

AGENDA
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
SPECIAL STUDY SESSION OF THE BOARD OF TRUSTEES
Thursday, September 3, 2020

Closed Session at 5:00 p.m.; Open Meeting at 6:00 p.m.

This meeting will be held telephonically via Zoom.

Members of the public should **NOT** come to District Office to participate.

Join this Zoom Meeting – <https://smccd.zoom.us/j/95302220282>

Dial-In: 1-669-900-9128 – Webinar ID: 953 0222 0282

NOTICE ABOUT PUBLIC PARTICIPATION AT BOARD MEETINGS

Observing the Meeting

Members of the public who wish to observe the meeting may do so by accessing the link or calling the following telephone number above at the beginning of the meeting.

Providing Public Comment During the Meeting on NON-AGENDA Items

To make a comment regarding a non-agenda item, members of the public, once in the Zoom meeting (via above link), can utilize the “raise hand” function on the bottom right corner of the screen. This will allow for the Board President to recognize members for comment and will allow staff to activate audio access to individual participants. Members of the public who “raise their hand” will be called upon in the order they appear. Members of the public making comment are reminded of the 3-minute time limit for comment.

For members of the public who do not have access to a computer or smart device, time will be allotted at the end of public comments for members of the public to comment using a phone.

Providing Public Comment During the Meeting on AGENDA Items

To make a comment regarding an item on the published agenda, members of the public, once in the Zoom meeting (via above link), can utilize the “raise hand” function on the bottom right corner of the screen. This will allow for the Board President to recognize members for comment and will allow staff to activate audio access to individual participants. Members of the public who “raise their hand” will be called upon in the order they appear.

For members of the public who do not have access to a computer or smart device, time will be allotted at the end of public comments on the agenda item for members of the public to comment using a phone.

Accommodations

Persons with disabilities who require an accommodation or service should contact the contact the Executive Assistant to the Board at (650) 358-6753 at least 24 hours prior to the Board meeting.

5:00 p.m. Call to Order

CLOSED SESSION ITEMS FOR DISCUSSION

1. Conference with Legal Counsel – Anticipated Litigation: Significant exposure to litigation pursuant to Gov. Code, § 54956.9, subd. (d)(2): Three cases

PUBLIC COMMENTS ON CLOSED SESSION ITEMS ONLY

RECESS TO CLOSED SESSION

RECONVENE TO OPEN SESSION

6:00 p.m. Call to Order / Roll Call / Pledge of Allegiance

ANNOUNCEMENT OF REPORTABLE ACTION TAKEN IN CLOSED SESSION

STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS

STUDY SESSION

20-9-1C Review and Discussion of Student Housing Feasibility Study Results

COMMUNICATIONS

STATEMENTS FROM BOARD MEMBERS

RECONVENE TO CLOSED SESSION (if necessary)

RECONVENE TO OPEN SESSION (if necessary)

ANNOUNCEMENT OF REPORTABLE ACTION TAKEN IN CLOSED SESSION (if necessary)

ADJOURNMENT

BOARD REPORT NO. 20-9-1C

TO: Members of the Board of Trustees
 FROM: Michael Claire, Chancellor
 PREPARED BY: Mitchell Bailey, Vice Chancellor/Chief of Staff, 574-6510

REVIEW AND DISCUSSION OF STUDENT HOUSING FEASIBILITY STUDY RESULTS

Last fall, District administration provided the Board with an update on the student housing concept and the Board agreed with the administration’s recommendation to conduct a formal feasibility study to determine the viability of developing such a project.

Administration engaged a consultant, Scion Advisory Services, to assist with the study. Scion is a well-regarded, national firm that assists colleges and universities with student housing planning and they know the California market and California community colleges. Most recently, Scion has conducted studies and assisted with developing financing models for Orange Coast College and Santa Rosa Junior College.

The District also established a task force to coordinate this study. Members of the group include:

- Dr. Jennifer Taylor-Mendoza, Vice President for Instruction, Skyline College
- Dr. Manuel Perez, Vice President for Student Services, Cañada College
- Dr. Micaela Ochoa, Vice President for Administrative Services, College of San Mateo
- Tim Tulloch, Head Football Coach and Faculty member, College of San Mateo
- Chris Strugar-Fritsch, Director of Capital Projects, District Office
- Mitchell Bailey, Vice Chancellor/Chief of Staff, District Office

In spring 2020, working with Scion, the District conducted a student survey of all SMCCCD students to determine their interest in on-campus student housing. This survey was further supported by student stakeholder focus group meetings and faculty, staff and administration focus group meetings. Below is the survey response rate for the student survey.

College	Number of Student Responses
Cañada College	614
College of San Mateo	971
Skyline College	966
TOTAL	2,551

Scion analyzed the results to determine conclusions relating to the feasibility of the District developing such a project and estimated costs based on given demand projections. An executive summary of the demand study is included as Attachment #01 and possible financing structures are included as Attachment #02.

It is important to underscore a few additional key points as information relating the study are presented:

1. No decisions to proceed with the development of student housing have been made by the Board of Trustees.
2. No recommendations as to moving forward with student housing have been made by District administration.
3. No student services programming or student policy decisions are factored into the analysis of the study. What is presented and contemplated simply relates to the demand from students about on-campus housing and the options to finance construction of student housing should the Board decide to move forward. Any policies or services (i.e. counseling, support services, campus access to amenities, public safety, dining services, etc.) would be considered after a go-no-go decision is made to proceed with such a project. Staff anticipates additional study sessions on the necessary policies, programming, as well as options to manage a facility if the Board directs staff to move forward with student housing.
4. Specific design elements, policies and procedures are not presented or contemplated with this study or presentation.

At this special study session, staff, along with representatives from Scion Advisory Services, will review the results of the demand study and discuss with the Board general conclusions. Staff and Scion also realize that the Board is likely to have a number of additional questions or areas of exploration/analysis they wish to see as they further process this issue. Staff welcomes those questions and directions so as to be able to provide the Board with the information it needs in making a determination about moving forward with a student housing development.

SMCCCD Student Housing Study - Executive Summary

Introduction and Strategic Objectives

In Spring 2020, San Mateo County Community College District (SMCCCD or District) engaged The Scion Group, LLC (Scion) to assess student demand and financial feasibility for student housing across the District. The study was spurred by the recognition that many students struggle to find safe, affordable housing close to the District's campuses. At the beginning of Scion's study, District and College leadership collaboratively established a set of Strategic Objectives: (1) Social Justice Framework, (2) Financial Accessibility, (3) Student Recruitment & Retention, (4) Financial Neutrality and (5) Entrepreneurial Approach. These objectives served as the framework for the quantitative and qualitative research, which resulted in the following findings.

Findings

Demand exists at each SMCCCD campus. The demand for single students is 908 beds at Cañada, 1,089 beds at Skyline or 1,286 beds at CSM. Demand for students with families¹ is 720 units at Cañada, 733 units at Skyline or 846 units at CSM. Mindful of the strategic objectives that promote social justice and financial accessibility, Scion also calculated demand for housing, if offered at a lower price point. This increased single student demand by 407 beds at Cañada, 489 beds at Skyline and by 579 beds at CSM. Demand for students with families increased by 592 units at Cañada, 602 units at Skyline and 695 units at CSM.

Students expressed significant interest in housing offered by the District. Student focus groups and survey data demonstrated that both single students and students with families expressed significant interest in the District adding housing at any of the campuses, with a slight preference for housing at the College of San Mateo. Respondents' preferred location at CSM was determined by their response to the following question: "SMCCCD is considering offering student housing at three possible locations...potential locations for new housing include College of San Mateo, Skyline College and Cañada College. Please indicate how likely you would have been to live [for the 2019-2020 Academic Year] in SMCCCD housing, by selecting Yes, Maybe or No for each potential location." Based on survey data, 74% of students across the District expressed some level of willingness (by selecting either Yes or Maybe) to live on campus if housing was located at CSM compared to Skyline (60%) and Cañada (56%).²

¹ Students with families are those who indicated they live with a partner, dependent(s), and/or someone else for whom they are responsible. Scion calculates demand for students with families separately, as generally they prefer renting by-the-unit versus by-the-bed and in acknowledgement of the different living experiences and priorities between the populations.

² Data based on results of an online survey available to all District students between May 13, 2020 and June 15, 2020. During that time 2,551 responses were received. Based on Spring 2020 enrollment of 21,559 students (as provided by the District) the survey margin of error was ±2%, within the target margin of error of ±5%.

Students reported it is difficult to find housing close to the District's campuses. Survey data indicated that 37% of students found it difficult to find housing within a reasonable commute time to campus and another 6% note their housing is not within a reasonable commute time to campus. Finding housing within a reasonable commute time was only easy for 7% of respondents.³ Interviews with faculty and staff reiterated and contextualized the challenges students face when finding housing.

Part-time students expressed interest in enrolling full-time if housing were available.⁴ Of students not enrolled in 12+ units, 21% indicated they would enroll full-time if housing were available regardless of campus (21%). Students across the District indicated slightly more willingness to enroll full-time if the housing were available at CSM (5%) compared to 4% for both Skyline and Cañada.⁵

Nearly all students believed that housing is important for recruiting and retaining future students. For *attracting* future students to SMCCCD, 96% of students with families and 95% of single students indicated housing would be important. When asked about *retaining* students, 94% of students with families and 92% of single students acknowledged the importance of offering housing. Current students further validated that the availability of housing impacts their decisions to stay enrolled. 7% of all students indicated they have a plan to leave school because of local housing costs and 40% have considered leaving.

Preliminary financial modeling for housing programs indicates financially viable projects (traditional-style or apartment units for single students and apartments for students with families) offered at an average of 7% below market rents based on unit types. Complex modeling for different delivery structures, including a public-private partnership (P3) model, indicate viable programs for a feasible student housing project.

In response to the District's interest in providing an even more affordable housing option for some students, Scion modeled programs that internally subsidized rents for 10% of single-student beds. Scion modeled these beds at a 50% discount. To support the discounted units, the rents for the non-discounted units increased between 1.5% - 9% (from the survey tested rates), depending on the program and unit type.

If the District elected to move forward with student housing through a P3 delivery method, there would likely be significant interest from student housing developers and investors. From Scion's experience (and depending on the size and location of the project) viable student housing projects that are substantiated by a reputable advisor through a market and demand and financial analysis, typically garner broad interest.

³ The remaining respondents either indicated it was "neither easy nor difficult" (23%) or that they did not look for housing (27%).

⁴ Question *only* asked of students NOT enrolled in 12+ units.

⁵ Single students (37%), compared to students with families (31%), were slightly more likely to indicate the availability of housing would encourage them to enroll full-time

Overview of Financing & Delivery Options

There are a range of financing, ownership, and delivery options available to the District. Decisions on structuring any deal are typically based on each structure's ability to achieve the Strategic Objectives, advance the institutional mission, provide access to the most efficient capital, and strike the best balance between risk and control on behalf of the institution. *Figure 1* below provides a visual representation of the increasing transfer of risk by the delivery method.

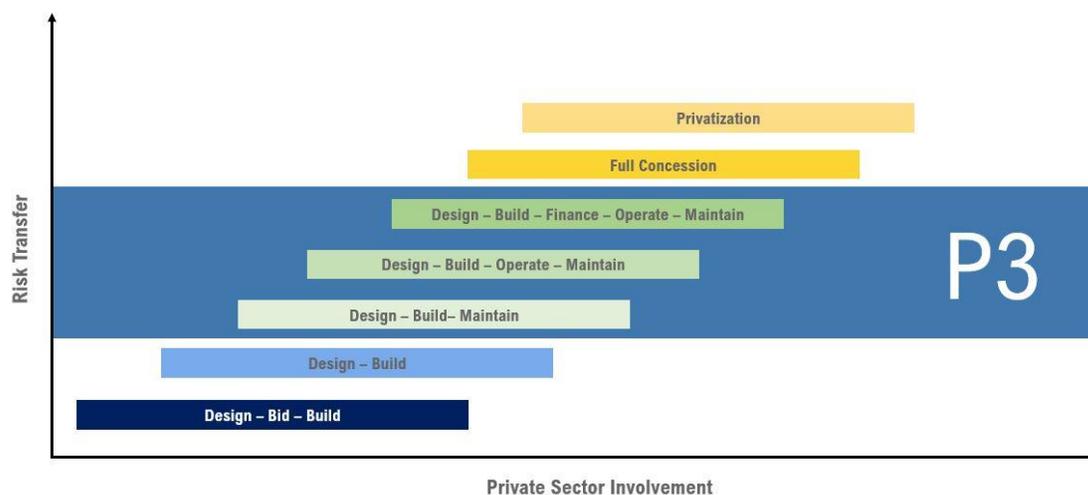


Figure 1: Financing & Delivery Options Risk Transfer

District Bond Financing (highest risk and greatest control)

In this scenario, the District would finance the project on its own. The District would bear all developmental, financial, and operational, risks associated with the development and management of the project. However, the District would maintain absolute control over all project decisions. This scenario would also likely achieve the lowest cost of financing for the project. Scion notes that under this scenario the District and its program manager/advisor would be solely responsible for the procurement of third-party contractors.

Private Developer (least risk and least control)

In this scenario, a third-party developer would bear all risk and would maintain control over most, if not all, decision making. If the relationship between the developer and the District is that of lessor and master lessee, then the developer is only obligated to include the District in decision-making as stipulated in the lease agreement. This scenario generally produces the highest cost for the District's students as the District is essentially financing (through rents) the developer's taxable debt and equity financing, plus risk and profit premiums.

Public-Private Partnerships (balance of risk and control)

The P3 option entails working with a private developer to bear the development risk and a not-for-profit owner to bear the operational risk and liability for the debt. The allocation of risk and responsibilities is clearly delineated in the two primary project documents: the ground lease and the coordination agreement.

To qualify for tax-exempt financing through 501(c)3 structure, the project must serve residents affiliated with the District and defined in the project documents. If the District elects for a P3 delivery, the procurement process should articulate guidelines consistent with its mission and the Strategic Objectives previously defined. Student housing P3 projects are typically (but not always) financed with tax-exempt debt; and therefore, they provide a competitive cost of financing that translates into lower rents for District stakeholders.

From a broad perspective, the P3 option offers the following advantages:

1. Preserves District capital and borrowing capacity
2. Transfers development risk to a 3rd party and operational risk to a not-for-profit entity who owns the improvements during the term of the ground lease
3. Leverages private sector resources for District use
4. Provides residual cash flow to the District assuming sufficient project performance

In student housing P3 projects, the Debt Service Coverage Requirement (DSCR) serves as a key metric in determining the financial viability. The DSCR represents the cash available for debt service (after expenses and reserve capitalization) divided by the annual debt service. Typically, the DSCR must be at 1.20 or higher on a stabilized basis to garner interest from developers and investors.

Due to the required yield and financing costs associated with P3 projects, the overall cost is higher than if the District were to finance the project on its own, but the risk transfer away from the District is compelling. Typically, P3 financing costs are significantly lower than a private developer-led transaction. Compared to self-funded projects and private developer projects, the P3 delivery option offers a “middle-ground” with risk, cost, and control.

The organizational chart illustrated below in *Figure 2* is a general overview of the structure of a Public-Private Partnership. Scion notes that there are many different P3 structures as this process is highly specific to each institution.

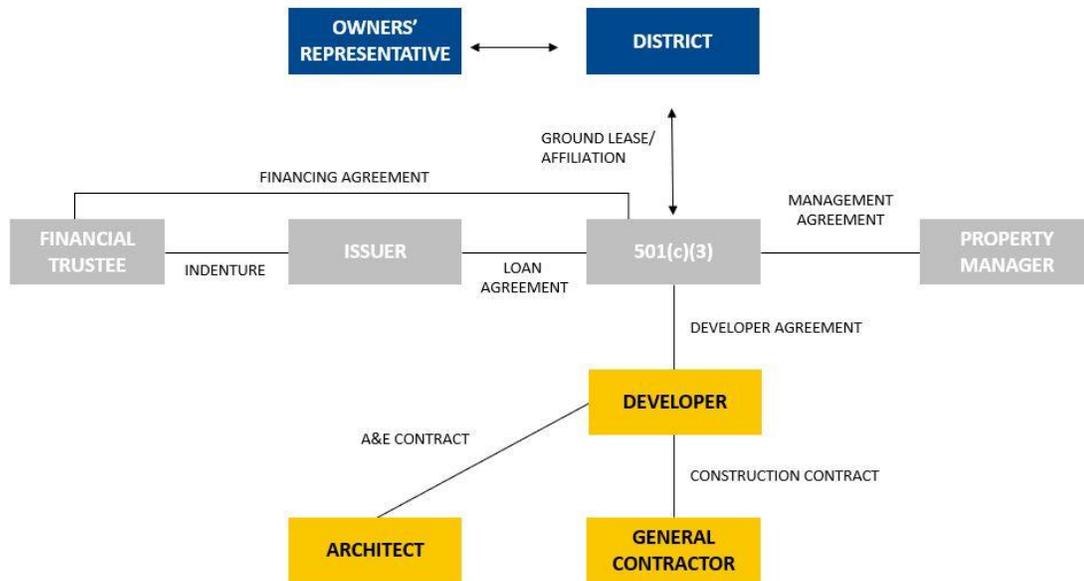


Figure 2: P3 Organization Chart



Figure 3 compares features of each of the discussed financing structures.

Project Feature	Self-Finance	P3 – 501(c)3 Owned Tax Exempt Financing	P3 – Developer Owned Taxable Financing
Project Control	100% District	Shared with District maintaining control over major project decisions	Primarily developer
Cost of Funds	Lowest	Mid-range	Highest for taxable debt and/or equity
Project Security	District enterprise revenue	Project revenue	Project revenue and developer recourse
Project Term	N/A	30-40 years (ground lease)	30-60 years (ground lease or concession agreement, longer for equity)
Access to Residual Cash Flow	District	District	Developer/investors (taxable structure can convey up-front or ongoing lease revenue to District)
Construction Period Liability	District	Developer	Developer
Operational Liability	District	Owner (residual cash flow at risk to performance)	Developer (prioritized cash flow at less risk during operations)
Balance Sheet Impact	100% District	Minimal depending on project specific guarantees	None
Credit Impact	Dependent on project performance and mission enhancement		
Delivery and Operational Efficiency	Project assumes overall portfolio level efficiency	Stand-alone operations with District participation in major decision making enhances efficiency	Highest efficiency but in service to Developer and lenders/investors with minimal District control
Project Recapitalization	Project competes against other portfolio CAPEX requirements	Project funded and directed, although typical funding requirements are light compared to system replacement needs	Project funds 100% of CAPEX needs

Figure 3: Financing Structure Comparison