

**Office of the President**

**TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:**

**ACTION ITEM**

*For Meeting of May 20, 2015*

**APPROVAL OF THE BUDGET AND APPROVAL OF EXTERNAL FINANCING,  
GRADUATE AND PROFESSIONAL STUDENT HOUSING – EAST CAMPUS, SAN  
DIEGO CAMPUS**

**EXECUTIVE SUMMARY**

The proposed Graduate and Professional Student Housing – East Campus project would be for construction of six new residential facilities that would provide approximately 442,000 assignable square feet (asf) of housing space and 1,355 new beds for graduate and professional students. The six buildings would include approximately 850 micro-apartments and 250 one-, two- and three-bedroom traditional apartments. The project would also include construction of a new parking structure and surface parking that would provide approximately 900 spaces and community and support spaces.

In November 2014, the Regents approved Preliminary Plans funding of \$4,871,000 from Housing Auxiliary Reserves. The Regents are being asked to: (1) approve the project budget of \$208,584,000 to be funded with external financing (\$200 million) and Housing Auxiliary Reserves (\$8,584,000); and (2) approve \$200 million of external financing.

**RECOMMENDATION**

The President of the University recommends that the Committee on Grounds and Buildings recommend to the Regents that:

1. The 2014-15 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Diego: Graduate and Professional Student Housing – East Campus – preliminary plans – \$4,871,000 to be funded from UC San Diego Housing Auxiliary Reserves.

To: San Diego: Graduate and Professional Student Housing – East Campus – preliminary plans, working drawings, construction, and equipment – \$208,584,000 million to be funded from external financing (\$200 million) and UC San Diego Housing Auxiliary Reserves (\$8,584,000).

2. The President of the University be authorized to obtain external financing not to exceed \$200 million to finance the Graduate and Professional Student Housing – East Campus project. The President shall require that:
  - A. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
  - B. 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.
  - C. The general credit of the Regents shall not be pledged.
3. The scope of the Graduate and Professional Student Housing – East Campus project shall provide approximately 442,000 assignable square feet of housing space and approximately 1,355 beds to support graduate and professional students. The scope also includes a parking structure of approximately 900 parking spaces, associated common spaces, site improvements, and demolition of eleven existing buildings at North Mesa Housing.
4. The President, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above and to make changes in the terms that do not materially increase the cost of the project or the obligations of the Regents.

### **BACKGROUND**

Affordable on-campus housing aids in recruitment and retention of students. It also expands opportunities to fully integrate new students into the academic and social life of the campus. Increasing numbers of continuing students prefer to live on campus as well. Part of the attraction of University-owned housing is the community setting that is provided by living on campus, adjacent to the academic, research, clinical, and recreation facilities that are available within walking distance of most on-campus housing. By living on campus, students are able to get around campus without a car – by foot, bicycle, and campus shuttles. Affordable off-campus housing options in the San Diego region are few, and those that are available are a significant distance from campus.

A primary objective of UC San Diego Housing, Dining, and Hospitality (HDH) is to assess and address current “over demand” from every customer group. The next phase of the HDH capital plan is to provide net new housing for single graduate and professional students, and students with dependents. This strategy would support recruitment and retention of graduate and professional students and address the goals of the Long Range Development Plan (LRDP).

Preliminary plans funding for this project was approved by the Regents at their November 2014 meeting. The preliminary plans funding has allowed the campus to confirm the scope of work through detailed programming, preliminary design, and project cost estimating by utilizing services of the selected design-build project delivery team. The budget and scope of the project is similar to what was described in the November 2014 item.

## PROJECT DRIVERS

### *Demand*

Between July 2013 and June 2014, approximately 2,900 graduate, professional, and students with dependents submitted applications for housing; however, with units occupied by the previous years' residents, only about 540 new applicants could be accommodated. The remaining students had to find off-campus housing, with the majority of them deciding to be added to a wait list in case housing became available during the following semester or following academic year. Increasing the number of graduate students is an important strategic goal to the campus, and thus graduate housing demand is expected to increase substantially over the next few years.

The high demand can be partially attributed to the current housing market in the San Diego region. The campus is located in La Jolla, an affluent area, where housing costs are extremely high and rents are among the highest in the county. The campus is adjacent to University City, where housing rates have steadily increased over the years. The market rate for two students leasing a two-bedroom, one-bath apartment in the University City area surrounding the campus is more than \$800 per student per month. This does not include related costs such as deposits, utilities, data, etc. This is significantly higher than on-campus rates, which start at \$480 per student per month when sharing a two-bedroom unit at the Mesa Residential Apartments. These units are similar in square footage and layout to the apartments off-campus and include the related costs except for electricity.

The apartment vacancy rate in the San Diego area has been at a 12-year record low of 2.8 percent based on the *San Diego County Apartment Association Vacancy Rent Survey*, June 2014. Furthermore, the trend in recent years towards condo-conversion in the area has reduced the number of available rental units close to campus. As a result, students living off-campus are commuting farther from campus in order to find affordable housing.

As mentioned previously, the high demand can also be attributed to students' desire to live on campus, where amenities and social interaction are valuable to the educational experience.

### *Two-Year Front-End Guarantee to All Incoming Graduate and Professional Students*

The campus is currently not able to guarantee housing to interested graduate and professional students. Effective October 2008, a change was made in housing policy which placed a two-year limit for all new single graduate and professional students, and couples without children, to live on-campus. Students with children who have been able to secure campus housing have no limit as long as they maintain student status. Unfortunately, UC San Diego is not able to provide

guaranteed housing to graduate and professional students at this time, which makes competitive recruitment even more difficult.

In response to the campus' *Graduate and Professional Student Experience and Satisfaction Committee Report*, the campus established a goal to offer all incoming single graduate and professional students a two-year front-end guarantee of on-campus housing. In order to accommodate all first- and second-year graduate and professional students in fall 2013, the campus would have needed to provide housing to almost 3,800 students – significantly more than the 2,500 students currently accommodated. This does not take into account additional demand for housing generated by students with dependents. The shortage of beds prevents the campus from providing housing to those students who want to live on-campus for the duration of their degree work. Until more housing is made available, the campus will be unable to achieve its goal of offering a two-year front-end guarantee to all interested students.

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

The housing goal of UC San Diego, as stated in the LRDP, is to provide housing for 50 percent of eligible students (which includes graduate and professional students) in campus-owned facilities. The campus' housing supply is currently 2,800 beds short of meeting the LRDP goal. In some cases (primarily for undergraduate students), the campus has had to utilize housing facilities in excess of design capacity to address student demand. Even with this practice, the campus is unable to meet the housing goal of the LRDP, or to provide housing to all of those who are interested. Without increasing the campus housing inventory, the deficit is expected to dramatically increase, with only 38 percent of all students housed by 2017-18.

Housing a greater number of students on campus is an integral feature of UC San Diego's Transportation Management Strategy and supports a major component of the campus' Climate Action Plan. Housing more students on campus eliminates their daily vehicular commute, and thus reduces the impact of vehicles on the regional roadway network and local streets, improves air quality, and further reduces the University's carbon footprint. In addition, living on-campus encourages student participation in the development of sustainable living environments.

### ***Housing Stock***

Since two-bedroom units currently comprise almost 90 percent of the inventory available to graduate and professional students, single students must have a roommate. Although there are financial and social advantages to having a roommate, there is also a strong desire for many single graduate and professional students, who are older and have more life experience, to reside in single-occupancy units. Since single students account for 97 percent of the wait list, the campus has proposed construction of micro-apartments as part of the total proposed project.

The majority of existing housing for students with dependents is located in the East Campus Mesa Housing Neighborhood (Attachment 6) with smaller groups living at La Jolla del Sol and Warren Graduate Housing. The existing units located at Mesa Housing are primarily two-bedroom apartments. However, as previously mentioned, the campus is unable to meet the

minimum housing goal established in the LRDP and the record-high student demand. In an attempt to meet demand from all constituencies, the campus is seeking to diversify the size and types of housing units offered to meet the various needs and desires of the graduate and professional student community.

The addition of traditional one-, two-, and three-bedroom apartments would not only allow the campus to accommodate a greater number of students and their dependents or students living with roommates, but could also allow the campus to set aside a small percentage of units to accommodate transitional faculty and staff on a short-term basis as needed. The mixed-population option is proposed in an effort to foster an integrated community of collaboration between graduate students, faculty, and staff living in the entire Mesa Housing neighborhood.

### **PROJECT DESCRIPTION**

The Graduate and Professional Student Housing – East Campus project would include new construction of six buildings, ranging in height from four to eight stories, and a new multi-story parking structure. The six buildings would include approximately 850 micro-apartments (similar to studios) and approximately 250 one-, two- and three-bedroom traditional apartments, adding approximately 1,355 new beds to the campus inventory.

Each micro-apartment would be a self-contained living space of approximately 275 square feet and would include a sitting/work area, bed, bathroom, and kitchenette in a flexible, efficient arrangement. The micro-apartments would be furnished and would each have a private bathroom.

The more traditional one-, two- and three-bedroom apartments would include bedrooms, living-dining-kitchen area, shared bathrooms, washer/dryer hookups, and closet storage. These units would not be furnished. The students will be responsible for furnishing the apartments.

In addition to housing, the project would include shared community facilities such as laundry, mail, fitness, conference and study areas, administrative offices, maintenance, bike storage, café, and a small amount of retail. Residents would also have access to a Multi-Purpose Community-Use space, which would be available for activities such as student organization meetings, HDH management/resident group meetings, parties, etc. Exterior amenities are expected to include a pool, hot tubs, children's play area, fire-pits, and a community garden. All of the amenities (interior and exterior) would be accessible to all residents of the East Campus Mesa Housing Neighborhood (Attachment 6), which is occupied by 2,628 students and dependents (as of October 1, 2014). The neighborhood currently lacks amenities and support spaces for residents. The proposed amenities within this project are anticipated to enrich the living experience, supporting a sense of community, and belonging to the entire Mesa Housing neighborhood community.

**Table 1**  
**Graduate and Professional Student Housing - East Campus**  
**Proposed Area Summary**

	# of Beds	ASF
<b>Residential:</b>		
Micro-Apartments	853	214,070
Apartments (1-, 2-, and 3-bedroom units)	502	203,564
<b>Total Residential Space</b>	<b>1,355</b>	<b>417,634</b>
<b>Common/Shared Spaces:</b>		
		<b>ASF</b>
Conference & Study Rooms		3,937
Multi-Purpose Community-Use		12,491
Fitness Room		2,343
Retail Space		1,009
Social Lounge / Lobby at each Building		447
Laundry and Mail		1,258
Support (including administrative offices, housekeeping, & maintenance)		2,852
<b>Total Common/Shared Spaces</b>		<b>24,337</b>
<b>TOTAL ASF</b>		<b>441,971</b>

***Parking Facility***

The project will include approximately 900 parking spaces for residents and visitors. The majority of the parking spaces will be located in a newly constructed structure with some surface parking provided. Residents living in the East Campus Mesa Housing Neighborhood are, and will continue to be, single graduate students, student couples, students with children, faculty, and staff. These residents are older adults who typically own vehicles. The parking for the project is not intended to promote driving on campus for the residents of these facilities, but rather to provide a place to park their vehicles until they need to leave campus.

The proposed parking structure would serve the entire East Campus Mesa Housing Neighborhood – residents and their guests. There is no off-site parking available and the neighboring communities do not want students parking in their neighborhoods. Parking on West Campus is impacted and residents currently living in the East Campus Mesa Housing Neighborhood typically walk, ride their bicycles, or take campus shuttles to West Campus. Once the Gilman Bridge is completed (expected in 2017), residents will have improved pedestrian, bicycle, and shuttle access to West Campus.

***Project Location***

The project site is located on the East Campus in the North Mesa Housing area, which is currently comprised of 32 buildings constructed in 1968 with 256 individual two-bedroom apartments, and two small buildings for centralized laundry service. These low-density, two-story, wood-framed structures are spread over 36 acres at a low density.

The proposed project would be the first phase of the campus' plan to redevelop this low-density housing and would require demolition of eleven of the existing buildings (176 beds). This project will increase the density of the area with 1,179 net new beds, and increase the student and dependent population from 2,628 (as of October 1, 2014) to approximately 3,800. Future phases of redevelopment at North Mesa Housing would include additional housing units, associated amenities, and connections to existing housing, clinical, academic and research enterprises, and regional transportation projects. This project and future phases are anticipated to enrich the living experience and support a sense of community.

***Project Schedule***

At their November 2014 meeting, the Regents approved preliminary plans funding in the amount of \$4,871,000, funded from Housing Auxiliary Reserves, for the Graduate and Professional Student Housing – East Campus project. The approval allowed the campus to confirm the area for redevelopment and confirm the scope of work through detailed programming, preliminary design, and project cost estimating utilizing services of the selected design-build project delivery team. The campus intends to submit the project to the Committee on Grounds and Buildings for design approval and adoption of the Mitigated Negative Declaration in September 2015. It is estimated that construction would commence immediately after design and environmental approval, with completion anticipated in December 2017.

***Financial Feasibility***

The total project cost of \$208,584,000 would be funded from external financing (\$200 million) and UC San Diego Housing Auxiliary Reserves (\$8,584,000). The debt service on this project will be funded by housing revenues generated from campus-wide graduate and professional student housing. Costs related to this project would not be assumed by the undergraduate population.

The current rent for a studio, similar to the proposed micro-apartments, in the University City area surrounding campus currently averages about \$1,400 per month. The current rent for a one-, two-, or three-bedroom apartment averages between \$1,500 and \$2,850. Conservatively, if the rates in the surrounding rental market increase three percent each year, students can expect to

pay between \$1,485 per month for a studio or between \$1,600 and \$3,024 for a one-, two- or three-bedroom in 2017-18.<sup>1</sup>

On-campus rates are expected to be highly competitive and well below the average in the area surrounding the campus. The rental rate for the proposed housing is expected to be \$750 per student per month for a micro-apartment in 2017-18, and will include all utilities, internet service, and parking for residents and their guests.

The rental rate for a one-, two-, or three-bedroom apartment is expected to range from \$1,000 to \$2,800 per month in 2017-18 depending on features related to the specific unit of occupancy, such as number of bedrooms, size of the unit, location, etc. The projected monthly rental rates for the apartments include internet service, parking for residents and their guests, and all utilities except electricity. UC San Diego rental rate increase projections for inventory for graduate and professional student housing (excludes undergraduates) through 2024-25 are summarized in Table 2 below.

**Table 2**  
**UC San Diego Projected Rental Rate Increases**  
*Graduate and Professional Students*

<b>Year</b>	<b>Operating Increase</b>	<b>Increase Associated with Proposed Project</b>	<b>Total Rate Increase</b>
2014-15	2.98%	0.35%	3.33%
2015-16	2.98%	0.35%	3.33%
2016-17	3.00%	0.50%	3.50%
2017-18	3.00%	0.50%	3.50%
2018-19	3.00%	1.40%	4.40%
2019-20	3.00%	1.40%	4.40%
2020-21	3.00%	0.50%	3.50%
2021-22	3.00%	0.50%	3.50%
2022-23	3.00%	0.50%	3.50%
2023-24	3.00%	0.50%	3.50%
2024-25	3.00%	0.50%	3.50%
<b>Notes:</b>			
<ul style="list-style-type: none"> <li>• Rate increases in 2014-15 through 2017-18 reflect ramping up of all existing housing units (excluding undergraduate housing), in anticipation of proposed project. Increase for 2014-15 has been implemented.</li> <li>• Rate increases in 2018-19 and 2019-20 reflect full debt service of proposed project and initial contributions to facilities' reserves.</li> <li>• Rate increases in 2019-20 through 2024-25 are projected and based on operational costs as well as debt service for the proposed project.</li> <li>• All forecasted rate increases are based on the UCOP required 6% planning rate for financing, lower actual financing rates would reduce the forecasted increases starting 2017-18.</li> </ul>			

<sup>1</sup> According to an article published in the San Diego Union Tribune, September 2014, rents in San Diego County are expected to rise almost twice as fast this decade as they did in the previous decade. From 2004 to 2014, the average rent in San Diego County rose 24 percent. By 2019, the average rent is expected to rise another 19 percent.



Additional information regarding the project budget, comparable projects, and financial feasibility is included in Attachments 1, 2, and 3.

**Key to Acronyms**

ASF	Assignable Square Feet
C	Construction
E	Equipment
GSF	Gross Square Feet
HDH	UC San Diego Housing, Dining & Hospitality
LRDP	Long Range Development Plan
P	Preliminary Plans
PPP	Public Private Partnership
W	Working Drawings

**ATTACHMENTS:**

- Attachment 1: Project Budget - below
- Attachment 2: Comparable Project Information - below
- Attachment 3: Summary of Financial Feasibility - below
- Attachment 4: Alternatives Considered - below
- Attachment 5: Delivery Model - below
- Attachment 6: Project Location Map - below
- Attachment 7: Project Site Map - below
- Attachment 8: Example Micro-Apartment and Traditional Apartment Floor Plans - below

**PROJECT BUDGET**  
**GRADUATE AND PROFESSIONAL STUDENT HOUSING – EAST CAMPUS**  
**CCCI 6077**

<b>Cost Category</b>	<b>Housing</b>	<b>Parking Structure</b>	<b>Proposed Budget May 2015</b>	<b>% of Total</b>
Site Clearance	\$400,000	\$0	\$400,000	0.2
Building <sup>(1)</sup>	143,789,000	16,657,000	160,446,000	77.5
Exterior Utilities	3,619,000	272,000	3,891,000	1.9
Site Development	5,673,000	427,000	6,100,000	2.9
A/E Fees <sup>(2)</sup>	6,335,000	1,300,000	7,635,000	3.7
Campus Administration <sup>(3)</sup>	5,200,000	331,000	5,531,000	2.7
Surveys, Tests, Plans	1,624,000	122,000	1,746,000	0.8
Special Items (excl. financing costs) <sup>(4)</sup>	1,862,000	119,000	1,981,000	1.0
Financing Costs	11,280,000	720,000	12,000,000	5.8
Contingency	6,466,000	798,000	7,264,000	3.5
<b>Total P-W-C</b>	<b>186,248,000</b>	<b>\$20,746,000</b>	<b>\$206,994,000</b>	<b>100%</b>
Groups 2 & 3 Equipment <sup>(5)</sup>	1,590,000	0	1,590,000	
<b>Total Project</b>	<b>\$187,838,000</b>	<b>\$20,746,000</b>	<b>\$208,584,000</b>	

<b>Project Statistics:</b>	<b>Housing</b>	<b>Parking Structure</b>
GSF <sup>(6)</sup>	607,083	284,800
ASF <sup>(6)</sup>	441,971	n/a
Efficiency Ratio: ASF/GSF	73%	n/a
Building Cost/GSF	\$ 237	\$ 58
Project Cost /GSF <sup>(6)</sup>	\$ 307	\$ 73
Building Cost/Bed or Parking Space	\$106,117	\$18,507
Project Cost/Bed or Parking Space <sup>(7)</sup>	\$137,452	\$23,051

<b>Funding Schedule</b>	<b>May 2015</b>
Preliminary Plans (P)	\$4,871,000
Working Drawings (W)	\$20,500,000
Construction (C)	\$181,623,000
Equipment (E)	\$1,590,000
<b>Total</b>	<b>\$208,584,000</b>

**Notes:**

- (1) Includes cost of demolition to remaining structures once abatement of hazardous materials has been completed.
- (2) Fees include Executive Architect and other professional design contract costs.
- (3) Campus Administration includes project manager, planning, engineering and design review, and contracts administration.
- (4) Special items include Detailed Project Program, environmental documentation, specialty consultants, and agency fees.
- (5) Group 2 & 3 does not include furnishing the 1, 2, and 3 bedroom apartments.
- (6) Gross square feet (GSF) is the total area, including usable area, stairways and space occupied by the structure itself.  
 Assignable square feet (ASF) is the net usable area.
- (7) Project Cost excludes Group 2 & 3 Equipment.

## COMPARABLE PROJECT INFORMATION

The cost metrics for comparable housing projects shown in the following table demonstrates that the proposed budget for the Graduate and Professional Student Housing – East Campus project at UC San Diego favors comparably to recent UC projects. The proposed budget was confirmed through the design-build process, which is further described in Attachment 5.

<b>Comparable Housing Projects at CCCI 6077:</b>						
<b>Location – Project Name</b>	<b>CIB Date</b>	<b>No. of Beds</b>	<b>Bldg. Cost/GSF</b>	<b>Project Cost <sup>(1)</sup>/GSF</b>	<b>Bldg. Cost/Bed</b>	<b>Project Cost <sup>(1)</sup>/Bed</b>
<i>Proposed Project – Housing</i>	<i>3/6/15</i>	<i>1,355</i>	<i>\$237</i>	<i>\$307</i>	<i>\$106,117</i>	<i>\$137,452</i>
UCLA - Weyburn Terrace	9/30/13	500	\$333	\$476	\$172,443	\$246,713
UCI - Mesa Court	10/28/13	746	\$309	\$450	NC <sup>(2)</sup>	NC <sup>(2)</sup>
UCSD - HS Grad Housing (“The Rita”)	5/15/08	525	\$301	\$334	\$145,943	\$162,159
UCSD - North Campus Housing Phase 2 (“The Village East”)	6/22/12	750	\$325	\$374	\$111,357	\$127,935
Private Developer (San Francisco) - The Panoramic <sup>(3)</sup>	2/26/15	240	\$380	\$553	\$170,833	\$248,750
<b>Comparable Parking Projects at CCCI 6077:</b>						
<b>Location – Project Name</b>	<b>CIB Date</b>	<b>No. of Spaces</b>	<b>Bldg. Cost/GSF</b>	<b>Project Cost <sup>(1)</sup>/GSF</b>	<b>Bldg. Cost/Space</b>	<b>Project Cost <sup>(1)</sup>/Space</b>
<i>Proposed Project – Parking</i>	<i>3/6/15</i>	<i>900</i>	<i>\$58</i>	<i>\$73</i>	<i>\$18,507</i>	<i>\$23,051</i>
UCSD - East Campus Parking Structure 1	10/10/14	1,299	\$54	\$60	\$19,712	\$21,538
UCSD - East Campus Parking Structure 2	4/18/14	1,249	\$53	\$59	\$19,023	\$21,043
UCSF - Mission Bay Parking Structure	8/11/10	621	\$83	\$112	\$29,682	\$40,388

(1) Project Cost excludes Group 2 & 3 Equipment.

(2) Not Comparable – UCI project is Undergraduate Housing and does not include in-unit kitchens.

(3) The Private Developer project includes an option for having two single beds instead of one double bed to increase its capacity.

## SUMMARY OF FINANCIAL FEASIBILITY

San Diego Campus	
Project Name	Graduate and Professional Student Housing – East Campus
Project ID	966290
Total Estimated Project Costs	\$208,584,000
Anticipated Interest During Construction (included in estimated project cost)	\$12,000,000

Proposed Sources of Funding	
External Financing – Tax-Exempt	\$200,000,000
Housing Auxiliary Reserves	8,584,000
<b>Sources of Funding Total</b>	<b>\$208,584,000</b>

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

Long-term external financing assumptions are listed below

Financing Assumptions	
External Financing Amount	\$200,000,000
Anticipated Repayment Source	UC San Diego Housing Room Rates
Anticipated Fund Source	External Financing and Housing Auxiliary Reserves
Financial Feasibility Rate	6%
First Year of Principal (e.g. year 10)	FY 2019
Term (e.g. 30 years)	30 years
Final Maturity	FY 2048
Estimated Average Annual Debt Service	\$14,453,000

Below are results of the financial feasibility analysis for the proposed project using the campus' Debt Affordability Model. External financing approval requires the campus to meet the debt service to operations benchmark and one of the two other benchmarks for approval. The financial projections take into consideration market conditions, new sources of revenue and all previously approved projects. The corresponding campus Debt Affordability Model has been submitted to Capital Markets Finance at UCOP. Capital Markets Finance is working on a revised version of the Debt Affordability Model for campuses that may have revised benchmarks and approval thresholds as a result of general revenue pledge changes.

Measure	Campus Financing Benchmarks	
	10 Year Projections (as of 4/14/2015)	Approval Threshold
Campus Debt Service Coverage	2.4x (min, FY 15/16)	1.75x (min)
Debt Service to Operations	5.4% (max, FY 15/16)	6.0% (max)
Expendable Resources to Debt	n/a	1.0x
Auxiliary Debt Service Coverage	1.38x (min, FY 14/15)	1.25x

The metrics used to determine financing feasibility are defined below.

Measure	Definition
Debt Service to Operations (%)	$\frac{\text{Annual Debt Service}}{\text{Total Operating Expenses}}$
Debt Service Coverage (x)	$\frac{\text{Operating Income} + \text{Depreciation} + \text{Interest}}{\text{Annual Debt Service}}$
Expendable Resources to Debt (x)	$\frac{\text{Expendable Financial Resources (unrestricted net assets} + \text{temporarily restricted net assets} - \text{net investment in plant)}}{\text{Total Debt Outstanding}}$

## ALTERNATIVES CONSIDERED

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

- Option 1 – Reallocate Existing Housing
- Option 2 – Lease or Purchase Off-Campus
- Option 3 – Redevelopment with Public Private Partnership
- Option 4 – Redevelopment with New Construction on Campus

The first four alternatives were rejected because these options did not satisfy the immediate need for net new housing on campus. A summary of all five alternative solutions considered is provided below.

### **Option 1 – Reallocate Existing Housing**

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

### **Option 2 - Lease or Purchase Off-Campus**

UC San Diego is located in an area where housing costs are extremely high and rents are among the highest in the county. This impacts the availability and financial feasibility for leasing and buying off-campus developments.

The adjacent University Town Center community is fully developed with no vacant or available land to purchase for new construction. Currently, there are no private-sector housing projects on the market and, in fact, UC San Diego has been approached multiple times by private developers with offers to purchase campus-owned La Jolla del Sol for conversion to private-enterprise rentals.

UC San Diego has reviewed the concept of leasing units in the adjacent area. Unfortunately, with the robust rental market, there is no opportunity to secure a large number of units within any single private-sector community and there is little to no interest in negotiating on price or committing to a long-term master lease.

Additionally, the majority of private market units in the adjacent community are condominiums with individual owners and Home Owner Associations, which typically house a high percentage of non-UC San Diego residents – placing the University in the position of having non-affiliates as home owners and customers.

Part of the attraction of University-owned housing is the community setting that is provided by living on campus – adjacent to the academic, research, clinical, and recreation facilities that are available within walking, biking, or shuttle distance to most on-campus housing. Affordable off-

campus housing options are limited and those that are available and financially feasible are a significant distance from campus.

### **Option 3 – Redevelopment with Public Private Partnership**

The San Diego campus evaluates alternative delivery models for all new capital projects, including their potential as Public Private Partnerships (PPPs). The project site, as well as many of the ideal campus parcels that are available for new housing, was deeded to the University by the Federal Government in 1966 for educational purposes. Violation of the deed would result in the reversion of land and improvements for no consideration to the Federal Government. Third-party housing development could be considered to be a deed violation.

Although permission for third-party housing development could be requested from the Secretary of the Navy, such a process would take a considerable amount of time with no guarantee of a positive response. The campus would want assurance of approval before proceeding with this alternative delivery method, which would delay the project significantly beyond when a University-delivered project could be completed.

Additionally, it is estimated that an extra ten months could be added to the project schedule by pursuing a PPP Turnkey approach, because of the negotiation of building standards, cost provisions, and contract processing. Not only would this approach delay occupancy of the new housing, but the anticipated escalation of costs associated with a longer schedule would have a negative impact on the campus' housing rates and financial feasibility of the project. A PPP Developed and Managed Housing approach could take even longer, and also hinder opportunities to integrate the new housing with the existing residences and amenities of the existing housing community.

### **Option 4 - Redevelopment with University-Delivered, New Construction on Campus**

The proposed project is the only viable alternative that would provide net new housing in the shortest amount of time – which is what is urgently needed to meet current demand as well as projected demand for 2017-18 and beyond. Without additional housing, the San Diego campus will be unable to provide a two-year front-end housing guarantee to meet the needs of single graduate and professional students and students with dependents. The proposed project would also support future opportunities to increase inventory for other constituencies, such as single undergraduate students and faculty transitioning to UC San Diego.

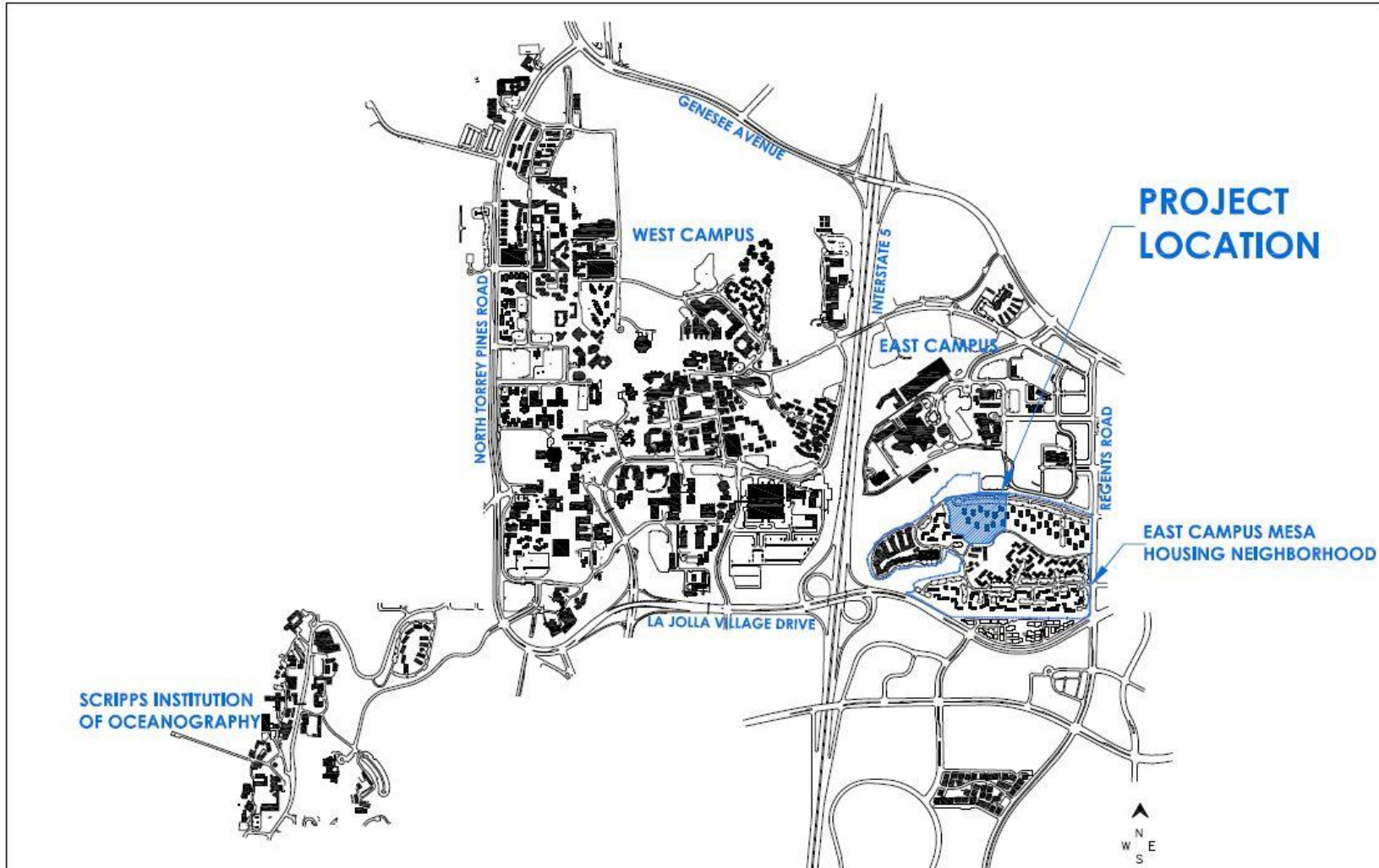
**DELIVERY MODEL**

The accelerated completion schedule and the fixed funding available for the proposed project suggested that the campus utilize the design-build delivery method. UC San Diego has had success in utilizing a design-build delivery method for housing projects. The process allows the University to pre-qualify design-build teams and establish a comprehensive Request for Proposal (RFP).

The Design-Build RFP outlines all program requirements including quality of construction elements, quantity and type of housing units, specific amenities for each unit, requirements for common and administrative areas, site amenities, project color palettes, and life-safety requirements. Design Guidelines are included with the RFP to ensure specific product and detailing requirements to align with HDH operational and maintenance practices.

A stipulated cost and schedule are built into the RFP. The top three pre-qualified Design-Build teams are invited to compete in creating a schematic design level technical proposal. These proposals are ultimately reviewed and scored by a selection committee consisting of UC San Diego personnel as well as several appointed members of the Design Review Board. The competitive nature of this approach has shown that the teams strive not only to meet the minimum program requirements, but to also offer enhancements such as additional housing units and enhanced site amenities as part of their technical proposals.

The campus intends to submit to the Committee on Grounds and Buildings the project for design approval and adoption of the Mitigated Negative Declaration in September 2015. It is estimated that construction would commence immediately after design and environmental approval, with completion in December 2017.



GRADUATE AND PROFESSIONAL STUDENT HOUSING - EAST CAMPUS  
UNIVERSITY OF CALIFORNIA, SAN DIEGO  
PROJECT LOCATION



0' 1500' 3000'





**PROJECT SITE**

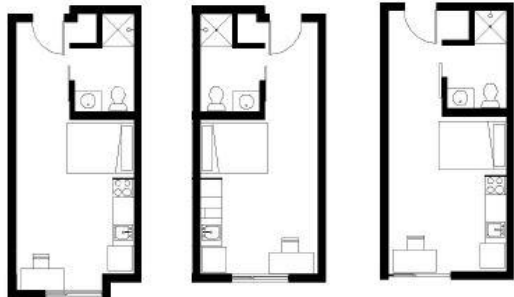
**EAST CAMPUS MESA HOUSING NEIGHBORHOOD**



0' 400' 800'

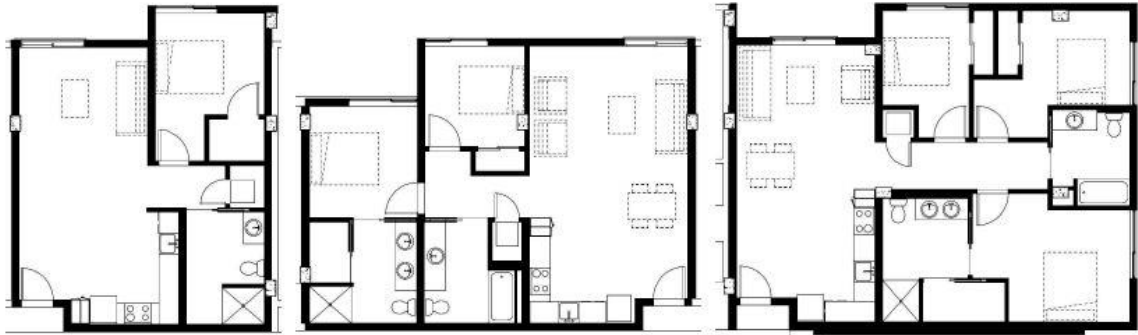
GRADUATE AND PROFESSIONAL STUDENT HOUSING - EAST CAMPUS  
UNIVERSITY OF CALIFORNIA, SAN DIEGO  
PROJECT SITE

GRADUATE MICRO APARTMENTS



Unit Type 1      Unit Type 2      Unit Type 3

TRADITIONAL APARTMENTS



1 Bedroom      2 Bedroom      3 Bedroom