

# F2B

**Office of the President**

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

**ACTION ITEM – CONSENT**

*For Meeting of July 17, 2024*

**PEPPER CANYON EAST DISTRICT PHASE 1, SAN DIEGO CAMPUS:  
PRELIMINARY PLANS FUNDING**

**EXECUTIVE SUMMARY**

The San Diego campus proposes to develop the Pepper Canyon East District (District) on a 20-acre site on the west campus adjacent to the Light Rail Transit station. The District would be built in multiple phases and would include new student beds to expand access to the benefits of affordable on-campus housing.

The first project, District Phase 1, is now going forward. It would deliver up to 2,000 beds (1,000 net new) with associated amenities in summer 2029.

Future phases would include up to an additional 4,000 beds (for a total of up to 6,000 beds) in apartment-style units with residential support services, food/retail amenities, student-focused recreation and entertainment, and programmable open space to support formal and informal gatherings. During planning, the campus will assess the potential for a public-private partnership to develop a campus hotel and conference center.

For Pepper Canyon East District Phase 1, the Regents are being asked to approve preliminary plans funding of \$60 million to be funded from auxiliary-student housing reserves. The preliminary plans funding would support selection of a pre-qualified construction manager/general contractor via the competitive process, scope refinement, preliminary design, and project cost estimating, and California Environmental Quality Act documentation. The campus plans to request approval of budget, external financing, and design following action pursuant to CEQA in spring 2026.

## RECOMMENDATION

The President of the University recommends that the Finance and Capital Strategies Committee recommend to the Regents that the 2024-25 Budget for Capital Improvements and the Capital Improvement Program be amended to include:

San Diego: Pepper Canyon East District Phase 1 – preliminary plans – \$60 million, to be funded from auxiliary-student housing reserves.

## BACKGROUND

### *Past Regents Items*

- Information Item, May 2024 (Attachment 7)

The project remains consistent with the information provided to the Regents in May 2024.

### *Project Drivers/Need for On-Campus Housing*

As detailed in the Information Item presented to the Regents in May 2024, the key drivers for the Pepper Canyon East District (District) Phase 1 project are:

- Expanding student access to the benefits of living on campus
- Addressing demand for affordable housing
- Increasing campus activation and student life through retail establishments, entertainment, and recreation facilities

Regents-owned on-campus housing provides students with a community setting within easy access of the campus's academic, research, clinical, and recreation resources, and allows students to get around campus without a car – by foot, bicycle, and campus shuttles.

Due to limited housing supply, increasing enrollment, and growing demand, the campus currently limits the length of stay in campus housing for undergraduate students to their first two years. The campus is presently only able to offer limited housing to upper division undergraduate students, well below the current demand. Upper division students often report a lack of connection to the campus when living off campus during those years.

The UC San Diego 2018 Long Range Development Plan aims to provide housing for up to 65 percent of eligible<sup>1</sup> students (including graduate and professional students) in campus-owned facilities. As of fall 2023, the campus provided housing for roughly 47 percent of all eligible students (graduates and undergraduates). The Pepper Canyon East District project represents

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<sup>1</sup> Eligible students have met all required deadlines in the admissions and housing application process. Undergraduate students must also maintain a minimum of 12 units per quarter to be considered “eligible”.

further progress toward this goal, as well as the campus goal to provide four years of housing for all undergraduate students.

**PROJECT DESCRIPTION**

The preliminary space program for District Phase 1 is provided below. The program will be further defined during the preliminary plans phase.

**Table 1: Pepper Canyon East District Phase 1 Program (GSF)**

<b>Program</b>	<b>Function</b>	<b>Gross Square Feet</b>
Housing	Apartment-style units (up to 2,000 total beds)	750,000
Residential Support Services	Laundry facilities and building support	18,000
	Study Space	7,000
	Common gathering areas	25,000
Retail	Food/Retail amenities	30,000
	Bakery and Market	20,000
Student Support Services	Student-focused recreation and entertainment	25,000
Open Space	Outdoor areas for formal and informal gatherings	TBD
	Residential courtyards	
	Programmable open space	
<b>TOTAL GSF</b>		<b>875,000</b>

The campus is evaluating the possibility of a hotel and conference center in addition to a market and bakery onsite.

The District Phase 1 project would permanently displace approximately 150 surface parking spaces. New parking would be provided to meet District demands, including accessibility, retail, and service/loading requirements. The number of spaces, including accessible parking, will be determined during the preliminary plans phase. In addition, the project would integrate existing and planned pedestrian, bicycle, and vehicular connections to existing housing, medical center, academic and research enterprises, and regional transportation projects to serve the campus.

***Project Site***

The proposed project would be the first phase to redevelop an approximately 20-acre site between the Interstate 5 corridor and the Light Rail Transit Station at Pepper Canyon (refer to Attachment 2, Context Map, and Attachment 3, Site Map). District Phase 1 would demolish 27 existing low-density one- and two-story residence halls and related support buildings that were built in the 1980s, totaling roughly 326,000 gross square feet (GSF), and would prepare the site infrastructure for future District phases.

**COMMITTEE**

**July 17, 2024**

The current residence halls were designed to provide 994 beds. The proposed District Phase 1 project would more than double the current number of beds per acre to provide up to 2,000 new beds, in multiple mid-rise and high-rise configurations for upper division undergraduate students in 12-month apartment-style living. The demolition of these 994 beds does not negatively affect the overall housing bed counts due to planned openings at Theatre District Living and Learning Neighborhood in Fall 2024 (2,000 beds), Pepper Canyon West Student Housing in Fall 2024 (1,316 beds), and Ridge Walk North Living and Learning Neighborhood in Fall 2025 (2,444 beds).

The proposed scope would likely include relocation of Warren Field, a recreation field, from its current location to the east, to provide a buffer between the housing and Interstate 5 as well as to maximize the site for best layout of housing. As part of the Phase 1 project, a site master plan will be prepared to define future District parcels and overall site configuration.

***Funding Plan***

The requested \$60 million of preliminary plans funding from auxiliary-student housing reserves would support the selection of a pre-qualified Integrated Construction Manager/General Contractor (iCM/GC) via the competitive process, scope refinement, development of site master development plan, preliminary design, CEQA analysis and project cost estimating. See also Attachment 1, Preliminary Plans Budget.

***Project Schedule***

The campus aims to complete the new District housing in multiple phases, with District Phase 1 of approximately 2,000 new beds, starting construction in summer 2026 and completing in summer 2029. Future phases will be proposed as separate projects for Regental review. The timing of future phases would be further examined as part of the master district site development planning effort.

***Project Delivery Model***

The campus intends to use the iCM/GC delivery method. The iCM/GC delivery model locks teams in early and affords opportunities to heighten interest in the project within the subcontractor community, engage the team early in the process, obtain real-time market pricing through each project phase, and fine-tune subtrade construction costs to fit the overall project construction budget.

***Statement of Consistency with Select UC Policies and Practice***

See Attachment 6.

**KEY TO ACRONYMS**

CEQA	California Environmental Quality Act
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District	Pepper Canyon East District
GSF	Gross Square Footage
iCM/GC	Integrated Construction Manager/General Contractor

**ATTACHMENTS**

Attachment 1:	Preliminary Plans Budget
Attachment 2:	Context (Project Location) Map
Attachment 3:	Project Site Map
Attachment 4:	<a href="#">OCEAN Tool Report</a>
Attachment 5:	Alternatives Considered
Attachment 6:	Statement of Consistency with Select UC Policies and Practice
Attachment 7:	Information Item (May 2024): <a href="https://regents.universityofcalifornia.edu/regmeet/may24/f9.pdf">https://regents.universityofcalifornia.edu/regmeet/may24/f9.pdf</a>

**PRELIMINARY PLANS BUDGET  
PEPPER CANYON EAST DISTRICT PHASE 1**

<b>Category</b>	<b>Amount</b>	<b>Percentage</b>
A&E Fees <sup>1</sup>	\$54,000,000	90.0%
Campus Administration <sup>2</sup>	\$2,425,000	4.0%
Surveys, Tests, and Plans <sup>3</sup>	\$1,730,000	2.9%
Special Items <sup>4</sup>	\$1,845,000	3.1%
<b>Total Preliminary Plans Budget</b>	<b>\$60,000,000</b>	<b>100%</b>

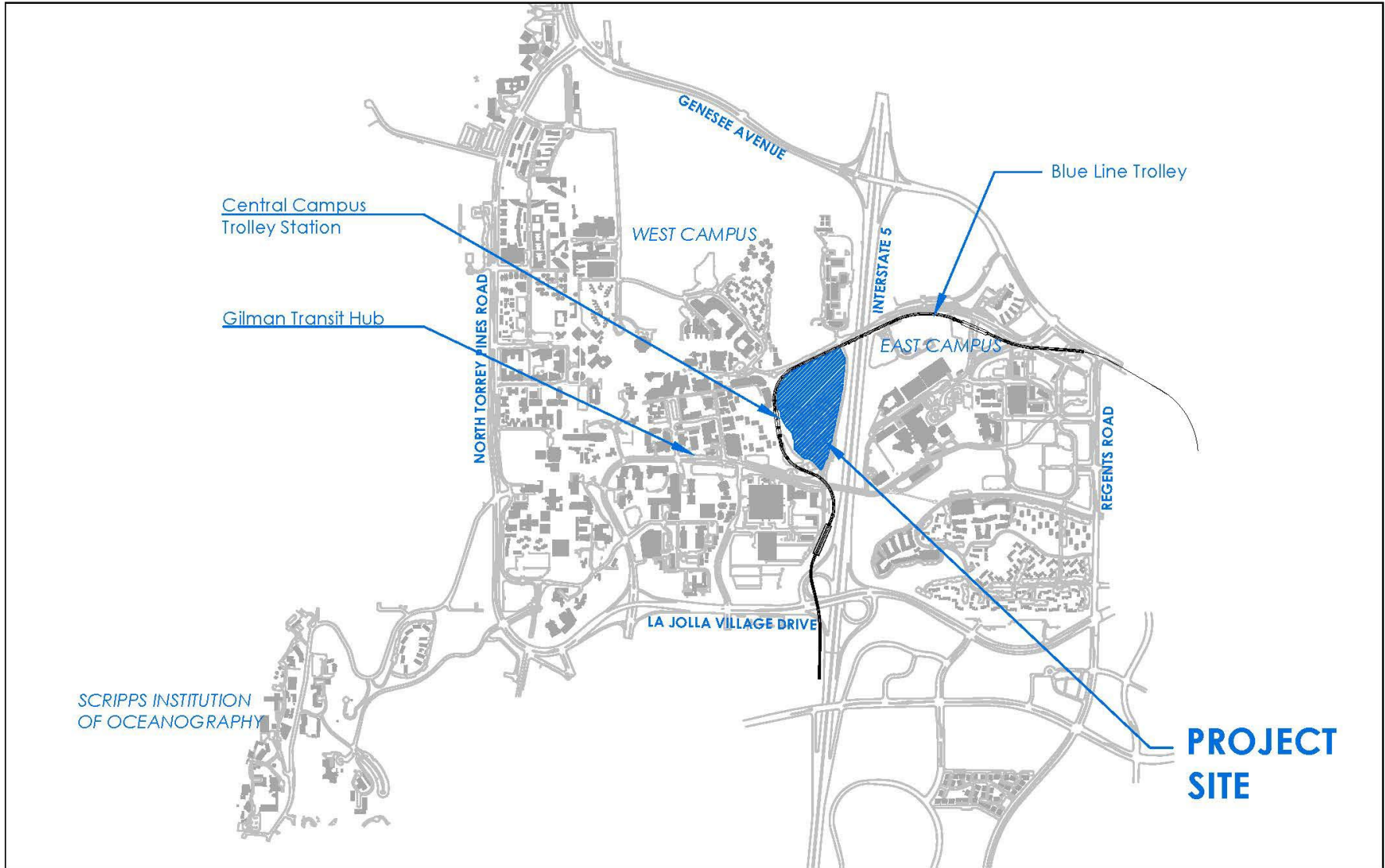
**Notes:**

1. Includes fees, bonding, and insurance through the design development phase. Architecture and engineering team to provide full programming/scope development for the project, site planning, schematic design, and design development documents. Construction team to provide pre-construction services, including estimating, constructability reviews, scheduling, site logistics, and coordination with adjacent major construction efforts by other teams. In addition, the contractor will also provide the procurement of design-assist and subcontractors to work and collaborate with the architect, engineers, and University throughout the design development process.
2. Includes campus project management, campus planning, engineering, design review, code, and fire life safety design reviews, contract administration, and general administration of the project.
3. Includes site surveying, geotechnical and soils testing, utility trenching as needed to complete due diligence, and any other necessary design phase testing.
4. Provide the required administration and documentation necessary to obtain campus, agency, and Regental approvals, including approval of budget and financing and approval of design following action pursuant to the California Environment Quality Act.

**Anticipated Preliminary Plans phase activities include the following:**

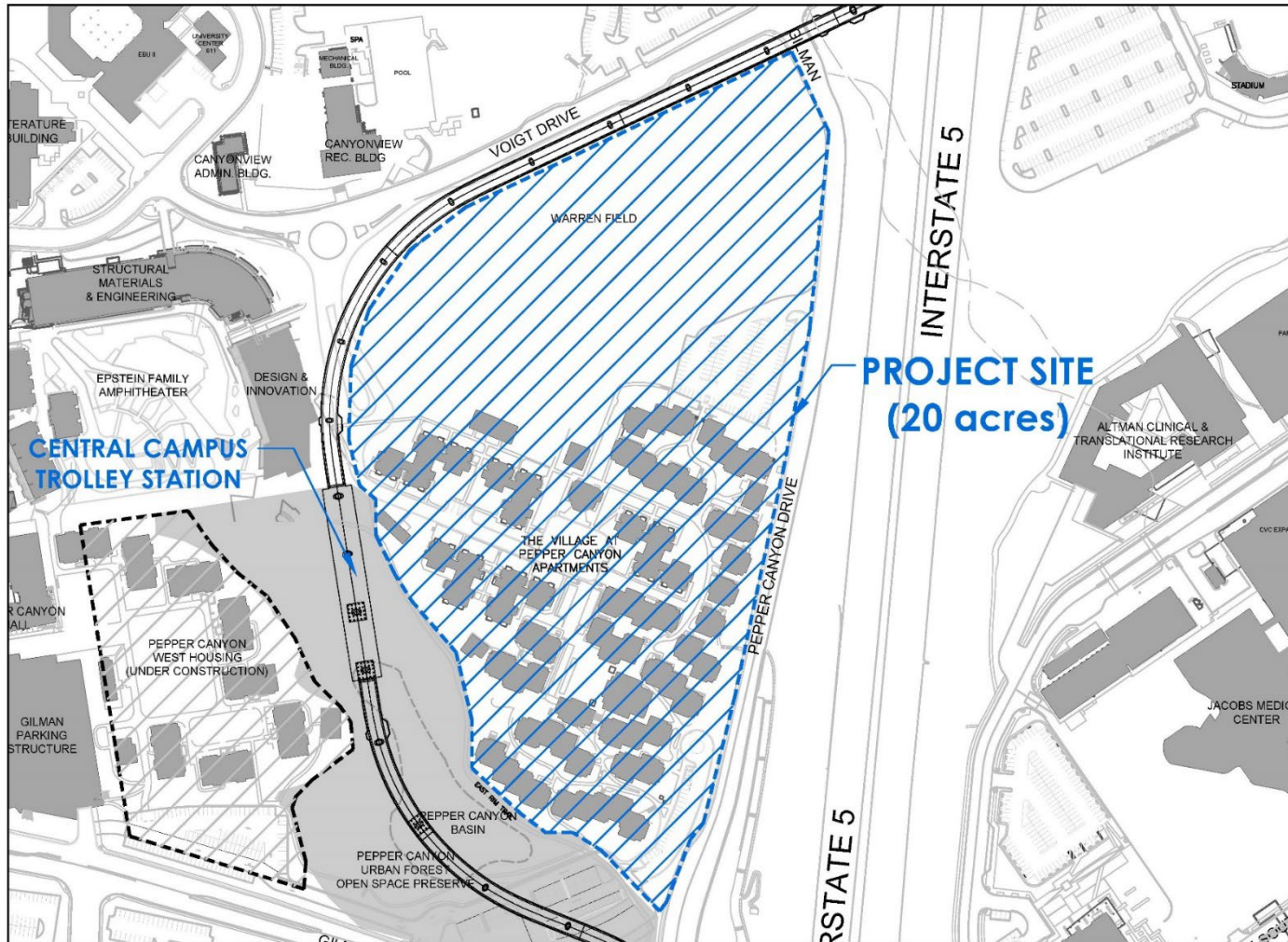
- Select and retain the services of a design team to provide master plan, programming, massing, and site studies. The design team will be selected using a qualifications-based approach with a proposed design problem to solve. A stipend is being considered, depending on the level of effort necessary for the design problem.
- Select and retain the services of a Construction Manager. CM will be selected using a best-value approach considering qualifications and cost.
- The selected Executive Architect will provide schematic design and design development documentation, with pre-construction support from the selected Construction Manager, including estimating, constructability services, scheduling, and risk analysis. The contractor may also include the procurement of design-assist and subcontractors to work and collaborate with the architect and engineers throughout the design phases.
- Completion of design-phase testing, including site investigation and soils testing.
- Includes external consultants to support programming and early design; development of housing design standards and performance-based specifications; Design team selection process and stipends; technical studies to support the preparation of environmental documents pursuant to the California Environmental Quality Act and peer reviews.

PROJECT LOCATION MAP



PEPPER CANYON EAST DISTRICT  
UNIVERSITY OF CALIFORNIA SAN DIEGO  
CONTEXT MAP

PROJECT SITE



PEPPER CANYON EAST DISTRICT  
UNIVERSITY OF CALIFORNIA SAN DIEGO  
SITE MAP

## ALTERNATIVES CONSIDERED

Alternatives considered for the delivery of new student housing included:

- Option 1 – Redevelopment with New Construction on Campus
- Option 2 – Reallocate Existing Housing
- Option 3 – Lease or Purchase off Campus
- Option 4 – Redevelopment with Public-Private Partnership (P3)
- Option 5 – “Do Nothing” (no project)

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

The preferred solution would be redeveloping a 20-acre campus site to create the Pepper Canyon East project. As described in the item, District Phase I would provide at least 1,000 net new beds, for upper division (third- and fourth-year) undergraduate students.

Without additional housing, the San Diego campus will be unable to offer enough housing to meet upper division undergraduate student demand. 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 an iCM/GC GMP delivery model, with the plan to complete the District Phase 1 new housing by fall 2029. This scenario provides the greatest likelihood of meeting campus goals as described under the Project Drivers section.

### **Option 2 - Reallocate Existing Housing**

Current demand from all students exceeds the available housing supply, and, where possible, the available housing has already been converted to accommodate additional students. With the completion of proposed housing projects such as Nuevo East, Nuevo West, and the North Torrey Pines Living and Learning Neighborhood, the campus is evaluating opportunities to reallocate housing to better accommodate demand from all groups; however, reallocation alone does not create more housing and will not meet the demand for on-campus housing.

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

As previously mentioned, UC San Diego is located in La Jolla/University Towne Center (UTC) area, 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. 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 offered for sale is fierce, and capitalization rates are competitively bid downward to

historically low rates. Owners of surrounding apartment communities have little to no interest in negotiating on price or committing to a long-term master lease.

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

The other portion of the private market housing in the adjacent community is designated as condominiums with individual owners and homeowner 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 campus users and non-affiliates.

#### **Option 4 – Redevelopment with Public-Private Partnership (P3)**

The campus evaluated various 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 lack of campus talent to deliver and operate a unique type of project successfully. The campus 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 projects with operating revenues that support the debt service, thus preserving the campus's debt capacity. A P3 project would likely 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.

#### **Option 5 - “Do Nothing”**

The current housing inventory is insufficient to meet the demand from the campus community (students, staff, and faculty) in the near and long term. Without increasing the housing inventory, UC San Diego:

- Would not be able to address current and projected demand for student housing.
- Would not progress towards meeting the 65 percent housing goal as stated in the LRDP.
- Would not be able to provide enough affordable housing to meet student demand, forcing these students to live farther away from campus and resulting in longer commutes/more traffic on local roadways.

- Would not progress towards campus goal of offering four years of housing to undergraduates; 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.

**STATEMENT OF CONSISTENCY WITH SELECT UC POLICIES AND PRACTICE**

The project is consistent with selected UC Policies and Practice:

***Sustainable Practices Policy***

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. A full range of sustainability practices for design and operations is included in the budgeting, programming, and design effort for the project.

***Operational Carbon and Energy Assessment (OCEAN) Tool***

This project has been analyzed by the UC Operational Carbon and Energy Assessment for New Construction (OCEAN) Tool and results are provided as Attachment 4. The OCEAN Tool identifies high-level estimates of target site energy use, utility costs, and operational greenhouse gas emissions for the proposed project. Building performance metrics are being compiled within UC's capital projects database and will be utilized to compare and assess future projects.

***Small Business Enterprises (SBEs) and Disabled Veteran Business Enterprises (DVBES)***

The campus is committed to promoting and increasing participation of Small Business Enterprises (SBEs) and Disabled Veteran Business Enterprises (DVBES) in all purchasing and contract business, subject to any applicable obligations under State and federal law, collective bargaining agreements, and University policies. The campus regularly communicates with interested contractors and consultants to provide information about how to find opportunities to work at the campus and to encourage them to respond to the annual announcement soliciting interest to perform services. Providing qualified SBEs with the maximum opportunity to participate will be encouraged with the selected design professionals and contractors with the goal of meeting 25 percent participation.

***Seismic Safety***

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