

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

**ACTION ITEM**

*For Meeting of May 17, 2017*

**APPROVAL OF BUDGET, EXTERNAL FINANCING, AMENDMENT #4 TO THE UC SAN FRANCISCO 2014 LONG RANGE DEVELOPMENT PLAN, AND DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, MINNESOTA STREET GRADUATE STUDENT AND TRAINEE HOUSING, SAN FRANCISCO CAMPUS**

**EXECUTIVE SUMMARY**

The San Francisco campus proposes to construct housing on two recently acquired sites totaling 1.8 acres of land at 566/590 and 600 Minnesota Street, located immediately south of Mission Bay in the Dogpatch neighborhood. The Minnesota Street Graduate Student and Trainee Housing project would provide approximately 595 units to house approximately 710 students and trainees in two separate buildings by 2019, helping to significantly reduce the shortfall of on-campus housing. Although students are asked not to bring vehicles, the project would also provide garage parking with approximately 127 spaces, to accommodate rideshare vehicles and campus service vehicles, and to provide some additional parking to the overall UCSF parking portfolio.

The need for more UCSF housing is unrelated to an increase in students or trainees, as projected enrollment growth remains modest. Instead, the on-campus housing demand is correlated to rapid increases in the cost of housing throughout San Francisco over the past seven years, with on-campus options being the most affordable and convenient option for students and trainees in what is currently the most expensive rental housing market in the country.

In response to demand, UCSF is planning student and trainee housing developments to provide housing beyond the 852 units proposed in the 2014 Long Range Development Plan (LRDP). The campus conducted a comprehensive demand study in 2015 that identified the need to accommodate another 1,700 students and trainees through the addition of 1,400 units to the current housing inventory. The shortfall of campus housing is impeding recruitment and retention across all sectors, especially among students and trainees. Many prospective students and trainees receive offers from competitor institutions that include lower-cost campus housing, putting UCSF at a competitive disadvantage. As such, developing additional housing in the immediate future is of critical importance to UCSF.

Consistent with the Community Planning Principles in the 2014 LRDP, UCSF has engaged with the community to identify cushioning actions (separate from mitigation measures required by the

California Environmental Quality Act (CEQA)) to offset neighborhood impacts of the proposed project, as well as other proposed UCSF projects in the neighborhood.

At the July 2016 meeting, the Regents approved funding of preliminary plans for the Minnesota Street Housing project in the amount of \$12.8 million. In March 2017, the campus presented the Finance and Capital Strategies Committee with a request for approval of the project budget and external financing. The Committee deferred its recommendation of that action and requested additional information related to the project costs and the building efficiency. This item addresses those requests and in addition presents the project design for consideration.

The total project budget for which approval is being requested is approximately \$8.6 million less than the amount stated in the March 2017 request. Now that local trade partners have been selected and are on board, the design is completed, and the program is solidified, the campus was able to reduce some of the contingencies and allowances that had been included in the original budget. The lower budget and reduced amount of external financing includes a related reduction in the estimated interest during construction.

In this action, the Regents are being asked to: (1) approve the project budget of \$222.7 million to be funded from external financing (\$205.3 million), housing reserves (\$7 million), and parking reserves (\$10.4 million); (2) approve the project scope; (3) approve external financing in the amount of \$205.3 million; (4) certify the Environmental Impact Report; (5) adopt the Mitigation Monitoring and Reporting Program and CEQA Findings; (6) approve Amendment #4 to the LRDP; (7) approve the project design; and (8) authorize the President of the University to execute documents related to these actions.

### **RECOMMENDATION**

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

- (1) The 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Francisco: Minnesota Street Graduate Student and Trainee Housing – preliminary plans – \$12.8 million to be funded from housing reserves (\$7 million) and campus funds (\$5.8 million).

To: San Francisco: Minnesota Street Graduate Student and Trainee Housing – preliminary plans, working drawings, construction, and equipment – \$222.7 million to be funded from external financing (\$205.3 million), housing reserves (\$7 million), and parking reserves (\$10.4 million).

- (2) The scope of the Minnesota Street Graduate Student and Trainee Housing project shall provide approximately 377,000 gross- square-feet (gsf) of space in two structures. The buildings will have approximately 595 units to house approximately 710 graduate and professional students and trainees, along with

retail, community spaces, and building support. The scope also includes garage parking with approximately 127 spaces.

- (3) The President be authorized to obtain external financing not to exceed \$205.3 million plus additional related financing costs. 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 Francisco 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.
- B. The President recommends that, following review and consideration of the environmental consequences of the proposed Minnesota Street Graduate Student and Trainee Housing project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Finance and Capital Strategies Committee recommend that the Regents:
  - (1) Certify the Environmental Impact Report.
  - (2) Adopt the Mitigation Monitoring and Reporting Program.
  - (3) Adopt the CEQA Findings including the Statement of Overriding Considerations for significant and unavoidable impacts.
  - (4) Approve Amendment #4 to the 2014 Long Range Development Plan (LRDP) to include the project site in LRDP Chapter 9, Smaller Owned Sites; and.
  - (5) Approve the design of the Minnesota Street Graduate Student and Trainee Housing project, San Francisco campus.
- C. The President recommends that she be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.

### **BACKGROUND**

Students and trainees have fluctuating schedules, overnight shifts, and are involved in laboratory research and patient care. The need for proximity to campus hospitals, clinics, and laboratories

limits the ability of students and trainees to live outside of San Francisco, where housing prices are lower. In order to live near campus and keep housing costs reasonable, many students and trainees often live in less-than-desirable conditions and tight quarters.

In the summer of 2016, when UCSF students and trainees were securing their housing for the current academic year, a two-bedroom unit on campus was renting for \$3,000 per month. In contrast, the city-wide median rental for a two-bedroom apartment in San Francisco at that same time was \$4,800 per month. With potential savings of more than 30 percent and locations proximate to academic and hospital facilities, campus housing options are highly desirable.

UCSF currently has 632 campus housing units for students and trainees, located on the Mission Bay and the Parnassus Heights campus sites. These units accommodate 900 students and trainees (14 percent of the student and trainee population).

Over a two-year period (2014 and 2015), the campus measured demand for housing by conducting surveys of students and trainees. The results of these surveys identified demand for an additional 1,400 units, beyond UCSF's current housing stock. Given the limited existing inventory, the majority of housing applicants were not accommodated in the academic year 2016-17.

In September 2015, UCSF received approval from the Regents to purchase and finance the two parcels and existing industrial buildings at 566/590 and 600 Minnesota Street, located in the Dogpatch neighborhood of San Francisco, just one block south of the Mission Bay campus. At the time of the acquisition several programmatic uses were under consideration, and the parcels, each approximately 40,000 square feet of land area, were acquired because of their proximity to the campus. The cost and related debt for this acquisition were covered by general campus resources since a specific campus use had yet to be determined.

The City of San Francisco rezoned the Dogpatch neighborhood in the 1990s to promote housing development. Historically a mixed industrial/residential neighborhood, the Dogpatch has become more residential in character and many ground-up housing developments have been built or are proposed in the area. The Dogpatch provides established retail offerings and residential life within a few blocks of the Mission Bay campus.

### ***Long Range Development Plan Housing Targets and Future Projects***

The Long Range Development Plan (LRDP) proposed the addition of approximately 852 units at existing campus sites; however, this is insufficient compared to demand. As indicated in the LRDP, the student and trainee population is proposed to grow only modestly through 2035. However, since the adoption of the LRDP, the cost of housing in San Francisco has increased dramatically compared to on-campus housing. Thus, pressure on the on-campus housing supply among the student and trainee population is not a result of enrollment growth but is directly correlated to rapid increases in the cost of housing throughout San Francisco.

At the Parnassus campus, the LRDP projected the creation of new student and trainee housing by converting non-housing space in the existing UC Hall building into campus housing in two

phases (115-120 units by 2021 and 60-65 units by 2035), as well as the conversion of the Millberry Union buildings into campus housing (80-85 units by 2035). Both UC Hall and Millberry Union have current uses that need to be relocated before the housing conversions could be implemented. UC Hall requires completion of other campus projects that are currently in development. Relocation of occupants in Millberry Union would occur following decommissioning of Moffitt Hospital. Since they rely on the completion of other projects, it is not feasible to accelerate the delivery of UC Hall or Millberry Union in order to address immediate housing needs.

The LRDP designated Block 15 on the UCSF Mission Bay Campus for future housing. Since then, all commercially developable property at Mission Bay has been acquired at very high prices, thereby substantially increasing the value of the UCSF land. When the parcels on Minnesota Street became available in 2015, UCSF leadership decided to defer the development of housing on Block 15 and reassess the best use of this centrally located block, which is adjacent to blocks planned for instruction and research and open space. UCSF has experienced tremendous demand for research and clinical space due to growing federal and philanthropic support, as well as additional demand for clinical services. There are limited locations in or near Mission Bay that could accommodate research, clinical and ancillary administrative uses. Although building housing on Block 15 remains a possibility in the future, it is not considered the best immediate option when compared to the Minnesota Street properties. Also, the current value of Block 15 for research and clinical space exceeds the cost of the Minnesota Street properties on a per developable square foot basis.

Consistent with the Community Planning Principles as stated in the LRDP, UCSF has engaged in a process with the community to identify actions (separate from mitigation measures required by the California Environmental Quality Act (CEQA)) that could address minimizing impacts on the neighborhood that are related to the proposed project, as well as other proposed UCSF projects in the area.

### ***Project Drivers***

The Minnesota Street Graduate Student and Trainee Housing (Minnesota Street Housing) project addresses three key drivers for UCSF's student and trainee housing projects:

- Burgeoning housing demand for San Francisco housing has resulted in unprecedented high rental rates and low inventory.
- UCSF's students and trainees have difficulty competing with working professionals for market-rate housing in areas close to campus facilities and convenient to public transportation.
- Difficulties in securing and paying for affordable nearby housing are impeding UCSF's recruitment and retention of top-tier graduate and professional students and trainees.

These current conditions affect UCSF's ability to maintain its status as a top-ranked health sciences university and require immediate action to address the problem. The Minnesota Street

Housing project addresses all three of the project drivers:

- With the project anticipated to open for occupancy in the summer of 2019, it will be available in the relatively near term.
- Current pro forma analysis indicates that the rental rates in this project (and across other UCSF housing) can continue to stay well below market and remain affordable for students and trainees.
- With approximately 595 units accommodating approximately 710 students and trainees, the project provides a large supply of conveniently located and affordable campus housing and gives those who recruit and retain academic talent a competitive offering.

### **PROJECT DESCRIPTION**

The Minnesota Street Housing project would provide approximately 595 units, in two buildings on a 1.8-acre site, at a density of approximately 330 units per acre. This project is oriented to urban living and would include a mix of micro-unit, studio, and two-bedroom unit types. The average size of the residential units range from 250–510 square-feet. Micro-units are proposed to make up 65 percent of the project. Units of this type are becoming increasingly popular in urban areas, as they provide privacy but rent for lower rates given their smaller-sized living space. See Table 1 below for distribution of unit types and corresponding rental rates.

**Table 1  
Mix of Unit Types and Rents**

<b>Unit Type</b>	<b>Number of Units</b>	<b>Number of Leases</b>	<b>2019-20 Rental Rate</b>
Micro-Unit	385	385	\$1,732
Studio	95	95	\$2,137
Two-Bedroom	115	230	\$3,375
<b>Total</b>	<b>595</b>	<b>710</b>	

The two-building project would comprise of approximately 377,000 gross square feet (gsf), including 46,000 gsf for garage parking. In order to foster a sense of community and to add to the attraction of living in a complex with small units, both buildings would include courtyards and a substantial amount of community space where residents can socialize, network, and study. In addition, one of the buildings would include some retail space facing Minnesota Street. See Attachment 6 for sample floor plans, which demonstrate layout of units and other programmatic spaces between the two buildings.

#### ***Efficiency Ratio***

The University calculates assignable and non-assignable square feet (nsf) based on methodologies that are described in UCOP’s Facilities Inventory Guide (FIG). The FIG

calculation approach was adopted because it aligns with federal requirements related to cost reimbursements for research and grant-related activities. In the FIG calculation, assignable and non-assignable square footage are based on area measurements taken from the interior face of walls and exclude the building’s walls, structure, and columns. This methodology differs significantly from the BOMA<sup>1</sup> guidelines that are typically utilized for space and area calculations in the private sector, whereby measurements are taken from the outside of exterior walls, and neither interior nor exterior walls and structures are segregated into a separate category.

The following table summarizes the area of the project:

**Table 2  
Summary of Square Footage**

<b>Category</b>	<b>GSF</b>	<b>%</b>
Residential Units	220,770	67%
Common Areas, Administration, Building Services, and Retail	30,610	9%
Program Support (trash rooms, custodial closets, public restrooms)	5,730	2%
Circulation (stairs, corridors, elevators and elevator lobbies)	65,360	20%
Mechanical Spaces (mechanical and electrical rooms)	8,530	2%
Structure (walls and structural elements)	Included in GSF above	NA
<b>Total GSF - Excluding Parking</b>	<b>331,000</b>	<b>100%</b>
Parking	46,000	
<b>Total Project GSF</b>	<b>377,000</b>	

***Affordability and Interim Support***

The campus is committed to providing housing to its students and trainees at substantially below-market rates in order to remain competitive and to help mitigate students’ debt burden. Every year, housing rates are established in consultation with a housing advisory committee. For the past ten years, UCSF Housing Services has increased rents at three or four percent per year. This is a rate high enough to cover annual increases in operating expenses and fund reserves for renewals, ongoing repairs, existing debt, and future development. Financial analyses show that with increases of no more than four percent per year for the foreseeable future, UCSF can build the proposed project and cover its costs, while maintaining project rents well below market levels.

<sup>1</sup> Building Owners and Management Association

***Market-Rate Comparison***

Apartment rental rates in San Francisco are expected to increase moderately for the next four years, according to a real estate forecast issued in the third quarter of calendar year 2016 by REIS, Inc. The same report suggested the potential for declining rental rates in two years of the four years, as shown in Table 3.

**Table 3  
Estimated Changes in Rental Rates (2017-2020)  
San Francisco <sup>(1)</sup> and UCSF <sup>(2)</sup> - Two-Bedroom Units**

Forecast	2017		2018		2019		2020	
	Rent	% Change	Rent	% Change	Rent	% Change	Rent	% Change
San Francisco Apartment Rentals (“Flat Growth”)	\$4,886	1.8%	\$5,009	2.5%	\$5,134	2.5%	\$5,262	2.5%
San Francisco Apartment Rentals (“Decline”)	\$4,469	-6.9%	\$4,415	-1.2%	\$4,442	0.6%	\$4,513	1.6%
UCSF Planned	\$3,120	4.0%	\$3,245	4.0%	\$3,375	4.0%	\$3,510	4.0%

<sup>(1)</sup> *The rental rates are based on median costs for San Francisco as published in summer 2016 by Zumper, an online apartment listing agency, and escalated by the growth rates forecasted by REIS, Inc.*

<sup>(2)</sup> *Monthly rental rates for two-bedroom apartments include internet service and all basic utilities except electricity.*

With UCSF’s planned increase in campus housing rental rates of up to four percent annually, the campus housing rates still are projected to be significantly lower than market rates (between 24 percent and 35 percent in 2017) – even if San Francisco rates increase moderately or decline slightly as forecasted by REIS, Inc.

Demand for the proposed campus housing is expected to be increased by various factors in addition to price, including direct adjacency to campus, waiver of deposit, fully furnished apartments, car-share programs built into the program, and an abundance of community space in the building.

To ensure the well-being of current students and to facilitate the recruitment of new students while new housing is in development, the Chancellor and campus leadership decided to support a cost-of-living supplement (COLS) for eligible students. The COLS provides a bridge solution between now and when the Minnesota Street Housing project would be delivered in 2019. Effective July 1, 2016, students who demonstrate financial need and who are not able to live in campus housing received a \$200 per month supplement (\$2,400/year). In fiscal years 2016-17 and 2017-18, the COLS program is funded by a philanthropic gift, UCSF Health, and each of the campus’ schools. Sources of funds for COLS thereafter will be identified year to year.

***Project Delivery***

The project will be delivered using a campus-led Construction-Manager-at-Risk approach, with Design/Build subcontractor trades using an integrated Target-Value Design strategy. It is



anticipated that a high volume of construction will be underway in the Mission Bay area concurrent with the Minnesota Street Housing project, making construction logistics more difficult. The planned delivery method allows the campus to engage the construction professionals early in design to address the challenges of construction under these circumstances, explore constructability alternatives, including off-site modular and industrialized building techniques, and identify the most cost-effective approach.

This integrated approach also makes project delivery more efficient and predictable; therefore, the campus expects to minimize construction cost overruns and/or delays. It is imperative that the project be completed early in the summer of 2019 in order to meet the student and trainee move-in period. Any delay would mean the project is delayed by one year, as UCSF graduate students and trainees tend to secure housing in the summer and typically do not move midyear.

UCSF also believes that an integrated Target-Value Design will ensure the highest overall design quality and building performance, given its history of successfully using similar approaches for campus delivery of major projects on schedule and on budget. Recent UCSF projects implementing this method include the Smith Cardiovascular Research Building (2012), the Ray and Dagmar Dolby Regeneration Medicine Building (2010), the Medical Center Phase 1 Parking Structure (2013), the Mission Hall Global Health and Clinical Sciences Building (2014), and the Medical Center at Mission Bay (2015).

### ***Parking***

The project includes 46,000 gsf of parking for approximately 127 spaces, between the two buildings. Students and trainees living at Minnesota Street Housing will be advised not to bring cars to campus, but, instead to walk or bike to campus, use rideshare vehicles, take nearby public transit, benefit from UCSF's contract with on-demand car service providers, or take the well-established UCSF shuttle system. Although there will be parking in the complex, most of the parking is intended to accommodate rideshare vehicles; retail customers; and University vehicles from Facilities and Housing Services; and to provide some additional spaces to the overall UCSF parking portfolio for staff, faculty, and visitors. Only a few spaces would be available for student and trainee vehicles, for a separate monthly fee. The number of parking spaces proposed for the project was limited to an essential amount that would maximize the number of housing units on the site.

### ***Project Schedule***

The project is scheduled to complete construction by June 2019.

## **LRDP AMENDMENT**

The project site was acquired in October 2015, after UCSF's 2014 LRDP was approved in November 2014. Following consideration of potential land uses for the site, it was determined that the project site would be best used for UCSF student and trainee housing.

As the project site is not included in the 2014 LRDP, LRDP Amendment #4 is proposed to include the project site in LRDP Chapter 9, Smaller Owned Sites. Smaller owned sites are generally not assigned functional zones because they are typically developed with a single facility, and further development beyond that initial use would require future approvals.

Specific text to be added to the LRDP is provided in Attachment 7. Conforming changes will be made to relevant LRDP maps to reflect this LRDP Amendment.

## **DESIGN ELEMENTS**

### ***Location and Site Condition***

The Minnesota Street Housing project is located one block south of the Mission Bay campus in the northern edge of San Francisco's Dogpatch neighborhood, amidst a mix of industrial, residential, and emerging commercial uses. The project site is comprised of two parcels on either side of 18th Street, which rises towards the west as it passes over Interstate 280. The northern parcel (566/590 Minnesota) currently is developed with two warehouse buildings of approximately 30,000 gsf combined. The southern parcel (600 Minnesota) is developed with one warehouse building of approximately 49,000 gsf. The proposed project includes demolition of these three existing warehouse buildings.

### ***Local Zoning Requirements***

UCSF seeks to cooperate with the City and County of San Francisco to reduce any potential conflicts between University uses and the existing or planned land uses in neighboring areas of the City. Although the University is exempt from local zoning regulations, UCSF has expressed in its Long Range Development Plan an intention to be substantially consistent with the City of San Francisco's use and height limitations. The City's height limit for the property is 58 feet. The City, through its Eastern Neighborhoods Plan, zoned the property "Urban Mixed-Use" (UMU), a designation intended to promote a mix of activities. The rules applying to this UMU zone allow residential development among other uses common to the Dogpatch neighborhood.

### ***Building Design***

The project seeks to support UCSF's institutional mission by providing a high-quality, optimally sized, and contextually sensitive housing development for students and trainees. Each building is generally configured with parking below and at grade, and shared amenity and/or retail space also at grade. The residential units start at grade and repetitive floor-plans are stacked on the upper floors. Both buildings will comprise six stories above grade, with the ground level of the northern building partially below grade. In addition, both buildings are organized around central courtyards. Primary pedestrian entrances for both buildings are located along the more active Minnesota Street, while garage and service access occurs on Indiana Street. New pedestrian passages have been designed on both sides of 18th Street where the road rises to pass over Interstate 280.

The architecture of the Minnesota Street Housing buildings will be distinct in character from the architecture of the Mission Bay campus in order to better reflect the more fine-grained, low-rise mixed-use character of the Dogpatch neighborhood. Careful consideration and design effort have been given to modulating and faceting the building massing to create additional open space and façade relief around the building perimeter, especially given the adjacent 18th Street overpass. The building forms are articulated with openings along Minnesota Street that break up the massing, allow for views into courtyards, and provide setbacks at the sixth floors.

The buildings' structural system, cast in place concrete columns and shear walls supporting post-tensioned slabs, has been selected for seismic performance, spatial economy, construction efficiency, and ability to support use of pre-cast façade components of the building. A sixth floor of housing can be accommodated within the 58-foot height limit with this structural system, whereas only five floors could be accommodated with wood-frame construction.

The landscape design aims to connect the project to the surrounding environment of the Dogpatch neighborhood and is comprised of streetscape improvements at Minnesota and Indiana Streets, visual and security enhancements at the mid-block pedestrian passages, and private courtyards. The two private courtyards would be constructed above the parking level and are intended to be an amenity and tranquil resource for building residents, given the small size of individual units; a combination of raised planting beds, special paving, and custom seating features are planned.

### ***Materials***

Major building materials will include integrally colored fiber cement panels, pre-cast concrete, and liberal amounts of glazing associated with active-use program areas on the ground floor. Roof forms will be flat, utilizing materials with a high solar reflective index to address heat island effect.

### ***Seismic Safety***

The project will comply with the University of California Seismic Safety Policy including independent structural engineering peer review.

### ***Sustainable Practices***

The project will comply with the University of California Sustainable Practices Policy. As required by this policy, the project will adopt the principles of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements, and achieve a minimum Leadership in Energy and Environmental Design (LEED™) (Version 4) Silver rating. The project is targeting LEED™ Gold. The project would be designed to be solar-ready, in line with UC sustainability goals, to enable later development of solar power generation by the campus or in partnership with a third party.

### **CEQA COMPLIANCE**

Pursuant to State law and University procedures for implementation of CEQA, the project has been analyzed in the Minnesota Street Graduate Student and Trainee Housing Project Final Environmental Impact Report (FEIR).

A summary of the issues and findings related to the FEIR as well as detailed documentation can be found in the attachments to this item.

### **FINANCIAL FEASIBILITY**

The total project cost of \$222.7 million would be funded from external financing (\$205.3 million), housing reserves (\$7 million), and parking reserves (\$10.4 million). The debt service on this project will be paid with housing revenues.

To support the effort to keep costs to students and trainees affordable, the campus has elected to cover expenses related to the acquisition of the land for this project from resources outside of the housing program. The campus acquired the land for \$55 million using external financing in 2015 as a strategic opportunity and then studied potential uses. While future uses were under consideration, the debt for the land acquisition was covered by campus general funds. It was determined that housing was the highest and best use for UCSF's needs, as recruitment of students is affected by the availability and affordability of housing. Given that the primary driver of this project is the programmatic goal of providing affordable housing to students and trainees, the campus determined that it was necessary to continue backing the debt for the land with general campus funds in order to keep rents within affordable levels.

Given the high construction costs in the San Francisco market and the programmatic need to offer housing costs that are competitive with other health science schools, the financing strategy for this project relies on campus-wide resources to demonstrate feasibility. The project does not meet the 1.10x project debt service coverage requirement set by the UC Debt Policy for auxiliary projects until the 11th year of operations; however, UCSF Housing Services meets the auxiliary debt service coverage requirement of 1.25x in all years. It is the intention of the campus to use revenues from the entire UCSF housing portfolio to support this project. The Office of the Chief Financial Officer has granted an exception to the UC Debt Policy as the campus has demonstrated the ability to service the debt from all UCSF Housing Services revenues and to meet the project-level requirements over time.

The campus evaluated proposed rental rate increases based on the estimated costs of construction, estimated financing rate, and current market conditions. Additional information regarding the project budget, comparable projects, and financial feasibility is included in Attachments 1, 2, and 3.

**Key to Acronyms**

BOMA	Building Owners and Management Association
CEQA	California Environmental Quality Act
COLS	Cost-of-Living Supplement
FEIR	Final Environmental Impact Report
FIG	UCOP's Facilities Inventory Guide
GSF	Gross-Square-Foot
LEED™	Leadership in Energy and Environmental Design
LRDP	Long Range Development Plan
Minnesota Street Housing	Minnesota Street Student and Trainee Housing project
NSF	Non-Assignable-Square-Foot
RSF	Rentable-Square-Foot
UMU	Urban Mixed-Use

**ATTACHMENTS:**

Attachment 1: Project Sources and Uses

Attachment 2: Comparable Project Information

Attachment 3: Summary of Financial Feasibility

Attachment 4: Alternatives Analysis – Options Considered but Rejected

Attachment 5: Project Location Map

**Attachment 6: Project Design Graphics**

Attachment 7: Amendment to the LRDP

Attachment 8: Environmental Impact Summary

Attachment 9: Minnesota Street Graduate Student and Trainee Housing Project Final Environmental Impact Report

Draft Environmental Impact Report:

[https://campusplanning.ucsf.edu/sites/campusplanning.ucsf.edu/files/reports/UCSF%20Minnesota%20Street%20Housing%20Project%20Draft%20EIR%20with%20Appendices\\_0.pdf](https://campusplanning.ucsf.edu/sites/campusplanning.ucsf.edu/files/reports/UCSF%20Minnesota%20Street%20Housing%20Project%20Draft%20EIR%20with%20Appendices_0.pdf)

Final Environmental Impact Report:

<https://campusplanning.ucsf.edu/sites/campusplanning.ucsf.edu/files/reports/02%20%20Minnesota%20Street%20Housing%20Project%20Final%20EIR%20-%202017-05-03.pdf>

**Attachment 10: California Environmental Quality Act Findings (including Mitigation Monitoring Program)**

**ATTACHMENT 1**

**PROJECT SOURCES AND USES  
MINNESOTA STREET STUDENT & TRAINEE HOUSING  
CCCI 6662**

**PROJECT SOURCES**

<b>Source</b>	<b>Housing</b>	<b>Parking</b>	<b>Total</b>	<b>% of Total</b>
External Financing	\$205,300,000		\$205,300,000	92.2
Housing Reserves	\$7,000,000		\$7,000,000	3.1
Parking Reserves		\$10,400,000	\$10,400,000	4.7
<b>Total Sources</b>	<b>\$212,300,000</b>	<b>\$10,400,000</b>	<b>\$222,700,000</b>	<b>100.0</b>

**PROJECT USES**

<b>Category</b>	<b>Housing</b>	<b>Parking</b>	<b>Total</b>	<b>% of Total</b>
Site Clearance	\$4,000,000	\$500,000	\$4,500,000	2.1
Building	\$151,000,000	\$8,000,000	\$159,000,000	73.6
Exterior Utilities	\$2,200,000	\$300,000	\$2,500,000	1.2
Site Development	\$4,300,000	\$100,000	\$4,400,000	2.0
A/E Fees <sup>1</sup>	\$8,800,000	\$400,000	\$9,200,000	4.3
Campus Administration <sup>2</sup>	\$11,060,000	\$500,000	\$11,560,000	5.3
Surveys, Tests, Plans	\$890,000	\$100,000	\$990,000	0.5
Special Items <sup>3</sup>	\$6,500,000	\$200,000	\$6,700,000	3.1
Interest During Construction <sup>4</sup>	\$8,800,000	-	\$8,800,000	4.0
Contingency	\$8,150,000	\$300,000	\$8,450,000	3.9
<b>Total</b>	<b>\$205,700,000</b>	<b>\$10,400,000</b>	<b>\$216,100,000</b>	<b>100.0</b>
Group 2&3 Equipment <sup>5</sup>	\$6,600,000	-	\$6,600,000	
<b>Total Uses</b>	<b>\$212,300,000</b>	<b>\$10,400,000</b>	<b>\$222,700,000</b>	

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

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

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

<sup>4</sup> Interest During Construction is not budgeted for the parking portion of the project since that use is being funded by reserves and will not incur construction interest expense.

<sup>5</sup> Group 2&3 Equipment includes FF&E for furnishings.

<b>Project Statistics</b>	<b>Housing</b>	<b>Parking</b>
Gross Square Feet (GSF) <sup>6</sup>	331,000	46,000
Efficiency Ratio RSF/GSF: BOMA <sup>7</sup>	.76	n/a
Number of Beds or Parking Spaces	710	127
Number of Housing Units	595	n/a
Building Cost/GSF	\$456	\$174
Project Cost/GSF <sup>8</sup>	\$621	\$226
Building Cost/Bed or Parking Space	\$213,000	\$63,000
Project Cost/Bed or Parking Space <sup>9</sup>	\$290,000	\$82,000
Building Cost/Unit	\$254,000	n/a
Project Cost/Unit	\$346,000	n/a

---

<sup>6</sup> GSF is the total area, including usable area, stairways and space occupied by the structure itself.

<sup>7</sup> Building Owners and Management Association (BOMA) prescribed standards for calculating rentable square feet (RSF) for the housing portion of the program result in 251,380 RSF.

<sup>8</sup> Excludes Group 2 & 3 Equipment.

<sup>9</sup> Project cost excludes Group 2 & 3 Equipment.

## COMPARABLE PROJECT INFORMATION

The cost metrics for comparable housing projects shown in the following table demonstrates how the proposed budget for the Minnesota Street Graduate Student and Trainee Housing project in San Francisco compares to recent UC and local projects. It should be noted that the unit mix of comparable projects includes larger 1-, 2- and 4-bedroom units, which differs from the high percentage of micro-units and studio units in the proposed project.

Location – Project Name	CIB Date	No. of Beds	Building Cost/GSF	Building Cost/Bed	Building Cost/Unit
<b><i>Proposed Project – Housing<sup>1</sup></i></b>	<b><i>3/17</i></b>	<b><i>710</i></b>	<b><i>\$456</i></b>	<b><i>\$213,000</i></b>	<b><i>\$254,000</i></b>
UCSF – Mission Bay Housing (Block 20)	11/02	756	\$331	\$179,000	\$315,000
UCLA – Weyburn Terrace	9/13	500	\$366	\$200,000	\$200,000
Private Developer A, Mission Bay, San Francisco <sup>2</sup>	9/15	384	\$378	\$357,000	\$547,000
Private Developer B, Mission Bay, San Francisco <sup>2</sup>	2/14	472	\$376	\$240,000	\$360,000
Private Developer C, Mission Street, San Francisco <sup>2</sup>	12/13	240	\$429	\$193,000	\$289,500
Stanford - Munger Graduate Residences	9/08	600	\$460	\$360,000	\$603,000
Location – Project Name	CIB Date	No. of Spaces	Building Cost/GSF	Building Cost/Space	
<b><i>Proposed Project – Parking<sup>3</sup></i></b>	<b><i>3/17</i></b>	<b><i>127</i></b>	<b><i>\$174</i></b>	<b><i>\$63,000</i></b>	
UCLA Hilgard Grad Student Housing (parking only)	10/07	53	\$215	\$78,000	
UCSF- 2420 Sutter	4/11	228	\$209	\$82,000	

1. Projects have been adjusted to reflect proposed project's CCCCI of 6662.
2. Project excludes prevailing wage.
3. Cost of parking portion within housing project.

### ***Cost Drivers***

The project will include a high proportion of micro-units. This unit type is well suited to the needs of students and trainees since it offers independent living units. However, inclusion of this unit type also results in a proportionately higher number of finished kitchens and bathrooms than would be included if fewer units were provided on the same site, or in a residence hall with shared facilities. As a result, construction costs for individual units are higher on a square footage basis.

Additionally, since the Minnesota Street site is bifurcated (two individual parcels separated by an interstate on-ramp), economies of scale that would normally be available on a single site are not available. Specifically, the project will require two separate cranes during construction, separate foundations, and elevators.



In order to optimize the unit count on the sites the parking will be placed below grade. This will require excavation of bedrock at both sites. By installing the common courtyards above the parking area, as opposed being able to establish them at grade, the project will require waterproofing and drainage infrastructure that would not be necessary in a more standard configuration.

## SUMMARY OF FINANCIAL FEASIBILITY

SAN FRANCISCO CAMPUS	
Project Name	Minnesota Street Graduate Student and Trainee Housing
Project ID	9002844
Total Estimated Project Costs	\$222.7 million
Anticipated Interest During Construction	\$8.8 million

PROPOSED SOURCES OF FUNDING	
External Financing	\$205.3 million
Housing Reserves	\$7 million
Parking Reserves	\$10.4 million
Total	<b>\$222.7 million</b>

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

**Externally Financed Projects**

Long-term external financing assumptions are listed below.

FINANCING ASSUMPTIONS	
Anticipated Repayment Source	General Revenues of the UCSF Campus
Anticipated Fund Source	Auxiliary Housing Revenues
Financial Feasibility Rate	6.0%
First Year of Principal	FY 2025 (interest-only through FY 2024)
Final Maturity (e.g. 20XX)	FY 2054
Term (e.g. 30 years)	35 years - 5 years interest-only, then 30 years principal & interest
Estimated Average Annual Debt Service	\$12,318,000 – Years 1-5 (interest-only) \$14,915,000 – Years 6-35 (principal & interest)

Below are results of the financial feasibility analysis for the proposed project using the campus's Debt Affordability Model. The model includes projections of the campus's operations and planned financings. A new Debt Affordability Model with revised metrics was implemented August 1, 2015.

<b>Measure</b>	<b>10 Year Projections</b>	<b>Approval Threshold</b>	<b>Requirement</b>
Modified Cash Flow Margin <sup>1</sup>	2.4 %, FY 2022	≥ 0.0%	Must Meet
Debt Service to Operations <sup>1</sup>	4.9%, FY 2022	≤ 6.0%	Must Meet 1 of 2
Expendable Resources to Debt <sup>1,2</sup>	1.41x FY 2016	≥ 1.00x	
Auxiliary Project Debt Service Coverage <sup>3</sup>	0.87x FY 2020 (Yr 1) <sup>5</sup>	≥ 1.10x	Must Meet for Auxiliary Projects <sup>5</sup>
Housing Debt Service Coverage <sup>4</sup>	1.26x FY 2020 (Yr 1)	≥ 1.25x	Must Meet for Housing Projects

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

<sup>2</sup> Expendable Resources to Debt are not projected. The ratio provided here is a snapshot as of the most recent fiscal year-end available.

<sup>3</sup> Auxiliary Project Debt Service Coverage is an individual project metric.

<sup>4</sup> Housing Debt Service Coverage is a campus's auxiliary system metric.

<sup>5</sup> Project meets 1.1x coverage in Year 11. UCSF has been granted an exception to the UC Debt Policy from the Office of the Chief Financial Officer, as the campus has demonstrated the ability to service the debt from all UCSF Housing Services revenues and to meet the requirements over time.

**ALTERNATIVES ANALYSIS – OPTIONS CONSIDERED BUT REJECTED**

Four options were analyzed in detail, including the development of housing on the Minnesota Street properties. Minnesota Street Housing project (with an in-house delivery) was considered the most favorable option for reasons of schedule, cost, operational difficulties, and location challenges.

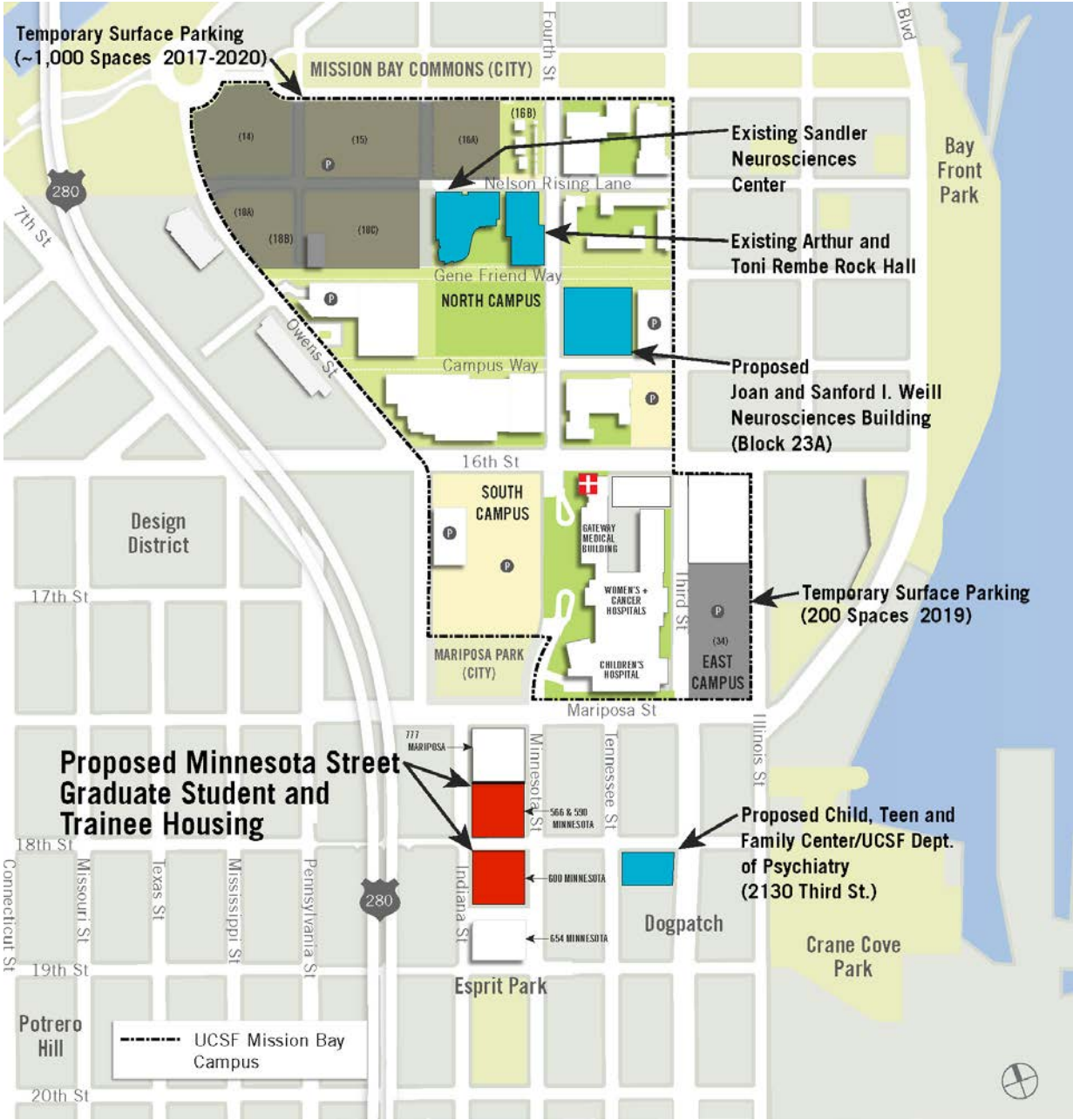
A narrative of the other three considered but rejected options is provided below.

**Rejected Option: Master leasing privately developed off-campus housing:** UCSF considered master leasing large blocks of units within recently or soon-to-be constructed apartments. Master leasing was rejected as an option principally because of costs. The campus would have to subsidize rents under a master lease arrangement in order to keep the cost to students and trainees affordable. The net cost to UCSF for this arrangement was estimated at \$7 million per year for 500 units. This option was not viable from a long-term investment perspective, since under a master lease campus resources would be continually redirected to an asset the campus would never own.

**Rejected Option: Purchasing privately developed off-campus housing:** UCSF considered purchasing apartment complexes (whole or in part), including properties under development or slated for development. However, UCSF's 2014 LRDP calls for the campus to avoid adversely affecting the availability of housing by purchasing housing stock in the off-campus market. Furthermore, available options were too upscale for students and trainees and, therefore, UCSF would have overpaid compared to what UCSF needs. One sample site was priced at \$341 million for 500 units, much more expensive than the proposed development by UCSF on Minnesota Street.

**Rejected Option: Develop housing on Block 15:** The LRDP designated Block 15 on the Mission Bay campus site for future housing. When parcels on Minnesota Street became available in 2015, UCSF leadership decided to defer the development of housing on Block 15 and reassess the best use of this centrally located block. There are limited locations in or near Mission Bay that could accommodate research, clinical, and ancillary administrative uses. Although building housing on Block 15 remains a possibility in the future, it was not considered the best option given the opportunity to purchase the Minnesota Street properties. Given the immediate need for housing, UCSF is electing to develop the Minnesota Street project in lieu of Block 15.

PROJECT LOCATION MAP



**AMENDMENT TO LRDP**

The following sentence is added to the end of the first paragraph of LRDP Chapter 9, Smaller Owned Sites:

Smaller owned sites are generally not assigned functional zones because they are typically developed with a single facility, and further development beyond that initial use would require future approvals.

The following section is added to the end of LRDP Chapter 9, Smaller Owned Sites:

9.9 Minnesota Street Housing

The Minnesota Street Graduate Student and Trainee Housing project is located a block south of the Mission Bay campus site in the northern edge of San Francisco's Dogpatch neighborhood, amidst a mix of industrial, residential and emerging commercial uses. The 1.8-acre project site is comprised of two parcels separated by 18th Street. UCSF acquired the parcels in October 2015. In response to the rapid increase in the cost of housing throughout San Francisco, UCSF proposes to develop the site with housing that is affordable to graduate students and trainees. The housing complex would be about 377,000 gsf and include about 600 units of housing, parking and a small retail space. The complex is expected to house up to 810<sup>1</sup> residents, which would include graduate students and trainees along with spouses or partners.

Conforming map changes will be made to the LRDP to reflect this LRDP Amendment.

---

<sup>1</sup> This number differs from the approximate capacity of 710 students and trainees noted in the item. The LRDP amendment contemplates an estimate of total occupants which would include household members (spouses, partners, and children) that are not directly affiliated with UCSF.

## ENVIRONMENTAL IMPACT SUMMARY

### *Environmental Review Process*

Pursuant to State law and University procedures for implementation of the California Environmental Quality Act (CEQA), the project has been analyzed in the Minnesota Street Graduate Student and Trainee Housing Project Final Environmental Impact Report (Final EIR).

The Draft Environmental Impact Report (Draft EIR) (SCH #2016082004) was published on January 9, 2017, commencing a 45-day public review period ending on February 23, 2017. Notices of availability of the document were widely distributed and advertised. The document was posted online on the UCSF Campus Planning website. Copies of the Draft EIR were sent to the State Clearinghouse and Notices of Availability were sent to other local and regional agencies. Copies of the Draft EIR were made available for viewing at the San Francisco Public Library (Main Library, Mission Bay, and Potrero Hill branches) and at the UCSF Mission Bay campus library.

### *Public Comments*

During the public review period, 11 comment letters on the Draft EIR were received. One individual provided oral comments at the Draft EIR public hearing. Written responses to the comments were prepared and included in the Final EIR.

The San Francisco Public Utilities Commission provided comments and information about City of San Francisco ordinances regarding water supplies and water conservation. While the University of California is not subject to local ordinances, the San Francisco campus would endeavor to meet the requirements of local ordinances to the extent feasible and practical. In the case of water conservation, the San Francisco campus has and would continue to exceed the City's water conservation goals.

None of the issues raised by the commenters alters the environmental analysis.

### *Environmental Impacts*

The Draft EIR found that the project would have no significant environmental impacts with regard to the following topic areas: Agriculture and Forestry Resources, Biological Resources, Geology and Soils, Greenhouse Gas Emissions, Hazards and Hazardous Materials, Hydrology and Water Quality, Land Use and Planning, Mineral Resources, Operational Noise, Population and Housing, Public Services, and Recreation.

With mitigation measures identified in the Draft EIR, potentially significant impacts of the project would be reduced to less-than-significant levels in these topic areas: Aesthetics, Air Quality, Construction Noise, Transportation and Traffic, Utilities and Service Systems.

The Draft EIR found that the project would result in significant impacts that would be unavoidable, even with identified mitigation measures, in the topic area of Cultural Resources as the project would include demolition of 600 Minnesota Street, which is a historical resource. There are no mitigation measures that would reduce these impacts to less-than-significant levels. As such, these impacts are Significant and Unavoidable.

The Draft EIR also analyzed cumulative impacts, and found that the project would make a considerable contribution to cumulative impacts in these topic areas: Cultural Resources, Construction Noise, and Traffic. There are no mitigation measures that would reduce these impacts to less-than-significant levels. As such, these impacts are Significant and Unavoidable.

To assure that all mitigation measures are implemented in accordance with CEQA, a Mitigation Monitoring and Reporting Program has been prepared and included with the Final EIR. UCSF is responsible for implementing all mitigation measures of the project within the jurisdiction of the Regents. UCSF is also prepared to make proportionate share contributions toward funding for off-site mitigation measures that are not within the jurisdiction of the Regents.

### ***Findings***

The attached CEQA Findings (Attachment 10) discuss the project's impacts, mitigation measures, and conclusions regarding adoption of the Final EIR in conformance with CEQA. However, because the project, after incorporation of all feasible mitigation measures, will result in impacts that cannot be reduced to a less than significant level, a Statement of Overriding Considerations is proposed for approval and has been included in the proposed CEQA Findings. The Statement of Overriding Considerations sets forth the specific reasons to support approval of the project notwithstanding its significant and unavoidable environmental impacts.