April 22, 2014

CP/EVC Alison Galloway
Chancellor's Office

Re: UCSC Employee Housing Re-Pricing Program Recommendation (2014-2015)

Dear Alison,

During its meeting of April 3, 2014, the Committee on Faculty Welfare (CFW) reviewed the UCSC Employee Housing Re-Pricing Program Recommendations for 2014-15 and the proposal to increase prices of housing units included in the Resale Pricing Program by 2.6% for the 2014–2015 academic year. As the purpose of the Resale Pricing Program is to provide affordable housing to faculty and staff, CFW suggests that prices be frozen or, if absolutely necessary, increased by a smaller percentage. The committee would like to see a reevaluation of the Resale Pricing Program. We are concerned that the annual price increases have eroded the effectiveness of the program and may be cutting into the campus's ability to recruit and retain talented employees.

Prices facing prospective home-buyers have cumulatively seen a dramatic rise under the Re-Pricing Program. In June 2006, the bottom end of the scale in terms of cost included prices for some Cardiff Terrace homes as low as $134,000, and some Hagar Meadow homes as low as $184,000. The 2013–2014 UCSC For-Sale Housing Questionnaire (July 2013) lists the bottom end of the price scale for homes in the same developments as $348,000 and $386,000, respectively. <u>This represents an increase of 160% and 110% over seven years</u>. The "on-scale" salary for an Assistant Professor III has increased by only 16% in that time period. Even with larger off-scale salaries, the typical salary has gone from ~$60,000 in 2006 to ~$75,000 currently, an increase of 25%

The percent increases in housing at the low end of the scale in the other two Hagar Court and Laureate Court are smaller. However, the committee notes that UCSC's least expensive for-sale home today (one of the 13 for-sale units in Laureate Court, listed at $290,000) is <u>more than twice the price</u> of the cheapest home seven years ago.

CFW would like Housing and the administration to consider the overall mission and priorities of the Employee Housing Program and determine whether the methodology of the current plan is the best available tool for keeping housing affordable and attractive for employees that the campus is trying to recruit and retain. The 2014-15 Re-Pricing Program recommendation lays out the program's methodology for determining affordable rates (based on the median salary of incoming Assistant Professors, and other factors), notes that various price-levels are available, and states that "Smaller units would be affordable to those faculty in the target demographic earning less than the median income, and/or having some financial limitations such as existing debt." All this notwithstanding, CFW recognizes that there is great variation among prospective hires in terms of household

income, debt accrued during college and graduate school, dependents, spousal/partner circumstances, and other factors. Home prices that are well within reach for some, may be daunting or worse for others. Anecdotally, one committee member has noted that his department is losing an Assistant Professor due to the high cost of housing in Santa Cruz; others report that housing cost has been a significant deterrent for some potential hires and a substantial problem for some junior faculty.

Among the rationales for the re-pricing program is the need to renovate older homes, transaction, and carry costs. The Housing Re-Pricing Program Financial Report of January 31, 2014 projects proceeds of $1.1 million. Renovation has indeed been necessary and costs must be covered, but CFW questions whether these operating costs and revenue-raising burdens should be carried by employees buying into the program. Moreover, as the recession fades and the budget crisis diminishes, the campus needs to begin anticipating future need. As faculty hires are picking up and the outside housing market continues to rise, more affordable housing will be needed to attract candidates.

Though the Housing Program staff has clearly given real consideration to the pricing question, CFW believes that the campus ought to think even more broadly and creatively about how best to further the program's goals. The campus could find other ways to cover program operating costs or future expansion, rather than relying on price increases for home-buyers. Gradual increases in prices, if needed, could be kept within the inflation rate. Given the need to ensure adequate turnover of for-sale homes, incentives could be established to encourage current owners to move after a certain number of years, such as low-interest loan assistance for bridging the gap to market housing. Perhaps monthly fees could be raised slightly for those who have lived in faculty housing for decades, or could rise with the employee's salary. Owners who sell homes back to the university with unresolved maintenance problems could be held responsible for at least part of the cost of renovation. Financial circumstances on the part of prospective buyers could be taken into consideration for pricing purposes.

CFW would welcome the opportunity to explore these and other possibilities with you.

Sincerely,

/s/

Barry Bowman, Chair
Committee on Faculty Welfare

cc: Sarah Latham, Vice Chancellor, Business and Administrative Services
Joe Konopelski, Chair, Academic Senate
Mary-Beth Harhen, Director, Academic Senate