

**Office of the President**

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

**ACTION ITEM**

*For Meeting of May 10, 2016*

**APPROVAL OF PRELIMINARY PLANS FUNDING, NUEVO WEST GRADUATE STUDENT HOUSING, SAN DIEGO CAMPUS**

**EXECUTIVE SUMMARY**

The San Diego campus proposes to demolish and redevelop a small section of existing low-density apartments (100 beds in 50 two-bedroom/one-bath garden-style units, constructed in 1981) located in the West Mesa Housing neighborhood to provide a minimum of 800 new beds for single graduate and professional students. The proposed project is part of a coordinated plan to increase the overall amount of on-campus housing as quickly as possible, to address unmet demand to live on campus and increasing enrollments at both the undergraduate and graduate levels.

The project would include construction of a parking structure (approximately 1,200-1,400 spaces) to serve the combined need of housing residents and medical center staff. This joint-venture between Transportation Services and Housing, Dining, and Hospitality is an effort to address the parking needs of the entire East Campus.

Demand for on-campus housing at UC San Diego is extremely high. Between academic years 2013-14 and 2015-16, almost 5,600 graduate and professional students submitted applications for on-campus housing. As of December 2015, the campus was able to accommodate only 2,030 graduate students. Of the more than 3,500 students who were unable to secure on-campus housing, more than 2,000 chose to add their names to the wait list.

The Regents are being asked to approve preliminary plans funding in the amount of \$7.56 million. The requested preliminary plans funding would support scope refinement, detailed programming, preliminary design, design development, and project cost estimating by allowing the campus to utilize services of a selected design-build team. Approval of total budget and external financing will be requested in a subsequent Regents' action.

**RECOMMENDATION**

The President of the University recommends that the Committee on Grounds and Buildings recommend to the Regents that the 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Nuevo West Graduate Student Housing – preliminary plans – \$7.56 million to be funded from UC San Diego Housing Auxiliary Reserves and Parking Reserves.

## 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.

### *Project Drivers*

The key drivers for this project are:

#### 1. Demand

The current demand for on-campus housing from graduate students cannot be met without an increase in the total number of beds. As of December 2015, only 2,030 graduate students were accommodated with housing, leaving 3,500 students unable to secure on-campus housing. This demand is expected to grow with campus plans to increase both master's and Ph.D. student enrollment, further exacerbating the housing deficiency. When Mesa Nuevo (formerly referred to as the "Graduate and Professional Student Housing – East Campus") opens in December 2017, the project will provide about 1,355 beds for graduate and professional students; however, this would still leave more than 2,000 students unable to secure housing in addition to those students that will be admitted for the academic years of 2016-17 and 2017-18 who cannot be accommodated.

The shortage of reasonably priced rentals in the surrounding community strongly affects the demand for on-campus housing. UC San Diego is located adjacent to La Jolla and University Town Center (UTC), an area where housing costs are extremely high. The average studio apartment in the area adjacent to campus<sup>1</sup> currently rents for \$1,469, while an average one-bedroom apartment in the area rents for \$1,600 and a two-bedroom (but only one bathroom) rents for \$2,350 (per RealFacts data, fourth quarter 2015). Additionally, the apartment vacancy rate was under five percent.

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<sup>1</sup> Covers all of zip code 92122, which includes the UTC but excludes La Jolla.

2. Two-Year Front-end Guarantee to All Incoming Graduate and Professional Students

The campus is currently unable to guarantee housing to interested graduate and professional students. Effective October 2008, a change was made in housing policy that placed a two-year limit for all new single graduate and professional students, and couples without children, to live on-campus. 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. Unfortunately, UC San Diego is not able to provide this guaranteed housing to graduate and professional students at this time, which makes competitive recruitment difficult.

In order to accommodate all first- and second-year graduate and professional students in fall 2015, the campus would have needed to provide housing to more than 4,300 students – significantly more than the 2,030 students currently accommodated. Upon completion of Mesa Nuevo, which is currently under construction, the campus will be able to accommodate an additional 1,300 students. 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.

3. Provide Housing to Master's Degree Students

Master's degree students are a distinct population of graduate students because the duration of their degree program is two-years. Since the current waiting period for on-campus housing exceeds two years, master's degree students typically do not apply for housing. UC San Diego plans to increase enrollment of master's degree students in coming years and having access to on-campus housing would be key to attracting and retaining this target group, as well as enhancing the educational experience.

4. Long Range Development Plan

The housing goal of UC San Diego, as stated in its Long Range Development Plan (LRDP), is to provide housing for 50 percent of eligible students (which includes graduate and professional students) in campus-owned facilities. As of fall 2015, only 38.5 percent (approximately 13,000 of 33,735) of students were housed on campus, leaving a shortage of approximately 3,860 beds to achieve the LRDP goal. That shortage is expected to increase as both undergraduate and graduate enrollment increases on campus.

Additionally, housing a greater number of students on campus is an integral feature of UC San Diego's Transportation Management Strategy and aligns with San Diego Association of Governments' Smart Growth strategy for the San Diego region. Housing more students eliminates their daily vehicle commutes, and thus lessens the impact of vehicles on the regional roadway network, improves air quality, further reduces the University's carbon footprint, and assists in achieving the President of the University's 2025 Carbon Neutrality Initiative. In

addition, living on campus encourages student participation in the development of sustainable living environments.

5. President's Student Housing Initiative

In January 2016, the President of the University created a Student Housing Initiative aimed at accelerating the construction of new housing projects that will add a minimum of 14,000 student beds by the 2020 academic year. The projects are to include both undergraduate and graduate student housing. The goals of the initiative are to provide sufficient housing for UC's current and growing undergraduate and graduate student population, as well as to keep housing for UC students affordable. This project would help achieve the goals of this initiative.

**PROJECT DESCRIPTION**

The Nuevo West Graduate Student Housing project consists of two facilities: a housing facility that would provide a minimum of 800 beds and amenities designed to support a living and learning environment; and a parking facility that would provide 1,200 to 1,400 spaces.

***Housing Facility***

The Nuevo West Graduate Student Housing project would redevelop an existing portion of low-density housing at North Mesa; requiring demolition of six buildings (consisting of 100 beds). The proposed project would maximize the site by providing a higher density housing facility consisting of a minimum of 800 new beds for the campus. The proposed project would include amenities such as meeting rooms and smaller work spaces designed to support the living-learning environment. Other amenities may include a roof deck gathering space and a small retail space for a coffee shop or café. The project also would be designed to facilitate planned pedestrian, bicycle, and vehicular connections to existing housing, medical center, academic and research enterprises, and regional transportation projects that will serve the campus, such as the future Gilman Bridge and San Diego Light Rail Transit.

The proposed project would offer graduate students affordable rental rates, estimated to be more than 20 percent lower than market rates in the UTC area. Additionally, the rental rates would be set in consultation with the UC San Diego Graduate Student Association via the appointed housing advisory committee.

***Parking Facility***

A shared parking structure would be constructed across the street from the Mesa Nuevo project (currently under construction) and would provide parking for residents of Mesa Housing, as well as staff of the UC San Diego Health System. The proposed parking structure would be located on an existing surface parking lot north of Miramar Street, between Mesa Housing and the UC San Diego Health System (Attachment 4B Project Site Map); 142 parking spaces would be displaced by construction of the new structure. The parking structure that was approved as part of the Mesa

Nuevo housing project (July 2015) is adjacent to the proposed project. All residents of Mesa Housing would have access to park in either structure.

Graduate students living on campus 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, typically for off-campus jobs or internships.

As the UC San Diego Health System has grown, so has the need for parking on the East Campus. Surface parking lots that once served as overflow for those students who were unable to find parking on the West Campus are now at 80-90 percent of capacity with staff and visitors of the East Campus. The proposed parking facility would provide approximately 1,200 to 1,400 spaces and would be sized not only to meet the needs of Mesa residents but also to accommodate the growing staff population working on the East Campus. Approximately 500 parking spaces would be allocated to the residents of Mesa Housing. The remaining approximately 700 to 900 parking spaces would be allocated to staff working on the East Campus.

### **Approval Request and Schedule**

The requested preliminary plans funding of \$7.56 million would enable the campus to complete site surveys, hire specialty consultants, and select a design-build team through the competitive process. The funding would support scope refinement, detailed programming, preliminary design, design development, and project cost estimating by allowing the campus to utilize services of the selected design-build team prior to requesting full budget and financing approval from the Regents.

The campus intends to seek approval of total budget and external financing for the project at the November 2016 Regents Meeting, with approval of design following compliance with the California Environmental Quality Act to be sought in early 2018. The campus plans to begin construction immediately upon receipt of design and environmental approval, with the goal of completing the project in academic year 2019-20, which is the earliest that new housing could be brought on line.

### **Key to Acronyms**

HDH	UC San Diego Housing, Dining & Hospitality
LRDP	Long Range Development Plan
PPP	Public Private Partnership
RFP	Request for Proposal
UTC	University Town Center

**ATTACHMENTS:**

- Attachment 1: Preliminary Plans Budget
- Attachment 2: Alternatives Considered
- Attachment 3: Project Delivery Model
- Attachment 4: [A. Project Location Map](#)  
[B. Project Site Map](#)

## PRELIMINARY PLANS BUDGET

<b>Category</b>	<b>Amount</b>
Building <sup>2</sup>	\$6,230,000
A/E Fees <sup>3</sup>	\$300,000
Campus Administration <sup>4</sup>	\$220,000
Surveys, Tests, Plans <sup>5</sup>	\$175,000
Special Items <sup>6</sup>	\$635,000
<b>Total Preliminary Plans Budget</b>	<b>\$7,560,000</b>

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<sup>2</sup> Includes bonds and insurance for the full construction cost as stipulated by the UCOP Design-Build Contract.

<sup>3</sup> Includes master architect for design-build programming, design-build competition and selection process.

<sup>4</sup> Includes campus project management, planning, engineering, and design review, and contracts administration.

<sup>5</sup> Includes site surveys including soils, geologic borings and trenching, and design phase testing.

<sup>6</sup> Includes design-build competition stipends, specialty consultants, CEQA documentation, and peer reviews.

## ALTERNATIVES CONSIDERED

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

- Option 1 – “Do Nothing” (No Project)
- Option 2 – Reallocate Existing Housing
- Option 3 – Lease or Purchase off Campus
- Option 4 – Redevelopment with Public Private Partnership
- Option 5 – 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 and therefore financial analyses have not been prepared for these options. A summary of all five alternative solutions considered is provided below.

### *Option 1 - “Do Nothing”*

The current housing inventory is insufficient to meet the demand from the campus community (student, staff and faculty) in the near and long term. Without increasing the housing inventory, UC San Diego would not be able to:

- Conform to the UC President’s January 2016 Housing Initiative;
- Address current and projected demand for graduate student housing;
- Meet the 50 percent housing goal as stated in the LRDP;
- Provide sufficient housing to support a two-year front-end guarantee to all incoming graduate students;
- Provide enough affordable housing to meet student demand, forcing these students to live further away from campus and resulting in longer commutes/more traffic on local road ways; and
- Improve the overall experience for residential students and their dependents, which may threaten campus ability to recruit and retain top talent.

### *Option 2 - Reallocate Existing Housing*

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



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

UC San Diego is located adjacent to La Jolla and 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. 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 Home Owner Associations, which typically house 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 in which non-affiliates were the homeowners and customers and, in these types of residential arrangements, conflicts tend to occur between the University users and non-affiliates.

### ***Option 4 – Redevelopment with Public-Private Partnership***

Pursuing a Public-Private Partnership (PPP) Turnkey approach would add approximately ten months to the project schedule. The added time would be necessary to negotiate deal terms including building standards, schedule of performance, financing mechanisms, ground lease provisions, 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 because of extensive negotiations related to operations and maintenance, lease rates, and capital replacement reserves, and also would hinder opportunities for integrating the new housing with the residences and amenities of the existing housing community.

### ***Option 5 - Redevelopment with University-Delivered, New Construction on Campus***

The proposed project, which includes replacing existing low-density housing with new higher-density construction, is the best alternative for providing the most beds in the shortest amount of time. With approval of preliminary plans funding, the campus would be able to commence preliminary design work immediately and utilize the services of a design-build team. This would allow the design and environmental work to be completed by early 2018, with construction commencing shortly after, ten months faster than procuring this facility via PPP. Additionally, with a limited inventory of beds to purchase or lease in the surrounding community, this option would provide more beds (minimum of 800), in a location desired by most students, than if the campus were to lease or purchase off-campus properties.

**PROJECT DELIVERY MODEL**

The campus intends to utilize the fixed-price design-build delivery process that would support the accelerated completion schedule for the proposed project. 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 (for both the housing facility and parking structure), 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 align with HDH and Transportation Services operational and maintenance practices.

A Maximum Allowable Price and Design/Construction Schedule are built into the RFP. Three pre-qualified design-build teams would be short-listed and invited to participate in a competition to create a schematic design technical proposal. Each proposal would be 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.