

COMMITTEE ON FACULTY WELFARE
Report on Faculty Housing and the Campus Resale Pricing Program

To: Academic Senate, Santa Cruz Division

In the current academic year, the Committee on Faculty Welfare (CFW) has focused on three main questions with regard to housing:

1. Are the campus funds for recruitment allowances being utilized in the most effective way?
2. Is the Resale Pricing Program functioning as was originally proposed?
3. Are there additional actions the campus can take to make acquiring a home easier for faculty?

With respect to the recruitment allowance, CFW has heard anecdotal evidence that the allowance is not being used uniformly across the campus and that amounts vary greatly by division. If this is true, it is of great concern to CFW. According to Colleges, Housing and Educational Services (CHES) Director Steve Houser, the recruitment allowance is the single most important factor that enables faculty to purchase a home, as some faculty do not even have the relatively modest down payment needed for a Mortgage Origination Program (MOP) loan. Considering that recruitment allowances are available to help all new faculty purchase a home on or off campus, we believe that it is the campus' best mechanism for helping faculty become homeowners. CFW recently requested information from CP/EVC Galloway regarding how recruitment allowances are distributed. Next year, CFW plans to look at this data and determine if modifications to the recruitment allowance program need to be made.

This year, a CFW Housing Subcommittee had several productive consultations with CHES staff and took a close look at the Employee Housing Resale Pricing Program. CFW has determined that overall, the program is functioning as originally planned, with the exception of serving the goal of creating funds for the Low Interest Option Supplemental Home Loan Program (LIO-SHLP), the terms of which were modified by the Office of the President such that they became unattractive. The Resale Pricing Program helps faculty sell their on-campus home quickly, which has allowed many faculty to move into the off campus market, opening campus units for sale to new faculty. The program allows for a uniform standard of renovations, which maintains a high quality of housing for new faculty. In addition, the cost of renovations are folded into the faculty's primary loan, as opposed to a secondary home improvement loan, thus saving interest costs. The renovations also allow for a smoother home sale process, minimizing disputes over wear and tear on a unit. The Resale Program also pays for 50% of the transaction costs, which minimizes entry costs for the buyer. Finally, the program equalizes the square footage cost between units, regardless of age; this has rationalized the pricing structure and has also apparently eliminated the phenomenon of senior faculty "sitting" on the waitlist, waiting for the cheapest units.

CFW still has some concerns regarding the program, however. First, there is approximately \$983,000 in revenue from the program and it is unclear what it will be used for. A certain amount is required to maintain the Employee Housing Resale Pricing Program, but this is a small percentage and not the whole amount. So the question of what to do with the liquid assets of the

program still remains. In the past, revenue was used to subsidize the LIO-SHLP loan program, but changes stemming from UCOP have effectively eliminated this as an attractive program for faculty and the loan is not being widely used. Another option for this revenue, which CFW considered, would be to put the funds toward the building of additional faculty housing on campus. Ranch View Terrace Phase 2 (RVT2) appears to be the obvious choice for moving forward, since it already has environmental approval and infrastructure in place. The revenue generated to date could go a long way toward covering the initial costs of development. One major obstacle to RVT2, however, is the excessive debt incurred from Phase 1, much of which would have to be paid down by the campus in order to keep new home prices below market. CFW will continue to work with Director Houser to explore alternative options for moving forward.

Recommendations and proposals for increases in pricing within this program are reviewed by CFW annually, and the committee provides its response and recommendations to the CP/EVC, who is the final decision authority. In the past, the proposals have not contained sufficient information to help CFW easily evaluate the Housing Program as a whole. This year, CFW has worked with Steve Houser to improve the annual Employee Housing Resale Pricing Program recommendation proposals, and has requested more detailed figures on costs to homebuyers and a clear rationale for any price increase over the Consumer Price Index (CPI). By contract, the CPI effectively sets the price at which the campus repurchases homes from owners. This plus other costs in turning over homes must be factored into price increases. This year, CFW recommended approval of the 2015-2016 proposed increase (~1.5%), which is in line with the current CPI. Future proposals with requests that exceed CPI will need to quantify the primary basis of price changes for each year and provide a clear rationale for the need for an increase. Drawing in part on the additional information that will now be provided with pricing proposals, CFW will continue to monitor and review the program on an annual basis.

Finally, CFW has considered additional ways to help more faculty own a home. One way in which progress may be achievable is to reinstitute the 40-year MOP loan. During the recent great recession, UCOP reduced the maximum MOP loan period to 30 years, which significantly raised monthly payments for faculty who recently purchased homes using this program. CFW understands that it may be possible to bring the 40-year option back. CFW is currently working with the University Committee on Faculty Welfare (UCFW) to assess this possibility, and hopes to have more to report on this topic next year.

Another factor that can ease home ownership in an expensive market is partner employment. The UCSC campus used to have a staff position that provided resources to faculty to assist them in finding and securing employment for partners/spouses, but the position was cut during the budget crisis. CFW is looking into the development of an information packet for departments and the creation of a database of current faculty partners in various fields willing to give advice to partners of new hires.

In summary, on-campus housing is an important asset for attracting and retaining exceptional faculty, enhancing overall faculty welfare, and ensuring a high quality of life. Considering the recent increases in off-campus housing prices, sufficient inventory needs to be maintained if we hope to remain a vibrant research and teaching community. Current campus housing waitlists are

short, suggesting that the present inventory is adequate, though this could change with the anticipated acceleration in retirements. If the need for affordable housing increases, the campus must react quickly with higher recruitment allowances, expansion of inventory (e.g. RVT 2), and support for spousal hires to name a few. CFW will continue to assess the housing program, and provide recommendations as required.

Respectfully submitted;

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