

Associated Residential Community Housing (ARCH) Advisory Committee | MINUTES

Meeting date | time 3/5/2019 2:00 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 Hemlata Jhaveri Pierre Ouillet Ramona Ferreira Malia Mahi Chris Dayss Robert Frazier Hana Haddad Anupam Garg Petia Yanchulova Merica-Jones (video) Gautam Akiwate Jenna Bastear Marybeth Ward Holly Godden Anthony Graziano (HDH guest) Erica Ferrer (GSA guest) Chris Pepes (HDH guest) Erwin Sandan (HDH guest) Anindita Bhattacharya Valerie Saiag Burgundy Fletcher</p>
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AGENDA

Meeting begun at 2:06PM with introductions.

Agenda items:

- Graduate Housing Presentation
- Budget Follow-up presentation

Pierre thanked the committee for inviting him. He shared it was important for him to attend. He also shared a few thoughts and asked the committee to keep them in mind during the presentations:

- They are taking on tremendous debt and don't have an option not to pay for it. Revenue needs to match expenses.
- They finance everything on the housing side and have access to amazing rates.

- The math is not working. When there is so much going on, it's really hard to make it work. He had to go to the chancellor and get a line of credit. They can't go over the line of credit and need to hit the revenue targets.
- He was a graduate student himself and understands it's very tight budget.
- They are getting rid of older units to create new ones. Old stock is getting to the end of their life.
- They have a more unified stock at prices that are comparable to each other.
- The only way to look out for students that need more assistance is through financial aid. He added there's pushback from some students as financial aid is income based.
- The consideration: how can HDH provide a variety of price sensitivities? He proposed holding the prices for current units but increase the newer ones. He added they would still need to meet revenue.

Graduate Housing Plan:

Jana gave a presentation:

- In 2020, HDH will open two new graduate housing residential areas, Nuevo West (800 beds) and Nuevo East (1,380 beds), and undergraduate housing, North Torrey Pines Living and Learning Neighborhood (2,000 beds).
- Mesa Neighborhood plans:
 - OMS (built)
 - Mesa Nueva (built)
 - Nuevo West (in construction)
 - Nuevo East (in construction)
 - South Mesa East (future)
 - South Mesa West (future)
 - Hemlata added they would focus on low density housing for families in the South Mesa project
- Timeline
 - 2020
 - Rita converts to transfer student housing
 - Rita residents receive priority to relocate to lower cost graduate and family housing community options.
 - 2023-2025
 - Regents Rd (2 phases) mixed use project creates retail opportunities and Arboleda or central park type setting.
 - 2024
 - South Mesa East redevelopment
 - 500 beds
 - Low density, family oriented
 - 2025
 - South Mesa West redevelopment
 - 1500
 - 2026
 - La Jolla Del Sol conversion to grad family housing begins

Questions:

- Petia asked if HDH would own all the new buildings.
 - Hemlata responded they would own all except the ones created by other developers.
- Anupam asked what was in the Regents Road land and how much input students had.
 - Hemlata pointed it out through the map.
- Erica asked what the life expectancy is for the new buildings.
 - Hemlata responded about 50 years as they are not building with wood stock.
- Erica asked about sustainability.

- Jana confirmed all projects have sustainability components. She explained the LED requirements and HDH expectations.
- Petia asked for clarification on the old buildings.
 - Hemlata responded they are low density. The only way to add more housing and meet the 4 year guaranteed is to redevelop as there's no more land.
 - Pierre added the buildings are also reaching the end of their life.
- Hana asked for the number of housing years guaranteed at each point of the new construction.
 - Hemlata responded they are considering a 3rd year with what's coming online in 2020. They will be at 75% of graduate housing with south and central. She added the topic would come back to the group for further discussion.
- Marybeth asked why they were giving up graduate housing now instead of waiting until 2024.
 - Hemlata responded undergrad is driving it.
 - Marybeth added they are graduate housing not undergraduate housing. Her concern is that graduate students aren't receiving housing. She added some of her students didn't receive housing.
 - Pierre responded they have added 2,000 graduate beds.
 - Gautam and Anindita added graduate students are also losing housing.
- Gautam shared he reviewed minutes from 2016 and at that point graduate housing was subleased to undergraduate housing.
 - Pierre responded they need to move away from ownership. They are adding a lot of graduate housing while undergraduate students are at 3 per room.
- Marybeth shared she felt they need to talk to admission.
 - Pierre responded they are pushed and pressured to add. He's had to explain to the senate as to why they aren't expanding. There were 120 thousand applications. He added he didn't mean to be hard on the committee and appreciated the interest from graduate housing.
- Gautam shared he felt the committee wasn't included in the discussions and were instead told it was happening. He added the committee is supposed to be an advisory committee. He asked if it was possible to sublease the facility instead of losing it. They could let undergraduate students use graduate facilities until undergraduate housing is built. Lastly, he asked if rent increases could match TA's increase.
- Anindita shared they were never told they would be losing housing. She added they agreed to sublease in the past with hope that the facilities would be returned to graduate students. She asked if HDH would be looking for housing out in the community with lower rates.
 - Hemlata responded they looked already and conversations didn't go well with owners. Owners wanted HDH to pay more than market prices due to demand. HDH didn't want to increase those behaviors and instead they added more triples. They added 450 more triples that weren't designed for that.
- Erica thanked Hemlata and Pierre for attending the meeting. She added certain comments weren't productive.
- Petia shared competition for graduate students has grown while population has been decreasing. She shared some statistics.
 - Pierre responded they would love not to grow. He added there is pressure not desire and that they are losing money. Lastly, he added he wanted everyone to know facts that are happening.

Budgets follow-up

Erwin gave a presentation

- He showed a breakdown of all costs
 - Shuttles Recharge
 - Police Recharge
 - Mail Recharge
 - Facilities Management Recharge
 - EH&S Recharge
 - ASSA Recharge
 - UCOP Assessment

- Cable TV & Internet Expense
- Utilities Expense
- POP, Maintenance and Equipment Expense
- Salaries and Benefits
- Housing Expenses
- Etc.
- He showed annual graduate housing debt from FY18- FY29
 - FY18- \$15 million
 - FY19 – \$19 million
 - FY20 -\$27 million
 - FY21 – \$31 million
 - FY22 – \$40 million
 - FY23 -\$40 million
 - FY24 – \$45 million
 - FY25 – \$60 million
 - FY26 – \$62 million
 - FY27 – \$68 million
 - FY28 – \$68 million
 - FY29 -\$68 million
- Rita Atkinson
 - Paying interest only
 - Beginning FY21 both interest and principal will begin which will increase the annual debt service from ~\$3M to \$5M per year
 - Principle payments for Rita and Warren SGA will be credited against future debt service
 - HDH will cover grad deficit for FY20 and FY21 through UCSD campus loan of about ~20-30 million
- SGA
 - \$7M in Principal has been paid thru FY18
 - ~\$13M total project cost
- Graduate Housing rate scenarios were provided
 - Showed a cumulative 10-year deficit
 - Showed an annual deficit
 - HDH would be out of the red in FY30 with a 5% increase.
 - 100 million is the max line of credit they will receive
- Rita scenarios
 - Rita location will run a 10-year deficit in addition to Grad Housing Portfolio deficit if no change
 - If Rita transitions to undergrad housing in FY21, operation will break-even
- Graduate housing rate projections were shown
- Graduate students housed by year was shown
- Grad family housing vs. market rates
 - Comparison by were students live
 - Compared to housing portfolio
 - From market stand point HDH is below rate

Questions:

- Gautam asked for total beds per property.
 - Erwin responded with the help of other HDH staff
- Burgundy asked why the Rita did not show up after FY21.
 - Erwin responded it was assumed to be going to undergraduate housing.
- Gautam asked why they couldn't pay 25 years of Rita versus 35 years of Nuevo East if it was the same debt.

- Erwin responded it's based on interest rates they received.
- Gautam responded it makes sense from the graduate perspective to keep the Rita and sublease it to the undergraduate students.
- Hemlata responded although it might be the same amount of debt, Mesa is being built for graduate students. Mesa has amenities for graduate students. She added Rita doesn't have parking so it's a good option for undergrads as undergrads are not allowed to bring a car their first year.
- Anupam responded the Rita was designed for graduate students at some point. He shared people without cars or disabilities will struggle.
- Hemlata responded they need to find a place for the transfer students being displaced. It makes sense that beds in Mesa Nueva be given to graduate students.
- Ramona shared she felt the committee was missing the bigger picture. They have always been collaborative. She added it's not just graduate students, it's the whole university. The idea is to find the best mix. Mesa is being developed for graduate students and families. Lastly, she added she has heard from a lot that graduate students that they don't want to live with undergraduate students.
 - Anupam responded they were trying to find the right number of beds to give up. There are graduate students who also have difficulties. Without the Rita there's nothing left to live on campus.
 - Anindita shared as a graduate student she felt much safer living at the Rita. She feels Rita is an important resource for graduate students. She asked why it's difficult for the university to receive more funding if the state is forcing growth.
 - Pierre responded they have asked for more funding, but the state doesn't cover enough. Just to cover inflation, he is starting with a negative number. He needs to find revenue just to cover expenses. It's hard trying to manage the pressure. He added he would love to have more non-residence subsidizing the growth. He added graduate housing has more net in comparison to undergraduate. He suggested discussing rates vs holding onto land.
- Petia agree they need to work together. She expressed housing would take above 30% of TA salaries. TA salaries will only increase by 3%.
- Hemlata asked if they would be open to a model with price differential. If the group were interested, they would bring something to the following meeting. She added old stock (Coast, Mesa, OMS) stay at a 3% increase, MN at 6% increase and the new stock would be priced correctly. The old stock would not pay the new stock.
- Erica suggested finding a way to be work together to account for those who would be displaced from the Rita or SGA.
 - Hemlata responded students that are displaced would be moved to communities were they would only see a 3% increase. Students displaced would keep the Rita/SGA rate and only see a 3%.
 - Erica discussed becoming allies moving forward.
- Petia asked what line item (on the budget) showed the transfer of the Rita.
 - Erwin responded they would see the change in debt services. Debt goes away for the Rita, but new projects are being substituted.
- Petia asked for clarification on debt for FY19.
 - Erwin clarified.
 - Petia responded there was a discrepancy.
 - Jana asked her to send her an email with what she meant.
- Bob shared they needed to step back and look at three features: rate, inventory and length of term. Balancing those three items. Giving up the Rita gives them the opportunity to build more. If they build more units then they could provide a longer term. Goal is targeting the bigger population and providing housing for 3-4 years at a lower rate.
- Burgundy shared she was disappointed as La Jolla rates are high rates to compare to. She gets the Rita going away, but is upset about rates. She feels in 10 years they will be at La Jolla prices. She added she hasn't talked to anyone that wants this change to happen. She also addressed getting donors. She added she is willing to talk to possible donors.
 - Pierre asked if they should build more housing.
 - Burgundy agreed but suggested no increase for the next 5 years.

- Pierre responded HDH heard them and proposed keeping 3% for the older stock. He added he would love to fundraise and get money, but donors are more likely to donate to academics. He shared an example of engineering department. He finally added he appreciated the dream.
 - Burgundy responded that when he talks about a dream then there is no chance.
 - Pierre responded they need to go by inflation. They are trying to be as creative as possible, but they need to live in the real world.
- Erica added she had no doubt that they have been looking for donors, but feels it needed to be revisited. She agreed with Burgundy that they might be able to talk to donors.
- Anupam asked if there was another creative way to keep Mesa Nueva as old stock as Mesa Nueva currently houses many of the graduate students. He added stipends aren't attached to La Jolla rates.
 - Pierre responded they are not going by the market. He clarified they are saying they will keep it below market and are not chasing La Jolla market.
 - Hemlata asked if there was an interest in the proposal: 3% increase at lower stock (Coast, OMS, Mesa), 6% increase at Mesa Nueva and new building priced correctly.
- Petia added it was about how they are affecting people's lives today for later. They needed to sit down and think of those realities. She shared discrepancies based on salaries between TAs and other jobs around SD or UCSD employees.
- Pierre asked Hemlata to make the proposal again. He added he appreciates the points, but they couldn't happen.
 - Hemlata repeated the proposal: 3% increase at lower stock (Coast, OMS, Mesa), 6% increase at Mesa Nueva and new building priced correctly.
- Valerie asked about donors as all the students that contact them are at a breaking point. They have had their rates increased and are very upset. They are coming together and protesting. Appreciate the new offer. She would like to know more details.
- Gautam would they like HDH to explore the following:
 - Different prices between old stock and new stock, while keeping Mesa Nueva at lower than 6% increase.
 - The possibility of subleasing the Rita and SGA for 5 or 10 years to help alleviate the costs.
 - Anindita motioned to vote
 - Marybeth seconded
 - 8 approve , 0 deny , 0 abs
- Anupam asked about keeping Mesa Nueva at a lower percentage
- Burgundy proposed exploring a 0% increase.
 - Pierre confirmed they couldn't do a 0% increase.

Jana proposed an emergency meeting next week same day same time. Meeting adjourned around 3:50pm. Next meeting will be on 3/12/2019 from 2-3:30pm at the Barrett room.