

Associated Residential Community Housing (ARCH) Advisory Committee | MINUTES

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

Meeting location: Barrett Room

Type of meeting: ARCH Advisory Committee	Attendees:
Co-Chairs: Jana Severson	Jana Severson
Note taker: Leticia Ruelas	Hemlata Jhaveri
	Rebecca Otten
	Ramona Ferreira
	Malia Mahi
	Chris Dayss
	Robert Frazier
	Holly Godden
	Erwin Sandan (HDH guest)
	Petia Yanchulova Merica-Jones
	Anthony Graziano (HDH guest)
	Chris Pepes (HDH guest)
	Hana Haddad
	Valerie Saiag
	Jenna Bastear
	Melissa Vipperman-Cohen (GSA President)
	Anindita Bhattacharya
	Joshua Stacy
	Anupam Garg
	Burgundy Fletcher

AGENDA

Meeting begun at 3:05PM. Jana asked for a timer to keep the meeting on track. Jana introduced Joshua Stacy and welcomed him.

Comments:

- Jana shared her thought about the optional financial meeting. She felt the questions in the optional meeting started to feel like there was suspicion of something unethical happening. A question has come up several times as to why the presentation that went to ARCHAC last year had the debt understated. She clarified it was handled in a matter that would provide a short-term solution. The group was tasked to budget for a certain amount and that's what the committee did. The rest of the balance was covered by reserves. She added she wanted to be mindful of the staff that were in the process last year. Wanted to be respectful of their integrity. She shared it was not to be unethical, it was a short-term solution. This year it's not liable to continue. HDH is looking for a long-term solution.

- Petia shared the debt motivation has been to give a fundamental way in which the rates will move forward. Based on their understanding of the models they are asked to support or not support a model. She added she wanted everyone to understand their decisions are affecting resident's lives in significant ways. She added if the residents don't pay their rent as they are supposed to they would be evicted, but if they pay they can continue to live where they live.
- Anindita asked about understated debt coming back this year.
 - Jana confirmed the debt has been covered by reserves.

Jana asked the committee members to raise their hand if they were voting members. There was a total of 10 including the proxies.

- Petia asked Jana if she or Hemlata was the co-chair.
 - Jana responded she was the co-chair.
- Petia asked if proposal #4 was to be reviewed today (during meeting) or yesterday (at the optional meeting).
 - Jana responded it was to be reviewed during the meeting. HDH shared the proposal in advance so the committee could review it.
- Petia shared she wanted the committee to know that if they didn't increase rates there would be about a million difference. She proposed a 0% increase this year as they don't understand the proposals.
 - Joshua seconded
- Bob asked if they understood the financial impact of no rent increase.
 - Petia responded she ran the numbers. She added she felt HDH is able to have some wiggle room.
- Rebecca responded they would like to move forward with the presentation first.
 - Petia asked if discussion needed to take place.
 - Rebecca responded in the past they would discuss first then vote.
 - Melissa discussed the rules.
- Petia stated she has asked for information in the past but hasn't received the proper information.
 - Jana responded they have presented what they could by the timeline.

Jana asked voting members if they would be able to attend a meeting next Thursday mid-day. Quorum would be meet, at least two staff and three students.

Presentation:

- Scenario 4 (takes elements of the first 3) :
 - 3% Rate increase for all existing housing inventory (excl. Mesa Nueva)
 - Existing & New Mesa Nueva residents beginning July 1, 2019, 5% annual rate increase for 1, 2, 3-bedroom units and 6% annual rate increase for studio units
 - Nuevo West and Nuevo East rates reflect adjusted pricing to offset 3% existing inventory increases
 - 3.0%-6.0% directional rate increase for all existing housing inventory & 5.0% for all new inventory for FY22 and FY23 (subject to next Rate Review cycle)

Questions:

- Petia asked for the average rate increase from Mesa Nueva over the next few years with scenario 4.
 - Erwin responded about 20% increase.
 - Anthony confirmed 27.3% once it's compounded.
 - Petia shared the TA salary would only increase by 3%.
- Melissa asked if it had a grandfather rule.
 - Hemlata clarified all the existing stock except Mesa Nueva.
- Anupam asked what the difference was between scenario 2 and 4.
 - Hemlata responded scenario 2 looked at all existing Mesa Nueva residents being grandfathered.

- Anupam asked if Nuevo East and Nuevo West would be different than Mesa Nueva.
 - Hemlata clarified Mesa Nueva was interest only so they are catching up. All the debt needs to catch up. The deficit is growing and all needs to be paid back.
- Anupam shared something favorable for scenario #2 was it resets the rates.
 - Hemlata confirmed
 - Anthony shared at 5% it would take 15 years for some units to catch up to Nuevo East and Nuevo West.
- Petia asked what would happen if someone called for a closed meeting.
 - Jana explained. She also added the by-laws state they can use Robert's Rule of Order, but it wasn't mandatory.
 - Melissa further explained the rules.
- Valerie asked about the growing deficit.
 - Hemlata stated they were talking about the mortgage that equaled deficit.
 - Valerie responded HDH receives income as residents move in.
 - Hemlata responded numbers aren't matching. When they set Mesa Nueva it was interest rate only so the principle wasn't accounted.
 - Valerie responded they were told that the discrepancy was paid for.
 - Hemlata responded mortgage needed to be paid every year.
- Joshua asked if all the scenarios were based on maximum occupancy. He also asked if there was a plan for non-occupancy.
 - Erwin responded it was based on 98% occupancy.
 - Joshua stated if the rates weren't sustainable then it won't be occupied.
 - Rebecca responded they are maximizing occupancy. She shared it happened in 2008 and a discussion was brought to ARCHAC.
 - Petia asked if it was happening in Mesa Nueva and OMS.
 - Jana responded it's cyclical.
- Burgundy asked if spaces were filled after the email went out about Mesa Nueva and OMS having vacancies.
 - Jana confirmed
- Anindita asked a hypothetical question about waitlist and occupancy.
 - Hana asked to table the discussion.
- Petia asked about subleasing to undergraduates.
 - Jana shared it was responded by Pierre and Hemlata.

Discussion brought back to the budget discussion.

- Petia asked about total revenues for each of the models.
 - Erwin shared a workbook used in the optional meeting on 3/18/2019
 - Scenario #1: 259 million
 - Scenario #2: 255.9 million
 - Scenario #3: 260.1 million
 - Scenario #4: 254.2 million
 - Petia shared there is a 1.2 million difference.
 - Hemlata responded they still needed to pay it all back.
 - Bob added they are still losing money.
 - Hemlata added they cannot exceed 100 million and it needs to be paid back as it's not a grant. The scenarios show how close they get to the 100 million.
- Petia asked if rents would go up again after the 5 years.
 - Hemlata confirmed.
- Erwin explained the 10 year deficit and explained the goal to be within the 100 million. He added 4% would be added on top.
- Petia asked why they wanted to pay everything in 10 years.
 - Hemlata responded they are trying to get the revenue to match expenses. Not trying to pay everything in 10 years.

- Anupam shared three out of the four go over the 100 million. He asked if they would need to be escalate over time.
 - Hemlata confirmed they would need to go back to adjust.
- Anupam shared he felt studios were messing things up. He asked if escalating the studios would resolve issues.
- Anindita what was the interest rate on the 100 million and on the new building.
 - Erwin responded about 4%. He added they got 4% or below for the new buildings.
- Hana shared the discrepancy between Nuevo East and Nuevo West. She understands the price differences provides options. She asked how it would get students to those communities if it were based on the waitlist. She added the waitlist would increase drastically for the more affordable units.
- Petia asked how HDH would deal with a possible deficiency.
 - Hemlata added it would require the committee to review again in two years. The CFO stated the max is 100 million. She added they need to be mindful that as it gets closer to the 100 million ceiling, they will need to take a look at other items such as parking as they still need to make up the money.
- Petia shared she felt HDH wouldn't offer a variety of scenarios if they didn't know they could pay it off. She asked for cash flow.
 - Hemlata responded the problem would be deferred to the next committee and it would get worse.
- Burgundy asked what overruled, the chancellors 20 % below market or 100 million.
 - Hemlata responded they both work closely together.

Petia introduced a guest.

- Jana took a straw poll. She asked the committee members to raise their placard if they felt they could make a decision today based on the information they had received.
 - Petia shared she was in violation of the by-laws as she didn't approve the agenda with the other co-chair. She feels they are pushing them to vote.
 - Jana confirmed it was not a vote but a straw poll.
 - Only 2 felt ready.
- Jana shared they will schedule a meeting to continue the discussion. It will be the last meeting to meet the deadline. Looking at Thursday 3/28. Her understanding is Gautam would be back. The point of the meeting will be to propose a scenario to move forward with and implement.

Meeting adjourned around 4:04pm. Next meeting will be on 3/28. Location and time to be determined.