

QUESTIONS AND ANSWERS ABOUT CAMPUS HOUSING

March 27, 2023

We at EMAC have been working on the Student Housing West (SHW) issue for five years, sometimes in the courts, sometimes at Regent meetings, sometimes trying to work with the UCSC administration, sometimes making our points in the press. It has been a long and complicated road. We have been blessed with a lot of support from a lot of people who care about the university, its students, and its long tradition of environmental stewardship. And we know some of you have questions about where we are now, how we got here, and where things are likely to go. We'll try, in what follows, to cover the range of questions, offering the best answers we can.

Q: Is the fight really over? Is it now certain that 17 acres of the East Meadow will be torn up?

A: "Certain" might be a little strong, but it is now very likely that the bulldozers will tear into the East Meadow. There is a slight possibility the bonds wouldn't sell, or that those with the remaining litigation would find a way to delay or block destruction/construction, or that USFWS would raise issues about the East Meadow site. But even putting all those things together, the odds against the bulldozers are now slight.

Q: When are the bulldozers likely to tear into the East Meadow?

A: The administration says it is planning on January 2024, give or take a month or two. Whether they can keep to that plan is unknown. They need to issue the bonds, finalize the design, select a general contractor, enter into a contract, and deal with any other issues that come up.

Q: The argument we keep hearing is, "But we need the housing!" Is that a valid argument?

A: UCSC does need additional housing, and has needed additional housing for a long time, so that part is valid. However this version of additional housing is, in fact, one of the worst possible options for how to build that additional housing. For example, the administration's proposed version of Student Housing West has been and continues to be one of the slowest possible ways to get additional housing for students. UCSC last completed a new on-campus building for student housing in 2004, but has greatly increased enrollment since then. That's what has caused overcrowding and unavailability of housing to students. Students not only needed more housing, they needed it sooner rather than later. By that measure, the administration's version of Student Housing West is an utter failure.

The administration and EMAC have both been advocating the same amount of additional housing, about 3100 additional beds. The difference between the administration and EMAC has been about where some of that housing would be put and when it would be available to students. The administration would put it mostly on the west side of campus but partly in the East Meadow, and EMAC would put it entirely on the west side of campus.

Q: Was there an option that would have made the proposed housing available to students sooner?

A: Yes. The version of the 3100 beds that EMAC has advocated would have made housing available to students much sooner. Ironically it is also the version that the administration originally proposed, back in 2016. Unfortunately, the administration abruptly abandoned that version in 2017 and has refused to consider it ever since. But that original version would have made housing available to students sooner in three ways:

- It would have made it possible to start construction much sooner.
- Time from construction start to construction finish and available to students would have been shorter.
- And it would have made nearly half of the housing available to students part way thru the construction schedule, vs. only making additional housing available at the end of all construction.

Q: Let's take those one at a time. What kind of difference are we talking about in when construction could have started?

A: The administration in the summer of 2017 had been preparing for the SHW project for over a year. This was their original version of the project, entirely on the west side of campus, on a 26-acre site, with nothing in the East Meadow. There was no significant opposition and no prospect of litigation. They belatedly understood that they would need to do a modest amount of habitat work in order to fully utilize that 26 acres, and their expert staff determined that doing that work would delay the start of construction by about 6 months. So if they had just agreed to do that 6 months of extra work, they would have been starting construction early in 2019, half the beds would have been available in Spring of 2022, and the balance of the beds would have been available in early 2023. The entire project would already be completed and students would now be living in it.

But instead they decided to avoid doing the habitat work by cutting the 26 acres on the west side of campus down to 13 acres. And as a consequence they proposed a new version of the project that would make the first phase of project construction (140 units of Family Student Housing and a childcare facility) in the East Meadow. That made the entire project highly controversial, which it had not previously been.

First the administration lost a year because none of the preparatory work for construction in the East Meadow had been done – so to save 6 months they immediately lost a year. Then, despite clear indication from multiple parties that there would be litigation if the administration continued on their East Meadow version of the project, the administration insisted on sticking with their East Meadow version, rather than reverting to their original version.

Because of that lost year it took them until March 2019 just to go to the Regents for project approval. And after that the project was so controversial that, as expected, multiple parties filed multiple litigations (there is still litigation pending, though not by EMAC). As things now stand, the administration is hoping to start construction in early 2024, though there are still a few uncertainties hanging over that.

Put all that together, and the original administration version, which is also the version advocated by EMAC, would have had a construction start of about March 2019, and the administration's current version, the partly-in-the-East-Meadow version, is hoping for a construction start of early 2024. That's roughly a 5-year difference in the start of construction.

Q: And what kind of difference are we talking about in the time from construction start to construction finish and available to students?

A: This is driven by the way the construction of each version of SHW would need to be sequenced or phased.

In the original version/EMAC version, the first phase is to immediately begin construction of roughly half the additional housing on half the 26-acre site. And when that is completed, the second phase is to replace the old Family Student Housing on the other half of the 26-acre site with the other half of the SHW housing.

In the administration's revised/partly-in-the-East-Meadow version, the first phase is to construct the East Meadow part of the project, which only constitutes about 10-15% of the total construction work of SHW, only provides about 5% of the beds of SHW, and actually provides no net increase in beds at all (as explained below). Nothing can be done on the 85-90% of the project that provides 100% of the net increase in beds until after that East Meadow portion is completed. So the bulk of the construction work, which is the part of the project that provides all its net increase in beds, does not even begin until the part that provides no net increase in beds is completed. That slows down the completion of the project.

In rough terms, the original and EMAC-advocated version would be about 4 years of construction start-to-finish, and the administration/revised/in-the-East-Meadow version would be about 5 years of construction start-to-finish.

Q: And what kind of difference are we talking about regarding when at least some of the additional housing would start being available to students?

A: Again this is about the complex way the administration has to sequence their version of this project. They've sold this project as providing about 3100 beds of new student housing, by far the largest housing project UCSC has ever attempted. But that is not what they actually asked the Regents to approve in March 2023. All the housing construction that they asked for, and all that was approved, is in the East Meadow. The only housing in that portion of the total SHW project is 140 Family Student Housing apartments. As soon as those apartments are completed and available, the plan is to tear down the existing 200 FSH apartments, for a net loss of 60 student apartments. On top of that, the project would provide no additional housing for roughly 4 years after that (assuming that later and larger portion of the project gets approved at some point). So for the next 5 years at least, the effect of the project will be to slightly reduce on-campus housing rather than greatly increase it.

EMAC has been advocating the same amount of new housing (about 3100 beds), but with 26 acres on the west side to work with, rather than only 13, the original/EMAC version of the project can begin work immediately on roughly half the total housing -- no waiting for an East Meadow project that provides no net increase in housing.

It all has to do with the different ways each project would need to be phased. As discussed above, for the administration's version the first phase has to be replacing 200 FSH apartments with 140 FSH apartments, for a net loss of housing at the outset. For the EMAC version the first phase is building about half the additional 3100 beds of new housing (and making those available to students immediately). That would include all the Family Student Housing, all the graduate housing, the childcare facility, and a bit less than half of the undergraduate housing. So instead of concluding the first phase with minus 60 beds, the first phase would conclude with roughly plus 1500 beds. That's a very big difference.

Q: So is there any way to quantify how much difference all three of those factors would have made in when students got the benefit of additional housing?

A: There are a lot of moving parts to keep track of here. And also it depends on when you assume the administration would have made the decision to revert to the original version of the project, as urged by EMAC. We'll show two different times that decision might have been made, and for each we will compare making that decision to go with the original/EMAC version vs. going with the administration's revised version, specifically looking at how much difference there would be in how soon additional beds would be made available to students.

But to make those comparisons as clearly as possible let's start by inventing the concept of the student-year. A student-year will be one year of housing for one student.

Whether we are talking about the administration's revised version or their original version as advocated by EMAC, the same amount of additional housing would be provided: about 3100 beds. The difference we are trying to measure here is the difference in when those beds would have been made available to students.

Comparison #1: If the administration, back in the Fall of 2017, after considering cutting the 26 acre site in half and not doing the habitat work, had rejected that idea and decided to do the habitat work and stick with the full 26 acres, how would that course of events have played out for students as compared to how it is now playing out?

Given the above discussion about the longer time to start of construction, the longer time during construction, and the longer time until first beds are available to students, the administration's chosen course has cost the students approximately 17,400 student-years of housing as compared to what would have happened if they had not made the decision to cut the original site in half and to move part of the project into the East Meadow.

Comparison #2: If we assume instead that the administration might have made the choice to revert to their original version, as advocated by EMAC, at some later date, how much difference would that have made for the availability of housing to students? As we shift to a later date for the administration to have made that decision, the effect of the first factor (when construction starts) is gradually reduced, but the other two delay factors remain unchanged.

Any date after the Fall of 2017 until today could have been the point the administration chose to revert to the original version of the project, but for the sake of our calculation we need to choose one point in time, so let's pick late 2020. The original mistakes that plague this project were made in the Blumenthal administration: the cutting the original site in half and putting part of the project in the East Meadow, the falsehoods presented to the Regents in the March 2019 sales pitch for the project, the improvised Regent action (that was later thrown out by the courts), all that is on Blumenthal's ledger.

But when that judge did throw out that approval in the Fall of 2020, the decision on how to proceed fell to a new Chancellor, Chancellor Larive. Either way she would have to go back to the Regents for a new approval – it was up to her to choose which version of the project she would ask to be re-approved. It could have gone either way; she described it as a very difficult decision, one she really agonized over. But ultimately she decided to stay with the revised/partly-in-the-East-Meadow version.

What has that decision meant for the availability of additional housing to students, as compared to what it would have been if she had decided at that point to revert to the original version, entirely on the 26 acres? The decision she made at that point has cost the students approximately 8,100 student-years of housing, and that

number could grow depending on some of the uncertainties still plaguing this project.

Either way, the version of the 3100 beds advocated by EMAC would have made a lot of housing available to a lot of students a lot sooner.

The irony, of course, is that every time the administration refused to revert to their original version of the project, they gave as the reason for their decision that they needed to get housing built for students as soon as possible. Yet as shown above, the actual effect was the opposite: they kept putting the badly needed additional housing in the slow lane.

Q: That's a lot of delay in getting much-needed housing to students. How much of that delay was caused by litigation by the various litigants?

A: Of the three types of delay we have just described, litigation played no role in two of the three. Those two are the length of time from construction start to construction completion, and whether a portion of the housing becomes available prior to completion of the entire project. In both those types of delay the cause of the delay is inherent in the project itself, particularly in the way the project would need to be phased.

With regard to the third type of delay (delay in getting construction started), litigation did play a part, but there were other elements at work in that type of delay as well. For example, when the administration chose to switch to the East Meadow version of the project they failed to take in to account that none of the necessary preparatory work had been done. As a result, the initial EIR they put out for public comment was so weak that they withdrew it and started over again. That added a year of delay to the start of construction before there was any litigation. Another example is that when the administration first took the project to the Regents for approval (in March 2019) their argument for approval was based on their conclusions about cost. Yet they inexplicably failed to provide any of the cost information supporting the cost claims they were making. This caused the Regents to only approve the project in an improvised and conditional way. That failure to provide the central cost information ultimately resulted in two years of delay to the start of construction, when the entire process of getting Regents' approval had to be repeated, this time with the supporting cost information. That two years of start delay was caused by an administration mistake compounded by a Regents' mistake.

And in a larger sense, even the delay caused by litigation was caused by the administration's mistake in the Fall of 2017, when they rashly abandoned their original version of the project to save 6 months of delay and did so in a way that not only caused a year of delay prior to any litigation, but also immediately and predictably caused the litigations, which had been signaled for several months.

Q: Their narrative is that everything they did was in the best interests of the students. That doesn't seem to be the case with respect to getting badly needed housing to the students as soon as possible. Are there other instances in which the administration's decisions were not in the best interests of students?

A: Their most recent proposal, just approved earlier this month by the Regents, would put an unusual degree of financial risk on students, more specifically on all students living on campus.

In general, the way campus-provided housing works at UCSC is that all the costs of housing students (construction, financing, maintenance, operations/utilities) are paid for by student rents, not by general UC funds. The costs of construction and financing of SHW, for example, would be paid over many years by all students living on-campus, not just by those living in SHW.

Just taking the relatively small portion of SHW that the Regents just approved (all that would be built in the East Meadow plus a very small amount for preliminary planning of the rest of SHW), that would require the borrowing (via sale of revenue bonds) of \$134.2 million. But with the financing costs added on top of that, the annual debt service costs (repayment plus interest) would average \$7.5 million per year for 35 years, for a total cost of \$262.5 million dollars. All that has to be paid by UCSC's on-campus students as an add-on to their rent. And that just gets students the housing portion of the East Meadow project that does not make a net add to the on-campus housing.

The unusual risk to students here is that there is still pending litigation against SHW: two cases on appeal to the Sixth District Court of Appeal, neither by EMAC. The bond market is not willing to accept the risk that one or both of those litigations might prevent the project from being built, so normally the project, and the selling of the bonds, would not proceed until the pending litigation had been resolved. But UCSC has proposed, and the Regents have approved, that the selling of the bonds and the beginning of construction would proceed while the litigation is still pending. That means the obligation to meet the annual debt service amount (\$7.5 million), in the event either litigation prevailed after the bonds had been sold, would fall on on-campus students, even though no project was being constructed.

In effect, students would be paying rent not only for the housing that they could live in, but also for housing that did not get built.

How great is the risk of that happening? That depends on the outcome of the two pending cases, which we cannot predict. We have no involvement in those cases and only know what is in the public record about them. But what is clear is that there is enough risk here that the bond market would refuse to bear it. So the administration would instead put that litigation risk on the backs of UCSC's on-campus students.

Q: So to sum up, EMAC would have provided just as much housing as the administration would have, but would have provided it much sooner and at lower financial risk to on-campus students. Correct?

A: Correct.