

**San Mateo County Community Colleges Educational Housing Corporation
Board of Directors | Regular Meeting**

June 19, 2019 | 3:00 p.m.

San Mateo County Community College District Office | 3401 CSM Drive, San Mateo, CA 94402

Notice about Public Participation at Board Meetings: The Housing Corporation Board welcomes public discussion. The public's comments on agenda items will be taken at the time the item is discussed by the Board. To comment on items not on the agenda, members of the public can speak under the agenda item titled "Public Comment." Normally, no more than 20 minutes will be allocated for this section of the agenda. No response on behalf of the Board will be given at this time and Board action is not permitted on items presented under this agenda item.

AGENDA

- I. Call To Order and Roll Call**
- II. Public Comments on Non-Agenda Items**
- III. Election of Officers (*Attachment #01*)**
- IV. Action Items**
 - a. Approve Minutes from March 18, 2019 Meeting (*Attachment #02*)
 - b. Approval of Rental Increases for College Vista and Cañada Vista (*Attachment #03*)
 - c. Approval of College Vista and Cañada Vista 2019-2020 Tentative Budgets (*Attachment #04A and #04B*)
- V. Informational Reports**
 - a. Update on Cañada Vista Repairs (*Verbal Update at Meeting*)
 - b. Update on Skyline College Housing Development Update (*Verbal Update at Meeting*)
 - c. Review of Follow-up Items from Prior Meetings (*Attachment #05*)
- VI. Board Members' Comments and/or Requests for Future Agenda Items**
- VII. Adjourn**

HOUSING BOARD REPORT

PREPARED FOR: Educational Housing Corporation Board of Directors

PREPARED BY: Mitchell Bailey, Vice Chancellor/Chief of Staff – (650) 574-6510

MEETING DATE: June 19, 2019

REPORT SUBJECT: Annual Election of Officers

Per the Bylaws of the Educational Housing Corporation (Article VIII, Sections 1 and 2), the Board of Directors will annually elect officers. Officers to be elected include:

- President
- Vice President/Secretary
- Treasurer

Following are descriptions of the duties of the respective offices as prescribed in the Bylaws.

- **President**

The President shall preside at meetings of the Board, shall be the Chief Executive Officer of the Corporation, and shall supervise, direct, and control the Corporation's activities, affairs, and Officers. The President shall have such other powers and duties as the Board or the Bylaws may prescribe.

- **Vice President/Secretary**

If the President is absent or disabled, the Vice President/Secretary shall perform all duties of the President. When so acting, the Vice President/Secretary shall have all powers of and be subject to all restrictions on the President. The Vice President/Secretary shall have such other powers and perform such other duties as the Board or the Bylaws may prescribe.

The Vice President/Secretary shall keep or cause to be kept, at the Corporation's Principal Office or such other place as the Board may direct, a book of minutes of all meetings, proceedings, and actions of the Board and committees of the Board. The minutes of meetings shall include the time and place that the meeting was held, whether the meeting was annual, regular, or special, and, if special, how authorized, the notice given, and the names of those present at Board and committee meetings. The Vice President/Secretary shall keep or cause to be kept, at the Principal Office in California, a copy of the Articles of Incorporation and Bylaws, as amended to date.

The Vice President/Secretary shall give, or cause to be given, notice of all meetings of the Board and of committees of the Board required by these Bylaws to be given. The Vice President/Secretary shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as the Board or the Bylaws may prescribe.

- **Treasurer**

The Treasurer shall serve as the Chief Financial Officer of the Corporation and shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the Corporation's properties and transactions. The Treasurer shall send or cause to be given to the Directors such financial statements and reports as are required to be given by law, by these Bylaws, or by the Board. The books of account shall be open to inspection by any Director at all reasonable times.

The Treasurer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Corporation with such depositories as the Board may designate, shall disburse the Corporation's funds as the Board may order, shall render to the President and the Board, when requested, an account of all transactions as Treasurer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as the Board or the Bylaws may prescribe.

If required by the Board, the Treasurer shall give the Corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of the office and for restoration to the Corporation of all of its books, papers, vouchers, money, and other property of every kind in the possession or under the control of the Treasurer on his or her death, resignation, retirement, or removal from office.



**Minutes of the Educational Housing Corporation Board Meeting
March 18, 2019
San Mateo County Community College District Office
3401 CSM Drive, San Mateo CA 94402**

Directors Present:	Other Attendees Present:
Dennis McBride, President	Mitchell Bailey
Maurice Goodman, Vice President	Bernata Slater
Peggy Berlese, Treasurer	Caryn Kenny
Kate Williams Browne	Mike Kenny
Ron Granville	Nelly Gonzalez
Michael Pierce	
Karen Schwarz	
Jonathan Wax	

Call to Order and Roll Call

The meeting was called to order at 3:07 p.m. Those members in attendance are listed above.

Public Comments on Non-Agenda Items

There were no comments from the public.

Approval of Minutes from the October 16, 2018 Meeting

It was moved by Ms. Schwarz and seconded by Ms. Berlese to approve the minutes. The motion carried, with all members voting Aye.

Action/Discussion Items

1. Kenny Realty Property Management Agreement Renewal

Ms. Kenny, Mr. Kenny and Ms. Gonzalez excused themselves from the meeting during the discussion.

Staff noted that at its October 16, 2018 meeting, the Board reviewed the draft of the renewal for the management agreement with Kenny Realty. At that meeting, the Board suggested a number of edits to the agreement and directed staff to incorporate those edits into a new draft that was to be considered at the March 18, 2019 meeting. Staff incorporated those edits and presented those to the board in the form of the agreement provided in the meeting packet. The board reviewed the new draft, and suggested one additional technical edit on page 4 of the draft to strike the words "...on behalf of Corporation" in Section 6.03.

It was moved by Mr. Granville and seconded by Ms. Berlese to approve the renewal of the management agreement with Kenny Realty as amended. The motion carried, with all members voting Aye.

Informational Reports

1. Discussion of Possible Rental Increases for 2019-2020

Staff noted that the Housing Board has reviewed the issue of rental rate increases in the past and has taken a position that an annual increase is prudent. Vista units currently rent for significantly lower than market rate, including 1-bedroom units at 50 percent below market rate, 2-bedroom units at 68 percent below market rates, and 3-bedroom units at 64 percent below market rates.

Staff reminded the Board that they approved a two (2) percent rental rate increase for all residents in fall 2016 that went into effect January 1, 2017. This increase was the first implemented in several years.

Prior to bringing a formal proposal for consideration to the Board for action in June, staff asked the Board for feedback about how to approach the issue of rental increases given the differences in age of the complexes, the ongoing construction at Cañada Vista and the increased competitiveness of the rental market.

Mr. Pierce and Mr. Granville both noted that the data relating to 1-bedroom units was likely low and was more in the range of 60 percent below market.

The Board discussed the issue and came to consensus that annual rental increases are indeed prudent and a process for determining what those increases would be and a schedule on which they would be implemented is important, as to allow residents to plan appropriately. It was further discussed by the Board that the rate below market value for which the units rent may cause adjustment issues for residents when they return to the competitive rental market.

Staff recommended they work with Mr. Pierce and Mr. Granville to better understand industry practices in setting rental increases and bring a proposal back to the Board for consideration at its next meeting.

2. Update on Cañada Vista Repairs

Staff reported that work continues on the repairs to Cañada Vista and that demolition was nearly complete on Building 1 and that there had been some delays in the schedule due to weather. District facilities staff, along with the District's engineering consultants are on-site daily to monitor work and working with Kenny Realty, communicating updates with residents. Staff informed the Board they would provide periodic updates as the project progresses.

3. Update on Skyline College Housing Development

Staff explained that the infrastructure work to the site was underway and being performed by SummerHill Homes. Due to an extremely wet winter (even more than usual for that area of the county), the project had seen delays as rain has prevented ground work on a number of occasions. Staff noted that with better weather, the construction team was hopeful to recapture some of the lost time and hoped to have grading finished in May; storm, sewer and water infrastructure finished in June and retaining walls finished in October 2019. Staff noted that the tentative schedule calls for completing the site work in late October/early November 2019. Additionally, it was noted that the District was in the process of preparing the RFP for the construction of the apartment units and it was due to be released for bids in early summer.

4. Review of Follow-up Items from Prior Meetings

Staff reported on follow-up items from prior meetings. The Board asked that the first follow-up item relating to homeowner equity be removed from the list as it had been settled at a prior meeting.

Board Members' Comments and/or Requests for Future Agenda Items

Mr. Goodman explained that the District's Board of Trustees had been discussing the issue of student housing and suggested at some future time there may be a role for the Educational Housing Corporation Board.

Adjournment

The meeting was adjourned at 4:41 p.m.

HOUSING BOARD REPORT

PREPARED FOR: Educational Housing Corporation Board of Directors

PREPARED BY: Mitchell Bailey, Vice Chancellor/Chief of Staff – (650) 574-6510

MEETING DATE: June 19, 2019

REPORT SUBJECT: Rent Increase Recommendation

The Housing Board has reviewed the issue of rental rate increases in the past and has taken a position that an annual increase is prudent. Vista units currently rent for significantly lower than market rate as reflected in Table 1 below.

Table 1. Current Vista Rents Compared to Average San Mateo County Market Rates

Unit Type	Current Base Rent	Current Market Rate (San Mateo County)	Current Percentage Below Market Rate
1 Bedroom/1 Bathroom	\$918	\$2,797	68%
1 Bedroom/1 Bathroom with Den	\$1,122		
2 Bedroom/1 Bathroom	\$1,173	\$3,600	67%
2 Bedroom/2 Bathroom	\$1,224		
2 Bedroom/2 Bathroom with Den	\$1,428		
3 Bedroom/2 Bathroom	\$1,632	\$4,400	63%

Source: http://www.zillow.com/US/California/San_Mateo_County/ (as of May 2019)

In fall 2016, the Board approved a two (2) percent rental rate increase that went into effect January 1, 2017, for all residents. This increase was the first implemented in several years.

At its last meeting, the Board discussed rental increases for 2019-2020 and the desire to standardize annual increases in order to moderately close the gap with rental market rates. While there is no desire to significantly increase rental rates to be competitive with market rates, there is a realization that the widening gap in District rates versus market rates is not a desirable position for the District or residents. When residents term out of District housing, there is a “shock” factor when re-entering the rental market, as their rents more than double.

Staff recommends the following approach to rental increases:

1. Adopt a desired rental rate benchmark and work to adjust rents, over time, to reach that benchmark. For this purpose, it is recommended that the County’s affordable rate index be used as the benchmark, as it is a standard used in the local rental market (and is updated annually). This index outlines the size of units and various income levels, as reflected in Table 2. It is recommended that the Housing Board adopt the “low income” level as the District’s benchmark for rental rates as reflected in Table 2.

Table 2. 2019 San Mateo County Maximum Affordable Rent Payments

Income Category	SRO *+	Maximum Affordable Rent Payment (\$)				
		Studio	1-BR	2-BR	3-BR	4-BR
Extremely Low *		846	907	1,088	1,256	1,401
Very Low *		1,411	1,512	1,814	2,096	2,338
Low HOME Limit*	1,552	1,411	1,512	1,814	2,096	2,338
High HOME Limit *	1,552	1,906	2,044	2,456	2,827	3,131
HERA Special VLI (50% AMI) ***		HERA Spec. Rents - Go to www.treasurer.ca.gov/ctcac/2018/supplemental.asp				
HERA Special Limit (60% AMI) ***						
Low**		2,260	2,423	3,078	3,557	3,746
HUD Fair Market Rent (FMR)		2,069	2,561	3,170	4,153	4,392
Median **		2,964	3,176	3,811	4,405	4,913

2. Adopt an annual increase schedule that standardizes the dates and amounts of rental increases necessary to reach the benchmark rate. This will be implemented over time as outlined in Appendix A.
3. Adopt a stair-step implementation schedule. To lessen the immediate impact of a rental increase, staff suggests phasing in the increases with half of the increase effective for the first six months of the rental year and the remaining increase effective for the remaining six month period. For example, if the increase was \$100 dollars per month, for the first six months, the resident would pay an increase amount of \$50, and after six months, the full rate of increase of \$100.

RECOMMENDATION

Staff recommends that the Housing Board approve the following:

1. Adopt the rental increase approach as outlined in the report.
2. Make rental rate increases effective October 1, 2019 and every October 1 thereafter.
3. Suspend the collection of rental rate increases at Cañada Vista until January 1, 2020.

Appendix A: Rental Increase Schedule

Unit Size	Current District Rental Rate¹	County Affordable Housing Rate Low Income (2019)	Difference	2019-2020 Rental Increase (per month)²	2020-2021 Rental Increase (per month)	2021-2022 Rental Increase (per month)	2022-2023 Rental Increase (per month)	2023-2024 Rental Increase (per month)	2024-2025 Rental Increase (per month)	2025-2026 Rental Increase (per month)
1 bedroom	\$1,018	\$1,512	\$494	\$70 (7%)	\$70 (7%)	\$70 (7%)	\$70 (7%)	\$70 (7%)	\$70 (7%)	\$70 (7%)
2 bedroom	\$1,273	\$1,814	\$541	\$77 (6%)	\$77 (6%)	\$77 (6%)	\$77 (6%)	\$77 (6%)	\$77 (6%)	\$77 (6%)
3 bedroom	\$1,732	\$2,096	\$364	\$52 (3%)	\$52 (3%)	\$52 (3%)	\$52 (3%)	\$52 (3%)	\$52 (3%)	\$52 (3%)

Notes:

1 – The rental rate includes a base rate for the unit and charges for amenities (\$50 each for garage, view, top floor, corner unit); on average, each resident has two of these amenities.

2 - The rate of increase was calculated by determining the difference between the current District rental rate and the current County Affordable rate and then dividing that number by seven (7) as that is the term of lease for residents.

HOUSING BOARD REPORT

PREPARED FOR: Educational Housing Corporation Board of Directors

PREPARED BY: Bernata Slater, Chief Financial Officer
Caryn Kenny, Kenny Realty

MEETING DATE: June 19, 2019

REPORT SUBJECT: 2019-2020 Budgets for College Vista and Cañada Vista

Each year, the Board adopts budgets for College Vista and Cañada Vista. These budgets are generally based on actual spending and revenue from the prior year and take into account any anticipated increases or decreases in those categories.

In attachments #04A and #04B, staff provide an update on actual revenue and expenses to date for FY 2018-2019 and a proposed budget for the Board's consideration for FY 2019-2020 for College Vista and Cañada Vista respectively.

RECOMMENDATION

Staff recommends the Board adopt the FY 2019-2020 budgets for College Vista and Cañada Vista.

SMCC Educational Housing Corporation

College Vista

Budget vs Actual for 2018-2019 and Proposed Budget for 2019-2020

	Adopted Budget	Revised Budget	Actual 7/1/2018 to 3/31/2019	Proposed Budget	
	2018-19	2018-19	2018-19	2019-20	Notes for Proposed Budget:
Operation Revenues					
Rent	620,000	620,000	420,938	620,000	Increased vacancies/turnover offset by anticipated rent increase
Club House Rental	1,500	1,500	1,200	1,500	
Total Operation Revenues	621,500	621,500	422,138	621,500	
Operation Expenses					
Property Administration					
Property Management	30,096	32,736	22,352	32,736	Property management fee increased Fall 2018
Resident Management Fee	7,200	7,200	5,400	7,200	
Supplies (club house)	750	750	54	750	
Insurance	9,176	9,176		12,000	
Audit & Accounting	2,125	2,125	1,580	2,125	
Amin Misc	1,280	1,280	270	1,000	Legal/Office Supplies/Tax and License
Total Property Administration	50,627	53,267	29,656	55,811	
Service Maintenance					
Appliance Repair	3,500	3,500	1,777	3,500	
Appliance Replacement	4,000	4,000	2,341	4,000	Approx. 6 appl due to turnover
Cleaning	1,500	1,500	925	1,500	Clubhouse and units cleaning after moving out
Dryer Vent cleaning (annual)	2,750	2,750	2,750	2,750	Annual, no increase
Electrical Repair and Supplies	4,000	4,000	5,398	6,500	Increased number of electrical repairs (outside, exit lights and interior lights)
Fire Alarm Repairs/Inspections	16,000	16,000	5,916	12,000	Siemens annual contract + repairs
Flooring Repair	1,000	1,000		1,000	Set aside for potential repairs due to upcoming vacancies/turnover
Flooring Replacement	18,000	18,000	11,675	20,000	7 units due to upcoming vacancies/turnover
Garage Door Repair	2,000	2,000	1,215	2,000	
Gutters (cleaning and repair)	1,000	1,000	1,000	1,000	Annual
Heating Repair	1,000	1,000	412	1,000	Minimal repairs - electric heaters
Maintenance General	10,000	10,000	4,353	10,000	Estimated increase in maintenance due to vacancies increase
Painting & Decorating	15,000	15,000	12,950	15,000	7 units due to upcoming vacancies/turnover
Plumbing Repair	10,000	10,000	4,645	10,000	Replacement of various fixtures due to age of bldg.
Window Washing (annual)	1,500	1,500	1,350	1,500	
Total Service Maintenance	91,250	91,250	56,707	91,750	
Monthly Services					
Fire Alarm System/Monitoring	1,500	1,500	1,332	1,800	
Garbage	11,000	11,000	6,235	12,000	Rate increase
Internet/Cable	480	480	327	500	
Landscape/Gardening	11,000	11,000	8,344	14,000	Monthly plus replacing old landscaping
Pest Control	1,530	1,530	1,147	1,600	Monthly increase from prior year
PG & E	17,500	17,500	12,088	18,000	General common power, includes power for vacancies, rates increase
Water Grounds & Tenants	22,000	22,000	14,096	22,000	Same as prior year
Total Monthly Services	65,010	65,010	43,569	69,900	
Total Operation Expenses	206,887	209,527	129,932	217,461	
Net Operation Profit/(Loss)	414,613	411,973	292,206	404,039	
Other Financial Uses					
Transfer to District	335,100	332,460	212,693	321,877	
Transfer to Capital Reserve	78,313	78,313	78,313	80,662	Based on new Trower study
Total Other Financial Sources/Uses	413,413	410,773	291,006	402,539	
Excess of Revenues Over Expenditures and Other Sources	1,200	1,200	1,200	1,500	
Vacancy Factor (reflected in rents)	(5,200)	(5,200)	(5,200)	(5,200)	

SMCC Educational Housing Corporation

Cañada Vista

Budget vs Actual for 2018-19 and Proposed Budget 2019-20

	Adopted Budget	Revised Budget	Actual 7/1/2018 to 3/31/2019	Proposed Budget	
	2018-19	2018-19	2018-19	2019-20	Notes for Proposed Budget:
Operation Revenues					
Rent	850,000	850,000	591,947	750,000	Turnover/vacancies of 18 tenants due to lease expiration
Club House Rental	2,500	2,500	1,581	2,500	Club House will be used minimally during construction phase
Club House Liab. Insurance	1,000	1,000	800	1,000	
Rent Concessions	(125,000)	(125,000)		(125,000)	Reduction in rent due to construction (\$125 to \$150 per unit per month)
Total Operation Revenues	728,500	728,500	594,328	628,500	
Operation Expenses					
Property Administration					
Property Management	41,040	44,640	30,480	44,640	Property management fee increased Fall 2018
Resident Management Fee	8,500	8,500	6,381	8,508	
Supplies (club house)	1,000	1,000	110	1,000	
Insurance	9,921	9,921		12,000	
Insurance /Clubhouse	1,000	1,000		1,000	
Audit & Accounting	2,125	2,125	1,580	2,125	
Admin Expenses-Misc.	1,500	1,500	1,715	2,000	Legal/Office Supplies/Tax and License
Total Property Administration	65,086	68,686	40,266	71,273	
Service Maintenance					
Appliance Repair	3,000	3,000	3,935	7,500	
Appliance Replacement	5,000	5,000	6,465	10,000	10-12 replacements
Cleaning	3,000	3,000	1,440	4,500	Clubhouse and units cleaning after moving out
Dryer Vent cleaning (annual)	4,500	4,500	4,210	4,500	Annual, no increase
Electrical Repair and Supplies	5,000	5,000	2,997	5,000	Internal lighting, carbon monoxide detectors, exterior lights
Fire Alarm Inspections/Repairs	16,000	16,000	6,020	12,000	Annual \$8600 + additional sprinklers repairs
Flooring Replacement	10,000	10,000	6,897	30,000	Estimate more than half of turnover vacancies to require flooring replacement
Flooring Repair	2,500	2,500		2,500	Minimal repairs
Garage Door Repair	1,000	1,000		1,000	
Gutters Cleaning				-	No cleaning during construction and timing
Heating Repair/AC Repairs	7,500	7,500	338	5,000	
Maintenance General	15,000	15,000	8,688	15,000	
Painting & Decorating	17,000	17,000	6,500	27,000	18 units due to upcoming vacancies/turnover
Plumbing Repair	10,000	10,000	10,073	14,000	Increased repairs due to aged plumbing fixtures
Window Washing (annual)	-	-		4,000	Clean up after construction
Total Service Maintenance	99,500	99,500	57,563	142,000	
Monthly Services					
Garbage	25,000	25,000	13,614	25,000	
Internet/Cable	750	750	789	1,100	Increased rate for clubhouse internet use
Landscape/Gardening	13,000	13,000	10,398	15,000	Includes regular maintenance work
Pest Control	2,800	2,800	1,846	2,800	Annual contract, same as prior year
PG & E	20,000	20,000	11,569	20,000	Includes power for vacancies, rates increase over prior year
Fire Alarm System/Monitoring	1,500	1,500	1,263	2,000	Rate increase
Water	3,000	3,000	2,261	3,200	
Total Monthly Services	66,050	66,050	41,740	69,100	
Total Operation Expenses	230,636	234,236	139,569	282,373	
Net Operation Profit/(Loss)	497,864	494,264	454,759	346,127	
Other Financial Uses					
Transfer to District	496,564	492,964	453,559	194,827	
Transfer to LT Capital Reserve	-	-	-	150,000	Estimate only, Transfer will be adjusted per new Trower Study when available
Total Other Financial Sources/Uses	496,564	492,964	453,559	344,827	
Excess of Revenues Over Expenditures and Other Sources	1,300	1,300	1,200	1,300	
Vacancy Factor (reflected in rents)	(13,000)	(13,000)			

HOUSING BOARD REPORT

PREPARED FOR: Educational Housing Corporation Board of Directors

PREPARED BY: Mitchell Bailey, Vice Chancellor/Chief of Staff – (650) 574-6510

MEETING DATE: June 19, 2019

REPORT SUBJECT: Follow-up on Items from Prior Meetings

Below outstanding items were captured from prior meetings that require staff follow-up. Included are brief updates for each item.

- 1. Revisit policy discussions relating to: (1) part-time employee eligibility, (2) short-term occupancy for out-of-area employees and new hires, and (3) eligibility of administrators.**

Follow-up: A sub-committee will be formed to revise policies and this item will be will be agendized for the Board's September 2019 meeting.

- 2. Revisit discussion of creating resident savings incentive plan.**

Follow-up: A sub-committee will be formed to review this item and bring a proposal to the Board at its September 2019 meeting.

- 3. Agendize a discussion of the role the Housing Corporation could play in addressing other District housing issues.**

Follow-up: A discussion can be agendized at any future meeting.