

June 13, 2022

LORI KLETZER  
Campus Provost/Executive Vice Chancellor

**Re: UC Santa Cruz Re-Pricing Program Recommendation (2022-23)**

Dear CPEVC Kletzer,

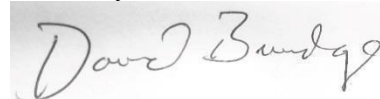
Dear Lori,

The Academic Senate has reviewed your request for consultation on the UCSC Re-Pricing Program Recommendation for 2022-23, prepared by Colleges, Housing, and Educational Services. The Committees on Faculty Welfare (CFW) and Planning and Budget (CPB) have reviewed and their responses are attached.

To summarize the position of these committees, CFW supports neither the proposed 2.34% increase for 2022-23 nor the inclusion of the BEE scales in future resale pricing proposals. CPB recommends approving the 2.34% increase for 2022-23, though, similar to CFW, CPB does not support the consideration of a change to include BEE scales. Please see the attached responses from both committees for the full scope of their review and recommendations.

The Academic Senate appreciates the opportunity to review the Employee Housing Re-Pricing Program Recommendations and provide feedback; please be sure to review the complete responses by CFW and CPB, which are enclosed.

Sincerely,



David Brundage  
Chair, Academic Senate

Encl: CFW-CPBResponsePkg\_EmployeeHousingRe-PricingProposal(2022-23)\_061322

cc: Biju Kamaleswaran, Interim Vice Chancellor, Business and Administrative Services  
Matthew Mednick, Executive Director, Academic Senate

June 8, 2022

David Brundage, Chair  
Academic Senate

**Re: UCSC Employee Housing Re-Pricing Program Recommendation (2022-23)**

Dear David,

During its meeting of May 12, 2022, the Committee on Faculty Welfare (CFW) reviewed the UCSC Re-Pricing Program Recommendation for 2022-23. The proposal includes a proposed 2.43% pricing increase from the 2020-21 approved Campus Affordability Value, and a proposal to include Economics and Engineering new hire salaries in the “campus affordability value” calculation for the 2023-24 Employee Housing Resale Pricing Program and beyond. As CP/EVC Kletzer notes in her cover letter,<sup>1</sup> CFW conducted its review with full consideration of the stated goals of the Resale Pricing Program, which include: 1) renovate aging units; 2) sell affordable homes and generate revenue for expansion of program services and seed capital for additional units; 3) equalize pricing among units; 4) and increase unit turnover.

The motivation and need for the proposed increase in 2022-23 is not clear in the proposal. CFW contends that annual increases, particularly those in recent years, have not resulted in increasing unit turnover, nor in securing seed capital for future employee housing/capital building projects. Further, CFW has repeatedly argued<sup>2</sup> that UCSC employee housing prices are not at all “affordable,” and are out of reach for the majority of junior faculty in a single income household, and even more so for our valued UCSC staff. The CFW response to the 2021-22 Employee Housing Resale Pricing Proposal<sup>3</sup> included crude calculations for what a junior faculty or staff member making \$84,000 looking to purchase employee housing might encounter in 2020-21. For a Hagar Meadows unit, one of the less expensive employee housing options, the total annual cost, which included mortgage, insurance, property tax, and HOA/land lease, equaled roughly 46% of take home pay, which is 16% over the U.S. Department of Housing and Urban Development (HUD) definition of housing cost burden set at 30% or more of income spent on housing.<sup>4</sup> The 2.77% price increase, which was approved for 2021-22, only compounded this. The 2022-23 Recommendation for Campus Affordability Value notes that the proposed increase would price units at approximately 43.33% of 2021 actual market sales. However, with the Santa Cruz real estate market being one of the most expensive in the country, this is nowhere near “affordable” for many UCSC

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<sup>1</sup> CP/EVC Kletzer to Senate Chair Brundage, 4/28/22, Re: UC Santa Cruz Re-Pricing Program Recommendation (2022-23)

<sup>2</sup> CFW Chair Wang to CP/EVC Tromp, 4/11/19, Re: UCSC Employee Housing Re-Pricing Program Recommendation (2019-20)

CFW Chair Profumo to CP/EVC Tromp, 7/12/18, Re: UCSC Employee Housing Re-Pricing Program Recommendation (2018-19)

CFW Chair Profumo to Interim CP/EVC Lee, 5/05/17, Re: UCSC Employee Housing Re-Pricing Program Recommendation (2017-2018)

<sup>3</sup> CFW Chair Orlandi to CP/EVC Kletzer, 6/14/21, Re: UCSC Employee Housing Re-Pricing Program Recommendation (2021-22)

<sup>4</sup>[https://www.huduser.gov/portal/pdredge/pdr\\_edge\\_featd\\_article\\_092214.html#:~:text=HUD%20defines%20cost%2Dburden%20families,of%20one's%20income%20on%20rent.](https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_092214.html#:~:text=HUD%20defines%20cost%2Dburden%20families,of%20one's%20income%20on%20rent.)

employees in desperate need of affordable housing.

Members questioned what the effect of including the BEE scale in the Campus Affordability Value calculation would have on future proposed increases and pricing, and agreed that an example of the possible influence should have been provided in the review materials. However, even without these projected figures, CFW is certain that including the BEE scale in the “affordability” calculation would only make employee housing even less affordable to a large number of campus employees.

With the above considerations, the committee took 2 votes:

By a vote of 0 in favor, 7 opposed, CFW does not support the proposed 2.34% increase for 2022-23.

By a vote of 0 in favor, 7 opposed, CFW does not support the inclusion of the BEE scales in future resale pricing proposals.

For several years, the Employee Housing Re-Pricing Program has failed to reach two of its four intended goals: to sell affordable homes and generate revenue for expansion of program services and seed capital for additional units, and to increase unit turnover. The Employee Housing Re-Pricing Program is outdated, and is clearly not serving our campus amidst a severe and unrelenting housing crisis. As such, CFW does not support the proposed 2.34% increase for 2022-23, nor the inclusion of Economic and Engineering salaries in the affordability calculation, and strongly recommends that our campus take immediate action to rethink how employee housing is done on our campus. We recommend creating a new program that will best serve our campus community in both the short and long term.

Thank you for the opportunity to opine.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nico Orlandi', with a stylized flourish at the end.

Nico Orlandi, Chair

Committee on Faculty Welfare

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

May 27, 2022

David Brundage, Chair  
Academic Senate

**RE: 2022-23 Employee Housing Re-Pricing Program Recommendations Review**

Dear Lori,

At its May 19, 2022 meeting, the Committee on Planning and Budget (CPB) reviewed UCSC’s Employee Housing Re- Pricing Program Recommendations. In particular, CPB reviewed the Resale Pricing Program, which was established in 2007 and which “authorized the campus to purchase for-sale units, remodel them (if necessary), and then re-sell them to campus employees according to an approved pricing range.” On the whole, CPB views this as a strong program that seems to have addressed a number of problems for our campus. The Employee Housing Staff recommended that the repricing value for 2022-23 be placed at \$379/square foot, which is a 2.43% pricing increase from last year, and would place all Entry Level Units at ~43% of 2021 market sales. **CPB recommends you approve this rate.**

CP/EVC Kletzer’s cover letter notes that the “document asks for consideration of a change to include Economics and Engineering new hires, although not for this year.” **CPB recommends that you do not approve this change.** CPB further suggests that such recommendations be provided in the actual “UCSC Re-Pricing Program Recommendation” document with a specified rationale, and not just noted in the footnotes and accompanying slides.

The accompanying PDF refers to a 2008 recommendation whereby “All 2-Bedroom Units” be set to an “Affordability” rate that “Exclude Economics and Engineering Hires” from the median income of Assistant Professors hired the previous year. Though it is not specified why Economics and Engineering hires were excluded from the median income, CPB assumes it is because they would have raised the “affordability” rate, thereby making housing less affordable for non-Economics and Engineering faculty. CPB wonders why, then, their median income would now be included when market rates are at a historical high (and rising)? No reason is provided. Instead, there is only an “Re-Packaged” recommendation on slide 21 for a “Median Salary of All; Average Salary of All--Recommended.” **CPB would require a rationale before recommending any change.**

Similar to last year, CPB offers the following questions and recommendations in the spirit of a more engaged review process moving forward:

- CPB recommends presenting a 5 year longitudinal view with key points of data and corresponding analysis. For example, how does the 2.43% pricing increase compare to other years, and are there explanations for the differences? See table below as a possible frame (with blank cells representing information CPB does not presently have access to).

	2019-20	2020-21	2021-22
Price per square foot	\$360	\$370	\$379
Percent increase from previous year		2.77%	2.43%
Entry level units		56%	43.3%

Recommended level		60%-75%	60%-75%
1400 square foot home	\$504,000	\$518,000	\$530,600
Median Assistant Professor salary per month			\$7,250
Borrowing capacity			\$507,600
Maximum affordability			\$403

- The recommended amount that brings Entry Level Units to 43% of market value is well below the recommended range provided in the report (of 60-75%). According to “Employee Housing Re-Pricing Program” PDF, this pricing recommendation would “induce too many employees to participate in the program, producing: prohibitively long waiting lists; financial incentives that attract owners of market rate homes to try to purchase campus homes; increased financial incentive to retain and “Rent” units, even if they are not needed as a primary residence; decreased ability or incentive for owners to transition to local markets, leading to too little unit turnover and too few units available for resale” (slide 20).

Yet the document does not explain why its recommendation is below its own threshold. CPB speculates that since Santa Cruz market rates have grown considerably, that increasing to a 60% threshold might pass an affordability tipping point. If so, at what point does it make sense for the campus to change the threshold?

- Though perhaps outside the scope of this review, CPB notes that this analysis treats the resale pricing issue as a closed system: it does not engage how faculty can move out of the University system and into the Santa Cruz housing market. Other public institutions provide ways to increase purchasing power, like equity shares. Is it possible for this document to include updates on how the campus is developing and/or modifying programs to assist employees to do the same? CPB recommends this annual recommendation report also include a longitudinal account and analysis of existing programs: for example, how many first-time MOP and SHLP loans have been issued; what is the status of campus housing (turnover, new units, etc)?
- CPB also notes that the support the University gives to incoming faculty to make down payments may be insufficient for employees coming from a lower economic bracket and/or who do not have family financial support. CPB therefore welcomes the opportunity to look at this issue more closely as it has consequential implications on diversity, equity and inclusion in hiring and retention.

CPB appreciates the opportunity to opine on this matter.

Sincerely,

Dard Neuman, Chair  
Committee on Planning and Budget

cc: CFW Chair Orlandi