

May 1, 2023

LORI KLETZER
Campus Provost and Executive Vice Chancellor

RE: UC Santa Cruz Employee Housing Re-Pricing Program Recommendation (for 2023-24)

Dear Lori,

The Academic Senate has reviewed the UCSC Employee Housing Re-Pricing Program Recommendation for 2023-24, prepared by Colleges, Housing, and Educational Services (CHES). The Committees on Faculty Welfare (CFW) and Planning and Budget (CPB) have reviewed and responded. Their communications are enclosed for your consideration.

The Senate appreciates the opportunity to provide consultation on the proposed pricing implementation.

Sincerely,

A handwritten signature in black ink, appearing to read "P. Gallagher", with a long horizontal flourish extending to the right.

Patty Gallagher, Chair
Academic Senate

Encl: Senate Committee Responses

cc: Edward Reiskin, Vice Chancellor, Finance, Operations and Administration
Alexander Sher, Chair, Committee on Faculty Welfare
Dard Neuman, Chair, Committee on Planning and Budget
Matthew Mednick, Executive Director, Academic Senate

April 27, 2023

Patty Gallagher, Chair
Academic Senate

**Re: Divisional Review – Employee Housing Re-Pricing Program Recommendation
(for 2023-24)**

Dear Patty,

During its meeting of April 6, 2023, the Committee on Faculty Welfare (CFW) reviewed the proposed revisions to the Employee Housing Re-Pricing Program Recommendation (for 2023-24). CFW was encouraged to see that BEE scales were removed from affordability calculations. The current proposal is to increase pricing by 5.01%, which will result in an increase of \$398 per square foot. This will mean that entry level units (2BD Cardiff, etc.) will be priced at 38.6% of 2022 Santa Cruz market sales. In 2022-23, a 2.43% increase was proposed and was rejected by CFW, in 2021-22 there was a proposed 2.77% increase. Given these previous CFW decisions, we are surprised that a larger jump of 5.01% has been proposed this year without a clearly articulated justification for why such an increase is needed at this time. We would have liked to have seen an engagement with CFW's previous rejection of a 2.43% price increase alongside an argument for the doubling of the price increase this year.

Underpinning the model that the program uses to calculate affordable housing prices is an assumption that housing costs should be less than or equal to 48% of an individual's income. According to the U.S. Department of Housing and Urban Development's (HUD) definition however, housing burden is defined as spending more than 30% of your income on rent/mortgage and housing costs. This is a large discrepancy. Academic analyses of housing as well as CFW's previous responses to the program's recommendations have consistently used HUD's established definition of housing burden. Consequently, an impasse has been generated that remains unaddressed each year. CFW would like to hear an argument for why HUD's definition of housing burden (30%) is not used in the Re-pricing Program's calculations.

A second impasse centers on the program's stated goal to price campus housing within 60%-75% of market prices in Santa Cruz county's most expensive zip code (the upper West Side, 95060). CFW has repeatedly argued that this goal is flawed if the aim of the program is to provide *affordable* housing for faculty. Most faculty who buy homes on the open market cannot afford the West Side and purchase homes on the East Side or even outside of the City of Santa Cruz. Members would like to hear an argument for why housing prices in the most expensive zip code of the county are used in the program's calculations.

These are not minor issues as they get at the heart of how the campus chooses to conceive of affordability and housing equity. Members noted that a newly hired assistant professor with an annual salary of \$87,000 (median salary of most recently hired assistant professors, excluding those hired in Economics and Engineering) will continue to face a housing burden (paying an excess of 30% of their salaries towards housing costs) and this burden is only exacerbated if we add on childcare and dependent care expenses, not to mention previous student loan debt. Members noted that this is a DEI issue as faculty of color and first-generation PhDs are disproportionately financially burdened. CFW believes that the re-pricing proposal does not address the difficulty of attracting new and diverse faculty hires to the campus. Any increases to already high housing

prices therefore need to be well justified and argued as improvements.

This program was designed in 2007 to achieve certain commendable goals, including renovating aging units, generating revenue and seed capital for new housing, equalizing pricing, and increasing unit turnover. Unfortunately, we have found no evidence that the program is, in fact, meeting these goals. Considering the present state of the housing market in Santa Cruz county, keeping faculty and staff housing at affordable rates and equalizing prices (the most significant goal of the program, as we see it) is incommensurable with raising revenue and seed capital for new housing (another goal of the program). In other words, if the program is aiming to generate revenue and seed capital through a price increase, it cannot and will not keep units affordable for faculty and staff. And a 5.01% price increase will not raise sufficient seed capital to build new housing units. In sum, the program cannot meet two of its most significant goals, at present. Moreover, it is not clear to CFW how this program incentivizes turnover of current housing stock. We are not convinced therefore that the program is meeting or indeed can meet the goals (considering the deep contradictions here) that were defined for it in 2007. CFW wonders then if it is time to reconceptualize the goals of the Re-Pricing program. If the program aims to generate some revenue in order to meet renovation costs and other expenses, these should be explicitly stated in the justifications. The memo that has been submitted for our consideration is insufficient at present. An explanation of the program, including a re-conceptualization of goals, the proposed use of the funds generated through a repricing program are needed to justify the program's price increases.

In summary, the proposed price increase reduces affordability of on-campus housing with no clear explanation for how it will achieve any of the program's goals. As a result, CFW cannot support the proposal.

Thank you for the opportunity to opine.

Sincerely,



Alexander Sher, Chair
Committee on Faculty Welfare

cc: Dard Neuman, Chair, Committee on Planning and Budget
Senate Executive Committee

April 26, 2023

Patty Gallagher, Chair
Academic Senate

RE: 2023-24 Employee Housing Re-Pricing Program Recommendations Review

Dear Lori,

At its meeting of April 13, 2023, the Committee on Planning and Budget (CPB) reviewed UCSC's Employee Housing Re-Pricing Program Recommendations. The Employee Housing Staff recommended that the repricing value for 2023-24 be placed at \$398/square foot, which is a 5.01% pricing increase from last year, and would place all Entry Level Units at 38.6% of 2021 market sales. **CPB recommends you approve this rate, but also recommends beginning a process of reevaluating the Re-Pricing Program in the context of the current housing crisis at UCSC.**

A new paradigm is needed. It appears that the Re-Pricing Program is dated, responsive more to the great recession and less to current market conditions. As a consequence, the four goals of the program have lost their equilibrium, such that solving one seems to undermine another. For example, the recommended 5% pricing increase is more than double the percentage increase in the past. Yet, the % of market rate for entry level units has gone down steadily over the last few years, from 56% in 2020-21 to a proposed 38.6% in 2022-23. The fact that the resale price is well below the recommended range (60-75%) presents a core conundrum: if the theory of the Re-Pricing program is correct, this pricing recommendation would keep employees in units, decreasing "supply" and increasing wait lists. Yet, addressing this goal (to increase supply) would require a solution (substantial increases in resale rates) that could subvert another goal (making available affordable housing for new hires).

Perhaps what is required is a completely different approach. For example, how might the campus develop programs that help faculty move out of the campus housing system and into the Santa Cruz housing market? Other public institutions provide ways to increase purchasing power, like equity shares. CPB therefore recommends you approve this rate but also recommends this campus begin to rethink how to address the housing crisis.

CPB appreciates the opportunity to opine on this matter.

Sincerely,



Dard Neuman, Chair
Committee on Planning and Budget

cc: CFW Chair Alexander