merced/Merced Community College District (UCM/MCCD) “Promise” Intersegmental Student Affordable Housing Building 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 to the Regents 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) Adopt the Initial Study and Mitigated Negative Declaration for the UCM/MCCD

“Promise” Intersegmental Student Affordable Housing Building project.

- (2) Adopt the Mitigation and Monitoring Program prepared for the UCM/MCCD “Promise” Intersegmental Student Affordable Housing Building project and make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC Merced.
- (3) Adopt the CEQA Findings for the UCM/MCCD “Promise” Intersegmental Student Affordable Housing Building project.
- (4) Approve the design of the UCM/MCCD “Promise” Intersegmental Student Affordable Housing Building project, Merced campus.

BACKGROUND

The proposed UC Merced/Merced Community College District “Promise” Intersegmental Student Affordable Housing Building project (Project) would add 488 new beds. The Project is a partnership with the Merced Community College District (Merced College) to support students who aspire to transfer to UC Merced. The \$108,557,000 project is funded by external financing supported by the State’s Higher Education Student Housing Grant Program. Consistent with the joint grant application, beds will be allocated according to a waterfall structure that prioritizes community college transfer students first and graduate students last. The location of Merced College in relation to the Project’s site may be found in the Regional Location Map (Attachment 4).

Past Regents’ Actions

- Preliminary Plans Funding (\$10.050 million), July 2023.

The proposed Project remains consistent with the description presented in the July 2023 Regents item (Attachment 10).

Partnership with Merced College

The Merced Promise is a partnership between UC Merced and Merced College designed to improve the transfer experience for community college students seeking bachelor’s degrees at UC Merced.¹ The proposed Project would be a vital element of the Merced Promise. Housing UC Merced and Merced College students in the same facility provides a holistic, supportive approach to community college students seeking to become familiar with UC Merced student services and amenities prior to their transfer to UC Merced.

UC Merced and Merced College are finalizing a non-binding term sheet to establish the framework for an Intersegmental Housing Partnership under the State’s Higher Education

¹ Additional information on the Merced Promise may be found at: <https://admissions.ucmerced.edu/apply/transfer-requirements/merced-promise>

Student Housing Grant Program, which will be formalized in a binding operations agreement (“Agreement”) before executing student housing contracts for the designated beds. The Agreement will allow Merced College students to access to a portion of the beds, subject to the State’s rental rate restrictions, for an initial 30-year term, with an option to extend upon meeting renewal conditions. Throughout the term, UC Merced will manage and operate the project, and Merced College will be responsible for its share of operating expenses and capital repair reserves.

Project Drivers

There are several key project drivers.

- **UC 2030 Capacity Plan:** Targets San Joaquin Valley for expanded outreach, addressing below-average educational attainment and income.
- **2020 Long Range Development Plan (2020 LRDP):** Aims to provide housing for 50 percent of undergraduates during their first two years of study. With 4,351 beds available and 8,372 undergraduates enrolled in fall 2024, additional housing will be needed as enrollment continues to grow.
- **Impact of Limited On-Campus Housing:** Limited affordable housing may deter prospective students, particularly Pell Grant recipients and underrepresented minorities, as well as graduate students, who depend on affordable housing options.
- **Transfer Enrollment Challenges:** Initiatives such as the Merced Promise and this Project are critical for meeting transfer student enrollment goals.

PROJECT DESCRIPTION

The building would be organized into one four-story wing and two three-story wings surrounding a shaded collaboration area that includes outdoor study and meeting areas, assembly space, and a bicycle locker. The overall program is summarized in Table 1.

Table 1: Proposed Building Program

Program Element	Assignable Square Feet
Housing Units	85,619
Residential Amenities (multipurpose room, meeting rooms, lounge, community kitchen, study, and laundry)	10,786
Transfer Student Resource Center	1,310
Building Support	5,898
Total Assignable Square Fee (ASF)	103,613
Total Gross Square Feet	130,184

The 488 beds (478 student beds and ten staff beds) include a variety of suite styles and apartment unit types. Through the design build competition process, three-bedroom double occupancy units were created, improving building efficiency. Table 2 summarizes the inventory of unit types and their rents.

Table 2: Project Unit Mix and Estimated Rent

Residential Unit Type	No. of Units	ASF per Unit	No. of Beds	Monthly Rate Per Bed*
3 Bedroom- 6 Bed/2 Bath (no kitchen)	54	855-935	324	\$675-\$700
2 Bedroom – 2 Bed/1 Bath	1	751	2	\$750
2 Bedroom – 4 Bed/2 Bath	23	811-820	92	\$700-\$725
4 Bedroom – 4 Bed/2 Bath	15	952-1,068	60	\$725-\$750
Resident Assistant Suite (Studio)	9	410-421	9	NA
Resident Director – 1 Bed/1 Bath	1	599	1	NA
Total # of Beds			488	
*The maximum rent is capped at 30 percent of 50 percent of the area median income for a single-room occupancy unit type, with area median income thresholds established by the California Department of Housing and Community Development. For Merced County in 2024, the maximum average monthly rent is \$769.				

Rental Rate Comparison

Table 3 provides an overview of the Merced multifamily housing rental market. These rental rates often exclude additional costs that students incur, such as utilities, furniture, commuting, and laundry, which can increase the total expense of off-campus housing by up to \$350. UC Merced is committed to offering market-competitive on-campus housing options while also delivering the added value students report from living on campus. The proposed rental rates for the Promise Housing beds reflect this commitment and comply with the requirements of the State for the Higher Education Student Housing Grant Program.

Table 3 Merced Multifamily Housing Market Comparison

City of Merced Apartment Complexes	Average Rent Per Unit/Month
Village Terrace (2-bedroom)	\$1,735
Village Landing (2-bedroom, remodeled)	\$1,925
Northwood Village (2-bedroom, remodeled)	\$1,845
Axis at Compass Pointe (2-bedroom)	\$1,695
Merced Station (2-bedroom, double occupancy)	\$3,040
Village Terrace (3-bedroom)	\$1,995
Axis at Compass Pointe (3-bedroom)	\$1,750
Merced Station (4-bedroom, single occupancy)	\$4,400

Funding Plan and Financial Feasibility'

In 2021, the passage of California Senate Bill 169 enabled UC Merced and Merced College to jointly pursue an intersegmental housing grant under the Higher Education Student Housing Grant Program.

The Project has a total project budget of \$108,557,000, to be funded by external financing supported by State General Funds for the Higher Education Student Housing Grant Program consisting of \$57,993,000 allocated to UC Merced and \$50,564,000 allocated to Merced College. Additional information regarding the budget may be found in Attachment 1.

The estimated debt service for the \$108,557,000 external financing at a planning rate of 4.25 percent is \$6,469,807 per year, including principal and interest, over a 30-year term. Over a ten-year period, the campus is projected to have a minimum modified cash flow margin of 21.1 percent, and debt service coverage of 1.6 times, as required by the University's Debt Policy. Days' cash on hand in the Short Term Investment Pool (STIP)/Total Return Investment Pool (TRIP) is 152 days as of November 30, 2024, which also meets the requirements of the University's Debt Policy. Additional information regarding funding and financial feasibility is included in Attachment 2.

Project Delivery and Schedule

The project delivery team will be procured using a design build method. The campus has engaged a Master Architect to develop the design build criteria and act as an integral partner throughout the Project. Construction is expected to begin in spring 2025, with the development of construction documents progressing concurrently alongside site preparation and underground utility work. The construction is scheduled for completion in December 2026. Limited occupancy and operations would start spring 2027 with full occupancy in fall 2027.

PROJECT DESIGN

Site Conditions and Location

The proposed site, a portion of the Bellevue Parking Lot, allows the Project to maintain continuity with the campus as it expands southward. At the corner of Bellevue Road and Academic Walk, a large "Entry Plaza" with an adjacent shaded outdoor living room strengthens the connection, complementing the existing University Plaza across Bellevue Road. Public program spaces are positioned along Academic Walk to visually and physically encourage student interaction between the campus and the new building. Additional information may be found in the Project Site Map (Attachment 5).

A well-defined outdoor space is created by the building, offering various program options for collaboration between residents and the wider campus community. Solar control is achieved through strategic placement of the building's southern and western masses, while trees and shade structures create comfortable microclimates while moderating both sun and shade within the

interior and outdoor living area.

Interior social spaces are positioned along the site edges and corners to foster student social connection. Bicycle parking facilities are conveniently located near the main entrance and Entry Plaza, and an open-air feature stair connects the central entrance and plaza elements to the upper floors, encouraging interaction. The Promise Housing solution creates distinctive new outdoor spaces for the campus, enhancing opportunities for innovative learning, social interaction, gathering, and relaxation for both UC Merced and Merced College students.

Project Design and Physical Design Framework

The design centers on the architectural goals outlined in the UC Merced Physical Design Framework. Driven by the themes of ‘Student Life’ and ‘Regional Inspiration,’ the proposed architecture embraces the existing campus with a welcoming plaza and entry area, prominent study lounge ‘beacons,’ expressive forms inspired by campus and regional traditions, and opportunities for integrating campus art. Well-designed apartments and suites enclose an interactive outdoor collaboration area that connects to the campus and includes shared public spaces within the building. Completing the vision, a landscape design fosters an active, engaging outdoor lifestyle for students and visitors.

The architecture of the Project’s design celebrates the protective spirit of place by integrating the simple agrarian forms of the Merced region, while complementing the campus context through materials and colors that complement the adjacent buildings along Academic Walk. The Project’s architectural design is a product of the convergence of ‘Student Life’ and ‘Regional Inspiration’. The project will also integrate biophilic and healthy materials to promote health and wellness in the indoor environment. Additional information may be found in the Design Graphics (Attachment 6).

Key Points of Alignment with UC Policies and Practice

The Promise Housing building anticipates including the following sustainability features:

- Leadership in Energy and Environmental Design (LEED™) Gold rating and targeting LEED™ Platinum.
- A 76.7 percent reduction in energy use through all-electric design and high-performance systems.
- Energy use intensity target of 25,000 British thermal units per square foot which is the policy target estimated by the UC Operational Carbon and Energy Assessment for New Construction Tool.
- A 58 percent reduction in embodied carbon through a mass timber hybrid structure.
- A 35 percent reduction in indoor water use.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) COMPLIANCE

Pursuant to the CEQA, an Initial Study/Mitigated Negative Declaration (IS/MND) (State Clearinghouse No. 2022120625) for the UCM/MCCD “Promise” Intersegmental Student Affordable Housing project has been prepared (Attachment 8). Findings have been prepared to support the University’s determination that the proposed project would not result in significant direct, indirect, or cumulative environmental impacts (Attachment 9 – CEQA Findings).

ATTACHMENTS

Attachment 1:	Project Sources and Uses
Attachment 2:	Summary of Financial Feasibility
Attachment 3:	Comparable Project Information – Scatterplot and Table
Attachment 4:	Regional Location Map
Attachment 5:	Project Site Map
Attachment 6:	Design Graphics
Attachment 7:	2020 LRDP: https://planning.ucmerced.edu/2020LRDP
Attachment 8:	UC Merced/Merced Community College “Promise” Intersegmental Student Housing Initial Study/Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program: https://ucmerced.app.box.com/s/nlnzoit98hvv114zflrn42rzn8qhiae
Attachment 9:	CEQA Findings: https://ucmerced.app.box.com/s/knomeoc76ifmrnwaapmz2ux7rfy0e4sq
Attachment 10:	July 19, 2023: F1B, Preliminary Plans Funding and External Financing, UC Merced/Merced Community College District “Promise” Intersegmental Student Affordable Housing Building, Merced Campus https://regents.universityofcalifornia.edu/regmeet/july23/f1b.pdf

PROJECT SOURCES AND USES

UC MERCED/MERCED COMMUNITY COLLEGE DISTRICT “PROMISE”
INTERSEGMENTAL STUDENT AFFORDABLE HOUSING BUILDING

SOURCES	Total	% of Total²
External Financing – State General Funds	\$108,557,000	100.0%

USES		
Site Clearance	\$1,155,000	1.1%
Building ³	\$77,225,000	74.9%
Exterior Utilities	\$2,941,000	2.9%
Site Development	\$4,377,000	4.2%
A/E Fees ⁴	\$5,602,000	5.4%
Campus Administration ⁵	\$2,050,000	2.0%
Surveys, Tests, Plans ⁶	\$3,350,000	3.2%
Special Items ⁷	\$2,108,000	2.0%
Contingency	\$4,285,000	4.2%
P-W-C Cost⁸	\$103,093,000	100.0
Group 2 & 3 Equipment	\$5,464,000	
TOTAL PROJECT	\$108,557,000	
Interest During Construction		
GRAND TOTAL	\$108,557,000	

PROJECT STATISTICS	
Gross Square Feet (GSF)	130,184
Assignable Square Feet (ASF)	103,613
Efficiency Ratio (ASF/GSF)	79.59%
Building Cost/GSF	\$593.20
P-W-C Cost/ GSF	\$791.90

² Because of rounding, some totals may not correspond with the sum of the separate parts.

³ Building construction includes building cost only, excludes site clearance, exterior utilities, and site development.

⁴ A/E Fees include the executive architect, master architect, and design professional consultants.

⁵ Campus Administration includes project management, contract administration, IT staff, & construction inspection.

⁶ Surveys, Tests, and Plans include site surveys, plans and specifications.

⁷ Special Items include mechanical and structural peer reviews, acoustics consultant, DSA fees, environmental monitoring, enhanced commissioning, and fire/ life safety consultants.

⁸ Cost of preliminary plans (P), working drawings (W), and construction (C).

SUMMARY OF FINANCIAL FEASIBILITY

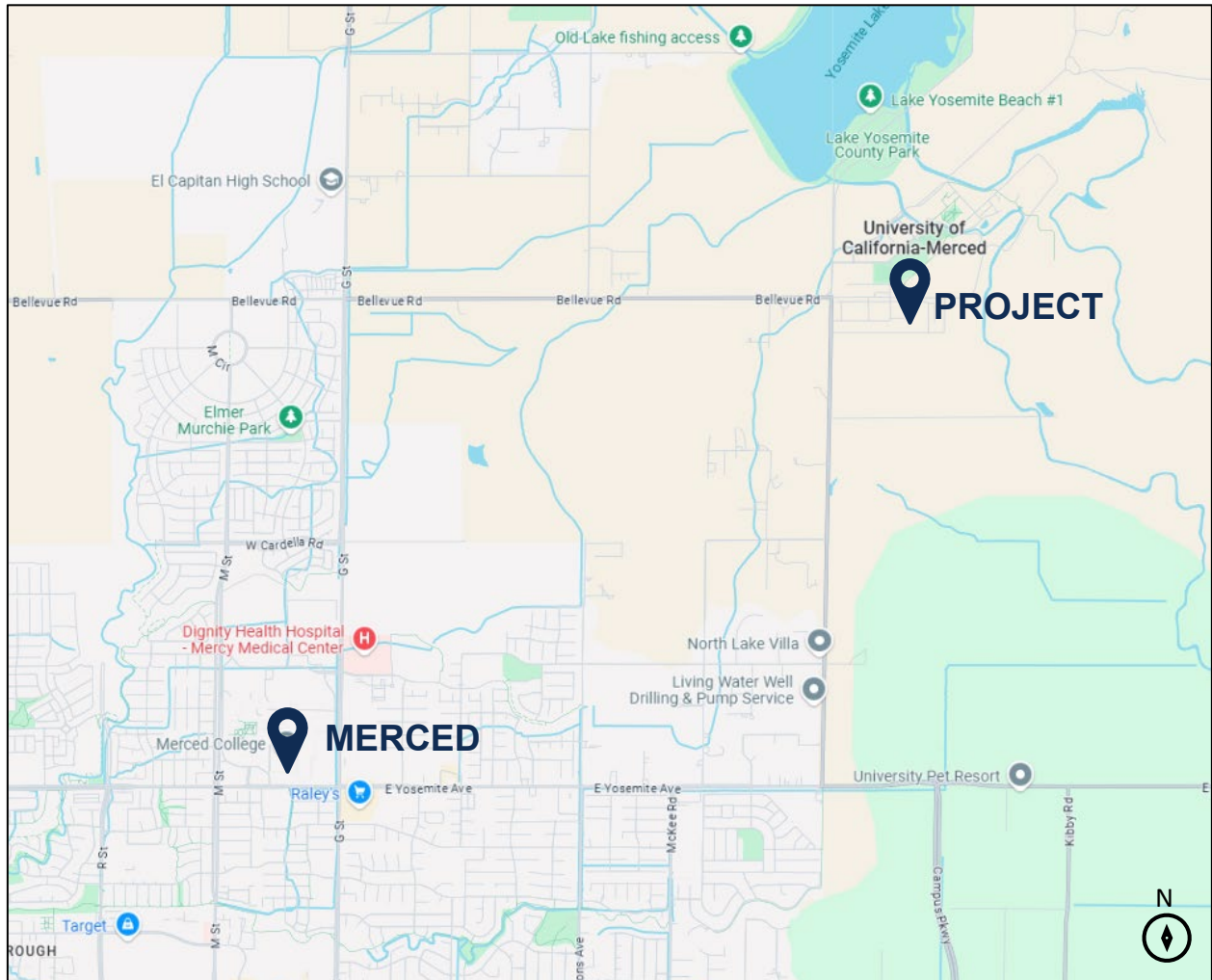
MERCED CAMPUS	
Project Name	UC Merced/Merced Community College District “Promise” Intersegmental Student Affordable Housing Building
Project ID	CMJ00015
Total Estimated Project Cost	\$108,557,000
Anticipated Interest During Construction (included in total estimated project cost)	N/A

PROPOSED SOURCES OF FUNDING	
External Financing	\$108,557,000
Total	\$108,557,000

SECTION I. Externally Financed Projects

FINANCING ASSUMPTIONS	
External Financing Amount	\$108,557,000
Anticipated Repayment Source	State General Funds
Anticipated Fund Source	State General Funds
Financial Feasibility Rate	4.25%
First Year of Repayment (e.g. FY 20XX)	2026
Term (e.g. 30 years; indicate if any years interest only)	30 years
Final Maturity (e.g. FY 20XX)	2055
Estimated Average Annual Debt Service	\$6,469,807

REGIONAL LOCATION MAP



Location of the Merced College Campus in relation to the UC Merced Promise Housing site location.

PROJECT SITE MAP



(Top) Location of the building within Bellevue Parking Lot, adjacent to El Portal Residence Hall.

(Left) Location of the Promise Housing Building within the campus footprint.