

**Office of the President**

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

**ACTION ITEM**

*For Meeting of July 17, 2024*

**SEGUNDO INFILL STUDENT HOUSING, DAVIS CAMPUS: BUDGET, SCOPE, EXTERNAL FINANCING, AND DESIGN FOLLOWING CONSIDERATION OF AN ADDENDUM TO THE 2018 LONG RANGE DEVELOPMENT PLAN ENVIRONMENTAL IMPACT REPORT PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT**

**EXECUTIVE SUMMARY**

The Segundo Infill Student Housing project is approximately 116,000 gross square feet in size and provides 206 new residence hall units targeted for first-year students. The project helps UC Davis meet the demand for on-campus housing and make progress toward the 2018 Long Range Development Plan goals and Memorandum of Understanding commitments with the City of Davis. The project will utilize existing dining and community facilities, given its adjacency to other residential complexes and available capacity for those amenities, making it a cost-efficient project. Students who have the benefit of living on campus are immersed in the campus community with easy access to the variety of academic, research, clinical, recreational, and retail facilities UC Davis offers, which promotes student success. Providing on-campus housing is especially beneficial in supporting UC Davis's underrepresented student groups.

Consistent with the campus's commitment to responsible stewardship of resources and demonstrating leadership in sustainable business practices, the project targets a Leadership in Energy and Environmental Design™ (LEED™) minimum building certification level of Gold with a goal to achieve Platinum.

In May 2023, the Regents approved \$4.1 million of preliminary plans funding for the project from housing reserves.

The Regents are being asked to: (1) approve the project budget of \$100,047,000; (2) approve the project scope; (3) approve external financing in the amount of \$98,297,000; (4) adopt the California Environmental Quality Act Findings; and (5) approve the project 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: Davis: Segundo Infill Student Housing – preliminary plans – \$4.1 million to be funded from housing reserves.
- To: Davis: Segundo Infill Student Housing – preliminary plans, working drawings, construction, and equipment – \$100,047,000 to be funded from external financing (\$98,297,000) and housing reserves (\$1.75 million).
- B. The scope of the Segundo Infill Student Housing project be approved. The project shall provide a five-story building of approximately 116,000 gross square feet. The building will house approximately 494 student residents in 206 rooms and will include community and support spaces with outdoor amenities.
- C. The President be authorized to obtain external financing in an amount not to exceed \$98,297,000 plus additional related financing costs to finance the Segundo Infill Student Housing project and declare that external financing may be used to reimburse prior expenditures. The President shall require that:
- (1) Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
  - (2) As long as the debt is outstanding, the general revenues of the Davis 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.
  - (4) 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 Segundo Infill Student Housing 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 CEQA Findings for the Segundo Infill Student Housing project, having considered both the 2018 Long Range Development Plan (LRDP) Environmental Impact Report (EIR) for the Davis campus and June 2024 Addendum to the 2018 LRDP EIR.
- (2) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of the Davis campus as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2018 LRDP EIR.
- (3) Approve the design of the Segundo Infill Student Housing project, Davis campus.

## **BACKGROUND**

### ***Past Regents Items***

- Preliminary Plans, May 2023, \$4.1 million (housing reserves).

The project scope remains consistent with that presented to the Regents in May 2023.

### ***Project Background and Context***

The UC Davis Student Housing and Dining Services program delivers an excellent on-campus living experience by providing a safe and comfortable environment that fosters community interaction and educational development.

As of fall 2023, on-campus housing is available for 15,479 undergraduate and graduate students in a combination of Regents-owned complexes (6,391 beds) and third party-developed apartments (9,088 beds). UC Davis currently offers a one-year housing guarantee to incoming first-year students and a two-year guarantee for incoming transfer students. The campus's longstanding goal is to house first-year students in residence hall complexes with programs and services geared toward supporting students' academic success and individual development as they transition to campus life. Although the campus consistently expanded its residence hall portfolio over the last decade, most recently with the replacement and expansion of Shasta Hall in 2021 (formerly Emerson Hall), additional residence hall beds are projected to be necessary to keep pace with anticipated freshmen enrollment growth.

Housing on the Davis campus is organized in several neighborhoods. Traditional residence halls are located in the Tercero, Segundo, and Cuarto neighborhoods and primarily serve first- and some second-year students. On-campus apartment-style housing in the Orchard Park and West Village neighborhoods provides housing primarily to upper-division undergraduates, graduate students, and student families.

The Segundo neighborhood consists of 14 residence hall buildings, the Segundo Services Center, and the Segundo Dining Commons, and is located on the northwest corner of the central campus. The neighborhood’s westside has a park-like setting defined by a north-south axis that connects community support buildings with open spaces and residence halls. This infill project will advance the coherence and interconnectedness of the neighborhood.

In addition to increasing residence hall bed inventory in support of enrollment growth, the additional space will also allow for surge space as the campus anticipates redeveloping old housing. The project will also continue to move UC Davis towards the goal of housing 48 percent of the Davis campus-based enrollment. As of the 2022-23 academic year, UC Davis housed 37 percent of Davis-based students on campus.

### **PROJECT DESCRIPTION**

The proposed approximately 116,000-gross-square-foot (gsf) project will provide 206 rooms. The units primarily support double occupancy but are designed to support tripling to accommodate fluctuations in enrollment, student demand, and surge space and to provide a lower cost housing option. The planned configuration upon opening of the project is 60 percent double-occupancy (124 rooms) and 40 percent triple-occupancy (82 rooms). The units and their design are generally consistent with those of other well-liked first-year residential neighborhoods at UC Davis, Cuarto and Tercero. The Segundo Dining Commons will serve the project and will leverage the full capacity of the dining hall. Other student-serving amenities are available in the neighborhood; the proximate Segundo Services Center provides administrative and recreational residential area services, including a service desk, academic advising, computer center, convenience store, recreation room, and meeting and study rooms. The project is anticipated to be completed prior to the start of the fall quarter in 2027.

#### ***Program and Scope***

The building program includes approximately 494 student beds in 206 rooms, communal bathrooms, two Resident Director Apartments, residential amenities, building amenities, and building support spaces. Table 1 shows the breakdown of the unit mix, which is designed to accommodate future shifts in occupancy between double- and triple-bedded rooms based on future demand factors.

**Table 1**

**Segundo Infill Student Housing Mix of Unit Types**

<b>Unit Type</b>	<b>Number of Units</b>	<b>Number of Beds</b>
Single Occupancy	0	0
Double Occupancy	124	248
Triple Occupancy	82	246
<b>Total</b>	<b>206</b>	<b>494</b>

Indoor community amenities include floor lounges, study nooks, and convenient laundry facilities. The ground floor includes a welcoming entry lobby connected to a vibrant main lounge and a bustling social kitchen. The residential floors maintain a variety of views of the exterior from nooks, corridors, and lounges, supplementing the connection to the exterior from individual rooms. Table 2 provides a breakdown of the planned building program.

**Table 2  
Segundo Infill Student Housing Summary of Proposed Square Footages**

<b>Category</b>	<b>ASF</b>	<b>GSF</b>	<b>%</b>
Residential Space (excluding restrooms)	47,362		63%
Community Amenities	12,857		17%
Restrooms	11,276		15%
Support Spaces	3,843		5%
<b>Total Enclosed Assignable Square Feet (ASF)</b>	<b>75,338</b>		<b>100%</b>
Mechanical Electrical Plumbing		3,852	
Covered Unenclosed Area (50%)		4,300	
Structure		32,632	
<b>Total Project Gross Square Feet (GSF)</b>		<b>116,122</b>	

***Outdoor Community Amenities***

The project creates distinct outdoor social spaces. Pathways are strategically designed to integrate with the existing multimodal passageways in the neighborhood. The East Entry Plaza creates an open space to support the extension of indoor programs. The Bicycle Courtyard includes 600 total bike parking spaces; over 50 percent will be covered by the second-story podium above, and 25 percent will be enclosed and secured. The landscape, including the Pocket Park and West Lawn, supports and weaves together open spaces and activities.

***Off-Campus Housing Demand***

The project will deliver a product that is inherently different from the apartment-style and single-family homes available in the City of Davis. As a traditional residence hall, the project will provide additional programming and a board (cafeteria-style meal) program unavailable in the off-campus market. Increasing the number of residence hall beds on campus assures the campus that it can uphold its first-year housing guarantee while alleviating some of the challenges the City of Davis is experiencing with the availability of affordable off-campus housing.

***On-Campus Housing Rates and Off-Campus Rent Comparison***

The on-campus residential rental rates for singles, doubles, and triples are the same across all on-campus residential neighborhoods. The socialization of the housing rates ensures those students living in newer housing units are not burdened with higher rates. The campus’s rates for the 2023-24 academic year are \$12,498 per person for a double occupancy room. Although it is too

early to establish rents for FY 2027-28, UC Davis has a long-standing practice of offering below-market rents and plans to continue this commitment when Segundo Infill is added to the campus’s housing portfolio.

The following chart notes that rental rates for on-campus housing were nearly 30 percent below the off-campus Davis market for 2023-24.

<b>Location</b>	<b>2023-24 Monthly Rent</b>	<b>% Under Market</b>
UC Davis Residence Hall Rate, double occupancy room	\$1,180 per person	28%
Davis Community Market Rate, double occupancy room	\$1,650 per person	
Notes:		
<ul style="list-style-type: none"> <li>(1) The 2023-24 cost of a double occupancy residence hall was \$12,498 per person for the 9.5-month term, or \$1,315 per month. The following on-campus services and amenities have been removed from the monthly rate in the chart above since these are not provided in off-campus rentals: residence hall program (\$80/month/bed) and utilities (\$55/month/bed).</li> <li>(2) UC Davis residence halls include furnished dorm rooms and housekeeping of common areas. Costs for these have not been removed from the rate comparison.</li> <li>(3) Off-campus rates are for unfurnished apartments without Wi-Fi and housekeeping of common areas.</li> <li>(4) Double occupancy rates are used for both on-and off-campus bedrooms.</li> <li>(5) Comparison uses two-bedroom, bed lease average data for new construction comparable apartments in Davis.</li> </ul>		

***Funding Plan and Financial Feasibility***

The total project budget of \$100,047,000 will be funded with \$1.75 million of housing reserves and \$98,297,000 of external financing. At the tax-exempt planning rate of 4.25 percent and assuming a 30-year term with two years of interest only, the average annual debt service for years one and two is anticipated to be \$4.2 million, and for years three through 30 is anticipated to be \$6.1 million.

Over a ten-year period, the campus is projected to have a minimum modified cash flow margin of 7.3 percent and a debt service coverage of 1.5x as required by the University’s Debt Policy (Policy). UC Davis’s days’ cash on hand in the Short Term Investment Pool (STIP)/Total Return Investment Pool (TRIP) is 62 days as of April 30, 2024, which does not meet the requirements of the Policy.

The Segundo Infill Student Housing project meets the minimum 1.0x auxiliary project debt service coverage ratio; however, the campus falls short of the minimum 1.1x auxiliary system debt service coverage as required by the Policy in the current fiscal year (2024-25). The UC Davis housing system is projected to meet this requirement in fiscal year 2024-25 and for the remaining ten-year forecast. An exception to the University’s Debt Policy has been granted by the Executive Vice President – Chief Financial Officer for days’ cash on hand and auxiliary

system debt service coverage. Additional information regarding funding and financial feasibility is included in Attachment 2.

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

The proposed project is intended to be constructed using the design-build delivery method, with a Maximum Acceptance Cost, a method successfully employed by UC Davis on a number of recent housing projects. In this process, the University contracts with a single party for both design and construction. The design-build process is efficient and allows the contractor's technical expertise and creativity to be incorporated into the design process from the beginning. The design-build process has proven so successful in controlling costs, managing schedules, and maximizing value for housing projects that the campus now prefers to deliver all-new residence hall housing projects using this method.

The estimated construction completion date for the project is April 2027.

## **PROJECT DESIGN**

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

The proposed project will be located on the existing surface Parking Lots 22 and 16, as shown in Attachment 4. The location provides convenient access to Russell Boulevard, a main Unitrans Bus route that connects to the City of Davis; California Avenue, a central street that connects to the heart of the campus; and Russell Field, which supports campus recreation and events.

The site currently provides parking for the Segundo neighborhood. Much of the construction will occur on Parking Lot 22, while Parking Lot 16 serves as the laydown site for construction trailers and temporary facilities. Upon project completion, Parking Lot 16 will continue to serve as a small surface parking lot for the Segundo neighborhood, with several improvements and modifications, including relocating the entrance, adding a drop-off and turnaround area, improving the loading zone, and installing electric vehicle smart chargers. Parking in the neighborhood is currently undersubscribed, and the first-year residents of the new Segundo Infill Housing project will not have vehicles, resulting in the ability to continue to meet neighborhood parking demands even with less parking in the neighborhood. A large parking structure with capacity to support the displaced parking is located proximate to the neighborhood.

### ***Project Design and Physical Design Framework***

The scale of the Project's five-story structure integrates with the existing two- and three-story residence hall buildings in the neighborhood and establishes context for future higher-density development/redevelopment in the neighborhood. The student housing program fosters community and connection to the main campus, within the Segundo neighborhood, and throughout the new complex itself.

## COMMITTEE

July 17, 2024

The main entrance consists of a lobby adjacent to the main corridor on the ground floor of the building. The west entrance will be adjacent to the Segundo Quad, Segundo Dining Commons, and the Student Services building to give students traveling from the west side of campus easy access to the building.

From the Segundo Quad to the west, the project site is organized into four distinct yet complementary outdoor use zones: the Pocket Park, West Lawn, Bicycle Courtyard, and the East Entry Plaza. All spaces are interconnected through a permeable ground floor design, which connects interior and exterior community spaces, providing flexibility and access for students.

- The Pocket Park serves as the hub for outdoor space and pedestrian connectivity to the campus while providing flexible outdoor gathering and studying space.
- The West Lawn provides an outdoor amenity for neighborhood residents and complements a larger open space to the west of the project site.
- A Bicycle Courtyard celebrates the campus's vibrant bicycle culture by centralizing the bike parking facilities. The Bicycle Courtyard includes 600 total bike parking spaces; over 50 percent will be covered by the second-story podium above and 25 percent will be enclosed and secured.
- The East Entry Plaza provides a point of entry for the facility adjacent to the main vehicular drop-off zone.

The design of the building and the materials selected are consistent with the campus's Physical Design Framework. The public outdoor spaces have been carefully designed to promote the connection between buildings and landscaping. The design and materials selected promote a cohesive environment in the Segundo Neighborhood through consistency of scale, color, and textures while ensuring longevity and maintainability. Exterior finishes will include brick, exterior insulation and finishing system panels, aluminum windows, and concrete site surfaces. A materials sample is included with the design materials in Attachment 5.

***Sustainable Practices***

The building will achieve a minimum Leadership in Energy and Environmental Design™ (LEED™) Gold certification, with the goal of Platinum. The entire project will incorporate electrification and will not utilize natural gas for building heat or hot water generation. Additionally, the building will have:

- Operable windows
- High-performance exterior envelope design
- Low-emitting materials
- Daylighting
- High-quality views
- Lighting controls
- Durable materials
- Reduction of indoor water use to exemplary levels
- Outdoor bicycle parking



***Long Range Development Plan (LRDP)***

The project is consistent with the 2018 LRDP. The 2018 LRDP land use designations for the site are Student Housing and Streetscapes and Roadways. The Student Housing designation allows for a variety of campus and privately operated student housing types and densities and includes ancillary services to support housing (i.e., landscape, path, on-site utility services, and parking). Beckett Hall Circle will be widened from a multimodal path to provide full emergency vehicular access around the new building, which is consistent with its current use. The project will develop student housing at the site and increase the on-campus residential population; therefore, the Segundo Student Infill Housing project is consistent with the 2018 LRDP.

**CONSISTENCY WITH SELECT UC POLICIES AND PRACTICE**

The project complies with the UC Policies for Seismic Safety, Sustainability, and Small/Disabled Veteran Business Enterprises (see Attachment 7).

**CEQA COMPLIANCE**

Pursuant to the California Environmental Quality Act (CEQA), a June 2024 Addendum to the 2018 LRDP EIR (SCH# 2017012008) has been prepared for the Segundo Infill Student Housing Project (Attachment 9). The Project is within the scope of impacts identified and analyzed in the 2018 LRDP EIR, and none of the circumstances that will trigger subsequent or supplemental environmental review under Public Resources Code Section 21166 and CEQA Guidelines Sections 15162 or 15163 have occurred or are present. With the implementation of relevant certified 2018 LRDP EIR mitigation measures, no new significant environmental impacts have been identified in connection with the revised Project that were not considered in the 2018 LRDP EIR. The 2018 LRDP EIR Mitigation Monitoring program is applicable to the project, and applicable mitigation measures for the Project can be found in Section 5 of the June 2024 Addendum. Findings have been prepared to support the University’s determination that the proposed project will not require major revisions to the 2018 LRDP EIR (Attachment 11).

**Key to Acronyms**

CEQA	California Environmental Quality Act
EIR	Environmental Impact Report
gsf	Gross Square Feet
LEED™	Leadership in Energy and Environmental Design™
LRDP	Long Range Development Plan
Policy	University’s Debt Policy
STIP	Short Term Investment Pool
TRIP	Total Return Investment Pool

**ATTACHMENTS:**

Attachment 1:	Project Sources and Uses
Attachment 2:	Summary of Financial Feasibility
Attachment 3:	<a href="#">Comparable Project Information – Scatterplot and Table</a>
Attachment 4:	<a href="#">Project Location Map/Site Map</a>
Attachment 5:	<a href="#">Design Graphics</a>
Attachment 6:	Alternatives Considered
Attachment 7:	Statement of UC Policy Compliance
Attachment 8:	2018 LRDP: <a href="https://ucdavis.app.box.com/s/3b7029z14i9j8n2nr2vfcnejl8kbs71h">https://ucdavis.app.box.com/s/3b7029z14i9j8n2nr2vfcnejl8kbs71h</a>
Attachment 9:	June 2024 Addendum to the 2018 LRDP EIR: <a href="https://ucdavis.app.box.com/v/SegundoInfillHousing-Addendum">https://ucdavis.app.box.com/v/SegundoInfillHousing-Addendum</a>
Attachment 10:	2018 LRDP EIR and Mitigation Monitoring and Reporting Program: <a href="https://ucdavis.app.box.com/s/yqhq0ni1f7ce1mhpqux61g9oqfs326ow">https://ucdavis.app.box.com/s/yqhq0ni1f7ce1mhpqux61g9oqfs326ow</a>
Attachment 11:	<a href="#">CEQA Findings</a>
Attachment 12:	<a href="#">UC Operational Carbon and Energy Assessment for New Construction (OCEAN) Tool</a>

**PROJECT SOURCES AND USES  
SEGUNDO INFILL STUDENT HOUSING**

<b>PROJECT SOURCES</b>		
<b>Source</b>	<b>Total</b>	<b>Percent of Total</b>
Housing Reserves	\$1,750,000	1.7%
External Financing	\$98,297,000	98.3%
<b>Total Sources</b>	<b>\$100,047,000</b>	<b>100%</b>
<b>PROJECT USES</b>		
<b>Use</b>	<b>Total</b>	<b>Percent of Total</b>
Site Clearance	\$3,751,000	4.0%
Building	\$62,292,000	66.9%
Exterior Utilities	\$3,977,000	4.3%
Site Development	\$3,790,000	4.1%
A/E Fees <sup>1</sup>	\$2,173,000	2.3%
Campus Administration <sup>2</sup>	\$5,990,000	6.4%
Surveys, Test, Plans	\$602,000	0.6%
Special Items <sup>3</sup>	\$6,996,000	7.5%
Contingency	\$3,581,000	3.8%
<b>P-W-C Cost<sup>4</sup></b>	<b>\$93,152,000</b>	<b>100%</b>
Group 2 & 3 Equipment	\$1,750,000	
<b>Project Total</b>	<b>\$94,902,000</b>	
Interest During Construction	\$5,145,000	
<b>Grand Total</b>	<b>\$100,047,000</b>	

<sup>1</sup> A/E fees include the executive architect/engineer's basic services contract fee.

<sup>2</sup> Campus Administration includes project management and inspection.

<sup>3</sup> Special Items include: detailed project program and other pre-design study consultants, environmental services consultants, plan check fees, major local jurisdiction fees, special design consultants, independent structural /seismic and MEP review, hazardous materials abatement/remediation design services, and commissioning agent.

<sup>4</sup> Cost of preliminary plans (P), working drawings (W), and construction (C).

<b>PROJECT STATISTICS</b>	
Gross-Square-Foot (GSF)	116,122
Assignable-Square-Foot (ASF)	75,338
Efficiency Ratio ASF/GSF	64.9%
Building Cost/ASF	\$827
Building Cost/GSF	\$536
P-W-C Cost/ASF	\$1,236
P-W-C Cost/GSF	\$802
Building Cost/Unit	\$302,388
Building Cost/Bed	\$126,097
P-W-C Cost/Unit	\$452,194
P-W-C Cost/Bed	\$188,567

## Cost Drivers

The Design Build delivery method maximizes value in a few distinct ways:

- The Design Build process locks in a Maximum Allowable Cost (MAC) early in the design phase, providing cost certainty and eliminating the risks related to rising inflation and / or long lead times for procurement.
- In addition, having the contractor as part of the design team ensures that costs are considered at every stage of the design process. This approach provides maximum alignment of campus priorities and design outcomes, resulting in maximum value to the campus.
- By having a single contract with both the Architect and Contractor, the design-build partner assumes the risks associated with errors and omissions from the design team. In a Design-Bid-Build model, the University would be responsible for architectural errors and omissions. The Design Build method provides a substantial benefit to the University in this regard.
- By reducing redundancy in the design process, the Design Build method often speeds up project durations by up to 12 percent, resulting in cost savings for both the design-build partner and the University.

**SUMMARY OF FINANCIAL FEASIBILITY**

<b>DAVIS CAMPUS</b>	
Project Name	<b>Segundo Infill Student Housing</b>
Project ID	<b>953200</b>
Total Estimated Project Cost	\$100,047,000
Anticipated Interest During Construction (included in total estimated project cost)	\$5,145,000
<b>PROPOSED SOURCES OF FUNDING</b>	
Housing Reserves	\$1,750,000
External Financing	\$98,297,000
Total	\$100,047,000

<b>FINANCING ASSUMPTIONS</b>	
External Financing Amount	\$98,297,000
Anticipated Repayment Source	General Revenues of the Davis campus
Anticipated Fund Source	Davis Housing Revenues
Financial Feasibility Rate	4.25%
First Year of Principal (e.g. FY 20XX)	2027 (two years interest only 2027-2028)
Term (e.g. 30 years)	30 years
Final Maturity (e.g. FY 20XX)	2056
Estimated Average Annual Debt Service	\$4,178,000 (2027-2028) \$6,070,000 (2029-2056)

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

<b>CAMPUS FINANCING BENCHMARKS</b>			
<b>Measure</b>	<b>Campus Metric</b>	<b>Approval Threshold</b>	<b>Requirement</b>
Modified Cash Flow Margin	7.32% (minimum), 2026	≥ 0.0%	Must Meet
Debt Service Coverage	1.5x (minimum), 2025	≥ 1.1x	
STIP/TRIP Days Cash on Hand*	62 days, 04/30/2024	≥ 90 days	
Auxiliary Project Debt Service Coverage	1.03x (minimum), 2030	≥ 1.0x	Must Meet for Auxiliary Projects
Auxiliary System Debt Service Coverage*	0.92x (minimum), 2024	≥ 1.1x	

\*Metric does not meet the requirements of the University’s Debt Policy. [The Executive Vice President–Chief Financial Officer has granted an exception to the Policy.]

## ALTERNATIVES CONSIDERED

As the initial phase of redevelopment of student housing in the Segundo neighborhood, the housing site for the Segundo Infill Student Housing project and the number of beds necessary to develop to meet the needs of the Davis Student Housing Master Plan helped determine the scope of the project. Prior to proceeding with campus-delivered new development, the campus considered several delivery alternatives to provide this additional housing capacity and to achieve housing capacity, quality, and program goals in alignment with the objectives outlined above.

### *Evaluation Criteria*

All project alternatives comply with the campus plans outlined in the Long Range Development Plan. The primary criteria for selecting the project alternate include meeting the campus' need for additional beds in a financially feasible manner. It is also desired that the Segundo Infill Student Housing development integrate with the existing Segundo neighborhood.

### *Alternative 1—a renovation project.*

This alternative will renovate buildings within either Primero Grove or Regan Hall, which will address building systems and provide a general renewal of the facilities; however, it will not provide significant additional capacity beyond the existing beds; therefore, it is not a viable alternative. If Alternative 1 was pursued, there would be a significant cost; however, the campus would not gain additional on-campus student beds, and the overall design of the space and neighborhood would not be improved.

### *Alternative 2—replacement of an entire residential facility.*

This alternative will demolish existing housing in the Segundo Neighborhood and replace it with new construction. The new construction option allows for the site to be configured to integrate from a site planning and architectural perspective with the previous phases of development in the Segundo Neighborhood and for the expansion of the number of beds provided in the resulting facility to include approximately 400 to 600 additional beds, meeting the campus' demonstrated needs for additional beds. This alternative allows for the maximization of energy efficiency, increased density, and better community integration of single beds. However, this will result in a loss of beds while the project is underway, displacing students from being able to live on campus.

### *Alternative 3—new construction.*

This alternative will construct a new residence hall as an infill project to the existing Segundo Neighborhood. The new construction option provides the same benefits listed above in Alternative 2 without the displacement of on-campus student residents during the project's construction.

Analysis of these alternatives concluded that Alternative 3 is the preferred option. This is the only option that will allow the campus to meet all identified goals for housing at this site and on campus. The new residence hall beds, along with ancillary support services to support residents within the Segundo Infill Student Housing and the larger Segundo Neighborhood, will be constructed on the parking lot sites between Primero Grove and Regan Hall.

***Alternative 4—Public-Private Partnership delivery.***

The campus also evaluated a fourth alternative, the construction of a new facility through a Public-Private Partnership (P3) delivery. P3s at the University of California can be structured in a variety of transaction forms, including:

- Ground Lease-Leasebacks, in which a Regents-owned site is ground leased to a private developer who builds the project and leases the facilities back to UC.
- Developer Build-to-Suit, in which a developer builds the project on either private or Regents-owned land and, upon completion, purchases it from UC.
- The developer builds and operates the facility on Regents-owned land through a ground lease.

Under the right circumstances, P3s have the potential to offer savings in time, reduce the expenditure of capital reserves, and preserve the campus' debt capacity. Consideration of P3s by UC is based primarily on potential advantages in risk allocation and management efficiencies offered by experienced private developers who specialize in building types commonly developed by the private sector. The campus has determined that Segundo Infill Student Housing is not a suitable candidate for a P3 development because:

**Revenue Streams and Financial Feasibility:**

- While a P3 could minimize the campus' initial capital outlay, the campus will forgo a substantial income stream in the long term.
- The resulting income stream will be used to fund other aspects of the housing program, such as program enrichment and reserves. A percentage of this funding stream will also go toward campus programs and infrastructure. The housing rates are socialized to keep costs as low as possible for students.

A P3 provides no advantage to the campus with regard to "risk" allocation or debt limit. "Risk" of vacancy and subsequent default is considered low due to the limited amounts of on-campus housing at UC Davis.

**Residential Life:**

A significant element of the project is the residential program experience, student services, and programs to support the successful transition of first-year and transfer students into campus life. The campus has significant expertise in delivering student life programs that include tutoring, counseling, recreation, and other support services. For first-year students, the targeted population for additional housing in the Segundo neighborhood, the campus' own experience with P3-developed housing indicates that privatizing student life program delivery to these students is not as successful as programs managed by the Davis campus professionals. A P3-developed housing

facility in this neighborhood will be challenging to seamlessly integrate with the student experience throughout the existing first-year housing neighborhood.

**Delivery and Operating Efficiencies:**

- Campus staff has significant experience in developing student housing. Since 2004, the campus has successfully managed the construction of nearly 4,000 student beds. The most recent campus-delivered housing project was the Emerson Hall Replacement project, which opened in fall 2021. The project demolished a 50-year old building and built a denser residential building, adding approximately 300 beds to the campus inventory.
- Segundo Infill Student Housing will have operating synergies with Primero Grove, Regan Hall, and the Segundo Dining Commons, all of which are operated by UC Davis Student Housing and Dining Services.

***Recommendation***

The campus has determined that Alternative 3—a campus-delivered and managed new construction project providing approximately 400 to 600 beds—is the highest-value project for the campus. The project addresses the primary evaluation criteria for capacity and leverages the neighborhood’s existing amenities and support services for operational efficiencies. The project also enhances the residential community and provides critical flex space for the University to maintain its overall housing inventory.



**STATEMENT OF UC POLICY COMPLIANCE**

The project is consistent with selected UC Policies and Practices:

***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 building design and operations is included in the budgeting, programming, and design effort for the project.

***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.