



COMMONWEALTH TERRACE

COOPERATIVE STUDENT HOUSING

Commonwealth Terrace Cooperative

Board Meeting Zoom Meeting – May 25, 2023

Meeting was called to order at 6:31 PM – In-person with virtual attendance option.

Directors Present:

Ryan Johnson (Chair)
Munkh-Erdene (Muugii) Bayarsaikhan (Vice Chair)
Amer Al-Homoud
Brad Walker
Manlin Cui
Taiwo Aremu (Virtual)
Jovin Lasway

Directors Absent:

Also Present:

Shanea Amundson, CTC Executive Director
Lindy Wirth, CTC Communication & Community Outreach Manager
George Presbrey – Board Candidate for 2023-2025
Matt Bombyk, CTC Resident
Julia Lee, CTC Resident
Carmen Perez de Nanclares Fernandez, CTC Resident
Javier Ruiz, CTC Resident

Timekeeper: Lindy

Process Assistant: Ryan

Welcome, Timekeeper (minute taker) and Process Assistant (Chair)

Approve: Packet / Agenda / Consent Agenda

Brad makes the motion to approve the packet, agenda, and consent agenda. Amer seconds the motion. Four (4) votes in favor. Zero (0) opposed. Packet, agenda, and consent agenda is approved.

Jovin enters the meeting.

Technical issues experienced with Taiwo, resolved at 6:40 pm.



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UMN Housing and Residential Life (HRL) / Daniel Elliot: University Project Updates (Discussion/Review)

- Capital Projects:
 - Storm Door replacement project for Phase IV buildings is starting in June. Affected buildings are notified and will continue to be notified when work on their building starts.
 - FY24 capital plan presented to the Board of Regents.
- Co-op liaison interviews starting next week to fill the position.
- Questions?
 - Will contractors share the construction plans?
 - The University of Minnesota handles capital projects, including the bidding process, at the request/initial decision by the co-op (board of directors). The University of Minnesota has standards for the contractors that they use. The University of Minnesota coordinates the bidding process and contractors for capital projects.
 - UMN works with CTC management, and CTC can push back to best serve the co-op's best interest (versus the U's, which can differ marginally at times), throughout the process.
 - CTC management is informed of the bids from the contractors, yet historically, this is not presented in entirety/detail to the board for their review/approval for the specific amount/contractor.
 - The amount is already approved by the board in the fall for capital projects, which would then be moved forward by the UMN and CTC management to be implemented in the designated fiscal year.
 - By the Board being more involved, they can communicate the current market/continually evaluate bids.
 - Capital budget/projects are different from Operations budget – in the Operations, the Board is presented with three bidding and is more involved in the process.
 - The Capital Plan budget is \$500,000, which is an increase since the money was not used from previous fiscal year, and now can be used for future projects. The Board will decide how to use this money.
 - 45% of CTC's budget goes to the University Financial requirements, which can be used for capital projects.
 - If money isn't used from the budget, then no amenities are fixed/newly implemented, yet the money [U of M Financial Requirement] is still required by the University. The money will roll over but ultimately will be used for the redevelopment.



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Community Vote Results for Board Candidates FY 23-24

- All three candidates received over 60% of total votes collected, in which all three candidates will officially join CTC's board effective July 2023.

Community Voices (2 minutes each)

- Received 16 forms in May 2023
- In-person attendees (4):
- Julia, resident of two years at CTC (Ward 10): Cars are parking in the parking lot without validation, notified CTC office yet the issue continues especially after-hours, when management is not there to tow the vehicles. In front of resident's building, 5-6 of the 10 vehicles are not validated. This influx appears to happen on Wednesday evenings.
 - What can we do? Who can call the towing company?
 - We do not want to tow residents, putting that financial or time inconvenience on them. The board will investigate increased after-hours parking enforcement.
 - **Brad motions to add topic to future agenda item. Muugii seconds. Four (4) votes in favor.**
- Carmen and Javier (Ward 6): Wanted to learn more about CTC's Board and the Board meeting process.
- Matt (Ward 9): Concerned about the rental rate increase and has questions regarding the capital planning expenditures.
 - The Board votes every Fall to approve the list of projects/plan. HRL develops the capital plan in consideration of depreciation for a ten-year cycle then presents the list of items to invest in for capital projects.
 - Resident prepared a financial proposal for a modified rental rate increase for FY 23-24, which includes a 4.5% universal increase to cover four categories: deficits, university requirements increasing, utility costs increasing, and other expenses.
 - Reply: The Board has more access to the co-op's financials than what is available to the public. Based on the information available to the Board, the Board approved the 7-10% rent increase to move forward with the effective increase for July 2023.
 - The rental rates and financial health of the co-op will continue to be the Board's decision and can consider this feedback/proposal for future years.
 - Utility costs: this is an unknown cost currently until the next year comes into focus.
 - The budget was already approved and submitted to the University. At this point, we cannot change the budget.
 - As Board members are also residents, we do not want the rent increases either but must decide what is financially sound for the co-op to continue operating. In future years and budgets, the board intends to continue to cut back costs and minimize needed increases.
 - Based on the current numbers and projects, 7-10% is the lowest amount for CTC to operate, still at a loss.
 - 4.5% would have the co-op operating at a huge financial loss.
 - The board can choose to consider the feedback from the community, yet ultimately must make the decision serving the best interest of the co-op as a business.
 - The community would appreciate a detailed response, with numbers, if this proposed plan is eventually denied.



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- Due to time restrictions, CTC management will send a report with the received submissions and follow up with the Board for their review of the Community Voice received.

Community Playground Capital Improvement Project (Discussion/Action)

- To implement bike park playground in Ward 8 equates to the demolition of the existing Sport Court there.
- In the survey, there was a calculation error that the increase would be \$90 (not \$9).
 - CTC management recommends discarding this question and delaying the bike park playground + demolition of the sport court area back to another fiscal year capital project plan.
 - Taiwo had requested in an Executive meeting that a draft of the survey be sent to the Board for review before sending out to the community. However, the survey was not sent to the Board for review. This could explain some of the errors.
 - The content of the survey, especially the \$90 message could be seen as misleading, inducing, and coercive as such the results of the survey should not be taken too seriously.
- Taiwo motions to keep the existing the sport court (no changes) and move the bike park playground to an alternative location.
 - The bike park playground project was years in the making. The current location proposed (Ward 8) was selected because it is the only location it can be situated with the unstable land/water table below.
 - Daniel Elliot mentioned at the previous meeting, it is solely based off structural ground and the depreciation of the sport court.
 - CTC management recommendation in the delay of implementing the bike park playground:
 - Residents voiced their want for a place for older children and adults to gather for recreation.
 - Get a bid to consider implementing a basketball court in Ward 5 and still installing the bike park playground in Ward 8 eventually.
 - The Ward 8 Sport Court needs to be demolished eventually anyways, so the idea is that we might as well as have an amenity replacement that the University is paying for (versus out of the operations/co-op's budget)
 - The community feedback for multiple years has been for bike safety and a designated bike area for children, who bike on the sport court currently.
 - We cannot put a new basketball court where one is currently due to the land/soil being unstable and it is a bad ROI.
 - Could Ward 5 hold the bike park playground?



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- We can revisit the redesigning phase, yet the plan was to optimize the budget as much as possible.
- Fixing the court? It has been tried recently and is already in a bad state/depreciated.
- Could we see soil reports for Ward 5 and Ward 8? Keep the sport court in Ward 8 while the one is being constructed in Ward 5 so there is always an active basketball court.
- Push back to budget 2025
- Motion to pause and decide next steps
- Ward 11-12 soccer field is unsuitable.
 - This was first investigated as the bike park playground location and deemed unsuitable.
- Ward 5 basketball court (~\$200,000) could be redeveloped in 5 years. The likelihood of it being torn down is less since it is by a Phase IV building.
 - For the future redevelopment, we must think and plan strategically.
 - Sample several locations, which will also help us in the future.
 - Zoning of Board of Regent's St. Paul Campus Plan: CTC will remain housing (not for academic use)
- **Taiwo motions to delay the bike park playground plan, revisit it with the soil tests, and reevaluate in the future. Muugii seconds. Six (6) votes in favor. Zero (0) opposed. The motion is approved.**
 - How does that influence the money we've already put into the designs? CTC has not been billed yet, however; the money can sit there.

Rent Increase (Discussion)

- Numbers in parentheses are losses.
- Current FY, loss of \$10,000
 - Tried to minimize expenses as much as possible, which will show we are not taking any losses from the co-op's spending, as we are underbudget in all those areas.
 - Rent Loss: Budgeted is a 2% loss. Market is 5-16% loss. This represents the time needed to flip (turn) a unit after a resident moves out to prepare for the next resident. No rental income during this time.
- Projected loss at the end of the year:
 - CTC Executive Director, CTC Accountant/CFO, and CTC Finance Committee, CTC Board Treasurer worked directly on this.
- We've looked at ways to tighten budget. We are under budget for co-op spending.
 - Coding GL/ under if you merge the two categories for maintenance.



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- There is nothing left to cut. The main loss is utilities: \$153,000 was more than what was budgeted.
- CTC must pay our bills.
- Cooperative insurance, required by the University, was given to us late for proper budgeting.
- Underbudget in spending, yet utilities are significantly over what was budgeted.
- Idea that we do not need to recoup losses/pay bills in full in one year. Whereas we should do things step by step to support CTC renters. We do not want CTC to suffer or our mission to provide affordable housing to UMN students.
 - Proposal to cut down on the 7-10% increase. There are some fixed figures, we can adjust to achieve benchmark goals for future years.
 - This is an ongoing budget. There are losses from many years/in the past.
 - We would love for it to happen over time, yet our loss is expected to be \$150,000.
 - Underbudgeting utilities (\$153,000), with the overall projected deficit (\$148,000). Raise rents to cover the \$148,000.
 - Rental rates must be raised to not only cover the deficit, yet to also cover the 4% financial increase from the UMN, cost of living inflation, and the continued utilities costs.
 - Even with the 7-10% increase, we are still budgeting a deficit.
- Many scenarios (15+) were explored to explore all situations/outcomes of raising rental rates in various amounts.
 - The 7-10% is a top-down approach where the leaders make decisions that impact others. Instead, we should adopt a bottom-up approach by incorporating feedback from the community (community voices) and arrive at a middle point, and strategically plan to recoup the deficit over a period of time without putting too much strain on residents of the co-op.
 - The newly proposed 4.5% increase (scenario 8) would be a \$214,000 loss.
- If the co-op fails from improper budgeting, the university will not bail out the co-op's deficit. If the co-op fails, it would become a property rental, which would increase rental rates even more than the co-op's 7-10% increase going to market rates.
 - Could we offset the universal 7-10% increase, could we increase fees for amenities (such as AC charges)?
 - Fees are approved by the board with the budget. These options were not explored in January when it was approved.
 - Fee changes would need to be implemented for the next fiscal year.
 - Could we fundraise? CTC is a not-for-profit, in which we would pay tax on the money donated. This would need to be volunteer based. Right now, CTC Management does not have the staff or capacity to oversee this, in which this would need to be lead and organized by volunteers – which CTC is currently seeing an overall lack in volunteer participation.



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- To have a community engagement outreach program would still likely require staff.
- 95% of co-op households are members. However, there isn't much engagement.
- International students, as major occupants of CTC in terms of numbers, are only able to work 20 hours a week, and only at limited jobs, hence may be unable to afford the rent increase.
 - CTC is the only place for many students to live, since even dorms are more expensive than CTC.
- CTC must pay extra money when residents do not follow the rules. For example, CTC is charged when residents do not discard garbage/recycling correctly.
- CTC has lacked volunteer participation severely for many years. Staff is committed to the co-op.
- How to generate income? Rent is fixed income. The University will not allow CTC to expand, increase avenues of income,
- One concern is future years' deficits - are we still going to increase 7-10%? If implemented this year, we should make a financial plan to avoid this from also occurring in subsequent years.
 - If overbudget, at the end of the year, the board can give a patronage refund (money/a percentage returned to CTC members).
 - Could there be a Board approved program for residents that cannot meet up with the rent increase? Grant allowances for the people who cannot live here due to the increase?
 - Or a volunteer program that can ensure 1-2% will be decreased from expenses due to their volunteer services (such as Landcare). This should be discussed and tested.
 - Yet, the rental rate increase is effective in about four weeks. It is almost impossible to explore and implement an effective system in this timeframe.
 - If someone needs assistance, what can be done?
- Capital project to expand Childcare?
 - The university will not approve until the property is redeveloped.
- The numbers/issue has been discussed and considered, as well as feedback from the community. To ensure a bottom-up approach, we should rely on the democratic system by actively considering the community's voice.
- **Taiwo motions to cut the FY 2023-2024 rental rate increase to 4.5%, universally. Muugii seconds. Four (4) approve. Two (2) opposed. The motion is approved.**



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Brad Walker verbally resigns from the Board, calls the Board members “Morons” and leaves the meeting.

- In emergency situations, board members can convene at their own will.
- The Finance Committee is an opportunity to dive in deep into all the co-op’s financials, which all board members are encouraged to join.
 - Board members want increased financial transparency/understanding with the co-op’s finances.
 - There needs to be trust with the Finance Committee, that has worked on this already.
 - CTC is audited every year, as required by the University of Minnesota, by Boyum. All CTC residents are given the audit results every year. CTC auditors also meet with board members at multiple meetings.
 - The Board approved the audit in November.
 - The Board approved the budget in January.
 - Idea: CTC is an acceptable place for international students and post docs, maybe we could increase the rent of post docs (based on household income)? This violates fair housing policies, in which CTC cannot do this.
 - Yet, if someone is struggling and comes forward, there could be options for a work-plan or payment plan?
 - This was stopped after one year by a previous Board due to complications with legality and insurance.
 - Even with a work program, international students are limited of the number of hours they can work.
 - How to increase participation of Board members, also?
 - Board wants to meet before next Board meeting to explore alternative ways of reducing the current deficits and cut down on expenses/spendings.
 - Some members of the Board admit to not reading or understanding the materials and not trained on assuming their roles as Board members.
 - The community does not understand the windfalls in the rental rate increase. The people closest to the numbers and understands the consequences of not increasing the rent are distraught. Understanding comes with putting in the time and effort.
 - Emergency upcharge on ACs this summer?
- **Muugii motions for emergency meeting to discuss financial impact of the standing 4.5% rental increase, explore ways to cut down CTC expenses and identify options for closing the deficit gaps. Jovin seconds. Five (5) approve. Zero (0) opposed. The motion is approved.**
 - Look at the implications at the 4.5% rental rate increase.



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- Following the 4.5% universal rent increase, the Board to work towards identifying ways to make up for the potential deficits and purported loss.
 - If necessary, an independent audit may need to be conducted to afford CTC the opportunity of cutting down on potential wasteful spending. Taiwo is offering to pay for one.
- All directors should attend in-person.
- Idea to meet in May 2023.
 - However, all Board members must be prepared and understand and work practically. What is feasible for the co-op and the residents.
 - What should management prepare/provide that hasn't been already?
 - The 4.5% motion and approval pave the way for this conversation.
- Energy conservation methods to educate residents.
 - The Board must come up with this.
- Board to meet next Wednesday (5/31) or at the executive meeting (two weeks)?
- A Board member requests all co-op financial details, including salaries of the individual CTC team members. This would enhance transparency and pave the way for further discussion as Brad had previously mentioned in the April 2023 Executive meeting that we should consider increasing the Executive Director's salary as an incentive to do more for the co-op
 - The Board has the executive director's salary, the total amount of each (2) departments, percentages, etc., yet the specific salaries of certain team members is unnecessary and an infringement of privacy.
 - Independent audit of CTC, including salaries, is done every year, which would flag any inconsistencies or areas to cut.
 - No general manager has ever given that information.
 - CTC's rental rates are significantly lower than market rate. Yet the waitlist to move into CTC remains lengthy. CTC management, CTC's board, and CTC community are all on the same team, working together. If we continue at 4.5%, and if the co-op survives the year, the services and buildings will depreciate to a noticeable degree, and this will have a significant impact on the longevity of the co-op as a whole.
 - A 4.5% rental rate increase for FY 23-24 is short sighted. CTC will lose valuable staff.
- **Ryan called to have an emergency board meeting on Friday, June 2 at 5:30 pm. No objection.**
 - Request to Executive Director:
 - Provide all broken down expense information.
 - All previously provided financial details.
 - The co-op is already strained on time and workload.



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- Details are monolith and this is not feasible to provide within a week by the next meeting.
- Frustration that no one asked questions or accepted invitations to join the finance committee to discuss these numbers before. A review of this caliber should have happened in January when it was discussed/approved.
 - While CTC is and should be fiduciary conservative and aggressive to cutting costs, there is a point in which this can be done.
 - When CTC board and CTC management have distrust and discredit each other, this has significant implications and could be more if the University deems this cooperative ineffective and reclaims it.
 - There is a history at CTC we do not want to lose. The University has tried to take it back multiple times.
 - The finance committee and management worked tirelessly to come up with solutions. The board will need to come up with a solution and bear the responsibility of the consequences of their collective choices/actions.

Amer motions to adjourn the meeting. Taiwo seconds. No objections. Meeting adjourned at 9:11 pm.