

Re: March 17-18, 2021 Regents Meeting

Agenda Items No. F4 and F5 of the Finance and Capital Strategies Committee on March 17, and the Full Board Meeting on March 18

March 14, 2021

Dear Regent,

I graduated from UC Santa Cruz in 2006 and received my Masters in Architecture from Harvard University in 2012. I am a member of the UCSC Alumni Council. My career path began many years before Harvard, when I began as a Chancellor's intern in the UCSC Campus Planning Office. While I write here speaking for myself, my values are indebted to the UCSC career professionals that mentored me.

In defense of its baseline proposal, UCSC prepared a cost analysis contrasting its estimated costs with the estimated costs of twelve alternatives (Supplementary Campus Report, March 23, 2019). This Report was submitted after the Regents considered the project at the March 13-14, 2019 meeting. I have reviewed the Report in depth and found it to be inadequate to its purpose and misleading. Here I offer an overview of my conclusions about the Report.

The alternatives in the Report are burdened with additional costs making them more expensive than the baseline proposal. The result is an apples-to-oranges problem.

The question the Report was supposed to answer: Was the University correct to choose the baseline proposal over any alternative on the basis of being the lowest possible price?

Due diligence shows the Report does not appropriately answer that question. The Report's data gives the baseline proposal advantages over all alternatives. Unlike the alternatives, the baseline proposal is free of any parking structure, biased without additional contingencies and escalation for having been chosen a year and a half earlier, and forgoes any opportunity cost analysis about the sites and utilities and road costs.

The Report is also misleading about costs applied to alternatives with sites identical to the baseline proposal. In these cases, such as alternatives 10, 11, 12, the University added costs that are unnecessary and should be removed to correct the analysis and make it apples-to-apples.

Similarly, all alternatives are estimated in a way that separates them from the baseline proposal by being priced as if chosen at the end of an additional year and a half period, whereas the baseline is advantaged by being priced at the start of such a period. That time contrast accounts for major cost disparities and contributes to the apples-to-oranges problem.

Here are specific observations of why the Report is misleading:

**1. Parking Structures: added to every alternative but not the baseline proposal**

- As an AEC professional, it is peculiar UCSC managed to add a parking structure to every alternative, but not to their baseline proposal.
- For instance, take alternatives 10, 11, 12, which show it is possible to build the Family Student Housing (FSH) & Early Education Center (EEC) on much smaller land area. These alternatives use 5.8, 6.5, and 8.5 acres respectively, whereas the baseline proposal uses a whopping 17 acres. It would have been rational for the baseline proposal to consider the opportunity cost of consolidating parking into a smaller area, but this is not done. Instead, the baseline proposal is the only version that lays out surface parking in the most sprawled way.
- Consider the alternatives that take advantage of the previously planned East Campus Infill project site. For each of alternatives 5, 6, 7, 9, UCSC added a 100-car, elevated parking structure. Why did they do this when that site had been originally designed with cheaper surface parking? What do they get from adding the more expensive parking structure? A net gain of 8 spaces.
- Surface parking costs 20 bucks a square-foot. But parking structures costs \$25,000.00 per structured parking stall. Because it is unnecessary to add parking structures, these alternatives are being unnecessarily charged \$2,500,000.00 for their parking structures. (Report Appendix 3, p2; Report p 22, 26, 30, 36)

**2. Alternatives 10, 11, 12: unnecessary cost burden to temporarily move FSH and EEC even when the “Heller” site is the exact same as baseline proposal**

- Alternatives 10, 11, 12 are laden with 20-month temporary relocation costs for FSH and EEC. This adds \$20,600,000.00 unnecessarily to each of these alternatives (Report p 39, 42, 45). The chart in Report Appendix 4, p3, shows UCSC assumes that phasing in alternatives 10, 11, 12 relocates FSH and EEC even before the construction begins. This is unnecessary charging money.
- The only aspect of alternatives 10, 11, 12 that is different than the baseline proposal is that the “Hagar” site is swapped out with another site. The “Heller” site in these alternatives is the same as the baseline proposal. UCSC could use the same phasing sequencing as the baseline proposal and not need any relocation costs.
- Additionally, as the chart in Report Appendix 4, p 3 shows, UCSC made the “Heller” site for alternatives 10, 11, 12 take a year longer to construct than it does in the baseline proposal, despite being exactly the same. Why was this done?

**3. Alternatives 10, 11, 12: contingency and escalation costs are added to the “Heller” site even when it is exact same as baseline proposal**

- The Report says 10% contingency is added because some sites "have not previously been evaluated for this project" (Report p9). If the understanding is the alternatives have been evaluated, why are they using lack of evaluation as criteria to up-charge them?

- It appears the 10% contingency is applied on alternatives 4 through 12 because the University did to study options while they were developing the baseline proposal. (Report Appendix 5)
- If contingency costs are included in the baseline proposal, then they are already budgeted for its “Heller” and “Hagar” sites. Why then is there then an additional 3% contingency cost added to all of the “Heller” sites in alternatives 10, 11, 12 when that site in those alternatives is the same as in the baseline proposal?
- Similarly, why is there additional escalation cost added to the “Heller” site in alternatives 10, 11, 12 when that site is the same in the baseline proposal?

**4. Family Student Housing Unit Cost: apartment costs in all alternatives are always more expensive than the baseline proposal**

- There is no data in the cost estimate to support the University's assumption the baseline proposal is the only way to ever build cheaper. If the University did seek to evaluate the pros and cons of procurement decisions, it would have made sense to study how alternatives can be built in a way comparable to the baseline proposal in order to maximize value.
- If we agree land is a rare and valuable commodity, it is irrational for such a large amount of land in such a precious location, the East Meadow “Hagar” site, to be used for such low density, suburban style apartment accommodations. What is the opportunity cost when building in low-density, with broad physical spread, over so many acres?

Chancellor Larive wrote on March 5, 2021 in an email that the baseline proposal is the “lowest possible price.” This is misleading. The Report does not account for the clear factors mentioned above that need to be adjusted. Otherwise, the Regents are approving a project based on a questionable cost analysis. Even worse, making a decision on such a huge project solely based on a single variable – one that is tenuous at best – is to put the cart before the horse.

What happened to designing a project centered on values and merits for the longevity of the University, its campus, and benefit to the student experience? This project has raised alarm by all major campus boosters of alumni, students, faculty, staff, and community. If cost alone, in the questionable way it has been presented by the Report is the sole criteria for decision-making, I also ask you please require UCSC to not only re-do their cost analysis Report, but study alternatives in order to re-center this project on the virtues of UCSC for the student experience.

It behooves to consider the concerns raised about this project and its cost analysis.

Thank you,  
 Matthew Waxman  
 Porter College Councilor, UC Santa Cruz Alumni Council  
 BA, UC Santa Cruz 2006  
 M.Arch, Harvard University 2012