

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

**ACTION ITEM**

*For Meeting of March 18, 2020*

**BUDGET, SCOPE, EXTERNAL FINANCING, AND DESIGN PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, PEPPER CANYON WEST STUDENT HOUSING, SAN DIEGO CAMPUS**

**EXECUTIVE SUMMARY**

The Pepper Canyon West Student Housing project at UC San Diego would provide approximately 1,308 new undergraduate beds in apartment-style units for upper division and/or transfer students in response to high demand for affordable on-campus housing. It would also include a Transfer Student Success Hub focused on specialized advising for transfer students (streamlined access to campus resources, professional development, and peer coaching); and retail food service for a total of 663,900 gross square feet. The project would include two high-rise (20-plus story) towers, each with connected low-rise buildings of approximately six stories. The project site boundary has expanded from six acres to 14 acres; the additional eight acres are currently part of the light rail transit (LRT) construction zone, 7.5 acres of which must be restored to Open Space Preserve (OSP) upon completion of the LRT. While the total project site encompasses 14 acres, the net buildable area is five acres, resulting in a proposed density of 262 beds per acre, representing a dramatic increase from the existing 86 beds per acre.

This proposed transit-oriented development is located within a five-minute walk of the Gilman Transit Hub, the future LRT Station, and the Gilman Parking Structure, so it would not include parking.

The campus presented an overview of this project in a discussion item to the Finance and Capital Strategies Committee in January 2019. At their March 2019 meeting, the Regents approved preliminary plans funding in the amount of \$20 million funded from auxiliary student housing reserves. The Regents are being asked to: 1) approve the project budget of \$361 million, to be funded from external financing (\$354 million), and campus funds (\$7 million); 2) approve \$354 million in external financing; 3) approve the project scope; 4) adopt the California Environmental Quality Act Findings; and 5) approve the design of the Pepper Canyon West Student Housing project.

**RECOMMENDATION**

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

- A. The 2019-20 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Diego: Pepper Canyon West Upper Division Undergraduate Student Housing – preliminary plans – \$20 million, to be funded from auxiliary – student housing reserves.

To: San Diego: Pepper Canyon West Student Housing – preliminary plans, working drawings, construction, and equipment – \$361 million to be funded with external financing (\$354 million) and campus funds from investment income (\$7 million).

- B. The scope of the Pepper Canyon West Student Housing project shall provide approximately 663,900 gross square feet (gsf), including approximately 1,308 beds for undergraduate students (645,400 gsf), and a Transfer Student Success Hub and retail (18,500 gsf) in two high-rise (20-plus story) towers, each with connected low-rise buildings of approximately six stories. Public realm improvements would include pedestrian and bicycle circulation, a large storm water treatment basin, and restoration of the Canyon Open Space Preserve. The scope includes demolition of 11 buildings (432 beds) and removal of the surface parking lot P406 of approximately 100 spaces on the west side of Pepper Canyon.

- C. The President be authorized to obtain external financing in an amount not to exceed \$361 million plus additional related financing costs. 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, 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. Following review and consideration of the environmental consequences of the proposed Pepper Canyon West 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 no less than 24 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) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC San Diego, as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2018 Long Range Development Plan (LRDP) Environmental Impact Report (EIR).
- (2) Adopt the CEQA Findings for Pepper Canyon West, having considered the 2018 LRDP EIR for the La Jolla Campus, as well as Addendum No. 4 to the 2018 LRDP EIR for Pepper Canyon West.
- (3) Approve the design of the Pepper Canyon West Student Housing project, San Diego Campus.

### **BACKGROUND**

Despite its ranking as the fourth largest residential campus by number of student housing beds<sup>1</sup>, due to demand in excess of supply and increasing enrollment, the UC San Diego campus has had to limit the length of residence for undergraduate students to their first two years and the campus cannot offer housing to continuing third and fourth year undergraduate students.

In May 2019, the Regents approved establishment of Seventh College<sup>2</sup>, which is scheduled to enroll its first cohort of students in fall 2020. The Village at Torrey Pines (The Village) opened in 2011 and currently provides approximately 2,300 beds for primarily transfer students; however, The Village will now be the permanent home for Seventh College administration and housing facilities. (Refer to Attachment 4).

When Sixth College relocates to its permanent home at North Torrey Pines Living and Learning Neighborhood (NTP LLN), just prior to the start of the fall 2020 term, the campus will have an opportunity to redevelop existing low-density and outdated housing at the center of campus to provide Pepper Canyon West as the new home for upper division and/or transfer undergraduate students displaced by creation of the Seventh College at The Village. Redevelopment requires demolition of existing low-density facilities (with 432 undergraduate beds) that were built in 1967 and removal of approximately 100 surface parking spaces.

#### ***Key Project Drivers***

The three key drivers for the Pepper Canyon West project are:

1. Provide affordable on-campus housing
2. Provide housing for upper division undergraduate/transfer students
3. Support the 2018 Long Range Development Plan (LRDP) goal to house 65 percent of

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<sup>1</sup> Data Source: Association of College and University Housing Officers – International

<sup>2</sup>The college system at UC San Diego is an integral component of the undergraduate student experience. Revelle College was the first and was inaugurated in 1964. In the following years, five more colleges – Muir, Marshall, Warren, Roosevelt, and Sixth – were established, each with its own residential facilities, distinctive educational philosophy, general education/graduation requirements, and student support services. The college concept provides smaller human-scaled neighborhoods with student housing in each, in the context of a large university campus that can be overwhelming for first- and second-year students.

students on campus

#### Provide Affordable On-Campus Housing

The shortage of affordable priced rentals in the surrounding communities of La Jolla and University Town Center (UTC) strongly affects the demand for on-campus housing. The campus retained a consulting firm to compare the cost of on-campus to off-campus housing. Data was collected in summer 2019. The results indicate that the cost of living on campus is approximately 21 percent lower than living off campus, as indicated in Table 1 below.

**Table 1: Rental Rate Comparison**

Location	Rate Per Bed Per Month in 2022-23	% Below Market
Proposed Pepper Canyon West	\$1,350	21%
Off-Campus*	\$1,707	--
<i>*Off-campus rent is an average of data provided in XPERA Group Report, published August 2019 escalated to 2022-23.</i>		

#### Provide Housing for Upper Division Undergraduates/Transfer Students

Students face a tremendous challenge when trying to secure affordable off-campus housing, often resorting to overcrowded living conditions and/or securing housing that is a significant distance from campus. They often find themselves in competition with the general population for rental housing in the immediate area surrounding campus, which is one of the most expensive areas to live in San Diego County. Because UC San Diego can offer campus housing at significantly lower rental rates than private market housing in the surrounding neighborhoods, demand for on-campus housing is substantially higher than what the campus can accommodate.

In August 2018, the campus conducted a Student Housing Survey. The purpose of the survey was to collect undergraduate student input on proposed new student apartment-style housing at Pepper Canyon West. The largest proportion of respondents lived off campus. Sixty-six percent of juniors and 59 percent of seniors, which equates to approximately 8,800 students, reported that they would prefer to live on campus.

#### LRDP Goal to House 65 Percent of Eligible Students

The UC San Diego 2018 Long Range Development Plan (LRDP) includes a goal to provide housing for up to 65 percent of eligible<sup>3</sup> students (which includes undergraduate, graduate, and professional students) in campus-owned facilities. As of fall 2019, the campus provided housing for 39 percent of all eligible students, leaving a shortage of more than 10,500 beds to achieve the LRDP goal. The campus anticipates that with completion of the proposed project in 2022, it will be able to house approximately 50 percent of eligible students. Continued expansion of the student housing inventory through 2027-28 will be required in order to achieve 65 percent.

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<sup>3</sup> Eligible students include graduate students. To be determined “eligible”, students must have met all required deadlines in the admissions and housing application process and undergraduates must maintain a minimum of 12 units per quarter.

It should also be noted that rapid student enrollment growth and unprecedented housing demand have necessitated creative measures to provide additional beds for students. As of fall 2019, the campus provided housing for 11,645 undergraduate students in facilities that were only designed to house 9,562 (2,083 beds over design capacity, added by converting double rooms to triples). With completion of planned and future student housing projects, the campus intends to incrementally return facilities to their original design capacities over time as new beds are delivered.

### **PROJECT DESCRIPTION**

When the light rail transit (LRT) project is complete, anticipated in late 2021, faculty, staff, students, and visitors will have the ability to access the UC San Diego campus in an entirely new way. There will be two LRT stops on campus, one of which is immediately adjacent to the proposed project site.

The project would include: 1) two high-rise towers (20-plus stories) each with connected mid-rise buildings of approximately six stories to provide a total of approximately 1,308 beds for undergraduate students; 2) a Transfer Student Success Hub focused on specialized advising for transfer students (streamlined access to campus resources, professional development, and peer coaching); and 3) retail food service. The project would substantially increase the site density from 86 beds per acre (current) to 262 beds per buildable acre, while balancing the need for open space and being sensitive to surrounding development and site context. Due to the immediate proximity to public transit (both the LRT and the Gilman Transit Hub – which provides bus shelters, energy efficient lighting, and electronic signage to indicate route schedules and arrival times for high-ridership metropolitan bus routes that provide transportation to and from campus), parking is not included as part of this project.

Apartments would be constructed in the proposed mix shown in Table 2. Rather than a traditional dining hall, individual apartment units would have kitchens. Students will also have access to an array of retail food service options, both within the proposed project as well as in the surrounding neighborhood.

**Table 2: Proposed Unit Mix**

<b>Unit Type</b>	<b>No. of Units</b>	<b>No. of Beds</b>
Studios	180	180
2 Bedroom	74	148
4 Bedroom	152	608
6 Bedroom	62	372
<b>Total</b>	<b>468</b>	<b>1,308</b>

### ***Project Implementation and Schedule***

The requested approvals would enable the campus to move forward with site work related to utilities and hazardous materials abatement of existing structures prior to full demolition. In addition, during site grading, there will be mitigation measures to address contaminated soils of

which the exact quantities are currently unknown. This work would begin after commencement ceremonies in mid-June 2020. The goal is to complete the new housing at Pepper Canyon West by fall 2022. The campus intends to utilize the progressive design-build delivery process (refer to Attachment 8) that would support the accelerated completion schedule for the proposed project.

### ***Funding Plan and Financial Feasibility***

The total project budget of \$361 million would be funded from external financing (\$354 million) and campus funds (\$7 million). Over a ten-year period, and using a planning rate of six percent, the campus is projected to have a modified cash flow margin greater than 1.9 percent and a debt service to operations maximum of 6.4 percent. An exception to the University's Debt Policy has been granted by the Office of the Chief Financial Officer as it has been demonstrated that the campus is projected to meet the required debt service to operations ratio by fiscal year 2026. Additional information about the project budget by scope and financial feasibility is provided below and in Attachments 1 and 3.

### **Academic Program**

The project budget related to the academic program is \$40,149,000, of which \$33,149,000 would be funded with external financing and \$7 million with campus funds. The debt service related to the academic program would be sourced from campus funds. At the tax-exempt planning rate of six percent and assuming a 30-year term, the estimated annual debt service payment is \$2,408,000.

### **Housing Auxiliary**

The project budget related to the housing program is \$320,851,000 and will be funded entirely with external financing. The debt service related to the housing program would be sourced from housing revenues. At the tax-exempt planning rate of six percent and assuming a 35-year term, the estimated annual debt service payment is \$22,547,000. The project-specific coverage ratio is projected to be a minimum of 0.83x in FY 2025 and so falls short of the 1.1x project debt service coverage ratio required by the University of California Debt Policy (Debt Policy). In addition, the campus' overall auxiliary debt service coverage ratio falls below the Debt Policy minimum of 1.25x in FY 2023 and 2024. An exception to the University's Debt Policy has been granted by the Office of the Chief Financial Officer as the project is critical to addressing the student housing shortfall and the campus has demonstrated its plans to service the specific project debt from overall housing revenues, if necessary, and to meet the required auxiliary system debt service coverage ratio by FY 2025.

## **PROJECT DESIGN**

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

The project site is located east of the Gilman Parking Structure and Pepper Canyon Hall, with Gilman Drive along the southern boundary. Rupertus Walk will eventually form the northern

boundary of the site but does not currently exist because this area is part of the LRT construction zone. In the existing condition, Rupertus Way runs east to west between Russell Lane and Library Walk and it is categorized as a vehicular circulation element that has a heavy population of pedestrians and bicyclists. When the LRT Station is complete, a separate project would improve and extend Rupertus Way east to the new LRT station and, at that time, it would be renamed “Rupertus Walk”. The western boundary of the site would include a “woonerf” or “living street” to accommodate pedestrians, bicycles, and minimal low-speed vehicular service traffic and would provide a buffer between the project and the Gilman Parking Structure and Pepper Canyon Hall.

Pepper Canyon forms the eastern boundary of the building site and it is currently under San Diego Association of Governments (SANDAG) control as part of the light rail and trolley stop construction project. The project site boundary has expanded from six acres to 14 acres but the net buildable area is five acres, resulting in a proposed density of 262 beds per acre, representing a dramatic increase from the existing 86 beds per acre. While the Canyon is within the proposed project boundary, it is not a buildable area, due in part to its proximity to the elevated LRT guideway, and thus is not included in the density calculations.

Of the additional eight acres currently part of the LRT construction zone, 7.5 acres are identified as Urban Forest Open Space Preserve in the 2018 Long Range Development Plan and must be restored upon completion of the LRT. When LRT construction is complete in this area (anticipated in March 2020), the Canyon will be returned to the campus. The Canyon shall be restored as the Pepper Canyon Urban Forest Open Space Preserve (OSP) and the campus proposes to complete the restoration with the Pepper Canyon West housing project.

Restoration would include landscaping with native and adaptive plant species; a large storm water retention basin to serve the proposed project and the surrounding district; and a network of circulation pathways to facilitate pedestrian and bicycle movement through and around the site. Once it has been restored, the OSP will function as the central open space for this area of the campus. Careful consideration would be given to ensure that visibility, lighting, security, and accessibility is provided within the open space. The tree and understory planting palette would be focused on native species and suitable climate-adaptive, non-invasive, ornamental species. The slopes of the canyon would be planted with species that provide good coverage and deep rooting to support erosion control. In keeping with the rustic character of the Urban Forest, hardscape areas would include decomposed granite, gravel, rubble, boulders, and unfinished wood and rope. A pedestrian trail would be developed in the center of the canyon to allow for north-south access through the canyon. At the top of the canyon, a West Rim Walk would connect the housing to the open space and provide pedestrian and bicycle access. A large storm water basin at the lowest portion of the Canyon will collect and treat storm water from Pepper Canyon West, as well as from several other adjacent project sites.

### ***Building Design***

Pepper Canyon West would mark a new high-density urban gateway to the campus with two mid-rise buildings that culminate in two, slender 20-plus story towers rising from the significant

topography of the adjacent canyon. It would be a significant landmark for commuters using the LRT (refer to Attachment 6 Design Graphics).

The buildings would be clad in a curtain wall unitized glazing system with a sun-shading overlay that would respond to façade orientation and allow for maximization of vision glazing without excessive solar heat gain. Colored infill spandrel panels in hues inspired by the landscape would be arranged across the façade. The building will be a post-tensioned concrete structure to allow for efficient floor-to-floor heights. The sloping surfaces of the lower mid-rise roofs would be visually prominent from the trolley and would be covered in plantings to reinforce the concept that the buildings emerge from the adjacent Canyon landscape. This green treatment of the roofs provides the added benefits of reducing urban heat island effect and decreasing storm water runoff.

Level 2 and above would be occupied entirely by residential units and associated amenity and service spaces; Level 1 and the partially below-grade level would be occupied by a mix of lobbies, student co-working spaces, a Transfer Student Success Hub, and additional residential units. In addition, ground level retail space would be located predominantly along Rupertus Walk to take advantage of the large number of pedestrians and bicyclists traveling to and from the LRT station. Interior finishes would be classic, calm, and warm, with color accents strategically placed to aid in wayfinding. Courtyards would contain a variety of seating arrangements and planting types to promote a spirit of “outdoor living.”

### ***Long Range Development Plan***

The project is consistent with the 2018 LRDP. The LRDP land use designation for the site is Academic Mixed-Use (housing portion of site) and Open Space Preserve (canyon portion of site). The Academic Mixed-Use designation allows for academic and housing uses. The Open Space Preserve allows for a diversity of trees and infrastructure for bicycle and pedestrian circulation. The project supports the following LRDP objectives:

- Activate the campus through strategic mixed-use and transit-oriented development and improved public spaces
- Provide housing for 65 percent of the eligible student population by constructing new higher-density units and replacing aging low-density units
- Recognize land as a limited and valuable resource and optimize usage of the few remaining development areas
- Recognize the importance of campus open spaces that complement the built environment and continue to be responsible stewards of campus natural resources

### ***Physical Design Framework***

The Physical Design Framework (PhDF) is a document that describes all of the UC San Diego planning documents and how they are compatible with each other, as well as the design review process that each capital improvement project must undergo. The 2009 UC San Diego PhDF is currently being updated to more closely align with recently completed planning documents such as the 2018 LRDP (described above), the 2019 Hillcrest LRDP, the 2019 Pepper Canyon



Neighborhood Planning Study (briefly described below) and other planning studies. Despite the ongoing update to the PhDF, the proposed project is consistent with all currently recognized planning studies, including the 2018 LRDP, the 1989 University of California Master Plan Study (Master Plan) and the 2019 Pepper Canyon Neighborhood Planning Study (PC NPS).

The project is consistent with five principles of the Master Plan: the Park (now Open Space Preserve), Academic Corridors, Connections, University Center, and Neighborhoods. The project would restore the Open Space Preserve; provide new bicycle, pedestrian, and vehicular service connections; provide student housing at the center of campus; and will be one of the first projects to transform the neighborhood into a dense, transit-oriented community, complete with housing, academic buildings, Open Space Preserve, and retail and recreation. It would also implement the vision for the site in the 2019 PC NPS, which describes a dense high-rise housing development with courtyards connecting to the Pepper Canyon Urban Forest Open Space Preserve; bicycle and pedestrians connections between Gilman Drive and Rupertus Walk; and ground floor retail oriented to the new Rupertus Walk and LRT Station. The project site was endorsed by the Campus/Community Planning Committee and the Schematic Design was endorsed by the Campus/Community Planning Committee and the Design Review Board.

#### ***Sustainable Practices***

The proposed project would comply with the University of California Sustainable Practices Policy. A minimum of Leadership in Energy and Environmental Design (LEED™) building certification Silver is the goal, with strategies organized around six themes that are described on Page 5 of Attachment 6, Design Graphics. In an effort to reduce reliance on fossil fuels and move toward carbon neutrality, the building would be primarily serviced by electric energy and will be able to accommodate future solar arrays.

#### ***Seismic Safety Policy***

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

### **CEQA COMPLIANCE**

Pursuant to the California Environmental Quality Act (CEQA), Addendum No. 4 to the 2018 LRDP Environmental Impact Report (EIR) (SCH#2016111019) has been prepared for the Pepper Canyon West Housing Project (Attachment 9). None of the circumstances that would trigger subsequent or supplemental environmental review under Public Resources Code Section 21166 and CEQA Guidelines Sections 15162 or 15163 have occurred or are present. Findings have been prepared to support the University's determination that the proposed project would not require major revisions of the 2018 LRDP EIR (Attachment 11).

#### **KEY TO ACRONYMS**

GTH	Gilman Transit Hub
LRDP	Long Range Development Plan
LRT	Light Rail Transit

**FINANCE AND CAPITAL STRATEGIES -10-  
COMMITTEE  
March 18, 2020**

**F8**

NTP LLN	North Torrey Pines Living & Learning Neighborhood
OSP	(Urban Forest) Open Space Preserve
PC NPS	Pepper Canyon Neighborhood Planning Study
PhDF	Physical Design Framework
UG	Undergraduate
UTC	University Town Center

**ATTACHMENTS:**

Attachment 1:	Project Sources and Uses
Attachment 2:	Comparable Project Information
Attachment 3:	Summary of Financial Feasibility
Attachment 4:	Project Location Map
Attachment 5:	Existing Project Site Map
Attachment 6:	<a href="#">Design Graphics</a>
Attachment 7:	Alternatives Considered
Attachment 8:	Project Delivery Model
Attachment 9:	Addendum No. 4 to the 2018 La Jolla Campus LRDP Environmental Impact Report (EIR): <a href="https://drive.google.com/file/d/1fuua983xFqjeANXz7WfX5tmDEBv42UJn/view">https://drive.google.com/file/d/1fuua983xFqjeANXz7WfX5tmDEBv42UJn/view</a>
Attachment 10:	UCSD 2018 Long Range Development Plan <a href="http://lrpd.ucsd.edu/campus/proposed/index.html">http://lrpd.ucsd.edu/campus/proposed/index.html</a>
Attachment 11:	UCSD 2018 LRDP EIR <a href="http://lrpd.ucsd.edu/campus/review/final.html">http://lrpd.ucsd.edu/campus/review/final.html</a>
Attachment 12:	CEQA Findings

**PROJECT SOURCES AND USES**  
**PEPPER CANYON WEST STUDENT HOUSING (CCCI 7339)**

**PROJECT SOURCES**

<b>Sources</b>	<b>Total</b>	<b>Percent of Total</b>
External Financing	\$354,000,000	98.1%
Campus Funds	\$7,000,000	1.9%
<b>Total Sources</b>	<b>\$361,000,000</b>	<b>100.0%</b>

**USES**

<b>Cost Category</b>	<b>Student Housing</b>	<b>Transfer Success Hub &amp; Retail</b>	<b>Public Realm Improvements<sup>(a)</sup></b>	<b>Total</b>	<b>Percent of Total</b>
Site Clearance <sup>(b)</sup>	\$1,500,000	-	\$500,000	\$2,000,000	0.6%
Building Construction	257,126,000	8,927,000	430,000	266,483,000	81.4%
Exterior Utilities	-	-	7,000,000	7,000,000	2.1%
Site Development	-	-	15,578,000	15,578,000	4.8%
A/E Fees <sup>(c)</sup>	18,311,000	724,000	1,655,000	20,690,000	6.3%
Campus Administration <sup>(d)</sup>	3,097,500	122,500	280,000	3,500,000	1.1%
Surveys, Tests, Plans, Specs	2,744,500	108,500	248,000	3,101,000	1.0%
Special Items <sup>(e)</sup>	1,752,000	35,000	261,000	2,048,000	0.6%
Contingency	6,195,000	245,000	560,000	7,000,000	2.1%
<i>Total P-W-C<sup>(f)</sup></i>	<i>\$290,726,000</i>	<i>\$10,162,000</i>	<i>\$26,512,000</i>	<i>\$327,400,000</i>	<i>100.0%</i>
Groups 2 & 3 Equipment	8,000,000	600,000	-	8,600,000	
<i>Project Total Uses</i>	<i>298,726,000</i>	<i>10,762,000</i>	<i>26,512,000</i>	<i>336,000,000</i>	
Financing Costs	22,125,000	875,000	2,000,000	25,000,000	
<b>Grand Total</b>	<b>\$320,851,000</b>	<b>\$11,637,000</b>	<b>\$28,512,000</b>	<b>\$361,000,000</b>	

*(a) Includes all Exterior Utilities and Site Improvements, including the Open Space Preserve.*

- (b) Includes abatement of hazardous materials in the existing structures and cost of demolition; removal and proper disposal of some assumed quantity of contaminated soils.
- (c) Includes Executive Architect (as part of the design-build team) and other professional design contract costs.
- (d) Campus Administration includes campus staff time for planning and management, plan reviews and construction inspection.
- (e) Special Items includes progressive design build competition fees, detailed project program, pre-design studies, environmental documentation and monitoring, specialty consultants, commissioning, agency fees, and peer seismic reviews.
- (f) Total P-W-C excludes interest during construction and Groups 2 & 3 Equipment.

## FUNDING SCHEDULE BY PHASE

Preliminary Plans	20,000,000
Working Drawings	9,700,000
Construction	322,700,000
<b>Total P-W-C (Including IDC)</b>	<b>352,400,000</b>
Groups 2 & 3 Equipment	8,600,000
<b>Total Project</b>	<b>\$361,000,000</b>

## PROJECT STATISTICS

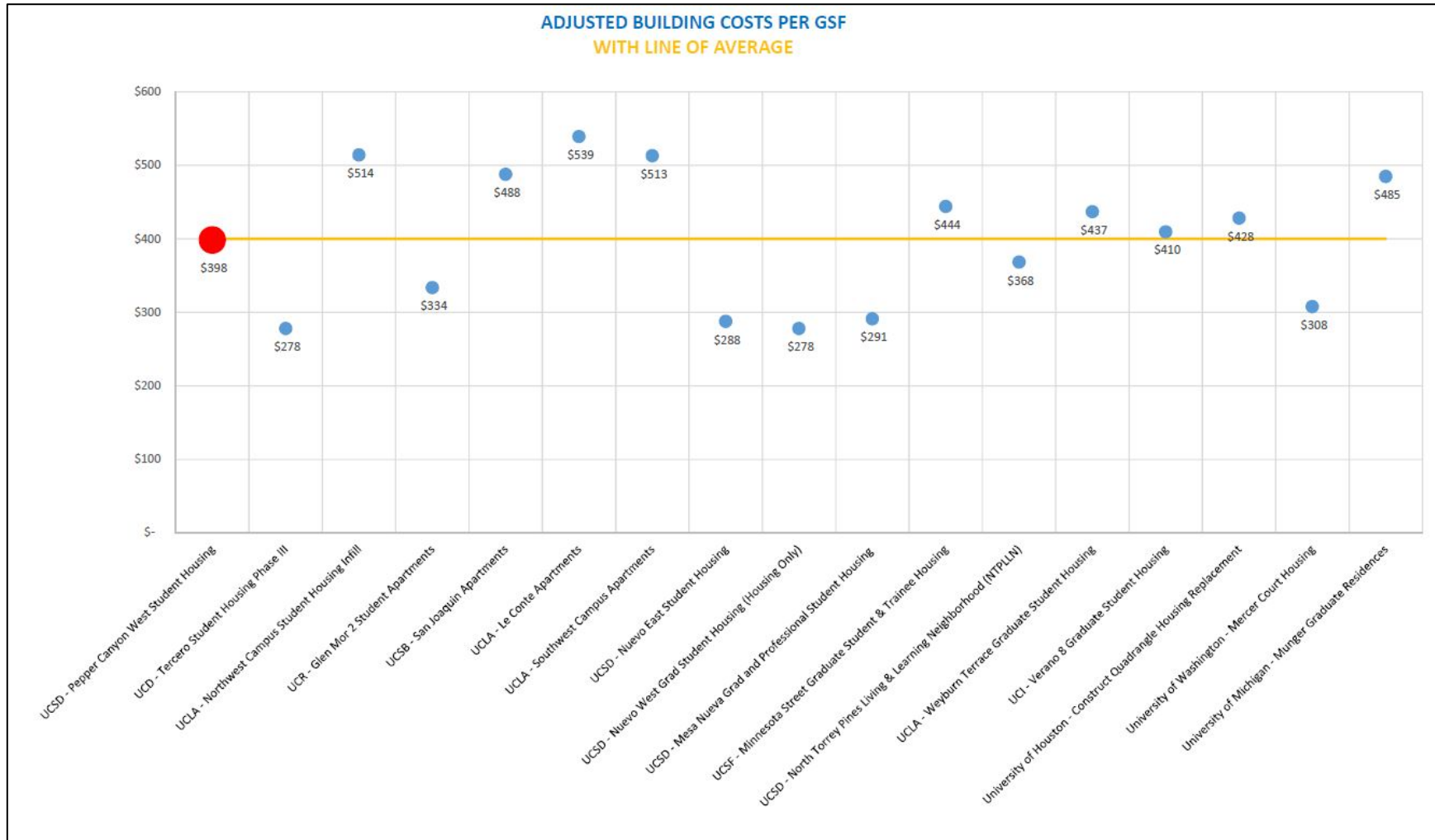
	<b>Student Housing</b>	<b>Transfer Success Hub &amp; Retail</b>	<b>Total Project<sup>(i)</sup></b>
ASF <sup>(g)</sup>	410,100	16,500	426,600
GSF <sup>(h)</sup>	645,400	18,500	663,900
Efficiency Ratio: ASF / GSF	64%	89%	64%
Construction Cost / GSF	\$398	\$483	\$401
Construction Cost / ASF	\$627	\$541	\$624
PWC Cost / GSF	\$450	\$549	\$453
PWC Cost / ASF	\$709	\$616	\$705
PWC Cost/Unit	\$621,209	NA	
PWC Cost/Bed	\$222,268	NA	

(g) ASF is the Assignable Square Footage and represents the net usable area.

(h) GSF is the Gross Square Footage and includes the total area, including usable area, stairways, and space occupied by the structure itself.

(i) "Total Project" column in this table excludes Public Realm Improvements.

## COMPARABLE PROJECT INFORMATION – PAGE 1 OF 2



## COMPARABLE PROJECTS – PAGE 2 OF 2

Data Source: UCOP Housing Comparables Database for Higher Institutions. The 16 projects included below were determined to be comparable if their GSF was within 60 percent of the GSF of the proposed project. All comparable projects included in the UCOP Housing Database have been adjusted to account for location (RS Means City Cost Index) and date (RLB Construction Cost Index). Costs shown for the proposed project exclude the following: Transfer Student Success Hub, Retail Space, Public Realm Improvements, Interest During Construction, and Groups 2/3 Equipment (FF&E).

	<i>Project Name</i>	<i>City/ Campus</i>	<i>GSF</i>	<i>Md. Pt. Const Yr</i>	<i>Beds</i>	<i>Units</i>	<i>Building Construction Cost</i>	<i>Adj. Building Cost</i>	<i>Adj. Building Cost / GSF</i>	<i>Total Project Cost</i>	<i>Adj. Total Project Cost</i>	<i>Adj. Total Project Cost/ GSF</i>	<i>Adj. Building Cost / Bed</i>	<i>Adj. Total Project Cost/ Bed</i>
16 comparable projects								<b>AVERAGE</b>	<b>\$400</b>		<b>AVERAGE</b>	<b>\$554</b>	<b>\$155,774</b>	<b>\$215,278</b>
<b>Proposed Project</b>	<b>UCSD - Pepper Canyon West Student Housing (housing only)</b>	<b>San Diego</b>	<b>645,400</b>	<b>2021</b>	<b>1,308</b>	<b>468</b>	<b>\$257,126,000</b>	<b>\$257,126,000</b>	<b>\$398</b>	<b>\$298,726,000</b>	<b>\$298,726,000</b>	<b>\$463</b>	<b>\$196,580</b>	<b>\$228,384</b>
1	UCD - Tecero Student Housing Phase III	Davis	322,265	2013	1,200	644	\$64,609,000	\$89,544,000	\$278	\$88,441,000	\$122,574,000	\$380	\$74,620	\$102,145
2	UCLA - Northwest Campus Student Housing Infill	Los Angeles	503,175	2012	1,511	769	\$179,652,000	\$258,671,000	\$514	\$224,927,000	\$323,861,000	\$644	\$171,192	\$214,336
3	UCR - Glen Mor 2 Student Apartments	Riverside	334,187	2013	814	232	\$78,822,000	\$111,475,000	\$334	\$126,400,000	\$178,762,000	\$535	\$136,947	\$219,609
4	UCSB - San Joaquin Apartments	Santa Barbara	283,873	2016	1,019	186	\$113,058,000	\$138,434,000	\$488	\$182,544,000	\$223,517,000	\$787	\$135,853	\$219,349
5	UCLA - Le Conte Apartments	Los Angeles	289,200	2020	1,159	192	\$152,388,000	\$155,874,000	\$539	\$188,374,000	\$192,683,000	\$666	\$134,490	\$166,249
6	UCLA - Southwest Campus Apartments	Los Angeles	563,200	2020	2,279	358	\$287,890,000	\$288,948,000	\$513	\$354,249,000	\$355,551,000	\$631	\$126,787	\$156,012
7	UCSD - Nuevo East Student Housing	San Diego	729,300	2019	1,374	653	\$191,972,000	\$209,804,000	\$288	\$254,446,000	\$278,081,000	\$381	\$152,696	\$202,388
8	UCSD - Nuevo West Graduate Student Housing	San Diego	401,909	2018	804	258	\$99,594,000	\$111,668,000	\$278	\$131,957,000	\$147,955,000	\$368	\$138,891	\$184,024
9	UCSD - Mesa Nueva Grad and Profession Student Housing	San Diego	607,083	2016	1,355	1105	\$143,789,000	\$176,716,000	\$291	\$187,838,000	\$230,852,000	\$380	\$130,418	\$170,370
10	UCSF - Minnesota Street Graduate Student & Trainee Housing	San Francisco	331,000	2018	780	595	\$151,000,000	\$146,965,000	\$444	\$212,300,000	\$206,627,000	\$624	\$188,417	\$264,906
11	UCSD - North Torrey Pines Living & Learning Neighborhood (NTPLLN)	San Diego	816,000	2019	2,048	407	\$274,981,000	\$300,523,000	\$368	\$391,376,000	\$427,730,000	\$524	\$146,740	\$208,853
12	UCLA - Weyburn Terrace Graduate Student Housing	Los Angeles	259,000	2011	500	500	\$76,900,000	\$113,137,000	\$437	\$110,020,000	\$161,864,000	\$625	\$226,274	\$323,728
13	UCI - Verano 8 Graduate Student Housing	Irvine	421,715	2021	1,050	409	\$175,092,000	\$172,708,000	\$410	\$227,941,000	\$224,837,000	\$533	\$164,484	\$214,130
14	University of Houston - Construct Quadrangle Housing Replacement	Houston	336,127	2019	1,189	n/a	\$105,523,400	\$143,942,000	\$428	\$180,075,150	\$245,637,000	\$731	\$121,061	\$206,591
15	University of Washington - Mercer Court Housing	Seattle	460,000	2012	926	237	\$95,813,400	\$141,531,000	\$308	\$113,344,000	\$167,427,000	\$364	\$152,841	\$180,807
16	University of Michigan - Munger Graduate Residences	Ann Arbor	380,000	2014	634	98	\$130,849,200	\$184,284,000	\$485	\$184,999,200	\$260,547,000	\$686	\$290,669	\$410,957

## ATTACHMENT 3

### SUMMARY OF FINANCIAL FEASIBILITY

San Diego Campus	
Project Name	Pepper Canyon West
Project ID	966250
Total Estimated Project Costs	\$361,000,000
Anticipated Interest During Construction (included in estimated project cost)	\$25,000,000

Proposed Sources of Funding	
External Financing – Tax-Exempt (Auxiliary)	\$320,851,000
External Financing – Tax-Exempt (Academic)	33,149,000
Campus Funds	\$7,000,000
<b>Sources of Funding Total</b>	<b>\$361,000,000</b>

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

Financing Assumptions - Auxiliary	
External Financing Amount	\$320,851,000
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 2025
Term (e.g. 30 years)	35 years (two years interest only)
Final Maturity	FY 2057
Estimated Average Annual Debt Service	\$22,547,000

Financing Assumptions – Academic	
External Financing Amount	\$33,149,000
Anticipated Repayment Source	General Revenues of the San Diego Campus
Anticipated Fund Source	Campus Funds
Financial Feasibility Rate	6.0%
First Year of Principal (e.g. year 10)	FY 2023
Term (e.g. 30 years)	30 years
Final Maturity	FY 2052
Estimated Average Annual Debt Service	\$2,408,000

*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.*

Measure	CAMPUS FINANCING BENCHMARKS		
	10 Year Projections	Approval Threshold	Requirement
Modified Cash Flow Margin <sup>1</sup>	1.9% min (FY 2030)	≥ 0.0%	Must Meet
Debt Service to Operations <sup>1,2</sup>	6.4% max (FY 2024)	≤ 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>	.83x min (FY 2025)	≥ 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:

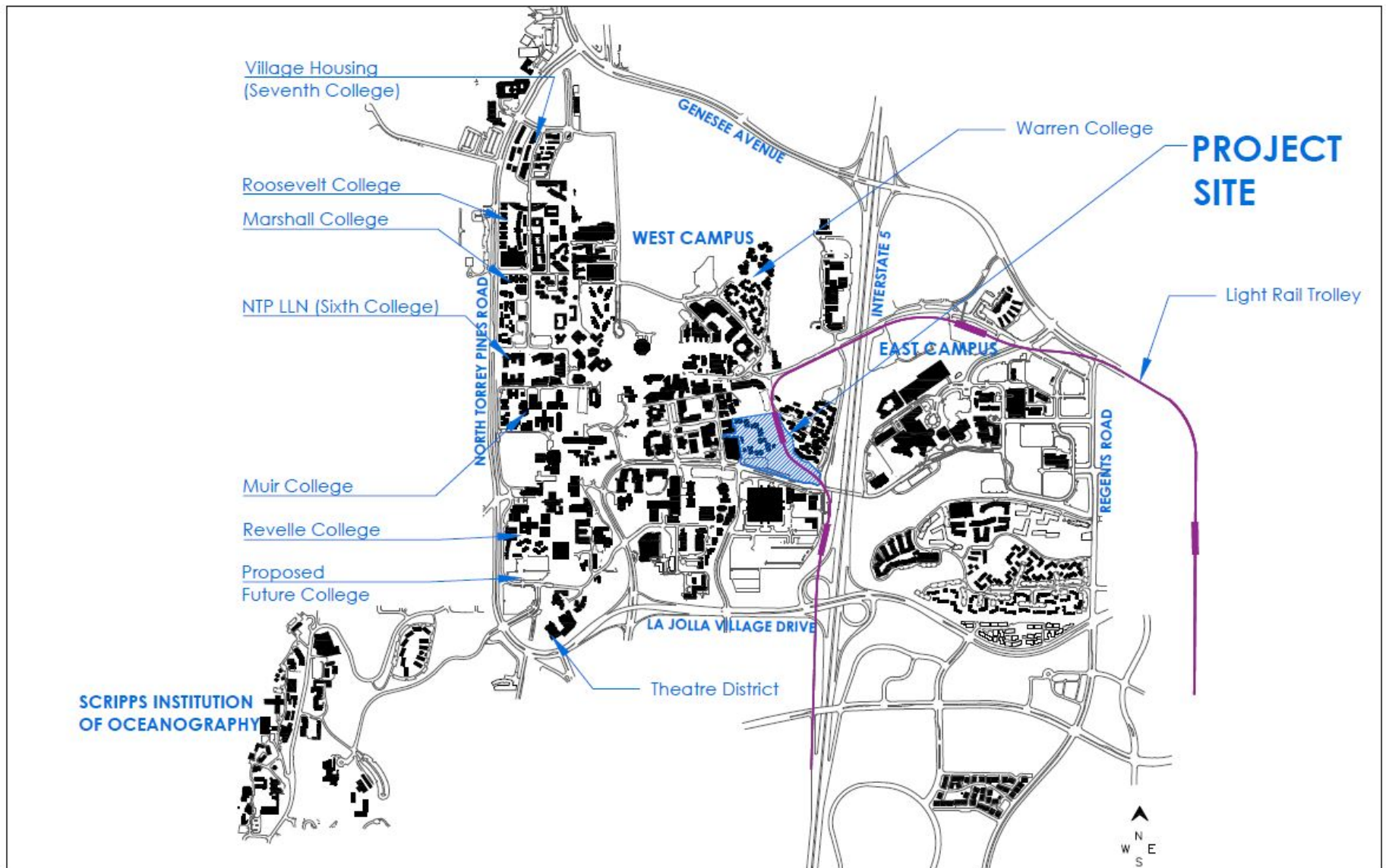
<sup>1</sup> *Modified Cash Flow Margin, Debt Service to Operations, and Expendable Resources to Debt are campus metrics.*

<sup>2</sup> *The campus' debt service to operations ratio does not meet the required debt policy minimum in FY 2023-2025. An exception to the University's debt policy has been granted by the Office of the Chief Financial Officer as it has been demonstrated that the campus is projected to meet the required debt coverage by FY 2026.*

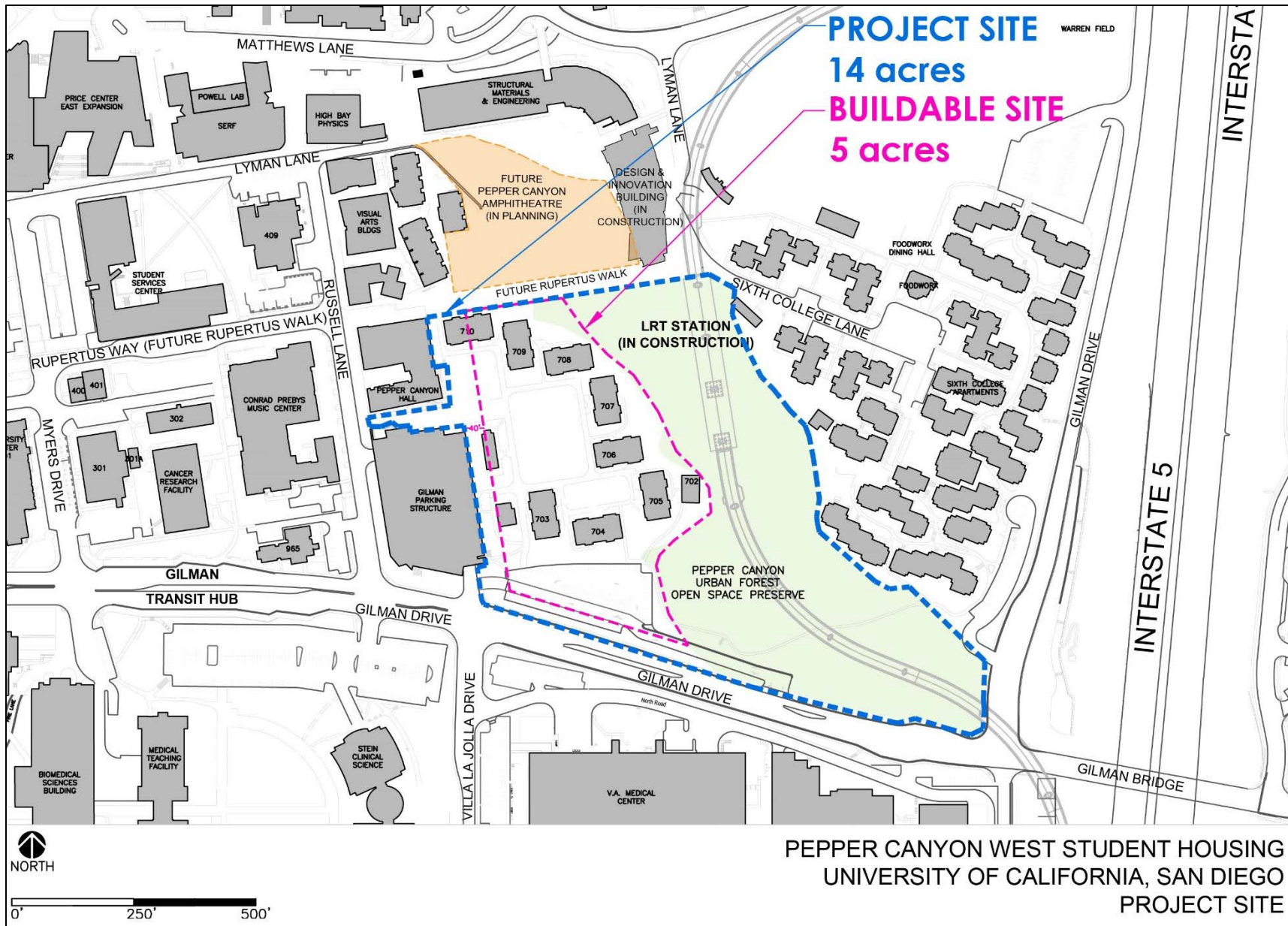
<sup>3</sup> *Auxiliary Project Debt Service Coverage is an individual project metric. This project does not meet the minimum 1.10x requirement and an exception to the University's Debt Policy has been granted by the Office of the Chief Financial Officer as the campus has demonstrated its plans to service 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 auxiliary system is projected to meet the required debt service coverage ratio by FY 2025.*





PEPPER CANYON WEST STUDENT HOUSING  
UNIVERSITY OF CALIFORNIA, SAN DIEGO  
CONTEXT MAP



## ALTERNATIVES CONSIDERED

Information regarding alternatives considered for delivery of new student housing is provided below, including:

- Option 1 – Redevelopment with University-Delivered, 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 redevelop a 14-acre site (buildable area of five acres) on campus to create the Pepper Canyon West Student Housing project. As described in the item, the project would provide approximately 1,308 new beds for upper division (third and fourth year and transfer) undergraduate students.

Option 1 is the only solution of the alternatives considered that would provide new housing, in the shortest amount of time – which is what is urgently needed to meet current demand as well as projected demand associated with increased enrollment. When considering current market rates in the surrounding area, the proposed project emerges as the best solution for making affordable housing available to undergraduate students. The campus would proceed with a progressive design-build, fixed-price delivery model with the plan being to complete the new housing by fall 2022. This scenario provides the greatest likelihood for meeting campus goals as described under Project Drivers section. Without additional housing, the San Diego campus will be unable to offer housing to upper division undergraduate students.

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

Current demand from all students exceeds available housing supply and, where possible, the available housing has already been modified to accommodate additional students. With completion of proposed housing projects such as Nuevo East, Nuevo West, and the North Torrey Pines Living and Learning Neighborhood, the campus has and will continue to evaluate 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 Town Center (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 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 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 University users and non-affiliates.

Several years ago, the campus investigated several different off-campus properties for potential purchase; however, further evaluation revealed that these properties were older wood-frame product that would 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 have also triggered environmental issues such as increased traffic and impacts to the surrounding community. One such purchase would have 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.

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

The campus evaluated a variety of 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 successfully deliver and operate a unique type of project. The campus has a solid track record of developing and operating student housing projects in a cost-effective manner that has resulted in student housing rents averaging more than 20 percent below local market rates. The campus views student housing projects as inherently low-risk with operating revenues that support the debt service, thus preserving the campus's debt capacity. A P3 project would 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.

The campus is currently planning several new projects that are excellent candidates for a P3 delivery approach due to their level of risk; specialization of design, construction, and operations; and opportunity to preserve the campus balance sheet.

### **Option 5 - “Do Nothing”**

As previously described in this document, the current housing inventory is not sufficient 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 be able to improve the overall experience for residential students, which may threaten the campus’ ability to recruit and retain top students.

## PROJECT DELIVERY MODEL

The campus is using the progressive design-build delivery process to support the accelerated completion schedule for the proposed project. UC San Diego has had success in utilizing a design-build delivery method for multiple housing projects over the years (including The Rita, One Miramar Street Apartments, and Mesa Nueva). The process allows the University to pre-qualify design-build teams and establish a comprehensive Request for Proposal (RFP).

The design-build RFP outlines program requirements including quality of construction elements, quantity and type of housing units, proposed amenities for each unit, requirements for common and administrative areas, site amenities, and life-safety requirements. Design guidelines are included with the RFP to ensure that specific product and detailing requirements align with UC San Diego Housing, Dining and Hospitality's operational and maintenance practices.

Three pre-qualified design-build teams were short-listed and invited to participate in a design and collaboration exercise. Each proposal was 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 program requirements, but are incentivized through a point system evaluation to convey their team building, creativity, communication, and technical skills.