

COMMITTEE ON FACULTY WELFARE

Report on Housing, March 2009

To the Academic Senate, Santa Cruz Division:

The Committee on Faculty Welfare (CFW) is charged with monitoring and, when deemed necessary, recommending programs for improving affordable housing options for UCSC Senate faculty. These programs are administered by the UCSC Housing Office and UCOP. The following briefly summarizes the current state of housing for faculty including on and off-campus housing availability and affordability, the status of loan programs and the resale/reindexing program, as well as recommendations for future action by the administration and Senate. Details of the housing programs can be found in the Employee Housing Master Plan (EHMP, Fall 2008)

[http://housing.ucsc.edu/employee-housing/pdf/EHMP\(11-12-08\).pdf](http://housing.ucsc.edu/employee-housing/pdf/EHMP(11-12-08).pdf)

Housing Inventory/Affordability

The general state of housing in terms of availability and affordability has improved over the last year, primarily as a consequence of a sizable decline in local home prices combined with recent expansion of on-campus housing.

Santa Cruz Area Housing

Median prices of all homes sold in Santa Cruz County during 2008 dropped by over 25% to \$525,000 (\$600,000 for a 3 bedroom home), even as the median listing prices rose slightly to over \$1,000,000 (data source: *Trulia*, Nov08-Jan09). They have evidently slipped even further, with a \$425,000 median price for all homes sold in January 2009, and a \$531,000 median price for single-family homes (comparable to Ranch View Terrace homes, according to Gary Gangnes of Real Options Realty (referenced in Santa Cruz *Sentinel*, February 18, 2009). These shifting figures emphasize above all the fluidity of local home prices in the current market.

The decline in sold home prices reflects increased sales of smaller homes at the low end of the price/quality spectrum, a large percentage of which are foreclosures, while the rise in listing prices likely reflects a severe reduction in sales of high-end homes. Home prices (sales) on the Westside of Santa Cruz, while significantly higher than the county average, have dropped as well (for example, to a median \$665,000 for the 95060 zip code). Overall, it appears that current sold-home prices in the region are similar to 2004 levels. Despite increased numbers of foreclosures, however, the number of homes available on the Santa Cruz area open market has actually dropped a factor that has prevented home prices from declining as rapidly as elsewhere. In sum, though open market housing conditions have improved, housing within the vicinity of the campus continues to be unaffordable for most junior ladder rank faculty.

University Housing

The Campus housing inventory has increased with the near completion of Phase 1 Ranch View

Terrace (RVT-1) homes (3 & 4 bedroom). Seven homes in the first cluster are now completed and occupied. By March 1, 10 additional homes will be ready for occupancy. The remaining 28 RVT-1 homes are scheduled to be completed in sequence by mid-April 2009. The total number of unassigned homes in RVT-1 is 8 as of last count (February 2009) and the faculty waitlist for RVT-1 is currently depleted. The Colleges and University Housing Services (CUHS) office intends to rent unsold homes at market rates, and will continue to offer homes to faculty including those on the Phase 2 Ranch View Terrace (RVT-2) waitlist, as well as to non-Senate academics and staff. Pricing of RVT-2 homes (~\$300-310/sq.ft.) is still well below market for the west side of Santa Cruz (\$450/sq. ft. for a 3 bedroom home), so the lack of interest might be a symptom of the economic crisis. The first few occupants of RVT-1 have expressed overall satisfaction with their homes (personal interviews). The only complaints registered thus far have focused on the completion and availability of the playground, the expense of which was shifted to Phase 2 of RVT. CFW is in consultation with the administration about the possibility of a low-cost temporary solution.

LIO-SHLP and Housing Resale/Repricing Programs

Resale/Reindexing Program

The campus adopted the reindexing program in July 2007 (based on recommendations contained in the Employee Housing Master Plan). One objective of the program is to erase inequities in the pricing of older units whose values were well below those of newer units. The initial formula for reindexing sets the mortgage for a 1400 sq/ft home at 40% of the average gross income of an assistant professor. For the Cardiff Terrace and other units, this resulted in reindexing from \$150-190/sq ft. to \$260 /sq ft, similar to those for the Hagar Court units (constructed in 1993).

Profits from reindexing are being deposited in a stand-alone account to be used for renovation of dilapidated units, the LIO and other housing-related expenses such as planning/initiating future housing projects. A site analysis for the 2005 LRDP was funded through this program. As of Fall 2008, the campus has repurchased a total of 16 units (at an average cost of \$220,000) and 10 have been resold to faculty/staff (at \$265,000/unit). A total of 4 of those units have been completely remodeled (\$91,000/unit), while other units have undergone minor repair (\$1000/unit). Unsold units are currently being rented. With resale of the remaining units to faculty/staff, the program will have generated \$500,000 in capital (\$200,000 of which paid for a site analysis in the EMHP/Long Range Development Plan).

The Reindexing Program is to be re-evaluated every year to ensure that housing inventory is priced affordably for the average incoming assistant professor (based on average income and MOP interest rates). To this end, a report of funding and efficacy is to be submitted by the administration to CFW on the first of May annually.

LIO-SHLP

The Supplemental Home Loan Program (SHLP) is a down payment assistance program (funded by the campus) that targets the same user group as the Mortgage Orientation Program (MOP).

Due mainly to unavailability of funds, the campus had underutilized the SHLP for many years. The Low-Interest Option Supplemental Home Loan Program (LIO-SHLP) was created to provide additional incentives for eligible Assistant or Associate Professors to purchase homes on or off-campus. The LIO-SHLP is funded by a combination of campus funds and a portion of proceeds from the Re-pricing Program.

Based on data accumulated from the inception of the program (July 1, 2006 through December 31, 2008), it appears that the LIO-SHLP has been effective in enabling home purchases: 65 eligible Senate faculty across all divisions have applied for this program; and 36 of these have already purchased homes using program funds. The demographics of LIO-SHLP loans distributed by division are as follows; Arts, 1; Engineering, 10; Humanities, 7; Physical and Biological Sciences, 13; Social Sciences, 5. A total of \$1,580,000 has been distributed. The average funded loan is \$43,888K, with an average of \$70,833 to current campus homeowners (6), and \$38,500 to first-time buyers (30). These figures accord with the caps of \$75,000 for current campus homeowners and \$50,000 to non-owners. Most of the applicants are in line to purchase RVT homes.

CFW analysis and recommendations:

CFW has evaluated initial data for the first 18 months of the LIO-SHLP and reindexing programs. It appears the programs are achieving their stated goals of assisting Senate faculty (assistant and associate professors) in the purchase of homes. The number of faculty utilizing LIO-SHLP loans represents a large percentage of the eligible faculty. Nevertheless, there are a few issues that should be addressed.

(1) **General financial impacts:** Unanticipated costs associated with the downturn in the financial and local housing markets are affecting the campus. The campus is purchasing, at high cost, unsold homes in RVT-1. While presumably these homes will eventually sell, in the meantime the campus absorption of the purchasing costs means reassignment of funds that would otherwise be available for other purposes.

(2) **Cost of housing:** Even with the decline in local real estate, home prices are still well above the 40% mortgage/gross income target for junior faculty, as they were in 2001 prior to the bubble. This will be compounded by additional erosion of take-home salaries anticipated in 2010, a consequence of the anticipated resumption of employee contributions to the UC Retirement System. CFW thus views as essential the goal of keeping campus housing affordable. Older, lower-priced units (Cardiff Terrace, Laureate Court and Hagar Court/Meadow) partially address the need for affordable housing, but demand for these units remains high (waitlist exceeds 100) in large part because the prices are still below market and, most importantly, at affordable levels for junior faculty (40% of income on mortgage payments). The re-pricing program complicates the affordability and access problem. While the goals are supported by CFW, the program was devised and adopted at the peak of the real estate housing bubble (2007). As a consequence, the current target of \$260/sq. ft. may be artificially inflated.

Recommendation: CFW recommends an administrative analysis that includes revised

projections of local housing trends. This should be used to determine if the reindexing and the expense of remodeling homes needs to be adjusted, and what should be done with any profits from reindexing. Naturally, a significant continued decline in off-campus housing prices will provide Senate faculty with viable off campus options regardless of reindexing.

(3) **Ratio of Senate to non-Senate buyers:** A third issue concerns the distribution of home sales between Senate faculty and non-Senate UCSC employees. With the number of unsold units in RVT higher than anticipated, in order to clear inventory there may be pressure to deviate from the formula for the percentage of homes allocated to Senate faculty.

Recommendation: Any plans to deviate from the prescribed ratio in the EMHP should first involve consultation with the Senate.

(4) **RVT playground:** When RVT was transformed into a phased project in response to costs associated with the CLUE lawsuit, the Housing Office shifted the development of a playground to RVT-2—a decision made before any homes were offered to buyers. The Senate was informed at the time (ca. 2006). RVT-1 buyers were informed when they met with Housing representatives prior to purchase, as most of them did. RVT-2's planned roll-out would have involved a delay of perhaps a year in the delivery of a playground. With the indefinite delay in construction of RVT-2, the prospect of waiting more than a year for a playground for children currently living in RVT became much more troublesome.

CFW acknowledges that Housing staff did not make this decision lightly and also that they fully understand the draw a playground has for potential buyers as a center for a community. CFW also understands that Student Affairs, and especially Housing, have been extremely pressed by the responsibility to build and sell housing stock in a plunging market. However, we are troubled that stakeholders (home buyers and CFW) were not alerted directly about a potentially much more lengthy delay in playground construction at the point when it became clear that Phase 2 would be delayed indefinitely. CFW reminds Student Affairs of the value of clear communication and regular consultation on matters that affect faculty.

Recommendation: CFW recommends that some form of playground be completed as soon as possible for home owners who bought at RVT with the understanding, based on project plans, that a playground would be built. We further recommend consultation with CFW about possible solutions and strongly recommend that our Student Affairs contacts or their representatives in Housing alert stakeholders (home buyers and the Senate, by way of CFW) in a timely manner about further changes to community infrastructure and consult with CFW about such changes prior to decisions' being made.

(4) **Future on-campus housing:** It now appears that RVT-2 will be delayed indefinitely. Nevertheless, the campus must keep in sight ongoing campus needs for housing. The faculty waitlists for Cardiff Terrace, Laureate Court, and Hagar Meadow/Court homes continue to be oversubscribed (>100) suggesting that smaller homes are more desirable, presumably for affordability, by first-time UCSC home buyers. Planning for additional on-campus housing should move forward in conjunction with the LRDP.

Recommendation: Given the state of the economy and volatility of the local housing market, CFW recommends that Administration planning for RVT-2 be re-evaluated with regards to timing, demand, and type of housing, method of delivery, and per-unit target pricing. Prices may need to be readjusted to reflect demand and changes in market conditions just as they were readjusted during the price run-up.

(5) **Divisional use of LIO-SHLP:** While the LIO-SHLP option was intended to make housing more accessible to faculty in all the divisions, it seems that faculty in the Division of Arts (1 LIO-SHLP) have been significantly less likely to employ it than faculty in other divisions. CFW has not yet investigated the reasons for this imbalance, but will do so in the coming weeks and offer recommendations as warranted.

Respectfully submitted;
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