



Employee Housing Master Plan

University of California Santa Cruz

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I. Executive Summary

The framework for the physical development of the UC Santa Cruz campus from 2005-2020 is located in 2005 Long-Range Development Plan (“2005 LRDP”). The 2005 LRDP estimated that 125 rental or for-sale units would have to be developed on identified campus sites (with an “Employee Housing” land designation) in order to accommodate maximum campus growth during the 2005 LRDP time frame.

During the development of the 2005 LRDP, the UC Santa Cruz Academic Senate issued a resolution (“Senate Resolution¹”) asking the campus to produce a plan for providing affordable housing solutions as an alternative to the off-campus market if the campus were to grow as envisioned under the 2005 LRDP.

The Senate Resolution ultimately led to the delivery of two important and connected documents: (1) An Employee Housing Administrative Plan (“EHAP”)² and (2) this Employee Housing Master Plan (“EHMP”)³. The EHAP focused on administrative improvements that could benefit the Employee Housing Program and it ultimately recommended that the campus proceed with the EHMP.

The EHMP incorporates a Site Analysis⁴ to evaluate the feasibility of delivering units on the 2005 LRDP land designation for “Employee Housing,” as well as a possible alternative site. The Site Analysis estimates that at the present time, the cost to develop the campus sites is the equivalent of the cost a developer would pay to purchase and develop a suitable site off-campus. Without a funding source to defray the impact of these costs, it will be very difficult for for-sale projects (with leasehold restrictions) to be competitive with the off-campus market.

The high costs of delivery are attributable mainly to high costs to develop infrastructure on and off the site. Approximately 34-45% of any individual project cost would be to fund this infrastructure. These costs combined with above-market costs the campus would likely pay to construct building improvements on the site(s), negate the advantage the campus has in not having to purchase land.

Even if development costs on these sites would allow units to be delivered below market, current supply and demand data suggests that additional for-sale inventory will not be needed until the last few years of the 2005 LRDP (assuming the full-build out of Ranch View Terrace). Program improvements implemented as an outcome to the Employee Housing Administrative Plan (“EHAP”) have provided incentives for existing owners to transition to the off-campus market. These improvements, in conjunction with purchase opportunities at Ranch View Terrace and a softening of market pricing (particularly in the outlying county areas), will increase purchase opportunities for employees on waiting lists.

¹ The full text of the Senate Resolution is located in Attachment D.

² More information on the EHAP is located on page 12

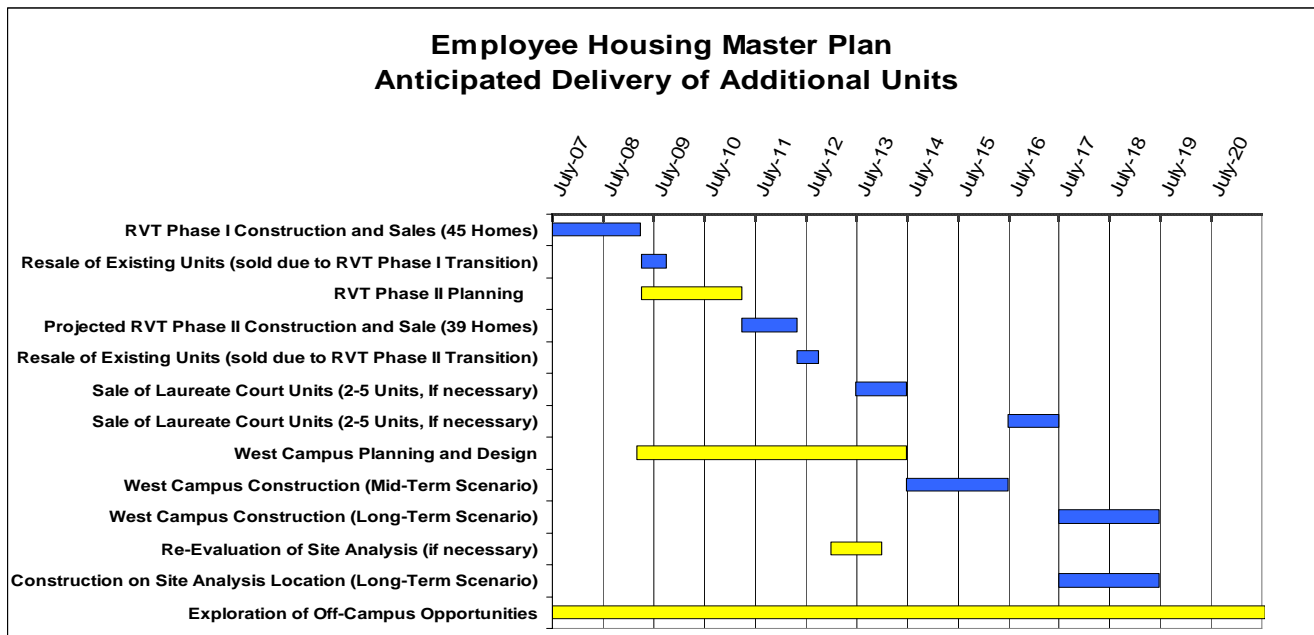
³ Per the EVC/CP, the EHMP was to be delivered by CUHS/Student Affairs within 2 months of the 2008 Settlement Agreement resolving the LRDP dispute.

⁴ See page 41 to learn about findings in the Site Analysis.

The EHMP is divided into the following content sections: I) Executive Summary; II) Background; III) Historical Demand for Housing; IV) Challenges V) Strategic Planning.

Recommendations are incorporated into two additional sections. Section VI (Next Steps for Physical Delivery) recommends that additional housing inventory (beyond Ranch View Terrace) not be delivered until at least 2017-2018. It additionally recommends that the 2005 LRDP should be amended to incorporate additional Employee Housing sites, and planning on those sites should commence shortly after the recommended delivery time for Ranch View Terrace Phase II (2011-2012). Moreover, in order to make future delivery more efficient and affordable, the EHMP recommends that the campus develop a comprehensive plan to locate, develop, manage, and fund infrastructure improvements. Lastly, pursuit of off-campus acquisition and/or development is not recommended (based on supply and demand data), unless there is an extremely attractive opportunity presented to the campus. Figure 1 summarizes the recommended delivery timeline in Section VI (“yellow” bars identify planning; “blue” bars identify construction and/or sales).

Figure 1



Section VII provides a recommendation specific to restructuring the Employee Housing Program and incorporating it into a 501(c) (3) to deliver Employee Housing Inventory. The summary recommendation is that this approach should not be advanced for the current Employee Housing program nor should the structure be considered for future expansion of the program. A 501(c)(3) will not help deliver inventory with any more efficiency and (b) there is not an existing funding structure that can support its operating costs. Section VII also recommends that the campus evaluate a backstop of Employee Housing for-sale projects constructed in the future, in order to minimize those costs. Additionally, it recommends that the EHMP be reviewed and revised (if needed) once every three years.

II. Background

A) Existing Employee Housing Program

i) Overview

The Employee Housing Program (“Program”) at UC Santa Cruz was developed in 1981 to address the high cost of rental housing in the community. At that time, 50 “affordable” rental apartments were constructed at Hagar Court. The creation of a for-sale program (with affordable units to purchase) commenced in 1986 with the inception of Cardiff Terrace, grew with the addition of Hagar Meadow in 1992, and expanded once again in 2003 and 2004 with the conversion of the Hagar Court Apartments to Condominiums, and the acquisition of the Laureate Court Apartments/Condominiums. A total of 45 single family homes are currently in construction at Ranch View Terrace (Phase I). Another 39 homes can be added to this project in subsequent phases.

Although the program has been creative in finding solutions to provide affordable housing (particularly in recent years), the requirement for the program to be self sustaining has made it difficult for the program to respond to the increasing needs (and expectations) of employees for housing options and below market price points.

ii) Target Demographic

Since the inception of the program in 1981, the target demographic for the Program has been incoming junior ladder rank faculty (“Junior Faculty”), or Assistant and Associate Professors

While the escalation of housing costs has been more acute in the 21st century, general costs for Santa Cruz market-rate housing have always been a concern for this target demographic. Since housing is generally the largest monthly expense for Junior Faculty, it has a significant impact on their quality of life. The income levels of Junior Faculty have not kept up with the pace of housing costs, and as a result Junior Faculty look to the Program for solutions to address the gap between income and housing costs.

iii) For-Sale Program Inventory

(1) Existing Stock

There are a total of 188 units in the existing for-sale program and an additional 45 homes to be delivered in the near term (Ranch View Terrace in fall 2008). The chart below shows the location, type, and size of these homes:

Figure 2

Existing For-Sale Units					
Housing Development	Year of First Sales	Total Units	Bedrooms		
			2	3	4
Cardiff Terrace Townhomes	1986	50	24	21	5*
Cardiff Terrace Custom Homes	1988	11			11
Hagar Meadow Townhomes	1992	19	19		
Hagar Court Condominiums	2003	50	50		
Laureate Court Condominiums	2005	13	13		
Ranch View Terrace (Phase I)	2008	45		16	29
Totals		188	106	37	45

*These units were originally 2 bedroom units, but were subsequently remodeled and enlarged by owners

(2) Deed Restrictions

The land for these units is leased from the University to homeowners. Embedded in the ground lease and the CC&R's (Covenants, Conditions, and Restrictions) are deed restrictions that ensure that owners conform to the priorities of the program (e.g. units purchased must be used as a primary residence).

(3) Unit Resale Value

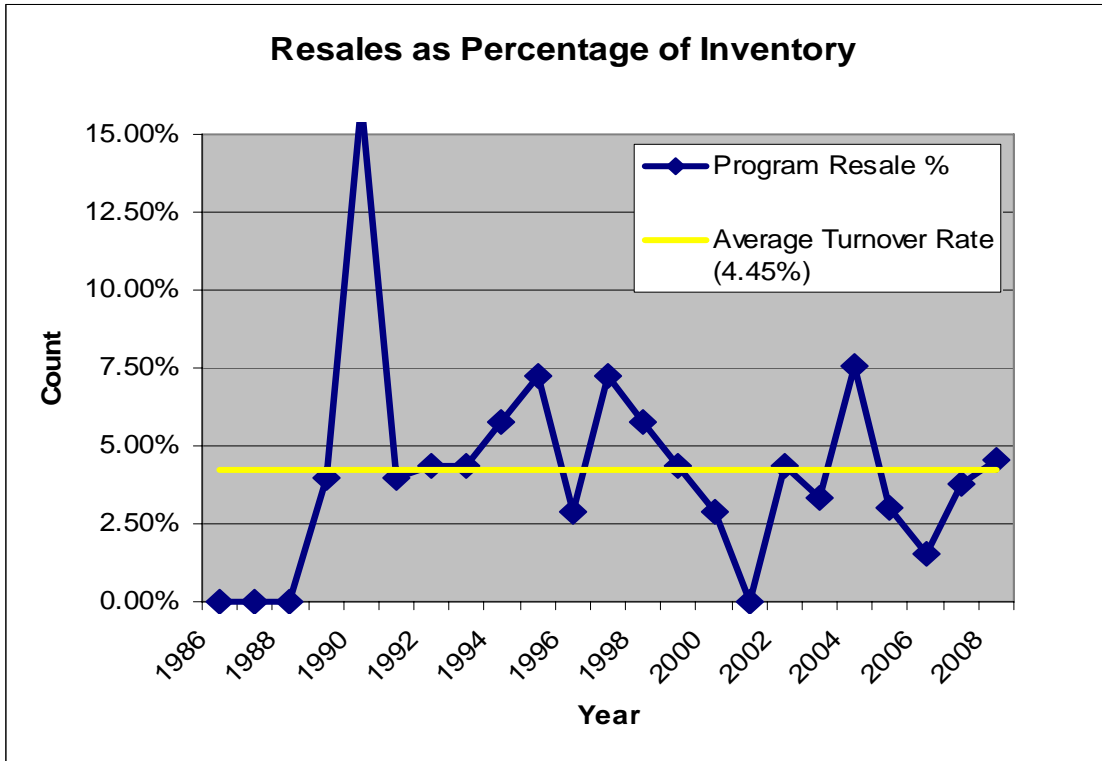
With the exception of the Cardiff Terrace Custom Homes (which are market rate units), the deed restrictions for each development limit the appreciation of for-sale units to an inflationary index (either the Consumer Price Index or the UC Faculty Salary Index, whichever is greater for the increment of time in which the unit was owned). Units are not an investment vehicle for owners, as they cannot appreciate faster than the cost of living.

(4) Unit Turnover ("Turnover Rate")

Price-restricted program inventory was originally developed with the goal of providing *transitional* housing until an employee could segue into the open market. We have tracked the percentage of existing units that have come available for resale in any given year ("Turnover Rate")

Figure 3 illustrates 4.45% the average Turnover Rate since the for-sale program inception in 1986.

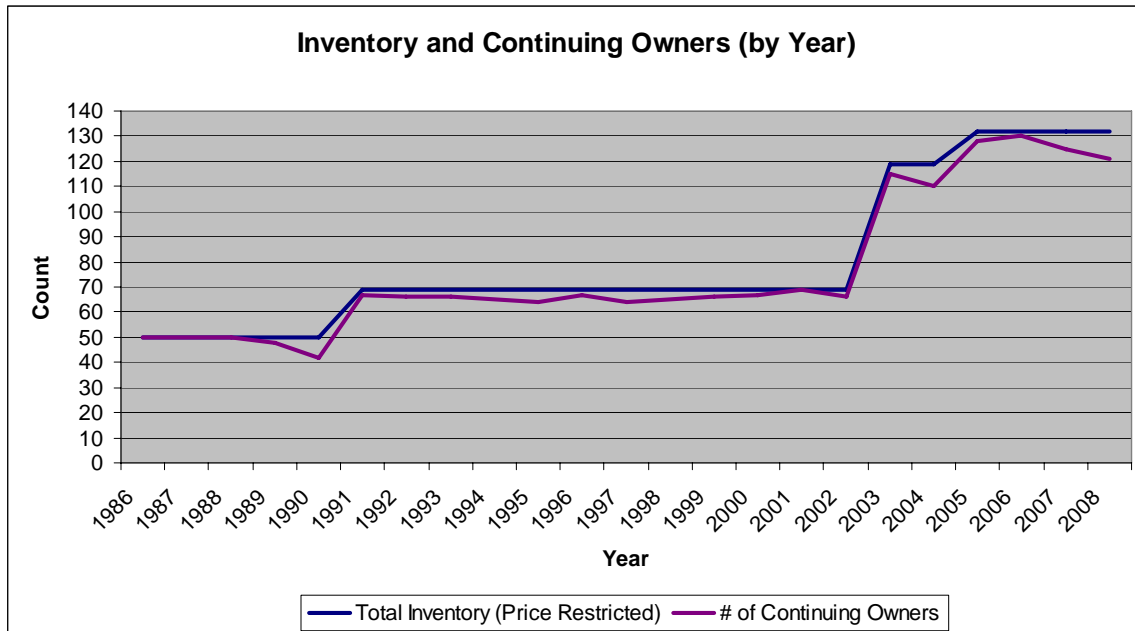
Figure 3



The Turnover Rate has not exceeded 7.5% in any given year since 1991. Additionally, it remained relatively consistent despite the addition of 82 units into the for sale program since the original development in Cardiff Terrace (19 units into Hagar Meadow in 1992, 50 into Hagar Court in 2003/2004, and 13 into Laureate Court in 2005).

Figure 4 displays two trends: (1) the total number of price-restricted units in the for-sale inventory by year; and (s) the number of owners who continued their possession of units in the inventory in any given year. The gap between the two lines on the figure illustrates the number of units offered for sale in any given calendar year.

Figure 4



Despite the initial intention of the for-sale program to provide transitional housing, the consistently low Turnover Rate indicates that for the vast majority of owners, for-sale housing has become *permanent*.

(5) Owner Demographics

As of fall 2008, the existing 143 for-sale units were purchased by 114 Faculty and 29 Staff. An additional 6 Faculty and 26 Staff are Spouses/Partners and/or roommates of these owners.

iv) Funding Sources

(1) Program Operation

Beginning in July, 2008, income from both the rental apartments, and land leased to individual homeowners will support a total 3.75 Full Time Employees (“FTE”) in the Program: a 1.0 FTE Manager, 1.0 FTE Analyst/Home Loan Coordinator, 1.0 Program Assistant, and a .75 FTE Senior Building Maintenance Worker.

(2) Program Expansion

Between 1986 and 2007, the Program had no means to develop seed capital to start future projects.

In 2007, a “Re-Pricing Program” was adopted by the campus (based on recommendations contained in the Employee Housing Administrative Plan, or “EHAP”). It identified a method to capture equity from some existing

housing units as a source of seed money to plan future housing. More detail is provided about the EHAP beginning on page 12.

Because construction and development costs have been so significant, it will be many years before the program can generate sufficient funds that could have a significant impact on buying down costs for future projects.

(3) Current Organizational Structure

Currently, the Employee Housing Program is part of The Colleges and University Housing Services (“CUHS”) in the Student Affairs division.

The Employee Housing Program has benefited from staff efficiencies with this organizational mode. In recent years, CUHS staff members have supported the development and/or acquisition of projects at Hagar Court, Laureate Court, and Ranch View Terrace.

(4) Management of Policy

There are many policies related to the acquisition and use of Employee Housing Program units. Frequently, policies related to access, ownership, and/or use are challenged by campus stakeholders. Investment (emotional and economic) is high from applicants as policy outcome/exception has such a high affect on quality of life. Opinions held by different stakeholders are often in conflict with each other, as well as campus policy.

Management of policy enforcement and appeal is time consuming and can require multiple briefings and presentations. Time demands required by this can affect the quality of operations.

v) *Rental Program Inventory*

(1) Existing Stock

The University purchased the Laureate Court rental apartments in August, 2003, to supplant the Hagar Court Apartments function as a “Landing Pad” for new employees. All of the 51 rental units at Laureate Court are priced below market rates. An additional 13 of these units are designated for persons who meet income restrictions as set forth by the City of Santa Cruz. These 13 units are priced lower than the other rental units, as indicated in the chart below:

Figure 5

Unit Size	No. of Units	Sq. Footage Range	2008-2009 Rental Rates (Unfurnished)	Additional Units Designated for "Low Income" Employees	2008-2009 Rental Rates for "Low-Income" Units
1 Bedroom	10	583-678	\$1216-1330	5	\$975*
2 Bedroom	27	843	\$1513-1624	8	\$1098*
2 Bedroom ("Manager")	1	1250	\$1875	n/a	n/a

* "Low Income" rental rates are set by the City of Santa Cruz. They include utility costs.

(2) Duration of Tenancy

Rental units are rented month-to-month. The maximum term for a rental agreement is 36 months. Historically, the units have been fully occupied. The average length of stay at Laureate Court is 1.6 years.

(3) Demographic of Renters

As of fall 2007, the existing 51 units were occupied by 25 faculty and 26 staff. An additional 9 Staff were Spouses/Partners and/or roommates of these renters. Because there is consistent turnover of units (due to the three-year cap on occupancy), nearly 100% Primary Demographic has been able to be accommodated into the rental program for the past 10 years.

B) Campus Physical Planning

i) Strategic Futures Committee ("SFC")

In fall 2003, two committees were appointed as part of the campus process to update the 2005 LRDP. The Strategic Futures Committee ("SFC"), was charged with considering possible enrollment and academic program development trajectories for UCSC over the next fifteen years

As one of its tasks, the SFC was asked to recommend an on-campus enrollment scenario for the year 2020. This scenario initiated an iterative consultative process between SFC and the Long-Range Development Plan (LRDP) Committee designed to evaluate the land-use implications of the planned enrollment level.

The SFC work included identifying the range of potential academic and research programs that the campus might consider, articulating the academic rationale and principles associated with growth, giving consideration to the state's demographics and the university's charge of providing an education to all qualified high school graduates, as well as assessing the facility/space requirements that potential future on- and off-campus programs would require.

ii) SFC Interim Report (April 2004)

The SFC issued an Interim Report in March 2004 and identified that as many as an additional 560 faculty full time employees ("FTE") would be needed to achieve the academic program development. At 2003-04 student/faculty ratios,

this increment growth in faculty FTE suggests the need for an enrollment increment of 10,400 full-time equivalent students (“Student FTE”)⁵ over the campus’ 2003-04 budgeted allocation of 14,600 Student FTE.

“The campus is committed to growth that is careful and strategic, is consistent with improving the quality of education and research, and is consistent with its values—including the campus’ desire to work with the Santa Cruz community to seek practical solutions to the inevitable challenges of change and growth. The principles and vision that SFC has articulated (as well as anticipated community concerns about the impacts of accelerated campus growth) suggest that the campus grow at a slower rate during this next phase of its development than indicated by the “responsive” (25,000 Student FTE) scenario...”

“Therefore, the Committee recommends to the Chancellor and Campus Provost that the campus’ 2005-2020 LRDP accommodate in 2020 a three quarter-average on-campus enrollment of up to 21,000 Student FTE.”

iii) SFC Committee Recommendation Summary (June 2004)

“Based upon its analysis of the campus’s programmatic goals and aspirations—particularly those articulated in our vision for the campus in 2020; the opportunities and potential for new academic programs, research centers, and professional schools in emerging or new disciplines; and the campus’s responsibility to provide access to higher education, the Committee reaffirms its recommendation that the campus’s 2005-2020 LRDP *accommodate* a three-quarter-average on-campus enrollment of up to 21,000 Student FTE and that the campus continue to build the breadth, depth, and quality of our academic programs to enable UC Santa Cruz to attract and support a greater proportion (about 15%) of graduate and professional students. This recommendation is intended to reflect

- A recognition of the need to retain *flexibility* to enable the campus to evolve and change over time in response to changing demographics, societal needs and values, and technological developments, as well as external challenges, economics, and employment opportunities;
- A commitment to a *growth rate* that is responsive, responsible, and strategic; is consistent with an emphasis on quality and with campus values—including the campus’s desire to work with the Santa Cruz community to seek practical solutions to the inevitable challenges of

⁵ A Student FTE is defined as (1) an undergraduate student who enrolls for 45 credit hours per academic year; or (2) a graduate student (master’s level or doctoral student not yet advanced to candidacy) enrolled in 36 hours per year; or (3) a graduate doctoral student who has been advanced to candidacy. This does not include students at locations other than the City and County of Santa Cruz, including, but not limited to, UCSC’s MBEST, Silicon Valley Campuses, UC programs in DC or Sacramento, or Education Abroad Programs.

change and growth; and

- A strong sense that future campus development should be *strategic and emphasize the campus's pursuit of excellence*—not simply be based upon an assumption of growth. This should be true whether such development results in a larger campus enrollment or the renewal/evolution of existing programs at the same enrollment levels.”

iv) 2005 Long-Range Development Plan

The University of California, Santa Cruz, Long-Range Development Plan 2005–2020 (“2005 LRDP”) provides a comprehensive framework for the physical development of the UC Santa Cruz campus. The 2005 LRDP supports UCSC's academic, research, and public service mission while maintaining the campus's strong traditions of environmental stewardship and sustainability. The draft 2005 LRDP published in January 2005 accommodated a 3-quarter-average enrollment of 21,000 Student FTE in 2020 and was the basis for the subsequent environmental review.

After the distribution of the draft Environmental Impact Report (DEIR) in October 2005 and following an 86-day public comment period, the campus chose to reconsider growth to 21,000 Student FTE during the 2005-2020 planning horizon and formulated this final draft 2005 LRDP. The draft EIR analyzed several alternatives to the LRDP project including reduced enrollment alternatives.

After careful consideration and review of the comments received from the community and public agencies on both the draft LRDP and draft EIR including discussions with the UC Santa Cruz academic leaders and the UC Office of the President, EIR Alternative 2 (“Reduced Enrollment Growth”) was recommended and approved by the UC Regents.

The Development of the 2005 LRDP spanned many years. While the 2005 LRDP was approved by the Regents in September 2006, its implementation was delayed until 2008 as City of Santa Cruz, the County of Santa Cruz, and local neighborhood groups had filed litigation to challenge it.

The 2005 LRDP accommodates a 3-quarter-average enrollment of 19,500 Student FTE on-campus. The 2005 LRDP identified:

(1) Potential growth in faculty and staff

“The number of faculty is projected to increase by about 360, in a direct relationship to the increase in enrollment. On-campus staff growth (which includes researchers and non-teaching academic positions) is expected to increase by roughly 980.”

(2) Land-use map to accommodate growth

Approximately 69 acres encompassing existing development and undeveloped land are designated as Employee Housing in this LRDP. Existing employee housing near the south entrance, including Ranch View Terrace, occupies approximately 42 acres. A second 27-acre area to the north has been designated for future development of employee housing. Housing for faculty and staff, childcare facilities, and related accessory buildings are consistent with this land use, together with associated parking and recreation space. Additional employee housing could be located on Campus Resource Land.”

(3) *Employee housing as part of the LRDP project.*

“Providing housing opportunities for faculty and staff is an important element of the 2005 LRDP. Currently there are 325 units of existing housing⁶ including the approved Ranch View Terrace project (84 units). On-campus employee housing should be accessible to campus perimeter roads and also integrated with other services such recreation, childcare, parking, and transportation.”

Assuming that full enrollment growth is achieved under the timeframe stipulated in the 2005 LRDP, it is envisioned that a minimum of 125 additional employee housing units need to be delivered.

C) Recent Senate Resolution Regarding Housing

i) *Employee Housing Resolution*

On May 20, 2005 the Academic Senate passed a resolution that called upon the campus administration to provide a plan for sufficient and affordable faculty and staff housing by October 1, 2005. The text of the resolution is located in Attachment D.

ii) *Administrative Response to Senate Resolution*

In response to this resolution, On August 30, 2005, Interim Campus Provost and Executive Vice Chancellor/Campus Provost (“EVC/CP”) David Klinger wrote to both the Academic Senate and Housing Administration⁷ and asked them to work on a report on housing that would focus on three primary topics:

- An evaluation of the current employee housing program
- A discussion of the current construction environment: process, costs, constraints, limitations, etc.
- A proposal for next steps: process and strategy to move forward with a joint Senate/Administration planning process

Chancellor Denton and then Interim Campus Provost and Executive Vice Chancellor Klinger agreed that a housing plan was essential to the long term success of the campus The Employee Housing report intended to lay the

⁶ Inclusive of Employee Housing Units within the Colleges, and the College Houses

⁷ See Attachment E for the actual Charge Letter

groundwork for the EHMP that would define campus goals for employee housing, alternatives to meet these goals, and implementation strategies.

iii) *Employee Housing Report*

Subsequent to the Administrative Response, CUHS staff and representatives from the Academic Senate Committee on Faculty Welfare (“CFW”) agreed that (a) the housing challenges at UCSC should be approached in collaboration between the campus administration and the Academic Senate; and (b) developing a complete Master Housing Plan would not be possible by the October 1 target date set forth by the Senate Resolution. Instead, the group agreed that it would be best to prepare a joint Employee Housing Report within the timeframe, which would inform future planning efforts and ultimately an EHMP for the campus.

This Employee Housing Report was released as a joint Senate/Administration report on October 13, 2005. The Senate convened a Faculty Quality of Life Forum on October 21, 2005 at which the details of the report were discussed with both faculty and administrators in attendance.

In early November, the Senate Chair reported that due to a technicality in Senate procedures, this Employee Housing Report could not be titled a joint “Senate/Administration” report. The Employee Housing Report can be found online at <http://housing.ucsc.edu/employee-housing/pdf/ehr.pdf>

D) Employee Housing Administrative Plan (“EHAP”)

i) *Precursor to the Employee Housing Master Plan*

The Employee Housing Administrative Plan (“EHAP”) was charged to Student Affairs by EVC/CP Dave Kliger on April 13, 2006⁸. The EHAP was timed to serve as a precursor to the Employee Housing Master Plan (“EHMP”). The EHMP could not proceed at this time as the 2005 LRDP had not yet been approved. The Purpose of the EHAP was to identify programmatic, administrative and industry best practices so that the administration of the Employee Housing Program could be managed effectively and efficiently.

ii) *Overview*

Student Affairs hired a consulting firm (Brailsford and Dunlavey) to lead the extensive planning process that incorporated the efforts of campus leadership, the project administrative team, members of the campus community, and representatives from the City of Santa Cruz. The EHAP was delivered to the Campus on September 28, 2006. The EHAP can be found online at <http://housing.ucsc.edu/employee-housing/pdf/EHAP.pdf>.

iii) *EHAP Recommendations*

There were six formative recommendations that came about from the EHAP. These were:

⁸ See Attachment E for the actual Charge Letter

- (1) Develop an Employee Housing Master Plan
- (2) Modify Employee Housing Administrative Structure
- (3) Strategically price for-sale units
- (4) Encourage turnover in for-sale units
- (5) Generate seed capital for the Employee Housing Program
- (6) Expand the availability of home financing solutions

This EHMP is a response to Item 1. Item 2 is addressed in the Recommendations section (page 63). Items 3-6 were synthesized into a “Re-Pricing Program” (See next section).

iv) Development of Re-Pricing Program

Following EHAP recommendations 3-6, CUHS staff observed that there were three primary problems with the for-sale program. These three problems were:

(1) Low Turnover

Turnover of units was too low (particularly in years of off-campus market escalation)-limiting purchase opportunities for subsequent owners.

(2) Deferred Maintenance

Price restrictions in the governing documents for each program project provide disincentives for owners to replace items in their units that are close to the end of their useful life. Although owners are required to satisfy a general standard of upkeep, the impact of normal wear and tear began to affect the overall quality of units. Combined with the fact that the units were becoming outdated aesthetically (some units have aged nearly twenty years), it was felt by many purchasers that updated interiors are necessary.

(3) Lack of Strategic Pricing

(a) Price Restrictions in Governing Documents

The limitation on the appreciation of unit value is contained within a formula within the ground leases. This formula defines the “Maximum Resale Price”, and can be written as:

$$\text{Maximum Resale Price} = (\text{Purchase Price} \times \text{Inflation}) + \text{Capital Improvements}^9 - \text{Deferred Maintenance}^{10}$$

(b) Pricing discrepancies

The formula used in the leases is not tied at all to costs related to producing new housing. As a result, even if local construction costs significantly increase (making it more expensive to create new housing), the valuation of the older units will not have increased proportionately.

⁹ Capital Improvements are loosely defined as upgrades in excess of \$1000 that approved and certified by the University and or Architectural Review Board (“ARB”).

¹⁰ Deferred Maintenance is loosely defined as reasonable costs to cure any failure to properly maintain a unit by an owner

Therefore, resale prices for units brought on in later developments were significantly higher than those sold for the first time in earlier developments, even if they are of similar size and in some cases, located no farther than 100 yards apart.

Development costs have exceeded inflation during the course of the program. Due to this fact, the base price of an identically sized unit constructed at a later year will be higher. Since the resale price of all units is linked to inflation, there will continue to be disparity among units developed at different times.

(c) *Waiting list discrepancies*

Persons applying to purchase for-sale homes understood that there were large pricing discrepancies among units within the program. As a result, demand among applicants was skewed to the homes constructed at earlier times.

v) *Re-Pricing Program*

CUHS Staff developed a “Re-Pricing Program” to simultaneously synthesize both the EHAP recommendations (#3-6) and the three aforementioned problem areas with the for-sale program.

The Re-Pricing Program consists of two primary parts:

(1) *Right of First Refusal*

Embedded in the governing documents for each for-sale unit was the right of the campus to exercise the right of first refusal when an owner notified that he/she wanted to sell his/her home. Up to the July 2007 inception of this program, the campus had not routinely exercised its right of first refusal.

(2) *Strategic Pricing*

After exercising the right of first refusal, the campus could apply a new price based on a formula that was developed within the Re-Pricing Program.¹¹

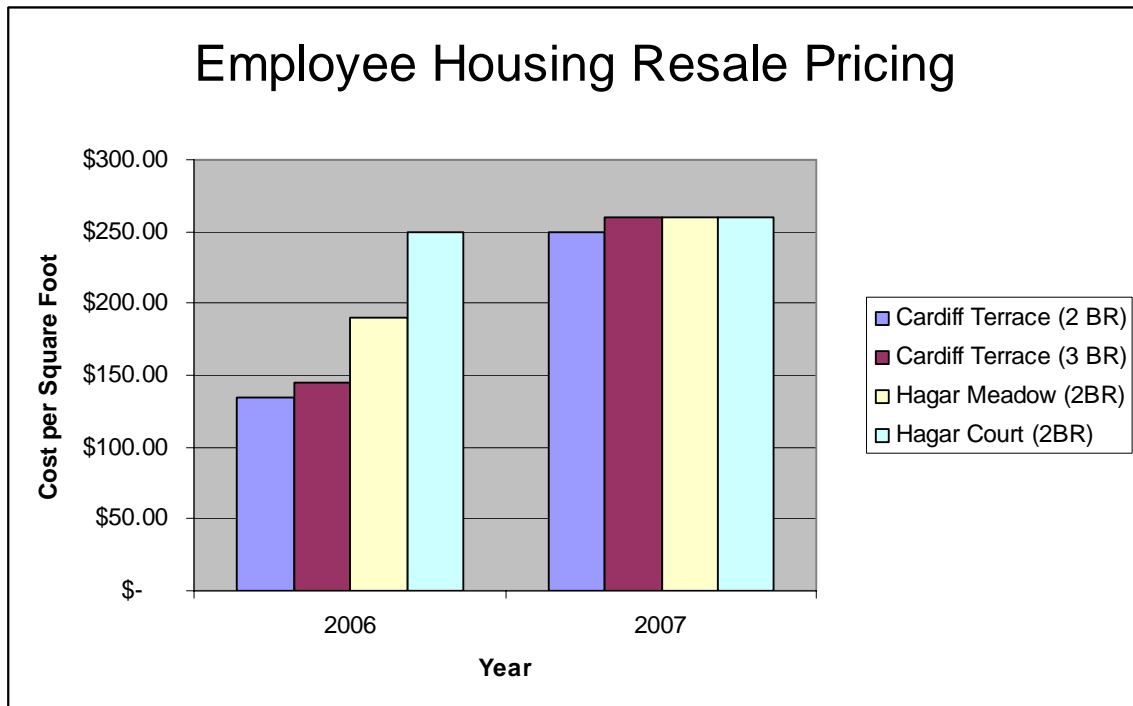
Since its inception in July 2007, the Re-Pricing Program has: (a) increased unit turnover; (b) created a more uniform pricing structure (thereby achieving a more even distribution of demand); (c) refurbished older program units; and (d) generated seed capital to fund (1) a portion of proceeds needed to support home financing solutions and (2) a site analysis of the 2005 LRDP sites for Employee Housing.

¹¹ The campus is not bound by the Maximum Resale Price restrictions when it is the owner of a for-sale unit.

The Re-Pricing Program is to be re-evaluated every year to ensure that housing inventory is priced affordably for the average incoming assistant professor (based on average income and MOP interest rates)

Figure 6 shows the affect of applying the Re-pricing Program to typical units in the for-sale inventory.

Figure 6



vi) *EHAP Recommendations not Addressed through Re-Pricing Program*

(1) *Administrative Structure*

An analysis of the Employee Housing administrative structure begins on page 55.

(2) *Future Housing Construction*

The EVC/CP charged Student Affairs to commence with planning a Site Analysis on the 2005 LRDP Employee Housing sites on February 23, 2007¹².

Recommendations regarding future housing development beginning on page 60).

III. Historical Demand for Housing

¹² See Attachment E for the actual Charge

A) Target Demographic

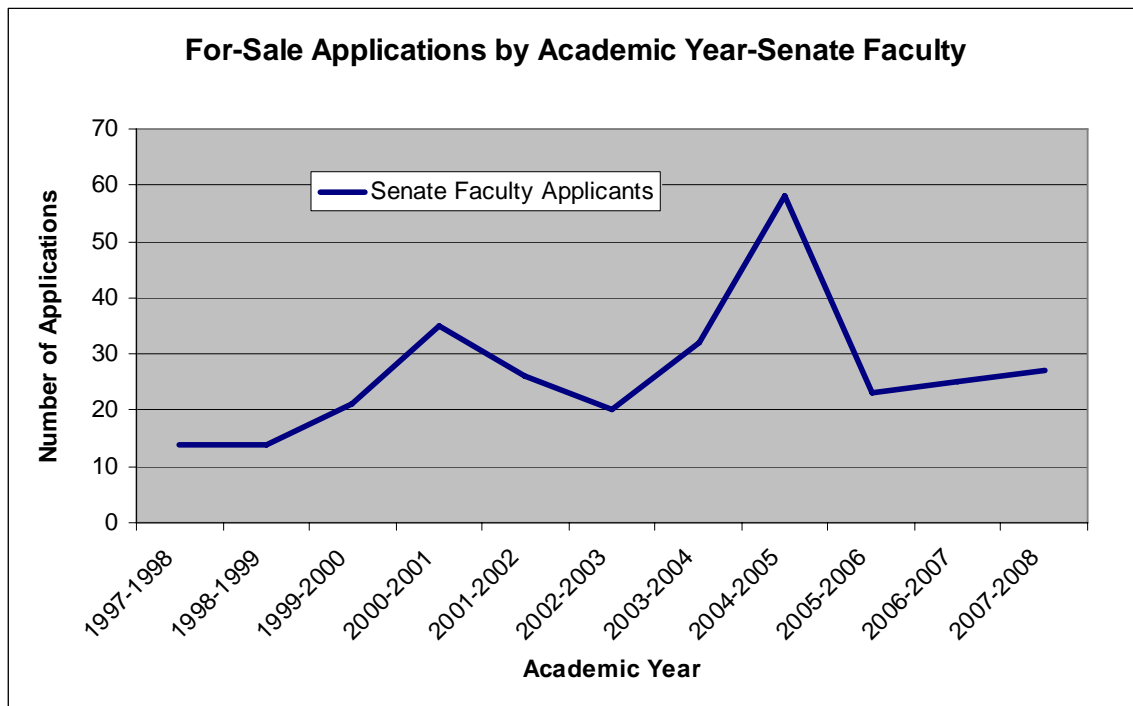
Incoming Assistant and Associate Professors are the “Target Demographic” for the Employee Housing Program for the duration of the EHMP, and accordingly plan will be constructed in a manner that will most effectively meet their needs.

B) Historical Demand From Senate Faculty

i) For-Sale Applications

Since the 1997-1998 academic year, a total of 295 applications for campus for-sale housing have been submitted by Senate Faculty (averaging approximately 31 applications per year). Figure 7 illustrates the variance of applications per year for this duration. The variance is attributable to number of new hires in any given year, market housing conditions, and near-term purchase opportunities on-campus.

Figure 7



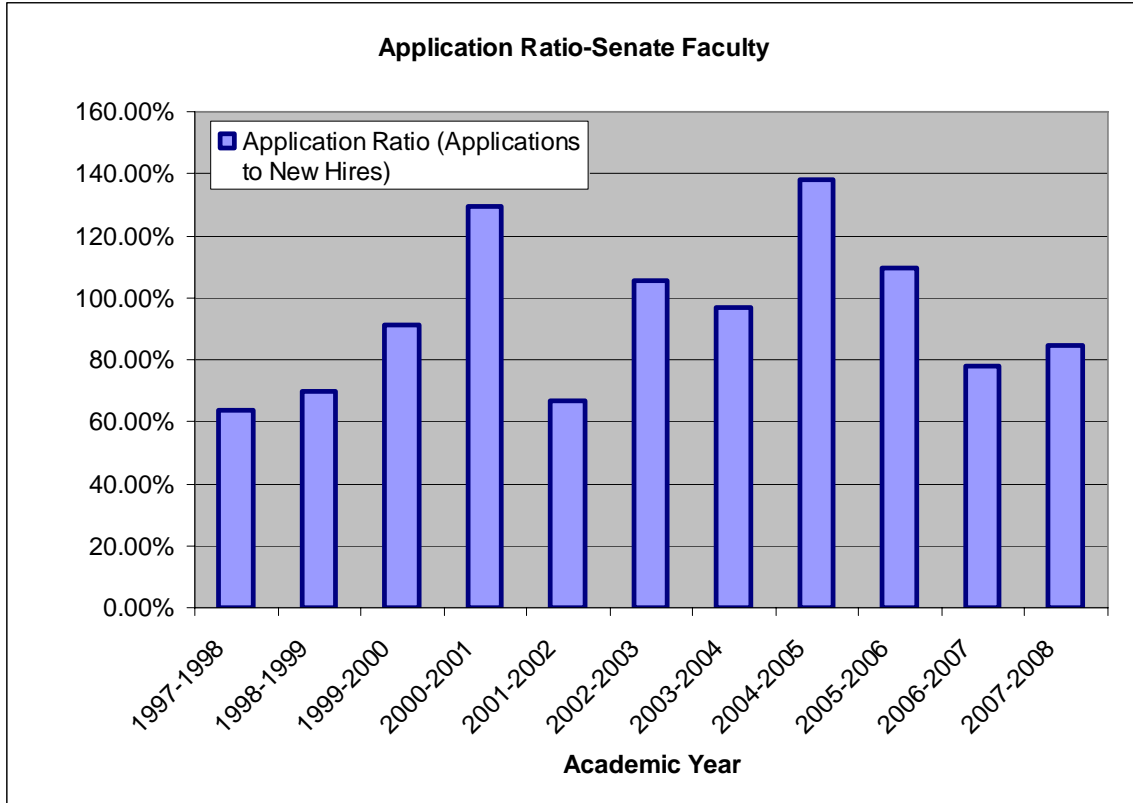
(1) Application Ratio

Since the 1997-1998 academic year, a total of 310 Senate Faculty have been hired to the campus.

Because some Senate Faculty often wait several years after their original date of hire before they apply for the program, it is not helpful to evaluate the correlation between actual hires and applications for those hires in any given academic year. As a result, we benchmark the number of for-sale applications to the number of academic hires in any given academic year, and will refer to this benchmark as the “Application Ratio” for the remainder of the document.

Figure 8 shows the variance in the Application Ratio each year since 1997-1998. The average Application Ratio during this time period has been 95.16%.¹³

Figure 8

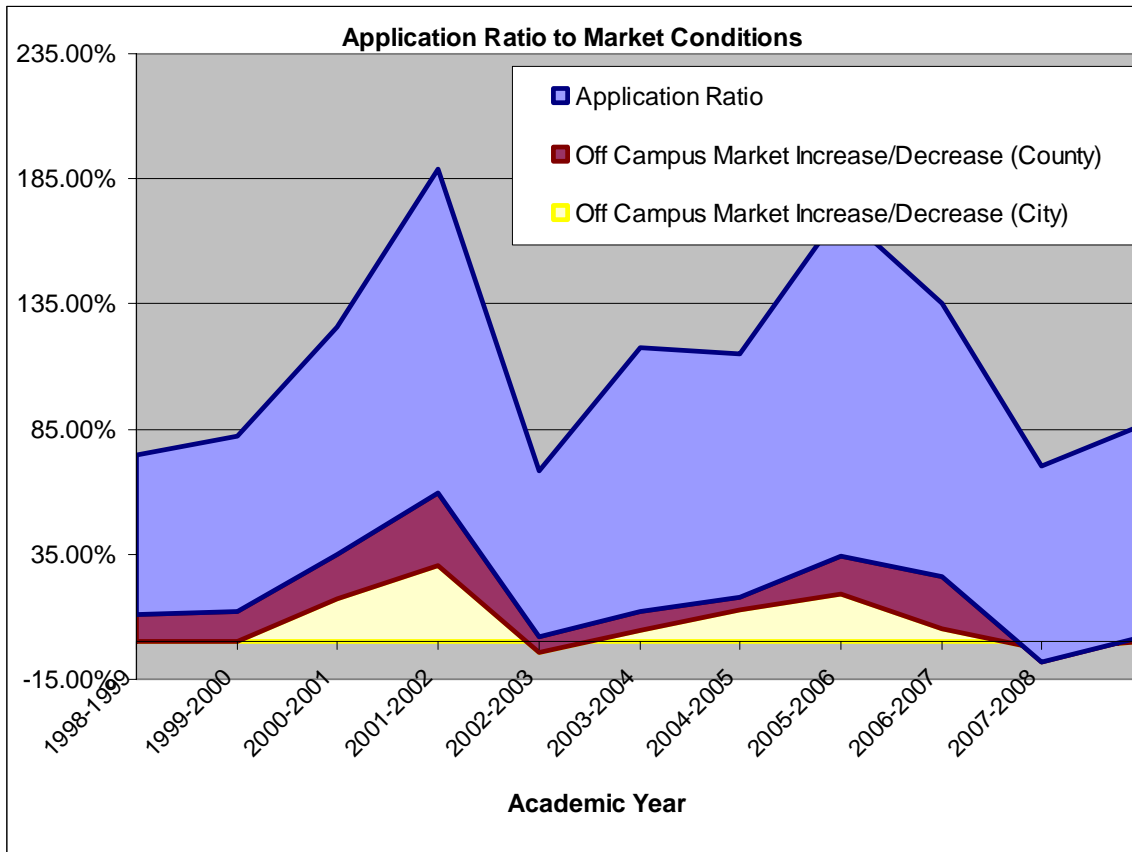


(a) Application Ratio in a Context of Market Conditions

Figure 9 shows Application Ratio history beginning in the 1998-1999 academic year. Beginning in the 2000-2001 academic year, the Application Ratio approached or exceeded 100% in each year that city and/or county median home prices increased 10% or more. In years where the city and or county median home prices experienced more modest increases (or decreases), the Application Ratio dropped to a range of 60-85%.

¹³ It should be noted that many applications received were from Senate Faculty hired prior to the 1997-1998 year, and that there are a number of duplicate applications (from owners wanting move-up opportunities)

Figure 9



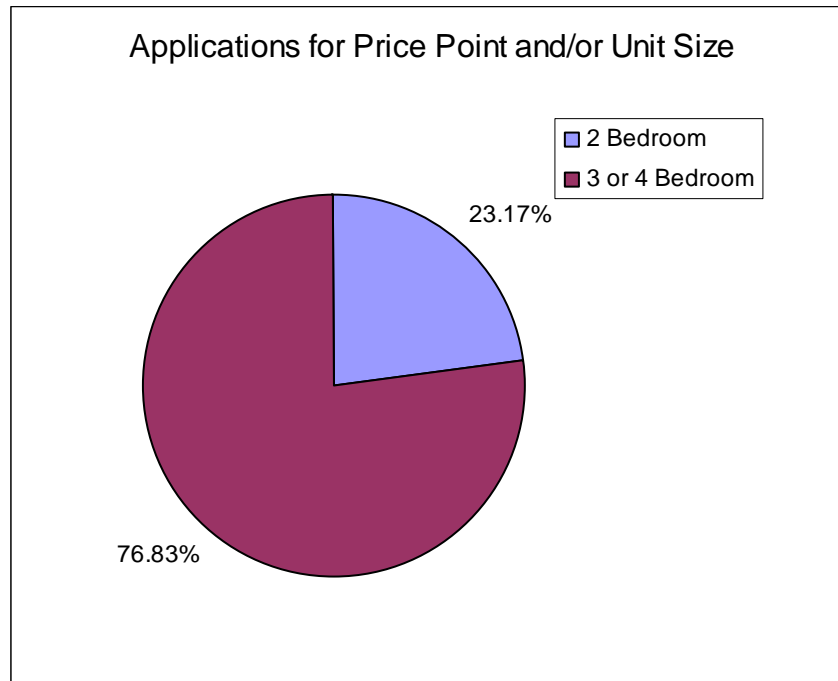
(b) Applications in a Context of Near-Term Purchase Opportunities On-Campus

The modest historical Turnover Rate (4.45%) in the existing inventory is discouraging to many applicants. Adding units to the for-sale program generates interest as many applicants can be assured of securing housing once the new product is delivered.

(c) Applications Reflect Price Point Limitations and/or “Appropriately” Sized Units

Between January, 2002 and July, 2008 the vast majority of Senate Faculty applying for for-sale waiting lists (77%) had distinctly applied for a size (or price point) of existing program units. Figure 10 indicates that of these applicants, nearly 76.13% have applied for larger (3 and 4 bedroom), more expensive units. The other 23.17% have applied for 2 bedroom units.

Figure 10



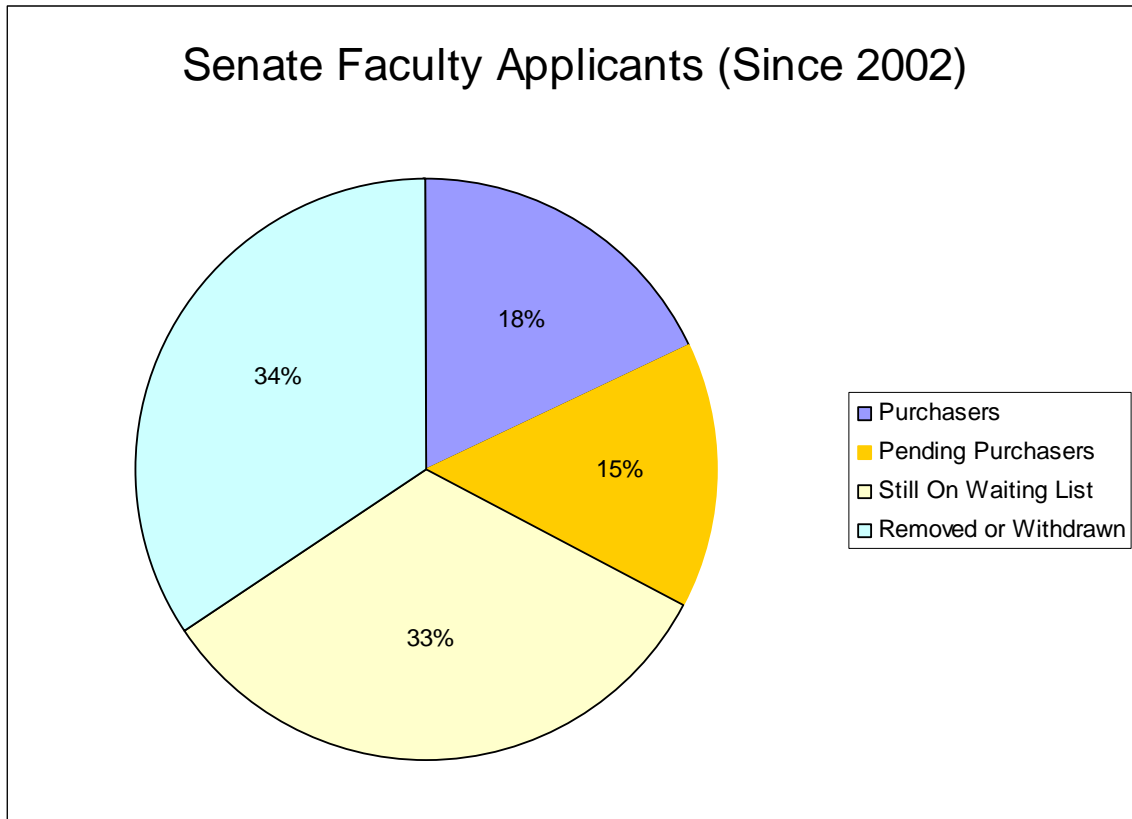
(d) Senate Faculty Waitlist Attrition (“Attrition Rate”)

Between January 1 2002 and July 2008, 193 Senate Faculty have applied for campus for-sale housing¹⁴.

As illustrated in Figure 11, one-third of all Senate Faculty applicants have either purchased or are pending to purchase a Program unit; another one-third have withdrawn from the application pool (due to employment status, other accommodations, etc.); and the final one-third remain on waiting lists, waiting for other unit types to become available.

¹⁴ It should be noted that some individual faculty may reapply for housing after: purchasing a home, voluntarily withdrawing from the waiting list, or being removed from the waiting list after turning down an offer to purchase.

Figure 11



As there are an equal number of “purchasers/pending purchasers” to those “removed or withdrawn” we use 50% as an “Attrition Rate” for campus housing waiting lists. The Attrition Rate increases when the off-campus market is cooling (or experiencing modest increases), and decreases when the off-campus market is heating up.

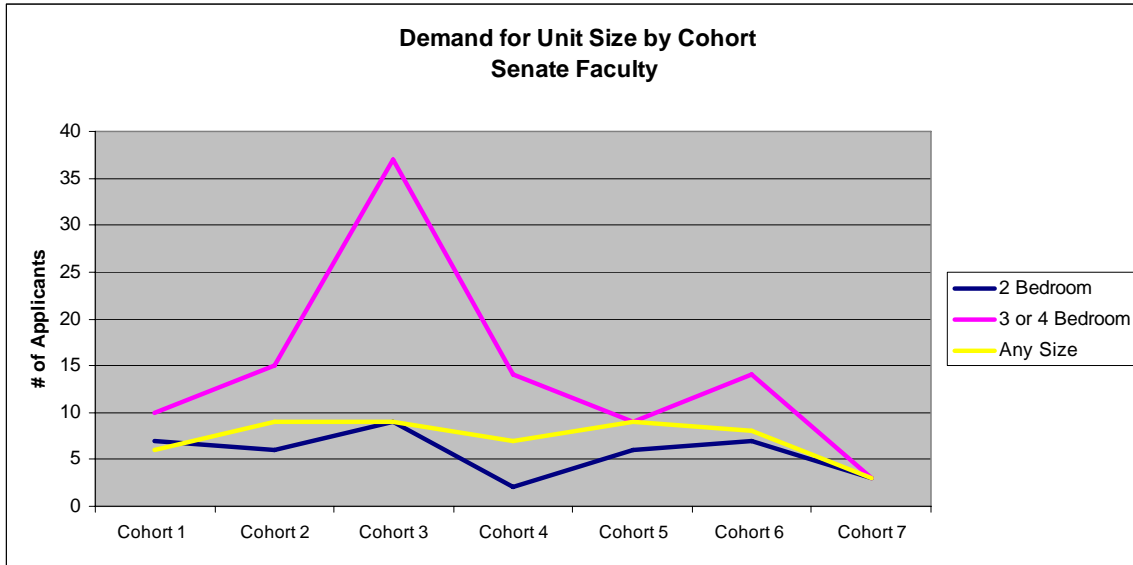
(e) Demand for Unit Size By Cohort

If we ignore Senate Faculty preferences for individual housing developments, and instead, look at their application trends for “Entry-Level” (two-bedroom) vs. larger units, we find some interesting results.

Senate Faculty are grouped into Cohorts based on the date of their original application. Persons who have not been removed from the list are allowed to modify their preferences over time.

The following graphic graphs application trends by cohort, including all applicants during each cohort period. With the exception of Cohort 5 (eligible applicants for the 2004-2005 academic year), faculty in other cohorts have been fairly consistent in their preferences selections for unit types during past 5 academic years.

Figure 12

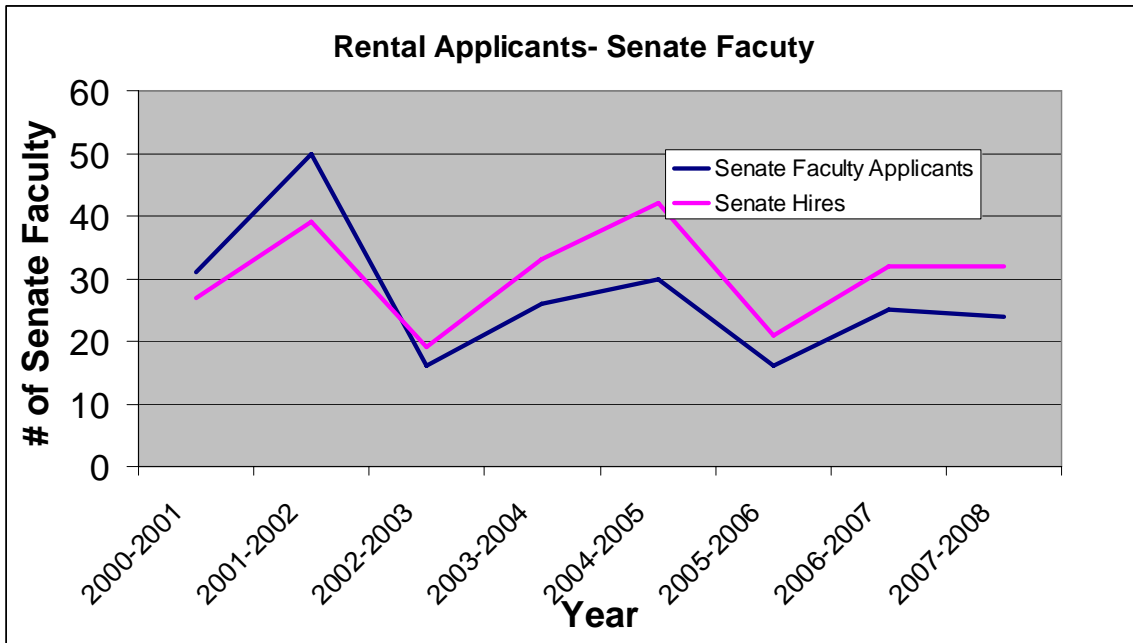


ii) Rental Applications

In the past 8 years, the Application Ratio for rental housing for Senate Faculty has been 76.54%. Since the purchase of Laureate Court in August, 2003, there has been no more than a 3.5% variance per year on the Application Ratio.

In 2003, the newly adopted [Housing Access Policy](#) restricted eligibility for application to “newly hired” employees (i.e. those whose first day on payroll is within 2 years of accepting an apartment offer). Prior to Housing Access Policy, there was no such restriction, and hence there were more applicants eligible to apply.

Figure 13



C) Historical Demand From Staff

i) For-Sale Applications

Staff members were not encouraged to apply to the for-sale program until the introduction of the Housing Access Policy in 2003. As a result, the historical data set for staff is much smaller than for Senate Faculty.

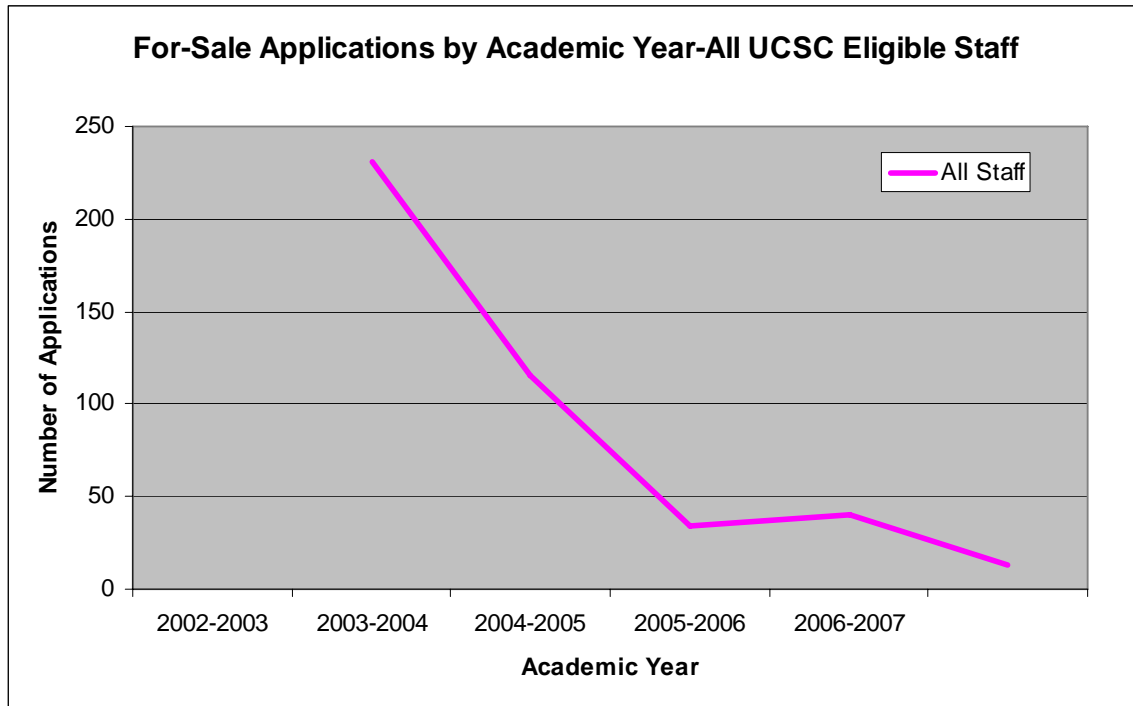
After the Housing Access Policy was adopted, approximately 220 staff applied to for-sale waiting lists during the 2003-2004 academic year. Another 100 Staff applied during the following academic year in 2004-2005.

In subsequent years, staff enrollment has been much more modest. An average of approximately 30 staff/academic year have applied for the for-sale program from 2005-2006 onward.

As a result of this disparity, it is assumed that applications received prior to the 2005-2006 academic year mainly reflected pent-up demand. 2005-2006 and subsequent applications mainly reflect new demand.

A total of 433 Staff have applied for campus for-sale housing through the 2007-2008 academic year. The chart below demonstrates the distribution of these applications over time.

Figure 14



Similar to Senate Faculty, staff applications have tapered off recently, as the off-campus market has cooled.

(a) *Applications in a Context of Market Conditions*

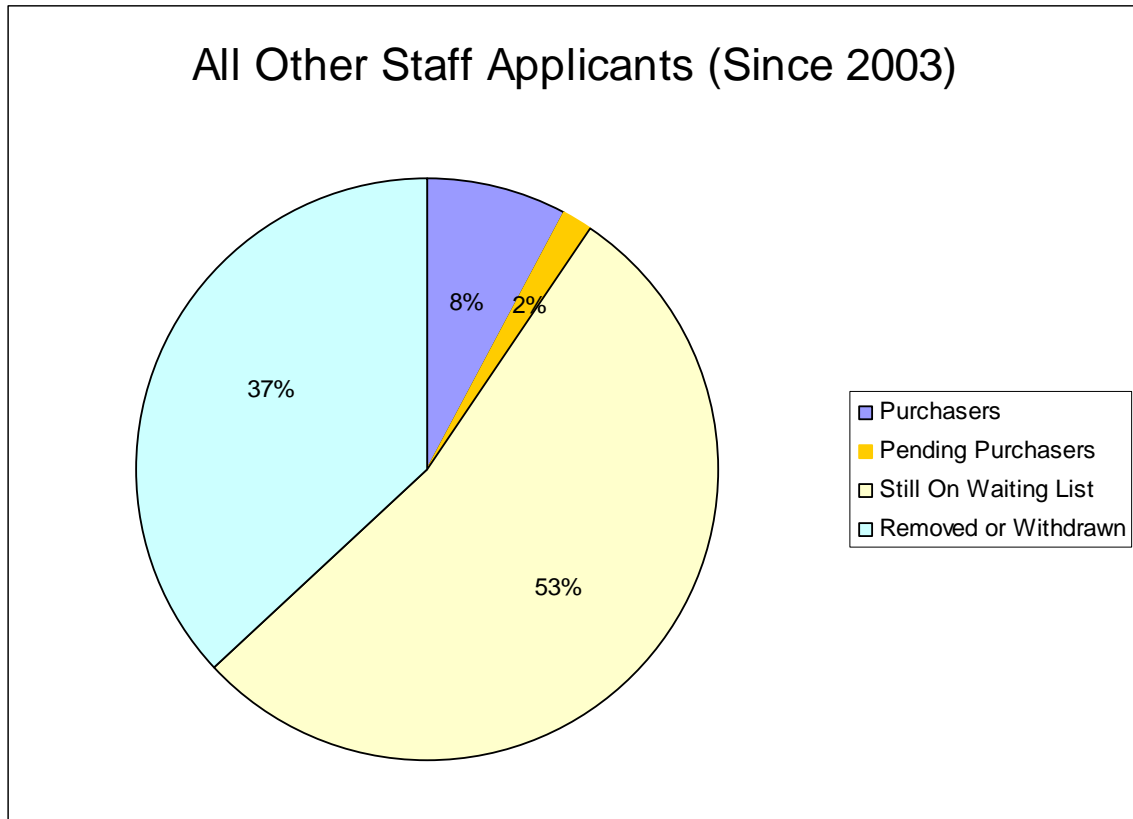
The historical data set is limited to a small number of years when staff applications have been accepted. The decline of applications in recent years reflects that there is no longer pent-up demand among staff (not already on waiting lists) and that there are fewer staff looking for on-campus solutions (due to softening off-campus market conditions).

(b) *Staff Waitlist Attrition*

Similar to Senate Faculty, approximately one-third of all Senate Faculty applicants have withdrawn from for-sale waiting lists (shown in Figure 15).

Because staff do not receive as many opportunities to purchase (pursuant to priorities established by the Housing Access Policy), there is a considerably lower number of staff purchasers (or pending purchasers) than Senate Faculty.

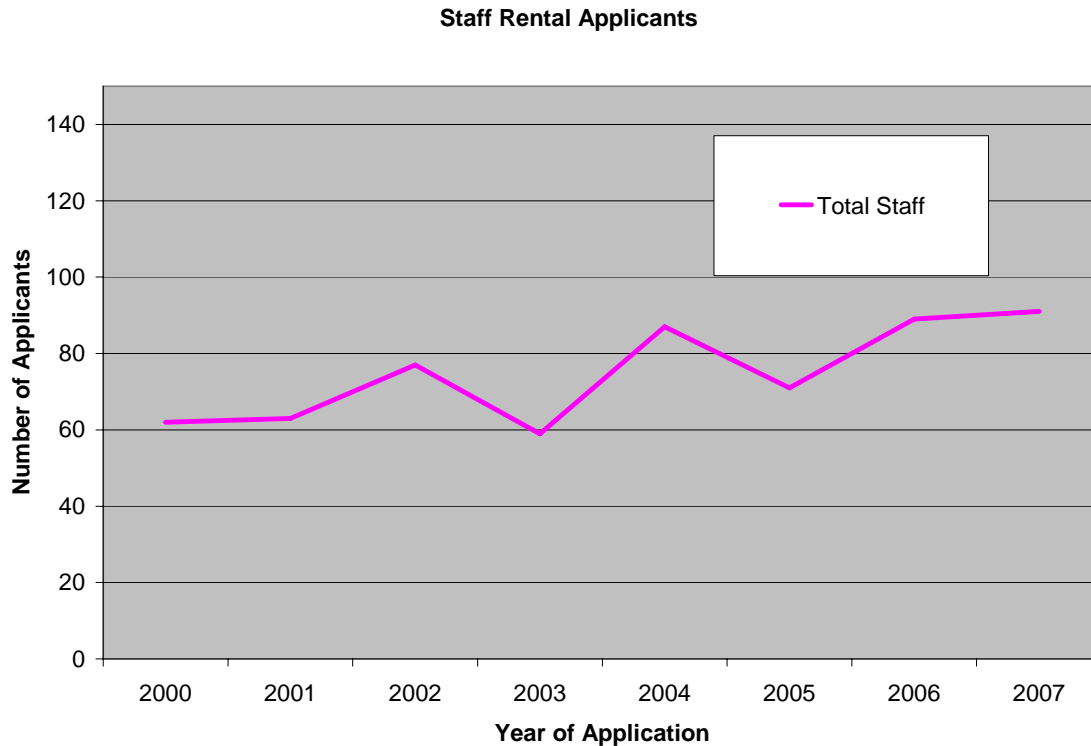
Figure 15



ii) Rental Applications

Staff application trends for rental housing have shown an increase in the past 8 years, as shown in Figure 16. Possible explanations could include: comparable market costs, availability of market inventory, and increasing numbers of new hires.

Figure 16



D) Historical Market Housing Conditions

i) *Off-campus For-Sale Market*

(1) *City and County Median Pricing*

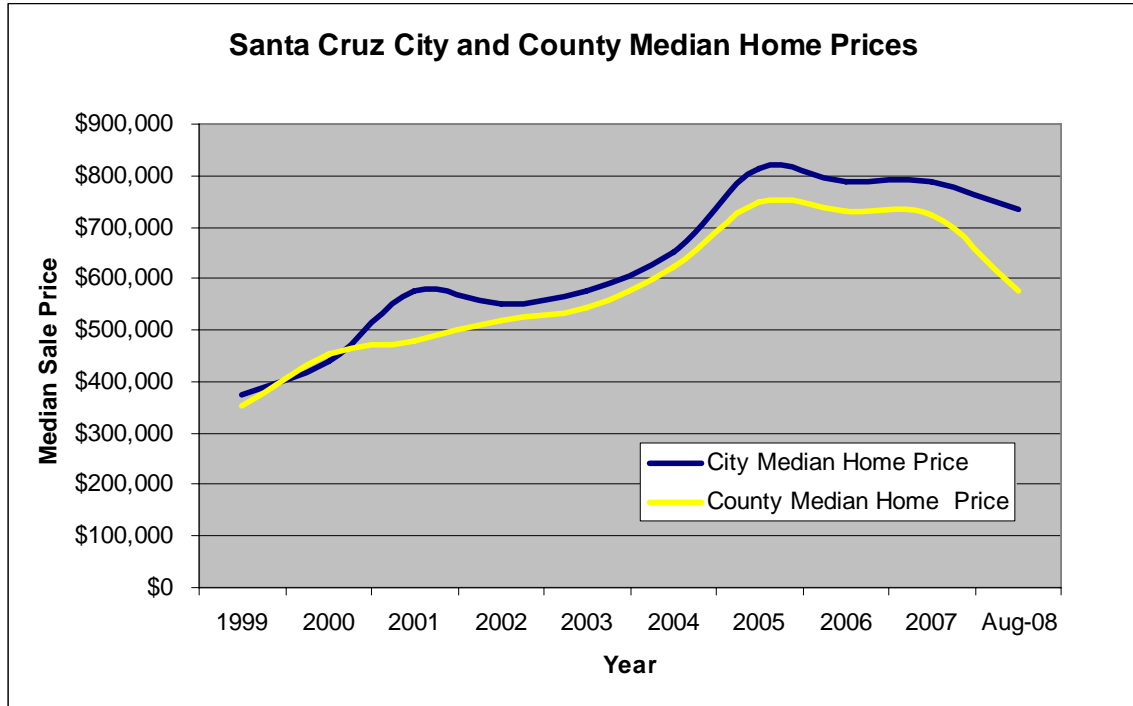
Beginning approximately in the 1980's, both the County and City of Santa Cruz resisted the creation of new housing development. Low growth policies have both restricted market supply (placing a premium for existing housing) and increased delivery costs (making it expensive to develop new housing).

When coupled with increased demand (due to population growth), and relaxed lending practices from financial institutions, the outcome of low growth policies contributed to the significant increase in purchase prices in the city and county areas.

Figure 17 illustrates the escalation of the median single family home prices in Santa Cruz City and County since 1999. Pricing peaked in 2005, and was relatively stable through most of 2007. At that time, pricing began to soften in both areas as an outcome from more stringent lending practices coupled with increasing supply (results of foreclosures). County pricing has been more greatly affected by pricing decreases as there is much more supply of housing, particularly in South County¹⁵.

¹⁵ Beginning in 2000, a significant number of housing units started being added to South County areas (such as Watsonville) as those areas had been more receptive to development than in the North County.

Figure 17



(2) Upper Westside of Santa Cruz

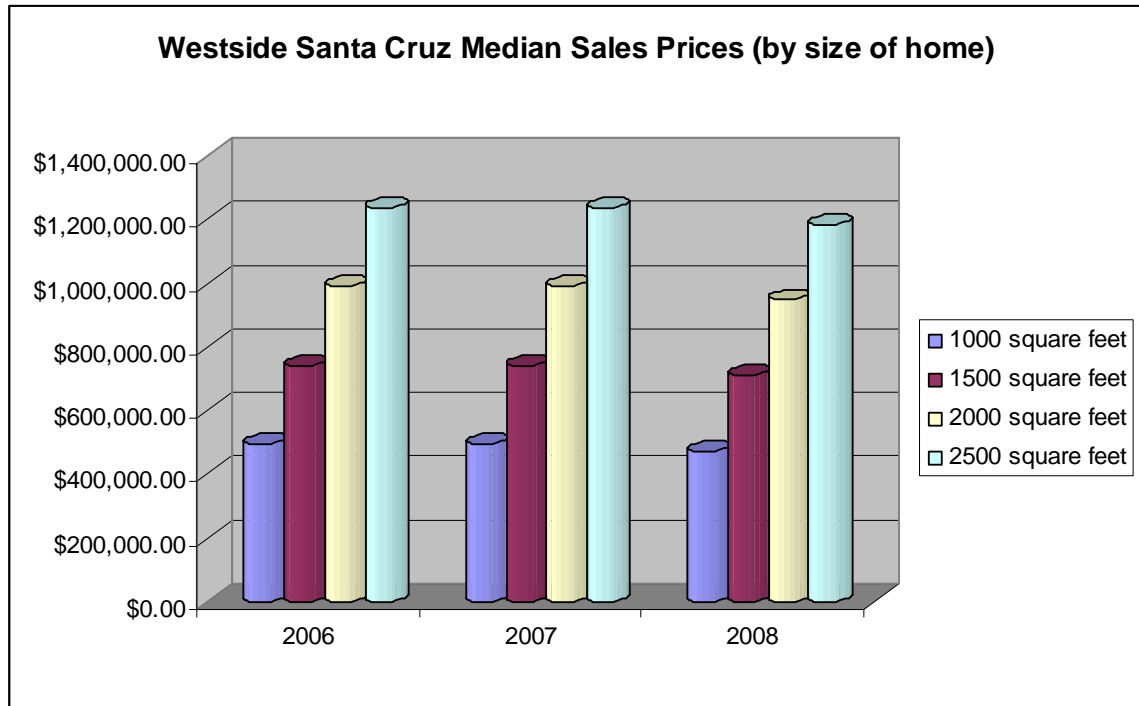
Costs to purchase in Westside Santa Cruz (loosely defined as the area between Highway 1/Mission Street and the University) have exceeded City and County costs¹⁶.

For most UCSC employees, Westside Santa Cruz housing is attractive due to proximity to the campus and desirability of schools. While attractive, costs for this housing make it largely unattainable for incoming employees. Given that there are very few-growth opportunities in Westside Santa Cruz, and that demand will continue to rise (in proportion with campus growth), there will continue to be a premium placed on Westside Santa Cruz inventory (when compared to other areas of the City and/or County of Santa Cruz).

While Figure 17 showed recent softening within the City of Santa Cruz, Figure 18 shows that pricing of single family homes in Westside Santa Cruz has remained relatively stable. This figure takes sales data from Westside Santa Cruz in different years to determine the average cost/square foot of home purchased in this area. These costs are then projected onto typical 1000, 1500, 2000, and 2500 square foot homes.

¹⁶ Westside Santa Cruz costs have historically been 10-20% higher than general Santa Cruz City market costs.

Figure 18



ii) Off-campus Rental Market

Conditions creating supply/demand disparity in the for-sale market similarly affect the rental market, albeit in different ways and/or at different times

Westside Santa Cruz does not contain much rental inventory (defined as multi-family dwellings), resulting in an additional premium for the Target Demographic to live in this area (in addition to the costs associated above).

E) Historical Financing Terms (For-Sale Housing)

i) MOP Program

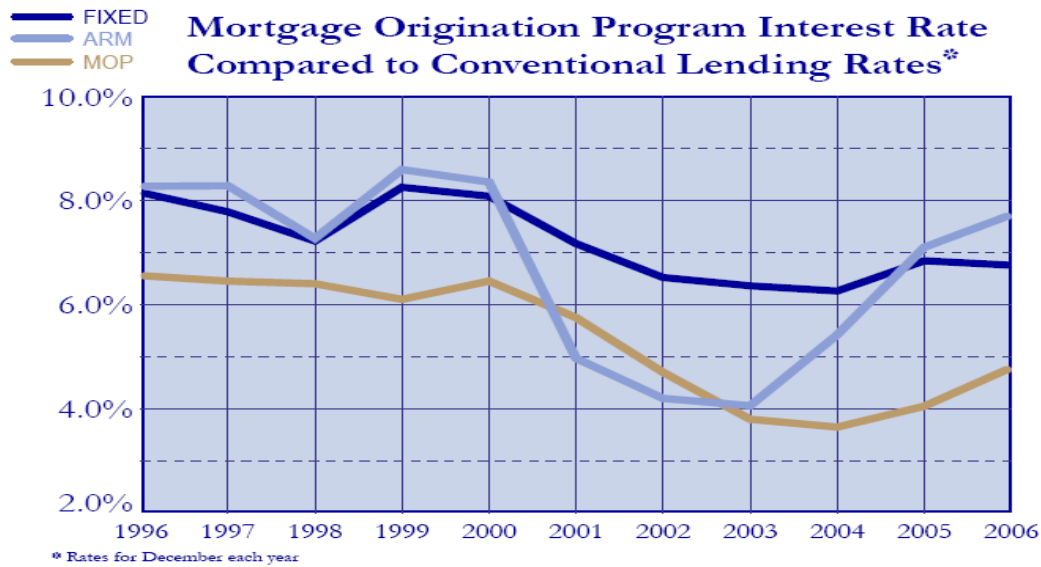
With respect to the for-sale market, advantageous financing terms and/or availability can mitigate (to some extent) the impact of housing costs.

The Mortgage Origination Program (or “MOP Loan”) has been able to offer below-market financing since its inception in 1989¹⁷.

In the graph below, MOP interest rates are charted and compared to market financing programs. With exception to a 24 month period between 2000 and 2002 (where rates for market Adjustable Rate Mortgages or “ARMs” decreased significantly), the MOP rate has been favorable over comparable lending programs.

¹⁷ MOP financing does not include any profit margin for the Regents. Typical market financing does include a profit margin for the lending institution.

Figure 19



(1) *Campus Utilization of MOP Funds*

Prior to 2005, the Campus had one of the lowest utilization rates of MOP funds among all of the UC campus. While there were many market-related reasons for this, the campus procedure for allocating MOP funds to academic divisions actually encouraged deans to be conservative when allocating these funds to faculty.

Beginning in 2005, the campus encouraged deans to aggressively allocate MOP Loans to eligible borrowers. With comparison to other UC Campuses, UCSC's use of these program funds had significantly increased, but not to the extent that MOP funds were exhausted.

ii) **Supplemental Home Loan Programs (“SHLP” and “LIO-SHLP”)**

The Supplemental Home Loan Program (“SHLP”) is a down payment assistance program (funded by the campus) that targets the same user group as the MOP. Due to restricted funds, the SHLP had been underutilized by the campus for many years.

The Low-Interest Option Supplemental Home Loan Program (“LIO-SHLP”) was created to provide additional incentives for eligible Assistant or Associate Professors to purchase homes on or off-campus. The LIO-SHLP has been a very successful program to date: 61 eligible Senate Faculty have applied for this program since its inception on July 1, 2006; and 24 of these Senate Faculty have purchased homes using these program funds.

The LIO-SHLP is funded both by the campus as well as a portion of proceeds from the Re-Pricing Program.

F) Demand and Use Trends for Existing Employee Housing (For-Sale)

i) Location

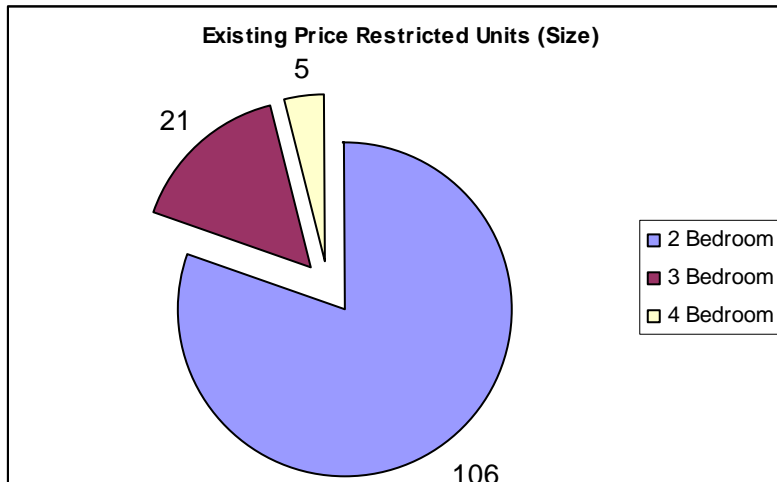


All of the existing or planned for-sale programs are located (shaded in red) near the southern boundary of the UCSC campus (shaded in blue). This proximate location allows owners convenience in accessing off-campus schools, public transportation, retail opportunities, etc. Simultaneously, inclusion with the campus provides a number of other campus opportunities (convenience to work location, recreation, arts/leisure, education, etc.).

ii) Size (Bedrooms) of Price Restricted Units

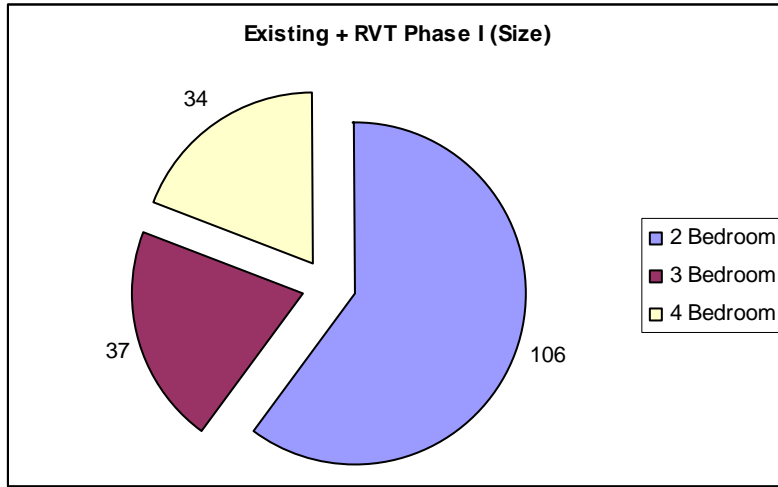
The entirety of the existing for-sale program was constructed prior to 1993. At this time, market purchase opportunities were more attainable for the Target Demographic, and hence, program units were developed to be “Transitional” or “Entry-level” in nature (i.e. 2 bedroom units)

Figure 20



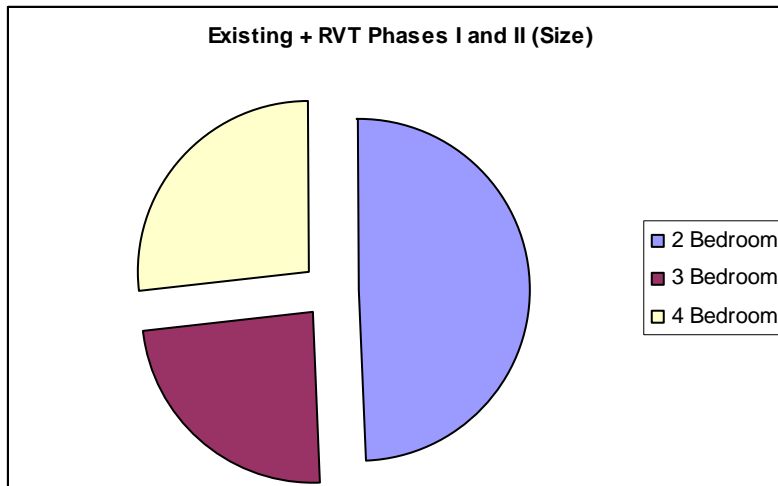
In response to demand for larger homes, Ranch View Terrace was designed. Phase I of this project was comprised of 3 and 4 bedroom single family homes that would be considerably larger than the existing inventory. With the addition of Phase I at Ranch View Terrace, the percentage of existing inventory will adjust as follows:

Figure 21



With the addition of Phase II at Ranch View Terrace, the percentage of existing inventory will adjust as follows:

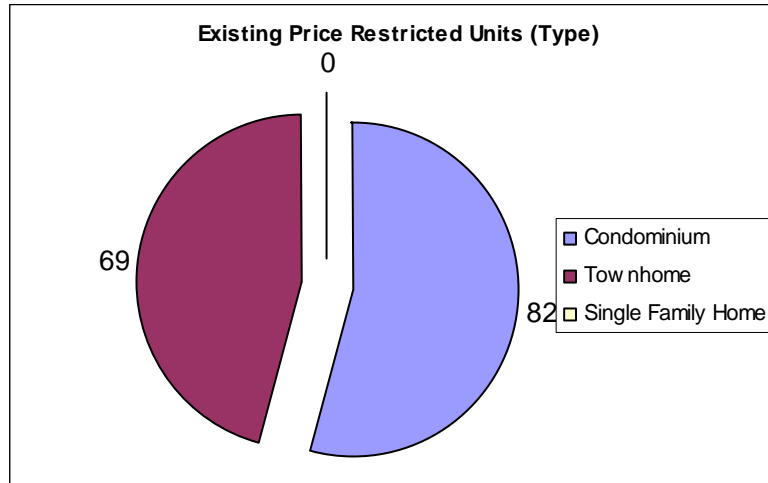
Figure 22



iii) Type of For-Sale Units

Until Ranch View Terrace, all price-restricted units incorporated into the Employee Housing Program were either townhomes or condominiums. As mentioned earlier, these units were designed to be housing types which could be provided at affordable price points, and serve buyers temporarily until they purchased in the off-campus market.

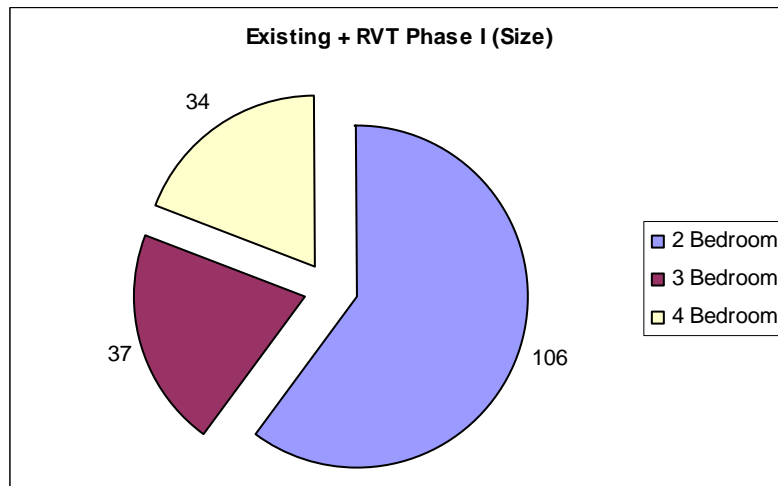
Figure 23



In response to demand for unit types that could accommodate longer term occupancy for families, Ranch View Terrace was designed.

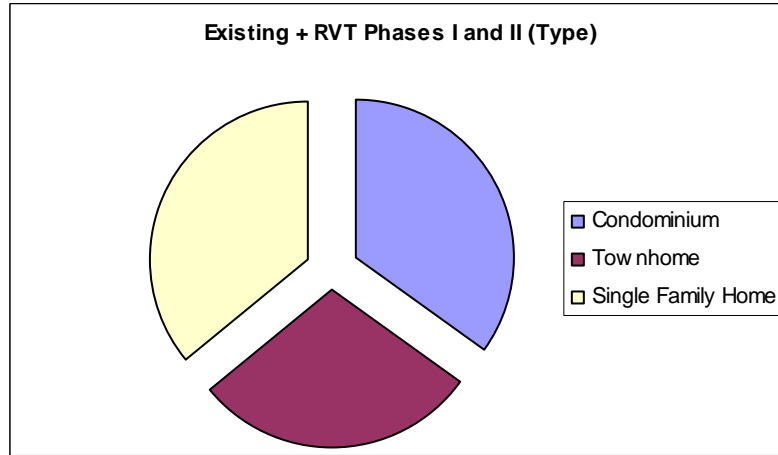
The development is split into two phases (Phase I and Phase II) in order to distribute purchase opportunities for single family homes over several years. 45 homes are delivered in Phase I, and will affect inventory balance as follows:

Figure 24



With the addition of 39 homes in Phase II, the inventory balance will appear as follows:

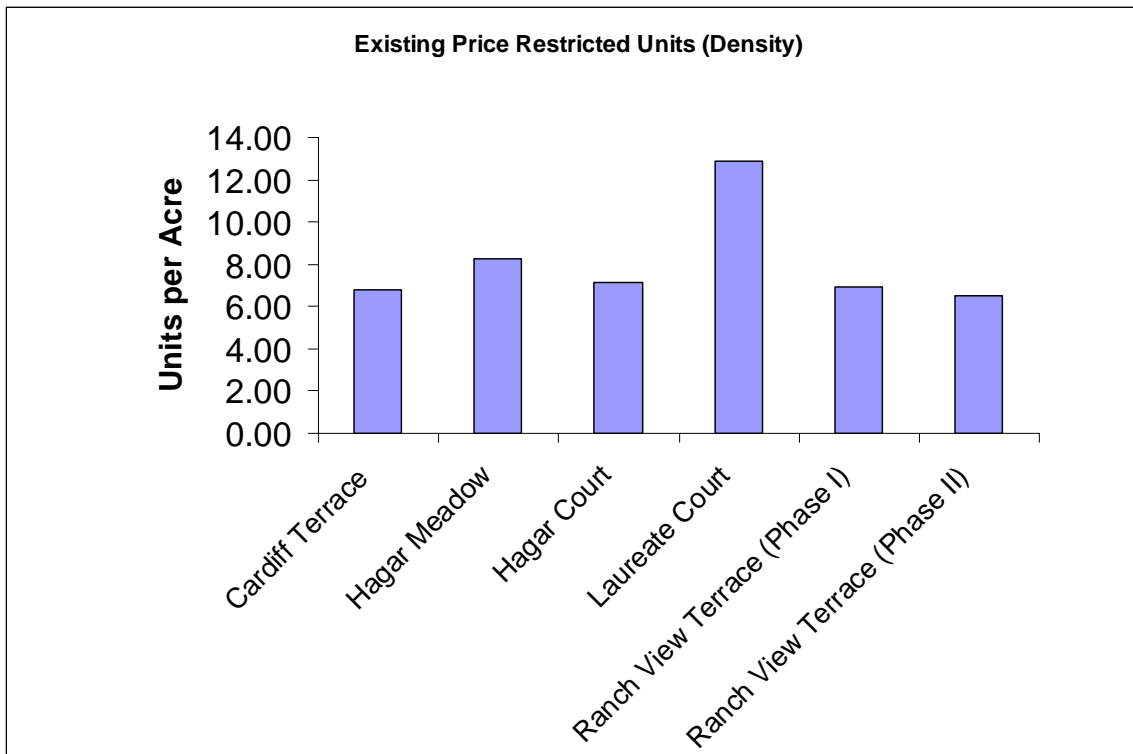
Figure 25



iv) Density

With the exception of Laureate Court (a market-rate development constructed in 1992 and acquired by the campus in 2003), there is not significant variance among units within the for-sale inventory.

Figure 26



v) Appeal of Community

An appealing draw of the existing for-sale program for prospective buyers is the similar demographic of other residents (i.e. neighbors who hold common interests

and values). Buyers feel confident that they will be purchasing a home in an area where they will feel comfortable.

vi) Children and Proximity of Schools

Easy accessibility to Westlake School is very appealing for current owners who have young children. Because there is little turnover in the existing inventory, children can form long-term social networks with other children in the community (the same can be said for parents).

vii) Amenities

Amenities in the existing programs are often gathering places for owners and their families. They reinforce the importance of the community.

viii) Demand Trends

Historically, the preponderance of the Target Demographic have identified Westside Santa Cruz as their preferred location of residence based on the multitude of factors explained above.

G) Demand and Use Trends for Existing Employee Housing (Rental)

i) Location

Historically, the rental programs have all been on campus (or near to campus). Rental programs have been very popular with the Target Demographic as they have allowed them to be proximate to their work location. Additionally, they are proximate to schools and other community services.

ii) Size (Bedrooms) of Rental Units

From the inception of the rental program in 1981 until the purchase of Laureate Court in 2003, only 2 bedroom rental units were available. With to the purchase of Laureate Court in 2003, some 1 bedroom rental units were incorporated into the program. The existing balance of 2 bedroom to 1 bedroom rental units (approximately 2.5 to 1 ratio) has suited employee demand well in the past 5 years.

Occasionally, employees request 3-bedroom (or larger) units to rent. However, the number of these requests is not significant to warrant exploring a change in rental inventory.

iii) Type of Rental Units

Units with adjacent walls (townhomes) and/or stacked units (condominiums) have been successfully incorporated into the rental program since its inception. Generally speaking, these unit types do not discourage renters, who are far more attracted to price point and convenience (location of the project) than specifics about unit types.

iv) Density

While lower density rental projects (such as Hagar Court) may be more desirable to renters, density is not a primary driver for demand. Renters have been far more

concerned about price point and convenience (location of the project) than density.

v) *Neighbors and Values*

An appealing draw of the existing for-sale program has been neighbors who hold common interests and values. Buyers feel confident that they will be purchasing a home in an area where they will feel comfortable.

vi) *Children and Proximity of Schools*

The proximity of Westlake School is very appealing for current owners who have children. Because there is little turnover in the existing inventory, children form long-term social networks with other children in the community (the same can be said for parents).

vii) *Amenities*

Amenities in the existing programs are often gathering places for owners and their families. They reinforce the importance of the community.

viii) *Pets*

With the exception of indoor cats at Laureate Court, pets have not been permitted in rental units. A minor number of the Target Demographic do not choose to rent at Laureate Court due to the restriction on pets (estimated to be 2-3 Senate Faculty/year).

The Laureate Court Rental pet policy has restrictions in order to be compliant with the [Campus Pet Policy](#). These restrictions on rental units are expected to continue into the future.

IV. Challenges

A) 2005 LRDP

i) Plan to Provide 125 Housing Units

The 2005 LRDP identified that a number of new employees would need to be hired in order to accommodate anticipated student enrollment growth up to 19,500. In order to accommodate these new employees, a total of 125 units (rental and/or for-sale) were planned as part of the 2005 LRDP project, and are incorporated into the Employee Housing program.

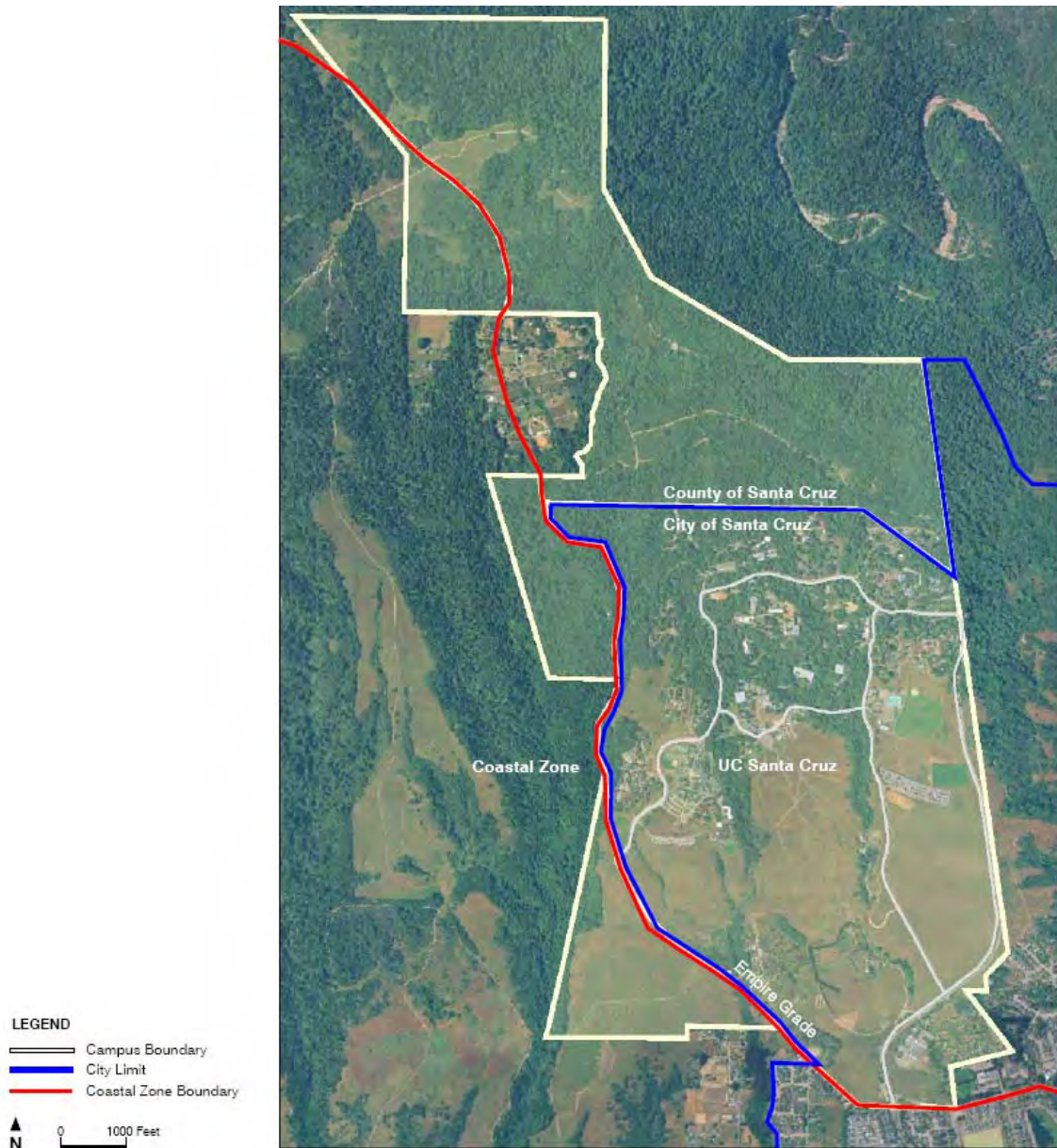
These units can be located on or off-campus.

ii) 2008 Settlement Agreement

According to the 2008 LRDP Settlement Agreement (executed on September 12, 2008), the campus should explore developing the West Campus prior to the advancement of projects on the North Campus. The Settlement Agreement was signed subsequent to the delivery of the Site Analysis. No additional housing element requirements were placed on the Employee Housing Program in the Settlement Agreement.

However, within the Settlement Agreement, the University did agree to apply with the Local Agency Formation Commission (“LAFCO”) for extraterritorial utility service for development outside the existing urban services line. The urban services line coincides with the Santa Cruz City Limits. The land use area designated for Employee Housing in the 2005 LRDP is located outside the urban services line. The urban services line is shown in Figure 27.

Figure 27



B) Constraints to Delivery

i) *City and County Cooperation*

On-campus projects are not subject to “approval” from the City or County of Santa Cruz as these entities do not have jurisdiction on University of California projects. However, new campus projects have recently faced resistance from local agencies. Local government entities have felt that new projects place more demands on infrastructure and resources (i.e. water, sewer, roads, etc.).

With respect to Employee Housing for-sale projects (particularly those that are privately financed), city and county cooperation is necessary in order to

continue project momentum. Examples include “will serve” letters for water and sewer, the need to record project maps with the county and establish parcel numbers.¹⁸

ii) *Campus Design and Construction Standards*

(1) *Time to Delivery*

A primary goal of any development entity is their ability to quickly deliver their project. However, this goal is hard to achieve within the University decision-making, consultation and construction process (with whom a development entity would need to interface during a project’s planning and construction phases)¹⁹. The lack of alignment of these two interests generally translates to significant tensions between the two entities and additional costs for development and construction due to the time to deliver a project.

(2) *Application of Campus Standards to Employee Residential Housing Developments*

Campus design and construction standards have been developed to ensure that buildings should be able to endure high usage over a long period of time.

The use patterns for an Employee Housing Unit are dissimilar from the vast majority of campus buildings; however, there are not a separate set of standards for these units.

Time is spent between entities negotiating which standards are to be used for Employee Housing developments. As a result, it is more efficient to incorporate campus standards into these developments, even when they result in more costs and are not standard for comparable housing in market developments.

iii) *Campus Consultative Process*

The objective of Employee Housing Construction Projects is to deliver or acquire new inventory that can be made available to employees at affordable price points.

The UCSC campus has established consultative processes for Employee Housing projects. New projects are subject to a thorough review from many campus consultative bodies²⁰. Examples of these entities include: the Senate Committee on Faculty Welfare (“CFW”), the Advisory Committee for Facilities, the Senate Committee on Planning and Budget, and the Design Advisory Board. It should also be noted that after campus consensus is achieved projects must also follow UC Regents’ approval process.

¹⁸ The 2005 LRDP Settlement Agreement (executed in 2008) should help resolve many of these issues.

¹⁹ Based on Input from Office of the President

²⁰ Input from off-campus communities is additionally sought in some cases

These defined consultative groups may be granted extended, additional, and/or repeated consultation²¹. In addition, previously undefined stakeholder groups may contribute into the consultative process.

Consultation (which continues subsequent to approval and commencement of construction) allows for an ongoing dialogue with campus constituents. While the input from consultation often has merit, it generally increases time to delivery (and can also result in modifying project scope) which adds project cost²².

iv) Environmental Reviews

Proposed projects that result in physical development in California are subject to the provisions of the California Environmental Quality Act (“CEQA”). The University of California has established a process to comply with CEQA regulations.

CEQA determines the environmental review process and the required environmental document necessary to ensure compliance. In addition, the 1988 LRDP committed that any campus project exceeding \$2,000,000 in cost²³ would have to produce a full Environmental Impact Report (“EIR”). The cost implications of Environmental Review are discussed on page 44.

Additionally, there may be other regulatory agencies that the University may have to seek permits from in order to construct a project and often that consultation process may add time to a project. An example of this is the Habitat Conservation Plan (“HCP”), an environmental review process. In the case of Ranch View Terrace, the HCP affected project design and delivery.

v) Cowell Ranch Historic District

An Employee Housing project that is to be located near or adjacent to the Cowell Ranch Historic District (see map at right) would likely require additional study and/or mitigations.



vi) Concerns Regarding Growth

Community concerns regarding impacts of campus growth on the community have been raised on some recent projects. The campus often makes extra efforts to solicit that input and respond to the concerns which can cause project timelines to extend.

²¹ Due to changes in representation on these committees or bodies, multiple reviews are not uncommon.

²² In addition, the consultation process often cannot proceed during the summer months with faculty groups due to the structure of the academic calendar.

²³ The \$2,000,000 figure is based on 1987 dollars, and adjusts with inflation

(1) *Lawsuit(s)*

Any legal action filed against a project will inevitably cause project delays and increase the project's costs. A lawsuit filed on the Ranch View Terrace Project in August, 2005 delayed the project nearly a year. The lawsuit created significant costs including attorney fees, loan interest (for the period of the delay), and construction escalation (for the period of delay).

C) Construction Environment

i) *Delivery Methods*

(1) *Traditional (Campus Construction)*

Nearly all of the existing Employee Housing Program units have been constructed and/or refurbished (if applicable) with "Traditional" delivery methods: i.e. project design under university hired design consultant, construction bid, and contractor built. In this Traditional method, Regental money is used to finance construction and delivery of inventory and is repaid through unit sales and/or a portion of program rents. Physical Planning & Construction ("PP&C") oversees the construction process (bidding, construction management, project management). *Examples of this delivery method include (Hagar Court, Hagar Meadow, and Cardiff Terrace)*

Pros: This delivery method allows the campus to control quality.

Cons: The focus and process of campus development and construction and development programs is not geared toward creating standard residential housing communities for employees.

(2) *Alternative Methods (Non-Campus Construction)*

(a) *Third Party Development*

In a Third Party delivery model, a developer uses private financing to deliver housing inventory. A Third-Party model has allowed the Employee Housing Program to proceed with development without program seed capital. In addition, the model allowed the campus to proceed with development without exceeding UC debt-capacity constraints²⁴ on all (student and employee) housing projects. *An example of this delivery method is Ranch View Terrace Phase I*

Pros: The Third-Party Developer understands residential market construction costs and standards. In theory, the developer can more effectively deliver housing product to market. In addition, the Third-Party Developer allows the Faculty and Staff Housing Program to deliver inventory without having to dedicate its own equity or cash resources.

²⁴ Imposed by Office of the President

Cons: Interests of a Third-Party Developer do not always align with the interests of the campus. The campus processes do not affirm the needs of a Third-Party Developer with respect to decision-making, risk, and home construction standards

(b) 501 (c)(3)

Some university campuses have established a non-profit development entity (“501 (c) (3)”) to deliver Employee Housing projects²⁵. This entity mimics the role of a developer in strategically delivering housing at affordable price points.

Pros: Funding for the entity does not come from campus resources. Management of the entity can be very strategic in delivering units

Cons: Need consistent, steady development over time to support administrative costs. Additionally, the entity needs an environment where it can operate with limited relationship to the University.

ii) Construction and Delivery Costs

(1) Santa Cruz Market Construction Costs

As of 2008, a residential developer in Santa Cruz generally will spend \$250-\$300/per square foot in hard construction costs²⁶ when building units to sell.

(2) Santa Cruz Market Delivery Costs

The “Delivery Cost” for Santa Cruz market rate units is the hard construction cost added to the following “soft costs”: development fees, financing costs, sales and marketing costs.

In 2008 the Delivery Cost for market rate units in Santa Cruz ranged from \$450/square foot-\$520/square foot for new construction. Costs to deliver in the Santa Cruz area are considered to be higher than most other areas in the state, primarily due to its geographic isolation.

(3) Campus Construction Costs

A consultant group (RRM Design) was hired by the campus in summer, 2007 to complete a Physical Planning and Financial Feasibility Analysis (“Site Analysis”) for prospective Employee Housing sites.

They identified a number of factors to explain high construction costs on campus projects, including: (1) the expense of delivering and installing infrastructure, (2) prohibitive UC bonding requirements, which restrict the available pool of labor; and (3) the geographic isolation of the campus. With respect to the latter issue, the limited availability of local labor firms to

²⁵ The 501 (c)(3) analysis is located on page 55

²⁶ Defined as labor, materials, and supervision of construction work from groundbreaking to completion.

perform or comply with the bonding requirements results in the frequent importation of labor (which, in turn, results in premiums for travel time and expenses).

(4) Near-Term Employee Housing Delivery Costs

In 2008, Phase I of Ranch View Terrace is being delivered at a cost of \$275-\$310/square foot (depending on premiums assessed for a home's location). This price range includes site delivery, home construction, infrastructure, and "soft costs" (defined as design, engineering, project management, etc.)

These delivery price ranges were approved by the Regents in May 2005. Project delays subsequent to this approval created a need to value engineer certain interior finishes of the homes in order to contain cost escalation.

(5) Potential Near -Term Employee Housing Delivery Costs (Phase II)

The developer for Phase I at Ranch View Terrace has put forth a proposal to develop the remaining 39 homes in Phase II.

As of November 2008, no formal commitment has been made by the campus and/or the Office of the President to proceed with Phase II.

(6) Project Cost Estimates for 2005 LRDP Employee Housing Sites

As an outcome of the EHAP Recommendations, EVC/CP Dave Kliger charged CUHS with completing an analysis for: (a) the Employee Housing site as identified in the 2005 LRDP, and (b) an alternative on-campus development location. Attachment A to this EHMP contains the entire completed Site Analysis.

Employee Housing and PP&C staff directed RRM to use certain parameters with respect to housing type, housing quality, and project density as a basis for the Site Analysis. Examples of these parameters were: (a) the preponderance of units would be 3 bedrooms and a minimum of 1400 square feet²⁷; (b) attached wall, townhome types units could be pursued should they reduce costs; (c) evaluate the feasibility of a moderate density development in order to ensure that units are an attractive for-sale product (priced at or below 60-70% of market delivery costs). Cost estimators for RRM took into account the costs to develop these unit types and infrastructure.

(a) Site Specific Study-North Campus

Phase I of the Site Analysis was to evaluate the Employee Housing land designation on the 2005 LRDP²⁸. Of the 28 acres on this site, the consultations determined that 21.5 were suitable for development.

²⁷ On May 1, 2006, the UCSC Academic Senate Leadership communicated to EVC/CP Dave Kliger that 3 bedroom units sized at approximately 1400 square feet would be attractive to faculty.

²⁸ See Site Analysis in Attachment A for a visual representation of this land designation.

Using the above supplied parameters for housing types and densities, the consultants developed a concept option that included approximately 140 housing units (primarily three bedroom townhomes) on the site.

The analysis determined delivery cost of these units was not below market. In 2008 dollars, the delivery cost for these units, including infrastructure on and to the site, was projected to be \$568/square foot.

The cost of both on-site infrastructure improvements and off site infrastructure was significant (projected to be \$409,000/unit). On-site infrastructure costs were projected to be \$297,000/unit (adding \$185/square foot to housing delivery costs); off-site infrastructure costs were projected to be \$112,000/unit (adding \$70/square foot to housing delivery costs)²⁹

(b) Alternative Campus Sites

Phase II of the Site Analysis was to evaluate alternative campus locations to determine if they could be developed and delivered more easily than the North Campus site. These locations were:

(i) "Site F"

Site F is (a 22.9 acre parcel located east of Hagar Drive and north of Coolidge Drive). It should be noted that this parcel is currently designated as Campus Resource Land on the 2005 LRDP), and hence, would require an amendment.

Two slightly different developments were considered for the site. Using the same housing types and densities supplied for the North Campus site, the consultants developed a concept option that included a range of 191-207 housing units (also primarily three bedroom townhomes) on the site.

The analysis determined delivery cost of these units was less than the North Campus, but still not below market. In 2008 dollars, the delivery cost for these units, including infrastructure on and to the site, ranged from \$480-\$490/square foot.

The infrastructure costs were projected to be less at this location (ranging from \$250,000-\$271,000/unit), but still significant. On-site infrastructure costs were projected to be slightly less on a per unit basis than North Campus (ranging from \$238,000 to \$259,000/unit) and this would add \$150-\$161/square foot to housing delivery costs). Ranges for off-site infrastructure costs were projected to be \$11,600 to \$12,600/unit (adding \$7-8/square foot to housing delivery costs).

²⁹ Water infrastructure is present on the site.

(ii) Hagar West

“Hagar West” (a 1.5 acre parcel located between Dickens Way and Coolidge Drive. This parcel was designated as Employee Housing on both the 1988 and the 2005 LRDP.

Using the same housing types and densities supplied for the other sites, the consultants developed a concept option that included 19 three bedroom townhomes on the site.

The analysis determined delivery cost of these units was slightly less than Site F, but still not below market. In 2008 dollars, the delivery cost for these units, including infrastructure on and to the site was \$466/square foot. Since there would be a relatively small number of units in this potential development, the impact of “soft costs” is greater on the costing for each unit than in a larger development.

The infrastructure costs were projected to be less at this location than Site F (\$232,000/unit). On-site infrastructure costs were projected to be slightly less on a per unit basis than Site F (\$220,000/unit)³⁰, adding \$137/square foot to housing delivery costs). Costs for off-site infrastructure were projected to be \$ \$12,600/unit (adding \$8/square foot to housing delivery costs).

iii) Cost Escalation

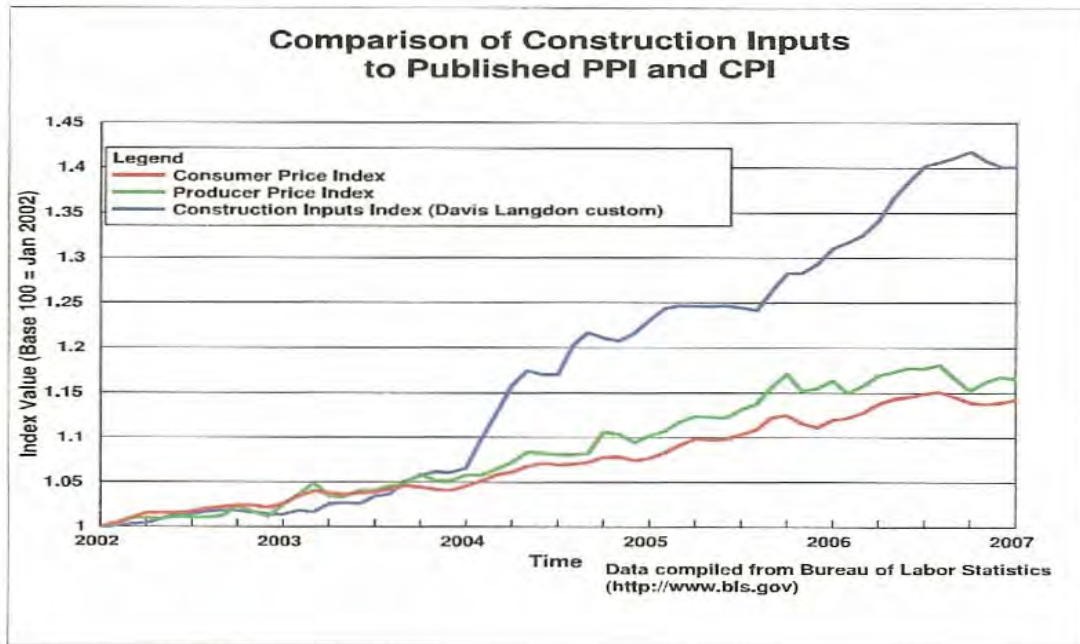
(1) Material Costs

Cost estimating work for the Site Analysis was done by Davis Langdon, whose service has been used by the campus for many years.

Figure 28 was published by Davis Langdon in mid 2007 to show the history of cost escalation on California construction projects. It is noteworthy to identify that between 2004 and 2007, construction costs increased at an aggregate of 35% in California.

³⁰ Attributable to the flat site and the proximity to infrastructure

Figure 28



Global demand for materials has increased pricing. While the above graph does not show cost increases in 2007, Davis Landon subsequently published more modest (but not insignificant) inflation rates of 6-8% for 2007, and 5% for 2008.

Recent instability for the cost of materials has made estimators extremely conservative when forecasting expenses associated with future projects.

(2) Labor Costs

The University complies with the State of California's prevailing wage practice when contracting for projects. In 2007, for Santa Cruz County, prevailing wage rates were 10-15% more expensive than for market rates for comparable trades.

In periods of economic slowdown, prevailing wage rates have not declined with standard market wages.

iv) *Costs of Environmental Review*

The direct cost of producing an EIR has historically been carried by the relevant project. The cost for the Ranch View Terrace EIR was approximately \$1,000,000 (approximately \$12,000/home for the entire 84 home project).

Should a project EIR identify mitigations (which are also direct costs), these associated costs would be incorporated into the project budget.

v) *Higher Densities*

Geographic isolation, high labor costs, low-growth politics and lack of available land all affect market development in Santa Cruz.

Developers have come to the conclusion that in many cases, building a high volume of units in a small area is the only way to keep a project which can be economically feasible. These unit types are generally suitable for “urban” locations (i.e. downtown, or along a transportation corridor).

The economic realities of urban design do not necessarily align with the rural setting of the campus. Potential buyers have not felt that high density is an attractive product to purchase in a rural setting.

(1) Market Examples

The City of Santa Cruz has recently become more tolerant of high density projects along transportation corridors. Examples of these high density developments (within a proximate distance to the campus) include:

(a) 2030 Pacific

This development, located between River Street, Front Street and Water Street in downtown Santa Cruz, was completed in May 2008.

Approximately 70 condominiums are located on a parcel slightly larger than one acre.

As of spring 2008, the condominiums at 2030 Pacific were priced for sale at over \$515/square foot.



Westlake Cottages

A total of 22 condominiums and townhomes are located on a parcel slightly larger than one acre between High Street and Cardiff Court.

As of summer 2008, the market-rate units at Westlake Cottages were priced for sale between \$450 and \$480/square foot.



D) Acquisition Environment

i) 2005 LRDP Settlement Constraints

Pursuant to the 2005 LRDP Settlement Agreement, the University agrees to notify the City of Santa Cruz of its intent to purchase housing in the city limits.

The University also agreed not to construct high density housing within the city limits unless it is consistent with city zoning requirements for the land in question.

ii) Political Costs

Acquisition of existing rental and/or for-sale product is likely to be met with some form of political resistance.³¹ This resistance could be in the form of a political constituency, a neighborhood group, or a governmental entity.

iii) Due Diligence

The “due diligence” process for acquisition is extremely thorough. Many standards with relation to construction quality, etc. need to be met prior to Regental approval to finance and/or acquire a property.

E) Employee Desires

Employees tend to look for unit types and locations that are extremely challenging to deliver in the current construction environment. Examples of these desires are listed below.

i) Affordability

Included in the 2006 EHAP was a survey conducted by consultant group Brailsford and Dunlavey. This survey noted that 49% of respondents indicated that the cost of for-sale or rental housing in the Santa Cruz area was “very important” or “important”. Respondents defined affordability for these housing costs as no more than 20%-40% of gross household income.

At 30% of gross household income, a household earning a gross income of \$100,000 per year would be able to afford a residence costing slightly more than \$400,000.³² Given that the Santa Cruz County median household income is much

³¹ A rental acquisition would be resisted primarily for the loss of tax-revenue. A for-sale acquisition might not be as vehemently opposed.

³² Assuming 20% down, 6% interest and a 30-year amortization.

less than \$100,000/year for a two-person household (as of April 2008, it was \$65,000/year in the County of Santa Cruz) the median priced single family home would be almost entirely unattainable given these “affordability” definitions.

ii) Bigger Units

An overwhelming number of respondents in the EHAP survey (50%) identified that they had a preference to buy a single-family home. A smaller number of respondents identified a townhome or an attached single family home as an ideal unit type (22%). Only 5% of respondents preferred multi-family living such as a condominium

iii) Lower Densities

While employees value community, they generally are attracted to program units that most-closely reflect more traditional styles of single-family living. As mentioned on page 44, low-density housing projects will be difficult (if not impossible) to deliver in future years (due to high infrastructure and soft costs).

Existing Employee Housing Projects built at higher densities (e.g. Laureate Court) do not attract as many employees as those built at lower densities (e.g. Cardiff Terrace). Even the small number of employees who have expressed interest in “urban” housing solutions (such as high-rise condominiums) would likely find them unattractive on the campus, as the location would be too far from services that are normally associated with this type of housing.

iv) Location

As expressed on pages 29 and 33, location of housing projects near to the main entrance of campus is attractive as it allows owners to be close to Westlake school as well as city goods and services.

The 2005 LRDP identified that Employee Housing should be located near perimeter roads and also integrated with other services such as childcare, parking, and transportation.

F) Financing Restrictions

i) Limited Equity

The Employee Housing Program has a negligible amount of equity in the recently purchased Laureate Court project. While the project was purchased in August, 2003, the financing was arranged so that principal payments did not begin until the 2006-2007 academic year.

Prior to 2003, The Hagar Court Apartments were an asset for the Employee Housing Program. These units were converted and sold as condominiums in 2003 in order to provide more for-sale housing while capturing equity to pay down the Laureate Court financing obligations.

ii) Seed Capital

Historically, the Employee Housing Program has not had a source of seed capital so that it can fund new projects.

The Re-Pricing program has now established a source of seed capital. While funds generated by this program should be sufficient in the near term to finance the Site Analysis, it will be a number of years before sufficient funds could be raised to curtail startup for future projects.³³

iii) Office of the President Restrictions on Debt

Funding constraints within the UC system and the campus limits the ability to finance the construction or purchase of new Employee Housing projects. In the past, UCOP has imposed limitations on debt capacity for each campus as well as requirements that any UC financed project must meet for sufficient debt coverage. These restrictions significantly affect the campus' ability to plan for campus-funded housing projects. As a result, it must seek alternative delivery methods such as a Third-Party delivery model (used for Ranch View Terrace).

V. Strategic Planning

A) Assessing Future Demand

i) Employee Growth Rates

(1) Growth Projections

The campus' Office of Planning and Budget has generated a renewal model that looks at Employee growth rates in relation to student growth projections in the lifespan of the 2005 LRDP. This renewal model is included as Attachment C.

While it is impossible to forecast actual growth year by year, the renewal model has assumed that growth from now through the 2010-2011 academic year will be more robust than in subsequent years. Recent economic events suggest that the near term growth projections may be overstated.

(a) New Senate Faculty Hires

The renewal model states that 38 Senate Faculty will be hired (on average) each year through the end of the 2005 LRDP.

68.4% of these annual hires (26 of 38) will be to accommodate growth through the 2010-2011 academic year. Starting in the 2011-2012 academic year, the percentage of growth related hires drops to 39.4% (15 of 38).

Regardless of the percentage of hires that are growth related (as opposed to being replacement hires), we will assume that the preponderance of

³³ Use of Re-Pricing proceeds is restricted pursuant to EVC/CP approval of the Employee Housing Administrative Plan recommendations.

Senate Faculty hires (77%) will be at the Assistant Professor Level.³⁴ This results in the addition of approximately 29 Assistant Professors per year.

(b) Staff Hires (Related to Campus Growth)

Attachment C indicates that an average of 138 positions will be added per year through the 2010-2011 academic year. Subsequently, the annual number of positions added will drop to 88.

ii) *Projecting Future Demand for Senate Faculty*

(1) Projecting Applications

While recognizing that 38 hires per year estimate will vary from year to year, we use this estimate to make some assumptions about future demand.

Also assuming that the Application Ratio continues to trend toward 95.16%, a total of 36 Senate Faculty (approximate) would apply for the for-sale program per year through the end of the LRDP.

(2) Projecting Unit Preferences

We have demonstrated historical demand for unit preferences on pages 18 and 20. Even though the historical data suggests that the demand for small (2 bedroom) and large (3+ bedroom) units distributed on an approximate 25%/75% basis, we project that in the short term, demand for smaller units may increase, due to the current economic environment.

We are projecting that 40% of new Senate Faculty applicants will apply for 2 bedroom units, and 60% will apply for 3 or 4 bedroom units³⁵. Translated to projected applications, 15 of the 36 applicants will select preferences for 2 bedroom units, while 21 of 36 applicants will select preferences for 3 (or 4) bedroom units.

(3) Projecting Turnover Rate and Waitlist Attrition

We have demonstrated the historical waiting list Attrition Rate (50%) for Senate Faculty on page 19. That is, it takes two Senate Faculty applicants on waiting lists to realize one buyer.

The Re-pricing Program and market conditions should be considered when projecting future Turnover Rates. A total of 18 units have been purchased under the Re-Pricing Program since the campus began to Exercise the Right of First Refusal in January, 2007. A total of 10 units have been re-sold under that program since this time³⁶.

³⁴ Between the 1986-1987 and 2007-2008 academic years, 77.17% of new Senate Faculty Hires were at the Assistant Professor level. Between 1998-1999 and the 2007-2008 academic years, the percentage of Assistant Professors hired increased to 79.5%.

³⁵ These projections should be examined upon the next EHMP review.

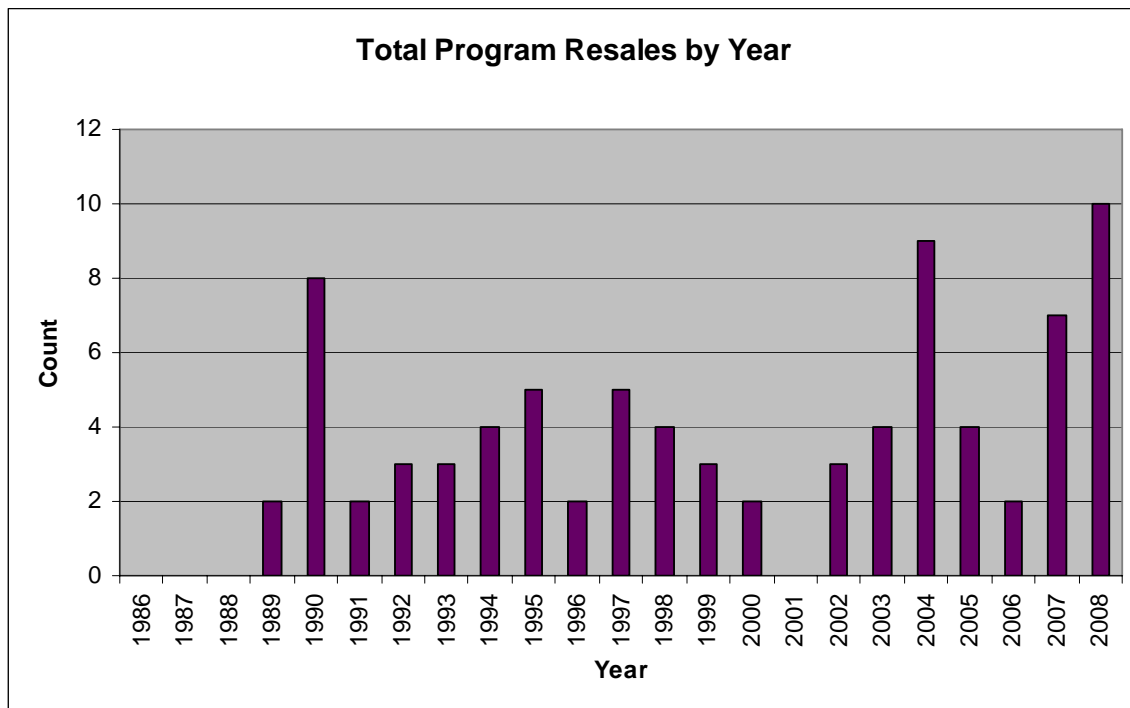
³⁶ Unit not resold by the program are either in the process of being remodeled or are being used as temporary rentals for RVT Phase I buyers.

Under this Re-pricing Program, the Turnover Rate increased to 5.30% and 8.33% (in calendar years 2007 and 2008, respectively)

The softening of the off-campus market has also contributed to the recent higher Turnover Rate. Of the 18 Units purchased in 2007 and 2008, a total of 10 sellers had transitioned to the local market. By exercising the Right of First Refusal (under the Re-Pricing Program), the campus helped these sellers facilitate their transition to the local market, as (a) they could essentially avoid a resale contingency for their campus unit; and (b) they could quickly obtain their sales proceeds (usually in 30 days) and consequently, make very attractive offers to off-campus sellers.³⁷

Figure 29 below shows the number of resales each calendar year (the 2008 calendar year is reflective of resales on or before October 31, 2008).³⁸

Figure 29



A number of scenarios have been created in order to predict future resales:

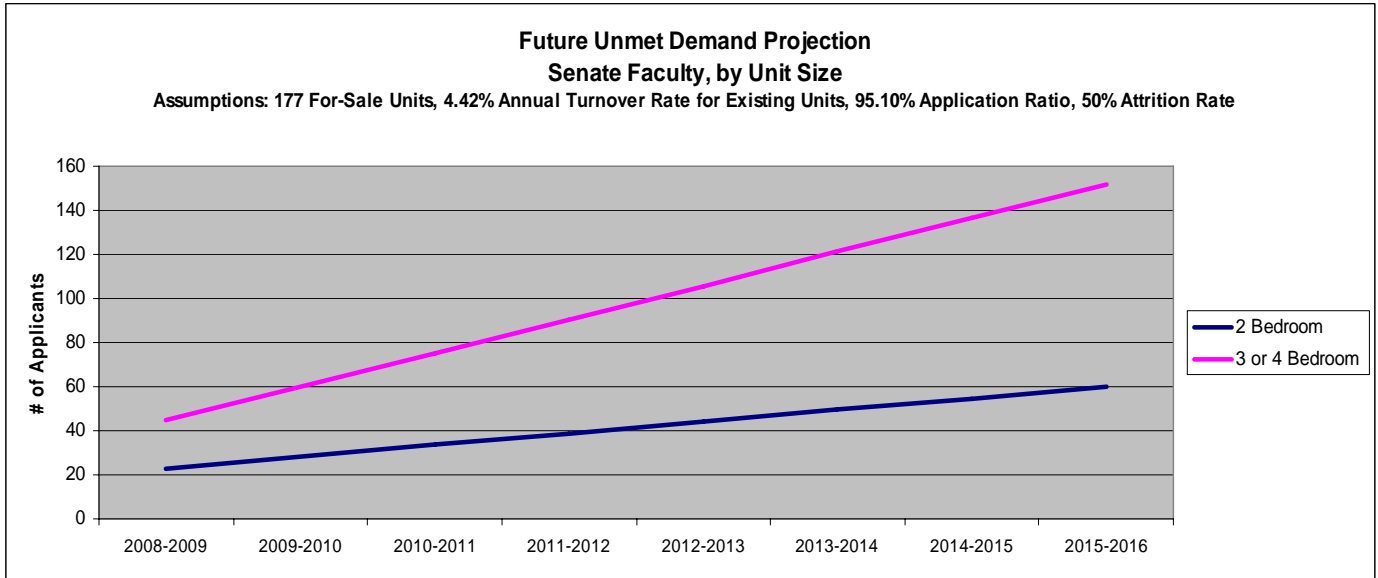
(a) *Scenario One: Historical Turnover and addition of RVT Phase I*

³⁷ Additionally, many persons transitioning to the local market were eligible for LIO-SHLP financing, which helps reduce costs of buying market-rate housing.

³⁸ A total of 4 campus owners sold their units in order to purchase larger units in 2004, so the net of new buyers in this year is far less than it appears on the chart.

In Figure 30, we assume that: (1) there will be the historical 4.45% Turnover Rate for existing units in the for-sale inventory; (2) 50% Attrition Rate for each unit offered for sale; (3) there are a total of 177 units in the for-sale inventory (inclusive of RVT Phase I). It should be noted that no assumption has been made regarding the spike in Turnover Rate between 2008 and 2009 (reflecting transition to Ranch View Terrace).

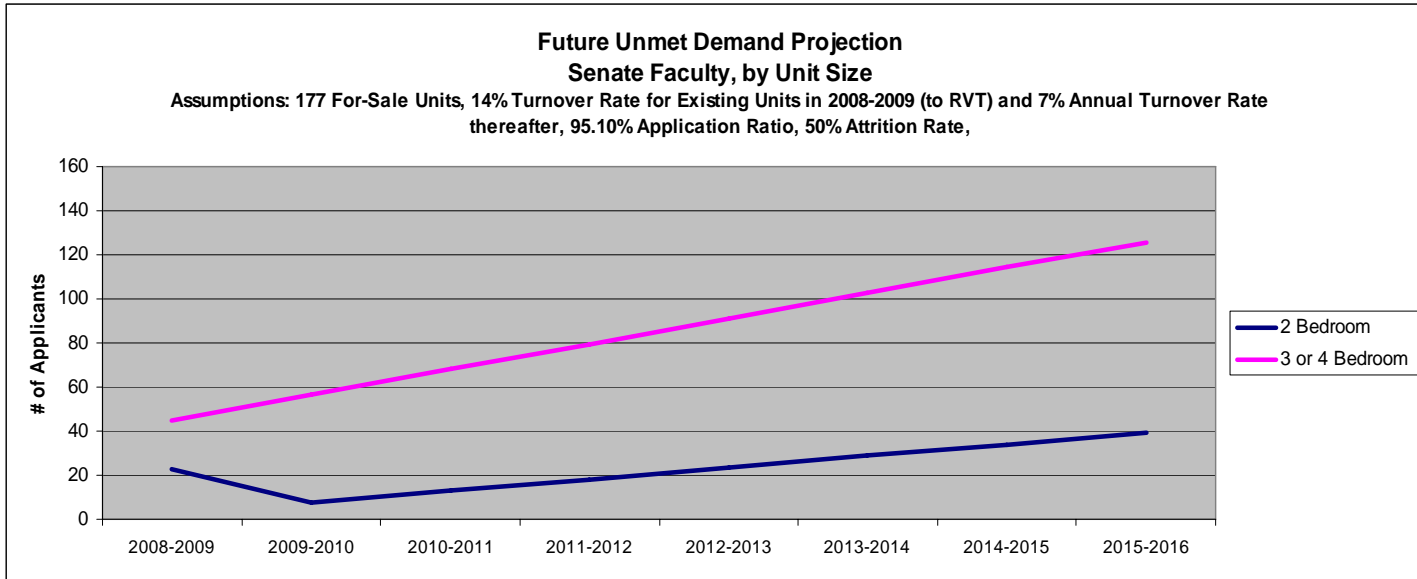
Figure 30



(b) *Scenario Two: Spike in Turnover Rate with delivery of RVT Phase I, slightly higher Turnover Rate thereafter.*

In Figure 31, we modify assumptions for the delivery of Ranch View Terrace Phase I as well as a softer off-campus market for a number of years. We assume (1) that there will be a 14% Turnover Rate for existing two- bedroom units in the for-sale inventory between 2008 and 2009 (reflecting current potential buyers who plan to transition to Ranch View Terrace) and a 7% Turnover Rate in ensuing years; (2) 50% Attrition Rate for each unit offered for sale; (3) there are a total of 177 units in the for-sale inventory (inclusive of RVT Phase I).

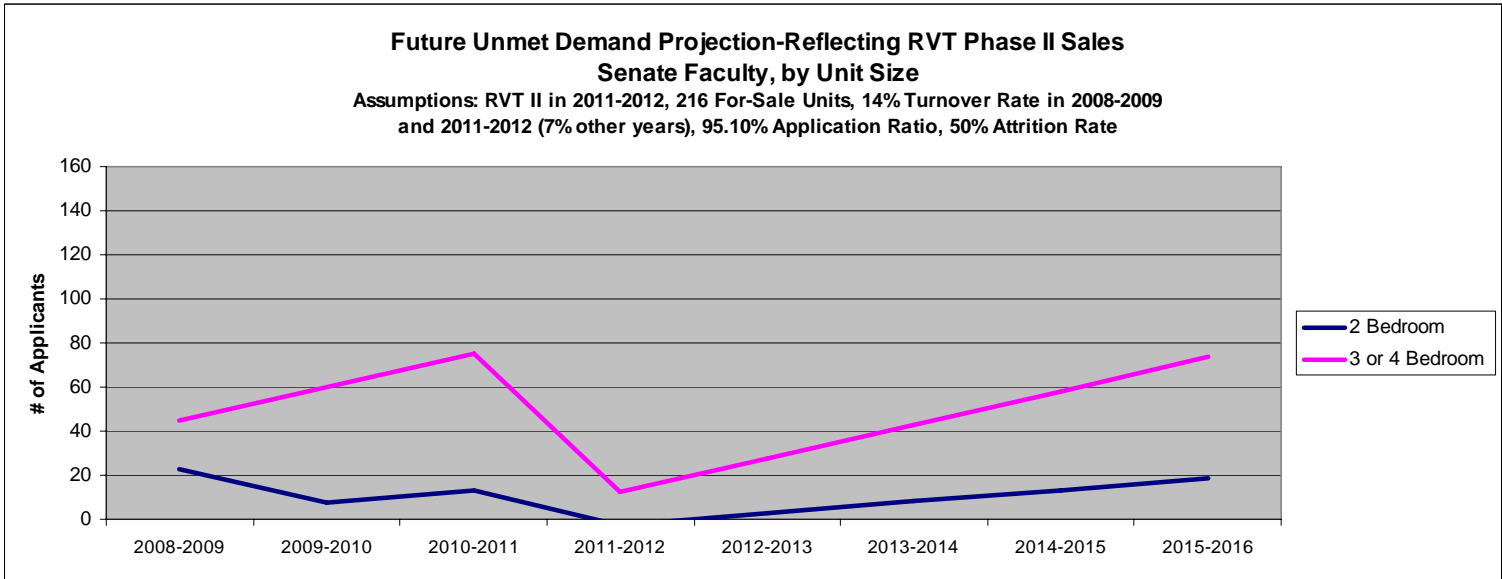
Figure 31



(c) *Scenario Three: Spike in Turnover Rate during delivery of RVT Phase I and Phase II, slightly higher Turnover Rate for other years.*

In Figure 32, we modify assumptions for the delivery of Ranch View Terrace Phase I and Phase II (in 2011-2012) as well as a softer off-campus market for a number of years. We assume (1) that there will be a 14% Turnover Rate for existing two-bedroom units in the for-sale inventory in 2008-2009 and 2011-2012 (reflecting transition to both Ranch View Terrace phases) and a 7% Turnover Rate in other years; (2) 50% Attrition Rate for each unit offered for sale; (3) there are a total of 216 units in the for-sale inventory (inclusive of RVT Phase I) beginning in 2008-2009.

Figure 32



iii) Projecting Future Demand from Staff

Due to insufficient historical data, projecting future demand from staff should be postponed until the next review of the EHMP.

iv) Availability of Price Points in For-Sale Inventory

Supplying an array of price points and unit types/sizes in the for-sale inventory maximize satisfaction among the diverse needs of potential participants.

v) Supply of Existing Stock

(1) Length of Waiting Lists for Existing Stock

The Housing Access Policy allows applicant to select preferences for different for-sale housing developments (e.g. Cardiff Terrace, Hagar Meadow, etc.) and different sized units (as defined by the # of bedrooms). While looking at preferences from year to year is helpful in identifying trends, it is problematic in that it can appear to overstate demand (as an applicant can identify multiple preferences).

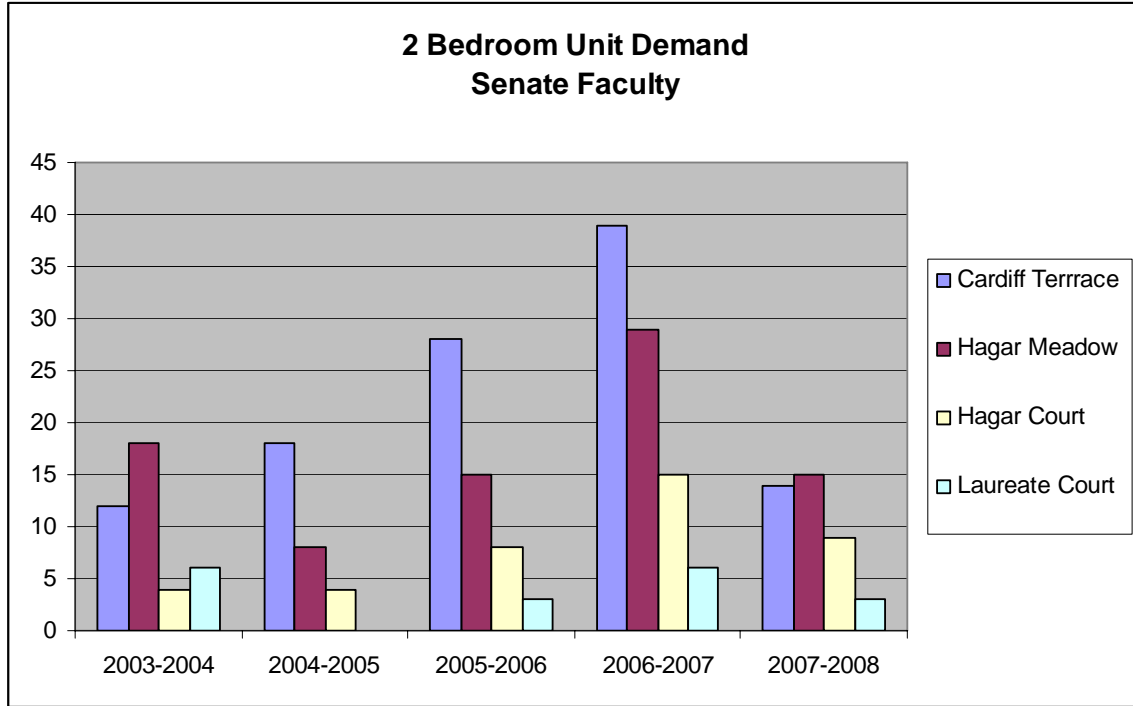
(a) Preferences for Two Bedrooms

Before the inception of the Re-Pricing Program (2007-2008 Academic Year), there was extreme variance in demand for the two-bedroom units in the program because of variance of pricing. Starting in 2007-2008 distribution becomes based mostly on price, with some variance attributable to unit design, location, etc.

Starting in January, 2007, loan incentives (affiliated with the Re-Pricing Program), combined with attractive off-campus market conditions, resulted in 10 purchase opportunities for Senate Faculty during the 2007-

2008 academic year. The reduced total of unmet demand is attributable to satisfied demand and waitlist attrition (waitlist persons who rejected offers to purchase). Total demand distribution is shown in Figure 33.

Figure 33

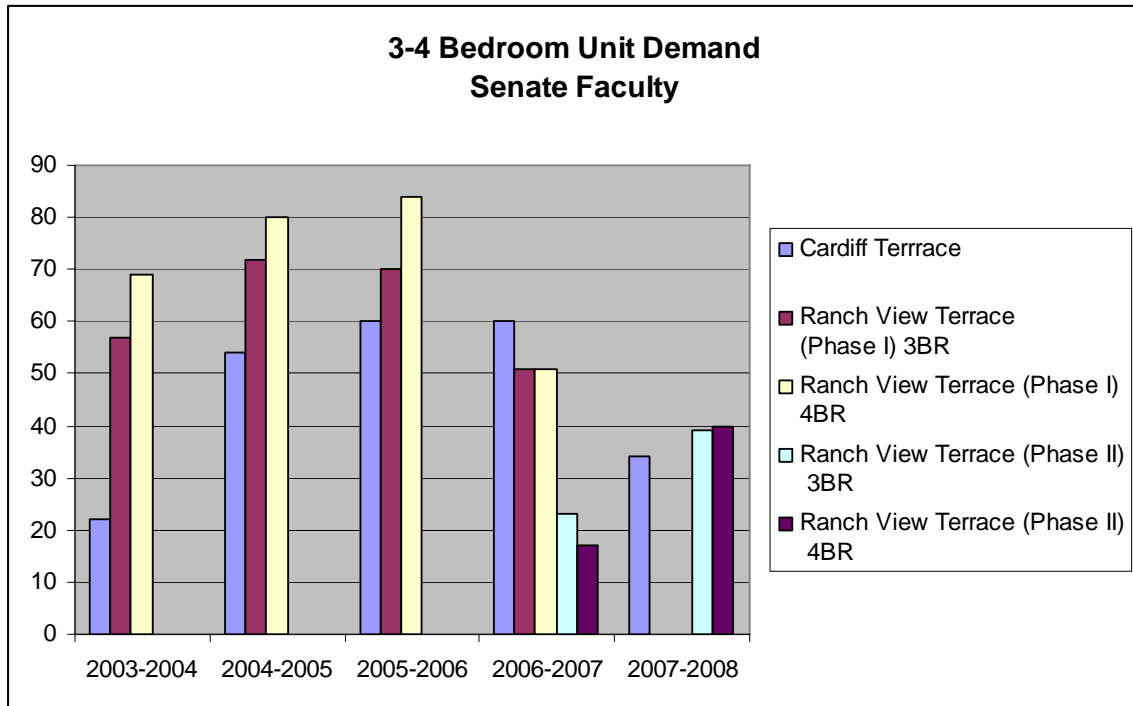


(b) Preferences for Three Bedrooms

Figure 34 demonstrates notable reduction in demand for Cardiff Terrace 3-bedroom units between 2006-2007 and 2007-2008. Reduced demand is a result of: (a) higher costs of these units with Re-Pricing Program (these units were significantly discounted prior to the program); and (b) additional supply of 3 and 4 bedroom inventory with the Ranch View Terrace project.

As of October 2008, there were no more Senate Faculty on the Ranch View Terrace Phase I waiting list.

Figure 34



vi) Demand with Respect to Off-Campus Market Conditions

There is a clear correlation between market pricing and applications to the for-sale program as explained on page 17.

For strategic planning purposes, we will continue to use the 95.16% Application Ratio (see page 16) to predict future program demand. The Application Ratio should continue to be updated in future years to facilitate program planning.

B) Delivery of Additional Units into Inventory

i) Administrative Structure

(1) 501 (c)(3) Analysis

As an outcome of the EHAP, Employee Housing Staff had worked in conjunction with OP staff to evaluate the viability of establishing a University-controlled nonprofit corporation (“501(c) (3)”) to deliver and/or manage the Employee Housing inventory at the UC Santa Cruz campus.

Currently, there is one 501 (c) (3) established in the UC system for Employee Housing. This entity is located at UC Irvine, and is named The Irvine Campus Housing Authority (“ICHA”). Using ICHA as a case study, there are a number of cost/benefits in evaluating a 501 (c) (3):

(a) Knowledge of the Construction Market

Consistent development is the best way to establish beneficial pricing relationships with builders over the long-term. Slow and steady development at the Irvine campus over the past 20 years has led to a

disciplined and coordinated development process between ICHA and their contractors. ICHA has developed a strong team composed of their various builders and related consultants including civil engineers, architects, and other consultants.

(b) Need for Steady Revenue Stream to Support Operations and Maximize Effectiveness

With the benefit of a master plan that has yielded over 700 homes, ICHA has been able to generate a steady stream of revenue to support its operational costs. The consistent revenue stream has allowed ICHA to retain its employees over the past 20+ years.

(c) Developing Revenue to “Backstop” New Development

A significant contributor to the cost of campus development is the “load” that a developer places on a project to offset its exposure to carrying costs (resulting from unsold inventory). The ability for an entity to “backstop” a project (i.e. guarantee that newly developed units would be purchased by the University should there be insufficient employee demand) would help deliver it at a lower price because market risk is taken out of the equation for the home builder.

One of the major advantages of ICHA has been their ability to backstop phases of housing developments. By keeping phases small, ICHA can guarantee the backstop of each phase by: (a) pledging fund reserves (created through transaction fees collected each time a home is sold); and/or (b) using a line of credit that they had previously established with the Regents. It is noteworthy that since ICHA has been given the latitude to conservatively underwrite their housing delivery to provide consistently large discounts to market prices and meet demand, they have avoided any need to purchase unsold homes from their chosen builder/developer.

(d) Management of Stakeholders and Project Delivery

ICHA was designed, in part, to efficiently manage the input of stakeholders while also controlling the standards to which housing will be delivered. While ICHA has had great success in managing the standards to which its projects would be designed, it can be delayed by stakeholders who are dissatisfied with ICHA policies or direction.

ii) Staff Leadership to Advance Program Delivery

While the campus consultative processes allow stakeholders to provide input to project design and goals, oftentimes, the input that is gained is not helpful to program delivery. Certain stakeholder interests can be in conflict with other stakeholders or program objectives.

Ultimately, the staff members who are leading a project realize that it may not be possible to align all stakeholder interests before making a recommendation on a project design. While this stewardship may not be popular with some stakeholders, it is necessary to keep a project from losing momentum.

iii) *Affordability Goals*

(1) *Housing Stock 60-70% of Market Rates*

The Site Analysis demonstrated that the program goal of delivering new housing inventory (beyond Ranch View Terrace) at 60-70% of market rates is unattainable given current conditions. Delivering units which are more closely priced to market could make them unattractive (particularly in periods of market downturns). This reality is likely to drive the program to consider the construction of rental, and not for-sale, inventory.

(2) *Constructing Units to a “Price Point”*

Each year, the Re-Pricing Program Analysis provides a recommendation to the administration regarding the pricing of existing program inventory.³⁹

Central to the recommendation is to ensure that all two-bedroom inventories would remain to be priced “affordably” to new Assistant Professor Households. Using the newest median salary figures for incoming Assistant Professors, as well as financing assumptions with the MOP program, the Program currently maximizes the cost for which a two-bedroom unit could be sold.⁴⁰

For the 2008-2009 academic year, a two bedroom unit re-sold under this program could not be priced above \$350,000.

Using the construction costs in the attached Site Analysis, this price point would allow the campus to deliver for-sale units that were approximately 730 square feet. It is unlikely that these units would be an attractive for-sale product, given that they would be smaller than any existing units in the inventory and that we have already projected that there will be very short waiting lists for 2 bedroom units through the mid-term of the 2005 LRDP.

iv) *Rental/For-Sale Mix*

Based on the 2006 EHAP survey, approximately 70% of all survey respondents expressed interest in university sponsored housing programs (as compared to traditional market delivery).

With respect to preferences for unit mix, well over half of the respondents (64%) preferred for-sale units, while a lower percentage favored rental units (14%).

³⁹ That is, inventory that is sold from the university to individual buyers.

⁴⁰ The Re-Pricing Program further ensures that units would be priced at or below 60% of the current off-campus market

(1) Employee Group Preferences

Senate Faculty members expressed a stronger preference for for-sale units (78%) compared to other staff (60%). Only 3% of faculty senate members preferred rental units compared to 17% of other employees.

From this survey data, and the historical use data, we can conclude that the rental program is important in that it helps employees feel confident about their transition to the campus. This being said, the rental program does not offer long-term stability for employees.

v) ***On-Campus Construction***

(1) Approved Campus Site-Ranch View Terrace Phase II

As we stated on page 49, there are many existing owners on campus who are transitioning to Ranch View Terrace. As illustrated in Figure 31 on page 51, there are projected to be a dramatic increase in purchase opportunities for Entry Level Units (departed by these owners) during the near term.

Major projects to support on and off-site infrastructure for all Phases of Ranch View Terrace (utilities, roads, drainage) have been completed. The Phase II budget will include their “proportionate share” of these costs; however, since this work has already been completed, the Phase II budget will not be affected by escalation to the on and off-site infrastructure. Additionally, unlike the sites identified in the Site Analysis, a future developer/contractor for Phase II will not need to shield themselves (by inflating bids) from infrastructure unknowns.

If costs to construct houses in Phase II were escalated by 6%/year above the Phase I costs, a 2011-2012 delivery is still cheaper than the 2008 prices quoted for alternative areas in the Site Analysis.

RVT Phase II will be the cost effective way for housing inventory to be delivered to the Employee Housing Program. Additionally, it should be mentioned that the 2005 LRDP assumed that the 84 home Ranch View Terrace project would be fully built and sold.

(2) Approved Campus Site-North Campus

The Site Analysis has demonstrated that that building “desirable” unit types on the 2005 LRDP North Campus land designation for Employee Housing is not currently feasible due to the high costs of infrastructure on and off the site and the relatively low demand from the Target Demographic for additional housing units.

(3) Approved Campus Site-“Hagar West”

The 1.2 acre parcel (referred to as “Hagar West” in the Site Analysis) is located within the existing Employee Housing land designation, and has relatively few costs associated with infrastructure (or environmental?).

However the capacity of this site cannot support a sufficient # of units needed to dilute project “soft costs”. It would need to be developed in conjunction with a larger project in order to be financially feasible.

vi) Off-Campus Construction/Acquisition.

CUHS has been (and will continue to be) evaluating opportunities to purchase off-campus projects that can meet Program affordability and desirability goals.

Off-Campus projects can be challenging, as the cost to acquire the land would need to be supported by the cost of the housing developed or acquired.

VI. Next Steps for Physical Delivery

A) Near Term (2008-2012)

i) On Campus Delivery: Ranch View Terrace (Phase II)

Recommendation: The remaining 39 homes within Phase II of Ranch View Terrace be delivered as the next Employee Housing development. Based on demand data, and projected costs, we recommend that Phase II of Ranch View Terrace should not be delivered earlier than the 2011-2012 academic year.

Should off-campus market conditions continue to remain soft, the financial feasibility of subdividing Phase II (so that the 39 homes are delivered in smaller increments during multiple academic years beginning in 2011-2012) could be explored.

Concurrence: _____ David Kliger, Campus Provost and Executive Vice Chancellor	_____ Date
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ii) Campus Infrastructure Improvements

Unknown infrastructure costs are a challenge in planning and constructing any campus project (inclusive of Employee Housing). Historically, the first project in an area has assumed the entire costs of infrastructure for the area (which acts as a disincentive to developing a new project). As demonstrated in the Site Analysis, these infrastructure costs are prohibitive to project affordability goals.

Additionally, the unknown costs of infrastructure increases costs to the campus, as developers and/or contractors will “pad” their estimates in order to ensure their risks are covered.

Recommendation: The campus should develop a comprehensive plan to locate, develop, manage, and fund infrastructure improvements. Developing sites after the installation of infrastructure would lower the costs of these projects by reducing developer/contractor risk, as well as expediting project time to delivery.

Concurrence: _____ David Kliger, Campus Provost and Executive Vice Chancellor	_____ Date
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iii) Off-Campus Delivery

We have already suggested that the delivery for Phase II Ranch View Terrace should address the demand for larger for-sale inventory for a number of years, and we have demonstrated that supply and demand for smaller units should also be in balance for a number of years.

Recommendation: We recommend that there is no active pursuit of off-campus construction or acquisition in the near term, unless the campus is presented an opportunity to purchase a suitable product well-below market rates.

Concurrence: _____ David Kliger, Campus Provost and Executive Vice Chancellor	_____ Date
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iv) Planning for Campus Delivery: West-Campus Area Planning

Since the campus has to explore development of the West Campus prior to the advancement of projects on the North Campus, feasibility of Employee Housing on this site should be explored during the West Campus Area Plan (set to commence during the 2008-2009 academic year).

Recommendation: We recommend that the West Campus Area Plan incorporate the feasibility of an Employee Housing site among the other components within the plan. Because the West Campus Plan would be identifying large-scale development in this area, it would allow for the spreading of infrastructure and soft costs across a large number of units (thereby reducing costs to each unit).

Should the West Campus Area Plan determine that an economically feasible Employee Housing Project could be located on the West Campus; the 2005 LRDP needs to be amended to add this as an additional site for Employee Housing.

Concurrence: _____ David Kliger, Campus Provost and Executive Vice Chancellor	_____ Date
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B) Mid-Term (2013-2016)

i) On Campus Delivery

Recommendation: We anticipate that after the completion of Ranch View Terrace (Phases I and II), there will not be a large, pent-up demand for for-sale units, due to the increased inventory and the turnover of such inventory. Therefore, we recommend that no campus inventory be delivered for this period.

In the event that there is a drastic increase of demand by this time (making it more favorable to deliver another Employee Housing Project), planning studies should commence on the most suitable Employee Housing site in the 2005 LRDP (including any amendment thereto). Additionally, given advantageous circumstances, delivery of on-campus units might be accelerated to this timeframe.

In the event that no Employee Housing project could be advanced and/or delivered in the event of high demand, the Employee Housing Program could

begin to sell a suitable number of units (currently deployed as apartments) in the Laureate Court inventory.

Concurrence: _____ David Kliger, Campus Provost and Executive Vice Chancellor	_____ Date
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ii) *Off-Campus Delivery*

Recommendation: We recommend that there is no active pursuit of off-campus construction or acquisition in the mid-term, unless the campus is presented an opportunity to purchase a suitable product well-below market rates.

Concurrence: _____ David Kliger, Campus Provost and Executive Vice Chancellor	_____ Date
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C) Long-Term (2017-2021)

i) *On Campus Delivery*

Recommendation: We recommend that the 125 Employee Housing units are constructed and delivered sometime between academic years 2017-2018 and 2020-2021.

A re-evaluation of all possible campus sites would be completed by the end of the Mid-Term in order to determine the best solution for delivering these 125 units.

Concurrence: _____ David Kliger, Campus Provost and Executive Vice Chancellor	_____ Date
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ii) *Off-Campus Delivery*

Recommendation: Off-Campus opportunities should be explored if: (a) newly added campus supply is exhausted more quickly than anticipated; (b) there are no campus sites where delivering inventory would be economically feasible; and (c) an off-campus purchase is both desirable and financially feasible.

Concurrence: _____ David Kliger, Campus Provost and Executive Vice Chancellor	_____ Date
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VII. Other Recommendations

A) Administrative Structure

i) 501 (c)(3)

Recommendation: The Administrative Structure for the Employee Housing Program should not be modified to a 501 (c) (3).

Without a substantial contribution from the campus, there is an insufficient financial means for a 501 (c) (3) to support itself. It does not appear that a transition to a 501 (c) (3) would be a more efficient entity to administer and/or deliver Employee Housing projects.

The establishment of a 501(c) (3) at ICHA was designed, in part to efficiently manage such participation in a focuses and project driven environment. While ICHA has had success in this endeavor, there still remain stakeholders who contact campus leadership directly when they are dissatisfied with ICHA policies or direction which can result in delay.

A project driven by qualified, focused, empowered staff project which has input from a well-defined and streamlined campus consultative process will highly correlate to a successful housing program, regardless of the delivery method. In other words, the less decisive the project staff and longer the consultative process, the higher the delivery costs.

As a smaller UC campus, UCSC has fewer hires than UC Irvine, and accordingly, is susceptible to wider variations in demand. For this reason, UCSC campuses may have trouble demonstrating demand to support a need to build consistently (and support the overhead of a subsidiary dedicated to faculty housing development).

It is not likely that a 501(c) (3) for Employee Housing could be economically self-sufficient on the UC Santa Cruz campus. In comparison to ICHA, a UC Santa Cruz 501(c)(3) would be constrained with significantly lower demand (being a much smaller campus) and would develop many fewer homes, on tougher, non contiguous sites resulting in higher costs and significantly less revenue. Thus this is an issue of both scale and complexity.

Concurrence: _____ David Klinger, Campus Provost and Executive Vice Chancellor	_____ Date
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ii) Alignment in Campus Administrative Structure

Recommendation: We recommend that the Employee Housing Program remain under the direction of Student Affairs/CUHS so that it can continue to benefit

from: (a) the alignment with the Student Housing Program, (b) subject matter expertise and (c) its administrative infrastructure.

The Employee Housing Program gains significant benefits from its current location in CUHS. A number of very knowledgeable staff (who are not funded by the program) lend significant support to the program.

Concurrence: _____ David Kliger, Campus Provost and Executive Vice Chancellor	_____ Date
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B) Backstop New Development

It is noteworthy that a 501(c) (3) is not a necessary precondition to backstop sale of units; adequate, pledgeable funding and Regental approval could achieve the same purchase.

Recommendation: Regardless of the 501(c) (3) question, the backstop program should be pursued. The establishment of a backstop program would make future Employee Housing projects much more attractive to builders/developers. In addition, these construction entities would not have to include contingencies for unsold units (thereby reducing project costs).

Concurrence: _____ David Kliger, Campus Provost and Executive Vice Chancellor	_____ Date
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C) Review of EHMP

Recommendation: At a minimum of once every three years, CUHS and/or Employee Housing Staff should update the Employee Housing Master Plan and submit to the EVC/CP for review.

Concurrence: _____ David Kliger, Campus Provost and Executive Vice Chancellor	_____ Date
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Attachment A

Site Analysis

University of California Santa Cruz

Physical Planning and Financial
Feasibility Analysis for the
Employee Housing Master Plan

April 2008

Prepared By:
RRM Design Group
3765 S. Higuera St., Suite 102
San Luis Obispo, California 93401

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Executive Summary

In September of 2007, RRM Design Group was hired to assist UC Santa Cruz with an Employee Housing Master Plan. The Master Plan was intended to “operationalize” elements of the 2005 Long Range Development Plan (LRDP) and the 2006 Employee Housing Administrative Plan by documenting specific housing program mixes, physical planning concepts, site analysis, options and scenarios for increasing employee housing, financial feasibility analysis, and potential ways to structure resource allocations. The Master Plan was to piggy back on a housing study and market analysis.

Project Team

The following participants were integral in the preparation and completion of the Physical Planning and Financial Analysis portion of the Master Plan Study

UC Santa Cruz
Dean Fitch, ASLA
Steve Houser

Davis Langdon
Alice Nguyen

RRM Design Group
Debbie Rudd, AICP
Stacey White, AIA
Jeff Dillon, AIA
Peggy Sonoda
Robert Montoya, PE

Economic Research Associates (ERA)
Steve Spickard

Process

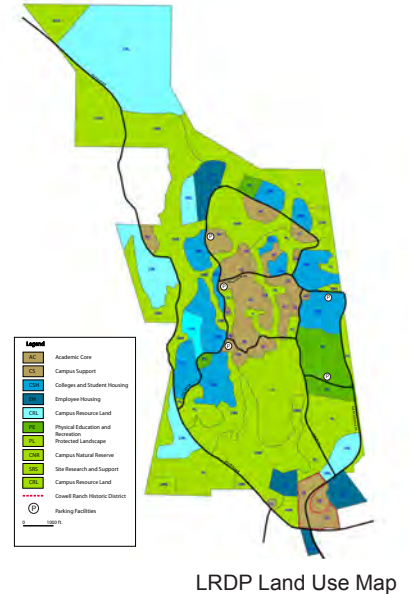
Brainstorming/Establish Project Goals: RRM Design Group worked with UCSC Physical Planning & Construction and Colleges and University Housing Services to establish some primary project goals. The primary goals documented were the following:

- Develop a physical plan that addressed the LRDP commitment to provide 125 units of employee housing
- Develop a housing prototype that is both desirable (location, size and type) based on campus input and able to be sold at 60% market
- Establish a framework, or plan, to develop the solution over the life of the LRDP
- Develop cost models and financial feasibility analysis with a target of 60% of market rate

Developed Preferred Housing Program: Recognizing the need to balance the appropriate density to support construction costs with developing a saleable product, the team developed the following project program:

- 1300 – 1600 sf attached homes (detached are preferred, but it was recognized that they would not likely be financially feasible to construct)
- Target range of 125-250 units
- 3 bedroom/2 bath
- Up to three stories
- Integrated carport parking with storage, supplemented with on-site parking of one space per unit
- Community building/amenities
- Recreation amenities such as tot lot and shared recreation space

Site Specific Study – North Campus: A site analysis, capacity study and budget estimate was completed to determine the financial feasibility of building employee housing on the North Campus. Although the study area is relatively large, 28 acres, with significant protected natural resources, the area designated as employee housing in the LRDP, was determined to have a range of housing



LRDP Land Use Map



Existing Employee Housing



On-site Candidate Sites

capacity of between 140 and 170 units. Additionally, as an undeveloped area of campus, costs for new infrastructure serving the site were determined. The combined building construction and infrastructure costs result in a per housing unit cost well beyond the campus' goal of 60% of market.

Alternative Site Specific Studies – Hagar West, Lower East Meadow (Site F), and Off Campus: Given the gap between the project cost model and the campus preferred selling point it was determined that alternative sites be explored. Site analysis, capacity study and budget estimating was completed for two on campus sites (Hagar West and Lower East Meadow). In parallel, alternative sites off campus were explored. The result of the studies were that while costs per unit were found to be less than that on North Campus a gap between the campuses preferred pricing (60% of market) and the cost of construction was still substantial.

Financial Feasibility – The impacts of project timing, with an analysis of rental versus for-sale is included in a project pro-forma. (See Appendix L.) Several models were developed to help the University establish a preferred solution.

Findings

The following summary of findings emerge from the physical planning and financial feasibility analysis:

- There exists a relatively large gap between the University's target (60% of market) rate for providing employee housing and the cost to provide it.
- Mechanisms for reducing the cost of development, such as alternative implementation methods (design build, private developer lease back, etc.), have a negligible impact on the overall cost.
- Costs to the University are comparable for development on and off campus.
- Construction costs, both hard (materials and labor) and soft (fees, administrative costs, etc.) have seen considerable escalation in recent years., and are not anticipated to de-escalate in upcoming years.

Introduction

Objectives

In September 2007, RRM Design Group was hired to assist the campus with an Employee Housing Master Plan. The objective of the Master Plan was to establish implementation strategies for elements of the Employee Housing Administrative Plan (EHAP) completed by Brailsford and Dunlavey in 2006 to conform with the 2005 Long Range Development Plan (LRDP). The 2005 LRDP designates a land use category for Employee Housing in order to make housing available for a minimum of 25% of the faculty and 3% of the staff required to support the planned LRDP growth. These allocations result in an approximate expansion of 125 units to employee housing inventory.



North Campus Site

Focusing primarily on physical solutions and the capital requirements of providing employee housing this study identifies a specific housing program, site analysis, conceptual site plans, budgetary estimates and a financial analysis.

Process

In order to meet the project objectives, the Project Team completed the following:

Brainstorming/Establish Project Goals & Objectives - The project team met with University representatives, primarily in Physical Planning & Construction and Colleges and University Housing Services to establish the projects primary goals and objectives

Establish a Preferred Preliminary Housing Program - Working with Housing Services the study team developed a preferred project program, that addressed size, amenities and conceptual floor plans. The program mix was developed based on anecdotal information gathered by Housing Services and on a Market Analysis completed by Brailsford & Dunlavey in 2006

Site Specific Study - North Campus - As the main undeveloped campus site designated as Employee Housing in the LRDP, North Campus was the focus of the initial site specific analysis. As a part of the LRDP process several natural resource studies had been completed for the site. However, they existed in separate formats, often in different scales, and in varying levels of detail. The studies were consolidated to determine how much of the 28 acres designated as employee housing was truly developable. This information was then used as the basis of a schematic engineering analysis and conceptual planning exercise. The engineering analysis examined both on-site (internal circulation and utilities services) and off-site improvements for an access road to the site and utilities connections to serve non-employee housing development at the North Campus as a whole. Multiple iterations were developed and reviewed by various campus constituents including Physical Planning and Construction, Housing Services, the State Fire Marshal, and others. A cost model was prepared for the preferred solution to assist in developing a project budget.

Presentation of Results - Various components of the study were shared with the appropriate review bodies and stakeholders on campus. The conceptual plans were presented to the Design Advisory Board for comment, and the overall program mix, concept studies and budgetary information was reviewed by the executive team.



Alternative site Locations

Alternative Site Specific Studies - Hagar West, Lower East Meadow (Site F), and Off Campus - The results of the initial site specific study exceeded the University's desired budget and therefore it was determined that additional sites should be considered as development options. Two on campus sites were designated as potential alternatives, Hagar West and the Lower East Meadow. These alternate site studies followed a similar approach and process. The campus and design team recognize that each site varies dramatically in context, and when implemented the architectural solution would reflect that. However, for preliminary planning purposes, the program mix and building footprints developed for the North Campus site analysis was used to establish a rough estimate of site capacity for the alternate sites. These conceptual site plans were used to prepare budget estimates. In parallel, several off campus sites and projects were considered as well, including one adjacent to the University and several in Scotts Valley.

Presentation of Results - In a similar fashion to the prior studies, the results were then presented to the appropriate campus review bodies, including the Design Advisory Board, and Executive Team.

Financial Feasibility Analysis - The budgetary estimates prepared by Davis Langdon were used by Economic Research Associates to establish pro forma for several potential approaches.

Housing Requirements

Existing Housing Program

Providing affordable employee housing has been a long time goal of UCSC. As a public University without medical, business, or law schools, UCSC's salary structure has historically posed a significant challenge to recruit new and retain existing faculty. Wage opportunities for faculty and staff and their spouses/partners when compared against the cost of housing, has and continues to make recruiting difficult. In an effort to address this issue the University began their housing program over 25 years ago and has continued to expand it in the following ways:

- 1981 Hagar Court Apartments - UCSC Employee Housing Program opens with 50 below market rental apartments
- 1986 Cardiff Terrace Townhomes - construction begins on 50 below market for-sale townhomes
- 1988 Cardiff Terrace Custom Lots - offered 11 leased lots for senate faculty to build custom homes
- 1992-93 Hagar Meadow Townhomes - began construction 19 units of for-sale courtyard/cluster style homes
- 2002-04 Hagar Court Condominiums - Original apartments are converted into condominiums
- 2004 Laureate Court Apartments – 64 Apartments / Condominiums was acquired by the University. In 2005, 13 of the 64 units are sold to employees
- 2008 Ranch View Terrace – 45 for-sale single-family detached homes are currently under construction and available for purchase in Phase I; Phase II will provide an additional 39 units of detached homes

There are a total of 143 units in the existing for-sale program, not including Ranch View Terrace. Of these, 132 have resale price restrictions that limit appreciation to an inflationary index (either Consumer Price Index or UC Faculty Salary Index).

2005 LRDP Commitment and Land Use Designations

The 2005 LRDP was approved by The Regents of the University of California in September 2006. At the same time The Regents certified the accompanying Environmental Impact Report (2005 LRDP EIR). The 2005 LRDP is based on a potential on-campus enrollment of 19,500 students by 2020-2021 and an increase in faculty and staff to accommodate that student enrollment level.

The Draft 2005 LRDP anticipates that enrollment level to require an increase of 1,520 new faculty and staff. (Housing Impact Study, Page 15) The 2005 LRDP also designates a land use category for Employee Housing in order to provide housing for 25% of new faculty and 3% of new staff. Based on that increase in faculty and staff, the LRDP plans for 125 new units of on-campus employee housing. The Final Draft LRDP adopted by The Regents in 2006 calls for an increase of 980 new faculty and staff. For purposes of this study, site analysis assumes a need for at least 125 new units of employee housing. (2005 Final Draft LRDP Page 59)

A designation for Employee Housing (EH) is identified in the 2005 LRDP. The total land on campus in this designation includes approximately 69 acres. Of those 69 acres, approximately 42 acres are existing employee housing, including the Ranch View Terrace project now under construction. The undeveloped portion of the designated EH area includes the 28-acre site north of the existing North Remote Parking Lot that framed the early phase of this study. Within the



Market Housing



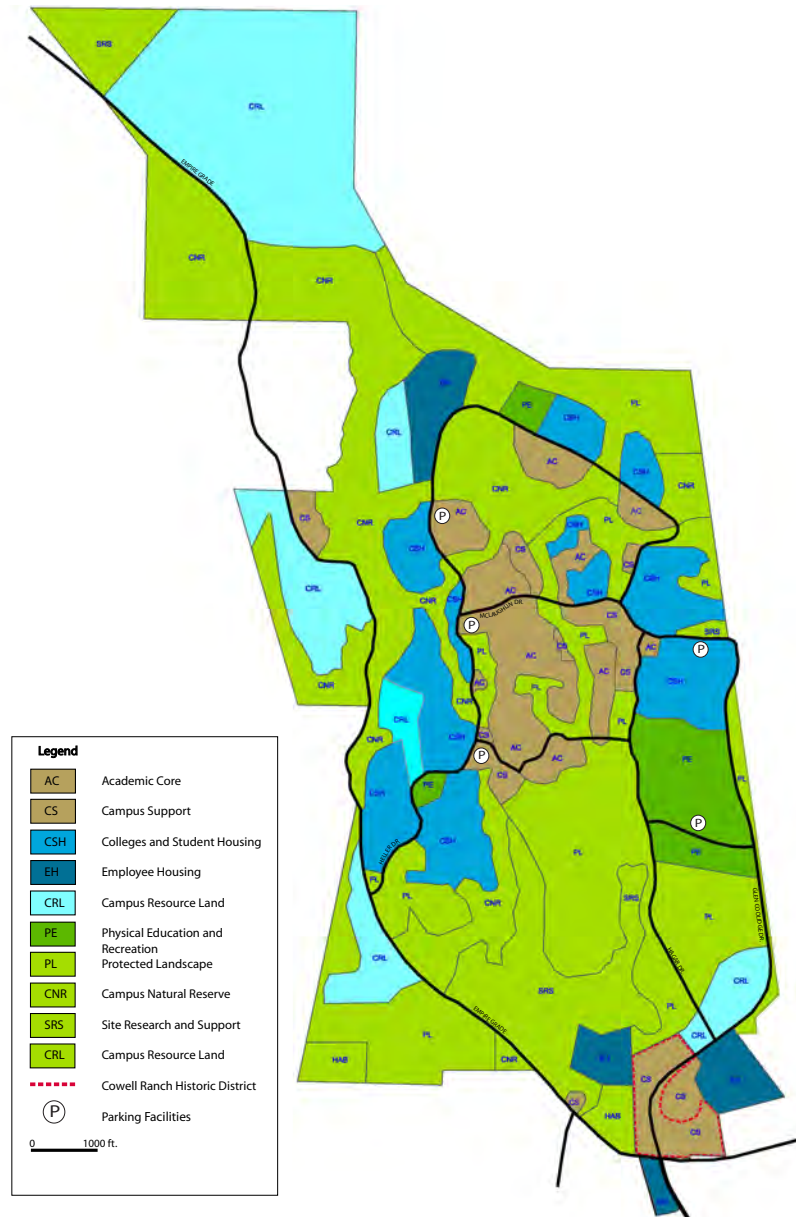
Hagar Meadow

EH land designation housing for faculty and staff, childcare facilities and related accessory buildings are consistent with the EH land use under the 2005 LRDP.

The LRDP identifies Campus Resource Land (CRL) that could be used for employee housing. The CRL designation refers to lands that are not planned for development under the current LRDP with the intent that these “lands would be maintained in their natural state to serve as long-term reserve lands for future use. In the event that the campus determines during the term of the 2005 LRDP that it needs to develop some portion of this land, it will conduct additional environmental review and will seek an LRDP Amendment.” (Final Draft LRDP 2005 Page 68)

Some flexibility is allowed under the LRDP which considers land use boundaries to be a general framework for campus uses that may be subject to adjustment as long as the overall area for the given land-use remains the same. (Final Draft LRDP, Page 64)

2005 LRDP Map



Housing Program Assumptions

Based on previous demand analysis (EHAP, B&D) and the variety of the existing employee housing stock, this study anticipates that the next project will be a higher density development than Ranch View Terrace. A target was established to plan on a for-sale attached home of approximately 1500 sf with 3 bedrooms and 2 baths.

The campus established a target cost for these units to be approximately 60% of market rate housing in the area. The 60% figure has been used for other employee housing programs in the UC system. (See Preliminary Cost Feasibility Summary for more discussion.)

For all but the Hagar West site, a common building and small outdoor play area is shown on the concept site plan. The one-story, 2100 gross square foot common building includes a community meeting room, service kitchen, storage, and restrooms.

Uncovered guest parking is also provided for all sites.

The construction type is assumed to be all wood frame construction with fire resistive construction and fire sprinklered at all sites. Special attention will need to be given to the North Campus Site that is located in a "Wildland-Urban Interface Fire Area" should that be developed in the future. Housing units and garages are to be designed to meet NFPA 13-R and the community building will need to comply with NFPA 13.

For mechanical service it is assumed that water heating, space heating, cooking appliances and dryers are to be gas. A heating unit is anticipated in the attic with no air conditioning.

In terms of level of quality, the exterior finishes are assumed to include:

- Cement plaster walls and soffits
- Concrete tile roofing
- Solid core wood, paint grade doors
- Dual glazed, one pane tempered, vinyl or aluminum frame windows

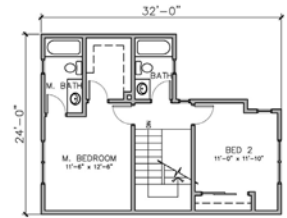
For interior finishes the units are assumed to include:

- Tile floors at the kitchen, baths, and entry
- Vinyl flooring at the laundry area
- Carpet over pad in the living, dining, bedrooms, and halls
- Painted gypsum board walls and ceilings
- Tile counters in the kitchen and baths
- Plastic laminate counters in the laundry area
- Paint grade, WIC "Custom" grade cabinets
- Hollow core, hardboard, paint grade doors and wood, paint grade trim

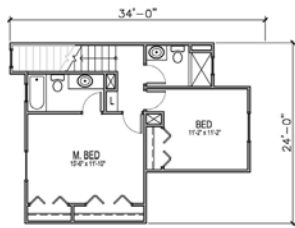
Unit Prototype Plans

Three prototype unit plans were developed based on campus input. They include:

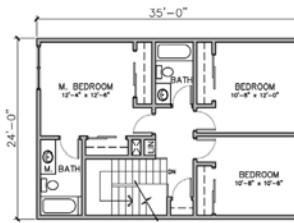
- Plan One: Two-story with an attached two-car garage (1595 sf): living, dining, kitchen, and a half bath at the ground floor with the garage. A master bedroom and bath plus two bedrooms and a bathroom are on the second level.
- Plan Two: Three-story with attached two-car garage (1590 sf): three floors with a study/bedroom and full bath on the lower garage level. The level has a separate entry which offers the potential for a home office or rental to a graduate student. Living areas are on the second level with a half bath and the third floor has a master bedroom/bath and two bedrooms and a bath.
- Plan Three: Two-story with detached garage (1470 sf): no garage but has one bedroom and full bathroom on the first floor along with living areas. The second floor has a master bedroom/bath and a bedroom/bath.



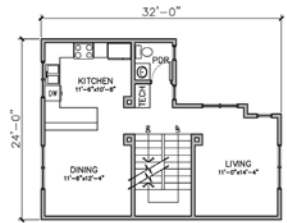
Third Floor Plan



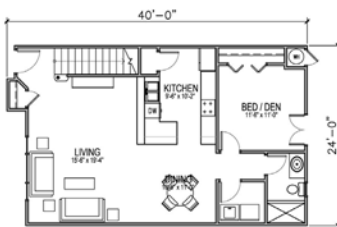
Second Floor Plan



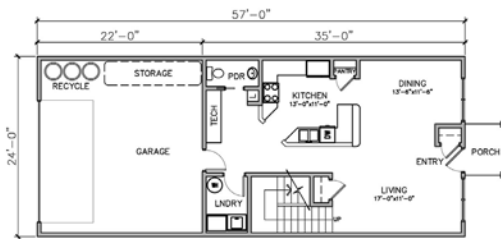
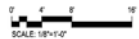
Second Floor Plan



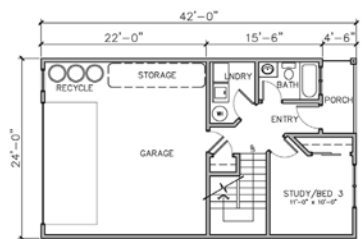
Second Floor Plan



First Floor Plan



First Floor Plan



First Floor Plan



Plan Three Floor Plans

Plan One Floor Plans

Plan Two Floor Plans

Physical Planning Analysis

Site Capacity Studies and Conceptual Plans

The initial focus of this study was the North Campus site designated for Employee Housing (EH) in the 2005 LRDP. The original campus master plan and subsequent LRDP's have long recognized the need to extend development to the north in order to fulfill the academic, research, and housing needs of the growing campus. The concept for the North Campus allows the academic core, recreation, colleges, student housing, and employee housing to expand north along a new loop road.

Following the physical analysis of the North Campus site, a preliminary cost analysis was conducted. Based on that preliminary assessment, two additional campus sites, Hagar West and the Lower East Meadow, were investigated. The analysis of multiple sites examined the existing natural and built conditions as well as a review of opportunities and constraints presented by each site.

North Campus

Site Location: The 2005 LRDP designates a site for EH on 28 acres of undeveloped land north of the existing North Remote Parking Lot. The site is approximately a half-mile from the existing developed portion of the campus and from existing utilities.

Site Characteristics: The beautiful, natural setting contains notable natural elements, plant and animal species. (See "Botanical and Wildlife Assessment of the UCSC North Campus Study Area, EcoSystems West, October 2004.") Seep zones, wet areas and other water features dot the site. Other vegetation includes mixed evergreen and chaparral, including high and low density Manzanita. A significant circle of redwoods grows at the southern tip of the site. A tree survey was beyond the scope of this study but such a survey will be needed prior to the implementation of a specific project and a timber conversion permit will be required.

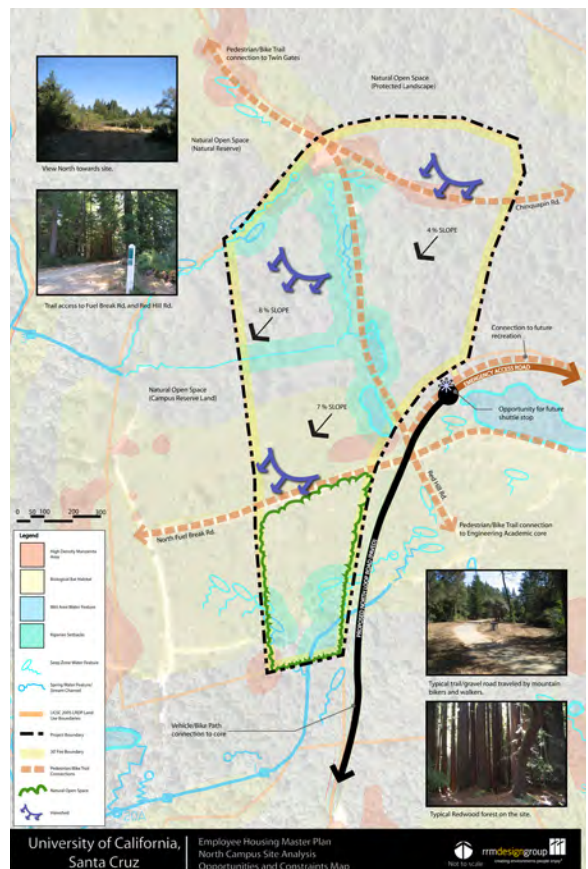
There are several varieties of bats whose habitat is within the site. Potential development in the bat habitat and low density Manzanita has been determined previously to be mitigable. The presence of heavy vegetation and undergrowth in this undeveloped section of the north campus constitutes a "Wildland-Urban Interface Fire Area." As such, development in the area requires a vegetation management plan and an adequate fire safety buffer zone around the perimeter. Based on discussions with the Campus Fire Marshal and a Fire Safety Consultant, a 30-foot wide "Wildland Fire Buffer Zone" is shown around the perimeter of the site. Development in the area will require a Vegetation Management Plan. Accounting for the complex fire safety and environmental factors, the 28 acres more realistically yields only about 21 acres of available land for development.



On-site Candidate Sites



North Campus



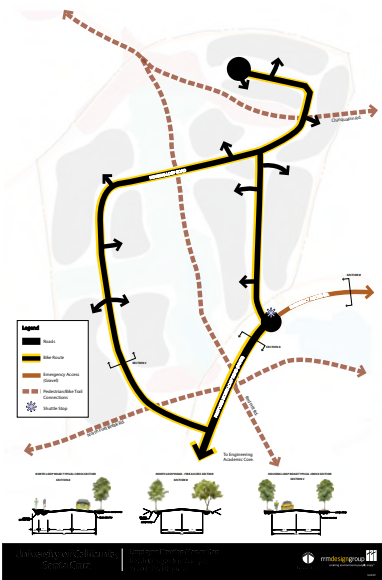


North Campus

Infrastructure and Utilities Analysis: Development of employee housing on this site is contingent upon development of a North Loop Road to provide access from the developed campus. Utility services for gas, water, sanitary sewer, power, and telecommunications currently do not extend to the North Campus Housing site. Those utilities would be extended and provided via the proposed Loop Road route. Within the housing site an internal loop road would provide circulation and fire vehicle access to the residential units.

For budgeting purposes only a portion of the total proposed North Loop Road (up to the housing site itself) is applied to the site development costs estimated for an employee housing project. Previous studies for the North Campus anticipated a bridge across the ravine at Cave Gulch. Based on discussions with the Campus Fire Marshal, a bridge will not be required for development of employee housing in the North Campus.

Site Capacity and Building Siting: Approximately 140 units of two- and three-story attached townhomes were shown on the conceptual site plan. Building footprints were located to take advantage of the topography of the site while avoiding riparian habitat and zones with high-density Manzanita.



100' 0' 50' 100'

Project Boundary
TOTAL UNITS: Approx 140

Hagar West

Site Location: Hagar West is a small site of approximately 1.5 acres adjacent to existing employee housing at Cardiff Terrace and Hagar Meadow. It is bordered by Hagar Drive to the east, Coolidge Drive to the north, and Dickens Way to the south. A surface parking lot is at its western border. The site is currently designated in the 2005 LRDP as Employee Housing (EH).



Hagar West

Site Characteristics: The relatively flat, grassy site is clear of trees except at the northern edge, which features sycamores and a historic ranch fence that are to be retained. The area lies just beyond the historic district of old ranch buildings along Coolidge Drive. The site is bordered by residential streets and existing housing units to the east and to the south.

Infrastructure and Utilities Analysis: Connections to existing utilities can be achieved without extraordinary costs. The site has an existing fiber optic and water line running diagonally across the property that must be relocated in order for the site to be developed for housing. Existing residential streets within the EH area provide easy access to the site and potential new housing. Circulation and fire access will be provided by a through road of residential character within the housing complex.

Site Capacity and Building Siting: Approximately 19 units of attached two-story, three-bedroom townhomes. The campus Design Advisory Board has suggested that the new units more closely reflect the existing housing density in the adjacent Hagar Court/Cardiff Terrace neighborhood. The existing forms are less dense than the townhomes shown on the concept plan, so it is likely that fewer units might actually be implemented should this site be developed.





Lower East Meadow



Lower East Meadow

Lower East Meadow (Options Site F-1 and Site F-2)

Site Location: The site is approximately 22.9 acres of the Lower East Meadow at the northeast corner of Hagar and Coolidge Drive. Two concept plan options were developed for this area. The LRDP designates the Lower East Meadow site as CRL. An amendment to the LRDP would be required to develop this site for employee housing.

Site Characteristics: Located on the wide open meadow, this site features views of town and the bay, but is completely exposed to both the upper and lower campus. The gently sloping site could accommodate a significant amount of housing but the terrain does little to mitigate the visual impact of development on any scale. The grassland site has no trees and has a large and expanding sinkhole. Other sinkholes potentially exist on the site and would require further study.

Infrastructure and Utilities Analysis: In keeping with the Fire Safety discussions for the North Campus, a loop road into the housing area is provided for circulation as well as emergency egress and fire truck access. Main line utilities (water, sanitary sewer, storm drain, gas, electrical service, and communications) will tie-in to existing campus utility infrastructure along nearby Hagar and Coolidge Drives.

Site Capacity and Building Siting: Approximately 191-207 units of two- and three-story townhomes. The Campus Design Advisory Board suggested fitting buildings into “hollows”, but the 4.5% overall slope makes this difficult. Scaling the development down to two-story only units, would decrease the visual impact but the expansive openness of this site means even two-story structures have significant visual impact.



Site F-1



Site F-2

Off-Campus Alternatives

In an effort to explore all available options, the design team explored additional sites off campus as potential development opportunities. The following sites were reviewed in parallel with the on-site studies described previously. The Santa Cruz site is not only close to the campus but it is served by Westlake Elementary School. Both are features that are high on the list of preferences for employees. Three Scotts Valley sites were investigated because the area enjoys a good commuter location to both the campus and Silicon Valley as well as quality schools. The area also has historically allowed a significant amount of developer built housing and earlier employee housing demand analysis indicates there is some appeal to some employees for housing in Scotts Valley. It is highly likely that with the changes in the real estate market other opportunities may present themselves. The campus should continue to review the opportunities as they arise.

Santa Cruz Private Development Site

Located near the University this project is being built by a private developer and includes 22 condominium and apartment units. The project is currently under construction with an anticipated completion date of September 2008. As part of the study process the campus and RRM Design Group met with the developer who then presented a proposal to the University for potential sale or lease of the facilities to the campus. The project is included as an option in the Financial Analysis Model.

Borland

The 6.77 undeveloped acre site in Scotts Valley is adjacent to the former Borland Corporate Headquarters off of Granite Creek Road and Highway 17. The site is zoned Planned Development/Industrial Research and Development. The asking price is \$15.7 million (as of March 2008). Following a site visit between the broker and UCSC representatives, RRM Design Group spoke with officials in the Scotts Valley Planning Department. RRM staff and City Planning staff identified several potential issues related to this site, including:

- Poor access, the closest access route feeds directly onto Highway 17
- The only other alternate routes would feed into narrow existing residential streets
- The land use change to residential would require General Plan amendment and rezoning
- The Polo Ranch is a 40-unit project on the other side of the Borland site; it requires access through the Borland site
- The site is not recommended for residential development

Quarry Site

This site is located along Scotts Valley Drive. Scotts Valley Planning Staff reports that Standard Pacific Homes submitted a development proposal that was approved for 94 townhomes, including commercial space with live/work units above where the site fronts on Scotts Valley Drive. The property is in the Scotts Valley Redevelopment District and the Housing Plan. City Staff indicate that the commercial space probably would not need to be provided. All environmental review is complete and all improvements on Scotts Valley Drive have been completed. The City could not verify if the previous developer, Standard Pacific Homes, still has an option on the property or not.

Valley Gardens Golf Course

This property is an existing 9-hole golf course on Mt. Hermon Road near Safeway and McDonalds. The area is zoned "Open Space." City Staff indicate that closing the golf course would be problematic and would pose more of a hurdle than rezoning itself.

Preliminary Cost Feasibility Summary

Cost Models

Concept Site Plans and the Site and Infrastructure Analyses for North Campus, Hagar West and Lower East Meadow (Site Option F-1 and Site Option F-2), form the basis of Cost Models that are included as Appendices. Data from the cost models as well as the proposal from the private developer in Santa Cruz are summarized on the worksheet below.

UC Santa Cruz Employee Housing Master Plan

HOUSING CONSTRUCTION COSTS

	Hagar West	Lower Meadow Site F-1	Lower Meadow Site F-2	North Campus	New Construction Santa Cruz
Number of Units	19	191	207	140	22
Unit Size (SF/Unit)*	1,600	1,600	1,600	1,600	
Subtotal of SF of Housing Units	30,400	305,600	331,200	218,460	
Construction Cost Per SF**	\$ 263	\$ 263	\$ 263	\$ 263	
Subtotal Construction Cost	\$ 7,995,200	\$ 80,372,800	\$ 87,105,600	\$ 57,455,000	
Community Building Cost (2100 SF)	none	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	
SF of Tuck Under Parking (528 SF/unit)	10,032	100,848	109,296	\$ 55,000	
Cost of Tuck Under Parking (\$163/SF)	\$ 1,635,216	\$ 16,438,224	\$ 17,815,248	\$ 8,965,000	
Cost of Surface Parking				\$ 1,470,000	
TOTAL CONSTRUCTION (9+10+12)	\$ 9,630,416	\$ 97,861,024	\$ 105,970,848	\$ 68,940,000	
Site Costs Per DL 3/28/08	\$ 1,792,000	\$ 23,013,000	\$ 22,491,000	\$ 22,532,000	
Off-Site Costs***	\$ 197,700	\$ 1,977,000	\$ 1,977,000	\$ 12,902,000	
Subtotal	\$ 11,620,116	\$ 122,851,024	\$ 130,438,848	\$ 104,374,000	
Estimated Soft Costs @ 22%	\$ 2,556,426	\$ 27,027,225	\$ 28,696,547	\$ 22,962,280	
ESTIMATED TOTAL PROJECT COST	\$ 14,176,542	\$ 149,878,249	\$ 159,135,395	\$ 127,336,280	\$ 16,235,679
Total Project Cost Per Unit	\$ 746,134	\$ 784,703	\$ 768,770	\$ 909,545	\$ 737,985
Cost Per SF of Unit	\$ 466	\$ 490	\$ 480	\$ 568	

slight variance from DL 12/12/07 due to DL calc'd soft costs w/o CM Road

Estimated at current dollars no escalation

*prototype units range from 1470-1595, so assume 1600 SF for all units

**Per Davis Langdon 12/12/07 Cost Model for North Campus Housing

***Off Site Costs primarily associated with sewer/water lines to serve F, but 10% of that shown for Hagar West

The budget estimates demonstrate that while housing could likely be built on campus at or above the market rate, it could not achieve the campus target of 60%. In fact, the cost model seems to indicate that campus housing rates and costs are relatively similar to nearby neighborhood rates.

Contrary to commonly held assumptions, it appears that the cost to build private, market rate housing is not significantly cheaper than campus development when you compare the figures for "New Construction Santa Cruz" and Site F or Hagar West.

According to Davis Langdon, Santa Cruz construction costs generally mirror the high costs experienced in the San Francisco Bay Area and the Silicon Valley, noting that projects at UC Santa Cruz tend to resemble costs at UC San Francisco and UC Berkeley and not Los Angeles or the Central Valley. Factors that contribute to the premiums charged in Santa Cruz are:

- The limited supply of Santa Cruz area contractors who will or can work with the UC contractual and bonding requirements
- This places the campus in competition for contractors and workers involved with development in Silicon Valley and the Bay Area which further exacerbates costs
- Even with a downturn in the general construction market, the campus still pays a premium due to the geographic location of the town and campus that require labor and equipment travel over windy Hwy 17 or two-lane Hwy 1

Financial Feasibility Analysis (See Appendix L)

ERA Associates applied data from the cost models to formulate a set of dynamic tables that capture the impact of developing different unit mixes via different site delivery alternatives and their value over time. While the analysis could represent any of the sites, the tables provided are based on the Lower Meadow, Site Option F-1.

Assumptions and Variables: The tables illustrate the impact of various assumptions and variables some of which are under the control of the University and some that are not. Input assumptions that are beyond the control of the campus include: the general rate of inflation in the Santa Cruz economy; U.S. National Consumer Price Index (CPI); hard construction costs; construction escalation costs; the rate of soft costs; and the assumed Santa Cruz real estate market appreciation. Input assumptions that fall within the purview of the campus include: the number, size and mix of units; the target percent of market sales price; and the number and price of custom lots. The comparison of alternatives also include future assumptions such as:

- A general inflation rate in the Santa Cruz economy of 4% per year (used to project the increase in a student apartment rental rate)
- An annual escalation in construction costs of 7% (carried through the need to refurbish rental units in 8 or 9 years)
- An assumed appreciation in the real estate value of Santa Cruz homes averaging 6% per year

The dynamic nature of the models allows any of the input variables to be changed to test different delivery alternatives. For instance, in Alternative 1, the timing can be changed to a later year. For Alternative 2 any or all of the factors – timing, refurbishment cost, or the 65% of market rate – could be modified and different outcomes would result.

Alternative 1 presents a baseline development scenario where the 191 units are developed as rapidly as possible with the assumption that all site development and off-site improvements are done in the next calendar year, and that the 191 housing units are built over the following two years with approximately half completed each year. The model assumes the units would then be sold to faculty and staff at 65% of the prevailing Santa Cruz Real Estate Market Value immediately.

Alternative 2 presents a scenario where the same units are developed under essentially the same schedule and cost structure, but are then rented as student apartments for approximately five years. Revenues from rents assume students will double up in bedrooms and are based on on-campus apartment rates for 2008-09. The variation takes into account the release of new for-sale units into the market. At the end of the rental period the units would be refurbished at a cost of \$40 per square foot in today's dollars, and then sold to faculty and staff at 65% of an appreciated real estate market.

Alternative 3 represents a scheme where the Lower East Meadow Site Option F-1 includes 20 custom lots and 125 townhome units for sale. The custom lot scheme follows the custom lot program at Cardiff Terrace. This presents a third alternative where fewer units are produced. The land under 66 of the higher density units is instead sold off early in the development process as 20 custom home lots without resale price restrictions on them.

“Net Present Value” and “Discount Rate”: Conventional calculations of “return on investment” or “internal rate of return” are not easily applied to a non-profit public University developing workforce housing. There is no positive return on investment generated by developing employee housing because its primary objective is to provide housing at lower than market rates. Instead it is helpful to look at the “Net Present Value” of the net cash flow to the campus.

To calculate the “net present value” the amount of money spent or received in each year is first calculated. In some years the net of all cash flows is negative, and in other years it is positive. To account for the time value of money, the cash flow in each future year is then discounted back to the present using a “discount rate.” The models allow for three different discount rates. The reason optional rates are shown is that each investor or developer will typically have their own preferred rate based on their perception of the value of their future opportunities. For example, if one investor believes he can easily achieve a long term return on his money of 8 percent by investing in the stock market, he will say \$100 today has the same value as \$108 a year from now. If another investor believes he can generate a higher rate of return, for example 12 percent, by investing in the real estate development market, he will use a higher discount rate in his comparison of alternative investment opportunities.

Outcomes: All three models indicate a significant shortfall between the cost to the campus to deliver housing and a target sales price at 65% of market rate. Focusing on the Net Present Value Analysis at the bottom of each table, it can be seen that in Alternative 1, given an 8% discount rate, there is a shortfall between delivery cost and sales revenue of \$282,000 per unit. Alternative 2 delivers housing to employees at a lower cost, but still results in a substantial gap of \$210,000 per unit between costs and sales revenues.

The finding that Alternative 2 is somewhat lower cost over the long run than Alternative 1 is based in part on the assumption that housing values will continue to outpace general inflation. Some market analysts have looked at Northern California housing and note that prices may remain flat for the next 5 to 10 years in order to correct for the rapid run up in home values relative to the rest of the economy over the last 5 to 10 years. If this indeed becomes the case, i.e., if the assumption is that Santa Cruz real estate market appreciation remains 0% over the next 10 years, the finding is reversed and Alternative 1 becomes lower cost than Alternative 2.

Findings and Recommendations

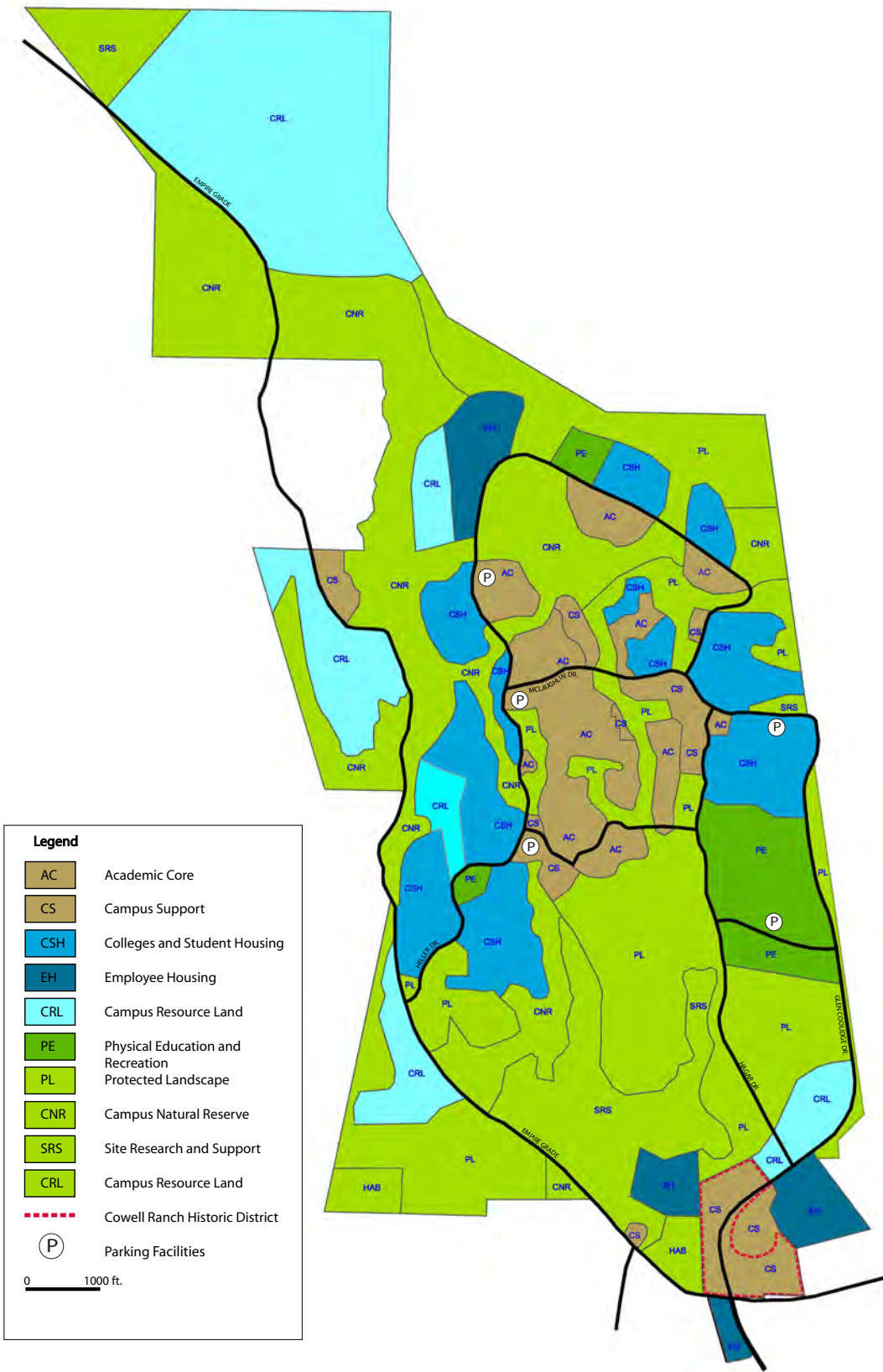
Based on the physical planning and financial analyses completed by the project team, the following conclusions have been derived:

- Analysis shows comparable delivery costs whether on or off campus (at least in the campus vicinity). On-campus there are high softs costs, and premiums on hard construction costs due to prevailing wage requirements and new infrastructure. Off-campus there are also high fees and entitlement requirements, identical geographic impacts, and limited land availability, etc.
- Even without land costs, the campus development costs, particularly in undeveloped areas of the campus, result in near market rate housing. The alternate of going out and buying developer built housing is constrained as private housing at least in this market, is not significantly cheaper and it faces the same challenges of cost, land availability and regulatory impacts.
- Housing prices may fluctuate, but the cost of development only continues to rise. The Santa Cruz market in general and the campus neighborhood will no doubt continue to be expensive and there is no foreseeable relief for either hard or soft construction costs. It is unlikely that materials or labor costs will decrease and it's doubtful the regulatory environment will be relaxed over time.
- The Ranch View Terrace project will significantly enhance the employee housing program at a price well below projected future costs of development on-campus.
- Even projecting out the Phase 2 Ranch View Terrace price another 2-3 years, the cost per square foot approaches \$316-375 per square foot as opposed to the delivery cost projected at today's dollars for Hagar West at \$466/sf or \$568/sf at North Campus
- There is a significant discrepancy between the target of 60% of market rate and the cost to deliver new housing. While there may be locations in the region where the cost to develop housing may be less, those areas may not attract campus buyers. As evidenced by the existing financing programs, faculty historically have not been drawn to the South County.
- Enhancing the campus mortgage and financing programs appears to be an excellent solution, with immediate results, that eliminates the barrier to entry for eligible home buyers.
- Increasing campus' capital to purchase existing housing stock would benefit the housing program.
- Considering some market rate lots in the mix of new campus development may help defray the costs of future employee housing development.
- The campus may be well served to build now at a lower cost than it could build years from now. Units could be utilized for other purposes in the interim such as for student rentals and then repurposed as for sale housing.

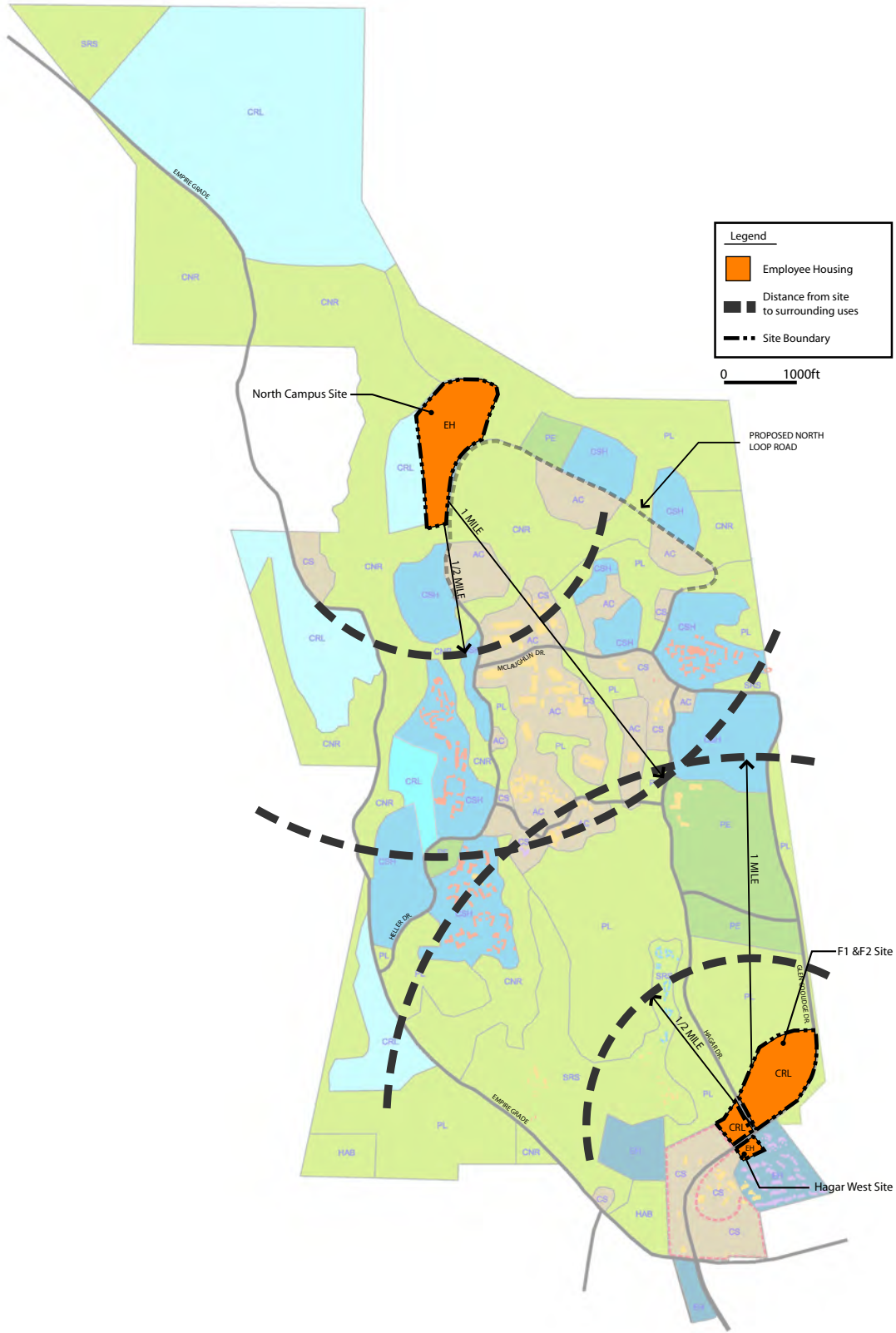
Appendices

- A. LRDP Land Use Plan
- B. On Campus Candidate Sites Map
- C. North Campus Consolidated Technical Studies
- D. North Campus Capacity Study
- E. Lower East Meadow Capacity Study - Option F-1
- F. Lower East Meadow Capacity Study - Option F-2
- G. Hagar West Capacity Study
- H. North Campus Employee Housing Development Analysis, RRM Design Group, November 12, 2007
- I. Cost Model North Campus Site, Davis Langdon, December 12, 2007
- J. Proposed Site and Infrastructure Development for South Campus Sites, RRM Design Group, March 14, 2008 (Revised March 24, 2008)
- K. Cost Model South Campus Sites, Davis Langdon, March 28, 2008
- L. Expanded Financial Tables, ERA, April 10, 2008

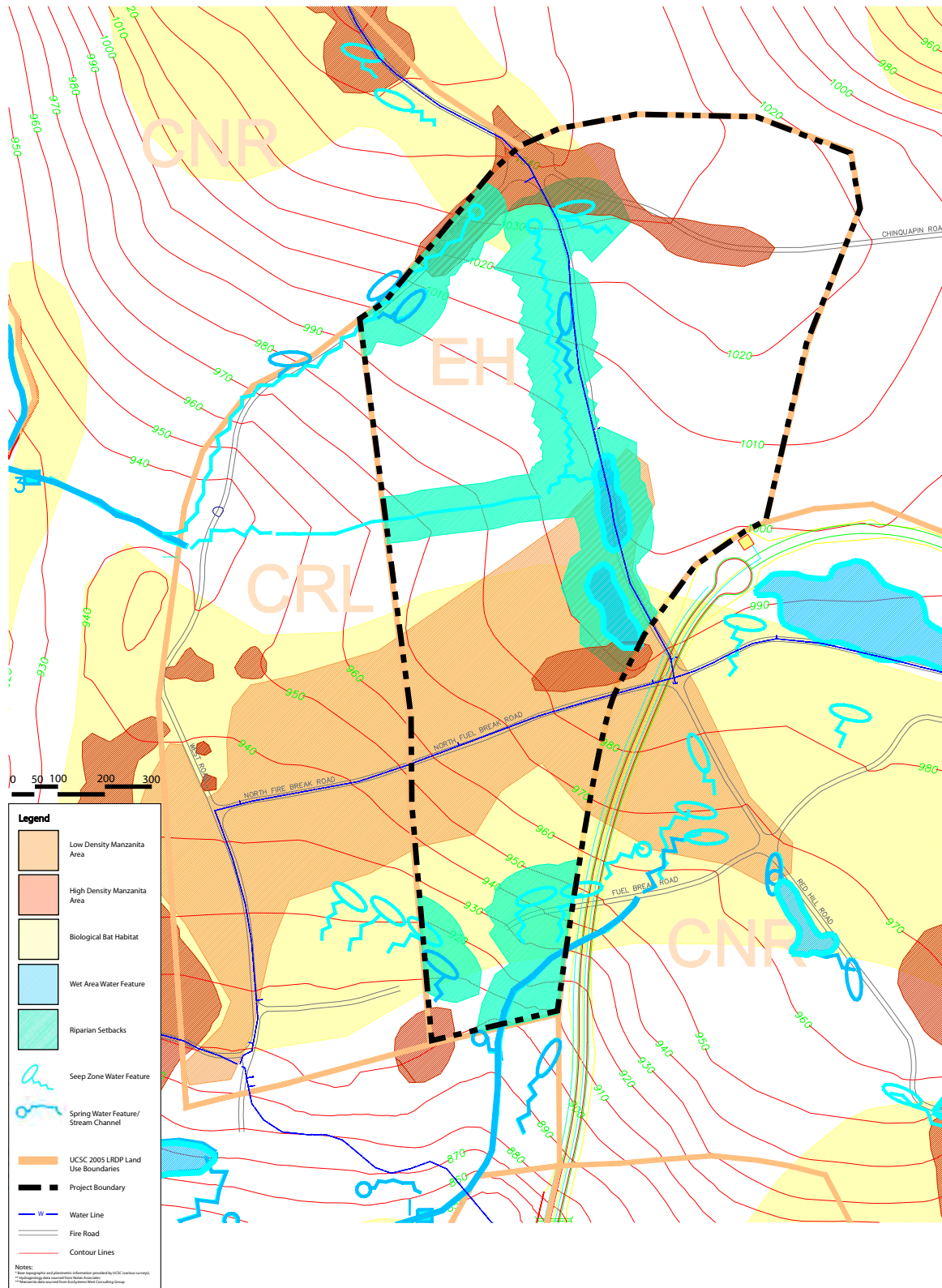
Appendix A - 2005 Long Range Development Plan Land Use Map



Appendix B - On Campus Candidate Sites Map



Appendix C - North Campus Consolidated Technical Studies



University of California, Santa Cruz | Employee Housing Master Plan
 North Campus Site Analysis
 Existing Conditions Map

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Appendix D - North Campus Capacity Study



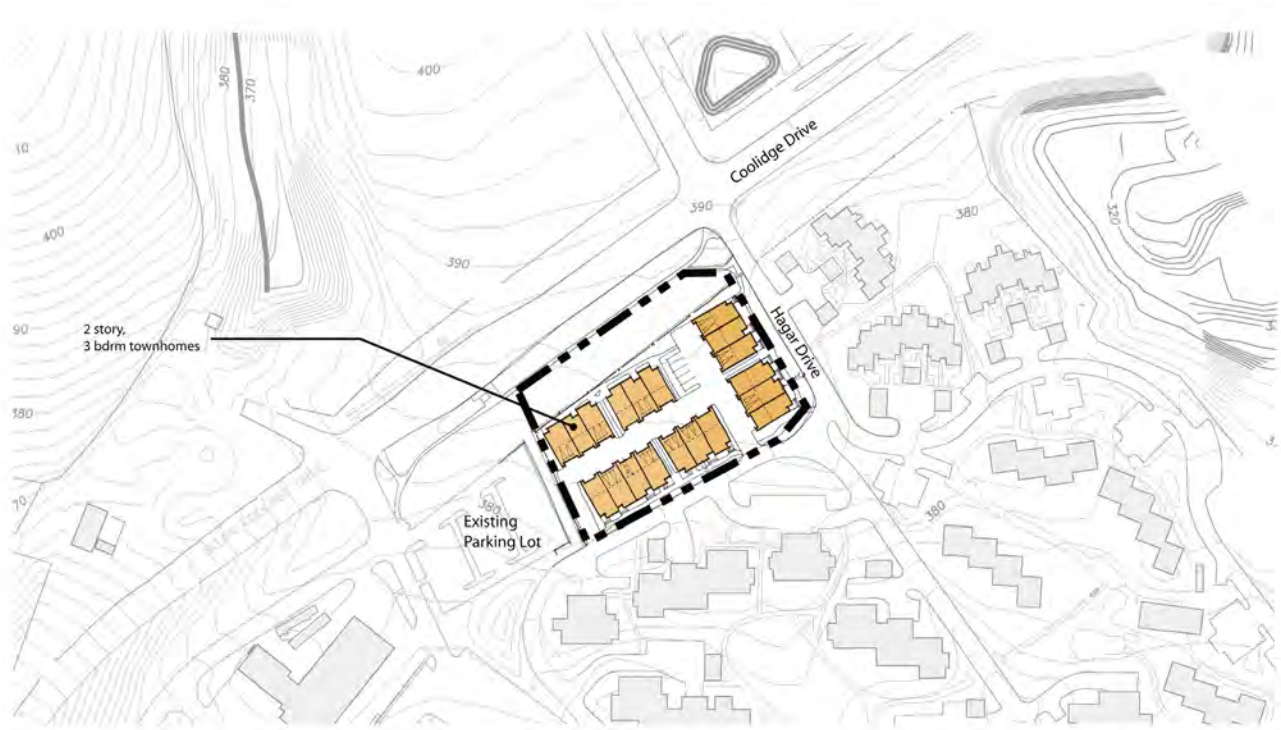
Appendix E - Lower East Meadow Capacity Study (Option F-1)




Appendix F - Lower East Meadow Capacity Study (Option F-2)



Appendix G - Hagar West Capacity Study



100' 0' 50' 100'

 Project Boundary
TOTAL UNITS: 19
TOTAL ACREAGE: 1.5
GUEST PARKING: 5

University of California,
Santa Cruz

Employee Housing Master Plan
Preliminary Capacity Study (Hagar West)



**Appendix H - North Campus Employee Housing Development
Analysis, RRM Design Group, November 12, 2007**

**U.C. SANTA CRUZ NORTH CAMPUS EMPLOYEE HOUSING
DEVELOPMENT ANALYSIS
November 12, 2007**

Introduction

RRM Design Group has been asked to prepare an Employee Housing Master Plan for the University of California, Santa Cruz. The initial phase of the Master Plan study calls for a feasibility analysis of a 28-acre site in the North Campus identified for Employee Housing in the 2005 Long Range Development Plan (LRDP). This analysis for "North Campus Employee Housing" consists of conceptual plans for access and utilities Infrastructure and early site planning and housing unit prototype studies. The LRDP calls for a looped road connecting Heller Drive and Chiquapin Road to provide access and utilities to the housing site and other future developments for academic core, recreation, and college and student housing. According to the attached site plan study it is anticipated that there will be approximately 140 rental and for-sale units for campus employees. The housing development will include an internal looped road containing utilities. Those concepts are summarized below and in the attached exhibits which are to serve as the basis of a conceptual cost estimate.

1.0 Loop Road

EXHIBITS

Exhibit 1: Utilities Plan – Sheets 1 and 2 by RRM Design Group

Exhibit 2: Electrical Vault Map by Campus

Exhibit 3: Grading Plan – Loop Road by RRM Design Group

The north loop road will consist of a 32' right-of-way up to the employee housing site and a 20' right-of-way associated with a portion of the road that will be fire access only. The 32' right of way portion of the road will run from a tie-in point to Heller Drive and the North Remote Parking Lot (See Exhibit 1, Sheet 1) and terminate with a fire truck and shuttle turn around near the entrance to the proposed employee housing site. The 20' right of way will run from the end of the truck turn around to the tie-in point at Chiquapin Road. The main loop road improvements will include a multi-use path, landscaping, and campus standard lighting along the 32' right-of-way. The infrastructure associated with the plan consists of main line utilities (water, sanitary sewer, storm drain, gas, electrical service, and communications). These utilities will tie-in to existing campus utility infrastructure and run along the North Loop Road. Site specific development will consist of clearing and grading, erosion control measures associated with site drainage and construction, and landscaping. All work will comply with campus standards.

For budgeting purposes, the costs associated with the North Loop Road should be segmented as follows:

- A. New 32' roadway from the existing North Remote Parking on Heller Drive to the proposed turnaround at Employee Housing.
- B. Improved 20' wide emergency access road only from the Employee Housing Turnaround to the tie-in point at Chinquapin Road near the Firehouse and Crown/Merrill Apartments.
- C. As an alternate to B above, provide the cost of the improved 20' wide emergency access road from the Employee Housing Turnaround and only as far as the existing unpaved fire road labeled "Chinquapin Road" on the Grading Plan, Exhibit 3.

2.0 Loop Road Utilities

This section will describe the utilities and improvements associated with the North Campus Main Loop road.

SEWER

Sewer infrastructure associated with the North Loop Road and Long Range Development Plan (LRDP) will consist of running a new line from the proposed employee housing development in the northern part of the campus to the existing sanitary sewer system. The new sewer line will require an existing connection point with sufficient capacity for the projected flows of proposed upstream developments. The "Review of Sanitary Sewer Condition and Capacity Long-Range Development Plan" prepared by URS has recommended the 10-inch and smaller size sewer lines of the West Mainline may require upgrading to handle the projected flow rates of 2020. However, for the purposes of analyzing the projected flow rates solely from the employee housing project, a new 10-inch sewer branch connecting to existing facilities on the West Mainline should suffice. The point of connection for the west side is manhole SS57-2-1. The point of connection to handle projected flow rates on the East Side is manhole SS60-2-2. Upstream of manhole SS60-2-2 is an 8-inch line and downstream is a 12-inch line. The sewer gravity flows from future developments in the North campus area will be split by the high point of the looped road as seen in Exhibit 1. From this high point, sewage will either run to the East or West Mainlines.

WATER

An 8-inch water line will run along the North Loop Road and serve future developments in the North Campus. Water is supplied from a 1 million gallon tank via a 14-inch pipe running through the proposed development site of the North Campus Employee Housing. The 14-inch pipe will meet and tie-in to the 8-inch line running along the length of the north loop road. Points of connection to the existing water network will be located between BV 42-4-1 and BV 42-4-2 for the West main line and at the capped main line between parking lots 154 and 156 for the East main line.

GAS

A 4" gas line will run the length of the north loop road serving the North Campus employee housing project and any future developments of the North Campus area. Points of connection will be at the capped gas-line located in the North Remote Parking area on the west side and between parking lots 154 and 156 for the east side.

JOINT TRENCH UTILITIES

Other utilities including electrical service and telecom, Campus Fire Alarm, Energy Management and Campus Cable TV will be provided through a joint utility trench running the length of the loop road. Other associated infrastructure includes a telecom hub to be built adjacent to the truck turn around on the north loop road.

In addition to the new infrastructure and utilities noted above, some off-site work is required to support the future build out of the North Campus that is to include not only employee housing but also academic core functions, recreation and college and student housing. To support this level of development at the North Campus some utilities need to be engineered back to the main campus. For budgeting purposes, the costs for joint trench utilities should be segmented as follows:

- A. Existing telecommunications conduit will be mined from T-59-2-1 to E&T 58-2-2 as shown on the Exhibit 2 Campus Electrical Vault plan. Mining cable in existing conduit is required to extract abandoned cable and consolidate old cable to free up one existing 3" duct along this path.
- B. Reinforcement of existing telecommunications conduit will begin at E&T 58-2-2 and end at T-51-2-1.
- C. New telecommunications ducts and lines will begin at T-51-2-1 and run up the north loop road to the proposed telecommunications structure at the Employee Housing turn around.

3.0 Employee Housing Infrastructure and Site

A potential site for employee housing in the north campus is being developed. The development calls for approximately 150 units. Traffic, pedestrian, and bicycle circulation on-site will be handled through a 32' road section including two traffic lanes, bicycle/pedestrian paths, and landscaping. All common infrastructure and utilities (sanitary sewer, gas, electrical service, and communications) with the exception to domestic water will be provided from the housing loop road. An existing 14-inch domestic water line intersects the employee housing site and will be used as a point of connection to service the site. The on-site water network will tie-in to the 8" water line running along the North Loop Road.

GRADING

The site will be graded in accordance with standard engineering practice to provide building envelopes for the construction of 150 residential units, associated roadways and parking areas. Approximately 16.72 acres will be cleared and grubbed for the purposes of preparing the building envelopes and roadways. Based on the sloping terrain we are assuming that the site cut and fill quantities will balance out during the creation of the level building envelopes. For budgeting purposes we are assuming that the site will require mass excavation of roughly 50% of the site and over excavation and re compaction of the upper three 3 feet of existing ground of 100% of the site. We are also assuming that the site soils will exhibit a shrinkage factor of 25% due to the removal of trees and roots resulting in a net import of soil. The following summary indicates our approximate quantities:

GRADING SUMMARY:

Mobilization	16.72 ac
Clearing and grubbing	16.72 ac
Construction Water	16.72 ac
Erosion Control	16.72 ac
Tree Removal	8.36 ac
Over excavation of building envelopes	85,000 CY
Mass Excavation	42,500 CY
Detention Basin Grading	10,000 CY
Soil Import	21,250 CY

ROAD IMPROVEMENTS

The site will consist of approximately 35,000 lineal feet of a road that will provide access to the proposed residences. The road section is shown on exhibit "A" with a 22 ft. curb to curb width, rolled curb and gutter and a 4 ft. sidewalk along one side. The interior road will tie in to the loop road in two locations.

ROAD IMPROVEMENT SUMMARY

Curb & Gutter	70,000 LF
Paving	700,000 SF
Pcc Sidewalk	160,000 SF
HC Ramps	12 EA
Driveway Aprons	75
Driveway Special Paving	20,000 SF

DRAINAGE

The site will comply with campus standards for drainage and erosion control. Onsite runoff flows will be collected in roadside bio swales and drain inlets conveyed into onsite detention facilities. Runoff will be held in detention areas and discharged into existing slopes through metering outlet devices.

DRAINAGE SUMMARY:

DRAIN INLETS	12 EA
18" DRAIN PIPE	1,500LF
STORM DRAIN MANHOLES	10 EA
OUTLET STRUCTURES	4 EA
SLOPE PROTECTION	1000 SF

SEWER

The site will be served by an 8" gravity sewer main that will connect into a proposed 10" gravity sewer located in loop road. Each residential unit will have an individual 4" sewer lateral that will connect their residence in to the sewer main. The sewer main will run through the proposed development and will have manholes spaced at 200' minimum and at all angle points.

SEWER SUMMARY

8" SEWER	6,000 LF
4" SEWER LATERALS	150 EA
SEWER MANHOLES	50 EA

PROPOSED WASTEWATER USAGE	
Number of Household connections	150
Volume of Sewage Processed	75,000 gal/day

WATER

The site will be served by an 8" pressurized water main that will connect into an existing 14" water main running directly down the center of the site. Each residential unit will have one (1) individual 2" water service from the main to a water meter. Each unit will have a manifold with two (2) - 1-1/2" water services for domestic and fire prevention purposes from the manifold at the meter to the residence. Fire hydrants will be installed throughout the site at a minimum of 400 feet spacing and at dead ends.

WATER SUMMARY

8" WATER	6,000 LF
2" WATER SERVICES (MAIN TO METER)	150 EA
1-1/2" WATER SERVICES (METER TO HOUSE)	150 EA
8" TEES	10 EA
8" VALVES	12 EA
WATER METER BOXERS	150 EA
BACKFLOW PREVENTORS (FIRE)	150 EA
FIRE HYDRANTS	10 EA

PROPOSED WATER USAGE	
Number of Household connections	150
Water Demand	300 gal/min
Storage Capacity	1 MG

DRY UTILITIES

The site will be served with a joint utility trench that will provide electrical, cable TV, and phone services that will run within the new road within the residential site. A separate gas line will also be provided that will run within the new road within the residential site. Street Lights will also be installed per campus lighting requirements.

DRY UTILITY SUMMARY

JOINT TRENCH	6,000 LF
GAS TRENCH	6,000 LF
HOUSE SERVICES (GAS AND JT)	300 EA
STREET LIGHTS	25 EA

4.0 Environmental Issues and Constraints

As an undeveloped area, the proposed Employee Housing site is primarily mixed evergreen forest and chaparral. Previous studies note the presence of wet areas within the site but the process of defining jurisdictional wetlands has not yet occurred. At this level of analysis there has been no tree survey, timber harvest plan, riparian habitat or wetland mitigation plans or Wildland Fire Safety Plan prepared. The cost estimate should provide “allowances” for implementation of such plans including tree removal, vegetation management and fuel modification.

5.0 Employee Housing Units and Site

EXHIBITS

- Exhibit 4: LRDP Land Use Map
- Exhibit 5: Project Site Location Map
- Exhibit 6: Conceptual Site Plan and Unit Types
- Exhibit 7: Prototype Unit Floor Plans, Plan One, Plan Two and Plan Three
- Exhibit 8: Prototype Floor Plan of Community Building (model from Ranch View Terrace Employee housing now under construction)

CONSTRUCTION TYPE

All wood frame construction of attached units based on three unit configurations

Plan One

Two-Story w/ attached garage (1595 sf) 36 units

Plan Two

Three-Story w/ attached garage (1590 sf) 68 units

Plan Three

Two-Story w/ detached garage (1470 sf) 36 units

Total Housing Units 140 units

PARKING STATISTICS

- 2-car detached garage – 13
- 1-car detached garage – 23
- Uncovered guest parking – tbd

COMMUNITY AMENITIES

- Community Room– 2,100 sq. ft., 1-story
- Small Outdoor Play Area

FIRE SAFETY

Fire resistive construction and sprinklered
Housing units and garages- NFPA 13-R
Community room- NFPA 13

INTERIOR FINISH ASSUMPTIONS

Floors-

Kitchens, baths, entry- Tile
Laundry- Vinyl
Living, dining, bedrooms, halls- Carpet, pad

Walls, Ceilings-

Gypsum board

Counters-

Kitchens, baths- Tile
Laundry- Plastic Laminate

Cabinets-

Paint grade, WIC "Custom" Grade

Doors and trim-

Hollow Core, Hardboard paint grade doors and wood, paint grade trim

MECHANICAL ASSUMPTIONS

Water heating, space heating, cooking appliances and dryers to be gas.

Heating unit in attic, **NO Air Conditioning**

EXTERIOR FINISH ASSUMPTIONS

Walls and soffits-

Cement Plaster

Roofing-

Concrete Tile

Doors-

Solid core wood, paint grade

Windows-

Dual glazed, **one pane tempered**, vinyl or aluminum frame

NOTE: This project is located in a Wildland-Urban Interface Fire Area

Appendix I - Cost Model, Davis Langdon, December 12, 2007

MASTERPLAN
COST MODEL

for

North Campus Employee Housing
University of California Santa Cruz

December 12, 2007

DAVIS LANGDON

MASTERPLAN COST MODEL

for

North Campus Employee Housing
University of California Santa Cruz

RRM Design Group
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December 12, 2007

DAVIS LANGDON 343 Sansome Street
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BASIS OF COST MODEL

Cost Model Prepared From

Dated Received

Information received from RRm Design sent November 12, 2007

Information on Ranch View Terrace Housing

Discussions with the Project Architect and Engineers

Conditions of Construction

The pricing is based on the following general conditions of construction

A start date of December 2007

The project will be procured using Design/Build

The contractor will be required to pay prevailing wages

There are no phasing requirements

The general contractor will have full access to the site during normal business hours

INCLUSIONS

The project consists of developing approximately 17 acres to support a new 140 unit employee housing development. The project also includes access to the new development via a new 1,650 lf road.

Quantities for the civil work including grading, earthwork, paving, curbs and gutters were provided in the RRM Development Analysis Report dated November 12, 2007 and supplemented by discussions. Pricing was based on Davis Langdon's recent bid experience working on the Santa Cruz campus.

Pricing for the housing units was based on a typical 1,600 sf unit, with the resulting unit rate applied to all three plans. Pricing will vary based on actual final layouts. We assumed the following:

- Shallow spread footing foundations
- Wood frame construction
- Plaster or siding exterior
- Asphalt tile roof
- Painted residential quality gypsum board interior walls
- Carpet or vinyl floors, ceramic tile at kitchen, baths and toilets
- Includes casework and residential appliances
- Heating in attic, no cooling
- Automatic wet sprinkler system

The cost model includes a \$1M allowance for Environmental Mitigation.

The cost model includes a soft cost allowance of 22% to cover the following typical items:

- Design, testing, inspection and management fees
- Change Order Contingency
- Builder's Risk Insurance or other owner insurances
- Taxes, surety & miscellaneous
- Sales and marketing
- Financing interest and fees,
- Warranty & Customer Service

INCLUSIONS

BIDDING PROCESS - MARKET CONDITIONS

This document is based on the measurement and pricing of quantities wherever information is provided and/or reasonable assumptions for other work not covered in the drawings or specifications, as stated within this document. Unit rates have been obtained from historical records and/or discussion with contractors. The unit rates reflect current bid costs in the area. All unit rates relevant to subcontractor work include the subcontractors overhead and profit unless otherwise stated. The mark-ups cover the costs of field overhead, home office overhead and profit and range from 15% to 25% of the cost for a particular item of work.

Pricing reflects probable construction costs obtainable in the project locality on the date of this statement of probable costs. This estimate is a determination of fair market value for the construction of this project. It is not a prediction of low bid. Pricing assumes competitive bidding for every portion of the construction work for all subcontractors and general contractors, with a minimum of 4 bidders for all items of subcontracted work and 3 - 4 general contractor bids. Experience indicates that a fewer number of bidders may result in higher bids, conversely an increased number of bidders may result in more competitive bids.

Since Davis Langdon has no control over the cost of labor, material, equipment, or over the contractor's method of determining prices, or over the competitive bidding or market conditions at the time of bid, the statement of probable construction cost is based on industry practice, professional experience and qualifications, and represents Davis Langdon's best judgement as professional construction consultant familiar with the construction industry. However, Davis Langdon cannot and does not guarantee that the proposals, bids, or the construction cost will not vary from opinions of probable cost prepared by them.

EXCLUSIONS

Loose furniture and equipment except as specifically identified

Deep foundations including lime treatment or mat slab

Hazardous material handling, disposal and abatement

Land and easement acquisition

Cost escalation beyond a start date of December 2007

OVERALL SUMMARY

	Gross Floor Area	\$ / SF	\$x1,000
Housing			
Wood Framed			
Plan 1 -Two Story (1,595sf x 36 units)	57,420 SF	263.00	15,101
Plan 2 -Three Story (1,590 x 68 units)	108,120 SF	263.00	28,436
Plan 3 -Two Story with Detached Garage (1,470 x 36 units)	52,920 SF	263.00	13,918
Parking			
With Plan A & B (528 sf x 104 units)	55,000 SF	163.00	8,965
Detached (covered) - 49 spaces @ 300 sf	14,700 SF	100.00	1,470
Community	2,100 SF	500.00	1,050
TOTAL Building Construction	290,260 SF	238.00	68,940
Sitework			
Site Development of Housing Area	730,000 SF	29.00	21,532
Loop Road to Turn Around	1,650 LF	3,360.00	5,545
Environmental Mitigation - allow	1 LS	1,000.00	1,000
TOTAL Building & Sitework Construction	November 2007		97,016
Soft Costs	22%		21,344
TOTAL PROJECT COSTS	November 2007		118,000
Loop Road to Crown/Merrill	4,300 LF	1,711.00	7,357
Soft Costs	22%		1,643
			<u>9,000</u>

Note: Costs are based on Design/Build Procurement

Soft costs at 22% are Campus Standard for new construction and includes 5% Change Order Contingency

Use 6 - 8%/annum for escalation

Wood Frame Housing

	Gross Area:	1,600 SF	
		\$/SF	\$x1,000
1. Foundations		9.97	16
2. Vertical Structure		24.15	39
3. Floor & Roof Structures		24.25	39
4. Exterior Cladding		48.63	78
5. Roofing, Waterproofing & Skylights		6.00	10
<i>Shell (1-5)</i>		112.99	181
6. Interior Partitions, Doors & Glazing		21.91	35
7. Floor, Wall & Ceiling Finishes		10.00	16
<i>Interiors (6-7)</i>		31.91	51
8. Function Equipment & Specialties		12.81	21
9. Stairs & Vertical Transportation		4.69	8
<i>Equipment & Vertical Transportation (8-9)</i>		17.50	28
10. Plumbing Systems		18.56	30
11. Heating, Ventilating & Air Conditioning		10.00	16
12. Electric Lighting, Power & Communications		12.00	19
13. Fire Protection Systems		5.00	8
<i>Mechanical & Electrical (10-13)</i>		45.56	73
<i>Total Building Construction (1-13)</i>		207.96	333
14. Site Preparation & Demolition		0.00	0
15. Site Paving, Structures & Landscaping		0.00	0
16. Utilities on Site		0.00	0
<i>Total Site Construction (14-16)</i>		0.00	0
<i>TOTAL BUILDING & SITE (1-16)</i>		207.96	333
General Conditions	10.00%	20.80	33
Contractor's Overhead & Profit or Fee	5.00%	11.44	18
<i>PLANNED CONSTRUCTION COST</i>		<i>December 2007</i>	240.20
Contingency for Development of Design	10.00%	23.75	38
<i>RECOMMENDED BUDGET</i>		<i>December 2007</i>	422

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
<u>1. Foundations</u>				
Standard spread footings	1,595	SF	10.00	15,950
				15,950
<u>2. Vertical Structure</u>				
Wood stud loadbearing walls				
Exterior	2,360	SF	10.00	23,600
Interior	1,880	SF	8.00	15,040
				38,640
<u>3. Floor and Roof Structure</u>				
Slab on grade	800	SF	10.00	8,000
Wood floor framing	800	SF	17.00	13,600
Gypcrete	800	SF	3.50	2,800
Roof framing	800	SF	18.00	14,400
				38,800
<u>4. Exterior Cladding</u>				
Exterior finish - plaster or siding	2,360	SF	25.00	59,000
Interior finish to exterior wall - gyp	2,360	SF	5.00	11,800
Glass and glazing	80	SF	50.00	4,000
Doors	1	EA	3,000.00	3,000
				77,800

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
<u>5. Roofing, Waterproofing & Skylights</u>				
Asphalt tile	800	SF	12.00	9,600
				9,600
<u>6. Interior Partitions, Doors & Glazing</u>				
Interior partitions - gypsum	3,760	SF	5.00	18,800
Doors	13	EA	1,250.00	16,250
				35,050
<u>7. Floor, Wall & Ceiling Finishes</u>				
Carpet or sheetvinyl	1,600	SF	5.00	8,000
Gyp ceilings	1,600	SF	5.00	8,000
				16,000
<u>8. Function Equipment & Specialties</u>				
Allowance per unit				
Bathroom casework and accessories	3	EA	1,500.00	4,500
Kitchen casework and counters	1	EA	10,000.00	10,000
Residential appliances	1	EA	3,500.00	3,500
Shelving	1	EA	1,500.00	1,500
Msc	1	EA	1,000.00	1,000
				20,500

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
<u>9. Stairs & Vertical Transportation</u>				
Stairs	1	FL	7,500.00	7,500
				<hr/>
				7,500
<u>10. Plumbing Systems</u>				
Fixtures including rough-in, piping, water heater, etc.	9	EA	3,300.00	29,700
				<hr/>
				29,700
<u>11. Heating, Ventilation & Air Conditioning</u>				
Heating unit in attic	1,600	SF	10.00	16,000
				<hr/>
				16,000
<u>12. Electrical Lighting, Power & Communication</u>				
Lighting, power, telecom	1,600	SF	12.00	19,200
				<hr/>
				19,200
<u>13. Fire Protection Systems</u>				
Wet sprinklers	1,600	SF	5.00	8,000
				<hr/>
				8,000

SITWORK COMPONENT SUMMARY

		Gross Area: 730,000 SF	
		\$/SF	\$x1,000
14. Site Preparation & Demolition		5.90	4,305
15. Site Paving, Structures & Landscaping		11.18	8,160
16. Utilities on Site		6.14	4,483
TOTAL BUILDING & SITE (1-16)		23.22	16,948
General Conditions	10.00%	2.32	1,695
Contractor's Overhead & Profit or Fee	5.00%	1.28	932
PLANNED CONSTRUCTION COST	December 2007	26.81	19,575
Contingency for Development of Design	10.00%	2.68	1,957
RECOMMENDED BUDGET	December 2007	29.50	21,532

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
<u>14. Site Preparation & Building Demolition</u>				
Grading				
Clearing and grading	730,000	SF	1.50	1,095,000
Tree removal	365,000	SF	1.50	547,500
Overexcavation of building envelopes	20,000	CY	25.00	500,000
Mass excavation	42,500	CY	25.00	1,062,500
Detention basin grading	10,000	CY	25.00	250,000
Soil import	21,250	CY	40.00	850,000
				4,305,000
<u>15. Site Paving, Structures & Landscaping</u>				
Roadway				
Paving	200,000	SF	8.00	1,600,000
Rolled curb and gutters	20,000	LF	20.00	400,000
Driveway aprons	75	EA	2,000.00	150,000
Driveway paving	20,000	SF	10.00	200,000
Paving				
Concrete paving	80,000	SF	10.00	800,000
HC ramps	12	EA	10,000.00	120,000
Retaining walls				
Walls 6'	2,000	LF	600.00	1,200,000
Walls 2 - 3'	3,000	LF	300.00	900,000
Drainage	730,000	SF	1.50	1,095,000
Lighting	730,000	SF	1.50	1,095,000
Landscaping	150,000	SF	3.00	450,000

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
Site appurtenances	150,000	SF	1.00	150,000
				8,160,000

16. Utilities on Site

Sewer - 8"	3,000	LF	85.00	255,000
Laterals 4"	150	EA	1,500.00	225,000
Manholes	50	EA	6,500.00	325,000
Water - 8"	3,000	LF	125.00	375,000
Water services 2"	150	EA	2,000.00	300,000
Water services 1 1/2"	150	EA	2,000.00	300,000
Boxes	150	EA	2,500.00	375,000
Fire hydrants	10	EA	4,000.00	40,000
Joint trench (electric, cable, phone)	3,000	LF	500.00	1,500,000
Gas	3,000	LF	100.00	300,000
House services (gas & JT)	300	EA	1,000.00	300,000
Street lights	25	EA	7,500.00	187,500
				4,482,500

SITWORK COMPONENT SUMMARY

		Gross Area: 1,650 LF	
		\$/SF	\$x1,000
14. Site Preparation & Demolition		280.00	462
15. Site Paving, Structures & Landscaping		637.82	1,052
16. Utilities on Site		1,727.35	2,850
TOTAL BUILDING & SITE (1-16)		2,645.17	4,365
General Conditions	10.00%	264.24	436
Contractor's Overhead & Profit or Fee	5.00%	145.45	240
PLANNED CONSTRUCTION COST		3,054.86	5,041
<i>December 2007</i>			
Contingency for Development of Design	10.00%	305.45	504
RECOMMENDED BUDGET		3,360.32	5,545
<i>December 2007</i>			

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
<u>14. Site Preparation & Building Demolition</u>				
Grading				
Clearing and grading	66,000	SF	2.00	132,000
Mass excavation	66,000	SF	5.00	330,000
				462,000
<u>15. Site Paving, Structures & Landscaping</u>				
Roadway				
Paving 2.75" over 4.5"	36,300	SF	8.00	290,400
Curb and gutter	3,300	LF	20.00	66,000
Paving				
Concrete paving	9,900	SF	12.00	118,800
Retaining walls <= 10'	150	LF	1,000.00	150,000
Drainage	36,300	SF	4.00	145,200
Drainage culvert	75	LF	300.00	22,500
Landscape repair	13,200	SF	10.00	132,000
Lighting (1/100')	17	EA	7,500.00	127,500
				1,052,400
<u>16. Utilities on Site</u>				
Sewer - 10"	3,225	LF	95.00	306,375
Patch paving	1,575	LF	100.00	157,500
Manholes	20	EA	6,500.00	130,000
Water 8"	1,650	LF	125.00	206,250
Joint trench (electric, cable, phone)	1,650	LF	500.00	825,000

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
Gas 4"	1,650	LF	100.00	165,000
Telecom				
Mine cable in existing conduit	3,300	LF	200.00	660,000
Reinforce existing telecom conduit	1,600	LF	250.00	400,000
				<hr/>
				2,850,125

SITWORK COMPONENT SUMMARY

		Gross Area: 4,300 LF	
		\$/SF	\$x1,000
14. Site Preparation & Demolition		210.00	903
15. Site Paving, Structures & Landscaping		262.00	1,127
16. Utilities on Site		874.65	3,761
TOTAL BUILDING & SITE (1-16)		1,346.65	5,791
General Conditions	10.00%	134.65	579
Contractor's Overhead & Profit or Fee	5.00%	73.95	318
PLANNED CONSTRUCTION COST		1,555.26	6,688
<i>December 2007</i>			
Contingency for Development of Design	10.00%	155.58	669
RECOMMENDED BUDGET		1,710.84	7,357
<i>December 2007</i>			

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
<u>14. Site Preparation & Building Demolition</u>				
Grading				
Clearing and grading	129,000	SF	2.00	258,000
Mass excavation	129,000	SF	5.00	645,000
				903,000
<u>15. Site Paving, Structures & Landscaping</u>				
Roadway				
Decomposed granite road surface	94,600	SF	5.00	473,000
Drainage				
Bioswale drainage	8,600	LF	25.00	215,000
Landscape repair	34,400	SF	10.00	344,000
Lighting	94,600	SF	1.00	94,600
				1,126,600
<u>16. Utilities on Site</u>				
Sewer - 8"	5,100	LF	85.00	433,500
Patch	800	LF	100.00	80,000
Manholes	20	EA	6,500.00	130,000
Water 8"	4,300	LF	125.00	537,500
Joint trench (electric, cable, phone)	4,300	LF	500.00	2,150,000
Gas 4"	4,300	LF	100.00	430,000
				3,761,000

**Appendix J - Proposed Site and Infrastructure Development
for South Campus Sites, RRM Design Group, March 14, 2008
(Revised March 24, 2008)**

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UC SANTA CRUZ EMPLOYEE HOUSING MASTER PLAN

PROPOSED SITE AND INFRASTRUCTURE DEVELOPMENT FOR SOUTH CAMPUS SITES

March 14, 2008 *(REVISED 3/24/08)*

Introduction

RRM Design Group has been asked to examine the feasibility of two sites at the South Campus for Employee Housing. The larger of the two sites, "Site F," is at the northeast corner of Coolidge Drive and Hagar Drive and is approximately 22.9 acres. There are two site plan options being considered Site F-1 and Site F-2. Site Option F-1 involves relocating the intersection and existing signal at Coolidge Drive and Hagar Drive.

The smaller site, "Hagar West," is approximately 1.2 acres at the northwest corner of Dickens Way and Hagar Drive. (See attached site map.) Based on the previous study of North Campus, construction costs for the residential units have already been evaluated by Davis Langdon. Cost models for proposed site and infrastructure development at two alternate sites at the south campus are now required. The anticipated scope of the sitework is described below.

1.0 Infrastructure

The infrastructure associated with the new housing sites consists of main line utilities (water, sanitary sewer, storm drain, gas, electrical service, and communications). These utilities will tie-in to existing campus utility infrastructure. Site specific development will consist of clearing and grading, erosion control measures associated with site drainage and construction, and landscaping. All work will comply with campus standards.

2.0 Campus Utilities

This section will describe the utilities and improvements required for servicing the two proposed Employee Housing sites at the southern portion of the campus.

SEWER

Sewer infrastructure will consist of running a new line from the proposed employee housing developments in the southern part of the campus to the existing sanitary sewer system. The new sewer line will require an existing connection point with sufficient capacity for the projected flows of proposed upstream developments. A mainline extension of 800 feet of 8"

sewer line from existing sewer manhole SS115-2-3 to the proposed project boundary is a cost effective approach to facilitating sewer main lines to both sites. Further analysis of downstream impacts associated with the employee housing developments may be required.

WATER

An 8-inch water line will extend from the capped water main near GV98-1-1, and 1400' north of Site F on existing Hagar Drive to the proposed boundary for Site F. Points of connection to the existing water network will be located near GV98-1-1. The Hagar West site will be served by the existing water main currently running a course through the project boundary. The existing water main will be relocated to Dickens Way adjacent to the Hagar West site where it will tie back in to the water main on Hagar Dr.

GAS

Gas services are in place at nearby campus facilities. Site F will require a 4" gas line to be extended across Glenn Coolidge Drive and up Hagar Drive. The Hagar West housing site will be served from a 100' extension to the existing gas line infrastructure in place nearby.

JOINT TRENCH UTILITIES

Other utilities including electrical service and telecom, Campus Fire Alarm, Energy Management and Campus Cable TV will be provided through a joint utility trench. Joint trench and telecom utilities can be extended from a variety of locations as the infrastructure is in place for surrounding campus facilities. Telecom utilities run parallel and adjacent to the west side of Hagar Drive up to the intersection at Glenn Coolidge Drive. Telecom can be pulled from T107-1-1 for Site F and from T114-2-1 for the Hagar West housing site.

3.0 Employee Housing Infrastructure and Site

Three potential site plans for employee housing in the south campus are being studied. The proposed site plans call for approximately 191 units at Site F-1, approximately 207 units at Site F-2 and approximately 19 units at Hagar West. Traffic, pedestrian, and bicycle circulation on-site will be handled through a 32' road section including two traffic lanes, bicycle/pedestrian paths, and landscaping. All common infrastructure and utilities (water sanitary sewer, gas, electrical service, and communications) will be provided.

GRADING

The sites will be graded in accordance with standard engineering practice to provide building envelopes for the construction of approximately 191 residential units at Site F-1, 207 at Site F-2 and 19 units at Hagar West, associated roadways and parking areas. Approximately 22.9

**UCSC Employee Housing Master Plan
Proposed Site and Infrastructure Development**
March 14, 2008 (Revised 3/24/08)
Page 3

acres at Site F-1/F-2 and 1.2 acres at Hagar West will be cleared and grubbed for the purposes of preparing the building envelopes and roadways. Based on the sloping terrain of the sites, we are assuming that the site cut and fill quantities will balance out during the creation of the level building envelopes. For budgeting purposes we are assuming that the sites will require mass excavation of roughly 50% of the site and over excavation and re-compaction of the upper three 3 feet of existing ground of 100% of the site. We are also assuming that the site soils will exhibit a shrinkage factor of 25% after compaction, resulting in a net import of soil. The following summary indicates our approximate quantities:

GRADING SUMMARY:	<u>Site F-1</u>	<u>Site F-2</u>	<u>Hagar West</u>
Mobilization	22.9 ac	22.9 ac	1.2 ac
Clearing and grubbing	22.9 ac	22.9 ac	1.2 ac
Construction Water	22.9 ac	22.9 ac	1.2 ac
Erosion Control	22.9 ac	22.9 ac	1.2 ac
Tree Removal	0 ac	0 ac	0 ac
Over excavation of building envelopes	107,100 cy	107,100 cy	11,900 cy
Mass Excavation	53,500 cy	53,500 cy	5,950 cy
Detention Basin Grading	28,000 cy	28,000 cy	0 cy
Soil Import	13,500 cy	13,500 cy	1,500 cy

ROAD IMPROVEMENTS

Site F-1/F-2 and Hagar West combined, will consist of approximately 6,000 lineal feet of a road network that will provide access to the proposed residences. The road section for both sites is assumed to be a 32 ft. curb to curb width, rolled curb and gutter and a 4 ft. sidewalk along one side.

ROAD IMPROVEMENT SUMMARY	<u>Site F-1</u>	<u>Site F-2</u>	<u>Hagar West</u>
Demolish a portion of Hagar Drive	550 LF		
Relocate Telecom	600 LF		
Relocate Electrical	600 LF		
Relocate (ex) Signal	(provide an allowance)		
Curb & Gutter	13,200 LF	12,000 LF	1,000 LF
Paving	212,000 SF	192,000 SF	16,000 LF
Road Entry Aprons	2	2	2
Driveway Special Paving	18,000 SF	18,000 SF	2,000 SF

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DRAINAGE

The sites will comply with campus standards for drainage and erosion control. Post construction BMP's will be installed to minimize erosion. Onsite runoff flows will be collected in roadside bio-swales and drain inlets conveyed into onsite detention facilities. Runoff will be held in detention areas and discharged into existing slopes through metering outlet devices.

DRAINAGE SUMMARY:

	<u>Site F-1</u>	<u>Site F</u>	<u>Hagar West</u>
DRAIN INLETS	10 EA	10	2
18" DRAIN PIPE	2,500 LF	2,500 LF	150 LF
STORM DRAIN MANHOLES	14 EA	14	2
OUTLET STRUCTURES	2 EA	2	2
SLOPE PROTECTION	1,200 SF	1,200 SF	300 SF

SEWER

Both Site F and Hagar West will be served by an 8" gravity sewer main that will connect into a proposed extension of existing 8" gravity sewer located in Hagar Drive. Each residential unit will have an individual 4" sewer lateral that will connect their residence in to the sewer main. The sewer main will run through the proposed development sites and will have manholes spaced at 200' minimum and at all angle points.

SEWER SUMMARY	<u>Site F-1</u>	<u>Site F-2</u>	<u>Hagar West</u>	<u>Offsite</u>
8" SEWER	3,750 LF	3,750 LF	400 LF	850 LF
4" SEWER LATERALS	191 EA	207	19	-
SEWER MANHOLES	12 EA	12	3	4

PROPOSED WASTEWATER USAGE	Site F-1	Site F-2	Hagar West
Number of Household connections	191	207	19
Volume of Sewage Processed	95,000 gal/day	95,500 gal/day	9,500 gal/day

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WATER

Both sites will be served by an 8" pressurized water main. Each residential unit will have one (1) individual 2" water service from the main to a water meter. Each unit will have a manifold with two (2) - 1-1/2" water services for domestic and fire prevention purposes from the manifold at the meter to the residence. Fire hydrants will be installed throughout the site at a minimum of 400 feet spacing and at dead ends.

WATER SUMMARY	<u>Site F-1</u>	<u>Site F</u>	<u>Hagar West</u>
8" WATER	3,750 LF	3,750 LF	360 LF
2" WATER SERVICES (MAIN TO METER)	191 EA	207	19
1-1/2" WATER SERVICES (METER TO HOUSE)	191 EA	207	19
8" TEES	12 EA	12	2
8" VALVES	16 EA	16	2
WATER METER BOXERS	191 EA	207	19
BACKFLOW PREVENTORS (FIRE)	191 EA	207	19
FIRE HYDRANTS	14 EA	14	2

PROPOSED WATER USAGE	
Number of Household connections	210
Water Demand	420 gal/min

DRY UTILITIES

Both sites will be served with a joint utility trenches that will provide electrical, cable television, and phone services that will run within the new roads within the residential sites. Separate gas lines will also be provided that will run within the roads on the residential sites. Street Lights will also be installed per campus lighting requirements.

DRY UTILITY SUMMARY

	<u>Site F-1</u>	<u>Site F-2</u>	<u>Hagar West</u>	<u>Offsite</u>
JOINT TRENCH	3,750 LF	3,750 LF	360 LF	1490 LF
GAS TRENCH	3,750 LF	3,750 LF	360 LF	1490 LF
HOUSE SERVICES (GAS AND JT)	191 EA	207 EA	19 EA	-
STREET LIGHTS	21 EA	21 EA	4 EA	-

RELOCATED UTILITIES

The Hagar West employee housing site has an existing fiber optic and water line crossing the property that must be relocated in order for the site to be a feasible option. Approximately 400 LF of fiber optic/ fire alarm and approximately 475 LF of existing water line will need to be trenched and realigned upon a different path. The most direct path of realignment for the affected utilities will be through an easement between the small project site and the existing parking facilities and up Dickens Way to Hagar Drive.

For the Site F-1 Option, approximately 600 LF of existing telecom and electrical lines and an existing traffic signal will need to be relocated in the southern section of Hagar Drive in order to move the intersection of Coolidge Drive and Hagar Drive to the west.

Appendix K - Cost Model, Davis Langdon, March 28, 2008

MASTERPLAN
COST MODEL

for

Employee Housing Masterplan
Proposed Site and Infrastructure Development
University of California Santa Cruz

March 28, 2008

DAVIS LANGDON

MASTERPLAN COST MODEL

for

Employee Housing Masterplan
Proposed Site and Infrastructure Development
University of California Santa Cruz

RRM Design Group
3765 S. Higuera Street
Suite 102
San Luis Obispo, CA 93401

(805) 543-1794
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March 28, 2008

DAVIS LANGDON 343 Sansome Street
Suite 1050
San Francisco
California 94104
Tel: 415.981.1004
Fax: 415.981.1419
www.davislangdon.com

BASIS OF COST MODEL

Cost Model Prepared From

Dated Received

Narrative received from RRM revised 3/24/08

Discussions with the Project Architect and Engineers

Conditions of Construction

The pricing is based on the following general conditions of construction

A start date of March 2008

The contractor will be required to pay prevailing wages

There are no phasing requirements

The general contractor will have full access to the site during normal business hours

INCLUSIONS

This exercise looks at the cost of developing Site F (2 options) as well as the smaller Hagar West site.

Quantities for the civil work including grading, earthwork, paving, curbs and gutters were provided in the RRM Proposed Site and Infrastructure Development for South Campus Sites narrative revised 3/24/08 and supplemented by discussions. Pricing was based on Davis Langdon's recent bid experience working on the Santa Cruz campus.

The numbers are for comparative analysis only. The numbers are anticipated construction costs in March 2008 dollars. Soft costs as well as escalation need to be considered to arrive at overall project costs.

INCLUSIONS

BIDDING PROCESS - MARKET CONDITIONS

This document is based on the measurement and pricing of quantities wherever information is provided and/or reasonable assumptions for other work not covered in the drawings or specifications, as stated within this document. Unit rates have been obtained from historical records and/or discussion with contractors. The unit rates reflect current bid costs in the area. All unit rates relevant to subcontractor work include the subcontractors overhead and profit unless otherwise stated. The mark-ups cover the costs of field overhead, home office overhead and profit and range from 15% to 25% of the cost for a particular item of work.

Pricing reflects probable construction costs obtainable in the project locality on the date of this statement of probable costs. This estimate is a determination of fair market value for the construction of this project. It is not a prediction of low bid. Pricing assumes competitive bidding for every portion of the construction work for all subcontractors and general contractors, with a minimum of 4 bidders for all items of subcontracted work and 3 - 4 general contractor bids. Experience indicates that a fewer number of bidders may result in higher bids, conversely an increased number of bidders may result in more competitive bids.

Since Davis Langdon has no control over the cost of labor, material, equipment, or over the contractor's method of determining prices, or over the competitive bidding or market conditions at the time of bid, the statement of probable construction cost is based on industry practice, professional experience and qualifications, and represents Davis Langdon's best judgement as professional construction consultant familiar with the construction industry. However, Davis Langdon cannot and does not guarantee that the proposals, bids, or the construction cost will not vary from opinions of probable cost prepared by them.

EXCLUSIONS

Soft costs

Buildings on site

Hazardous material handling, disposal and abatement

Land and easement acquisition

Cost escalation beyond a start date of March 2008

OVERALL SUMMARY - Site Construction Costs Only

	Gross Floor Area	\$ / SF	\$x1,000
Option F1			23,013
Option F2			22,491
Hagar West			1,792
Off Site			1,977

Note:

Above costs are construction costs only and soft costs need to be added to the above numbers
Use 6 - 8%/annum for escalation

SITWORK COMPONENT SUMMARY

		Gross Area: 1,000,000 SF	
		\$/SF	\$x1,000
14. Site Preparation & Demolition		5.45	5,452
15. Site Paving, Structures & Landscaping		6.92	6,923
16. Utilities on Site		5.74	5,739
TOTAL BUILDING & SITE (1-16)		18.11	18,114
General Conditions	10.00%	1.81	1,811
Contractor's Overhead & Profit or Fee	5.00%	1.00	996
PLANNED CONSTRUCTION COST		20.92	20,921
Contingency for Development of Design	10.00%	2.09	2,092
RECOMMENDED BUDGET		23.01	23,013

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
<u>14. Site Preparation & Building Demolition</u>				
Grading				
Clearing and grading	1,000,000	SF	1.00	1,000,000
Overexcavation and recompaction 3' overall	107,100	CY	20.00	2,142,000
Mass excavation	53,500	CY	20.00	1,070,000
Detention basin grading	28,000	CY	25.00	700,000
Soil import	13,500	CY	40.00	540,000
				5,452,000
<u>15. Site Paving, Structures & Landscaping</u>				
Roadway				
Paving	212,000	SF	8.00	1,696,000
Rolled curb and gutters	13,200	LF	20.00	264,000
Driveway aprons	191	EA	2,000.00	382,000
Driveway paving	18,000	SF	10.00	180,000
Paving				
Concrete paving	100,000	SF	10.00	1,000,000
Retaining walls				none anticipated
Drainage				
Drain inlets	10	EA	1,500.00	15,000
Drain pipe 18"	2,500	LF	150.00	375,000
Storm drain manholes	14	EA	7,500.00	105,000
Outlet structures	2	EA	10,000.00	20,000
Slope protection	1,200	SF	5.00	6,000
Lighting	1,000,000	SF	1.00	1,000,000
Landscaping	470,000	SF	3.00	1,410,000

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
Site appurtenances	470,000	SF	1.00	470,000
				6,923,000

16. Utilities on Site

Sewer - 8"	3,750	LF	85.00	318,750
Laterals 4"	191	EA	1,500.00	286,500
Manholes	12	EA	6,500.00	78,000
Water - 8"	3,750	LF	125.00	468,750
Water services 2"	191	EA	2,000.00	382,000
Water services 1 1/2"	191	EA	2,000.00	382,000
Water meter boxes	191	EA	2,500.00	477,500
Fire hydrants	14	EA	4,000.00	56,000
Joint trench (electric, cable, phone)	3,750	LF	500.00	1,875,000
Gas	3,750	LF	100.00	375,000
House services (gas & JT)	382	EA	1,000.00	382,000
Street lights	21	EA	7,500.00	157,500
Relocated utilities - electric and telecom	600	LF	500.00	300,000
Signalization	1	LS	200,000.00	200,000
				5,739,000

SITWORK COMPONENT SUMMARY

		Gross Area: 1,000,000 SF	
		\$/SF	\$x1,000
14. Site Preparation & Demolition		5.45	5,452
15. Site Paving, Structures & Landscaping		6.85	6,851
16. Utilities on Site		5.40	5,399
TOTAL BUILDING & SITE (1-16)		17.70	17,702
General Conditions	10.00%	1.77	1,770
Contractor's Overhead & Profit or Fee	5.00%	0.97	974
PLANNED CONSTRUCTION COST		20.45	20,446
Contingency for Development of Design	10.00%	2.05	2,045
RECOMMENDED BUDGET		22.49	22,491

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
<u>14. Site Preparation & Building Demolition</u>				
Grading				
Clearing and grading	1,000,000	SF	1.00	1,000,000
Overexcavation and recompaction 3' overall	107,100	CY	20.00	2,142,000
Mass excavation	53,500	CY	20.00	1,070,000
Detention basin grading	28,000	CY	25.00	700,000
Soil import	13,500	CY	40.00	540,000
				5,452,000
<u>15. Site Paving, Structures & Landscaping</u>				
Roadway				
Paving	192,000	SF	8.00	1,536,000
Rolled curb and gutters	12,000	LF	20.00	240,000
Driveway aprons	207	EA	2,000.00	414,000
Driveway paving	18,000	SF	10.00	180,000
Paving				
Concrete paving	100,000	SF	10.00	1,000,000
Retaining walls				none anticipated
Drainage				
Drain inlets	10	EA	1,500.00	15,000
Drain pipe 18"	2,500	LF	150.00	375,000
Storm drain manholes	14	EA	7,500.00	105,000
Outlet structures	2	EA	10,000.00	20,000
Slope protection	1,200	SF	5.00	6,000
Lighting	1,000,000	SF	1.00	1,000,000
Landscaping	490,000	SF	3.00	1,470,000

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
Site appurtenances	490,000	SF	1.00	490,000
				6,851,000

16. Utilities on Site

Sewer - 8"	3,750	LF	85.00	318,750
Laterals 4"	207	EA	1,500.00	310,500
Manholes	12	EA	6,500.00	78,000
Water - 8"	3,750	LF	125.00	468,750
Water services 2"	207	EA	2,000.00	414,000
Water services 1 1/2"	207	EA	2,000.00	414,000
Water meter boxes	207	EA	2,500.00	517,500
Fire hydrants	14	EA	4,000.00	56,000
Joint trench (electric, cable, phone)	3,750	LF	500.00	1,875,000
Gas	3,750	LF	100.00	375,000
House services (gas & JT)	414	EA	1,000.00	414,000
Street lights	21	EA	7,500.00	157,500
				5,399,000

SITWORK COMPONENT SUMMARY

Gross Area: 1,000,000 SF

		\$/SF	\$x1,000
14. Site Preparation & Demolition		0.47	469
15. Site Paving, Structures & Landscaping		0.40	398
16. Utilities on Site		0.54	543
TOTAL BUILDING & SITE (1-16)		1.41	1,410
General Conditions	10.00%	0.14	141
Contractor's Overhead & Profit or Fee	5.00%	0.08	78
PLANNED CONSTRUCTION COST		1.63	1,629
<i>March 2008</i>			
Contingency for Development of Design	10.00%	0.16	163
RECOMMENDED BUDGET		1.79	1,792
<i>March 2008</i>			

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
<u>14. Site Preparation & Building Demolition</u>				
Grading				
Clearing and grading	52,000	SF	1.00	52,000
Overexcavation and recompaction 3' overall	11,900	CY	20.00	238,000
Mass excavation	5,950	CY	20.00	119,000
Detention basin grading				
Soil import	1,500	CY	40.00	60,000
				469,000
<u>15. Site Paving, Structures & Landscaping</u>				
Roadway				
Paving	16,000	SF	8.00	128,000
Rolled curb and gutters	1,000	LF	20.00	20,000
Driveway aprons	19	EA	2,000.00	38,000
Driveway paving	2,000	SF	10.00	20,000
Paving				
Concrete paving	3,000	SF	10.00	30,000
Retaining walls				none anticipated
Drainage				
Drain inlets	2	EA	1,500.00	3,000
Drain pipe 18"	150	LF	150.00	22,500
Storm drain manholes	2	EA	7,500.00	15,000
Outlet structures	2	EA	10,000.00	20,000
Slope protection	300	SF	5.00	1,500
Lighting	52,000	SF	1.00	52,000
Landscaping	12,000	SF	3.00	36,000

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
Site appurtenances	12,000	SF	1.00	12,000
				398,000

16. Utilities on Site

Sewer - 8"	400	LF	85.00	34,000
Laterals 4"	19	EA	1,500.00	28,500
Manholes	3	EA	6,500.00	19,500
Water - 8"	360	LF	125.00	45,000
Water services 2"	19	EA	2,000.00	38,000
Water services 1 1/2"	19	EA	2,000.00	38,000
Water meter boxes	19	EA	2,500.00	47,500
Fire hydrants	2	EA	4,000.00	8,000
Joint trench (electric, cable, phone)	360	LF	500.00	180,000
Gas	360	LF	100.00	36,000
House services (gas & JT)	38	EA	1,000.00	38,000
Street lights	4	EA	7,500.00	30,000
				542,500

SITWORK COMPONENT SUMMARY

Gross Area: 1,000,000 SF

		\$/SF	\$x1,000
14. Site Preparation & Demolition		0.00	0
15. Site Paving, Structures & Landscaping		0.00	0
16. Utilities on Site		1.56	1,555
TOTAL BUILDING & SITE (1-16)		1.56	1,555
General Conditions	10.00%	0.16	156
Contractor's Overhead & Profit or Fee	5.00%	0.09	86
PLANNED CONSTRUCTION COST	March 2008	1.80	1,797
Contingency for Development of Design	10.00%	0.18	180
RECOMMENDED BUDGET	March 2008	1.98	1,977

<i>Item Description</i>	<i>Quantity</i>	<i>Unit</i>	<i>Rate</i>	<i>Total</i>
<u>14. Site Preparation & Building Demolition</u>				
				0
<u>15. Site Paving, Structures & Landscaping</u>				
				0
<u>16. Utilities on Site</u>				
Sewer - 8"	850	LF	85.00	72,250
Manholes	4	EA	6,500.00	26,000
Water - 8"	1,400	LF	125.00	175,000
Fire hydrants	4	EA	4,000.00	14,000
Joint trench (electric, cable, phone)	1,490	LF	500.00	745,000
Gas	1,490	LF	100.00	149,000
Patch paving	3,740	LF	100.00	374,000
				1,555,250

Appendix L - Expanded Financial Tables, ERA, April 10, 2008



Economics Research Associates

Memorandum

Date: April 18, 2008

To: Peggy Sonoda, RRM Design Group

From: Steve Spickard **ERA No. 17777**

RE: UCSC Employee Housing Master Plan, Initial Pro Forma Analysis of Housing Delivery Alternatives

The objective of this memorandum and set of spreadsheets is to lay out a format for analysis of different housing delivery methods for discussion within the team composed of consultants and UCSC staff. The attached spreadsheets present financial projections of two alternative methods of delivering housing to employees. Both of these are based on the construction cost estimates for developing the same site, Site F-1 with 191 units. Comparisons among alternatives for traditional profitable development projects might be made by calculating the "return on investment" or "internal rate of return" for each alternative. For the analysis, however, the "net present value" of the net cash flow to UCSC is used as the "bottom line" decision making statistic, because these projects all require subsidy. In other words, there is no positive return on investment generated by developing employee housing

To calculate the "net present value," the amount of money spent or received in each year is first calculated. In some years the net of all cash flows is negative, and in other years it is positive. To account for the time value of money, the cash flow in each future year is then discounted back to the present using a "discount rate." The attached spreadsheet models have room for three different discount rates. The reason for showing optional rates is that each investor or developer will typically have their own preferred rate based on their perception of the value of their future opportunities. For example, if one investor believes he can easily achieve a long term return on his money of 8 percent by investing in the stock market, he will say \$100 today has the same value as \$108 a year from now. If another investor believes he can generate a higher rate of

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return, say 12 percent, by investing in the real estate development market, he will use a higher discount rate in his comparison of alternative investment opportunities. .

The assumptions used in the models are presented at the top of each alternative. If they are not clear, we can explain them further in our team discussions. At this point, all assumptions are subject to revision.

Alternative 1 presents a baseline development scenario where the 191 units are developed as rapidly as possible, with the assumption being that all site development and offsite improvements are done in the next calendar year, and that the 191 housing units are built over the following two years, with approximately half completed each year. They are then sold to faculty at 65% of the prevailing Santa Cruz Real Estate Market Value immediately.

Alternative 2 presents a scenario where the same units are developed, under essentially the same schedule and cost structure, but then are leased as undergraduate student apartments for approximately five school years. At the end of this period, the units are refurbished at a cost of \$40 per square foot in today's dollars, and then sold to faculty at 65% of an appreciated real estate market value.

Focusing on the Net Present Value Analysis box at the bottom of each table, it can be seen that in Alternative 1, given an 8% discount rate, it would be necessary to subsidize each unit by \$282,000. Alternative 2 delivers housing to faculty at a lower cost, but still requires a substantial subsidy of \$210,000 per unit.

Once financial pro formas of this type are set up, it is easy to conduct sensitivity analyses of the various input assumptions. For example, the comparison of alternatives above includes future assumptions such as:

- A general inflation rate in the Santa Cruz economy of 4% per year (used to project the increase in student apartment rental rates);
- An annual escalation in construction costs of 7% (carried through the need to refurbish units in 8 or 9 years); and
- An assumed appreciation in the real estate value of Santa Cruz homes averaging 6% per year.

The finding that Alternative 2 is somewhat lower cost over the long run than Alternative 1 is based in part on the assumption that housing values will continue to outpace general



inflation. Some market analysts have looked at Northern California housing and pontificated that prices may remain flat for the next 5 to 10 years in order to correct for the rapid run up in home values relative to the rest of the economy over the last 5 to 10 years. If this indeed becomes the case, i.e., if the assumption is that Santa Cruz Real Estate Market Appreciation remains 0% over the next 10 years, then the finding is reversed and Alternative 1 becomes lower cost than Alternative 2.

Again, the objective of this brief analysis is to frame the discussion within the team. If this style of analysis has the potential to add value to the UCSC decision making, ERA would be happy to test additional assumptions, or lay out additional deliver methods for side-by-side comparisons.

For example, Table 3 presents a third alternative where fewer units are produced. The land under 66 of the higher density units is instead sold off early on in the process as 20 custom home lots without restrictions on them. Based on the assumptions shown at the top of Table 3, this strategy would produce 125 restricted units of faculty housing as a subsidy cost between those of the first two alternatives.



UCSC EMPLOYEE HOUSING MASTER PLAN
Financial Analysis of Alternatives

Prepared for:
UCSC

Prepared by:
Economics Research Associates
as subconsultants to
RRM Design Group

April 10, 2008

ERA Project Number 17777

Table 0
Assumptions Common to All Financial Pro Formas
UCSC Employee Housing Master Plan

General Rate of Inflation in the Santa Cruz Economy	4.0%
US National CPI Used for Restricted Housing Appreciation	4.0%
Escalation in Construction Costs	7.0%
Assumed Santa Cruz Real Estate Market Appreciation	6.0%

Table 1

**Alternative 1: Development and Immediate Sale of Units on Site F-1
UCSC Employee Housing Master Plan**

Input Assumptions for This Pro-Forma

4.0%	General Rate of Inflation in the Santa Cruz Economy
4.0%	US National CPI Used for Restricted Housing Appreciation
7.0%	Escalation in Construction Costs
6.0%	Assumed Santa Cruz Real Estate Market Appreciation

191	Units
1,600	Average Sq.Ft./Unit
\$263	Construction Cost/Sq.Ft. in early 2008
22.0%	Soft Costs as a Percentage of Hard Construction Costs
\$40	Cost of Refurbishment/Sq.Ft. in early 2008
\$500	Market Value of New Housing/Sq.Ft. in 2008
65.0%	Target Fraction of Market for Delivery of Employee Housing
\$991	Monthly Rent for Student in a Double Room (9 months)
6	Number of Students per Unit
20.0%	Operating Costs for Student Rentals as % of Gross Revenue

Calendar Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Years of Cost/Price Escalation	0	1	2	3	4	5	6	7	8	9	10	11	12
Cumulative Housing Units Produced	0	0	96	191	191	191	191	191	191	191	191	191	191
Units Leased for Undergraduate Students	0	0	0	0	0	0	0	0	0	0	0	0	0
Units Sold to Employees	0	0	0	96	191	191	191	191	191	191	191	191	191

USES OF FUNDS (\$1,000s)

Cost of Building Housing													
Offsite Costs		\$2,115											
Site Development		\$24,624											
Vertical Construction of Housing Units			\$46,250	\$48,972									
Costs of Parking			\$9,468	\$10,131									
Costs of Community Building			\$1,202										
Soft Costs		\$5,883	\$12,522	\$13,003	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Costs of Refurbishing Units for Sale		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Uses of Funds	\$0	\$32,622	\$69,443	\$72,105	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

SOURCES OF FUNDS (\$1,000s)

Revenue from Selling Restricted Units	\$0	\$0	\$0	\$59,456	\$62,366	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Revenue from Leasing Units													
Student Housing Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less Operating Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Lease Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Sources of Funds	\$0	\$0	\$0	\$59,456	\$62,366	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CASH FLOW (\$1,000s)	\$0	(\$32,622)	(\$69,443)	(\$12,650)	\$62,366	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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Net Present Value Analysis (\$1,000s)

Discount Rate	=	8.0%	10.0%	12.0%
Net Present Value at	=	(\$53,942)	(\$53,954)	(\$53,855)
Net Present Value per Unit	=	(\$282)	(\$282)	(\$282)
Net Present Value per Sq.Ft.	=	(\$0.177)	(\$0.177)	(\$0.176)

Source: Economics Research Associates.

Table 2

**Alternative 2: Interim Leasing to Students on Site F-1
UCSC Employee Housing Master Plan**

Input Assumptions for This Pro-Forma

4.0%	General Rate of Inflation in the Santa Cruz Economy
4.0%	US National CPI Used for Restricted Housing Appreciation
7.0%	Escalation in Construction Costs
6.0%	Assumed Santa Cruz Real Estate Market Appreciation
191	Units
1,600	Average Sq.Ft./Unit
\$263	Construction Cost/Sq.Ft. in early 2008
22.0%	Soft Costs as a Percentage of Hard Construction Costs
\$40	Cost of Refurbishment/Sq.Ft. in early 2008
\$500	Market Value of New Housing/Sq.Ft. in 2008
65.0%	Target Fraction of Market for Delivery of Employee Housing
\$991	Monthly Rent for Student in a Double Room (9 months)
6	Number of Students per Unit
20.0%	Operating Costs for Student Rentals as % of Gross Revenue

Calendar Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Years of Cost/Price Escalation	0	1	2	3	4	5	6	7	8	9	10	11	12
Cumulative Housing Units Produced	0	0	96	191	191	191	191	191	191	191	191	191	191
Units Leased for Undergraduate Students	0	0	0	96	191	191	191	191	95	0	0	0	0
Units Sold to Employees	0	0	0	0	0	0	0	0	96	191	191	191	191

USES OF FUNDS (\$1,000s)

Cost of Building Housing													
Offsite Costs		\$2,115											
Site Development		\$24,624											
Vertical Construction of Housing Units			\$46,250	\$48,972									
Costs of Parking			\$9,468	\$10,131									
Costs of Community Building			\$1,202										
Soft Costs		\$5,883	\$12,522	\$13,003	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Costs of Refurbishing Units for Sale		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,557	\$11,178	\$0	\$0	\$0
Total Uses of Funds	\$0	\$32,622	\$69,443	\$72,105	\$0	\$0	\$0	\$0	\$10,557	\$11,178	\$0	\$0	\$0

SOURCES OF FUNDS (\$1,000s)

Revenue from Selling Restricted Units	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$79,565	\$83,460	\$0	\$0	\$0
Revenue from Leasing Units													
Student Housing Fees	\$0	\$0	\$0	\$5,779	\$11,957	\$12,436	\$12,933	\$13,450	\$6,958	\$0	\$0	\$0	\$0
Less Operating Costs	\$0	\$0	\$0	(\$1,156)	(\$2,391)	(\$2,487)	(\$2,587)	(\$2,690)	(\$1,392)	\$0	\$0	\$0	\$0
Net Lease Income	\$0	\$0	\$0	\$4,623	\$9,566	\$9,948	\$10,346	\$10,760	\$5,566	\$0	\$0	\$0	\$0
Total Sources of Funds	\$0	\$0	\$0	\$4,623	\$9,566	\$9,948	\$10,346	\$10,760	\$85,131	\$83,460	\$0	\$0	\$0
CASH FLOW (\$1,000s)	\$0	(\$32,622)	(\$69,443)	(\$67,482)	\$9,566	\$9,948	\$10,346	\$10,760	\$74,574	\$72,282	\$0	\$0	\$0

Net Present Value Analysis (\$1,000s)

Discount Rate	=	8.0%	10.0%	12.0%
Net Present Value at	=	(\$40,261)	(\$48,230)	(\$54,500)
Net Present Value per Unit	=	(\$211)	(\$253)	(\$285)
Net Present Value per Sq.Ft.	=	(\$0.132)	(\$0.158)	(\$0.178)

Source: Economics Research Associates.

Table 3
Alternative 3: Sale of 20 Custom Home Lots, Then Development and Sale of Units on Site F-1
UCSC Employee Housing Master Plan

Input Assumptions for This Pro-Forma

4.0%	General Rate of Inflation in the Santa Cruz Economy
4.0%	US National CPI Used for Restricted Housing Appreciation
7.0%	Escalation in Construction Costs
6.0%	Assumed Santa Cruz Real Estate Market Appreciation

125	Units
1,600	Average Sq.Ft./Unit
\$263	Construction Cost/Sq.Ft. in early 2008
22.0%	Soft Costs as a Percentage of Hard Construction Costs
\$40	Cost of Refurbishment/Sq.Ft. in early 2008
\$500	Market Value of New Housing/Sq.Ft. in 2008
65.0%	Target Fraction of Market for Delivery of Employee Housing
\$500	Sales Price of a Custom Home Lot (in \$1,000s)
20	Number of Custom Home Lots

Calendar Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Years of Cost/Price Escalation	0	1	2	3	4	5	6	7	8	9	10	11	12
Cumulative Housing Units Produced	0	0	96	125	125	125	125	125	125	125	125	125	125
Units Leased for Undergraduate Students	0	0	0	0	0	0	0	0	0	0	0	0	0
Units Sold to Employees	0	0	0	96	125	125	125	125	125	125	125	125	125

USES OF FUNDS (\$1,000s)

Cost of Building Housing													
Offsite Costs		\$2,115											
Site Development		\$24,624											
Vertical Construction of Housing Units			\$46,250	\$14,949									
Costs of Parking			\$9,517	\$3,076									
Costs of Community Building			\$1,202										
Soft Costs		\$5,883	\$12,533	\$3,966	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Costs of Refurbishing Units for Sale		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Uses of Funds	\$0	\$32,622	\$69,503	\$21,991	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

SOURCES OF FUNDS (\$1,000s)

Revenue from Selling Restricted Units	\$0	\$0	\$0	\$59,456	\$19,038	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Revenue from Selling Custom Lots	\$0	\$0	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Sources of Funds	\$0	\$0	\$10,000	\$59,456	\$19,038	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CASH FLOW (\$1,000s)	\$0	(\$32,622)	(\$59,503)	\$37,464	\$19,038	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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Net Present Value Analysis (\$1,000s)

Discount Rate	=	8.0%	10.0%	12.0%
Net Present Value at	=	(\$37,486)	(\$37,682)	(\$37,797)
Net Present Value per Unit	=	(\$259)	(\$260)	(\$261)
Net Present Value per Sq.Ft.	=	n.a.	n.a.	n.a.

Note: Units = 125 townhomes + 20 custom homes = 145.
 Note: n.a. = not applicable due to variable custom home square footage.

Source: Economics Research Associates.

Attachment B

Excerpts from 2005 LRDP (Employee Housing Language)

3.8.8 Student and Employee Housing

The proposed 2005 LRDP allocates 1,460,000 gsf to housing. Under the 2005 LRDP, the residential college would remain a fundamental unit of campus growth. Including existing facilities, development of the land areas identified for housing in the 2005 LRDP could accommodate 50 percent of undergraduate students, 25 percent of graduate students, 25 percent of faculty, and 3 percent of staff. Additional housing space would be obtained in part through redevelopment of existing outmoded housing at higher densities, and also through new development.

3.9.4 Employee Housing

The Employee Housing (EH) land use designation includes lands set aside for faculty and staff housing. This designation also allows for the siting of child care facilities, housing-related accessory buildings, recreational facilities, and associated parking.

The 1988 LRDP provided approximately 16 acres for faculty housing near the main campus entrance off of Glenn Coolidge Drive, most of which was already developed with faculty housing. In addition, the 1988 LRDP identified five Inclusion Areas with a total area of approximately 125 acres that primarily were envisioned for development for housing for faculty and staff; however, most of the Inclusion Areas have remained undeveloped. Currently there are 241 existing employee housing units on the campus, including Laureate Court. Construction is scheduled to begin in late 2005 on 84 additional units that were approved under the 1988 LRDP as the Ranch View Terrace project.

The proposed 2005 LRDP would assign approximately 73 acres to employee housing in the north campus area. If needed, additional employee housing could be located on Campus Resource Land, with additional environmental review (see below). For further details on employee housing, see Section 3.10.2 below.

3.10.2 Employee Housing

The proposed 2005 LRDP includes approximately 73 acres that would accommodate on-campus employee housing for up to 25 percent of faculty and 3 percent of staff. This includes lands that are either already developed with employee housing or approved for development, and an undeveloped 28-acre area along the north campus loop road to the northwest of the Academic Core. Under the 2005 LRDP, it is envisioned that an additional 125 on-campus employee housing units would be built.

Attachment C

New Senate Faculty Hire Projections

Future Senate Faculty Hires ("Renewal Model")

Faculty and Staff Headcount*	Future Senate Faculty Hires ("Renewal Model")											Net Increase				
	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17		17-18	18-19	19-20	20-21
Student Enrollment																
Undergrads	13,525	13,751	13,978	14,204	14,430	14,737	15,044	15,351	15,658	15,965	16,272	16,579	16,886	17,193	17,500	3,975
Graduate	1,369	1,414	1,459	1,504	1,730	1,775	1,820	1,865	1,910	1,955	2,000	2,046	2,091	2,136	2,000	631
Total Headcount Students	14,894	15,165	15,437	15,708	16,160	16,512	16,864	17,216	17,568	17,920	18,272	18,625	18,977	19,329	19,500	4,606
Faculty and Staff Headcount																
Total Ladder Rank Faculty	526	552	578	604	630	645	660	675	690	705	720	735	750	765	780	254
Replacements for Retirement & Separations **	12	12	12	12	12	23	23	23	23	23	23	23	23	23	23	266
Hires Related to Growth ***	26	26	26	26	26	15	15	15	15	15	15	15	15	15	15	228
New Faculty Hires per Year ****	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	494
Full Time Academic Administrators	19	19	19	18	18	18	19	19	20	20	20	21	21	22	22	3
Lecturer/Other Faculty	261	281	301	320	340	344	348	352	356	360	364	368	372	376	380	119
Other Academics	433	455	477	498	520	529	538	547	556	565	574	583	592	601	610	177
Staff	2,916	3,012	3,108	3,204	3,300	3,375	3,450	3,525	3,600	3,675	3,750	3,825	3,900	3,975	4,050	1,134
Total Campus Employee Population	4,155	4,318	4,482	4,645	4,808	4,911	5,015	5,118	5,222	5,325	5,428	5,532	5,635	5,739	5,842	1,687

Notes
 * Planning and Budget used actual data for 2006-2007 academic year. They made projections for Academic Years 2010-2011 and 2020-2021 based on enrollment assumptions.
 ** Employee Housing inserted a Straightline projection between the aforementioned years.
 *** Number can vary widely from year to year.
 **** Number can vary widely from year to year. Slower enrollment growth (and hence, fewer new hires) is anticipated starting the 2011-2012 academic year.
 ***** Number is an average provided by Planning and Budget on May 30, 2008

Growth Related Faculty & Staff Hires (Per Year)	06-07		11-12	
	to	10-11	to	20-21
Ladder Rank/Academic Administrators	26	15	15	15
Lecturer/Other Faculty	20	4	4	4
Other Academics	22	9	9	9
Staff	96	75	75	75
Total	164	103	103	103

Renewal Model prepared by UCSC Planning and Budget on May 4, 2008. Three-Quarter Averages are Used

Attachment D

Senate Executive Committee Resolution on Faculty Housing and Campus Growth

UNIVERSITY OF CALIFORNIA, SANTA CRUZ

AS/SCP/1462

Senate Executive Committee Resolution on Faculty Housing and Campus Growth

To the Academic Senate, Santa Cruz Division:

WHEREAS our ability to recruit and retain excellent faculty depends, in part, on their ability to obtain adequate and affordable housing, and

WHEREAS the cost of housing in the Santa Cruz area has risen dramatically over the last decade, and

WHEREAS the campus cannot support an increase in the student population without a corresponding increase in the number of faculty,

THEREFORE, BE IT RESOLVED that, if UCSC plans to grow beyond 15,000 students, then it must offer plans for sufficient and affordable faculty, student, and staff housing. The Senate calls on the administration to provide plans by October 1, 2005.

RESPECTFULLY SUBMITTED,

Senate Executive Committee

Judith Aissen

Rob Coe

Faye Crosby

Carol Freeman

Craig Haney

Richard Hughey

Michael Issacson

Paul Koch

Loisa Nygaard

Paul Ortiz

Triloki Pandey

Bruce Schumm

Al Zahler

Alison Galloway, Chair

May 9, 2005

Attachment E

Chronology of Administrative Responses to Senate Resolution to Develop EHMP

August 30, 2005

TED R. HOLMAN
Academic Senate Faculty Welfare Committee
Professor, Dept. of Chemistry and Biochemistry

JEAN MARIE SCOTT
Associate Vice Chancellor, Student Affairs

Dear Jean Marie and Ted:

RE: Senate/Administration Housing Report

I am writing to confirm the agreements reached in our meeting on August 18, 2005 regarding the report on employee housing due to be finalized by October 1, 2005. As we discussed, clarifying the elements to be included in this report is critical to achieving our goal of developing a joint Senate/Administration employee housing plan for UCSC.

The report will contain/address three topics:

- An evaluation of the current employee housing program.
- A discussion of the current construction environment: process, costs, constraints, limitations, etc.
- A proposal for next steps: process and strategy to move forward with a joint Senate/Administration planning process.

The goal of the joint planning process is to develop, over the next academic year, a comprehensive housing plan that clearly defines the campus goals for employee housing, possible alternatives to meet those goals, and implementation strategies.

It was agreed that you will meet on a regular basis between now and October 1 to finalize the report. I believe this is an important step in forwarding our efforts to develop a housing plan that will sustain our ability to recruit and retain outstanding faculty and staff to UCSC. Thank you for your continued contributions to this important work.

Sincerely,



David S. Kliger
Interim Campus Provost and
Executive Vice Chancellor

cc: (please see next page)

cc: Chancellor Denton
VC Hernandez
VC Vani
VC Michaels
Housing Manager Houser
Academic Senate Chair Designate Crosby
Academic Senate Vice Chair Designate Quentin Williams
Chair Ortiz, Faculty Welfare Committee
Assistant Provost Moreno

UNIVERSITY OF CALIFORNIA, SANTA CRUZ
OFFICE OF THE VICE CHANCELLOR, STUDENT AFFAIRS

April 4, 2006

DAVID KLIGER
Executive Vice Chancellor & Campus Provost

**RE: Planning Framework for the Development:
Employee Housing Administrative Plan (EHAP)**

Dear Dave:

This letter is submitted in response to your recent request for the development of an Employee Housing Administrative Plan (EHAP). Your request followed concerns that have been raised by the Senate Executive Committee (SEC) regarding planning for future Employee Housing. When we met earlier to discuss the approach that you would like to advance, we agreed that there would be two steps in the process for development of the Administrative Plan. Specifically, I was asked to provide:

- a. Framework for the Planning Process
- b. Employee Housing Administrative Plan

BACKGROUND.

This document outlines the framework for the work that will be undertaken between April and September, 2006 in support of the development and delivery of the Employee Housing Administrative Plan. Conceptually, the development of an Employee Housing Administrative Plan will serve as the precursor to the development of an Employee Housing Master Plan. The distinction between the Administrative Plan and the Master Plan would be that the Administrative Plan would identify a comprehensive strategic plan for all aspects of employee housing and the Master Plan would be specific to the construction and property development program. Additionally, the Employee Housing Master Plan would be developed after the campus has an approved LRDP and it would support next steps with respect to detailed program requirements, site analysis, budget parameters, physical planning, and options for future employee housing project delivery.

CHARGE TO PROCEED.

With your review and acceptance of the following framework for the development of the EHAP, I also request an official charge letter from your office.

ADMINISTRATIVE TEAM.

The Employee Housing Administrative Plan will be developed by an administrative team comprised of staff from your office, CUHS and PP&C. Specific staff assigned to the process include; Jean Marie Scott (Project Lead) Charlotte Moreno, John Barnes, Elise Levinson, Sue Matthews, Steve Houser and Geri Wolff. This group will commence meeting in mid-April and will meet weekly through the completion of this assignment.

In addition to a Staff work group, we identified the need to utilize an external consultant both to drive the planning process and to secure expertise for those areas of analysis that may need external support (market analysis, construction cost analysis, etc.).

PLANNING PROCESS.

Attachment 1 outlines the issues, questions and analysis that will be integrated into the development of the Employee Housing Administrative Plan. This document also outlines the Planning Timeline.

QUESTIONS FOR SENATE EXECUTIVE COMMITTEE.

Attachment 2 is a set of questions that have been formulated for submittal to the Senate Executive Committee. SEC answers to these questions will assist in framing the EHAP and identifying desired outcomes from the start. Additionally, we will schedule specific times to meet and confer with the SEC or their delegated representatives. It is critical that the SEC provide input at the beginning of the planning process. In order to maintain the planning schedule, we ask that you deliver these questions to the SEC and request a response from them by May 1, 2006.

REQUEST FOR CONFIRMATION OF SENATE REPRESENTATIVES TO PROCESS.

To insure that consultation with the Senate is comprehensive and consistent, we ask that the SEC identify a list of names of those individuals who will be available to represent the SEC in the on-going consultation specific to this process. Representatives will need to be available between April and September, 2006.

PLANNING COSTS.

Attachment 3 provides an estimate for the costs that will be incurred through the six month planning process. These costs include: Consultant costs, PP&C costs, CUHS costs, related studies and contingency. The estimated cost for this portion of the planning is \$164,000.

Prior to advancing the planning process further, I seek funding approval and a funding allocation for the totality of the costs in the amount of \$164,000.

PROCESS DELIVERABLE.

The specific project deliverable is that you will receive an administrative plan with a set of strategic recommendations for your consideration and final approval. These recommendations will be the foundation upon which the next fifteen years of the Employee Housing Program may be developed. Background analysis for each recommendation will be included and the delivery date is October 1, 2006.

We will await your direction before proceeding.

Sincerely,

Francisco J. Hernandez
Vice Chancellor Student Affairs

Cc: Charlotte Moreno, Assistant Provost
Jean Marie Scott, Associate Vice Chancellor, CUHS ✓
File

Attachment 1
Framework for Employee Housing Master Plan

I. Administrative Plan Schedule:

- Planning Meetings Commence (April 14th)
- Hire Consultant (May 15th)
- Administrative Plan Report Outline (June 15th)
- Stakeholder Input Meetings (June 1st -July 31st)
- First Draft (August 15th)
- Final Plan (October 1st)

II. Issue Identification and Issue Analysis to be Addressed in Administrative Plan:

- Executive Summary and Key Recommendations
- Background and Historical mission of Employee Housing
- Mission Statement for 2005 – 2015
- Program Objectives
- Planning Assumptions
- Program Definitions
 - Defining Affordability
 - Defining Sufficiency
 - Defining Target Populations
 - Defining LRDP Goals
 - Defining Program
- Definition of the Challenges
 - “Gap” Costs vs. Income
 - Construction Escalation
 - Campus Construction Environment
 - Revenue Streams to Support Program Development
 - Financial Incentives/Mechanisms for Increasing Buying Power
 - Regional Housing Market and Shift in Goals of On Campus Program
- Option Analysis and Recommendations for Program Development
 - Resource Development - How to increase capitol funding to invest in product development and increasing employee buying power.
 - Resource Deployment – Where best to allocate limited resources.
 - Program Scope and Diversity
 - How many units, what price point, amenities
 - Unit sizing
 - Relationship between For Sale Program – Rental Program and Financial Incentives for Off Campus Ownership
 - Services for retired Employees

- Relationship between Employee Housing and Child Care Programs (proximity)
- Cost-benefit Analysis for:
 - Constructing Below-Market Housing
 - On-Campus
 - Off-Campus Public
 - Off-Campus UC owned sites
 - Offering Financing Incentives to Reduce Mortgage Payments
 - Increased Compensation
 - Acquisition of Off-Campus Housing
 - Other Alternative Scenarios
- 15 year construction budget forecast
- Administrative Reporting Lines for Employee Housing
 - Status Quo: Student Affairs oversight of Employee Housing
 - Other UC Models: Real Estate Services oversight of Employee Housing
 - 501(c) 3 Foundation
 - Other
- Governance and Advisory Models for Employee Housing
- Capitol Improvements for current units (expansion options)
- Ground lease, owner build options

**Attachment 2-
Questions for Senate Executive Committee**

The current Employee Housing program provides varied options including on-campus rental and for-sale housing as well as financing assistance for buyers who choose to live either on or off-campus. The current program provides a preponderance of 1 and 2 bedroom units, and larger 3 and 4 bedroom units will be under construction in the near future. The administration has provided these options in an attempt to satisfy a diverse employee market.

The administration is looking for input from the Academic Senate regarding the faculty who comprise much of the employee market. The answers to the following questions will help to inform the administration about the desires of the faculty as articulated by the Academic Senate.

1. Given that there are often competing demands of a housing program created by needs for Recruitment, Retention, and Retirement, who would the Senate identify as a target audience? Please define the group(s) you would like to see served.
2. How does the Senate define adequacy? Describe what size home is adequate for the different groups identified in Question 1.
3. Please define sufficiency. What percentage of faculty would you like to see served by the Employee Housing program in the context of the draft 2005 LRDP?
4. Normally, lenders offering financing calculate loan assistance based on projected mortgage payments based on a percentage of gross household income. If the Senate would like us to use this method, please identify at what debt-to-income percentage is housing no longer affordable?

Alternatively, please describe any other method the Senate would like us to consider.

Attachment 3
Estimated Budget for Administrative Plan

PP& C Staff	\$12,000
CUHS Staff	\$40,000(1)
Consultant Fees, Studies, Analysis	\$100,000
Contingency	<u>\$12,000</u>
Total Budget Projection	\$164,000(2)

Notes:

- (1) cost for CUHS Staff time not funded by employee housing. Per UCOP policy, these funds may not be absorbed by student housing fees.

- (2) cost does not include time for Steve Houser (\$12,500) as he is funded by employee housing.

April 13, 2006

VICE CHANCELLOR FRANCISCO HERNANDEZ
Student Affairs

Dear Francisco:

Re: Employee Housing Administrative Plan

Thank you for providing a proposed framework for the development of an Employee Housing Administrative Plan (EHAP). I am writing to charge you with the development of the EHAP as described in your proposal of April 4, 2006 (see attached).

The Employee Housing Administrative Plan will provide a comprehensive strategic plan for all aspects of employee housing. The EHAP will serve as the precursor to the development of an Employee Housing Master Plan, which can be developed once the campus has an approved LRDP. The Master Plan would be specific to the construction and property development of the program.

I expect that as the plan is developed you will ensure there is comprehensive and consistent consultation with the Academic Senate. To initiate consultation with the Academic Senate and to assist in maintaining your proposed schedule, I have conveyed to the Academic Senate the specific questions you raised to assist in developing a plan that can address the needs of the faculty. I have asked that they provide information in response to the questions by May 1, 2006.

I am willing to provide you with the requested funds to support the planning process in the amount of \$164,000. This amount has been identified in your proposed budget to cover staff time that cannot be absorbed by student housing fees as well as projected costs to engage the services of a consult that can provide expertise in areas such as market analysis and construction cost analysis. Please contact Free Moini in Planning and Budget (9-4304 or fbmoini@ucsc.edu) regarding the transfer of these funds.

Thank you for your efforts to work towards providing a plan to address employee housing for the campus. I am hopeful that this plan will provide the campus with viable options we can use to address recruitment and retention of our faculty and staff. I look forward to receiving the Employee Housing Administrative Plan by October 1, 2006.

Sincerely,



David S. Kliger
Campus Provost and
Executive Vice Chancellor

Attachment

cc: Academic Senate Chair Faye Crosby
Chancellor Denton
Vice Chancellor Meredith Michaels

February 23, 2007

ACTING VICE CHANCELLOR SCOTT
Student Affairs

Dear Jean Marie:

Re: Employee Housing Administrative Plan (EHAP) Recommendations and Charge

Thank you for the leadership and direction you have provided to the Employee Housing Program. You and your staff have demonstrated exceptional commitment to your responsibilities as stewards for this program. There have been many challenges and obstacles along the way, but you have successfully forwarded efforts to expand and develop housing inventory, to implement new loan programs, to find new assets for purchase and to provide the campus leadership with options and analysis. Despite the challenges, your team has continued to be creative and responsive to the needs of the campus community.

With the above as context for this charge, I now ask you to move forward on several initiatives that are outlined in the attached EHAP Recommendations document. The delivery of the Employee Housing Administrative Plan was the first step in this process. Taking into consideration separate input provided by the Senate Executive Committee, I have reviewed the recommendations you provided in the attached document and thought it most effective to insert my charge(s) for action within the framework of the document. Please refer to it for specifics and rationale. The implementation of the attached charges will be an effective step in further enabling the Employee Housing Program to assist more employees with their housing needs.

As you will note, one of these action items is to proceed with the development of an Employee Housing Master Plan. Now that we have an approved 2005 Long Range Development Plan, the campus can embark on the important endeavor to plan and identify future employee housing developments on campus. Parallel to this process, I ask that you proceed with all work specific to the construction of Ranch View Terrace. You should also continue to analyze additional on-campus near term development opportunities and off campus asset procurement opportunities.

Thank you for your continued leadership. I look forward to working with you on this ambitious agenda intended to advance the Employee Housing Program.

Sincerely,



David S. Kliger
Campus Provost and
Executive Vice Chancellor

Enclosures: Employee Housing Administrative Plan Recommendations

cc: (please see next page)

cc: Acting Chancellor Blumenthal
Academic Senate Chair Crosby
Assistant Vice Chancellor Eckert
Assistant Director Houser
Director Levinson
Executive Director Matthews
Vice Chancellor Michaels
Assistant Campus Provost Moreno
Assistant Chancellor/Chief of Staff and CWC Chair Sahni
Vice Chancellor Vani
Analyst Wolff

Employee Housing Administrative Plan (EHAP) Recommendations
 Recommendations to CP/EVC and Charge to Student Affairs

I. Modifying Employee Housing Administrative Structure	
Consultant Rationale	<p>A) Incorporate the entire Employee Housing Program (staff and inventory) into a 501(c)(3). This would allow the campus to better serve Employee Housing Interests in the following means:</p> <ul style="list-style-type: none"> • Financing: it could secure and administer financing vehicles more easily. • Investment: 501(c)3 would invest in real estate (partially funding the function). • Development: a more efficient review and entitlement process, especially if the campus provides a ground lease for substantial acreage for a master plan approach as opposed to project by project approach. • Improved capacity to be more nimble, responsive and sustainable beyond periodic changes in campus administrative and academic leadership. <p>B) The reporting relationship of the 501(c)(3) is not an issue to consider, as it would be operating outside of the University structure. There would be an all-University Board of Directors, serving at the will of the Chancellor.</p>
UC Staff Input	<p>A) The campus should embark on an assessment of the 501(c)(3) exemption in order to determine what benefits it can bring to the Employee Housing Program. The Irvine Campus Housing Authority (ICHA) can serve as a model/prototype. Further analysis should determine in what capacity a 501(c)(3) should be implemented (i.e. to incorporate the entire Employee Housing Program, future portions of the program, north campus development only, off campus development only, etc.). While a 501(c)(3) may have merits, it should be noted that it is not exempt from environmental review, campus requirements, or building codes. Though a 501(c)(3) generally can apply a prevailing wage exemption to construction projects, this exemption can prove to be politically difficult to implement.</p> <p>B) With regard to reporting relationship, Employee Housing maintains administrative efficiencies in its placement in Student Affairs. The Academic Senate has suggested that the unit be moved out of Student Affairs. This reassignment is possible, but if implemented, Employee Housing would lose access to the expertise provided by the existing student housing support staff (i.e., financial planning, facilities operations, residential community management expertise, etc.).</p>
Analysis	<p>A) The Academic Senate has voiced strong support of the formation of a 501(c)(3). Considerations of a 501(c)(3) would include (but not be limited to): makeup of the Board of Directors; incorporating it into the campus organizational structure; feasibility of Regents approval; risk assessment; financial feasibility; and asset management/asset inclusion options.</p> <p>It is recommended that a detailed analysis be provided on this subject before any decision is made, including identifying a funding mechanism for such an entity.</p> <p>B) A decision on the reporting relationship of Employee Housing should take input from the Academic Senate into consideration; they are of the opinion that a direct reporting relationship to the CP/EVC would help the program respond to faculty needs. However, any unit that incorporates this program must be prepared to provide funding, expertise, and leadership support.</p>

Employee Housing Administrative Plan (EHAP) Recommendations
Recommendations to CP/EVC and Charge to Student Affairs

CP/EVC Charge to Student Affairs: While shifting to a 501(c)(3) may prove beneficial to the campus, before proceeding I think it prudent to have a more detailed understanding of how it could benefit (or possibly impede) efforts to develop Employee Housing. I charge Student Affairs to submit a detailed recommendation outlining the advantages/disadvantages of this program. This analysis should furthermore determine what percentage of the existing and/or future Employee Housing Program should be incorporated into such an entity. I request that this analysis be provided by **June 1, 2007**.

With regards to the reporting structure, at this time, I will not change the reporting relationship of the Employee Housing Program through Student Affairs. However, I will reconsider this decision once I have the analysis on the 501(c)(3).

Signed <u>David Kliger</u> David Kliger, Campus Provost and Executive Vice Chancellor	<u>2/23/07</u> Date
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Employee Housing Administrative Plan (EHAP) Recommendations
 Recommendations to CP/EVC and Charge to Student Affairs

II. Modifying Pricing of For-Sale Inventory	
Consultant Rationale	<p>Re-indexing the pricing of for-sale units would allow the campus to:</p> <ul style="list-style-type: none"> • Generate seed capital, which would provide for program enhancements and/or expansion; and • Create a disincentive to long term ownership, which would result in more unit turnover (benefiting more employees).
UC Staff Input	<p>While UC Staff Are in agreement with the consultants' concept of re-indexing for-sale unit pricing, it is important to identify that the campus would need to exercise the Right of First Refusal when owners notify that they want to sell their unit. Additionally, it is recommended that after purchasing units, the campus update the unit aging interiors in order to keep them attractive to prospective employee purchasers. (Exterior of units are managed by the respective Homeowners Associations.)</p> <p><i>Note: The Employee Housing Program is currently implementing a pilot program to test this concept to exercise the right of first refusal and remodel unit interiors.</i></p>
Analysis	<p>A draft proposal has identified the benefits and ramifications of re-indexing in great detail. In summary, re-indexing would generate much needed seed capital and provide a disincentive to long-term ownership. In addition, re-indexing the pricing of for-sale units would allow the program to achieve an even distribution of demand among all units (currently, the oldest, most inexpensive units are disproportionately coveted).</p> <p>Stakeholders (persons on waiting lists) would likely hold a negative view of this re-indexing concept, as it would increase the pricing of units for which they were waiting.</p> <p>Decision Points: The campus needs to determine 1) an "appropriate" market percentage for which to index units and 2) how to apply funds derived from re-indexing.</p>

CP/EVC Charge to Student Affairs: The Employee Housing Program should purchase any unit that is offered for resale, with the condition that such a purchase would prove advantageous to the program. Units purchased should be renovated, if necessary, and brought up to an acceptable program standard. This will facilitate the resale process for existing owners, enabling more of them to sell their units. In turn, this will increase the number of entry level units that come available to new employees. Given that there are numerous existing owners looking to relocate to Ranch View Terrace, it is important to facilitate this transition in order to create as many entry level opportunities as possible.

(continued)

Employee Housing Administrative Plan (EHAP) Recommendations
Recommendations to CP/EVC and Charge to Student Affairs

After adding costs incurred through exercising the Right of First Refusal/Renovation option outlined above, the program should re-index the unit value to approximately 60 percent of Santa Cruz market rates (as defined by independent appraisal). I expect that the program continue to use the 60 percent figure until I am advised by you or your staff that another rate would be more appropriate. Profits gained from re-indexing existing program units shall be applied as follows: 40 percent of all profits gained from re-indexing should be applied to the "Low-Interest Option" Supplemental Home Loan Program (LIO-SHLP) while 60 percent of these profits should be utilized as reinvestment capital for master planning, new project development, and other needs specifically related to the expansion of the employee housing program. At the conclusion of the Ranch View Terrace Sales Program, contributions to the LIO-SHLP shall cease and 100 percent of profits shall be applied to Employee Housing program asset development.

Signed <u>David Kliger</u> David Kliger, Campus Provost and Executive Vice Chancellor	<u>2/23/07</u> Date
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Employee Housing Administrative Plan (EHAP) Recommendations
 Recommendations to CP/EVC and Charge to Student Affairs

III. Encourage Unit Turnover	
Consultant Rationale	<p>The Employee Housing Program should create “disincentives” to long-term ownership, so that more employees may benefit from program inventory. Suggested for-sale disincentives are:</p> <ul style="list-style-type: none"> • Create and implement a new lease clause to limit price appreciation after a certain number of years of ownership. • Increase purchase price to reduce financial benefits to owners, thereby encouraging transition to the open market. • Construction of smaller, “transitional” units in the future would minimize monthly expenses for owners, but would simultaneously discourage long-term residence. <p>It is additionally suggested that the program continue restricting occupancy in the rental units to a short period. This practice has already proven successful in helping faculty and staff move into the for-sale market (on and off campus).</p>
UC Staff Input	<p>Turnover in “transitional” units can be achieved by constructing units that are designed for larger households. Ranch View Terrace was designed to fit this need. It is expected that Ranch View Terrace purchasers will transition into the market more easily than current owners of other units, as the pricing is closer to market. Additionally, appropriate financing incentives can lure owners to transition to other units. An example of a financing incentive is the LJO-SHLP, which gives a \$50,000 low-interest loan to current homeowners moving out of existing units.</p>
Analysis	<p>Restricting price appreciation after a certain number of years should be avoided, as doing so could be too great a disincentive to prospective purchasers (negatively impacting demand).</p> <p>The preponderance of units in the for-sale inventory are two-bedroom and hence are “transitional” in nature. Therefore, it cannot be argued that size alone will prevent long-term residence.</p> <p>As a principle, it would be important for the employee housing program to continue to be developed primarily as a “transition” program both in the rental and for-sale programs. Short of this, inventory development will never be able to keep up with demand. The original construct of employee housing on the campus was to develop an inventory and loan incentive programs to provide a place for new faculty to transition into the regional market until their rank and salary enabled financial capacity to purchase or rent off campus. This would not preclude buyers from staying permanently on campus in for sale housing.</p> <p>It can be argued that low price points do encourage long-term residence, as the most inexpensive units have the lowest amount of turnover. Employees owning these units receive large financial benefits, and therefore are unwilling to leave, even when the unit may not accommodate their household.</p>

Employee Housing Administrative Plan (EHAP) Recommendations
Recommendations to CP/EVC and Charge to Student Affairs

CP/EVC Charge to Student Affairs: As a principle, the Employee Housing Program should continue to be developed primarily as a "transition" program both in the rental and for-sale programs. Higher price points (achieved through re-indexing) will be a sufficient disincentive for many new purchasers to occupy their residence for the long term. I do not believe there is a need to incorporate other types of disincentives at this time.

Since I do believe it is a priority to generate turnover in existing entry-level units, I will work to increase home financing assistance for eligible homeowners. Details regarding this assistance are identified in Section V.

Signed <u>David Kliger</u> David Kliger, Campus Provost and Executive Vice Chancellor	<u>2/23/07</u> Date
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Employee Housing Administrative Plan (EHAP) Recommendations
 Recommendations to CP/EVC and Charge to Student Affairs

IV. Generate Seed Capital	
Consultant Rationale	<p>Program funding is critical in order to further property development and/or procurement for the Employee Housing Program. This can be best implemented through a 501(c)(3) entity.</p> <ul style="list-style-type: none"> • Rental stock to yield profits. • Realize margins on campus for-sale inventory. • Speculation and return in off-campus market.
UC Staff Input	<p>UC staff are in agreement with the consultants that seed capital is necessary to expand the program. Should program inventory not be re-indexed, an additional funding structure needs to be identified before the program can expand. Currently, there is no other option for the development of seed funding and the campus would need to identify other university funds to redirect to the program.</p>
Analysis	<p>There are currently no funds available for the expansion of the Employee Housing Program. Since state funds cannot be applied, the program needs to be self supporting.</p> <p>Unless the campus is willing the embark upon recommendations to either: (1) increase rates for the rental stock; and/or (2) re-index the for-sale inventory, it should not be expected that the Employee Housing Program can provide additional inventory and/or services.</p>

CP/EVC Charge to Student Affairs: I have already directed Student Affairs to proceed with re-indexing the for-sale inventory within the Faculty and Staff Housing Program. I will await the analysis regarding forming a 501(c)(3) before providing direction on other means to generate seed capital.

Signed _____ David Kliger, Campus Provost and Executive Vice Chancellor	_____ Date
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Employee Housing Administrative Plan (EHAP) Recommendations
 Recommendations to CP/EVC and Charge to Student Affairs

V. Home Financing	
Consultant Rationale	MOP and SHLP programs are effective, but survey data show that many Senate faculty are not aware of these programs. The campus needs to do a better job marketing these programs.
UC Staff Input	<p>While the campus could be more aggressive in marketing these programs, it is important to recognize that the LIO-SHLP is a more effective use of campus funds than a Recruitment Allowance.</p> <ul style="list-style-type: none"> • Recruitment Allowance money would be more efficiently spent as a loan (no tax loss) • Unlike Recruitment Allowances, loan funds are recoverable over time, are reinvested into the program, and can be utilized for future faculty
Analysis	<p>The LIO-SHLP has been an effective means to provide home-purchase assistance to faculty. Since this assistance is recoverable, it is an attractive option for the campus.</p> <p>If the pending March Regents Item is approved (would allow 100 percent financing on homes using a SHLP loan), there can be no argument made for the issuance of a Recruitment Allowance to new faculty. In this event, the LIO-SHLP should replace the need for Recruitment Allowances and funding for Recruitment Allowances should be redirected to the LIO-SHLP.</p> <p>Even if the pending March Regents Item is not approved, the campus should strongly consider diverting funding away from Recruitment Allowances and into the LIO-SHLP. While a Recruitment Allowance can be used more broadly than a LIO-SHLP (it could be used to defray household expenses such as rent or childcare), there is no mechanism in place for the campus to: (A) determine the necessity of the expenditure; and/or (B) recoup such funds should a recipient leave the campus.</p> <p>If the money were diverted into the LIO-SHLP, the campus would receive an interest and principal return on the investment. The campus could be exposed to losses should the real estate market depreciate at a time when mortgagees are selling their homes. Since this risk has an advantage (as opposed to recruitment allowances), this is a much smaller risk to the campus.</p>

CP/EVC Charge to Student Affairs: Since its inception in August 2007, the LIO-SHLP has been an extremely popular home financing option with eligible Senate faculty. Moreover, since the funds are recoverable, I believe that it was a wise decision on the part of the Senate, Council of Deans, and CUHS staff to apply the \$1 million into this program.

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Employee Housing Administrative Plan (EHAP) Recommendations

Recommendations to CP/EVC and Charge to Student Affairs

I believe that the low interest rates, coupled with the option to defer principal payments, has enabled and will continue to enable many Senate faculty to purchase homes in the area. For this reason, I wish to temporarily expand its funding with profits realized by re-indexing the current for-sale inventory as I identified in Section II.

In order to maximize the opportunities provided by the Ranch View Terrace transition opportunity, I would like you to modify the LJO-SHLP procedures (working with the same advisory groups) and increase the maximum loan limit for eligible current homeowners from \$50,000 to \$75,000.

Upon learning of March Regents' decisions, please provide a recommendation on whether the campus should emphasize funding to the LJO-SHLP instead of Recruitment Allowances. I will expect this analysis by **April 15, 2007**, unless the aforementioned Regents item is delayed. This incentive will be offered to any eligible current homeowner who sells his/her home prior to the completion of the Ranch View Terrace project.

Signed  David Kliger, Campus Provost and Executive Vice Chancellor	2/23/07 Date
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Employee Housing Administrative Plan (EHAP) Recommendations
 Recommendations to CP/EVC and Charge to Student Affairs

VI. Future Construction and Development of For-Sale Units	
Consultant Rationale	<p>A) Growth is needed in the For-Sale Program, and an Employee Housing Master Planning Process is needed to plan for expansion of the program. It would incorporate:</p> <ul style="list-style-type: none"> • A physical/land use plan; • The EHAP; • Conceptual guide identifying commitments and allocating resources; • Feasibility Studies, site-specific and project-specific analyses; and • Delivery mechanisms (3rd party, design-build, etc.). <p>B) Assuming market indicators for the cost of housing in Santa Cruz County and trends that sales prices will remain relatively consistent, the campus is advised to construct entry-level below-market units in the future so that it can house the greatest number of employee households</p> <ul style="list-style-type: none"> • Campus would have to ignore demand data (surveys reveal most employees want to purchase single family homes above 2000 asf). • Given that the Ranch View Terrace Project is both entitled and planned, the campus should proceed with both phases of this development as soon as possible, as redesign would not bring significant benefits to the campus and redesign would open a window for additional lawsuits under the EIR and CEQA.
UC Staff Input	<p>A) UC Staff agrees that the Employee Housing Master Planning Process should commence.</p> <p>B) The campus has incorporated 63 two-bedroom condominiums into the program since 2003, and has sold all of these units to employees. While the units did sell relatively quickly, waiting list attrition was significant (40-50 percent of employees turned down offers to purchase) and all Senate faculty who expressed interest were offered units to purchase. While attrition may have been high because the condominium units were 30-40 percent more expensive than other program inventory, it would be critical to evaluate Ranch View Terrace sales (and remaining demand) before determining how to plan for future development.</p> <p>It is likely that Ranch View Terrace sales will be robust. In this case, the campus is strongly recommended to proceed with subsequent phases on the project.</p>
Analysis	<p>Each faculty and staff housing project has been constructed at a more expensive price point than the preceding project. While price points of newer housing projects have generally been satisfactory to the newest hires, they are not as well received by the Senate faculty on waiting lists for longer periods of time. These faculty tend to expect that newer developments be priced and styled similarly to those preceding (they traditionally do not factor in construction cost escalation and campus capacity to make an equity contribution to the project).</p> <p>Further analysis must be done in an Employee Housing Master Plan regarding planning future developments. The campus must be careful to assess the needs (and financial realities) of current and future employees when designing new developments and to manage expectations more effectively.</p>

Employee Housing Administrative Plan (EHAP) Recommendations
Recommendations to CP/EVC and Charge to Student Affairs

CP/EVC Charge to Student Affairs: Please immediately proceed with the development of an Employee Housing Master Plan. This Master Plan should be specific to the construction and property development of the Faculty and Staff Housing program as defined by the 2005 Long Range Development Plan. Elements that should be considered include: the development of a physical plan; site identification; feasibility studies for said plan; and timing of bringing units to market. The plan should also include a set of 'dashboard' indicators that articulate how the success of the program will be monitored. For example:

- LRDP goal for employee housing;
- Unit price points compared to Santa Cruz market sector; and/or
- Total number of units as a percentage of total employees compared to other UC campuses.

I would expect that a draft plan be presented to me by **December 15, 2007**. Funding for this plan should be borne by the Faculty and Staff Housing Program (using financial capacity gained from re-indexing units).

I concur that Phase II of Ranch View Terrace should proceed as quickly as possible. When appropriate, please submit a final letter of recommendation for CP/EVC concurrence based upon the construction and sales of Phase I

I ask that you concurrently explore other construction and asset procurement opportunities that may benefit the program. Please continue to seek and evaluate these opportunities (i.e. purchase off campus inventory, site specific analysis for on-campus projects, etc.) that could expand the inventory or effectiveness of the program.

I also ask that by **March 1, 2008**, you provide one additional on-campus construction opportunity that includes preliminary site analysis and financial feasibility analysis. This could be for either a rental or for-sale project and should factor in the assumption that Ranch View Terrace is approved for construction of all phases. Funding for this plan should be borne by the Faculty and Staff Housing Program (using financial capacity gained from re-indexing units).

Signed _____ David Kliger, Campus Provost and Executive Vice Chancellor	_____ Date 2/23/07
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March 24th, 2008

David Kliger
Campus Provost and Executive Vice Chancellor

**Re: Employee Housing Master Plan
Request for Extension due to Mitigating Circumstances**

Dear Dave,

This letter follows your letter of February 23rd, 2007 to previous Acting Vice Chancellor Scott in which you outlined several action items and deliverables pursuant to the Employee Housing Administrative Plan. The specific actions that you stipulated were collectively in support of transitioning the Administrative Plan into an Employee Housing Master Plan ("EHMP"). To date, many of the actions that you assigned have been advanced or delivered. My letter addresses a formal request for an extension of the following deliverables:

- Employee Housing Master Plan (draft plan due: December 15th, 2007, final plan due March 1st, 2008). Elements to include:
 1. Employee Housing Site Specific Analysis for North Campus site
 2. Alternate on and off campus site analysis
 3. Specific Components and recommendations for a Master Plan
- 501(c) 3 Analysis (initial analysis due: June 1, 2007)

With respect to the EHMP, Campus Counsel advised our staff (in fall, 2007) that there should be no discussion nor finalization of this plan until the 2005 LRDP is finalized. I seek your approval for an extension for delivery of the EHMP 8 weeks beyond the final outcome of the LRDP (be that outcome arrived at through mediation or through court proceedings).

With respect to the 501 (c) 3, UCOP analysis is expected to be delivered in May, 2008. When this information is received by the campus, we will provide this information to your office. This analysis will not include a specific recommendation about the 501(c)3 structure/option for the campus. Following the sale of the final home in Ranch View Terrace Phase I, the program staff will evaluate the overall employee housing program as to how the recent program changes, Ranch View Terrace Phase I sales and the 501(c) 3 analysis translate into a final recommendation about a possible administrative structure. This recommendation will be submitted no later than December 30th, 2008 (assuming no substantial delay in the Ranch View Terrace Phase I sales program). We believe that a final recommendation on the administrative structure and the possible 502(c) 3 is best understood in the context of how the overall program is now functioning following many of the changes implemented in the past two years and the full roll out of the RVT Phase I sales.

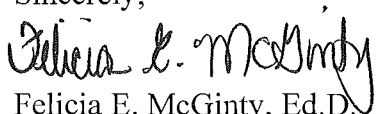
While I seek an extension, I note that CUHS Staff have continued planning for the EHMP. The required analysis continues in collaboration with PP&C and the consultants and on-going meetings have been held with the Senate representatives for discussion and review of several aspects of the plan.

One final recommendation that I offer is that I believe it would helpful to provide a briefing for your office and Ted Holman, Chair of the Committee on Faculty Welfare by June 15th, 2008. At this briefing, we could provide a conceptual overview of the Employee Housing Master Plan, the 501(c)3 analysis and the draft components which will likely be included in the final plan.

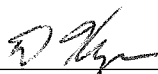
Your approval may be provided through concurrence below. I and my staff are available for discussion should you need.

As always, I appreciate your consideration.

Sincerely,



Felicia E. McGinty, Ed.D.
Vice Chancellor, Student Affairs



Concurrence: EVC/CP David Kliger

4/2/08

Date

Cc: Charlotte Moreno, Assistant Provost, Campus
Jean Marie Scott, Associate Vice Chancellor, CUHS
Steve Houser, Director, Capital Planning and Construction, CUHS
Student Affairs Chron File
CUHS Chron File