

# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assembly Member Kevin McCarty, Chair

MONDAY, NOVEMBER 8, 2021  
10:30 AM, STATE CAPITOL - ROOM 4202

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*We encourage the public to provide written testimony before the hearing. Please send your written testimony to: [BudgetSub2@asm.ca.gov](mailto:BudgetSub2@asm.ca.gov). Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.*

*A moderated telephone line will be available to assist with public participation. Information regarding the toll-free number and access code for public comment will be made available closer to the hearing date. We encourage the public to monitor the Daily File or the committee website at: <https://abgt.assembly.ca.gov/sub2hearingagendas> for updates.*

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## INFORMATIONAL HEARING

### CALIFORNIA STUDENT HOUSING: SOLUTIONS FOR IMPROVING CAPACITY AND AFFORDABILITY

#### I. OPENING REMARKS

- Assemblymember Kevin McCarty, Chair
- Committee Members

#### II. STUDENT HOUSING OVERVIEW AND ISSUES FOR LEGISLATIVE CONSIDERATION

- Jennifer Pacella, Legislative Analyst's Office

### III. SYSTEMWIDE PERSPECTIVES

- Nathan Brostrom, Executive Vice President and Chief Financial Officer, University of California Office of the President
- Elvyra San Juan, Assistant Vice Chancellor Capital Planning, Design, and Construction, California State University Chancellor's Office
- Robert Eaton, Assistant Vice Chancellor for Financing, Treasury and Risk Management, California State University Chancellor's Office
- Amy Costa, Vice President, California Community Colleges Board of Governors
- Lizette Navarette, Vice Chancellor for Finance and Facilities Planning, California Community Colleges Chancellor's Office

### IV. CAMPUS PERSPECTIVES

- Pradeep Khosla, Chancellor, University of California San Diego
- Cynthia Larive, Chancellor, University of California Santa Cruz
- Framroze Virjee, President, California State University Fullerton

### VI. PUBLIC COMMENT

## CALIFORNIA STUDENT HOUSING: SOLUTIONS FOR IMPROVING CAPACITY AND AFFORDABILITY

California's housing crisis threatens the state's higher education goals of increasing access and improving affordability. For most students, housing costs are higher than tuition. Despite a significant recent student housing building boom at both the University of California (UC) and California State University (CSU), many campuses report waiting lists for on-campus housing, and students struggle to find affordable and safe off-campus options. Campus housing programs, which suffered losses during the COVID-19 pandemic, are struggling to fund new construction or renovation projects that keep student costs down and address local government and neighborhood concerns.

The need for more student housing on or around campuses is clear:

- Homelessness is prevalent across California's three higher education segments, with 1 in 20 students at UC, 1 in 10 students at CSU, and 1 in 5 students at California Community Colleges (CCC) reporting experiencing homelessness at some point during the academic year. Even more students experience some form of housing insecurity. For example, 16 percent of UC students in 2020 reported sleeping in nontraditional housing arrangements (such as a hotel, transitional housing, or outdoor location) because they lacked permanent housing.
- Affordable, on-campus housing is a benefit to students. A report to the CSU Board of Trustees in July 2020 noted that research across college campuses nationally and within the CSU suggest that students living on campus have higher grade point averages and lower academic probation rates, higher retention and graduation rates, and shorter time to graduation than their off-campus peers.
- Insufficient student housing can hinder campuses' ability to increase enrollment and serve more Californians. Both UC Davis and UC Santa Cruz, for example, have agreements with local governments that limit increased enrollment unless housing is added to accommodate that growth. CSU Humboldt has launched a plan to become a polytechnic university and more than double its student body in the next decade, but campus officials note that on-campus housing must be built before dramatically increasing enrollment. The local housing market cannot accommodate thousands of new students.

Student housing has rarely been a discussion point for this subcommittee, as the state does not traditionally support housing costs and has left campuses and the systems to develop and support their own housing programs, supported by student rent. Given the state's housing crisis, however, that is changing. In urban areas, local market rental rates – among the highest in the country - are forcing students to pack into apartments or homes, and in rural areas, many campuses do not have enough local housing to accommodate current or future enrollment levels.

The hearing today is intended to continue recent discussions about how the state can help increase on-campus housing and lower student housing bills. System and campus leaders have been asked to describe their housing programs, the challenges they face in adding more beds, and how the state can help address those challenges. The intent is to develop information and recommendations that can inform policy and budget actions next year.

This background paper, based on staff and LAO research and conversations with the systems this Fall, includes information on current housing programs and processes at all three public systems, recent state actions to address this issue, barriers to building more housing and questions related to addressing those barriers.

### **Current Housing Programs at UC, CSU and CCCs**

***Housing varies by campus.*** All three public higher education segments in California offer some housing, although dormitories remain a rarity among community colleges. Both the UC and CSU systems allow campuses to set their own housing goals and operate their housing programs to best fit students' needs. Because of this, housing options and availability differ greatly. UC has significantly more student housing than CSU, with six UC campuses operating 9,000 or more beds. Within CSU, campuses vary widely. Cal Poly San Luis Obispo and CSU, Monterey Bay offer housing for 36 and 35 percent of their students, respectively, while the Bakersfield and Fresno campuses house just 3 and 4 percent of their students, respectively, according to a July 2020 CSU Board of Trustees report.

While most student housing is designed for undergraduates, many campuses offer graduate student housing as well, and many campuses note that they intend to increase graduate student housing in the future. Many campuses offer an on-campus housing guarantee for freshmen or incoming community college transfer students. Statute requires campuses to prioritize housing for current and former foster youth or current and former homeless youth. A few campuses require students to live on campus for at least their first year. The chart below indicates the number of beds per campus in each of the three segments.

Note that only 12 of 116 community colleges operate housing programs. Most programs were created many years ago and are located on rural campuses where students face significant transportation issues, particularly in winter.

UC Campus	Beds	CSU Campus	Beds	Campus	Beds	CCC Campus	Beds
Berkeley	9,800	Bakersfield	500	Northridge	3,596	Cerro Coso College	50
Davis	13,769	Channel Islands	1,529	Pomona	3,742	College of the Redwoods	150
Irvine	15,749	Chico	2,254	Sacramento	2,088	College of the Siskiyous	121
UCLA	17,359	Dominguez Hills	712	San Bernardino	1,946	Columbia College	196
Merced	3,664	East Bay	1,296	San Diego	6,682	Feather River College	238
Riverside	8,758	Fresno	1,076	San Francisco	3,968	Lassen Community College	108
San Diego	17,774	Fullerton	1,924	San Jose	3,939	Orange Coast College	800
San Francisco	949	Humboldt	2,061	San Luis Obispo	7,882	Reedley College	140
Santa Barbara	8,829	Long Beach	2,419	San Marcos	1,532	Shasta College	126
Santa Cruz	9,299	Los Angeles	1,069	Sonoma	3,154	Sierra College	120
UCDC	276	Martime Academy	988	Stanislaus	656	Taft College	150
<b>Total</b>	<b>106,226</b>	Monterey Bay	3,237			West Hills College Coalinga	169
		<b>Total</b>			<b>58,250</b>	<b>Total</b>	<b>2368</b>

**Housing is a significant cost to students.** Housing very often eclipses tuition as the largest cost to California college students. A 2019 report from the Public Policy Institute noted that in 2018–19, 45% of the estimated average total cost of attending a UC school was housing, while 39% was tuition and fees. At CSU, 53% of the estimated average total price of attendance was for housing, while 28% was tuition and fees. Costs to students vary considerably by campus:

- At UC, the average cost of room and board while living on campus during the 2021-22 school year was \$17,300 (compared to \$14,100 for students living off campus.)
- At CSU, on-campus room and board costs ranged from \$19,300 in 2021-22 at San Diego State to \$10,758 at Fresno State.
- Community college housing differs considerably, but data compiled by the Chancellor's Office indicates that students pay on average about \$5,800 per year in a two-person room. These costs do not include food.

Campuses say their goal is to offer students rents that are below local market rates, but housing programs must cover financing and construction costs, operational costs, and maintain reserves. Many campuses note that increasing construction costs are challenging the goal of affordable housing.

**Campuses use different strategies to pay for construction or major renovation of student housing.** At UC and CSU, proposed campus projects require approval from the UC Board of Regents or CSU Board of Trustees, who review projects to ensure viability and overall systemwide and campus debt levels. The chart below indicates the main funding source for UC and CSU housing projects since 2015-16, including new construction, renovation and infrastructure improvements. Note that many projects use multiple funding sources.

Student Housing Project Funding Source	UC	CSU
Revenue Bonds	18	20
Reserves/Campus Funds	47	6
Public-Private Partnerships	7	2

- Revenue Bonds. Both UC and CSU have the authority to issue debt to cover capitol projects including housing. Campuses must show that a project can cover long-term debt service costs to be viable. Revenue bonds are paid off by student rental fees. A July 2020 report on CSU housing noted that student housing projects built between 2014 and 2020 have created a debt service obligation of \$84 million per year.
- Reserves/Campus Funds. Student housing programs can use built-up reserves to fund new projects. Campuses with older, more robust housing programs typically have more reserves and can better utilize this strategy. A few housing projects have been supported by philanthropy or other campus funds.
- Public-Private Partnerships (P3s). Some campuses have partnered with private for-profit or non-profit developers to create new housing. Advantages of these partnerships can include faster delivery, less risk for the campus, and partners' expertise in building housing. These projects can be costlier, however, and both systems note that current conditions do not favor P3 projects.

California community colleges have not built housing in recent years, but one – Santa Rosa Junior College – recently secured financing for a 352-bed project through the California School Finance Authority. The authority completed a \$68.3 million revenue bond sale this summer for the project, which is intended to address severe housing shortages and high rental costs in the area due in part to recent wildfires. Community college districts also have the ability to utilize general obligation bonds, which could be used to support housing projects if local voters approve.

***Many campuses have increased housing in recent years, but waitlists persist.*** Many campuses have responded to housing shortages and high rents, as well as increased understanding of the academic benefits of on-campus living, by building more student housing. Since 2015-16, UC has added nearly 20,000 beds systemwide, and CSU has added more than 14,000 beds. Many community colleges have begun housing planning processes due to student needs.

Despite this building boom, many campuses report waitlists for student housing, or the inability to meet goals such as offering housing to first-year or first- and second-year students. Some campuses have severe issues: UC Berkeley, for example, noted that more than 5,000 students who expressed interest in campus housing were turned down this fall, and San Francisco State and Cal Poly San Luis Obispo reported significant housing waitlists, with more than 1,100 students waiting for housing at San Francisco State and more than 2,000 at Cal Poly San Luis Obispo.

All three segments have plans to add housing. Most UC and CSU campuses have at least one housing project in their short- or long-range plans. The California Community College Board of Governors voted recently to ask the state to include one-time and

ongoing funding in the Budget Act of 2022 to create an affordable student housing program, as many community colleges are now seriously considering housing projects.

### **State Actions to Address Student Housing**

The state provided CSU with \$2.5 million in one-time General Fund in 1987 to create a student housing revolving loan fund, which still exists today. There had been almost no other state investments in student housing until very recently. Recent investments include:

- **Rapid Rehousing.** The 2019 Budget Act included ongoing funding for all three segments (\$9 million for community colleges, \$6.5 million for CSU, and \$3.5 million for UC) to develop rapid rehousing programs, aimed at aiding homeless or housing-insecure students. These programs support campus-community agreements for wrap-around housing services, and pay for emergency housing for students. Many campuses reserve beds in dormitories or off-campus homes to accommodate students facing housing crises. In addition, all three segments now receive ongoing funding for student basic needs, which can include housing support.
- **Higher Education Student Housing Grant Program.** The 2021 Budget Act included \$500 million one-time General Fund in 2021-22 and a commitment for \$1.5 billion combined in 2022-23 and 2023-24 to support a new grant program. The program provides one-time grants to applicants for the construction of student housing or for the acquisition and renovation of commercial properties into student housing. Of the \$2 billion provided over the three-year period, 50 percent is available for CCCs; 30 percent is available for CSU; and 20 percent is available for UC, which may include Hastings College of the Law. In addition, CCCs may submit requests for planning grants for campuses that are exploring or determining if it is feasible to offer affordable student housing. Up to \$25 million of total program funding is available for this purpose.

Applications for the first round of funding were due to the Department of Finance (DOF) on Oct. 31. According to preliminary information, DOF received 113 applications for the first round of funding, for projects totaling more than \$3.2 billion. Seventy-one of the applications were for community college planning grants. DOF received 92 applications from community colleges, 8 from CSU, 9 from UC (including Hastings College of the Law), and 4 intersegmental applications. The department will review applications and submit a proposed spending plan to the Joint Legislative Budget Committee by March 1, 2022. The Legislature will then determine which projects to support in the annual Budget Act or in other legislation; specific proposals will be discussed in spring budget hearings.

According to enacted statute and DOF communication with the segments, projects that convert commercial space into student housing, projects serving the greatest percentage of a campus's low-income student population, and projects serving low-income students across more than one segment may be prioritized for selection. Selection criteria may also include the unmet demand for student housing for the campus or service area, construction timeline, geographic representation, and positive impact on a four-year institution's capacity for undergraduate enrollment growth.

In addition to these programs, CSU Humboldt received \$458 million in one-time General Fund and \$25 million ongoing General Fund in the Budget Act of 2021 to convert to a polytechnic university. Of the one-time funding, more than \$200 million will support new student housing, which as noted earlier, is essential for the campus' plan to grow enrollment to more than 10,000 full-time equivalent students by 2030.

### **Barriers to Building More Affordable Student Housing**

Many campuses around the state want to build more student housing. System offices and campuses identify several barriers to developing more housing:

- **Funding.** Overwhelmingly, campuses note that funding or financing projects that lead to affordable student housing is the greatest obstacle to increased housing. Both UC and CSU have significant borrowing capacity: each system reports it could borrow between \$3 to \$5 billion more while still maintaining their current credit ratings. However, both the systems and campuses must balance their ability to pay off debt on academic and auxiliary projects, and several UC campuses have suggested increasing housing capacity is limited by existing debt issues on their campus.

Community colleges have a significant funding obstacle, as almost all campuses do not have housing reserves or other revenue that could be used for projects, requiring significant borrowing or other sources to launch a housing program.

Beyond debt issues, many campuses struggle to develop projects that can offer below-market rental rates for students, due to high construction and operational costs. Students often find cheaper options off campus, particularly by sharing space in a way that wouldn't be allowed in an on-campus setting. Campuses also note that on-campus housing provides significant academic and student support services that are critical to student success, but also add cost.

- **Regulatory Processes.** UC and CSU campuses create long-range development plans that must comply with the California Environmental Quality Act (CEQA). CEQA is intended to inform government decision-makers and the public about the potential environmental effects of proposed activities and to prevent significant,

avoidable environmental damage. UC has noted that several campuses have faced increased CEQA litigation in recent years, including at least 6 housing projects since 2018. While CEQA is a critical tool to ensure public input and environmental protection, campuses note that lengthy processes and litigation add cost and uncertainty to projects. Community college housing projects must also be approved by the Division of State Architect, which reviews projects for structural integrity issues and can be a lengthy process.

- Land. Some campuses, particularly those in urban areas, have little room to increase housing capacity. These campuses may need to look to off-campus options. The current state Higher Education Student Housing Grant Program does seek to support campuses looking to purchase off-campus commercial space for transition into housing. It is unclear how feasible those types of projects will be, as there are zoning and other issues that could complicate off-campus projects.

### **Questions for the Legislative Consideration**

As the Legislature seeks to help campuses build more housing and reduce costs for students, the following questions could be considered:

- How can the state best use one-time funding to support student housing?
- What are the issues and challenges for campuses in accessing the current state grant program?
- How many more beds does each system or campus believe they need to build to accommodate student needs?
- What are the advantages and disadvantages of using a public-private partnership to build more housing? How much cost is added when working with a for-profit developer?
- How can campuses and the state work together to lower student housing costs?
- What strategies can be used to ensure that low-income students can afford to live on campus if they choose?
- Could or should the state develop specific financial aid programs that support housing costs for low-income students?
- Are there suggestions for streamlining regulatory processes impacting student housing projects while maintaining meaningful public participation and environmental protection?

- What role can the system offices and the state play in ensuring that campuses can balance debt capacity and repayment while also building more housing?
- Are there ideas or proposals for multi-campus student housing? Could community colleges partner with nearby UC or CSU campuses to build and support housing for students from multiple campuses?
- What is the best way to define “affordable” student housing? Should public institutions be required to present market rate housing comparisons when presenting student housing to their respective boards for approval?

This agenda and other publications are available on the Assembly Budget Committee’s website at: <https://abgt.assembly.ca.gov/sub2hearingagendas>. You may contact the Committee at (916) 319-2099. This agenda was prepared by Mark Martin.