

Associated Residential Community Housing (ARCH) Advisory Committee | MINUTES

Meeting date | time 2/19/2019 3:00 PM

Meeting location: Barrett Room

<p>Type of meeting: ARCH Advisory Committee</p> <p>Co-Chairs: Jana Severson Gautam Akiwate</p> <p>Note taker: Leticia Ruelas</p>	<p>Attendees:</p> <p>Jana Severson Rebecca Otten Ramona Ferreira Malia Mahi Chris Dayss Robert Frazier Hana Haddad Anindita Bhattacharya Holly Godden Marybeth Ward Petia Yanchulova Merica-Jones Valerie Saiag Gautam Akiwate Burgundy Fletcher Anupam Garg Drew Steeves (guest) Sven Brueggemann (guest) Pam (guest) Ethan (guest) Melissa (GSA president- guest) Erwin Sandan (HDH guest) Kat Marin (HDH guest) Chris Pepes (HDH guest)</p>
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AGENDA

Meeting begun at 3:00PM with introductions.

Agenda items:

- Affordability presentation
- Budget presentation

Affordability presentation:

- Drew and Sven gave a presentation:
 - They feel housing is 10% under market instead of 20%

- They talked about the percentage increase.
- They feel affordable housing was taken away.
- They showed a historical trend.
- They hope that they can shift around some decisions.
- They shared 40% of student income goes to housing.
- They shared risks of housing insecurities:
 - Poorer mental health
 - Poor well being
 - Lowers job performance
- They shared some remarks from the petition:
 - “I cannot afford rental hike”
 - “I’m signing because my son is a grad student...”
- They added it could inhibit recruitment of best talent.
- Call to action:
 - Lower ave. \$/bed to 30% of grad salary
 - Couple rent increase to annual TA/GSR salary
 - Subsidize rent for grad employed <50%
 - Keep SGA and Rita open for grad students- most affordable housing
 - UCSD positioned to be the first with affordable housing
- Feel they are at a tipping point
 - Affordable housing vs. unaffordable housing

Questions:

- Petia asked if talented students choose to live off campus, would having them on campus change the dynamic of housing. She added it might affect the student body. She added it was something to think about.
 - Drew responded there would be affordable housing in downtown. He added the trolley could be negative to HDH.
 - Anindita responded business of HDH is not something to worry. One thing missed is students are forced to live off campus and already spend more than 30% of their income. Affordability is worse. The reason rent went up is because there was a push to expand both undergraduate and graduate housing. She added HDH doesn’t get money from the university. The new buildings are being paid by student’s rents. HDH is not able to provide for more than 2 years.
 - Drew responded HDH is poised to be the best, but feels they shouldn’t stop at 50%
 - Gautam asked to hold conversation to be mindful of the committee’s time.

Budget Presentation

Erwin (director of Finance) gave a presentation

- Part 1: Auxiliary
 - University is 5.5 billion
 - HDH is \$610 million
 - HDH is self-supporting entity, no state or federal funding
 - Goal is to “break-even”
 - Surplus is reinvested in future renovations, major maintenance, construction, projects, emergencies
 - Have to cover all of our costs
 - Revenue must cover annual debt service (HDH Mortgage)
 - Direct costs= controlled by HDH
 - Example: maintenance
 - Indirect and overhead cost= Charged by UCOP and UC San Diego
 - Investing in more campus housing
 - More demand than supply (2-3 thousand people on the waitlist)
 - Currently houses 3,000 graduate students and 700 partners & children. Would like to double the amount of students they can house (offer more than 2 year guarantee)

- By 2030, UC San Diego is expected to have the largest resident population of any U.S. campus with the resident population doubling to 30,000 beds.
 - UC San Diego will have built 16,000 more beds via on-campus housing to accommodate growth.
 - Aggressive growth
 - OMS (built), Mesa Nueva (built), Nuevo West (in construction), Nuevo East (in construction), South Mesa East (future), South Mesa West (future)
 - Current projects
 - Nuevo West (2020), Nuevo East (2020) and NRPLLN (2020)
 - a billion dollars' worth of construction
- Part 2: HDH Budgeting
 - Goals & guiding principles
 - Affordability- 20% below market
 - Plan for growth
 - Maintain safe and clean facilities
 - Provide excellent services
 - Sustainability
 - Financial stability- "break-even"/ stay in the black
 - 2-year budget- 2 years of housing rates
 - HDH Budget
 - Revenue- expense= surplus/deficit
 - Revenue: housing Revenue (# of units occupied X rate)
 - Expense: employee salaries & benefits + direct and indirect costs + HDH mortgage
 - Surplus or Deficit: "0" or Break-Even
 - How HDH budget gets built
 - Timing: started Fall Quarter
 - Determine "steady state." What are we doing today?
 - Identify "future State." What will we need to be doing tomorrow?
 - HDH asks advisory committee student what, if any, levels of service adjustments they'd like to see in the future.
 - Meet with internal HDH departments and external campus to determine needs and funding requests.
 - Review and approve/deny request.
 - Campus budget office provides guidance on future campus and overhead costs.
 - HDH reviews advisory committee/student requests and any service level changes and associated costs.
 - All financial costs are consolidated.
 - HDH seeks support for proposed rates from advisory committee.
 - HDH direct costs
 - Salary and benefits
 - HDH administration
 - Maintenance- repairs and construction
 - Custodial- cleaning, supplies
 - Utilities- water, electricity, gas, trash
 - Cable TV/ Internet
 - Information Technology Services (ITS)- hardware, software
 - HDH indirect
 - UCOP
 - Campus overhead and admin services- campus HR, Accounting, payroll, central IT
 - EH&S
 - Landscape
 - Mail services

- NGN/Resnet- campus internet and support
 - Police/ CSO services
 - Shuttles
 - Annual Debt Service = “HDH Mortgage”
 - Housing construction projects financed thru limited or general revenue bonds
 - Required UCOP & campus approval
 - Financing rates: vary from 3-6%
 - Amortization terms; 30-35 years
 - Some projects are interest only for 1-10+ years, then principal + interest payments
 - Bond re-financing occur during the life of the loan if market interest rates
 - Increase/decrease (via UCOP and bond counsel)
 - Proactive about refinancing
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- Part 3: Graduate Housing
 - Graduate housing budget FY20/FY21
 - Showed a graph
 - 2018-19
 - Surplus/deficit: -1,208,195
 - 2019-20
 - Surplus/deficit: -18,288,217
 - 2020-21
 - Surplus/deficit: -8,370,000
 - HDH debt
 - FY18 – 39 million
 - FY19- \$43 million
 - FY20- \$53 million
 - FY21- \$82 million
 - FY22- \$96 million
 - FY-23- \$101 million
 - Graduate housing debt
 - FY18 – 15 million
 - FY19- 19 million
 - FY20- 27 million
 - FY21- 31 million
 - FY22- 40 million
 - FY23- 40 million
 - Rate proposal
 - 5% annual rate increase for all existing graduate inventory (excl. Mesa Nueva) and future grad housing.
 - 6% annual increase at Mesa Nueva till parity with Nuevo East and Nuevo West.
 - Nuevo West opens Spring 2020 with furnishing
 - Nuevo East opens summer 2020 unfurnished
 - Mesa Nueva and all current Graduate Housing will continue to be ~20-40% below market rate
 - Nuevo West and East pricing to be ~20% below market rates in ~5 years
 - Proposed rates will not get graduate housing budget at break-even for FY20 and FY21

Questions:

- Petia asked if HDH covers when something break in a building.
 - Erwin confirmed. HDH must cover it all.
- Petia asked if it was all graduate students on the waitlist.
 - Jana responded yes with some undergrad couples and families.

- Valerie asked about a charge for shuttles.
 - Jana confirmed shuttles are part of Transportation not HDH.
 - Robert added they assessed a fee to transport students from east campus to main campus.
 - Valerie responded if they are paying, ARCHAC should have a say.
 - Jana responded there is a transportation committee.
 - Robert added ARCHAC had an opportunity to share feedback. There have been changes based on the feedback.
 - Gautam clarified Valerie's point: HDH is a customer so they should have a say.
 - Marybeth added students are paying a quarterly fee and HDH is paying a fee.
 - Burgundy shared this was also happening for the internet.
- Burgundy asked if HDH received part of the student's fees.
 - Jana confirmed they aren't
- Anindita had a question about parking and transportation.
 - Jana shared it would be a good idea to have the director of Transportation come to a meeting.
- Hana clarified the fee difference:
 - HDH pays for internet at housing facilities vs tuition is for internet outside of HDH (library, etc.)
 - Shuttle around campus vs shuttles to housing
 - Bob added HDH doesn't cover the campus fees, only their part.
- Gautam asked if all projects are interest only.
 - Erwin responded it varies by projects. Older are about 10 years and the newer ones are about 2 years.
- Valerie asked if they are historically low, why doesn't HDH get a low rate.
 - Erwin responded they are working towards it. Helps them keep the cost low and affordable housing
 - Jana added they are trying to lock the best rate.
- Anindita asked if it was the best time to lock rates.
 - Erwin responded in general. Better rate historically than other times.
 - Bob added there are three factors: waitlist, UCOP asked for growth and interests growing.
- Anindita asked why do interest only.
 - Erwin responded it lowers the payment.
 - Anupam asked if the overall cost would increase the second half.
 - Erwin responded it depends on the bond and the terms.
 - Anindita asked if the payment would go up after interests.
 - Erwin explained.
 - Anindita asked how much it could increase.
 - Erwin responded it could double.
- Petia asked who provides the funding.
 - Erwin responded banks that UCOP works with.
- Marybeth asked why they would get rid of Rita. She added she doesn't get why they get rid of the graduate student housings. She understands it from housing assets, but not from the graduate assets.
 - Erwin responded it's part of the campus portfolio.
 - Jana added they needed to look at the whole portfolio. In the same plan, the village will no longer be transfers. They are tasks with the whole portfolio.
 - Marybeth feels it's at the cost of the graduate students.
- Anupam shared he is concerned that they will have more debt with more project and asked if the university will be willing to provide loans.
 - Erwin responded they are willing to lend to help with the growth.
 - Anupam asked if they could also lend to keep costs down.
 - Erwin responded discussions have happened.
- Anindita asked for data of the amount of debt per year and the percentage of students they will be able to house. She asked for a comparison by increasing numbers of graduate students versus number of beds.
 - Jana responded they are working with those numbers.
- Anupam asked if it was more beneficial to give spaces from Mesa Nueva instead of Rita.

- Erwin responded it's only been interest. The principle hasn't been paid.
- Anupam responded they have paid a percentage.
- Erwin explained the difference between interest and principle.
- Anindita shared Rita is the only affordable housing so the graduate students don't want to let it go.
 - Anupam explained they have 20 years left of Rita but 30 of Mesa Nueva.
 - Jana responded what they are proposing is different to what was proposed. They will take that information to upper management.
- Petia shared running in red is expected with construction.
 - Erwin responded it's not expected as an auxiliary.
 - Bob added they need to be back to the black in the next 2-3 years.
- Burgundy asked what where the possibilities for no rent increase.
 - Jana responded there isn't a proposal not to cover costs.
 - Burgundy shared the rates are below La Jolla rates. She asked for numbers without a rent increase.
 - Valeria added she would also like to see the numbers.
- Valerie asked how many years would HDH be on the red. She added the current students are paying for future structures.
 - Jana shared that's been consistent for the university. As a student herself, she also paid for buildings.
 - Burgundy responded it's the idea that it's getting worse.
- Melissa asked where the 5-6% increase came from.
 - Edwin responded with 3% HDH would run in the red for decades.
 - Melissa asked if HDH would consider 3%.
- Hana asked if UCOP would be willing to release a bigger loan.
 - Bob responded an increase loan is an increase cost.
 - Erwin responded there is still a cost, it's not free.
- Anupam asked about having a rent increase at the rate of stipend increase.
 - Bob responded when they say they are covering, it's still a loan.
- Anupam shared if they take these numbers to constituents they might say HDH should stop building.
 - Bob responded he wasn't sure if by not building they are helping anyone.
- Anindita asked if it was possible for HDH to look for grants.
- Petia shared one of her goals is to be quantitative to have a visual aid. She shared a graph. She shared one year the rates actually went down. She added it would be helpful to see historically what happened.
- Jana responded they had given good input.
- Burgundy asked if they were allowed to say they can't give Rita up.
 - Jana responded as a committee they can recommend but leadership has the final decision. She added it has not been approved.
- Valerie shared some students go 12 to an apartment, have homeless people, and have people living at Mexico.
 - Bob responded they developed a model to keep their rents affordable and beneficial to the most possible. He added they are working towards building to resolve that.
 - Marybeth added the Rita is the least expensive.
- Gautam added there are two competing tensions: affordability and accommodating more students. He would like to see models projected further. He feels they can't vote on anything higher than 3%.
 - Petia added it makes a difference as to who can live on housing. She added she wouldn't be able to afford it somewhere else.

Meeting adjourned around 4:55pm. Next meeting will be on 3/5/2019 from 2-3:30 at the Barrett Room.