

**Office of the President**

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

**ACTION ITEM**

*For Meeting of July 12, 2017*

**APPROVAL OF BUDGET AND EXTERNAL FINANCING, NUEVO EAST STUDENT HOUSING PROJECT, SAN DIEGO CAMPUS**

**EXECUTIVE SUMMARY**

UC San Diego's proposed Nuevo East Student Housing project would primarily serve single graduate and professional students in apartment-style housing. The project would be on nine acres and include approximately 1,414 beds (1,078 net new or approximately 153 beds per acre) in approximately 757 units (approximately 84 units per acre) of one-, two-, and three-bedroom apartments. Apartment-style housing is flexible and, if needed, a portion of the new beds could temporarily be offered to upper division single undergraduates. Because campus housing is significantly more affordable than off-campus housing, demand for campus housing continues to be at an all-time high. Campus graduate and professional housing's total occupancy cost is projected to be approximately 30 percent lower than the surrounding private market.

The project would also include a student community center called the "Exchange." This center would house residential and support services for residents of Nuevo East as well as for residents living in adjacent on-campus housing, including Mesa Nueva, Nuevo West, and the One Miramar Street Apartments. Twenty-two older housing buildings with 336 existing beds at north Mesa Housing and 224 surface parking spaces will be demolished to make way for this project.

In January 2017, the Regents approved preliminary plans funding in the amount of \$8,515,000 from housing reserves for the Nuevo East project. In the discussion of this project at the January meeting, the San Diego campus was encouraged to consider making several changes to ensure delivery of the highest and best use of University resources, including: increasing the housing density; establishing a more deliberate entrance to UC San Diego along the eastern border at the corner of Regents Road and Miramar Street; and reducing the investment and land allocated for surface parking. In response to these comments, the campus increased the proposed beds from 1,100 to approximately 1,414 beds, placed further emphasis on the architecture of buildings to be located at the corner of Regents Road and Miramar Street, and eliminated the surface parking lot. The site that had originally been proposed to provide approximately 550 surface parking spaces will be proposed for redevelopment as part of a separate project at a future date. A small number of surface parking spaces (approximately 75) would be provided for accessibility, to support the business functions, and for short-term conveniences. Residents of the project would have access to parking in two locations: Nuevo West Parking Structure and Mesa Nueva Parking Structure.

The Regents are being asked to: (1) approve the project budget of \$266,130,000 to be funded with external financing (\$247,115,000), housing reserves (\$17,015,000), and campus funds (\$2 million); and (2) approve \$247,115,000 in external financing. The campus funds consist of investment income from the Short Term Investment Pool and the Total Return Investment Pool.

### **RECOMMENDATION**

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

- A. The 2017-18 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:
- From: San Diego: Nuevo East Student Housing – preliminary plans – \$8,515,000 to be funded from housing reserves.
- To: San Diego: Nuevo East Student Housing – preliminary plans, working drawings, construction, and equipment – \$266,130,000 to be funded with external financing (\$247,115,000), housing reserves (\$17,015,000), and campus funds from investment income (\$2 million).
- B. The scope of the Nuevo East Student Housing project shall provide approximately 546,975 assignable square feet (ASF) of housing space, including approximately 1,414 beds to primarily support graduate and professional students, a student community center (approximately 14,450 ASF), and site improvements. The scope includes demolition of 22 existing buildings (consisting of 336 beds) and the removal of 224 surface parking spaces in the northern portion of Mesa Housing.
- C. The President be authorized to obtain external financing in an amount not to exceed \$247,115,000 plus additional related financing costs. The President shall require that:
- (1) Interest only, based on the amount drawn down, 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. The President be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.

## **BACKGROUND**

The Nuevo East Student Housing project would provide affordable apartment-style housing that would primarily be offered to single graduate and professional students. Apartment-style units provide flexibility that could also supplement the housing options for upper division single undergraduate students.

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

Part of the attraction of University-owned housing is the community setting that is provided by living on campus. Campus housing is conveniently located adjacent to the academic, research, clinical, and recreation facilities. Students who live on campus are able to walk, ride a bicycle, or take a campus shuttle to get around campus, thus reducing dependence upon single occupancy vehicles. Affordable off-campus housing options in the San Diego region are few and even fewer in the areas immediately adjacent to the campus. Most affordable options are located a significant distance from campus.

## **PROJECT DRIVERS**

### ***Demand for Affordable Housing***

The shortage of reasonably priced rentals in the surrounding community strongly affects the demand for on-campus housing. Currently, the vacancy rate for on-campus housing is close to zero percent. UC San Diego is located adjacent to the University Town Center (UTC) and La Jolla, two neighborhoods where housing costs are extremely high and, in 2016, the apartment vacancy rate off campus was approximately two percent.<sup>1</sup>

Providing affordable housing to students is a top priority for the campus. The rental rates for all proposed housing projects will be lower than the market rate in the La Jolla and UTC area. Table 1 below compares the cost of on-campus and off-campus graduate and professional housing. Because UC San Diego can offer campus housing at lower rates than private market housing in the surrounding neighborhoods, demand for on-campus housing is significantly greater than the number of students the campus can house. During the summer of 2016, the waitlist for undergraduate and graduate and professional housing grew to a record high of approximately 4,000 students. The demand for campus housing is expected to grow due to

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

increasing private market rental rates combined with campus plans to increase student enrollment.

**Table 1: Graduate and Professional Housing Comparison to Private Market Rate**

2-Bedroom, 1 Bathroom Unit		
Per Student Cost Comparison	On-Campus Graduate/Professional Housing <sup>(1,2)</sup>	Off-Campus <sup>(3)</sup>
<b>Rent</b>	<b>\$750</b>	<b>\$936</b>
Electricity	Included	\$21
Gas	Included	Included
Water	Included	Included
Optional/Convenience Features:		
Cable/Internet	Included	\$27
Residence Life / Program	Included	\$47
Security	Included	\$13
<b>Monthly Recurring Cost</b>	<b>\$750</b>	<b>\$1,044</b>
<b>Annual Cost<sup>(4)</sup></b>	<b>\$9,000</b>	<b>\$12,528</b>
<i>Notes:</i>		
1. On-campus graduate and professional housing is a 12-month lease.		
2. On-campus graduate and professional rental rates are expected to increase by three to four percent per year.		
3. HDH estimates these costs based on historical research and data collection with local apartments communities in the UTC area and other known student populated areas.		
4. Off-campus leases require one-time, upfront fees for rental applications, rental deposits, and utility deposits which would increase the total annual cost for Off-campus rates listed above. Students who live off-campus may also choose to purchase a parking pass which, for an individual student, adds cost to their annual living expenses and places further demand on the campus' limited parking supply.		

***UC President's Student Housing Initiative***

In January 2016, President Napolitano announced a Student Housing Initiative (Initiative) to add a minimum of 14,000 student beds across the system by the 2020 academic year. The projects are to include both undergraduate and graduate and professional student housing. The goals of the Initiative are to provide sufficient housing for UC's current and growing undergraduate and graduate and professional student populations, as well as to keep housing for UC students affordable. In response to the President's Initiative and the high demand for on-campus housing, the campus plans to add approximately 5,100 beds for undergraduate and graduate and professional students by 2020, as shown in Table 2.

**Table 2: UC San Diego Housing Projects Underway**

	Net New Beds	Approvals	Expected Delivery Year
<b>Mesa Housing (East Campus) – Primarily graduate and professional students</b>			
Mesa Nueva	1,355	Budget – May 2015 Design – September 2015	2017
Nuevo West	702	Budget – November 2016 Design – anticipated fall 2017	2019
Nuevo East	1,078	Budget – proposed July 2017 Design – anticipated fall 2017	2020
<b>East Campus Subtotal</b>	<b>3,135</b>		
<b>West Campus –Undergraduate students</b>			
North Torrey Pines Living & Learning Neighborhood	2,000	Budget – proposed July 2017 Design – anticipated March 2018	2020
<b>TOTAL</b>	<b>5,135</b>		

***Goal to Offer 4-Year Housing Guarantee to all Eligible Students***

In support of UC San Diego’s Strategic Plan, the campus has established a goal to offer all eligible undergraduate and graduate and professional students a four-year guarantee of on-campus housing. UC San Diego has existing dedicated apartments for transfer students and demand is currently met within those units. With the 5,135 beds, using past housing acceptance rates and assuming a fall 2020 enrollment of 36,900 students, the campus anticipates that it will be able to meet this goal in 2020.

Graduate and professional students who have been admitted to UC San Diego are not currently guaranteed on-campus housing. For those graduate and professional students who have been able to secure on-campus housing, a two-year limit has been placed on length of residence. For graduate and professional students who are unable to secure on-campus housing and choose to add their name to the waitlist, the average waitlist time is approximately 18 to 22 months.

Master’s degree students are a distinct population of graduate students because the duration of their degree program is only two years. Since the current waiting period for on-campus housing is approximately 18 to 22 months, master’s degree students typically do not apply for housing. UC San Diego plans to increase the number of master’s degree students in coming years. Being able to provide on-campus housing would be an essential part of attracting and retaining this target group, as well as enhancing their educational experience.

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Within the proposed Nuevo East project, the campus would have the flexibility to temporarily offer a portion of the new beds to upper division single undergraduates if needed to meet demand.

Currently, entering freshmen are guaranteed on-campus housing for a period of two academic years (actual lease terms for undergraduate students are on a nine-month basis because they move out during the summer months). Typically, at the time the waitlist for on-campus housing is closed in early August, there are approximately 1,000 single undergraduate students on the list. It should also be noted that, due to demand, the campus is unable to offer housing to upper division undergraduate students (with the exception of transfer students).

***Long Range Development Plan***

The housing goal of UC San Diego, as stated in its 2004 Long Range Development Plan (LRDP), is to provide housing for 50 percent of eligible students (which includes graduate and professional students) in campus-owned facilities. As of fall 2016, only about 38 percent of students were housed on campus, leaving a shortage of more than 4,100 beds to achieve the LRDP goal. Table 3 shows current and projected enrollment through 2020 compared to the LRDP housing goal. By 2020, the campus anticipates that, with the addition of an estimated 2,600 students and 5,000 beds, the campus will be able to house approximately 49 percent of eligible students.

**Table 3: Enrollment and LRDP Goal**

<b>Projected Enrollment</b>	<b>Fall 2016</b>	<b>Fall 2017</b>	<b>Fall 2018</b>	<b>Fall 2019</b>	<b>Fall 2020</b>
	34,300	35,400	36,000	36,600	36,900
Number of Beds (as new projects are delivered – see Table 2)	12,997	14,252	13,916	14,718	18,132
Bed Deficit to Meet 50% LRDP Goal	(4,153)	(3,448)	(4,084)	(3,582)	(318)
Percentage of Students Housed	38%	40%	39%	40%	49%
<i>Notes:</i>					
1. The enrollment numbers are projections and are subject to change. Enrollment numbers listed above do not include students in self-supporting programs.					
2. The number of beds in fall 2018 is lower due to demolition of existing structures in advance of new construction at Nuevo East.					
3. Actual project delivery dates do not necessarily correspond to fall quarter as implied by table above.					

## **PROJECT DESCRIPTION**

The proposed Nuevo East Student Housing project would be a continuation of the campus plan to redevelop the existing Mesa Housing neighborhood on the east campus. The Nuevo East project site is located between Mesa Nueva (currently anticipated for completion in fall 2017) and Regents Road. The Project Location Map and Project Site Map (Attachments 6 and 7) illuminate the relationship between the proposed project and the other projects in the Mesa Housing Neighborhood as well as showing the location of the UC San Diego Light Rail Blue Line alignment and stations, and other transportation projects.

The Nuevo East project would include demolition of the remaining 22 buildings at north Mesa Housing that were originally built in 1968 (one laundry building and 21 apartment buildings with eight two-bedroom units per building for a total of 336 beds). In their place, the proposed project would provide approximately 1,414 new beds (in approximately 757 apartment units) for single graduate and professional students as well as upper division undergraduate students. The project would include new construction of one-, two- and three-bedroom apartments and would result in a density of approximately 84 housing units per acre, or 157 beds per acre. The project would provide minimal surface parking spaces around the new facilities for accessibility and short-term convenience and support services. The final count of surface parking spaces would depend upon the outcome of the design-build competition. Residents of Nuevo East would be allowed to park in the parking structure that will be built with the Nuevo West project (approved by the Regents at the November 2016 meeting).

The project site is located at the northeast corner of the Mesa Housing neighborhood, which is the eastern boundary of UC San Diego along Regents Road. Due to this prominent location, the proposed project would include a student community center called the "Exchange." The Exchange would possess a unique architectural character and quality to serve as the eastern gateway to UC San Diego. The Exchange would be designed with outdoor spaces to welcome not only students, faculty, and staff but also non-University members who are entering the campus from the surrounding UTC community. As described in Table 4 "Proposed Area Summary" below, the Exchange would provide residential support and business services and a mix of supporting uses intended to foster interactions and provide supporting amenities for residents within the development. The Exchange would be located at the southwest corner of the Miramar Street and Regents Road intersection.

The Nuevo East project would be designed to provide an active and engaging interior and exterior entrance to the Mesa Housing neighborhood. Visibility and accessibility of support spaces are a high priority. Within the Exchange, the design-build team would be directed to provide exterior access to support programs and limit interior corridors at the ground level where possible. Other support spaces may be located on upper floors. While the majority of resident support spaces for the Nuevo East community would be concentrated in the Exchange, opportunities for interaction would be designed throughout the residential buildings as well. Common study and lounge spaces would be distributed throughout the buildings to offer gathering opportunities, while the main hub for learning and activity would reside in the Exchange.

As Nuevo East would be the gateway to the larger community of students in the Mesa Neighborhood, support spaces will be sized appropriately to accommodate the community. New amenities, resident, and student support spaces in the proposed project would not duplicate program elements provided in other areas. Table 4 provides a summary of the type and quantity of the estimated residential and support spaces for Nuevo East.

**Table 4: Proposed Area Summary**

				<b>Total per Unit Type</b>
<b>Residential:</b>	<b>ASF per Unit</b>	<b># of Units<sup>(1)</sup></b>	<b># of Beds</b>	<b>ASF</b>
1 Bedroom / 1 Bathroom	500	200	200	100,000
2 Bedroom / 1 Bathroom	750	454	908	340,500
2 Bedroom / 2 Bathroom (for live-in staff)	775	3	6	2,325
3 Bedroom / 2 Bathroom	990	100	300	99,000
<b>Subtotal Residential</b>		<b>757</b>	<b>1,414</b>	<b>541,825</b>
<b>Common Spaces – Residential Support Spaces:</b>				<b>ASF</b>
Study Areas & Student Lounges				2,650
Laundry Rooms				2,500
<b>Subtotal Residential Support Spaces</b>				<b>5,150</b>
<b>Subtotal Residential Program</b>				<b>546,975</b>
<b>Common Spaces – for the Exchange:</b>				<b>ASF</b>
Welcome & Information Center Main Lobby				1,000
Service Desk, Residential Customer Printing & Mail Services				350
Community Offices				400
Residential Services Offices / Support				2,950
Mail Distribution				1,750
Study Areas & Student Lounges				3,200
Top Floor Event Space				2,000
Music Rooms				800
Fitness Rooms				2,000
<b>Subtotal Common Spaces – Program for the Exchange</b>				<b>14,450</b>
<b>TOTAL ASF</b>				<b>561,425</b>
<i>Note:</i>				
(1) <i>Since the project is in the early design phase, the number of units, beds, and assignable-square-feet may change pending final design.</i>				



***Parking***

The proposed project would displace 224 existing surface parking spaces. When the project was presented to the Regents at their January 2017 meeting for approval of preliminary plans funding, the campus had proposed to provide approximately 550 spaces (326 net) in a surface parking lot. After further assessment of current and projected parking demands, the campus has decided to remove a majority of the surface parking spaces from the project. A small number of surface parking spaces (approximately 75) would be provided around the new facilities at Nuevo East for accessibility, to support the business functions, and for short-term conveniences. The final count of surface parking spaces will be determined in the design-build competition.

Residents of the Nuevo East, Nuevo West, and Mesa Nueva housing projects would have access to parking in two locations: Nuevo West Parking Structure and Mesa Nueva Parking Structure. Between the two parking structures, approximately 1,800 of the parking spaces will be available for housing. The campus expects that, based on historical and current parking needs and the emphasis on Transportation Demand Management (TDM) programs, that the proposed parking ratio of spaces to beds of 0.5 would meet the needs of all Mesa Housing residents, guests, and support services with no impacts to the adjacent community.

Over the longer term, the campus expects that resident parking demand will decrease (as students take advantage of public transportation, campus shuttles, ride/car-share services, and improved pedestrian/bicycle mobility) and that the demand from UC San Diego Health will increase due to increased patients and staff. As changes in demand occur, parking spaces in the Nuevo West Parking Structure would be reallocated to meet the needs of the campus at that time. This continuous assessment of short-, mid-, and long-term parking demands, along with continued emphasis on TDM programs, will allow the campus to ensure the highest and best use of the parking facility. As part of its TDM programs, the campus will continue to deploy strategies and pilot programs designed to reduce the number of single occupancy vehicles traveling onto campus.

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

***Regional Transportation Projects***

As identified in the 2016 Mesa Housing Neighborhood Planning Study, phased redevelopment of the neighborhood would emphasize a fully integrated transportation strategy to include safe and improved travel into and through the neighborhood for pedestrians, cyclists, and vehicles. The proposed Nuevo East project would continue to improve circulation and, although Mesa Housing neighborhood is currently geographically separated from the West Campus, once the Mesa Housing Pedestrian and Bicycle Bridge are completed in 2018 and the Interstate 5 Gilman

Bridge is completed in 2019, residents will have direct pedestrian, bicycle, and shuttle access to West Campus.

In addition, SANDAG is currently constructing the UC San Diego Light Rail Blue Line (LRT). Upon completion of this project in 2021, there will be two LRT stations on campus: the first station would be located on Voigt Drive on the East Campus, near UC San Diego Health, and the second station would be located at Pepper Canyon on the West Campus. A third LRT station would be located just off campus, on Executive Drive, which is located approximately one block east of the proposed Nuevo East project. Adjacent LRT service will provide residents with the option to use alternative transportation, in lieu of using personal vehicles, which is expected to reduce the need for on-site parking.

### ***Project Delivery and Schedule***

At the January 2017 meeting, the Regents approved preliminary plans funding in the amount of \$8,515,000, funded from housing reserves. The approval enabled the campus to complete site surveys, hire specialty consultants, and advance a design-build competition. The campus intends to utilize the fixed-price design-build delivery process that will support the accelerated completion schedule for the proposed project. The funding also supported scope refinement, detailed programming, preliminary design, design development, and project cost estimating.

The campus intends to seek approval of design following action pursuant to the California Environmental Quality Act (CEQA) in fall 2017. Construction is anticipated to start with demolition of the existing buildings in spring 2018, with the goal of completing the project in summer 2020.

### ***Financial Feasibility***

The total project budget of \$266,130,000 will be funded with external financing (\$247,115,000), housing reserves (\$17,015,000), and campus funds (\$2 million). The debt service on this project will be funded from housing revenues. At the tax-exempt planning rate of six percent and assuming a 30-year term with one year of interest only, the annual debt service payment, including principal and interest, is \$18,183,000. The project does not meet the minimum 1.10x auxiliary project debt service coverage ratio required by the University's Debt Policy. While actual interest rates will depend on the capital markets at the time of financing, a market rate of 4.0 percent would allow the project to meet the required 1.10x ratio. For every 100 basis point increase in the financing rate, the project debt service coverage decreases by approximately 0.10x. Any shortfall in the project's ability to service its debt would be supplemented from existing housing revenues. An exception to the University's Debt Policy has been granted by the Office of the Chief Financial Officer as the campus has demonstrated its plans to service the debt from overall housing program revenues, if necessary, and to meet the required minimum project debt service coverage ratio over time.

The proposed student housing project, a component of UC San Diego's Housing, Dining and Hospitality program, is one of four projects being constructed to address various student housing

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goals and initiatives. All four projects will be finished and available for use by fiscal year 2020. At the tax-exempt planning rate of six percent, the Housing System does not meet the minimum 1.25x requirement for the auxiliary system debt service coverage required by the University’s Debt Policy from fiscal year 2022 through fiscal year 2025. That metric, along with the project metric, recovers to allowable levels by fiscal year 2026 as a result of both revenue increases and the retirement of debt. An exception to the University’s Debt Policy has been granted by the Office of the Chief Financial Officer as the campus has demonstrated that the Housing System is projected to meet the required debt service coverage ratio by fiscal year 2026.

**Key to Acronyms**

ASF	Assignable-Square-Feet
BOMA	Building Owners and Managers Association
CEQA	California Environmental Quality Act
DBFOM	Design-Build-Finance-Operate-Maintain
GSF	Gross-Square-Feet
HDH	UC San Diego Housing, Dining and Hospitality
LRDP	Long Range Development Plan
NRSF	Net Rentable Square Footage (per Building Owners and Managers Association)
P3	Public Private Partnership
RFP	Request for Proposal
SANDAG	San Diego Association of Governments
TDM	Transportation Demand Management
UTC	University Town Center

**ATTACHMENTS:**

- Attachment 1: Project Sources and Uses
- Attachment 2: Comparable Project Information
- Attachment 3: Summary of Financial Feasibility
- Attachment 4: Alternatives Considered
- Attachment 5: Project Delivery Model
- Attachment 6: Project Location Map
- Attachment 7: Project Site Map

**PROJECT SOURCES AND USES  
NUEVO EAST STUDENT HOUSING  
(CCCI 6522)**

<b>PROJECT SOURCES</b>		
<b>Sources</b>	<b>Total</b>	<b>%</b>
External Financing	\$247,115,000	92.9
Housing Reserves	17,015,000	6.4
Campus Funds	2,000,000	0.8
<b>Total Sources</b>	<b>\$266,130,000</b>	<b>100.0</b>

<b>PROJECT USES</b>				
<b>Cost Category</b>	<b>Housing</b>	<b>The Exchange</b>	<b>Total</b>	<b>%</b>
Site Clearance	1,032,000	43,000	1,075,000	0.4
Building Construction <sup>(1)</sup>	191,972,000	7,873,000	199,845,000	77.6
Exterior Utilities	2,909,000	121,000	3,030,000	1.2
Site Development	6,307,000	263,000	6,570,000	2.6
A/E Fees <sup>(2)</sup>	10,147,000	423,000	10,570,000	4.1
Campus Administration <sup>(3)</sup>	2,976,000	124,000	3,100,000	1.2
Surveys, Tests, Plans	2,247,000	93,000	2,340,000	0.9
Special Items <sup>(4)</sup>	2,611,200	108,800	2,720,000	1.1
Interest During Construction	18,604,800	775,200	19,380,000	7.5
Contingency	8,640,000	360,000	9,000,000	3.5
<b>Total P-W-C</b>	<b>247,446,000</b>	<b>10,184,000</b>	<b>257,630,000</b>	<b>100%</b>
Groups 2 & 3 Equipment <sup>(5)</sup>	7,000,000	1,500,000	8,500,000	
<b>Total Project Uses</b>	<b>254,446,000</b>	<b>11,684,000</b>	<b>\$266,130,000</b>	

<b>PROJECT STATISTICS</b>	<b>Housing</b>	<b>The Exchange</b>
GSF <sup>(6)</sup>	729,300	20,643
ASF <sup>(6)</sup>	546,975	14,450
NRSF <sup>(6)</sup>	550,509	n/a
Efficiency Ratio: ASF / GSF <sup>(6)</sup>	75%	70%
Approximate Number of Units	757	n/a
Approximate Number of Beds	1,414	n/a
Construction Cost / GSF <sup>(6)(7)</sup>	\$277	\$402
Project Cost / GSF <sup>(6)(8)</sup>	\$339	\$493
Construction Cost / NRSF <sup>(6)(7)</sup>	\$367	n/a
Project Cost / NRSF <sup>(6)(8)</sup>	\$449	n/a
Average Construction Cost / Unit <sup>(7)</sup>	\$267,133	n/a
Average Project Cost / Unit <sup>(8)</sup>	\$326,877	n/a
Construction Cost / Bed <sup>(7)</sup>	\$143,012	n/a
Project Cost / Bed <sup>(8)</sup>	\$174,997	n/a

- (1) Includes cost of demolition of remaining structures once abatement of hazardous materials has been completed.
- (2) A/E Fees include Executive Architect as part of the design-build team, and other professional design contract costs.
- (3) Campus Administration includes project manager, planning, engineering and design review, and contracts administration.
- (4) Special items include Detailed Project Program, environmental documentation, specialty consultants, and agency fees.
- (5) Groups 2 & 3 Equipment does not include furnishing the one- two and three-bedroom apartments (on-campus graduate and professional student apartments are unfurnished).
- (6) Gross-square-feet (GSF) is the total area, including usable area, stairways and space occupied by the structure itself. Assignable-square-feet (ASF) is the net usable area. Net Rentable Square Footage (NRSF) is calculated to the inside face of exterior and common/demising walls. The area/footprint of interior partitions are included in the NRSF per BOMA standards. Whereas, ASF is calculated to the inside face of exterior and common/demising walls but does not include the footprint of the interior walls.
- (7) Construction Cost includes site clearance, building construction, exterior utilities, and site development.
- (8) Project Cost excludes Group 2 & 3 Equipment.

## COMPARABLE PROJECT INFORMATION

The cost figures shown in the following table demonstrate that the proposed budget for the Nuevo East Student Housing project at UC San Diego compares favorably to recent student housing projects. The proposed budget was confirmed through the competitive design-build process, which is further described in Attachment 5.

## Student Housing

Location – Project Name <sup>(1)</sup> :	Date <sup>(2)</sup>	No. of Beds	Construction Cost/GSF	Project Cost <sup>(3)</sup> /GSF	Construction Cost/Bed	Project Cost <sup>(3)</sup> /Bed	Average Project Cost /Unit
<b><i>UCSD – Nuevo East Student Housing</i></b>	<b><i>5/17</i></b>	<b><i>1,414</i></b>	<b><i>\$277</i></b>	<b><i>\$339</i></b>	<b><i>\$143,012</i></b>	<b><i>\$174,997</i></b>	<b><i>\$326,887</i></b>
UCSF – Minnesota Street (housing )	3/17	710	\$478	\$608	\$222,685	\$283,630	\$338,449
UCSD – Nuevo West Graduate Housing	9/16	804	\$269	\$339	\$134,439	\$169,362	\$340,357 <sup>(4)</sup>
UCSD – Mesa Nueva Graduate Housing	3/15	1,355	\$271	\$366	\$121,565	\$163,949	\$201,956
UCLA – Weyburn Terrace	9/13	500	\$354	\$423	\$194,575	\$232,592	\$232,592
UCSD – North Campus Housing Phase 2	6/12	750	\$353	\$402	\$112,343	\$127,820	\$696,966
Private Developer A, San Diego <sup>(5)</sup>	3/16	135	\$265	unavailable	\$196,600	unavailable	unavailable
Private Developer B, San Diego <sup>(5)</sup>	3/16	123	\$224	unavailable	\$222,575	unavailable	unavailable
Private Developer C, San Diego <sup>(5)</sup>	3/16	267	\$280	unavailable	\$161,990	unavailable	unavailable
Stanford – Munger Graduate Residences <sup>(4)</sup>	9/08	unavailable	\$375	\$453	unavailable	unavailable	unavailable

## Student Support and Community Service

Location – Project Name <sup>(1)</sup> :	Date <sup>(2)</sup>	Construction Cost/GSF	Project Cost <sup>(3)</sup> /GSF
<b><i>UCSD Proposed Project - Nuevo East Student Exchange</i></b>	<b><i>5/17</i></b>	<b><i>\$402</i></b>	<b><i>\$493</i></b>
UCSD – Multipurpose Building	6/02	\$362	\$436
UCSD – Student Academic Services	5/05	\$429	\$541
UCSD – East Campus Office Building	4/10	\$274	\$514
UCSB – Student Resource Building	11/06	\$443	\$572
University of Southern California – Tudor Campus Center <sup>(5)</sup>	5/09	\$756	unavailable
University of Washington – Kelly Cultural Center <sup>(5)</sup>	5/12	\$398	unavailable
Los Angeles Community College District Mission College – Student Services	3/10	\$622	unavailable
San Diego City College District – Mesa Café & Bookstore	9/11	\$541	unavailable

- (1) Projects have been adjusted to reflect the proposed project's CCCI (California Construction Cost Index) of 6522 corresponding to two months past award of design-build contract.
- (2) For UC projects, the date represents the date of UC's Capital Improvement Budget. For non-UC projects, the date is the mid-point of construction.
- (3) Project Cost excludes Group 2 & 3 Equipment.
- (4) Nuevo West project cost per unit is based on the 2-bedroom apartment.
- (5) Non-prevailing wage project and excludes UC System and Public Institution Requirements.

**ATTACHMENT 3**

**SUMMARY OF FINANCIAL FEASIBILITY**

<b>San Diego Campus</b>	
Project Name	<b>Nuevo East Student Housing</b>
Project ID	<b>966480</b>
Total Estimated Project Costs	<b>\$266,130,000</b>
Anticipated Interest During Construction (included in estimated project cost)	<b>\$19,380,000</b>
<b>Proposed Sources of Funding</b>	
External Financing	\$247,115,000
Auxiliary Reserves – Housing	\$17,015,000
Campus Funds	\$2,000,000
<b>Sources of Funding Total</b>	<b>\$266,130,000</b>

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

<b>Financing Assumptions</b>	
External Financing Amount	\$247,115,000
Anticipated Repayment Source	General Revenues of the San Diego Campus
Anticipated Fund Source	Housing Revenues
Financial Feasibility Rate	6.0%
First Year of Principal (e.g. year 10)	FY 2022-23
Term (e.g. 30 years)	30 years (one year interest only)
Final Maturity	FY 2050-51
Estimated Average Annual Debt Service	\$18,183,000

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

<b>CAMPUS FINANCING BENCHMARKS</b>			
<b>Measure</b>	<b>10 Year Projections</b>	<b>Approval Threshold</b>	<b>Requirement</b>
Modified Cash Flow Margin <sup>1</sup>	0.7% min (FY 2025)	≥ 0.0%	Must Meet
Debt Service to Operations <sup>1,2</sup>	6.0% max (FY 2022)	≤ 6.0%	Must Meet 1 of 2
Expendable Resources to Debt <sup>1</sup>	n/a	≥ 1.00x	
Auxiliary Project Debt Service Coverage <sup>3</sup>	0.85x min (FY 2023)	≥ 1.10x	Must Meet for Auxiliary Projects
Auxiliary System Debt Service Coverage <sup>4</sup>	1.09x min (FY 2023)	≥ 1.25x	Must Meet for Auxiliary Projects

**Notes:**

<sup>1</sup> *Modified Cash Flow Margin, Debt Service to Operations, and Expendable Resources to Debt are campus metrics.*

<sup>2</sup> *The campus' debt service to operations ratio is at the maximum 6% approval threshold in FY 2022 and, as a result, its debt capacity is temporarily constrained. The campus' debt model is inclusive of other anticipated external financing for projects planned in the next few years. Approval for additional future external financing will be contingent upon the campus maintaining debt metrics within the approval thresholds.*

<sup>3</sup> *Auxiliary Project Debt Service Coverage is an individual project metric. This project does not meet the minimum 1.10x requirement and an exception to the University's Debt Policy has been granted by the Office of the Chief Financial Officer as the campus has demonstrated its plans to service the debt from overall housing program revenues if necessary and to meet the required minimum project debt service coverage ratio over time.*

<sup>4</sup> *Auxiliary System Debt Service Coverage is a campus' auxiliary system metric. The campus does not meet the minimum 1.25x requirement and an exception to the University's Debt Policy has been granted by the Office of the Chief Financial Officer as the campus has demonstrated that the housing system is projected to meet the required debt service coverage ratio by FY 2026.*

## ALTERNATIVES CONSIDERED

Prior to the Regents approving preliminary plans funding, the San Diego campus considered the following alternatives for the delivery of new student housing, including:

- Option 1 – Campus Redevelopment with University-Delivered New Construction – *Preferred*
- Option 2 – Reallocate Existing Housing
- Option 3 – Lease or Purchase off Campus
- Option 4 – Redevelopment with Public-Private Partnership
- Option 5 – “Do Nothing” (No Project)

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

The proposed project, which includes replacement of existing low-density housing with new higher-density construction, is the best alternative for providing the most beds in the shortest amount of time. With approval of full budget and external financing, the campus would be able to complete working drawings and the CEQA process by November 2017, with construction commencing a few months later. The campus has estimated that the P3 (public-private partnership) approach would take at least ten additional months for time to prepare and issue the Request for Proposals (RFP), proposal preparation, proposal evaluation and developer interviews, developer selection, and negotiation compared to design/build process (please see below for additional analysis of P3 approach). Additionally, with a limited inventory of beds to purchase or lease in the surrounding community, this option will provide more beds (minimum of 1,414), in a location desired by most students, than if the campus were to lease or purchase off-campus properties.

### *Option 2 - Reallocate Existing Housing*

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

### *Option 3 - Lease or Purchase off Campus*

UC San Diego is located adjacent to La Jolla and UTC, where housing costs are extremely high and rents are among the highest in the county. This reduces the availability and financial feasibility of leasing or buying off-campus developments. The rental market is so robust in La Jolla/UTC that, although UC San Diego has continually looked for opportunities to lease or purchase, there has not been an opportunity to secure a large number of units within any single private sector community. In fact, during the past ten years, only five apartment complexes in the UTC area have transferred ownership. Because the UTC area is one of the premium apartment investment markets in San Diego County, competition for those few properties that are offered

for sale is fierce. Owners of surrounding apartment communities have little to no interest in negotiating on price or committing to a long-term master lease. The other portion of the private market housing in the adjacent community is designated as condominiums with individual owners and Home Owner Associations, which typically house a high percentage of non-UC San Diego residents. Pursuing these opportunities will not generate enough new beds for UC San Diego students and will place the University in the position of purchasing and operating a property in which non-affiliates were the homeowners and customers. In these types of residential arrangements, conflicts tend to occur between the University users and non-affiliates.

The campus recently investigated several different properties for potential purchase; however, further evaluation revealed that these properties were older wood-frame product that will require significant seismic and building code upgrades in order to bring the property within University of California standards. Purchase of off-campus residential property would also trigger environmental issues such as increased traffic and impacts to the surrounding community. One potential purchase would have displaced approximately 250 residents to make room for students. The high sales prices combined with necessary seismic retrofitting, building modernization, and relocation costs exceeded the cost of new construction and was therefore rejected.

#### ***Option 4 – Redevelopment with Public Private Partnership***

Based on a comparative analysis of a University-Delivered Construction Schedule versus a P3 approach, the campus has determined that the P3 delivery method will significantly delay completion of the proposed project.

UC San Diego has estimated the total time from drafting a RFP to development and completion of construction drawings to be 13.5 months. That duration was compared to the estimated period to procure, select and negotiate with a design-build team and achieve 100 percent construction drawings of 18 months, yielding a time savings of approximately 4.5 months.

Not only does the campus expect the P3 approach would delay delivery of much needed student housing, but the additional risk and anticipated escalation costs associated with a longer schedule would have a negative impact on the student housing rates and the overall financial feasibility of the project.

#### ***Option 5 - “Do Nothing” - Rejected***

The current housing inventory is insufficient to meet the demand from the campus community (student, staff and faculty) in the near and long term. Without increasing the housing inventory, UC San Diego will not be able to:

- Contribute to the UC President’s January 2016 Housing Initiative;
- Address current and projected demand for student housing;
- Meet the campus goal to offer all eligible undergraduate and graduate/professional students a four-year guarantee of on-campus housing;
- Meet the 50 percent housing goal as stated in the LRDP;
- Provide sufficient housing to support all incoming students;



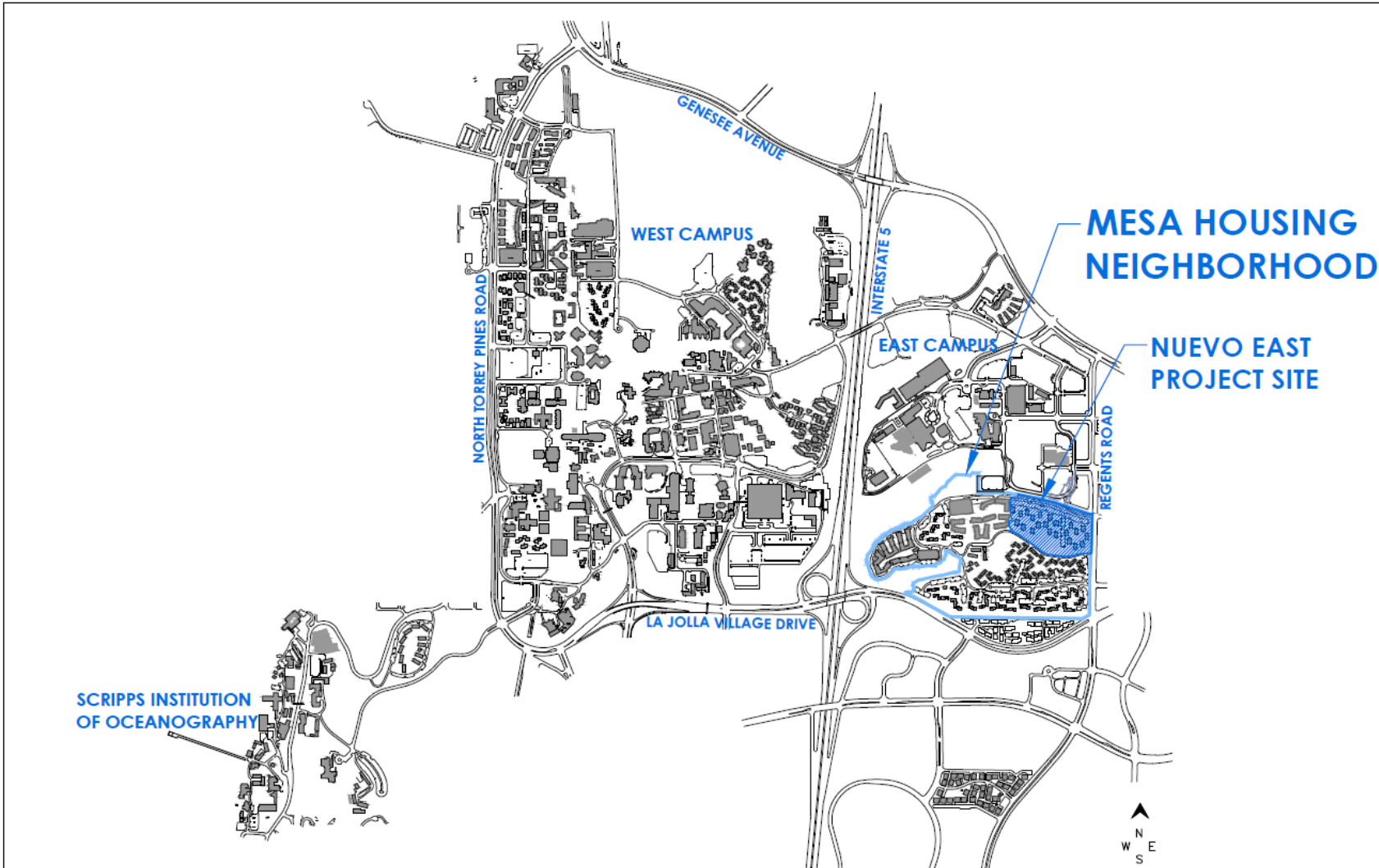
- Provide enough affordable housing to meet student demand, forcing these students to live further away from campus and resulting in longer commutes/more traffic on local road ways; and
- Improve the overall experience for residential students and their dependents, which may hamper the campus' ability to recruit and retain top talent.

**PROJECT DELIVERY MODEL**

The campus intends to utilize the fixed-price design-build delivery process that will support the accelerated completion schedule for the proposed project. UC San Diego has had success in utilizing a design-build delivery method for housing projects (e.g., East Campus Graduate Housing, Health Sciences Graduate Housing, and North Campus Housing). The process allows the University to pre-qualify design-build teams and establish a comprehensive Request for Proposal (RFP).

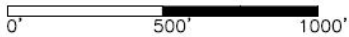
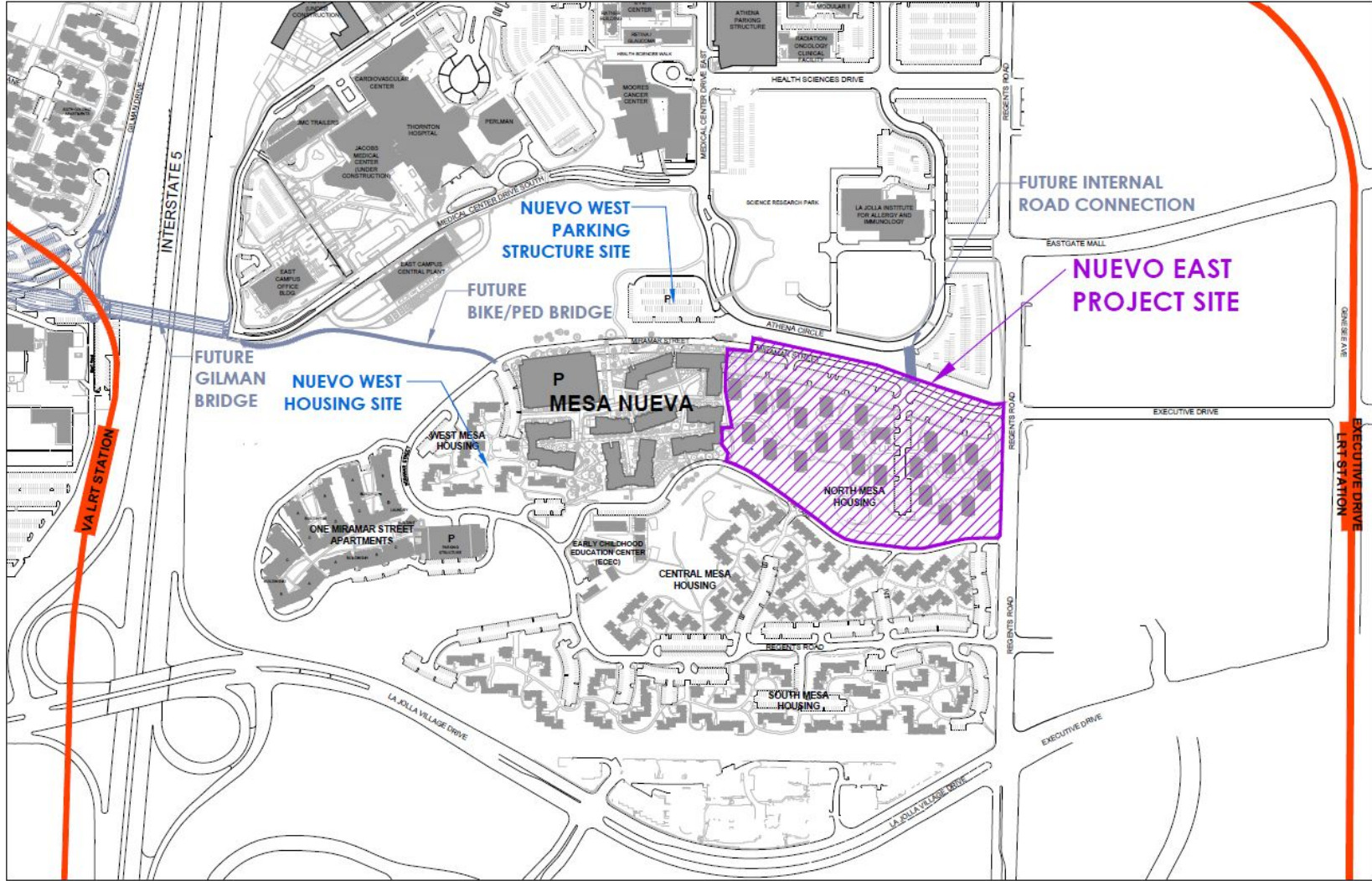
The design-build RFP outlines all program requirements including quality of construction elements (for both the housing facilities and the Exchange), quantity and type of housing units, specific amenities for each unit, requirements for common and administrative areas, site amenities, project color palettes,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

A maximum allowable price and design/construction schedule are built into the RFP. Three pre-qualified design-build teams will be short-listed and invited to participate in a competition to create a schematic design technical proposal. Each proposal will be reviewed and scored by a selection committee consisting of UC San Diego personnel as well as 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 minimum program requirements but are also incentivized through a point system evaluation to offer enhancements such as additional housing units and enhanced site amenities as part of their technical proposals.



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



NUEVO EAST STUDENT HOUSING  
UNIVERSITY OF CALIFORNIA SAN DIEGO  
PROJECT SITE