

Re: March 15-16, 2023 UC Regents Meeting

Agenda Item No. F11 of the Finance and Capital Strategies Committee on March 15, and the Full Board Meeting on March 16 -- UCSC's Student Housing West Project

March 10, 2023

Dear Regents,

We, the East Meadow Action Committee (EMAC), support building 3000-plus beds of student housing on the UCSC campus along the general lines of UCSC's original proposal for Student Housing West (SHW). However, we oppose the subsequent version of this project that UCSC brought before you for your approval in March 2019, again in March 2021, and yet again now.

As this long and troubled history too amply demonstrates, that subsequent version suffers from enormous opposition not so much from UCSC's opponents as from so many of its best friends. (See Attachment A.) And the opposition of so many friends arises from the hasty decision to put a small portion of the total project in the iconic East Meadow (the Hagar site).

Results matter. The need for additional on-campus student housing is large and long-standing. By abandoning the first version of this project and pushing for the second, UCSC switched from a project that had no significant opposition and no risk of litigation, to a project that engendered broad and strenuous opposition and soon faced multiple litigations by multiple parties – and continues to be tied up. The result has been many years of delay and an ongoing failure to provide needed housing to students.

More specifically, the first version of this project encountered a modest listed species situation, which UCSC's own expert staff estimated could be readily resolved with only a six-month delay in the project schedule. If UCSC had chosen to stay with that first version of the project, and had taken that six-month addition to its schedule, the entire 3000-plus bed project would have been scheduled to be completed and available to students two months ago, January 2023. And in fact half of the project would have been scheduled to be completed and available to students roughly one year ago.

Instead, UCSC, in order to avoid a six-month delay, will needlessly incur at least six years of delay. It is the students who are paying for that mistake, and for the stubborn refusal to correct it.

In these comments we will summarize how that mistake was made, how opportunities to correct that mistake were not taken, and how UCSC repeatedly misrepresented to you the Regents the facts about its revised version of the project in order to cover up its mistake.

The UCSC administration claimed to the Regents:

- that it was no longer possible to put the entire project on the west side of campus (the Heller site) as they had originally preferred,
- that the decision to build the version of the project that included the East Meadow (the Hagar site) was due to cost considerations,
- that that decision was specifically supported by detailed and unbiased cost estimates,
- that UCSC's Design Advisory Board broadly supported the revised version of the project that built in the East Meadow,
- and that the proposed project would give students substantially lower rents than they could obtain off-campus.

We will show that each of these claims was and is false.

We will further show that the UCSC administration has repeatedly claimed that its chosen version of this project is the fastest path to construction of needed housing, but instead the result has repeatedly been more and more delay. Most importantly, we will show that there has always been, and still is, a better path to construction and completion of this much-needed and long-overdue student housing, a path that is fairer to students.

And finally we will show that now, in a desperate attempt to avoid taking that better path, the administration is making a radical proposal to finance a now dramatically more expensive project. By pushing for a construction start before pending litigation risk is resolved, they would put financial risk that the bond market is unwilling to bear on the backs of their own students. And we will show they are doubling down on earlier false claims that this project would result in on-campus rents well below off-campus rents. **We analyze the new problems introduced by the proposal now before you, and the potentially devastating implications for students, on pp.12-17.**

This started out as a good project to fill a very real need. Instead all we have are the high costs of five and a half years of administration mistakes, misinformation, and missing information.

“They have no interest in stopping the project.”

UCSC began work on Student Housing West (SHW) early in 2016, shortly after President Janet Napolitano announced a new approach to financing campus housing projects. This original version of the project was to be entirely on the west side of campus (hence the name Student Housing West), on approximately 26 acres (the Heller site). For a year and a half the UCSC administration did the planning and preparation for the environmental documents, and the project enjoyed broad support in the campus community.

UCSC was well aware that the undeveloped half of that 26-acre site was a low level of habitat for a listed frog, but inexplicably waited until late in the planning to check with US Fish and Wildlife Service (USFWS, formerly USDFW) as to whether any mitigation would be required. When, on August 18, 2017, they finally did check, they did not get the answer they wanted. Jolie Kearns (then Interim Director for Physical and Environmental Planning Services) reported that the USFWS staff she had just met with “are a reasonable group and want to work with us... They have no interest in stopping the project.” (See Attachment B.) But they would need some mitigation. A few days later she concluded that working out that “low effect” mitigation with USFWS would add “approx a 6 mos delay to construction.” (See attachment C) It should be noted that UCSC staff was familiar with the mitigation process, which they had used successfully a few years earlier to get the Ranch View Terrace faculty housing project built.

Over the month of September 2017, the UCSC administration tried to figure out how to respond to this question of mitigation and schedule. At the end of the month the Vice Chancellor for Business and Administrative Services, who had no expertise in planning, design, mitigation, or construction, decided that the most important thing was to not incur that six-month delay. Instead, the decision was made to avoid having to do any mitigation, i.e. avoid the six months delay, by shrinking the 26-acre site by half, eliminating the undeveloped portion at issue, and building only on the developed half (previously developed as low-density family student housing).

However, the remaining 13 acres was not large enough to contain the entire project and to phase the construction, so a hasty decision was made to move the Family Student Housing and childcare elements of the project to the iconic East Meadow (the Hagar site), just inside the main entrance to the campus.

That decision, which remained unknown to most people on campus for months, suffered from a major flaw at the outset: none of the necessary preparatory work had been done on the East Meadow, and doing that work would take months. UCSC hastily put out a Draft EIR on the revised version of the project in March 2018, and got a flood of negative responses, including some clearly signaling litigation. It was obvious that UCSC had not adequately prepared for the Draft EIR and was in no position to defend it, so the UCSC administration withdrew the entire Draft EIR and attempted to do some of the missing preparation. It took until September 2018 to issue a Revised Draft EIR for public comment.

All that led to taking the revised project to the Regents for approval in March 2019. Going into that meeting, the decision to avoid six months of delay had already cost a year of delay, and that was before any litigation. Therefore the decision to avoid the six-month delay was immediately a mistake measured by the administration’s own objectives.

“I just don’t buy it.”

At the Regents meeting of March 2019 the UCSC administration made a series of false statements in favor of their modified project.

First, several Regents noted the opposition to the project as proposed, and commented that in this case the opposition consisted of many of UCSC’s biggest supporters. As Regent Makarechian stated, the opposition was made up of the “who’s who... of your campus.” (Regents’ Meeting transcript p. 10; see also Attachment A.) Several Regents further noted that the opposition was not to the 95% of the proposed housing on the west side of campus (the Heller site), but only to the 5% of the housing on the east side of campus (the Hagar site). Why, if everybody agreed on the need for additional on-campus housing, would we let 5% of the project jeopardize 95% of it? Why would it not be “viable,” as Regent Cohen put it, to go ahead with the 95% and avoid all the opposition to the 5% while getting most of the housing built?

The UCSC administration offered in response a variety of procedural matters and distractions, but their bottom line claim was that the west side (the Heller site) cannot be separated from the east side (the Hagar site). As Chancellor Blumenthal succinctly put it, “...you can’t just build Heller...” (Regents’ Meeting transcript p. 29.)

That was not an accurate statement. UCSC could have built not only the 95% of the housing, but 100% of the housing, including the Family Student Housing (FSH) and the childcare facility, all on the Heller site, with room for the necessary phasing, if it had taken the six-month delay and therefore could utilize the full 26 acres. Putting all that on the west side (Heller) was not only possible, it was the administration’s original first choice during the first year and a half of work on the project. The administration knew from their own planning that the 26 acre site was big enough for the entire project and for the phasing. It was not only possible, it was their preferred plan.

This is clearly information that the Regents should have been given in response to their many questions. The honest answer would have been that there was and is an option to put the entire project on the west side (Heller), and that was the administration’s first choice, but no longer is. But that, of course, would have lead to an obvious question: “Why not do that?”

It is also fair to ask why the opponents of the project did not provide this information to the Regents for the March 2019 meeting. The answer is that the UCSC administration kept secret why a relatively minor habitat issue had fundamentally altered the direction of what had been a broadly popular project. The Regents were not informed, the opposition was not informed, the public was not informed – the fact that all that was at issue was a 6 month impact to the schedule was treated by the administration as TOP SECRET. It only came to the attention of a few people about a year after the Regents’ March 2019 meeting when UCSC was required by a court process to make available the internal documents related to this project.

Second, UCSC's central pitch to the Regents was that their proposed version of SHW (Heller plus Hagar) was chosen by them because its cost estimates were lower than for any of the alternatives. The aforementioned trove of internal documents made available later proves this to be false: the decision to switch from the original version of this project (entirely on the west side or Heller site) to the proposed project partly in the East Meadow (the Hagar site) was originally made to save time, not money. The cost estimating exercise, which produced UCSC's arguments to the Regents in the March 2019 meeting and produced the actual cost estimating data given to the Regents several weeks later, was an after-the-fact justification of a decision that had been made earlier in order to avoid the six-month delay.

Why not be honest about that with the Regents? Because it would be hard to defend a decision based on saving six months when that decision had already cost one year of delay. And of course, that decision has gone on since then to cause years of further delay.

Third, the UCSC administration presented specific claims about the cost estimates for each of the alternatives, estimates that it said were the justification for the decision it had made to select their preferred project. Inexplicably they made that claim, and presented their conclusions, without providing the Regents the relevant supporting numbers. Those numbers only became available to the Regents after the March 2019 Regents meeting and after the Regents rather reluctantly approved the project.

To UCSC's credit, cost estimates were made for an unusually large number of alternatives. Oddly, however, they did not present a cost estimate (and apparently did not make a cost estimate) for the most obvious alternative of all, i.e., their original plan to build entirely on the full 26-acre west-side (Heller) site. So their cost estimates avoided the question of whether they should have stuck to that original version of the project.

In the March 2019 Regents meeting, even without the supporting cost data, Regent Makarechian went straight to the alternative most suited to understanding whether the conclusion presented about costs was supported by the missing data, and that was Alternative 10. It is the tell-tale alternative because it is the alternative that most resembles the proposed project, which makes analysis of it more straightforward.

It is also the alternative on which Chancellor Blumenthal built his argument that he had chosen the cheapest alternative, based on the cost estimates: "The bottom line is that the cheapest of the alternatives to [UCSC's proposal], the cheapest of them, which is the site at Ranch View Terrace [i.e. alternative 10], the cheapest of them, would add \$90 million to the project...." (Regents' Meeting transcript, pp. 13-14.)

Alternative 10 is in many ways almost identical to the chosen project: the west side portion of the project (the Heller site) is identical to the west side portion of the chosen project, and the remaining 5% of the housing and the childcare center are

moved to a site very near the East Meadow, and built of the same material (wood), though in a slightly more dense configuration.

In the cost conclusions presented to the Regents, Alternative 10 is said to be \$88 million more expensive (not \$90 million). Regent Makarechian could see that it was completely implausible that such a large cost difference could be caused by 140 units of wood construction and the childcare center, given that the only significant change was a slight change of location. As he put it, "There's no way that that will be the case." (Regents' Meeting transcript p. 15.)

Now that we have the data behind UCSC's cost conclusions, we can see that Regent Makarechian's "no way" was correct, and we can see exactly what did produce the \$88 million higher estimate for the alternative. As stated above, in alternative 10 the 95% of the housing at the Heller site was identical in every respect to what was proposed in the chosen project: same buildings, same materials, same location, etc. Yet in the cost estimate for Alternative 10, that same Heller site housing is estimated to cost \$40 million more than the identical work in the chosen project. How can that be?

The answer is that additional costs were added due to the passage of time since the decision was made to build the administration's chosen version of the project. The higher cost estimates were generated mainly by higher estimates of contingency, inflation, and finance costs, all time-driven factors. What is happening here is that the chosen project was being estimated from a point in time approximately a year and a half earlier than the point in time from which the alternatives were being estimated. The alternatives therefore extend further into the future and pick up more of the costs of that more distant time.

These cost estimates may answer a valid question, but it is not the question they needed to answer and were presented as answering: why did you choose this version of the project rather than any of the other eleven versions? The answer given by UCSC is that we picked the one we picked because it was the cheapest. But the data presented does not answer that question -- it answers the question of what if we decided to build each of the alternatives a year and a half later than we decided to build our chosen version? Obviously, if we cost estimated the Heller portion of the project from the same point in time, we would get exactly the same cost whether we did it as part of alternative 10 or as part of the chosen version -- \$40 million of the cost difference would instantly disappear.

If we think of this cost estimating exercise as a horse race, what has happened is that UCSC lined up eleven horses at a starting line on the racetrack and then put a twelfth horse a substantial distance ahead of the other eleven. The horse with the big head start then wins the race, and we are told that proves that the winning horse ran the fastest.

Another bit of evidence of this starting line discrepancy is that all eleven alternatives were burdened with \$5.4 million in "lost opportunity costs," which represents the

work already done in the previous year and a half on the chosen version. Again, that's an interesting number to know about, but it has no business in an answer to the question "why did you chose this particular version of the project?" When UCSC made that choice, all alternatives would have been at the same starting line and none would have incurred any lost opportunity costs.

How much difference does all this make? Again, a look at Alternative 10 is the clearest way to answer that question. The time-distorted answer to the cost of the Heller portion of the project, described above, accounts for \$40 million of the total cost difference of \$88 million. Another \$21 million is accounted for by the assumption made in the estimates that alternative 10 would need interim facilities for childcare and family student housing and the chosen version would not. But that is only a consequence of the year-and-a-half time difference between the two – without that time difference there is no more need for those interim facilities in one version than in the other. The remaining difference of \$27 million is roughly accounted for by leveling the time-distorting factors with respect to the cost of the family student housing/childcare portion of the project (including that the multiplier for contingency is set substantially higher for the alternative), and to the utility connections for that portion, plus this portion's share of those "opportunity costs." What we end up with is that Alternative 10, cost estimated from the same point in time as the chosen version, ends up costing roughly the same amount as does the chosen version. Which is what we, and presumably Regent Makarechian, would have guessed just looking at Alternative 10 and the chosen version and how similar they are.

Like Regent Makarechian, we are focusing here on Alternative 10 because it is the clearest window on what these cost estimates do and do not establish. But the same issues are at play in the cost estimates for every alternative. In every case, the cost estimate for each alternative is much higher than would be the case if the estimation were done from the same point in time as the chosen version. And from the same point in time is the only way to address the question "why did you chose the version you chose over the alternatives?"

The reality here is not that the alternatives were rejected because they had higher estimated costs; they had higher estimated costs because they were rejected.

The fault here is not with AECOM, the firm that did the estimating. They were transparent about what they were estimating and the time factors they were basing their estimates on. The fault was in the misrepresentation of what these cost estimates meant and, of course, in not making AECOM's actual work available to the Regents until after the project was approved.

Fourth, UCSC substantially misrepresented to the Regents the position of UCSC's Design Advisory Board (DAB). The DAB is composed of experienced and highly qualified California architects, selected by UCSC to advise on the planning and design of building projects. They usually limit their advice to relatively specific alterations to

a proposal. We can find no evidence that they have ever previously, in their entire history, outright opposed a project or a significant part of a project.

In the Chancellor's presentation to the Regents at the March 2019 meeting, the sum total of what he said about the DAB is as follows:

We held nine meetings with the campus Design Advisory Board on this project. And the designs at the Hagar and Heller sites changed significantly as a result of their comments.

Now let's look at what actually happened at the DAB. The chosen version of SHW, with the Family Student Housing (FSH) in the East Meadow (the Hagar site), was first taken to the DAB on February 26, 2018. The DAB unanimously opposed putting any of the project in the East Meadow. From the official minutes of that meeting:

In conclusion, the Board wanted to be recorded that they are unanimously opposed to the selection of this site for the FSH development. They questioned what alternative sites had been developed...

And they emphatically repeated that position at the next DAB meeting on March 26, 2018, as indicated in the official minutes of that meeting:

...the Board reiterated that they were still opposed to the selected site and felt the campus was "making a big mistake." They also strongly urged for an analysis of alternative sites.... The Board felt the need to reiterate that the enduring quality of the open meadow was well understood by all and underscored that there was a storied sequence into the campus. They emphasized that "we need to start and end our discussion with those points."

And the DAB has never changed its position on the question of the East Meadow portion of the SHW project (the Hagar site). It is clear that Chancellor Blumenthal left the Regents with a false impression of the position of UCSC's Design Advisory Board.

Fifth, Chancellor Blumenthal built his defense of his chosen version of Student Housing West on the claim that on-campus student rents would be well below off-campus rents. The record clearly shows that that claim was false by a wide margin.

Chancellor Blumenthal faced a daunting challenge at the March 2019 Regents meeting: how to defend a proposal in which 5% of the project was causing massive opposition by the campus's best friends and thereby was threatening the entire project. Here's how he approached that challenge as he spoke to the Regents:

I wish this project were not so controversial. It pains me to see esteemed and beloved friends at the campus opposing the project. (Regents' Meeting transcript, p. 6.)

But he justified moving ahead with the controversial version of this project because on-campus rents would be substantially below the off-campus market, and he demonstrated that with a large graphic (see Attachment D). He said:

The table on this slide compares monthly rents for comparable on- and off-campus unit types and campus rates are much better. The savings of living on campus start at \$400 per month. That is a significant cost savings for our students and it's why I continue to champion this project, despite the objections of many distinguished supporters of this campus. (Regents' Meeting transcript, p. 6.)

In the table he presented to the Regents, we see for example the on-campus rate per bed for a dorm double (the most common form of student housing) is given as \$1,467*, and the off-campus rate for its counterpart (a two-bedroom apartment) per bed is given as \$1,910, for a monthly savings of \$443 for those living on-campus. The Chancellor does not express that as a percentage, but over subsequent weeks (possibly with further off-the-record comments from the University to one or more Regents) these numbers become the "30% below market" standard that so dominated the Regents meeting on this project two years later. It all has its roots in Chancellor Blumenthal's claims and in the numbers he presented at the March 2019 Regents meeting.

His claims and numbers were derived from a study of demand for student housing, rents paid on and off campus, and related matters of UCSC student housing, commissioned by UCSC with the nationally known firm Brailsford & Dunlavey. That firm did the survey work early in 2018 and published their study of these housing issues in April 2018 (Student Housing Demand Analysis, Final Report). In November 2018, they did a quick update to see if there had been any significant change in either their demand estimates or their rent estimates (there had not), and they so reported in an unpublished memo to UCSC in December 2018.

In their Final Report (April 2018), Brailsford and Dunlavey include a chart similar to Chancellor Blumenthal's, comparing off-campus rents to on-campus rents (see attachment E). Again taking the comparison of a dorm double to a two-bedroom apartment, Brailsford and Dunlavey's actual market survey found not that on-campus rents were 30% below the off-campus market, but that on-campus rents were 60% above the off-campus market. How could such a huge discrepancy even be possible, especially based on the same study?

The problem here is not in counting the dollars, but in counting the number of sleeping students. On campus, it can be known how many students are assigned to a given space. But off-campus, the question of how many sleeping, rent-paying students per room is left to the students.

*All on-campus rent estimates in this section are a projection by UCSC and their consultant of what on-campus rents will be in the first year of SHW being occupied.

In this case, the average rent paid for a two-bedroom apartment off campus can be readily determined by a survey of the real estate market, but the number of students sleeping in that apartment – and dividing the obligation to pay that rent among themselves -- cannot.

In his chart Chancellor Blumenthal assumes that two students will be sleeping in each room on campus (in a dorm double), but off campus he assumes only one student on average will be sleeping in each room (in a two-bedroom apartment). Brailsford & Dunlavey, in contrast, assume approximately two students sleeping in each room on average off-campus. But most notably, Brailsford & Dunlavey do not just assume, they establish that their assumption and conclusions are correct, by an independent method: they do a large survey of off-campus students to determine what those students are actually paying in rent per student. Those results (see Attachment F) establish that off-campus students are actually paying on average \$800-to-\$900 per student per month in rent, as stated by Brailsford & Dunlavey, rather than roughly \$1,900-plus per student per month, as claimed by Chancellor Blumenthal. (Furthermore, this method of corroboration includes all housing types, not just the most common double.)

How could such an enormous discrepancy occur? How could the Chancellor present such an egregious falsehood to the Regents, on a point so central to his advocacy for his version of the project? The Brailsford & Dunlavey study on which all discussion of this issue of affordability is based took pains to caution about leaping to conclusions when comparing on-campus to off-campus rents. In note 4 of their chart (Attachment E) they spell out exactly how many students per room they assume. And in note 6 of the same chart they expressly caution about the issue of how many students share an off-campus rent and that off- and on-campus rents do “not readily compare....” They cannot be faulted for not being clear. We cannot explain how a study estimating on-campus rents to be 60% higher than off-campus rents could have been turned on its head to claim that on-campus rents would be substantially lower than off-campus rents.

The Five Falsehoods

Put the five falsehoods we have just described all together, and they comprise most of UCSC’s testimony to the Regents in the March 2019 meeting in support of the UCSC administration’s version of Student Housing West. Take the falsehoods away and there is very little left. The Regents asked good questions, and raised substantive doubts, and mostly got falsehoods and evasions in response.

We emphasize that these falsehoods were propounded by the previous UCSC administration, not the present UCSC administration. None of the four who presented to the Regents on behalf of UCSC’s Student Housing West project in March 2019 is still at UCSC. Our present Chancellor, Chancellor Larive, did not arrive at UCSC until July 2019. Chancellor Larive got a mess not of her own making dumped on her. The same could be said of the Regents.

The Off-Ramps Not Taken

Ultimately, the most detrimental of all the falsehoods has been and continues to be the original: that the readily soluble species issue on half of the west side (Heller) site presented an insoluble obstacle to development of the full 26 acre site on the west side. That falsehood had to be kept secret because it was so demonstrably false.

So let us state as clearly as we can that the species issue on half the west side (Heller) site has always been and still is readily resolvable, to the benefit of both the project and the frog. Resolving it at any point, including now, would make development in the East Meadow (the Hagar site) unnecessary, would make all the opposition associated with development of the East Meadow go away, and would allow the University to spend money not on outside lawyers but on construction of badly needed student housing.

Because of that original falsehood, the UCSC administration drove past every off-ramp and kept going on the road to nowhere. Some examples:

- In March 2018, UCSC made public its Draft EIR for the project. The public response was massive, overwhelmingly negative, and clearly signaled litigation by multiple litigants. That would have been a logical time to reassess strategy and do what needed to be done to keep the full 26 acres on the west side (Heller) available for development. That would have enabled the project to get to construction as soon as possible. But UCSC did not avail itself of that off-ramp, and chose instead to rewrite the Draft EIR and go through the public comment process all over again. They did so in the mistaken belief that continuing on their present course would get them to construction the quickest. That was four and a half years ago – construction has still not begun and is nowhere in sight.
- In November 2018, the comment period on the Revised Draft EIR closed, and nothing had changed – still the public response was massive, overwhelmingly negative, and clearly signaled litigation by more than one group. Again that would have been a good time to reassess strategy and do what needed to be done to keep the full 26 acres on the west side available for development. Why take a project to the Regents that was so controversial and so difficult to defend? But that is what they decided to do. They did so in the mistaken belief that continuing on their present course would get them to construction the quickest. That was a little over four years ago – construction has still not begun and is nowhere in sight.
- In October 2020, the courts ruled that the Regents' approval of the project in March 2019 was contrary to California law and ordered that approval vacated. That would have been a logical time to reassess strategy and do what needed to be done to keep the full 26 acres on the west side available for development.

If you have to go back to the Regents to get a new approval anyway, with all that entails in the way of renewed litigation risk, why not actually solve the underlying problem at the same time? But instead they chose to take to the Regents the same controversial and vulnerable version of the project. They did so in the mistaken belief that continuing on their present course would get them to construction quickly. That was two years ago – construction has still not begun and is nowhere in sight.

This road that UCSC insists on staying with, passing by all these off-ramps, is not really a road at all. It is a large traffic circle, and UCSC just continues to drive around and around. All the off-ramps are really the same off-ramp – this traffic circle really has only one. They keep bypassing it saying they need to get to their destination, but they never get there.

It is a maxim in the management of any organization that you cannot solve a problem by walking along next to it, pretending not to notice it, and hoping it will just go away. You have to turn and face the problem and resolve it.

They are now proposing what?!

UCSC's latest proposal, the proposal now before you, may be the most bizarre twist yet in this tragically twisted tale.

First, you are being presented with a 59% jump in the total price of the East Meadow (Hagar) portion of the project as compared to the cost estimates you were belatedly given four years ago. No doubt some of that is attributable to inflation over four years of unnecessary delay. Consider that portion of the increase to be the high price of refusing to correct an obvious mistake. But a jump that large is clearly more than inflation and delay -- average annual inflation for the four years 2019 through 2022 was only 3.9%. It raises a number of questions, including whether the earlier cost estimates were realistic.

Second, the East Meadow (Hagar) portion of this project is the small part of the total Student Housing West project. If that small part has gone up 59%, what has happened to the estimated cost of the far larger part? If we estimate conservatively that the larger part has gone up only 50%, that would put the total cost of the SHW project at over a billion dollars.

Why haven't you been told what the estimated cost of the total project will be? The fact is that the Hagar portion of the project only exists to enable the far larger Heller portion. The increase in housing supply happens only when the larger Heller portion is built – building only the smaller Hagar portion does not add any housing. In fact when it's 140 units replace the 200 existing units as planned, total housing supply is slightly reduced. As proposed by UCSC, these two parts are a single package, and if you build the first and smaller part, how could you refuse to build the second and larger part? Hagar by itself makes no sense. Buy Hagar and you have effectively

bought Heller as well. Therefore, shouldn't you know the total cost of both parts now? We have no doubt that UCSC has a revised total cost estimate for the total project – why hasn't that been shared with you?

Third, the entire argument for this particular version of the SHW project was that it was less costly than the alternatives. These large jumps in the cost of their proposed version of the project certainly call that assertion into question. The Regents should have now received not only a revised cost estimate of this version of the project, but also a revised estimate of most or all of the alternatives. Without that, how do we continue the claim that we are building the least expensive version of the project?

Particularly with such a large jump in the cost of the East Meadow portion of the project, how do we assume that the only option with an East Meadow component is still the cheapest? The 59% jump is beginning to reveal the true cost of sprawl development in the East Meadow, where Family Student Housing is now estimated to cost \$836 thousand dollars per unit, even after the size of each unit has been reduced from their previous proposals.

And without knowing how this project now compares to the alternatives, how do we claim to students that they are facing the lowest possible increase in their rents, which will be driven by the new higher costs of this project?

Fourth, just as in March 2019, UCSC is presenting to the Regents a cost estimate lacking in supporting data, as if it had been dropped from the sky. Where is the equivalent of the AECOM report? In 2019 the supporting data miraculously showed up a week after the Regents approved the project, which caused the courts to subsequently order the Regents' approval to be vacated. Why are you being asked yet again to make a major financial decision without the supporting data?

Fifth, the proposal now before you fundamentally changes the way this project would be financed, and does so in a very unusual way. Construction of projects that will produce a revenue stream is often bond financed, with the revenues of the completed project pledged to repay the bonds. And that has been the plan for this project up to now. Such bonds are not issued so long as there is pending litigation against a project, on the grounds that repayment would not exist if the litigation were to succeed.

The proposal before you is highly unusual in that it would radically alter that standard practice by issuing bonds while litigation is still pending (none of it by us). Or, as UCSC puts it, the changed method of financing “...allows the project to move forward without further delay from ongoing litigation.” How does it do that? The bond market will not buy bonds pledged to revenues that are under the cloud of pending litigation, so where are the revenues that could be pledged to pay off these bonds? The proposal specifically states that “The general credit of the Regents shall not be pledged,” so UC funds cannot be used.

The proposal further states “...the general revenues of the Santa Cruz campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.” What does that mean in actual practice? The only revenues UCSC has for this purpose are the rents paid by its on-campus students into the auxiliary fund for housing, and student rents are set at whatever level is necessary to cover all housing costs, including maintaining that auxiliary fund at “amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.” That would mean that it would be the approximately 9000 on-campus students not living in SHW who would be on the hook for repaying those bonds if, for litigation reasons or any other reasons, the project got financed but then stopped prior to completion of construction.

How deeply on the hook? The total bond financing just for this initial portion of the project is \$128,113,000, with an annual debt service cost of \$7,534,549. Assuming roughly 9000 students housed on campus without SHW, that would add \$837 per year to the rental cost of each of UCSC’s on-campus students. Is that what UCSC intends here? Is that a risk they think students should be made to bear? Have they asked the students whether they think this is a good idea?

Trying to mix revenue bonds and litigation risk is just plain reckless, which is why bond buyers won’t have anything to do with it. Why would we ask students to bear the litigation risk when bond buyers refuse to do so? Why hasn’t UCSC been more forthcoming about litigation risk and on whose shoulders they would put that risk? Why would we incur these risks, and make the students bear them, all for what would likely be just a few months of difference in the start of construction?

It’s one thing to expect students to pay for the housing they get. It’s quite another to require them to pay for housing they don’t get.

Sixth, to accomplish this change in financing method, UCSC proposes to terminate its existing contract with Capstone, the developer selected by UCSC back in 2017. Why is this necessary? It appears it is necessary in order to put the litigation risk on all of UCSC’s on-campus students. All UCSC says about this switch from Capstone to a “campus-managed capital project” is that it “allows the project to move forward without further delay from ongoing litigation.” How would it do that? The likely explanation is that UC can issue bonds pledged by all on-campus rents, but Capstone (or its bond-issuing affiliate) could only issue bonds pledged by rents at SHW. There is nothing unusual or wrong about either financing method, until it is combined with financing in the face of pending litigation. In that case, only UC bonding could put the litigation risk on all on-campus students, and Capstone could not successfully issue bonds at all. So if they are going to put the litigation risk onto students, Capstone will have to go.

In any event, the cost of terminating UCSC’s existing agreement with Capstone is \$6.5 million. It is funding this amount from the campus auxiliary fund, which again must ultimately be paid for by student on-campus rents. Why it is students who should pay

the high cost of the administration changing its mind about the basic funding mechanism of this project is not explained.

And seventh, UCSC is again making unsupported claims that on-campus rents would be substantially below off-campus rents. We have shown (pp 8-10) that when those claims were previously made they were false by a wide margin, and we used the underlying report to show that it was false. This time UCSC has solved that problem by failing to make the latest underlying report available to either the Regents or to the public. That report, "UC Santa Cruz Student Housing West Rent Comparison – JLL, January 6, 2023," should show the data and methodology on which UCSC's claims are based.

We have shown that the last time they made this pitch to the Regents they distorted the results by misrepresenting the number of students living in and sharing the expense of off-campus housing, creating an invalid apples-to-oranges comparison. Specifically they based their claims on one student per bedroom off-campus when the survey demonstrated that the real world average was two students per bedroom. They have repeated that practice in this latest claim without showing why it is no longer a false claim. If we just correct for that one issue, instead of undergraduate on-campus rents being 41% below market, as claimed, they would actually be 18% above market.

It is still true that UCSC's most recent publicly available housing survey shows that on average there are four students living and sharing rent in the typical off-campus two-bedroom apartment. It is imperative that the Regents determine conclusively for themselves that any and all distortions have been removed from these latest claims.

What Is To Be Done?

What is clear from the record is that UCSC needs a substantial increase in on-campus housing for students, the administration began in early 2016 work on a project to accomplish exactly that, that project was on 26 acres entirely on the west side of campus and enjoyed broad support, but in the Fall of 2017 inexperienced administrators changed the project to be on only 13 acres on the west side and put sprawl development in the East Meadow, which is to say they drove the project into a ditch where it remains stuck to this day.

The best action the Regents could take would be to get the project unstuck by correcting the mistake that put it into the ditch in the first place. Instead of approving the proposal put before you today by UCSC, we urge you to tell UCSC to come back to the Regents as soon as possible with a proposal to put the entire project on 26 acres on the west side of campus. They've already done a year-and-a-half of work on exactly that concept, so it would not take long to put a proposal into final form.

This approach would moot all existing litigation, but necessitate a Supplemental EIR. That approach presents very little risk of renewed litigation, for two reasons:

- A Supplemental EIR addresses only those aspects of the project that have changed from the approved EIR. The major environmental issues of this project have to do with water use, off-campus traffic impacts, and impacts to the East Meadow. The first two would not change and therefore would not be addressed in the Supplemental EIR, and the third would no longer exist, presenting no issues to be addressed or litigated. Only issues addressed in the Supplemental EIR can be litigated, all others, including everything else in the already approved EIR, are barred, leaving very little as a target for litigation.
- More importantly, CEQA litigation runs on fundraising, and it takes a lot of people, with a lot of passion about an issue and therefore willing to commit a lot of money, to make litigation possible. For this project, the passion was all about the East Meadow, a viewshed beloved by generations of UCSC students, faculty, and staff. Take the East Meadow portion of the project out of the equation and there is no passion and no fundraising for litigation. People have other things to do and other things to spend their money on.

The second best action the Regents could take would be, instead of approving the proposal, to direct UCSC to provide, preferably for the next Regents meeting, the kind of information they should have provided for this meeting. There has been four years of misinformation and missing information on this project in presentations to the Regents, as we have described here. It is past time for the Regents to get the complete, accurate, and unbiased information on which they can make a sound decision. That would include:

- Thorough and unbiased cost information, similar to the AECOM report belatedly made available to the Regents after the March 2019 Regents meeting, of not only the present proposal, but also of the alternatives previously analyzed and one of the entire 26 acre site on the west side containing the entire project. Analysis of each is to be with all from the same starting point in time, i.e. all horses start from the same starting line.
- UCSC's pitch to the Regents is all about all the benefits that will flow from the entire Student Housing West project, but only includes the costs for the much smaller East Meadow (Heller) portion, plus a small amount of planning money for the Heller portion. If we are going to need to build the whole thing to get the benefits, we should see the cost of the whole thing. UCSC should be required to disclose its full estimated costs for the entire project.
- We estimate this total project is now roughly a billion dollar project, and the annual debt service alone would be roughly \$60 million. All that is to be added, through the mechanism of the campus auxiliary fund for housing, to the rents now being paid by all on-campus students. There has been lots of discussion of how student rents on-campus would compare to those paid by students off-campus, but we also need to understand how much on-campus rents without this project would compare to on-campus rents with this project. UCSC should provide that information to the Regents and to the public. We need to understand the financial impact on students all across the campus; it is they who will pay the bills for whatever is decided. We should, at the very least, understand the increase we will be requiring them to pay.

- An explanation as to why the UCSC administration believes it is appropriate and fair to on-campus students for them to be required to pay, through higher rents, the \$6.5 million to change from the administration's initial decision to use developer financing to the administration's subsequent decision to use UC financing.
- A clear and definitive statement as to whether UCSC's present proposal would pledge all student on-campus rents for repayment of bonds to finance the project. And because the same proposal calls for moving ahead with the project while litigation against the project is still pending, UCSC should explain and quantify the costs that would fall on students in the event the proposed bonds have been sold, the project has commenced, and litigation against the project then prevails or the project is for any other reason discontinued. What is the cost burden that would then fall on those students?
- UCSC should make available to the Regents and to the public the report "UC Santa Cruz Student Housing West Rent Comparison – JLL, January 6, 2023." In addition, UCSC should explain the methodology regarding its comparison of on-campus rents to off-campus rents. In particular, it should show what on-campus rents would be for each of the most common on-campus housing types (e.g. a double occupancy room) and how those rents compare per student with corresponding off-campus types. In doing so, it should establish the number of students per unit it used for each off-campus type and what evidence it has that establishes that number of students corresponds to actual practice.

How Do You Count Missing Dollars?

Demographically speaking, these should be the gravy years for UCSC in the form of financial contributions to the campus and its various programs. The campus opened in 1965, 57 years ago. The first two decades or so of students, with strong affection for UCSC in the belief that they benefitted from something truly special, are now in their 60's and 70's and in their financial prime, the age of giving and estate planning.

In all our discussion of financial considerations regarding the SHW project, we leave out the impact this dispute has had and will continue to have on giving. These alumni are typically not opposed to growth or to change or to additional housing for students, but they are opposed to tearing up the East Meadow, the iconic entrance to the campus, the treasured view out across the Meadow to the town, Bay, and Ocean beyond. Many of these alumni have in the past few years diverted what they would have given to UCSC to what they think best serves the UCSC they love, which is litigation to stop the portion of this project that would be in the East Meadow. And many of them make very clear that if the bulldozers tear into the East Meadow, they will never again give to UCSC.

These missing dollars are very real costs of the proposed project even though they cannot be quantified, and these costs should be taken into account. The disillusionment and disgust that this proposal has created would be even further amplified if it were implemented, and would endure.

Governance

The long and troubled path SHW has taken makes this not just about a housing project, and not just about UCSC, but about the governance of the University of California by the Regents. The Regents have an extraordinary responsibility to make often difficult decisions about a University of vast size and importance to the people of California and to the nation. The Board cannot be reasonably expected to meet that great responsibility unless it has been provided with the relevant information that is complete, accurate, and unbiased.

In the 4 years this project has been coming before this Board, the Regents have repeatedly been presented with information that was incomplete, inaccurate, and biased. When it has asked for more information to be prepared prior to making a decision it has been told that approval must be immediate and no time can be spared to prepare such additional information, though further delay always follows anyway. Even the courts have stepped in to overturn a rushed approval because it was not based on sufficient information being provided to the Regents.

It is not fair to the Regents to put them in this impossible situation. There has to be a better way to get quality information in front of the Regents, so that they can more confidently meet their enormous responsibilities.

Let's Get It Built

We need to break the cycle of the 5% creating controversy and opposition for the entire project. We need to put our money into construction, not into outside lawyers. We need to move forward, not keep going around and around in circles in the delusion that we are just about to arrive at our destination.

Keep in mind that in 2016 and 2017, when this project was entirely on the west side, it enjoyed a broad level of support -- certainly there was nothing that would have risen to the level of litigation. And that can be the situation again. The need for a large amount of student housing is widely recognized. By avoiding other unnecessary controversies and passions, we can move this needed project forward and actually get housing built, something that has not happened in the past five-plus years.

We've needlessly lost a lot of time. We need to get on a path that can take us forward. We support getting this project on that path, and we are, as always, eager to be helpful in making that happen.

A Final Irony

These lost years of delay originated in a decision to reduce the preferred site for this project by half, in order to avoid working out a low-level frog habitat issue. What would have been involved, and what the UCSC administration declined to do, was to

work with the US Fish and Wildlife Service on a Habitat Conservation Plan (HCP) tailored to the “low effect” this project would have had on frog habitat. All the controversy, all the divisiveness, all the delay in getting students much-needed housing, resulted from that one decision not to do an HCP with respect to the “low effects” on that 13 acres of the campus.

Yet this past year the UCSC administration decided to do an HCP for the entire campus, including those 13 acres. That work is now underway, and it’s a good thing, because it will make future planners of projects more aware at the outset of the issues they will face for any given site and will result in less wasted time.

However, the mess made of this housing project by the earlier refusal to do an HCP is now outliving that earlier refusal, and the students are being made to pay the price for the endless cycle of delays and added costs. UCSC is now doing the HCP work anyway. Why not use that fact to get this project back on the full 26 acres on the west side, the original preferred site? Even the frail reason for the original mistake of cutting the west side site in half and adding the East meadow is now completely gone. Why is there still an East Meadow component of this project to cause all this trouble for the entire project?

Thank you for your consideration.

Yours truly,

Paul Schoellhamer, Cowell College '69
Professor Christopher Connery
Distinguished Professor Emeritus James Clifford
Distinguished Professor Emer. Gail Hershatter
Professor Emerita Karen Bassi
On behalf of the East Meadow Action Committee

Attachment A
Letter to Chancellor Larive, July 31, 2020

To: Chancellor Larive

July 31, 2020

cc: Campus Provost and EVC Kletzer

We are long-time friends and supporters of UC Santa Cruz. We admire and are grateful beneficiaries of its achievements, believe in its even greater potential, and appreciate your good work to realize that potential. As long-time friends of the campus, we have been concerned about the Student Housing West project, a project that began with such promise and then, with the addition of the East Meadow component, turned onto what has been a more divisive path. Several of us wrote to and met with former Chancellor Blumenthal in April and May of 2018, regarding our concerns, and we and a larger group write you now with shared hope for a brighter future both for the project and for UC Santa Cruz overall.

When the Student Housing West project was first proposed, no new student housing buildings had been constructed on campus in a dozen years, years in which enrollment continued to increase. In the course of this project's planning, it was increasingly clear that on-campus housing supply was well-behind the fast-rising curve of on-campus housing demand. Under the pressure of that fact, the previous administration initially proposed the largest housing project ever attempted at UCSC, to be built entirely on the west side of campus. Then midway through the planning of that project the previous administration changed its direction by shifting 5% of that proposed housing to inefficiently occupy 57% of the total project land as pre-fabricated wood structures in the East Meadow, structures that could be built very quickly and could therefore speed up the entire project.

All that was in response to a rising sense of urgency driven by an ever-increasing gap between housing supply and housing demand. All decisions were driven by an effort to save time, to compress schedule, to play the fastest possible catch-up.

We now live in a very different world. You are now hard at work on the extremely difficult task of planning how the campus can best deal with the consequences of a pandemic that no one can predict with certainty and that tragically is now getting worse by the day. One consequence of that pandemic is that you, unlike your predecessor, need not be rushed into a housing decision driven by the need for speed. The pandemic has depressed and will for some time continue to depress the demand for on-campus housing, and quite likely will deny the project financing for some considerable time to come. The biggest near- and mid-term housing problem is empty beds, not excessive demand.

You therefore now have a longer period of time in which to make sure this project is done right, and done in a way that unifies the UC Santa Cruz community. You have

the opportunity to decide based on what is best for the campus in all respects, not simply based on what is fastest.

There are alternatives. It is not that difficult to consider them and to choose from among them. People of goodwill are eager to help. Getting it right is actually the best way to get it done, ultimately with less delay than has been the case to date and with greater certainty.

The timing now allows more fulsome consideration of alternatives that may include:

- Go back to the project the administration originally wanted to build, entirely on the west side. It was dropped because it was estimated that devising a Habitat Conservation Plan with the US Fish and Wildlife Service would add 6 months to the project schedule. You now have considerably more than 6 months to spare, so this really would cost nothing on the timeline.
- Utilize the East Campus Infill site or the North Remote Parking site (close by Science Hill) or both, possibly as either temporary (to assist with phasing of the overall project) or permanent Family Student Housing. Both sites are marked for student housing in the 2020 LRDP, so are considered feasible and even desirable locations for student housing. And either or both could be developed in conjunction with new housing on the west side.
- If it is considered preferable simply to find a better location for Family Student Housing, there are a number of alternatives that, unlike the proposed East Meadow location, would not put Family Student Housing and the childcare facility immediately adjacent to the most heavily trafficked intersection on campus. These locations include sites just to the west and just to the east of the Historic District and just to the southwest of the Farm.

We are not advocating for any particular alternative, and we assume there are alternatives beyond those listed here that would be worthy of your consideration. Our point is simply that there are good alternatives, and you have the time interval in which to consider them and determine which is in the best interests of the campus.

For the good of the campus, we urge you to make it clear that you will not take this project back to the Regents for further action until you have a project that best serves the broad interests of the UC Santa Cruz community and can therefore win the broad support of that community. This project did enjoy broad support before it veered into the East Meadow, and can enjoy that again. We would be happy to be part of that broad support.

We believe that the person who can make all that happen is you, and we believe you now have the time interval in which to reset this project on a path to success. We stand ready to help in that endeavor.

Wishing you all the best in these difficult times,

The University affiliations of the following signatories are for descriptive purposes only and do not purport to reflect the views of any organization.

Kenneth A. Feingold
Regent Emeritus, University of California
Cowell Fellow
Cowell College 1971
J.D. University of San Francisco 1975

Paul J. Hall
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Past President and current Trustee, UC Santa Cruz Foundation
Past President, UCSC Alumni Council
Past President, Berkeley Law Alumni Association
Merrill College 1972
J.D. UC Berkeley School of Law 1975
UCSC Parent (Lauren Hall, Stevenson College 2013)

Gary D. Novak
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Kresge College 1973
Ph.D. UC Davis 1977
Clinical Professor of Ophthalmology, UC Davis School of Medicine

Alison Galloway
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Isebill V. Gruhn
Professor of Politics, Emerita
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Professor Christopher C. Wilmers
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Marieke Rothschild
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Frank Zwart
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Cowell College 1971

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Stevenson College 1985
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J.D. Loyola Law School 1990

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Rachel Carson College 2002

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Foundation Cowell College 1970

Stephen Bruce
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Jonathan Franzen
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Mark Headley
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Foundation Stevenson College 1983

Walter Jarman
UC Santa Cruz Foundation Trustee
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UC Santa Cruz Foundation
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M.Sc. Urban and Regional Planning Studies, The London School of Economics and
Political Science 1987
J.D. UCLA School of Law 1992
UCSC Parent (Ben Korduner, Porter College 2021)

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UC Santa Cruz Foundation
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J.D. Boston University School of Law, 1976

Kathleen F. Rose
UC Santa Cruz Foundation
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Matthew Waxman
Porter College Councilor, UCSC Alumni Council
Porter College 2006
M.Arch. Harvard University 2012

Attachment B

Email from Jolie Kerns to Sarah Latham, August 18, 2017

From: Jolie Kerns <kernsj@ucsc.edu>
To: 'Sarah Latham' <sclatham@ucsc.edu>
CC: 'Alisa Klaus' <aklaus@ucsc.edu>; 'Felix Ang' <felix@ucsc.edu>
Sent: 8/18/2017 3:18:53 PM
Subject: Update: USDFW Meeting

Hi Sarah,

We have both good and bad news from the meeting with USDFW. Generally speaking, they are a reasonable group and want to work with us to balance our campus requirements to deliver beds and support enrollment growth with critical habitat requirements. They have no interest in stopping the project.

They did convey that **ANY** take of critical habitat will require a permit. This means that in its current configuration, the project boundary for both the north and south sites would be affected. However, there are alternative options, one of which would avoid a take permit altogether. This option would require building **ONLY** on the developed portions of each site. On the south site, this means removing the strip of land between FSH and Heller Drive (some of this was already left open because of our setback requirements) and for the north site, building only on the parking lot. My guess is that we can still squeeze (and I'm using the word "squeeze" specifically here) 3,000 beds within these revised boundaries, but the increased density will need to be considered. Adjacencies between families and undergrads, eg. will be tight.

Other options will look at limited expansion beyond these developed areas. We'll have a better understanding of these implications by next week, and would like to evaluate these with you then. We plan to meet with USDFW in two weeks for their read on the alternative options under consideration.

The question of a campus wide Habitat Conservation Plan came up multiple times throughout the meeting. I assured them the campus is open to this in order to address the larger picture for the long term, rather than tackling this piecemeal with each project, but I kept focusing the meeting back on the immediate needs of the Student Housing West project.

Any questions let me know.

Thanks,
Jolie

Jolie M Kerns AIA LEED BD+C
Senior Architect and Interim Planning Director

University of California, Santa Cruz
Physical Planning and Construction
1156 High Street
Santa Cruz, CA 95064

831 212 0196 phone
831 459 5517 fax
kernsj@ucsc.edu email

Attachment C

Email from Jolie Kerns to Lisa Akeson, August 29, 2017

< Close

AR034166-AR035165.pdf

From: Jolie Kerns <kernsj@ucsc.edu>
To: ljakeson@ucsc.edu <ljakeson@ucsc.edu>; 'Alisa Klaus' <aklaus@ucsc.edu>
CC: 'Felix Ang' <felix@ucsc.edu>
Sent: 8/29/2017 9:06:49 AM
Subject: RE: Following up from yesterday

Hi Lisa,

Yes, we've at least had a week to absorb the implications -- I know yesterday was a bit of a bombshell. A few short responses are below -- happy to talk through any of this over the phone too.

Thanks,
Jolie

From: Lisa Akeson [mailto:ljakeson@ucsc.edu]
Sent: Tuesday, August 29, 2017 8:58 AM
To: 'Jolie Kerns' ; 'Alisa Klaus'
Cc: 'Felix Ang'
Subject: Following up from yesterday

Hi Jolie and Alisa,

Thank you so much for yesterday's briefing -- what a lot to absorb! Your effort to make a matrix -- in such short order -- to help clarify the implications was terrific. Now that I've had an opportunity to digest, I have some questions, if you have time to get back to me:

- From USFWS' perspective, will roads into the development areas 'count' as development and require a take permit?

THIS IS UNCLEAR RIGHT NOW. IT'S ONE REASON WHY CLARIFYING THAT EASTERN STRETCH OF THE SITE COULD BE HELPFUL.

As it stands there is only one access to the S site, and solutions may benefit from other roads being constructed; if we were limited to the S site within the development area going forward, is that area even viable for development if no other roads could be built without a permit?

ON OUR LIST TO CLARIFY

If we pursue a low-effect permit on the S site to allow development out toward the Heller setback, does that obviate redevelopment of the current FSH site until the permit is in hand, or would it be conceivable to initiate development within the FSH site while we are seeking the low effects permit for the undeveloped area?

MY UNDERSTANDING IS THAT NO DEVELOPMENT COULD BE INITIATED UNTIL WE ARE FULLY PERMITTED. THIS IS WHY IF WE ARE EVEN CONSIDERING IT ON EITHER SITE, WE WOULD NEED TO CREATE TWO SEPARATE PROJECTS SO THE FIRST PROJECT COULD BEGIN WHILE THE SECOND WAITS FOR PERMITTING. AS TWO SEPARATE PROJECTS THEY WOULD NEED TO BE LOGISTICALLY INDEPENDENT.

Timing: your table talks about starting construction in January of 2019. Can you walk me through how you arrived at that schedule?

IT IS 14 MOS MIN FOR A LOW EFFECT PERMIT. WE WOULD NEED TO CONFIRM THIS WITH USDFW. ALISA AND I ASSUMED THAT IF WE START WORK SEPT 15, THIS WOULD REPRESENT APPROX A 6 MOS DELAY TO CONSTRUCTION. DELAY COULD BE LONGER AS STARTING IN WINTER HAS DISADVANTAGES.

One way to look at it would be if we initiate the low effects permit essentially now (say Sept 15), we would have the permit by March (based on 6 months to get the permit), prior to the Regents approval and there would be no delay, so I'm trying to understand what the actual sequence would be.

Can you send me the Critical Habitat map that was discussed yesterday? Felix kindly texted me a picture of the screen, but it would be so helpful to have the actual map (or a reference to it if it's in a document that I have access to).

THERE IS A MAP ON THE USDFW WEBSITE. WE ONLY HAVE A "ROUGH DRAFT" OF THE IMPLICATIONS FOR OUR CAMPUS; ONCE WE DEVELOP IT FURTHER WE CAN SEND IT OUT.

AR035044

Thanks again. This will certainly require us all to exercise our flexibility and creativity capabilities! YEP!

Lisa Akeson
Director, Real Estate Office
UCSC

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MS: REO
Santa Cruz, CA 95064
(831) 459-5379 (office)

Redacted
(831) 502-7111 (fax)
ljakeson@ucsc.edu

Overnight:
100 Enterprise Way, Ste E-100
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Attachment D
Chancellor Blumenthal's Slide on Student Rents, March 13, 2019

STUDENT HOUSING WEST PROJECT
Affordability...On vs Off Campus Housing Comparison
Finance & Capital Strategies Committee, March 2019

Local Housing Context

- Housing market in Santa Cruz **continues to tighten**
- Average Santa Cruz **vacancy rate is 2.4%**
- Increased housing demand coupled with **lack of new inventory** drives up rents
- Continued rental rate escalation **intensifies cost pressure on all students**

Current Undergraduate and Graduate Student Housing Rental Rate Comparison (per bed per month)			
Housing Type	Off Campus Rate	Campus Rate	Savings Over Off Campus
Studio/Graduate Microstudio	\$1,711	\$1,287	\$424
1 BR Apt/Undergraduate Single	\$2,180	\$1,670	\$510
2 BR Apt/Undergraduate Double	\$1,910	\$1,467	\$443

Current Family Student Housing Rental Rate Comparison (per unit per month)			
Housing Type	Off Campus Rate	Campus Rate	Savings Over Off Campus
2 BR Townhouse/Student Family Unit	\$3,432	\$1,707	\$1,725

- Off campus and campus rates include utilities and a 12 month lease.
- Off campus housing rate is based on a third-party November 2018 market survey.
- Campus rate is current; the fall 2020 project rate, assuming a 3.5% annual increase, is projected to be \$1,829 for a 2-BR Townhouse/Student Family Unit.

- Off campus rates include utilities and a 12 month lease. Total annual rates are divided by 9 months representing the academic year.
- Campus rates include utilities and are based on a 9 month lease.
- Off campus housing rates are based on a third-party November 2018 market survey.
- Campus rates are current; the fall 2020 project rates, assuming a 3.5% annual increase, are projected to be: \$1,477 for a Studio/graduate Microstudio, \$1,910 for a 1 BR Apt/Undergraduate Single, and \$1,663 for a 2-BR Apt/Undergraduate Double.

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Attachment E

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MARKET ANALYSIS

RENTAL RATE COMPARISON

To better understand how competitive the Student Housing West Project's proposed rental rates are with the off-campus market, a comparison was made among similar unit types. The Student Housing West on-campus rental rates are based on per bedroom monthly rental rates inclusive of utilities, except where double occupancy is noted. Family housing is based on unit costs rather than per bedroom costs. A monthly utility rate of \$87 per person was added to the average off-campus rental rates, resulting in an "apples to apples" comparison.

Rental Rate Comparison ³	Undergraduate ¹				Graduate ¹		Family Housing ²
	A. 4BR/1BA (Single)	B. 2BR/2BA (Double) ⁴	C. 1BR/1BA (Triple)	D. 2BR/2BA (Triple)	A. Studio (Apartment)	B. 2BR/1BA (Suite)	2BR/1BA Family Unit
Average Off-Campus Rental Rate ⁵	\$1,690	\$889	-	-	\$1,926	-	\$3,381
On-Campus Rental Rates ⁶	\$1,621	\$1,424	\$1,143	\$1,084	\$1,249	\$986	\$1,658
Variance	(\$69)	\$536	-	-	(\$677)	-	(\$1,723)
% Variance	-4%	60%	-	-	-35%	-	-51%

Notes:

1. Rates are per person per month. Comparison is only shown for unit types that exist both on and off-campus.
2. Rates are per unit per month.
3. Source: REIS Q1 2018 data of comparable properties to the SHW Project.
4. Assumes a double occupancy bedroom off-campus in bedrooms that may not be designed for two people in a bedroom.
5. All off-campus rents include \$87 per month in utilities per bed. The \$87 figure is the self-reported monthly cost of amenities derived from the student survey.
6. The on-campus product does not readily compare to off-campus housing stock which is shared at levels well above design capacity. All units within SHW are designed for the appropriate occupancy (for example, a double occupancy bedroom is designed for two students to share) which is different compared to off-campus properties.
7. All rates are based on 2018 dollars and assume 3% annual escalation.

FIGURE 2.16: Comparison of Average Off-Campus Rental Rates and Student Housing West

The Student Housing West private apartment bedroom, studio, and family housing units are priced very competitively costing 4%, 35%, and 51% less than the off-campus average, respectively. Overall, the average rental rates for the Student Housing West Two-Bedroom / Two-Bathroom double occupancy apartments were 60% higher than a comparable unit in the off-campus market (including utilities); however, SHW units are designed to accommodate double occupancy within bedroom compared to most units in the off-campus market.

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leasing policies that are unfriendly to students, and town-gown issues. The key findings of this analysis include:

- ◆ The Santa Cruz market is student adverse because there are no purpose-built student housing properties and local landlords offer very few student-friendly housing policies.
- ◆ Average per person monthly rental rates (not including utilities) for all unit sizes is \$1,946. Analysis by unit size reveals that a studio, one-, and two-bedroom apartment unit in the comparable properties was \$1,839, \$2,467, and \$3,207, respectively. Limited to no inventory of comparable three- or four-bedroom units is present in the Santa Cruz market.
- ◆ The average vacancy rate at the surveyed properties is 3.1%, illustrating how few properties are available within the market.
- ◆ Approximately 54% of survey respondents indicated that they share a bedroom with one or more other person to lessen their financial burden.
- ◆ The average self-report monthly rent in the survey is \$853 plus an additional \$87 per month for utilities. This is significantly below the rental rates found in the off-campus market analysis and is likely due to the large number of students sharing a bedroom with one or more people and renting in single family homes in the Santa Cruz area.
- ◆ Off-campus housing satisfaction has also significantly decreased since the 2014 survey from 88% to 60%. The steepest decline in satisfaction among the tested factors was housing rates which declined by from 63% to 33%. The overall decline in satisfaction is also evident in the other factors tested indicating that students do not see the value in their off-campus housing situation.
- ◆ Overall, students' housing decisions are driven by the price, the desire for privacy, and independence.



FIGURE 1.3: Range of Average Per Unit Monthly Rental Rates by Unit Size

Q28. What is your *personal* share of monthly rent/housing costs *excluding* utilities?

Count	Percent	
10	1.03%	Less than \$400
28	2.87%	\$400 - \$499
87	8.93%	\$500 - \$599
140	14.37%	\$600 - \$699
188	19.30%	\$700 - \$799
185	18.99%	\$800 - \$899
108	11.09%	\$900 - \$999
82	8.42%	\$1,000 - \$1,099
51	5.24%	\$1,100 \$1,199
29	2.98%	\$1,200 \$1,299
14	1.44%	\$1,300 \$1,399
10	1.03%	\$1,400 \$1,499
35	3.59%	\$1,500 or more
1	0.10%	I don't know
6	0.62%	I don't pay rent
974		Respondents