

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM – CONSENT

For Meeting of November 16, 2016

APPROVAL OF PRELIMINARY PLANS FUNDING, NORTH TORREY PINES LIVING AND LEARNING NEIGHBORHOOD, SAN DIEGO CAMPUS

EXECUTIVE SUMMARY

The San Diego campus has proposed the North Torrey Pines Living and Learning Neighborhood project (Project) that would locate student housing together with academic space to address the high demand for additional housing while simultaneously addressing academic space needs.

The proposed Project would provide approximately 2,000 new beds, resident support space, and residential dining for undergraduate students. In addition to housing, the Project will also provide the following: new instruction and research space for departments and programs within the Divisions of Social Sciences and Arts and Humanities; general assignment classrooms; residential life and administrative space for students and staff to support UC San Diego's undergraduate college system; and approximately 1,200 structured parking spaces (230 net new). The Project is proposed to be on a ten-acre parcel that is currently home to two surface parking lots (970 parking spaces) and a temporary research facility.

Locating student housing together with academic space will enrich the student experience by creating areas for departmental collaboration between students and faculty across various disciplines. The campus anticipates that this mixed-use approach will lower project costs due to economies of scale and shared infrastructure by integrating housing, teaching, learning, and social spaces in one location.

This Project was presented to the Regents for discussion at their July 2016 meeting. The Regents are being asked to approve preliminary plans funding in the amount of \$22.25 million, to be funded from housing auxiliary reserves (\$13.35 million) and campus funds (\$8.9 million). The campus funds consist of campus investment income. No State funds will be used for the Project. The requested preliminary plans funding would support scope refinement, detailed programming, preliminary design, design development, and project cost estimating by allowing the campus to utilize services of a selected design-build team. Approval of budget, external financing, and design will be requested in a subsequent Regents' action.

RECOMMENDATION

The President of the University recommends that the Finance and Capital Strategies Committee recommend to the Regents that the 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: North Torrey Pines Living and Learning Neighborhood – preliminary plans – \$22.25 million to be funded from housing auxiliary reserves (\$13.35 million) and campus funds (\$8.9 million).

BACKGROUND

The proposed North Torrey Pines Living and Learning Neighborhood project (Project) would be a mixed-use project developed on a ten-acre parcel, currently being used for surface parking and a 6,700-assignable-square-foot (ASF) temporary structure that serves as the home for the Chemistry/Biochemistry Department's research in Nuclear Magnetic Resonance (NMR) spectroscopy. The Project will provide approximately one million gross square feet, consisting of the following: approximately 2,000 new beds for undergraduate students; residential/community dining; resident support space; permanent space for the Sixth College, including the provost, student affairs units and writing program; new instruction and research space for academic departments and programs; and general assignment classrooms. In addition, the Project will include a parking structure of approximately 1,200 spaces (net addition of 230 spaces).

The key drivers for the Project are:

Undergraduate Housing

Demand for housing is very high on the San Diego campus. The UC San Diego housing projects that were recently approved or presented to the Regents are mostly for graduate student housing. This Project is solely for undergraduates, and will provide them a collegiate experience by living in a mixed-use environment that is adjacent to academic and social spaces and campus amenities. The Project will also allow the campus to maintain a two-year housing guarantee and help achieve the Long Range Development Plan goal of housing 50 percent of eligible students on campus.

New Facilities for the Undergraduate College System

The San Diego campus is comprised of six semi-autonomous¹ undergraduate colleges, each with its own facilities, distinctive educational philosophy, general education and graduation requirements, and instructional programs. The college system personalizes the delivery of services to undergraduate students and combines the intimacy of a small institution with the intellectual breadth and resources of a large research university. Prioritizing student academic

¹ The six colleges include: Revelle, Muir, Marshall, Warren, Roosevelt, and Sixth.

development, the provost of each college manages programs directly within the college, including academic advising and student academic support services. Every undergraduate student is assigned to one of six colleges when admitted to UC San Diego.

The campus is committed to maintaining and strengthening the college system, and is continuing its plan to accommodate undergraduate student enrollment growth while keeping each college at a reasonable size to foster community. Current enrollment at each of the six colleges is under 5,000 students. With enrollment increases, academic planning is under way to evaluate whether to add a seventh college to maintain the small college environment. New facilities are needed to provide a permanent home for Sixth College, the youngest of all the colleges. Additional facilities would specifically allow the campus to create an innovative community for an undergraduate college to collaborate with Arts and Humanities and Social Sciences departments and programs.

Need for New Academic Space

Currently, large lecture halls on campus (over 200 seats) are over-utilized. Classrooms with 201 to 300 seats have a utilization rate of 140 percent of standard.² For rooms with more than 300 seats, the utilization rate is 137 percent.

With the number of undergraduate students expected to grow by 15 percent from fall 2015 (26,590) to fall 2020 (30,600), the utilization rate is estimated to be 160 percent of standard for classrooms with 201 to 300 seats, and 157 percent for classrooms with 301 or more seats.

A large lecture hall of 600 seats is needed for undergraduate courses to accommodate high enrollment, given that the largest classroom size on campus has 417 seats. Large lecture hall space is also needed for student orientation sessions and events that attract large crowds.

General campus faculty growth is also driven by student growth, and the campus is projecting an increase of ladder-rank faculty from 853 (fall 2015) to 983 (fall 2020). Additional office and collaboration space will be needed for the additional faculty.

Many Social Sciences departments now face a shortage of space, as construction of new facilities has not kept pace with the evolution of academic priorities and prior campus enrollment growth. Without new construction, the campus must continue to grapple with the severe lack of space, hampering efforts to expand current programs for instruction and research.

Arts and Humanities and Social Sciences departments and programs are currently scattered among several different buildings and would benefit from consolidation. Departments such as History, Philosophy, Literature, Education Studies, and other related programs cannot benefit from cross-departmental collaboration and synergies between Social Sciences and Arts and Humanities. Many of these departments are in antiquated buildings across the campus, some of which need to be renovated or demolished. Consolidating and relocating these departments

² A classroom with 100-percent utilization implies that each seat is occupied for 35 hours a week.

would provide opportunities for repurposing vacated space for other campus priorities. This option will be evaluated in more detail when the space becomes vacant.

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 below.

Table: 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.

Need for Additional Parking

Enrollment on the UC San Diego campus increased from 25,278 students (in 2004) to 33,735 (fall 2015). Even with tremendous progress made in recent years to reduce the number of single-occupancy vehicles entering campus and reduced demand of approximately ten percent that is anticipated upon completion of Light Rail Transit service to campus, additional parking on the West Campus is a critical need.

In addition to more traffic in and around campus, ongoing development in the area has significantly reduced the availability of parking on campus, especially in the West Campus. Approximately six million gross square feet of student housing and new instruction and research

facilities were built during this time to address space deficiencies. Most of those new facilities were constructed on surface parking lots that were not replaced, significantly reducing parking inventory. Campus parking is usually filled by 8:00 a.m. and remains filled until 4:30 p.m. The only parking that has been added on campus in recent years is located on the East Campus.

PROJECT DESCRIPTION

Undergraduate Housing

The proposed Project's approximately 2,000 new undergraduate beds would include a mix of residence halls and apartments. To support and encourage the undergraduate living and learning environment, the Project would also include resident support space, market-style dining, and small informal work spaces for study groups. The dining facility would include one large commercial kitchen that would support various self-serve dining options as well as market retail and pre-packaged food that would be available for purchase at several point-of-sale stations. The dining area would have an open floor plan with indoor and outdoor seating, and would be designed with flexibility that would allow the dining options to evolve with community needs.

One of the Project's goals is to create a ground-level hub where students, faculty, and staff would cross paths and interact. Residential and quieter contemplative spaces would be above the ground floor. Locating academic, housing, and student activity space together would allow buildings to share infrastructure, thereby lowering construction costs while creating a more active, social environment for students, faculty, and staff.

Academic Space

The proposed Project would provide an innovative community that integrates college facilities with academic office and research space in the Divisions of Arts and Humanities and Social Sciences. To address the need for additional large lecture halls, the Project also provides one large lecture hall (600 seats) and three smaller lecture halls (two with 250 seats each and one with 350 seats).

The Living and Learning Neighborhood would promote the efficient use of shared meeting space for student activities within the undergraduate college as well as for department activities. The Project will also dedicate space that will bring faculty and students together. This space may be used for media, film, art history, presentations, and lectures.

As an added benefit, the Project would free up space in various campus buildings for other academic and administrative uses. The Project would also help address a portion of the campus' deferred maintenance need by accommodating departments and programs currently in old dilapidated buildings, which can then be refurbished or demolished.

Parking

The Project's site is currently comprised of two separate but adjacent surface parking lots providing a total of 970 parking spaces. Construction of the Project would eliminate these spaces, and therefore any plans must include replacement parking.

As part of the proposed Project, the campus plans to provide replacement parking in a multi-level configuration of approximately 1,200 spaces, increasing capacity by 230 net spaces. The campus would likely pursue a design solution where most parking would be underground in order to maximize land use.

Removal of the "Bubble Building"

In addition to the surface parking lots, the Project's site also includes a 6,700 ASF temporary structure known as the "Bubble Building," a pressurized metal-free, tensile structure specifically designed for the NMR spectroscopy research. The NMR will be permanently relocated to the new Biological and Physical Sciences Building when the facility is complete in 2018, and the "Bubble Building" will be removed from campus.

APPROVAL REQUEST AND PROJECT SCHEDULE

The campus has chosen to deliver this project "in-house". The campus considered using a Public Private Partnership (PPP), but opted to deliver the project "in-house" because campus delivery is more likely to complete the project faster, considering a PPP delivery model would require additional time to execute an agreement with the selected developer. For additional information on alternatives considered, please see Attachment 4.

The campus is requesting preliminary plans funding of \$22.25 million. This funding would enable the campus to complete site surveys, hire specialty consultants, and select a design-build team through the competitive process. The funding would support scope refinement, detailed programming, preliminary design, design development, and project cost estimating by allowing the campus to utilize services of the selected design-build team prior to requesting full budget, financing, and design approval from the Regents.

The campus intends to seek approval of total budget and external financing for the Project at the July 2017 Regents meeting. Approval of design following compliance with the California Environmental Quality Act would be sought in early 2018. The campus plans to begin construction immediately upon receipt of design and environmental approval. Due to the size of the Project, the construction duration would deliver project components in phases, with the goal of delivering the undergraduate housing by fall 2020 and the remainder of the Project in early 2021.

Key to Acronyms

DBFOM	Design-Build-Finance-Operate-Maintain
HDH	UC San Diego Housing, Dining & Hospitality
LRDP	Long Range Development Plan
NTP LLN	North Torrey Pines Living and Learning Neighborhood
NMR	Nuclear Magnetic Resonance
PPP	Public Private Partnership
Project	North Torrey Pines Living and Learning Neighborhood
RFP	Request for Proposal
UTC	University Town Center

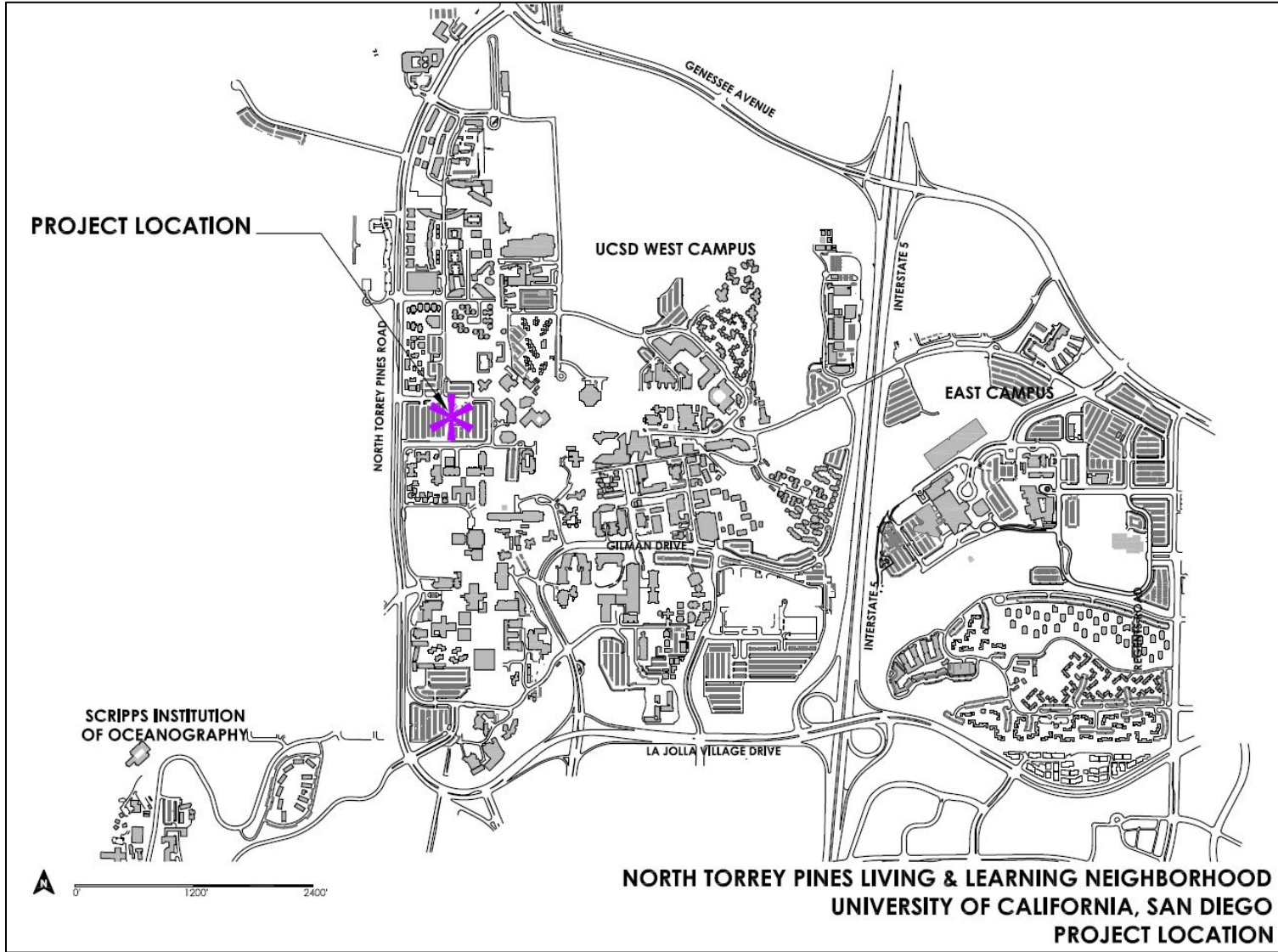
ATTACHMENTS:

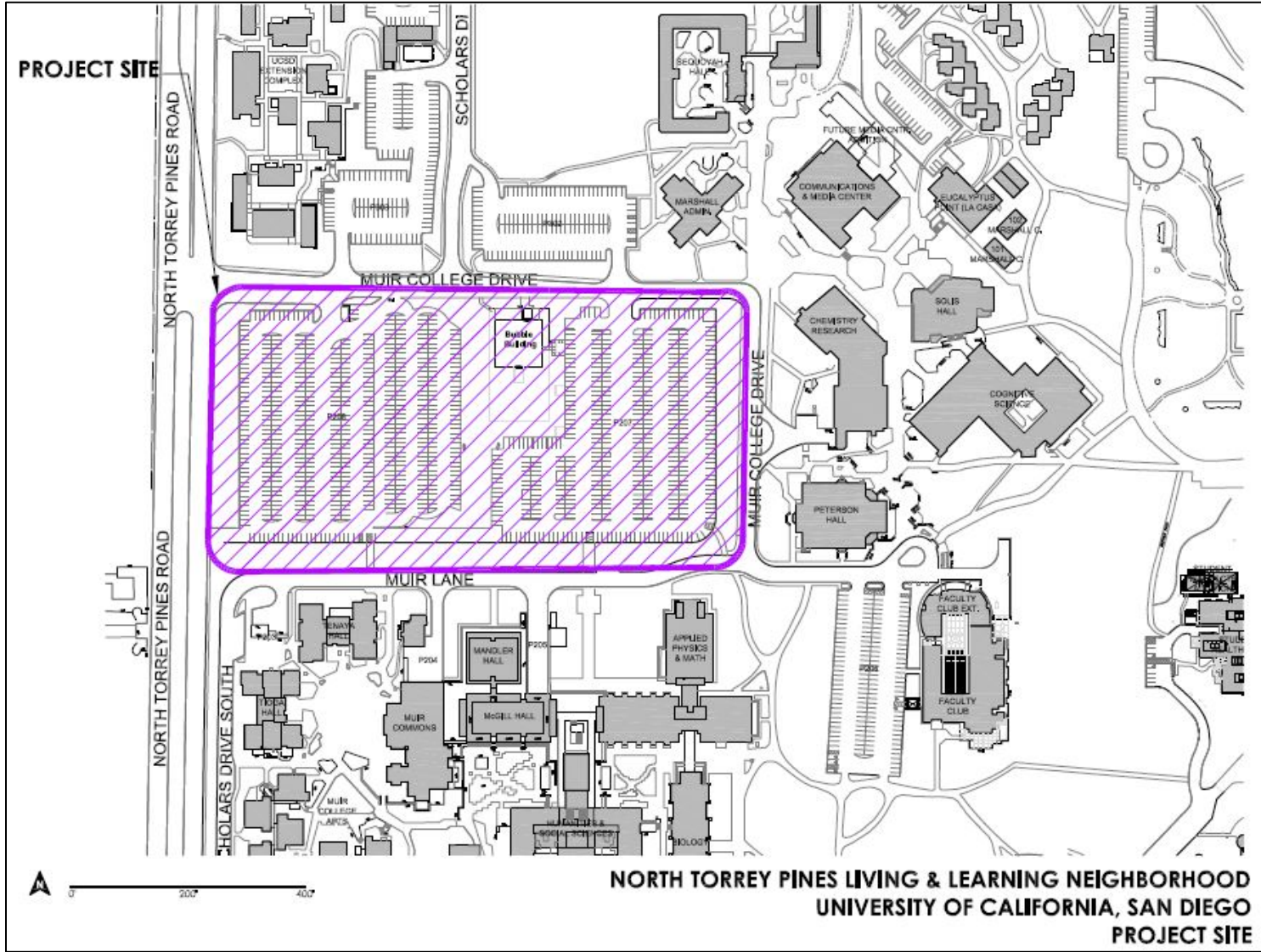
- Attachment 1: Preliminary Plans Budget
- Attachment 2: Project Location Map
- Attachment 3: Project Site Map
- Attachment 4: Alternatives Considered
- Attachment 5: Project Delivery Model

PRELIMINARY PLANS BUDGET

Category	Amount
A/E Fees ¹	\$8,750,000
Campus Administration ²	\$1,350,000
Surveys, Tests, Plans ³	\$750,000
Special Items ⁴	\$11,400,000
Total Preliminary Plans Budget	\$22,250,000

1. Includes architect and consultants for design-build programming, design-build competition and preliminary plans.
2. Includes campus project management, planning, engineering, design review, and contracts administration.
3. Includes site surveys including soils, geologic borings and trenching, and design phase testing.
4. Includes design-build competition stipends, specialty consultants, contractor fee bonds and insurance, California Environmental Quality Act documentation, and peer reviews.





ALTERNATIVES CONSIDERED

Information regarding alternatives considered for delivery of new undergraduate student housing and academic space is provided below, a brief summary of each option.

Option 1 - Redevelopment with University-Delivered, New Construction on Campus – Preferred

The preferred solution would redevelop a ten-acre parcel on campus to create the North Torrey Pines Living and Learning Neighborhood (NTP LLN). The project would provide approximately 2,000 new beds for undergraduate students; new academic space for departments and programs in Social Sciences and Humanities; classroom space; and structured parking. To support and encourage the undergraduate living and learning environment, the project would also include amenities such as a food service market, casual dining, and smaller work spaces that could be reserved for study groups. One of the project goals is to create a porous ground level hub where students, faculty, and staff would cross paths and interact. Residential and quieter spaces would be above the ground floor.

The project would be located on two existing adjacent surface parking lots just east of North Torrey Pines Road and west of Ridge Walk, a prominent north-south pedestrian corridor. This location will facilitate access to the Living and Learning Neighborhood. NTP LLN would require removal of the “Bubble Building” which has provided a temporary home for the Chemistry/Biochemistry Department’s research in Nuclear Magnetic Resonance (NMR) spectroscopy. The State-funded Biological and Physical Sciences Building will provide permanent accommodations for the NMR.

Locating various academic departments and programs within each of the undergraduate colleges effectively promotes faculty interaction with students. The project would provide an innovative community for a college in collaboration with the Divisions of Arts and Humanities and Social Sciences. Academic office and research space will be integrated with the College as well as one large lecture hall (600 seats) and three smaller lecture halls (one 350, and two 250 seats) to meet general assignable classroom deficiencies.

The Living and Learning Neighborhood would provide an opportunity for the efficient use of shared meeting space for student activities within the College as well as for department activities. The campus plans to have dedicated spaces for media, film, art history, presentations, and lectures to draw faculty and students together and structured parking to accommodate approximately 1,200 cars. Locating programs and housing together would allow shared infrastructure, thereby lowering costs while also activating the campus, creating a better environment for students, faculty, and staff. The proposed site also creates an opportunity to improve pedestrian and bicycle connectivity by revitalizing Ridge Walk along the eastern border of the project site through a relocation

and realignment of the campus loop road. Please refer to the attached Project Location Map and Project Site Map.

Option 1 is the only solution of the alternatives considered that would provide new housing, new academic space, and new parking in the shortest amount of time – which is what is urgently needed to meet current demand as well as projected demand associated with increased enrollment. When compared to current market rates in the surrounding area, the proposed project is the best solution for making affordable housing available to undergraduate students. The campus would proceed with a design-build, fixed-price delivery model with the plan being to complete the new housing component first (Fall 2020), followed by new academic space (early 2021). This scenario provides the greatest expectation for meeting Campus and UC systemwide goals.

Option 2A – Purchase Residential Property Off-Campus – Considered and Rejected

As previously mentioned, UC San Diego is located in La Jolla/University Town Center (UTC) where housing and rental costs are extremely high. This reduces the availability and financial feasibility for 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 and cap rates are competitively bid downward to historically low rates. Owners of surrounding apartment communities have little to no interest in negotiating on price or committing to a long-term master lease.

The other portion of the private market housing in the adjacent community is designated as condominiums with individual owners and Home Owner Associations, which typically house a high percentage of non-UC San Diego residents. Pursuing these opportunities would not generate enough new beds for UC San Diego students and would place the University in the position of purchasing and operating a property made up of non-affiliates as the home owners 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 property 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. The purchase also 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 this option was therefore rejected.

Option 2B – Purchase or Lease Academic Space Off-Campus – Considered and Rejected

Leasing academic space off campus is not a viable option for undergraduate students and faculty. Recent evaluations of private market properties indicate that, due to the type of space and adjacency requirements needed for University-caliber academic space, appropriate inventory is unavailable. Furthermore, academic buildings in dispersed off-campus locations would result in operational, space, and service inefficiencies.

Off-campus academic space would remove faculty from the vitality and collaboration offered by residing on campus and fails to achieve effective collaboration with students, a key goal of the Strategic Plan. Leases can make departmental cohesion and interdepartmental cooperation difficult and are academically suboptimal. For this reason, the campus has determined that leased space would not attract top faculty to the University, another goal of the Strategic Plan. Finally, leasing or purchasing off-campus space would trigger environmental impacts such as increased traffic, seismic and/or Code upgrades (depending on the age of the property), and displacement of existing tenants from the space. More information on the specific property would be required in order to determine the type of environmental document that would need to be prepared.

Option 3 – Redevelopment with Public Private Partnership (PPP) – Considered and Rejected

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 is assumed. 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 would 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 would delay completion of the project by approximately 19 months.

Not only would the PPP approach delay delivery of much-needed undergraduate housing, academic space, and parking, but 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.

Option 4 – “Do Nothing” – Considered and Rejected

As previously described in this document, the current housing inventory is not sufficient 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 achieve goals set forth in the Strategic Plan, which may threaten campus ability to recruit and retain top talent;
- Will not be able to conform to the Housing Initiative;
- Will not be able to address current and projected demand for undergraduate student housing;
- Will not progress towards meeting the 50 percent housing goal as stated in the LRDP;
- Will not be able to provide sufficient housing to support a two-year front-end guarantee to all incoming first-year undergraduate students;
- Will not be able to 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.

PROJECT DELIVERY MODEL

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

The design-build RFP outlines all program requirements including quality of construction elements (for both the housing facility and parking structure), quantity and type of housing units, specific amenities for each unit, requirements for common and administrative areas, site amenities, project color palettes, and life-safety requirements. Design Guidelines are included with the RFP to ensure that specific product and detailing requirements align with the UC San Diego Physical Design Framework, as well as Housing, Dining, and Hospitality and Transportation Services operational and maintenance practices.

A Maximum Allowable Price and Design/Construction Schedule are built into the RFP. Three pre-qualified design-build teams would be shortlisted and invited to participate in a competition to create a schematic design technical proposal. Each proposal would be reviewed and scored by a selection committee consisting of UC San Diego staff as well as several appointed members from the Design Review Board. The competitive nature of this approach has shown that the teams strive not only to meet the minimum program requirements, but to also offer enhancements such as additional housing units and enhanced site amenities as part of their technical proposals. The design from the selected design-build team will be presented to Regents for design/CEQA approval.