

**Office of the President**

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

**ACTION ITEM**

*For Meeting of March 16, 2023*

**BUDGET, SCOPE, AND EXTERNAL FINANCING, STUDENT HOUSING WEST PHASE 1 – HAGAR DEVELOPMENT AND PRELIMINARY PLANS FUNDING AND EXTERNAL FINANCING, STUDENT HOUSING WEST PHASE 2 – HELLER DEVELOPMENT, SANTA CRUZ CAMPUS**

**EXECUTIVE SUMMARY**

The Student Housing West Project (SHW Project) will (1) address the urgent need for on-campus housing by current UC Santa Cruz students; (2) provide affordable family student housing to replace existing obsolete facilities that are not viable for renovation; and (3) provide a much-needed Early Educational Services childcare facility to serve the children of students, faculty, and staff.

The SHW Project will provide housing for approximately 3,000 students at two sites, in two phases, on the UC Santa Cruz main campus. The first phase, the Hagar Development, includes 140 two-bedroom apartment units for students with families, an Early Educational Services childcare facility, a community building, a maintenance building, and a wastewater treatment plant. The second phase of the SHW Project, the Heller Development, includes approximately 2,960 apartment-style and community-living-style student beds for undergraduate and graduate students and a wastewater treatment plant.

The Santa Cruz campus initially determined that a public-private partnership would be the best delivery option for the SHW Project. After an extensive review process, the campus finalized its selection of a development partner and initiated the design process. The Regents certified an Environmental Impact Report (EIR) for the SHW (SHW EIR) and approved the business terms and design in March 2019 (refer to Attachment 6 for additional information on the design approval).

Two California Environmental Quality Act (CEQA) lawsuits were filed challenging the Regents' approval of the project and certification of the SHW EIR. In October 2020, the Santa Cruz County Superior Court upheld the legal adequacy of the SHW EIR but issued a writ of mandate directing the Regents to set aside the design approval, the CEQA Findings and Statement of Overriding Considerations, and the Mitigation Monitoring and Reporting Program. In March 2021, in compliance with the writ issued by the court, the Regents set aside the March 2019

design approval and other related actions. In a separate later action at the same meeting, the Regents re-approved the SHW project's design in reliance upon the previously certified SHW EIR (refer to Attachment 7). The legal adequacy of the SHW EIR was affirmed by the Sixth District Court of Appeal in February 2022 (when it upheld the trial court's judgment). Additional litigation filed against the Regents' 2021 approval is pending.

The Santa Cruz campus now proposes implementing the SHW Project as a campus-managed capital project. ~~The changes in the delivery of the SHW Project do not modify the design as approved by the Regents in March 2021 pursuant to CEQA.~~ Using the proposed campus-managed capital project delivery approach allows the project to move forward without further delay from ongoing litigation.

The Regents are being asked to approve the: (1) Hagar Development's project budget of \$145,615,000 to be funded by external financing (\$128,113,000) and campus funds (\$17,502,000); (2) Heller Development's preliminary plans funding of \$6,071,000 funded by external financing; (3) Hagar Development's scope ~~(same as previously approved in March 2021)~~; and (4) external financing of \$134,184,000. The proposed Hagar Development budget assumes that the family student housing unit sizes will be reduced by approximately 200 gross square feet.

### **RECOMMENDATION**

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

- A. The 2022-23 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following projects:
  - (1) Santa Cruz: Student Housing West Project Phase 1 – Hagar Development – preliminary plans, working drawings, construction, and equipment – \$145,615,000 to be funded by external financing (\$128,113,000) and campus funds (\$17,502,000).
  - (2) Santa Cruz: Student Housing West Project Phase 2 – Heller Development – preliminary plans – \$6,071,000 to be funded by external financing.
- B. The scope of Student Housing West Project Phase 1 – Hagar Development shall consist of 140 new two-bedroom units for family student housing (approximately 104,400 ~~to~~ ~~118,100~~ assignable square feet (ASF)), an Early Education Services facility (approximately 10,450 ASF), a community building and maintenance building (totaling approximately 4,300 ASF), and a wastewater treatment plant (approximately 750 ASF). The scope includes site improvements such as parking, road, pathways, and utilities infrastructure. In an effort to reduce the Hagar Development's budget, the campus ~~has~~

~~identified several areas where cost savings could be realized including the decision to reduce~~ proposes to reduce the family student housing unit size by 200 gross square feet.

- C. The President be authorized to obtain external financing in an amount not to exceed \$134,184,000 plus additional related financing costs to finance Student Housing West Project. 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 Santa Cruz 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.

## BACKGROUND

### *Campus Housing Need*

The UC Santa Cruz campus has been able to supply bed spaces for more than half of its student enrollment for several years. However, housing supply has emerged as the most critical issue facing the campus. The supply of housing in the off-campus housing market has been reduced by the loss of approximately 1,000 county homes due to the CZU Lightning Complex fire in August 2020. In addition, demand for housing has further increased by the migration of Silicon Valley-based remote workers to the region. In August 2022, approximately 2,000 students were on a waiting list for campus housing; however there is a far greater number who did not apply as they knew they did not have priority for housing placement.

The Student Housing West Project (SHW Project) is proposed to deliver 3,000 net new beds over two phases and across two sites at UC Santa Cruz. The first phase of the SHW Project, the Hagar Development, replaces the existing family student housing complex and childcare center on the Heller Development site. The Hagar Development includes approximately 140 apartment units for students with families and a campus-operated Early Education Services (EES) childcare facility that will provide childcare and services to the children of students, faculty, and staff. The Hagar Development will be built on an undeveloped 17-acre site at the northeast corner of Hagar and Coolidge Drives. This site is near the existing employee housing creating a connection to an existing family community.

The second phase of the SHW Project, the Heller Development, includes the demolition of the existing family student housing complex and childcare center which has no outstanding debt and is located west of Heller Drive and the redevelopment of the 13-acre site with approximately 2,960 new apartment-style and community living-style beds (rooms consist of beds, a small study space, and a bathroom, with separate common kitchens and living spaces) for upper-

division undergraduate and graduate students. Construction of the Heller Development is anticipated to start after the Hagar Development is complete and occupied.

### ***Previous Approvals***

In March 2019, the Regents certified the Project Environmental Impact Report (EIR) under the California Environmental Quality Act (CEQA), adopted CEQA Findings and Statement of Overriding Considerations, and the Mitigation Monitoring and Reporting Program for the SHW project, and approved the design, ground lease and lease back business terms, budgets, and financing for all phases of the project.

In April 2019, two CEQA lawsuits were filed. In October 2020, the Santa Cruz County Superior Court upheld the adequacy of the SHW Project's Environmental Impact Report (SHW EIR) but issued a writ of mandate directing the Regents to set aside the design approval, the CEQA Findings, and Statement of Overriding Considerations, and the Mitigation Monitoring and Reporting Program after finding deficiencies in the approval process. In March 2021, the Regents complied with the writ issued by the court. In a separate action at the same meeting, the Regents re-approved the SHW project's design in compliance with CEQA relying in part upon the previously certified SHW EIR (refer to Attachment 7).

### ***Challenges to Implementation***

Since the Regents' actions, circumstances have necessitated a reconsideration of the delivery of this much-needed project. As noted, there remains ongoing CEQA litigation.

Additional impacts include increased costs due to schedule delays associated with the litigation, a change in construction methodology resulting from the bankruptcy of the original design-build partner, and increased challenges caused by workforce and contractor availability in the Santa Cruz construction market.

### ***Change to Capital Project Implementation***

Due to the above-described impacts on the project, delivery of the project via a public-private partnership (P3) is not viable, and the campus has switched to a traditional campus delivery. The campus is terminating the predevelopment agreement with the selected P3 partner, and the existing work product will be transferred to the campus.

## **PROJECT DESCRIPTION**

### ***~~SHW Project Scope Remains Unchanged~~***

~~As described below, the design of the SHW Project has not changed since it was approved in March 2021. Modifications are limited to the increased funding and the delivery methodology for the SHW Project.~~

## *Hagar Development*

### Family Student Housing

The 17-acre Hagar Development will be designed as a community for students with families, and the housing component is referred to as Family Student Housing (FSH). FSH will consist of two-bedroom apartments within approximately 35 two-story four-plex buildings at a residential density of approximately ten units per acre (not including acreage associated with the EES facility). The Hagar Development has been designed to provide the needed housing with low-profile buildings to minimize visual impacts. The Hagar Development layout and design were developed respecting the site's prominent location and surrounding landscape, as well as its proximity to the existing employee housing. The type of development is suitable to the site and its geology (e.g., lighter-weight buildings with less density overall) and suits the needs of students and their family members.

The two-story FSH buildings will be of contemporary design, emphasizing functionality, simplicity, and efficiency. The proposed exterior material palette will employ variations in material, texture, and color to reduce the Hagar Development's visual scale while also blending into the surrounding environment. Exterior surfaces will include cement-board siding combined with a secondary system of vertical wood panels or planks, and metal with high-performance coatings, both for durability in the coastal marine condition and an expressive quality appropriate to the semi-rural site. The enhanced high-performance glass will promote daylighting and passive solar heat gain in the winter without excessive use of glazing.

### Early Education Services Childcare Facility

The EES childcare facility will be located near the western entrance to the Hagar Development within a one-quarter mile of the main campus entrance and close to campus faculty and staff housing, providing easy access for student, faculty, and staff parents who live on or off campus. The new EES childcare facility will provide childcare for up to 140 children, from infants to school age. The EES childcare facility will be a one-story structure with administrative support spaces and an outdoor area with play structures. Observation rooms with one-way visual and acoustically insulated glass will be provided for researcher and student observation of the classrooms and play yards.

### Community Building, Maintenance Building, and Site Amenities

The Hagar Development will include an approximately 3,100-ASF community building, playgrounds, inward-facing open space areas, a community garden, and an approximately 1,200-ASF maintenance building.

Residential parking will be provided along internal roadways, with one parking space for each apartment (140 total) and approximately 18 additional spaces for visitors. An adjacent parking lot will provide an additional 40 to 50 spaces serving the EES childcare facility. The Hagar

Development also includes approximately 290 covered bicycle parking spaces for residents and employees, and about 30 spaces for visitors.

The Hagar Development will include a new pedestrian path connecting the site’s southwestern corner to the Hagar/Coolidge intersection and existing pedestrian infrastructure and crosswalk that provide access to the mass transit stop on the southern side of Coolidge Drive. An additional crosswalk will be added to improve pedestrian access to the mass transit stop along the northern side of Coolidge Drive. The Village Road mass transit stop, located north of the Hagar Development, will continue to be accessible from the site along the east side of Hagar Drive. These features are illustrated in Attachment 1.

Wastewater Treatment Plant

As approved in March 2019, the new wastewater treatment facility (approximately 750 gross square feet) will be located at the southeastern portion of the site. The facility will generate recycled water for toilet flushing and irrigation, thereby minimizing the demand for potable water and eliminating wastewater conveyance and treatment at the city’s wastewater treatment plant. The campus will be responsible for operating and maintaining the facility.

The program is consistent with past approvals, with the exception that the unit sizes of the family student housing component are proposed to be reduced by approximately 200 gross square feet to achieve cost savings and the design approval is unchanged (for more information, refer to the March 2019 (Attachment 6) and March 2021 (Attachment 7) approvals of design. The table below summarizes the program.

**Table 1: Hagar Development Space Program**

<b>Program Type</b>	<b>Housing Units</b>	<b>Number of Buildings</b>	<b>Building Space (ASF)</b>
Family Student Housing	140	35	104,400 <del>to 118,100</del>
Early Education Services facility	--	1	10,450
Community Building and Maintenance Building	--	2	4,300
Wastewater Treatment Plant		1	750
<b>Total</b>	<b>140</b>	<b>39</b>	<b>119,900</b>

Upon completion in fall 2025, the FSH apartments’ occupants will include new and existing tenants. The EES childcare facility will be attended by children from the existing childcare

facility as well as children of newly enrolled students and will expand to include newly enrolled children of faculty and staff.

### ***Heller Development Scope***

The Heller Development includes demolishing the existing family student housing complex and childcare facility currently occupying the Heller site and constructing new housing for upper-division undergraduate and graduate students, parking, and other support and amenity spaces scheduled for completion in fall 2028. Following demolition, the Heller Development will involve the construction of six buildings, as illustrated in Attachment 2.

The Heller Development has been designed to address the housing needs of the campus while remaining within the area currently occupied by the existing family student housing complex to minimize impacts to the habitat surrounding the site. The layout and design were developed with sensitivity toward the surrounding landscape, other buildings on the campus, the vision of the SHW Design Guidelines, and the campus's Physical Design Framework. To minimize visual impacts, taller buildings will be located in the western and northern portions of the site away from Heller Drive and adjacent to the redwood forest edge with trees visible above and around the buildings, so they blend into the overall landscape.

Buildings 1 through 5 are apartment-style units intended for upper-division undergraduates. Buildings 1, 3, and 5 in the site's northern, western, and southern portions are planned to be seven stories tall. Buildings 2 and 4, in the central portion of the site, are planned to vary in height from five to six stories, with the lower portions of those buildings being closer to Heller Drive. These buildings will include approximately 780 units providing approximately 2,700 beds and support spaces, such as laundry facilities, mail facilities, custodial space, and storage. In addition, centrally sited student "hubs" will be located in buildings 4 and 5 and will include a fitness room, administrative and student services, multi-purpose rooms, study areas, a convenience store, and social spaces for residents and neighboring student communities on the east side of Heller Drive.

Graduate student housing will be provided in building 6, located at the southernmost end of the Heller site. The building is planned to be five stories tall, with one element at four stories. It will provide approximately 165 units, including some studio units that can accommodate couples and co-housing units for single students, for a total of approximately 220 beds.

Vehicle and bicycle parking will be provided to serve the site. The Heller Development will provide approximately 175 surface parking spaces for residents and 40 spaces for service vehicles and visitors. The spaces will be provided in a surface parking lot in the southwestern portion of the site and two surface parking lots located west of buildings 1 and 3. Accessible, oversized, car share, and electric vehicle charging spaces will be distributed throughout the parking areas. There will be approximately 300 to 400 covered bicycle parking spaces for residents and approximately 100 to 115 bicycle parking spaces for visitors. A bike share program will also be implemented.

Pedestrian infrastructure improvements within the site will be connected to existing campus pedestrian infrastructure, such as the current pedestrian bridge that crosses over Heller Drive linking the existing family student housing complex to Rachel Carson College and its dining facility. Crosswalks will be installed to provide access to the Heller Drive transit stop located between the southern driveway and the bridge; this stop will be relocated closer to the pedestrian bridge to allow for more direct access. Pedestrian improvements will be installed north of the northern driveway to improve access to the Heller Drive transit stop below Porter College and near Rachel Carson College.

Similar to the Hagar Development, the Heller Development will also include a new wastewater treatment facility (approximately 3,500 gross square feet). The facility will generate recycled water for toilet flushing and irrigation for the Heller site and eventually for Porter College and Kresge College, thereby minimizing the demand for potable water and eliminating wastewater conveyance and treatment at the city’s wastewater treatment plant. The campus will be responsible for operating and maintaining the facility.

The Heller Development program is consistent with past approvals, and the design approval is unchanged (for more information, refer to the March 2019 (Attachment 6) and March 2021 (Attachment 7) approvals of design). The table below summarizes the program.

**Table 1: Heller Development Space Program**

<b>Program Type</b>	<b>Housing Units</b>	<b>Number of Beds</b>	<b>Number of Buildings</b>	<b>Building Space (ASF)</b>
Undergraduate	785	2,759	5	689,000
Graduate	165	228	1	88,000
Wastewater Treatment Plant			1	3,000
<b>Total</b>	<b>950</b>	<b>2,987</b>	<b>7</b>	<b>780,000</b>

***Rental Rates***

The Santa Cruz campus sets bed rental rates across its entire student housing portfolio, with minor adjustments for specific unit types that may be included within a property. It is a campus priority to provide affordable family student housing. In addition, in the future, the campus will perform means testing for family student housing residents and provide subsidies (at a campus level) to offset the rental rates further. The anticipated rents for the Hagar Development are presented below. The campus has benchmarked these rental rates against local market rates using the same methodology as other campuses. The 2023 market study was performed by the real



estate advisor Jones Lang LaSalle (JLL), indicating that campus rates are approximately 53 percent below market (refer to Table 2).<sup>1</sup>

**Table 2: 2025-26 Rate Comparison of Hagar Development Housing Rate Compared to Off-Campus Market**

<b>Location</b>	<b>Projected 2025-26 Monthly Average Rent/Unit FSH</b>	<b>% Under Market</b>	<b>Projected 2025-26 Annual*</b>	<b>% Under Market</b>
Hagar Development Two Bedroom Average Rate	\$2,400	53%	\$28,800	53%
Local Community Market Comparable **	\$5,105		\$61,260	
Notes: * Annual cost assumes a 12-month lease for on-campus housing and a 12-month lease for off-campus rentals. **Cost includes monthly utility cost of \$342.				

The proposed monthly rents per bed at the Heller Development for the undergraduate student housing with nine-month leases are on average \$1,849 per month per bed, in fall 2028 dollars. By comparison, a student living off campus, in a private room in a two-bedroom apartment, would be charged approximately \$3,136 monthly rent (including utilities and commute costs) in 2028 dollars. This indicates that the campus rates are approximately 41 percent below market (Table 3). The local housing market does not offer academic year lease options; therefore, 12-month leases are standard.

**Table 3: 2028-29 Rate Comparison of Heller Development Housing Rate Compared to Off-Campus Market**

<b>Location</b>	<b>Projected 2028-29 Monthly Average Rent/ Student</b>	<b>% Under Market</b>	<b>Projected 2028-29 Annual Cost/Student</b>	<b>% Under Market</b>
Heller Development Rate – Undergraduate*	\$1,849	41%	\$16,641	56%
Heller Development Rate - Graduate **	\$1,743	44%	\$20,916	44%
Local Community Market Comparable ***	\$3,136		\$37,632	
Notes:				

<sup>1</sup> Source: UC Santa Cruz Student Housing West Rent Comparison-JLL (Dated January 6, 2023). A competitive set of seven multi-unit off-campus properties (consisting of 979 units) was selected. Each selected property was located within a three-mile radius from the campus entrance. The analysis determined an average two-bedroom cost/month market rate and this was assessed for a 12-month period (similar to existing FSH contracts).

\* Undergraduate housing's annual cost assumes a nine-month lease for on-campus housing and a 12-month lease for off-campus rentals.  
\*\* Graduate housing is subsidized and annual cost assumes a 12-month lease for on-campus housing and 12-month lease for off-campus rentals.  
\*\*\* Cost includes monthly cost for utilities and furniture (\$329) and commute (\$182).

The campus will review initial rents and future rent increases to ensure the highest level of affordability. The total rent collected for the SHW Project must be sufficient to pay the operating expense and debt service, and to accumulate sufficient reserves to fund major repairs and replacements over the life of the Project.

### **PROJECT IMPLEMENTATION**

The SHW Project would be implemented using two different delivery methods. The Hagar Development would be delivered using a design-bid-build method, and the Heller Development would be delivered using a design build method. Contingent on approval of this item, the campus anticipates that the Hagar Development bid phase will commence in mid-2023, with construction beginning in late 2023 or early 2024. FSH would be ready for occupancy by fall 2025. Using the proposed campus-managed project delivery approach allows the project to move forward without further delay from ongoing litigation.

#### ***Sustainability***

Both the Hagar and Heller Developments will comply with the University of California Policy on Sustainable Practices. The Sustainable Practices Policy establishes goals for green building, clean energy, transportation, climate protection, facilities operations, zero waste, procurement, foodservice, and water systems. A full range of sustainability practices for building design and operations are included in the budgeting, programming, and design effort for the project. This includes the wastewater treatment plant and solar energy.

The UC Operational Carbon and Energy Assessment for New Construction (OCEAN) Tool has analyzed both developments, and results are provided in Attachment 8. 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 and Diverse Businesses***

The Santa Cruz 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.

## **BUDGET AND FINANCIAL FEASIBILITY**

### ***Proposed Budget***

The Hagar Development capital project budget is \$145,615,000, funded by external financing (\$128,113,000) and campus funds (\$17,502,000). For additional information, refer to the Sources and Uses in Attachment 3.

No existing projects in UC's database are considered comparable given FSH's low-density four-plex design. However, while the project costs appear high, they are not out of line with prior project costs for UC Santa Cruz. The project design, as presented, represents the campus's best efforts to address the previously described constraints and circumstances to complete this critical project that has been under development for so many years. Despite the project costs, the portfolio approach used to set campus housing rates will keep rents considerably below market for all future occupants.

The Heller Development preliminary plans budget is \$6,071,000, funded by external financing. For additional information, refer to the budget in Attachment 4.

### ***Overview of Cost Drivers***

In March 2019, the approved financed amount for the SHW Project to be implemented as a public-private partnership was \$713 million.

Several cost drivers have affected the budget, resulting in increased costs. The SHW Project has been subject to CEQA litigation for over three years. One of the design-build partners for the Hagar Development went bankrupt during the pending litigation. Additional costs will be incurred for completion of the plans, code review, and recertification of the documents.

During this time, the construction industry has been under extraordinary pressure from rapidly escalating labor and construction commodity prices, overall inflation, ongoing supply chain disruptions, and market uncertainty. These challenges are amplified at the Santa Cruz campus, where the remote setting and competition in Bay Area markets ultimately make it difficult to attract bidders and labor, further driving up construction costs.

In an effort to reduce the Hagar Development's budget, the campus has identified several areas where cost savings could be realized, including ~~potential~~ a reduction of the FSH unit size by 200 gross square feet, ~~allowing for potential~~ constructability efficiencies such as the use of off-site prefabricated components, and reducing the allowance for design contingency (in accordance with the current stage of design). Further value engineering and cost-saving initiatives will

continue to be explored and the campus will also examine other possible scope reduction options. In addition, the campus will initiate outreach with local and national contractors to ensure the best possible competitive outcome for the procurement of the General Contractor.

***External Financing Campus Debt Metrics***

Over a ten-year period the campus is projected to have a minimum modified cash flow margin of 7.4 percent, overall debt service coverage of 1.2 times, and auxiliary debt service coverage of 1.66 times, as required by the University's Debt Policy. Days' cash on hand is 201 days as of December 31, 2022, which meets the requirements of the University's Debt Policy.

The estimated debt service for the initial externally financed amount of \$134,184,000 (full budget of the Hagar Development and preliminary plans phase of the Heller Development) at a planning rate of 4.35 percent is \$7,534,549 per year over a 35-year term. The minimum debt service coverage ratio of 0.4 times in 2026 does not meet the 1.0x Debt Policy requirement. The SHW Project debt service coverage is expected to meet the Debt Policy requirement once the Heller Development is completed and reaches 1.0x Debt Policy requirement in 2030.

An exception to the Debt Policy has been granted by the Chief Financial Officer because of the importance of the services these capital projects provide to students, the strength of the overall auxiliary debt service coverage ratio, and the campus's demonstration of the feasibility of plans to support any debt service shortfall. The summary of Financial Feasibility is provided in Attachment 5.

***Sunk Costs Associated with Public Private Partnership***

The sunk costs expected to be incurred for the SHW Project total \$6.5 million and have been funded by UCSC Auxiliary Reserves. These costs include the public-private partnership developer's fees and administrative costs, payable under the predevelopment agreement.

This cost is not included in the proposed capital project budget.

**CALIFORNIA ENVIRONMENTAL QUALITY ACT**

The action at issue is approval of a change in the budget, scope, external financing, and delivery method proposed for the Hagar Development. ~~The design of the SHW Project, approved by the Regents in March 2021 in reliance on the previously certified SHW EIR, has not changed.~~ There have been no changes to the project evaluated in the EIR or changes in circumstances that would require major revisions of the EIR, and no new information, which was not known and could not have been known at the time the EIR was considered, has become available. Therefore, pursuant to Public Resources Code Section 21166 and CEQA Guidelines Section 15162, no subsequent or supplemental review is required.

For more information, refer to the Regents’ March 2019 (Attachment 6) and March 2021 (Attachment 7) approvals of design following action pursuant to CEQA.

***Key to Acronyms***

ASF	Assignable Square Feet
CDP	Capstone Development Partners
CEQA	California Environmental Quality Act
DVBE	Disabled Veteran Business Enterprises
EES	Early Education Services
EIR	Environmental Impact Report
FSH	Family Student Housing
JLL	Jones La Salle Lang
LRDP	Long Range Development Plan
P3	Public Private Partnership
SBE	Small Business Enterprise
SHW Project	Student Housing West Project
SHW EIR	Environmental Impact Report for Student Housing West Project

**ATTACHMENTS**

Attachment 1:	Site Plan Hagar Development Site
Attachment 2:	Site Plan Heller Development Site
Attachment 3:	Sources and Uses Hagar Development
Attachment 4:	Preliminary Plans Budget Heller Development
Attachment 5:	SHW Project Summary of Financial Feasibility
Attachment 6:	March 13, 2019: item F1, Action Item, Approval of Long Range Development Plan Amendment #2 and Design Following Action

	Pursuant to the California Environmental Quality Act, Student Housing West Project, Santa Cruz Campus <a href="https://regents.universityofcalifornia.edu/regmeet/mar19/fl.pdf">https://regents.universityofcalifornia.edu/regmeet/mar19/fl.pdf</a>
Attachment 7:	March 17, 2021: item F5, Action Item, Approval of Design Following Action Pursuant to the California Environmental Quality Act, Student Housing West Project, Santa Cruz Campus <a href="https://regents.universityofcalifornia.edu/regmeet/mar21/f5.pdf">https://regents.universityofcalifornia.edu/regmeet/mar21/f5.pdf</a>
Attachment 8:	<a href="#">UC OCEAN Tool Report</a>

**\*Revised\***

**Additions shown by underscoring; deletions shown by ~~strikethrough~~**

**ATTACHMENT 1**

**SITE PLAN HAGAR DEVELOPMENT**



SITE PLAN HELLER DEVELOPMENT





**SOURCES AND USES**  
**HAGAR DEVELOPMENT**

<b>PROJECT SOURCES</b>	<b>Total</b>	<b>% of Total</b>
External Financing (Hagar – Family Student Housing, Wastewater Treatment Plant, Community Building and Maintenance Building)	\$ 128,113,000	88.0%
General Campus Funds (Early Education Services)	\$ 17,502,000	12.0%
<b>Total Sources</b>	<b>\$ 145,615,000</b>	<b>100.0%</b>

<b>PROJECT USES (in \$000s)</b>						
<b>Category</b>	<b>Family Student Housing</b>	<b>Community Building &amp; Maint. Building</b>	<b>Wastewater Treatment Plant</b>	<b>Early Education Services</b>	<b>Total</b>	<b>% of PWC</b>
Site Clearance	5,372,000	247,000	185,000	1,024,000	6,828,000	4.7%
Building	77,424,000	3,569,000	2,600,000	9,681,000	93,274,000	64.1%
Exterior Utilities	12,664,000	560,000	420,000	2,408,000	16,052,000	11.0%
Site Development	8,367,000	400,000	600,000	1,653,000	11,020,000	7.6%
A/E Fees	2,579,000	428,000	800,000	672,000	4,479,000	3.1%
Campus Administration	3,518,000	60,000	95,000	648,000	4,321,000	3.0%
Surveys, Tests	614,000	26,000	20,000	116,000	776,000	0.5%
Special Items *	1,822,000	78,000	59,000	346,000	2,305,000	1.6%
Contingency	4,659,000	269,000	478,000	954,000	6,360,000	4.4%
<b>Total (PWC Cost)</b>	<b>117,019,000</b>	<b>5,637,000</b>	<b>5,257,000</b>	<b>17,502,000</b>	<b>145,415,000</b>	<b>100.0%</b>
Group 2 & 3 Equipment		200,000			200,000	

<b>Total Project</b>	<b>117,019,000</b>	<b>5,837,000</b>	<b>5,257,000</b>	<b>17,502,000</b>	<b>145,615,000</b>
Interest During Construction	-			-	-
<b>Grand Total</b>	<b>117,019,000</b>	<b>5,837,000</b>	<b>5,257,000</b>	<b>17,502,000</b>	<b>145,615,000</b>
* Special Items include: EDP's Special Consultants, Environmental / EIR Services and Monitoring, UC Contracted Special Consultants					

<b>Project Statistics</b>	<b>Family Student Housing</b>	<b>Community Building &amp; Maint. Building</b>	<b>Wastewater Treatment Plant</b>	<b>Early Education Services</b>	<b>Total</b>
Gross-Square-Foot (GSF)	112,100	4,800	750	12,700	130,350
Assignable-Square-Foot (ASF)*	104,400	4,300	700	10,450	119,850
Efficiency Ratio ASF/GSF*	93%	90%	93%	82%	92%
Number of Beds	280	N/A	N/A	N/A	N/A
Number of Units	140	N/A	N/A	N/A	N/A
Units/Acre	10**	N/A	N/A	N/A	N/A
Building Cost/GSF	\$691	\$744	\$3,467	\$762	\$716
PWC Cost/GSF	\$1,044	\$1,216	\$7,009	\$1,422	\$1,167
Building Cost/Bed	\$276,514	N/A	N/A	N/A	N/A
PWC Cost/Bed	\$417,924	N/A	N/A	N/A	N/A
Building Cost/Unit	\$553,029	N/A	N/A	N/A	N/A
PWC Cost/Unit	\$835,850	N/A	N/A	N/A	N/A
<p>Family Student Housing is approximately 104,400 to 118,100 ASF. Calculation based on the lower end of the range (104,400 ASF).</p> <p>**Calculation does not include site area associated with EEC, community gardens, Community Building, Wastewater Treatment Plant, and Maintenance Building</p>					

## PRELIMINARY PLANS BUDGET

## HELLER DEVELOPMENT

<b>PROJECT USES</b>	<b>Amount</b>	<b>Percentage</b>
External Financing	\$6,071,000	100.0%

<b>Category</b>	<b>Amount</b>	<b>Percentage</b>
A/E Fees	\$4,508,000	75.3%
Campus Administration	\$1,202,000	20.1%
Special Items	\$275,000	4.6%
<b>Subtotal</b>	<b>\$5,985,000</b>	<b>100.0%</b>
Interest During Construction	\$86,000	
<b>Total Preliminary Plans Budget</b>	<b>\$6,071,000</b>	

Anticipated preliminary plans phase activities include the following:

- Qualifications based procurement process for Master Design firm partner. This design firm will assist the campus with compiling the necessary bid documents for the Design Build Contractor procurement and will be retained through the design and construction phases.
- The selected design team will assist the campus to validate the project program, evaluate building and site options, and complete necessary bid-stage design documents and participate in exploration of value engineering initiatives.
- Procurement of a Design Build Contractor including assembling bid package documents, facilitation of public competitive procurement process, contractor interviews, evaluation, and award.
- An external project management (PM) team will assist the campus with pre-construction services such as procurement management, cost estimating, scheduling, constructability review, risk analysis, manage value engineering process and general project management duties.
- Campus Administration will be required during the procurement processes for bid package and design reviews.

## SUMMARY OF FINANCIAL FEASIBILITY

<b>SANTA CRUZ CAMPUS</b>	
Project Name	<b>Student Housing West</b>
Project ID	976261
Total Estimated Project Cost	\$145,615,000
Anticipated Interest During Construction (included in total estimated project cost) - Heller only	\$0

<b>PROPOSED SOURCES OF FUNDING<sup>2</sup></b>	
External Financing - Hagar	\$128,113,000
External Financing - Heller P Phase	\$6,071,000
General Campus Funds - Hagar	\$17,502,000
Total	\$151,686,000

<b>FINANCING ASSUMPTIONS</b>	
External Financing Amount	\$134,184,000
Anticipated Repayment Source	Auxiliary - Housing
Anticipated Fund Source	Aux-Student Housing/Dining
Financial Feasibility Rate	4.35%
First Year of Repayment (e.g. FY 20XX)	2026
Term (e.g. 30 years; indicate if any years interest only)	35 years; 0 years interest only
Final Maturity (e.g. FY 20XX)	2063
Estimated Average Annual Debt Service	\$7,534,549 principal & interest

Below are results of the financial feasibility analysis for the proposed project using the

<sup>2</sup> Fund sources for external financing shall adhere to University policy on repayment for capital projects.

campus's Debt Affordability Model. The model includes projections of the campus's operations and planned financings.

Campus Debt Metrics			
Measure	Value	Period	Approval Threshold
<b>General Campus Requirements</b>			
<i>Modified Cash Flow Margin (Minimum)</i>	7.4%	2029	$\geq 0\%$
<i>Debt Service Coverage (Minimum)</i>	1.2x	2027	$\geq 1.1x$
<i>Monthly Liquidity in STIP/TRIP</i>	201 Days	12/31/2022	$\geq 90$ days
<b>Auxiliary System Requirements</b>			
<i>Auxiliary Debt Service Coverage (Minimum)</i>	1.66x	2026	$\geq 1.1x$
<i>Project Debt Service Coverage (Minimum)</i>	0.40x	2026	$\geq 1.0x$

This project does not meet University Debt Policy requirements. An exception to the University's Debt Policy has been granted by the Chief Financial Officer because of the importance of the project in relation to increased student demand, the strength of the overall auxiliary debt service coverage ratio, and because the campus has demonstrated the feasibility of its plans to support any debt service shortfall from overall housing program revenues. The SHW Project debt service coverage will meet the Debt Policy requirements once the Heller Development is completed and reaches 1.0x Debt Policy requirement in 2030.