STANDING COMMITTEES

Finance and Asset Management Committee

Approve 2016-17 Student Housing Rental Rate Adjustment at UW Bothell

RECOMMENDED ACTION

It is the recommendation of the administration and the Finance and Asset Management Committee that the Board of Regents approve the proposed 2016–17 student housing rates for the University of Washington Bothell, making the proposed rates effective July 1, 2016.

BACKGROUND

The Housing and Residential Life program at UW Bothell plays a growing role in supporting the University’s mission by providing a residential community that support students’ development with a focus on personal and academic success. UW Bothell launched the student housing program in 2009 and continues to provide opportunity for students to live and learn amongst their peers in collegial environment. The Housing and Residential Life Program is currently comprised of double and single bedroom options within apartment style units, for a total of 273 beds.

OPERATIONS

UW Bothell Housing anticipates a net increase of 3.6% in normal operating expenses for the student housing program. The proposed adjustment will support needed increases for costs including facility maintenance, wage increases, program development and utilities.

Facilities Maintenance

The increase reflects the amount needed as a result of repair and maintenance work (and related supplies) towards Husky Village’s nine apartment buildings given their age.

Utilities

Utilities in the apartment style units including power, water, and internet/cable services require an increase due to anticipated increasing utility/fee costs; there is no estimated change in consumption for 2016-17.
Operational Increases

Operational increases require an increase for mandated *step* and *cost-of-living* increases, minimum wage increases, merit increases, and contribute to the highest portion of the increases in operational expenses.

Minimum wage increases for all student held positions within the program will be a significant contributor to increased labor expenses for the program in 2016-17.

STRATEGY FOR ANALYZING NECESSITY OF RATE CHANGE

UW Bothell Housing & Residential Life have adopted the same approach as Housing and Food Service at UW Seattle with the annual budget development that begins in Fall Quarter under the following assumptions:

1. Budget development for the upcoming fiscal year should presume no particular percent increase in rates/revenue.

2. To the extent possible, we will not increase funds for any program or service that cannot be tied to a documented increase in the cost of the materials or resources needed to deliver that program or service as it exists today.

3. Without justification, we will not add any programs or services without eliminating something of equal or greater cost.

This process includes review and analysis of current fiscal year revenues and expenditures, historical data, research into future expense levels and evaluation of other variables that may or will impact the budget. Proposed changes in housing rates are the result of determining the budget needed for the upcoming fiscal year. Last year, the Housing and Residential Life program was able to announce that we were proposing a 0% increase to the housing rates for the 2015-16 academic year. This was due to the announced interest rate reduction the program received from the UW Internal Lending Program on the current loan for the Husky Village Property effective April 2015. The program was able to apply the reduced interest rate savings to projected expense increases for the 2015-16 year.

Without mitigation and under the same planning assumptions, a 0% rate change results in a debt service coverage of 1.23 in FY17 and has a significant impact on the reserve amount being accumulated that is required by the Internal Lending Program of our annual debt service of $828K. This would also set back the
program goals related to building a capital reserve fund for long term maintenance and upkeep of the facilities.

Any reductions to the operating expenses would have further negative impacts to the program. Examples of some of the many changes that would need to occur include notable service reductions; postponing facilities improvement projects; eliminating merit increases for professional staff; and adjusting budget assumptions to higher risk levels.

Therefore, the 2016-17 year, we determined to adhere to the budget review strategy outlined above and conducted a thorough review of all expense categories in an attempt to identify expense savings and explore options for additional revenue generation. The resulting proposed rate increase of 3.6% put forth is the minimal amount needed to maintain the financial health of the program without additional significant expense reduction strategies that would negatively impact the operation.

Overview of Housing Rate Proposal

<table>
<thead>
<tr>
<th>Student Housing Expenses</th>
<th>Student Housing Rate Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities Maintenance</td>
<td>0.6%</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.4%</td>
</tr>
<tr>
<td>Operational Increases</td>
<td>2.6%</td>
</tr>
<tr>
<td>TOTAL ROOM RATE INCREASE</td>
<td>3.6%</td>
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</table>

PROPOSED RATES

<table>
<thead>
<tr>
<th>Property</th>
<th>Agreement Period</th>
<th>Current Rate</th>
<th>Proposed 2016-17 Rate</th>
<th>Total Increase</th>
</tr>
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<tbody>
<tr>
<td>Husky Village Apartments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Double Bedroom</td>
<td>Academic Year</td>
<td>$8,235</td>
<td>$8,529</td>
<td>$294</td>
</tr>
<tr>
<td>Single Bedroom</td>
<td>Academic Year</td>
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<td>$11,637</td>
<td>$402</td>
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<tr>
<td>Campus View Apartments</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Double Bedroom</td>
<td>Academic Year</td>
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The proposed room rates for 2016-17 reflect the 3.6% adjustment and will be applied to both shared and single bedroom rates.

Reserve Requirements and Debt Service Coverage Ratios
The budget supported by the proposed rates allows Housing and Residential Life to:

- remain financially stable and exceed its Internal Lending Program (ILP) obligations to maintain a ratio of net revenues to annual debt service of at least 1.25:1 and
- meet minimum reserve requirements under the ILP financing agreement.

REVIEW AND APPROVALS

- On January 28, 2016, the Residence Hall Association hosted an event where Housing and Residential met with housing residents to discuss the annual operating budget and housing rate development process. Student Housing residents were informed that a follow up presentation would be held in February regarding the final rates proposal for 2016-17.

- Letters detailing the rate proposal were sent to all student apartment residents on February 7, 2016, inviting them to a Residence Hall Association meeting on February 11, 2015.

- On February 11, 2016, the 2016-17 rates proposal was presented at the Student Body Government meeting (ASUWB).

- On February 11, 2016 the 2016-17 rates proposal was presented at the Residence Hall Association meeting on February 11, 2016.

- This proposal has also been discussed with the UW Bothell Dean of Student Affairs George Theo, Vice Chancellor Ana Karaman, and Chancellor Wolf Yeigh.

- Information regarding the housing rate proposal was shared by UW Bothell with the UW Student Regent.

Attachment
Proposed 2016-17 Housing Rates (quarterly), Peer and private market comparison, Shared room rates
For comparative purposes, costs shown for private apartments above also have assumed costs of utilities and furnishings for equity of comparison. Costs of UW Tacoma and Seattle locations are assumptions based on rate increases and should not be viewed as final. UW Bothell is working with Financial Aid Committee to conduct additional surveys and research in FY17 that will further analyze rental rates and student expense trends specific to the UW Bothell campus.