Student Family Housing Redevelopment Committee – Meeting Minutes Summary

Date: 10-21-2014   Time: 1:00PM – 2:30PM PST

Participants: Assistant Vice Chancellor Clayton Halliday, Associate Dean Lenora Timm (Chair), Marilyn Derby (Project Manager), Brittany Derieg (Project Assistant), Assistant Director of Design and Construction Management Mark Rutheiser (Guest Presenter), Professor Michael Rios, Chair of Graduate Student Association Erica Vonasek, Graduate Student Assistant to the Dean and Chancellor Angel Hinzo, Graduate Student Representatives Aaron Fackler, Gordon Rees, Sara Petrosillo, Paul Johnson, and Cutcha Risling Baldy, and Undergraduate Student Representative Ryan Reynolds.

Presentation: Financial Models for Redevelopment of Orchard Park

The committee has heard about the existing financial model for student housing, which is that it is entirely self-sufficient and the rents must cover the total cost of building and maintenance. However, that may not be the financial model that fits best with the goals for student family housing. Today, we will be reviewing three basic situations regarding the future of Orchard Park.

The first potential situation to be evaluated is the rehabilitation of the existing structure. Based on the cost of this renovation, the committee aims to understand what the rents would need to be in order to completely cover the cost of the renovation, and what is the difference between that projection and what is affordable?

The next situation to be analyzed outlines rebuilding Orchard Park in-kind, exactly as is, but with new parts. For reference, the final situation looks at the costs associated with the third-party rebuild originally proposed by student housing.

Each of the above situations are fully adjustable. It is the hope of the committee that by changing certain assumptions of the financial model used to evaluate each of the above, such as the interest rates on a loan, initial campus capital, etc, we will be able to understand what the most important and impactful factors are in developing a new financial model that produces the lowest rent possible and is still sustainable.

We begin by asking: over the whole life of the property (assumed to be 60 years) what would the rents need to be in order to keep the project fiscally neutral? Certain assumptions can be held constant or made a variable. For example, we can input a preferred rent, affected only by inflation for the next 60 years, and see what the initial contribution would need to be from the campus in order to make the overall project fiscally neutral. This meeting will be spent evaluating a variety of conditions such as this so that the committee can develop an understanding of the estimated financial needs of student family housing redevelopment.
**Initial Assumptions:** Project data such as square feet and the number of bedrooms, as well as the associated costs, which are based on current campus building costs. Six full time custodial staff are included in the model to maintain the 500 bedroom property, as well as several maintenance and grounds staff. Each of these projects are assumed to have a net-present-value (NPV) of zero, which indicates that they are entirely self-supporting. However, this does not need to be the case, as there may be funds pulled from other revenue-generating housing projects, existing reserves, or funding campaigns. All of these sources of funds are currently being investigated.

The initial conditions of each of the three redevelopment models with the above assumptions are detailed below:

<table>
<thead>
<tr>
<th>Model</th>
<th>Square Footage</th>
<th>Bedrooms</th>
<th>Total Cost</th>
<th>Rent per Bedroom</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REHABILITATE EXISTING</strong></td>
<td>175,092</td>
<td>400</td>
<td>$50,594,050</td>
<td>$809 per month</td>
<td>3%</td>
</tr>
<tr>
<td><strong>REBUILD EXISTING</strong></td>
<td>175,092</td>
<td>400</td>
<td>$57,000,000</td>
<td>$854 per month</td>
<td>3%</td>
</tr>
<tr>
<td><strong>3RD PARTY REDEVELOPMENT</strong></td>
<td>373,000</td>
<td>817</td>
<td>$40,141,394</td>
<td>$788 per month</td>
<td>3%</td>
</tr>
</tbody>
</table>

Results: Assuming the campus can provide 20 million dollars upfront (reducing the size of the initial loan), rents decrease by just over $150 dollars per bedroom per month. Extending the loan length from 30 years to 60 years increases the rent slightly. Reducing the length of the loan to 20 years reduces the rent by only a few dollars. Assuming that we borrow the 50 million needed from the University, or from a bank at no interest, and pay it back over 30 years, then rents go down about $300 per bedroom per month. Upfront construction cost has relatively little impact on the overall rent, what is more important are the operating costs and the income. Densifying would allow us to take advantage of economy of scale, and is overall more sustainable.
Committee Timeline

The committee will be continuing forward in three phases. The first phase is fact finding in the areas of affordability, quality of life, and facilities. In November we hope to complete all of our focus group meetings, such as those with international students and the custodial and maintenance staff at the parks. Phase two would be goal setting, which would begin in December and end in February, and which would be punctuated by committee engagement opportunities (open forums and an online survey). The third and final phase would be report writing, which would bring us into direct meetings with administration and leadership, the community, and any other affected units. This is to ensure that the process is as collaborative as possible, and that at the end there are no surprises to any group.

Action Items

The committee needs to contact student housing and investigate what the existing reserves are, and what could be put upfront for this project. We also need to investigate what the debt ceiling is for the University and how this affects our ability to borrow.

The ratios of staff to students needs to be investigated so that we can include more accurate operational cost figures in future models.

The committee needs to investigate the ratio of open space versus interior space at Orchard, Solano, and Russell Park, as well as at the more recently built property of 8th and Wake.

The projected future need for student family housing at UC Davis needs to be investigated, and related to the relative need for single graduate student housing.