

F9F

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM – CONSENT

For Meeting of November 16, 2016

APPROVAL OF THE BUDGET AND EXTERNAL FINANCING, NUEVO WEST GRADUATE STUDENT HOUSING, SAN DIEGO CAMPUS

EXECUTIVE SUMMARY

The proposed Nuevo West Graduate Student Housing project will redevelop a small parcel of existing low-density apartments (100 beds) located in the Mesa Housing neighborhood to provide a minimum of 800 new beds (700 net new beds) for single graduate and professional students. The project will also include a parking structure with a minimum of 1,200 spaces (986 net new spaces) to serve the combined needs of Mesa Housing residents and Health System staff working on the east campus.

In May 2016, the Regents approved Preliminary Plans funding in the amount of \$7.56 million from Housing Auxiliary Reserves (\$5,897,000) and Parking Reserves (\$1,663,000). Since then, the campus added scope to the project for UC San Diego Health – Family House. Similar to Bannister Family House at the Hillcrest Medical Center, the Family House at Nuevo West will provide accommodations for patients and patients’ families in need of immediate support while receiving medical treatment in La Jolla. These accommodations will include 15 two-bedroom suites with kitchenettes, 25 hotel-style rooms with a bedroom, bathroom, and support/administrative space.

The Regents are being asked to (1) approve the project budget of \$178,292,000 to be funded with external financing (\$177,992,000) and Housing Auxiliary Reserves (\$300,000); and (2) approve \$177,992,000 of external financing. This action will reimburse \$7.56 million of Housing Auxiliary and Parking Reserves used for Preliminary Plans with external financing.

RECOMMENDATION

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

To: San Diego: Nuevo West Graduate Student Housing preliminary plans, working drawings, construction, and equipment – \$178,292,000 to be funded with external financing (\$177,992,000) and Housing Auxiliary Reserves (\$300,000).

2. The scope of the Nuevo West Graduate Student Housing project shall provide approximately 325,000 assignable square feet of housing space. This includes a minimum of 800 beds to support graduate students and 15 two-bedroom suites with kitchenettes, 25 hotel-style rooms with a bedroom, bathroom, and support/administrative space for the UC San Diego Health Family House. The scope also includes a parking structure with a minimum of 1,200 parking spaces, site improvements, and demolition of seven existing buildings at Mesa Housing (consisting of 100 beds).
3. The President be authorized to obtain external financing in an amount not to exceed \$177,992,000 plus additional related financing costs. The President of the University 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.
4. The President, in consultation with 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

As stated in an item presented to the Regents at the July 2016 meeting, *Update on Student Housing and Plans for North Torrey Pines Living and Learning Neighborhood, San Diego Campus*, affordable on-campus housing aids in the recruitment and retention of students. It also expands opportunities to fully integrate new students into the academic and social life of the UC San Diego campus. Year after year, increasing numbers of continuing students apply for on-campus housing only to learn that they cannot be accommodated. Simultaneously, the campus has continued to reduce guarantees for on-campus student housing.

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

Demand for Affordable Housing

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 and, in 2015, the apartment vacancy rate off campus was under five percent. The average two-bedroom, one-bathroom apartment in the area adjacent to campus currently rents for \$2,350 (\$1,175 per student)¹. In contrast, the monthly rental rate on-campus for a two-bedroom apartment averages \$1,780 (\$890 per student) for undergraduate students, which is a nine-month contract and includes all utilities. For graduate students, the monthly rental rate on-campus for a two-bedroom apartment averages \$1,162 (\$581 per student). The rental rate for graduate apartments is based on a 12-month lease, and excludes costs such as electricity, cable/internet, and furniture.

The rental rates for all proposed housing projects will be lower than the market rate in the UTC area. Additionally, the rental rates for all proposed projects are set in consultation with the UC San Diego Graduate Student Association via the appointed housing advisory committee. Because UC San Diego can offer campus housing at a significantly lower cost than private market housing in the surrounding neighborhoods, demand for on-campus housing is significantly higher than the number of students the campus can house. As of the summer of 2016, the waitlist for graduate housing has grown to a record high of more than 3,000 students. This demand is expected to grow with campus plans to increase student enrollment, further exacerbating the housing deficiency.

¹ These rental rates were provided by RealFacts data, fourth quarter 2015, and cover all of zip code 92122. This includes the UTC, but excludes La Jolla.

Mesa Nueva is currently under construction and scheduled to deliver an additional 1,350 beds for graduate students by summer 2017. However, with the current waitlist and student enrollment projected to increase, and the San Diego private rental market costs continuing to rise, additional beds beyond those added by Mesa Nueva are needed.

Housing Guarantee

In response to the campus' recent *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 fulfill this guaranteed housing goal to graduate and professional students at this time, which makes competitive recruitment difficult. As of fall 2015, the campus will have needed to provide housing to 4,300 graduate and professional students to meet this guarantee – significantly more than the 2,030 students that were accommodated. Upon completion of Mesa Nueva (currently in construction), the proposed Nuevo West, and the future Nuevo East project, the campus anticipates being able to meet the two-year front-end guarantee for graduate and professional students by 2020.

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 will be key to attracting and retaining this target group, as well as enhancing the educational experience.

Long Range Development Plan Housing Goal

The housing goal of UC San Diego, as stated in its 2004 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 about 40 percent (approximately 13,000 of 32,000) of students were housed on campus, leaving a shortage of more than 3,000 beds to achieve the LRDP goal. That shortage is expected to increase as both undergraduate and graduate enrollment increases on campus. Table 1 below identifies how many beds are needed to achieve the LRDP goal.

Additionally, housing a greater number of students on campus is an integral feature of UC San Diego's Transportation Management Strategy and aligns with the San Diego Association of Governments' Smart Growth strategy for the region. Housing more students on campus reduces daily vehicle commute trips, which reduces the impact of vehicles on the regional roadway network and reduces negative impacts to air quality. In addition, living on campus encourages student participation in the development of sustainable living environments.

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. In response to the President’s Initiative and the high demand for on-campus housing, the campus plans to add almost 5,000 beds (net) for undergraduate and graduate students by 2020, as shown in the Table 1 below.

Table 1: UCSD Proposed Housing Projects

		Fall 2016	Fall 2017*	Fall 2018*	Fall 2019*	Fall 2020*	Total Net Beds Added
	Enrollment	34,300	35,400	36,000	36,600	36,900	
	Number of Beds	12,992	12,992	14,247	13,895	15,799	
Housing Projects	Mesa Nueva (in construction)		1,355				1,355
	Nuevo West (proposing budget approval)		(100)		804		704
	North Torrey Pines LLN (proposing preliminary plans)					2,000	2,000
	Nuevo East (proposed)			(352)	1,100		748
	Number of Beds (after new housing projects)	12,992	14,247	13,895	15,799	17,799	4,807
	Deficit to Meet LRDP Goal	(4,158)	(4,708)	(3,753)	(4,405)	(2,651)	

*Enrollments are projections and subject to change. These do not include students in self-supporting programs.

Temporary Housing for Patients and Families of Patients at UC San Diego Health System

In addition to housing for graduate students, the campus has added additional scope to this project that includes temporary housing for patients and families of patients at UC San Diego Health System. This was not included in the scope when the campus requested preliminary plans funding approval at the May 2016 Regents’ meeting.

UC San Diego has provided housing to patients and their families at the Hillcrest Medical Center, known as Bannister Family House, since 1994. The mission of Bannister Family House is to provide low-cost temporary housing for patients and their family members who have little to no financial resources while undergoing treatment at the Hillcrest Medical Center. Since opening, the Bannister Family House has assisted over 5,000 families from all over the world in need of housing assistance. Unfortunately, due to demand, many families that are referred to

Bannister Family House are turned away because there is not enough room to accommodate the demand. In fiscal year 2015-16, over 250 low-income families were turned down.

Because so many families are turned away due to lack of space, UC San Diego is looking at solutions to expand the availability of additional temporary housing for patients and their families, particularly in La Jolla, where the need for such housing will dramatically increase with the completion of Jacobs Medical Center.

By including the Family House program with the proposed graduate housing project, the Family House is able to benefit from shared project costs with the larger program, making it much more cost-effective for the Family House. In fact, building a stand-alone Family House project could prove to be cost-prohibitive. It should also be noted that any remaining development parcels on the east campus are limited and, in most cases, planned for other uses. Additionally, due to the proximity of the Mesa Housing neighborhood to the medical center, including the Family House in this project provides patients and their families with convenient access to the Jacobs Medical Center.

PROJECT DESCRIPTION

The proposed Nuevo West Graduate Student Housing will require demolition of six existing apartment buildings and one community/laundry room building that were built in 1981. One of the existing buildings has ten two-bedroom apartments; the other five buildings have eight two-bedroom apartments each (total of 50 apartments/100 beds). The proposed redevelopment project consists of three main program elements:

1. Graduate Housing – minimum of 800 beds and associated common spaces.
2. UC San Diego Health Family House –15 two-bedroom suites with kitchenettes, 25 hotel-style rooms with a bedroom, bathroom, and support/administrative space.
3. Parking Structure – minimum of 1,200 spaces to be shared by residents of Mesa Housing, Health System staff working on East Campus, and occupants of UC San Diego Health Family House. The structure is proposed to be constructed on an existing surface lot (P783 consisting of 142 spaces). It should be noted that, in addition to existing spaces currently located in lot P783, there are another 72 existing surface parking spaces located within the boundaries of the proposed housing site that will be displaced by the project.

Graduate Housing Facility

As shown in Attachment 6 – Project Site Map, the proposed Nuevo West Graduate Student Housing project will redevelop the parcel located between One Miramar Street Apartments and the Mesa Nueva project (currently under construction; completion expected by summer 2017).

The proposed project will maximize the site by providing a higher density housing facility consisting of a minimum of 800 new beds for the campus (most likely in two-bedroom and four-bedroom configurations).

The campus recently completed a feasibility study for a proposed Mesa Housing Pedestrian and Bicycle Bridge, a separate capital project that is anticipated to be constructed concurrently with this housing project, which will provide a much-needed connection between the Mesa Housing neighborhood and the West Campus. As shown in Attachment 7, the proposed pedestrian and bicycle bridge will begin directly across Miramar Street from the Nuevo West site and traverse the canyon directly to the north of Mesa Housing, landing at Medical Center Drive South, adjacent to the Interstate 5 Gilman Bridge (under construction and expected to be complete by fall 2018).

With completion of the Interstate 5 Gilman Bridge and the proposed Mesa Housing Pedestrian and Bicycle Bridge, the proposed Nuevo West project will become a gateway from West Campus into the Mesa Housing neighborhood. For this reason, the campus has engaged students, faculty and staff to determine the highest and best use ground-level program to be located on the Mesa Housing side of the bridge terminus. The ground level program will most likely include a small café or market, fitness rooms, and support spaces such as meeting rooms and smaller work areas designed to support the living-learning environment; however, the final design will be determined during the design-build competition.

In addition to the proposed Mesa Housing Pedestrian and Bicycle Bridge, Nuevo West will be designed to connect with planned pedestrian, bicycle, and vehicular connections within the Mesa Housing neighborhood, providing connections to the Medical Center, to the Science Research Park, and to the future Light Rail Transit (LRT) stations.

UC San Diego Health Family House

The Nuevo West project will include 15 two-bedroom suites with kitchenettes, 25 hotel-style rooms with a bedroom and bathroom, and support/administrative space for the Family House. The Family House will provide a home away from home for families who have loved ones in critical or long-term care at UC San Diego Health in La Jolla. The housing provides a retreat from the stress of keeping a constant bedside vigil at the hospital. Families have a chance to meet others in similar situations and develop a support network necessary to help a loved one through serious illness. For programmatic and operational efficiency, UC San Diego Housing, Dining and Hospitality (HDH) will work closely with the Family House administrative staff to determine the most economical and efficient ways to share support space and janitorial services across both functions.

Existing residents of Mesa Housing support the addition of the Family House program to this community. In fact, many existing and future residents of Mesa Housing are students of the UC San Diego School of Medicine. Locating these two populations together has inspired discussions centered on the development of community service opportunities for medical students, patients, and families.

Table 2: Proposed Area Summary

	# of Beds	ASF
Residential:		
Graduate Apartments (1, 2 and 4-bedroom units)	804	274,662
Family House 25 hotel-style rooms (2 beds in each)	50	11,625
Family House 15 two-bedroom apartments	30	10,800
Family House 2 Day Rooms (1 bed in each)	2	650
Total Residential Space	886	297,737
Common/Shared Spaces:		
		ASF
Community Gathering Space & Storage		1,000
Study Areas & Student Lounges		2,500
Music Room		170
Neighborhood Market		1,000
Laundry Rooms		1,500
Mail Distribution		200
Fitness		20,000
Support / Administrative Offices		400
Family House Shared / Community Kitchen		175
Total Common/Shared Spaces		26,945
TOTAL ASF		324,682

Parking Facility

The proposed project will displace 214 existing surface parking spaces – 72 spaces are being displaced from the housing component of the project and 142 spaces are being displaced from the proposed parking structure. The new housing will add approximately 700 new residents to the Mesa Housing neighborhood, in addition to guests temporarily residing in the Family House. In order to support the increased population in the Mesa Housing neighborhood, the project will be designed to provide a new shared parking structure. The structure will provide parking for residents of Mesa Housing, staff of UC San Diego Health, and occupants of the Family House.

The proposed 1,200 space parking structure will be located on an existing surface parking lot north of Miramar Street, between Mesa Housing and East Campus (Attachment 7 Project Site Map). As mentioned above, the proposed site for the parking structure is currently a surface parking lot with 142 parking spaces. The 900-space parking structure that was approved as part of the Mesa Nueva housing project (July 2015) is adjacent to the proposed project. All residents of Mesa Housing will have access to park in either structure. Car-share vehicles will be available to reduce demand for private vehicles and private vehicle parking.

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. There is no off-site parking available and the neighboring communities do not want students parking in their neighborhoods. Parking on West Campus is at capacity and residents currently living in the Mesa Housing neighborhood typically walk, ride their bicycles, or take campus shuttles to West Campus. Once the Interstate 5 Gilman Bridge and the Mesa Housing Pedestrian and Bicycle Bridge are completed, residents will have direct pedestrian and bicycle access to West Campus.

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 will provide a minimum of 1,200 spaces and will not only to meet the needs of Mesa residents but will also accommodate the growing Health System staff population working on the East Campus. Approximately 500 parking spaces will be allocated to the residents of Mesa Housing. The remaining spaces will be allocated to Health System staff working on the East Campus. With the opening of Jacobs Medical Center and Outpatient Pavilion on the East Campus, the parking provided by this project will only accommodate a small portion of the employees at the Health System.

Project Schedule

At their May 2016 meeting, the Regents approved preliminary plans funding in the amount of \$7.56 million, funded from Housing Auxiliary Reserves (\$5,897,000) and Parking Reserves (\$1,663,000). The approval enabled the campus to complete site surveys, hire specialty consultants, and host a design-build competition. The funding also supported scope refinement, detailed programming, preliminary design, design development, and project cost estimating.

The campus intends to seek approval of design following action pursuant to the California Environmental Quality Act (CEQA) in fall 2017. The campus plans to begin construction immediately upon receipt of design and CEQA approval, with the goal of completing the project in spring 2019.

Financial Feasibility

The total project budget of \$178,292,000 will be funded with external financing (\$177,992,000) and Housing Auxiliary Reserves (\$300,000). The debt service on this project will be paid with housing revenues, lease income from the UC San Diego Health Family House Program, and parking permit revenue.

Minimizing housing costs to students is a top priority for the campus. Each year, the housing rates are established in consultation with an appointed student advisory group, which includes representatives from all segments of the student resident population. Monthly rental rates for

student apartments include internet service, parking for residents and their guests, and all utilities except electricity. On-campus rates typically increase by an average of three percent per year.

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

Key to Acronyms

CEQA	California Environmental Quality Act
DBFOM	Design-Build-Finance-Operate-Maintain
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: Project Budget
- Attachment 2: Comparable Project Information
- Attachment 3: Summary of Financial Feasibility
- Attachment 4: Alternatives Considered
- Attachment 5: Project Delivery Model
- Attachment 6: Project Location Map
- Attachment 7: Project Site Map

**PROJECT BUDGET
NUEVO WEST GRADUATE STUDENT HOUSING
CCCI 6306**

Cost Category	Housing	Parking Structure	Family House	Total	% of Total
Site Clearance	257,000	78,000	12,000	347,000	0.2
Building ⁽¹⁾	99,594,000	30,279,000	4,904,000	134,777,000	76.0
Exterior Utilities	2,114,000	252,000	24,000	2,390,000	1.3
Site Development	2,544,000	543,000	118,000	3,205,000	1.8
A/E Fees ⁽²⁾	4,598,000	1,431,000	218,000	6,247,000	3.5
Campus Administration ⁽³⁾	3,470,000	1,044,000	160,000	4,674,000	2.6
Surveys, Tests, Plans	1,028,000	309,000	47,000	1,384,000	0.8
Special Items ⁽⁴⁾	1,558,780	472,340	85,880	2,147,000	1.2
Interest During Construction	10,737,400	3,192,200	580,400	14,510,000	8.2
Contingency	6,155,000	1,844,000	312,000	8,311,000	4.7
<i>Total P-W-C</i>	131,657,000	39,667,000	6,668,000	177,992,000	100%
Groups 2 & 3 Equipment ⁽⁵⁾	300,000			300,000	
Total Project	131,957,000	39,667,000	6,668,000	\$178,292,000	

Project Statistics:	Housing	Parking Structure	Family House
GSF ⁽⁶⁾	401,909	420,000	31,000
ASF ⁽⁶⁾	301,432	n/a	23,250
Efficiency Ratio: ASF / GSF	75%	n/a	75%
Building Cost / GSF	\$247.80	\$72.09	\$158.19
Project Cost / GSF ⁽⁶⁾	\$327.58	\$94.45	\$215.10
Construction Cost / Bed or Parking Space	\$123,873	\$25,233	\$59,804
Project Cost / Bed or Parking Space ⁽⁷⁾	\$163,752	\$33,056	\$80,317

Funding Schedule	
Preliminary Plans (P)	\$7,560,000
Working Drawings (W)	\$35,100,000
Construction (C)	\$135,332,000
Equipment (E)	\$300,000
Total	\$178,292,000

Footnotes:

- (1) Includes cost of demolition to existing 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, construction inspection and contracts administration.
- (4) Special Items includes Detailed Project Program, environmental documentation, specialty consultants, and agency fees.
- (5) Group 2 & 3 only includes FF&E for common areas; apartments are unfurnished and graduate students shall provide their own furniture. Furniture for the Family House is being provided by the Medical Center and is mostly from donations.
- (6) GSF is the total area, including usable area, stairways and space occupied by the structure itself. ASF is the net usable area.
- (7) Project cost excludes Group 2 & 3 Equipment.

COMPARABLE PROJECT INFORMATION

The cost figures for comparable housing projects shown in the following table demonstrate that the proposed budget for the Nuevo West Graduate Student Housing project at UC San Diego compares favorably to recent UC projects. The proposed budget was confirmed through the design-build process, which is further described in Attachment 5.

Comparable Housing Projects at CCCI 6306⁽¹⁾:						
Location – Project Name	CIB Date	No. of Beds	Construction Cost/GSF	Project Cost ⁽²⁾/GSF	Construction Cost/Bed	Project Cost ⁽²⁾/Bed
<i>UCSD Proposed Project - Nuevo West Graduate Housing</i>	<i>9/02/16</i>	<i>804</i>	<i>\$248</i>	<i>\$328</i>	<i>\$123,873</i>	<i>\$163,752</i>
UCSD – Mesa Nueva Graduate Housing	6/15/15	1,355	\$243	\$315	\$109,034	\$141,230
UCLA – Weyburn Terrace	9/30/13	500	\$345	\$494	\$178,941	\$256,010
UCSD – HS Grad Housing	5/15/08	452	\$312	\$347	\$151,443	\$168,270
UCSD – North Campus Housing Phase 2	6/22/12	750	\$338	\$388	\$115,554	\$132,756
Private Developer A, San Diego ⁽³⁾	3/05/16	135	\$256	n/a	\$190,089	n/a
Private Developer B, San Diego ⁽³⁾	3/05/16	123	\$234	n/a	\$215,203	n/a
Private Developer C, San Diego ⁽³⁾	3/05/16	267	\$270	n/a	\$156,625	n/a
Stanford – Munger Graduate Residences	9/09/09	n/a	\$380	\$438	n/a	n/a
Comparable Parking Projects at CCCI 6306⁽¹⁾:						
Location – Project Name	CIB Date	No. of Spaces	Bldg. Cost/GSF	Project Cost ⁽¹⁾/GSF	Bldg. Cost/Space	Project Cost ⁽¹⁾/Space
<i>UCSD Proposed Project – Parking Structure ⁽⁴⁾</i>	<i>9/02/16</i>	<i>1,200</i>	<i>\$72</i>	<i>\$94</i>	<i>\$25,233</i>	<i>\$33,056</i>
UCSD – Mesa Nueva Parking Structure (in construction)	6/15/15	900	\$61	\$76	\$19,205	\$23,920
UCSD – East Campus Parking Structure 1	10/10/14	1,299	\$57	\$62	\$20,454	\$22,350
UCSD – East Campus Parking Structure 2	4/18/14	1,249	\$55	\$61	\$19,739	\$21,836
UCSF – Mission Bay Parking Structure	8/11/10	621	\$88	\$115	\$30,498	\$41,498

(1) California Construction Cost Index: August 2016 plus 1%

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

(3) Excludes Prevailing Wage

(4) Includes retaining walls required to build in a canyon adjacent to sensitive wetlands

SUMMARY OF FINANCIAL FEASIBILITY

San Diego Campus	
Project Name	Nuevo West Graduate Student Housing
Project ID	966360
Total Estimated Project Costs	\$178,292,000
Anticipated Interest During Construction (included in est project cost)	\$14,510,000
Proposed Sources of Funding	
External Financing – Tax-Exempt	\$177,992,000
Housing Auxiliary Reserves	\$300,000
Sources of Funding Total	\$178,292,000

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

Financing Assumptions	
External Financing Amount	\$177,992,000
Anticipated Repayment Source	UC San Diego Housing Room Rates, lease income from the UC San Diego Health Family House Program, and Parking Permit Revenue
Anticipated Fund Source	External Financing, Parking Reserves & Housing Auxiliary Reserves
Financial Feasibility Rate	6%
First Year of Principal (e.g. year 10)	FY 2020 (Parking) and FY 2021 (Housing)
Term (e.g. 30 years)	30 years
Final Maturity	2049
Estimated Average Annual Debt Service	\$1,931,000 (Parking) and \$11,141,000 (Housing)

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

Measure	CAMPUS FINANCING BENCHMARKS		
	10 Year Projections	Approval Threshold	Requirement
Modified Cash Flow Margin ¹	1.1%, FY 2025	≥ 0.0%	Must Meet
Debt Service to Operations	6.0%, FY 2022	≤ 6.0%	Must Meet 1 of 2
Expendable Resources to Debt	n/a	≥ 1.00x	
Auxiliary Project Debt Service Coverage ²	1.10x (Housing) 0.48x (Parking) ³	≥ 1.10x	Must Meet for Auxiliary Projects
Auxiliary System Debt Service Coverage ⁴	1.3x, FY 2021	≥ 1.25x	Must Meet for Auxiliary Projects

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

² Auxiliary Project Debt Service Coverage is an individual project metric.

³ The Nuevo West parking component is one of two parking structures being constructed to support patient, faculty and staff growth on the East Campus. Once completed, staff parking will be shifted from the East Campus Parking Structure (completed June 2016) to Nuevo West and will allow for the addition of 670 guest and visitor spaces. Combined, these structures have a Debt Service Coverage Ratio of 2.30x.

⁴ Auxiliary Debt Service Coverage is a campus' auxiliary system metric.

ALTERNATIVES CONSIDERED

Prior to the Regents approving Preliminary Plans funding, the San Diego campus considered the following alternatives considered for the delivery of new graduate student housing, including:

- Option 1 – Campus Redevelopment with University-Delivered New Construction – *Preferred*
- Option 2 – Reallocate Existing Housing
- Option 3 – Lease or Purchase off Campus
- Option 4 – Redevelopment with Public Private Partnership
- Option 5 – “Do Nothing” (No Project)

Option 1 - Campus Redevelopment with University-Delivered, New Construction

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 will be able to commence preliminary design work immediately and utilize the services of a design-build team. This will allow the design and environmental work to be completed by early 2017, 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 will 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.

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 will not generate enough new beds for UC San Diego students and will 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.

The campus recently investigated several different properties for potential purchase. However, further evaluation revealed that these properties were older wood-frame product that would require significant seismic and building Code upgrades in order to bring the properties within University of California standards. Purchase of off-campus residential property would have also triggered environmental issues such as increased traffic and impacts to the surrounding community. One potential purchase would have displaced approximately 250 residents to make room for students. The high sales prices combined with necessary seismic retrofitting and building modernization costs exceeded the cost of new construction and these options were therefore rejected.

Option 4 – Redevelopment with Public Private Partnership (PPP)

While there are many ways in which a PPP can be structured, for the purposes of this analysis, an Availability Payment Design-Build-Finance-Operate-Maintain (DBFOM) approach was analyzed. Under an Availability Payment DBFOM contract, the contractor must not only design efficient facilities within the agreed-upon time schedule, but it must properly maintain the major building systems in order to earn the agreed-upon availability payments.

One of the primary benefits that may be derived from an Availability Payment DBFOM partnership is the predictability that the University can afford to maintain the project that it builds. Such predictability frequently has an associated increased cost, typically through premiums paid to the developer, for the transfer of risk and higher quality design and construction that may be partially or fully offset through future efficiencies in the contracting process.

Based on best practices for processes and timelines to implement a PPP transaction, a PPP will significantly delay the proposed project when compared to the preferred delivery approach. Based on a comparative analysis of a University-Delivered Construction Schedule versus a PPP approach, the campus has determined that the PPP delivery method will delay completion of the project by approximately one year.

Not only could the PPP approach delay delivery of much-needed student housing, the additional risk and anticipated escalation costs associated with a longer schedule would have a negative impact on the student housing rates and the overall financial feasibility of the project.

And finally, as part of the overall approved neighborhood plan for this community, each new housing phase in the Mesa Housing Neighborhood is required to contribute to the redevelopment of the central community green space. This requirement would be transferred to a PPP developer in terms of common area improvement costs, site restrictions, and ongoing maintenance, making this less attractive to both the campus and the PPP developer.

Option 5 - “Do Nothing” - Rejected

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 will not be able to:

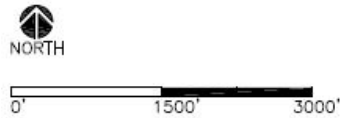
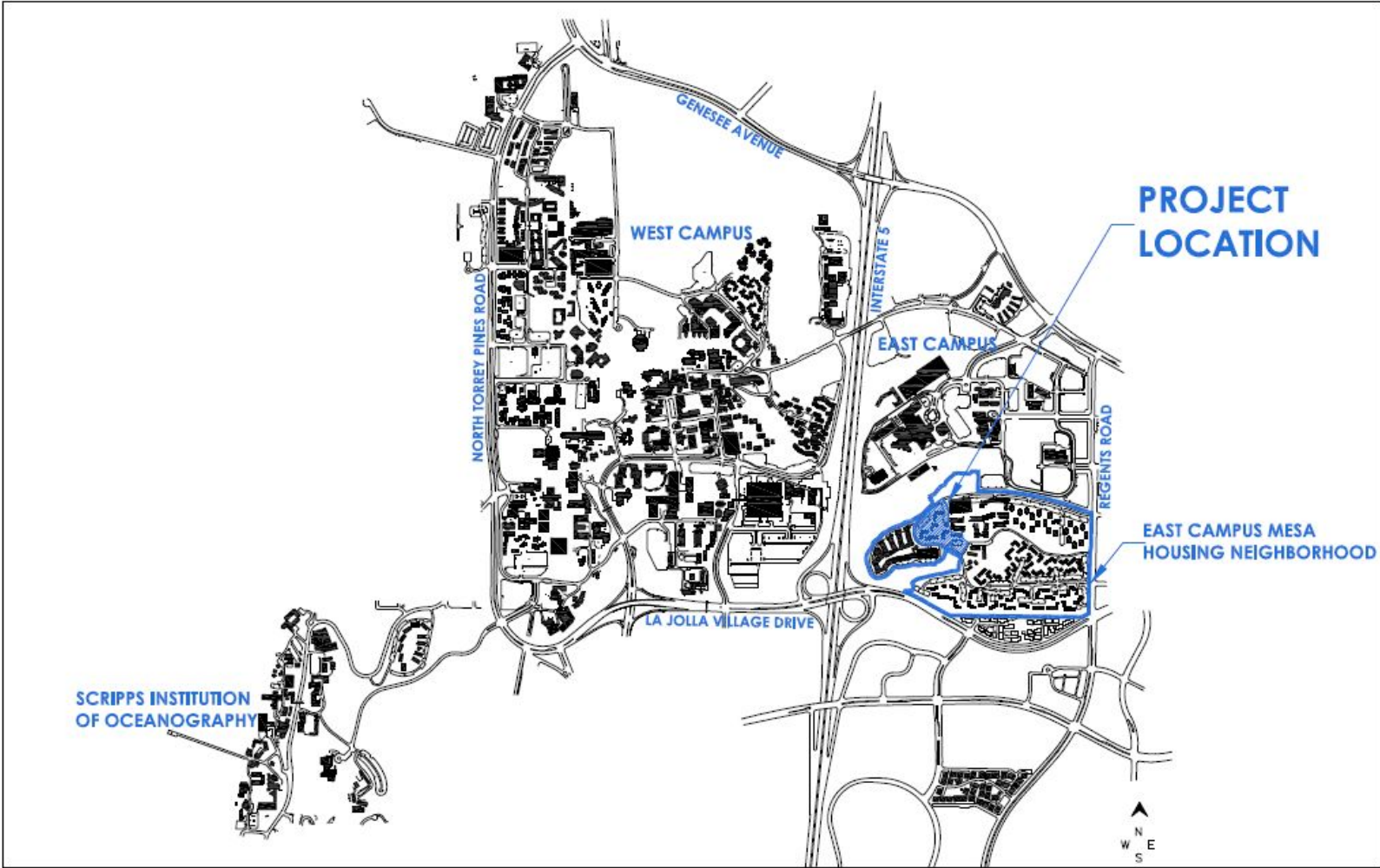
- Conform to the UC President’s January 2016 Housing Initiative;
- Address current and projected demand for graduate student housing;
- Meet the 50 percent housing goal as stated in the LRDP;
- Provide sufficient housing to support a two-year front-end guarantee to all incoming graduate students;
- Provide 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 roadways; and
- Improve the overall experience for residential students and their dependents, which may threaten campus ability to recruit and retain top talent.

PROJECT DELIVERY MODEL

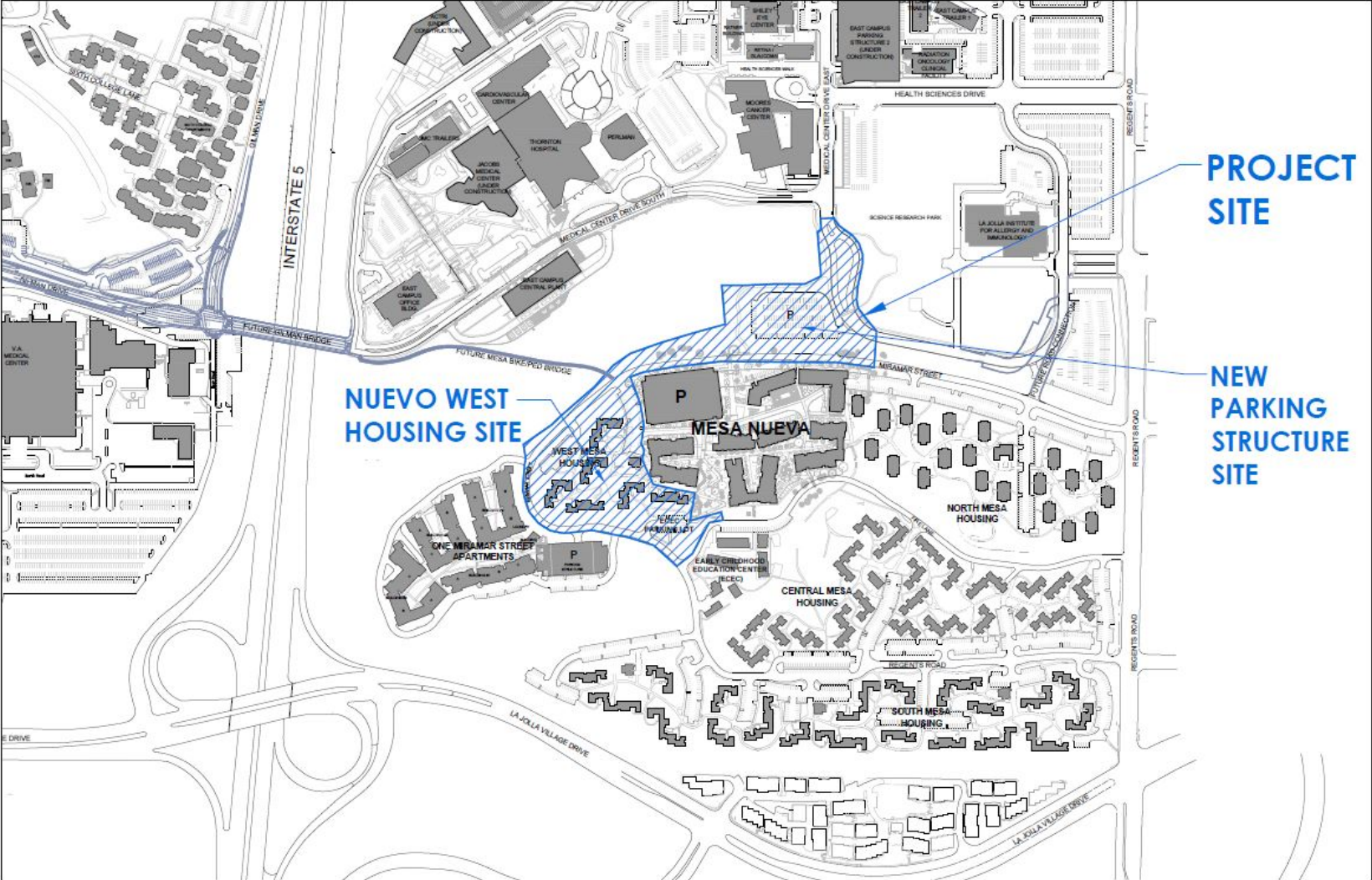
The campus intends to utilize the fixed-price design-build delivery process that will support the accelerated completion schedule for the proposed project. UC San Diego has had success in utilizing a design-build delivery method for housing projects. The process allows the University to pre-qualify design-build 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, Transportation Services, and Patient Family House operational and maintenance practices.

A maximum allowable price and design/construction schedule are built into the RFP. Three pre-qualified design-build teams will be short-listed and invited to participate in a competition to create a schematic design technical proposal. Each proposal will 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 are incentivized through a point system evaluation to offer enhancements such as additional housing units and enhanced site amenities as part of their technical proposals.



NUEVO WEST GRADUATE STUDENT HOUSING
UNIVERSITY OF CALIFORNIA, SAN DIEGO
PROJECT LOCATION



0' 500' 1000'

NUEVO WEST GRADUATE STUDENT HOUSING
UNIVERSITY OF CALIFORNIA, SAN DIEGO
PROJECT SITE