

Employee Housing Report

November 23, 2005

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INTRODUCTION TO THE EMPLOYEE HOUSING REPORT

On May 20, 2005 the Academic Senate passed a resolution that called upon the campus administration to provide a plan for sufficient and affordable faculty and staff housing by October 1, 2005. The resolution was issued in response to potential growth in campus student enrollments and the high cost of housing in the area. The text of the resolution is contained in the Background section of this report.

Chancellor Denton and then Interim Campus Provost and Executive Vice Chancellor Kliger agreed that a housing plan was essential to the long term success of the campus. In response, meetings were convened between members of the campus Housing Administration and the Academic Senate Committee on Faculty Welfare (CFW). There were two mutually agreed upon primary outcomes of these meetings. The first was that the housing challenges at UCSC should be approached jointly with the campus administration and the Academic Senate working collaboratively. The second was that developing a complete housing plan would not be possible by the October 1 target date. Instead, the group agreed that it would be best to prepare a joint Employee Housing Report within the timeframe, which would inform future planning efforts and ultimately a Master Housing Plan for the campus.

Due to the efforts of many campus staff, administrators, Academic Senate members and members of the CFW, this Employee Housing Report was released as a joint Senate/Administration report on October 13, 2005. The Senate convened a Faculty Quality of Life Forum on October 21, 2005 at which the details of the report were discussed with both faculty and administrators in attendance.

In early November, the Senate Chair reported that due to a technicality in Senate procedures, this Employee Housing Report could not truly be titled a joint “Senate/Administration” report. However, it is important to note that the information contained herein is the result of a cooperative effort between the administration and the Academic Senate, and the content reflects primarily that desired by representatives of the CFW. This cooperation has been highly effective and greatly appreciated, and will be continued in the future as a Master Housing Plan for the campus is developed.

BACKGROUND

May 20, 2005, the Academic Senate passed a resolution that stated:

WHEREAS our ability to recruit and retain excellent faculty depends, to a significant degree, on their ability to obtain adequate and affordable housing, and

WHEREAS the cost of housing in the Santa Cruz area has risen dramatically over the last decade, and

WHEREAS the campus cannot support an increase in the student population without a corresponding increase in the number of faculty

THEREFORE, BE IT RESOLVED that if UCSC plans to grow beyond 15,000, then it must offer plans for sufficient and affordable faculty and staff housing. The Senate calls on the administration to provide plans by October 1, 2005.

ADMINISTRATIVE RESPONSE

In response to this resolution, On August 30, 2005, Interim Campus Provost and Executive Vice Chancellor David Klinger wrote to both the Academic Senate and Housing Administration and asked them to work on a report on housing that would focus on three primary topics:

- An evaluation of the current employee housing program
- A discussion of the current construction environment: process, costs, constraints, limitations, etc.
- A proposal for next steps: process and strategy to move forward with a joint Senate/Administration planning process

The Employee Housing report intended to lay the groundwork for campus Employee Housing plan that would define campus goals for employee housing, alternatives to meet these goals, and implementation strategies.

OVERVIEW

Because housing is generally the largest monthly expense for employees, it has a significant impact on their quality of life. Other factors contributing to quality of life will not be explored in this report, but deserve further study. These factors include (but are not limited to), salaries, childcare, and spousal/partner employment

The employee housing program at UC Santa Cruz was developed in 1981 to address the high cost of rental housing in the community. At that time, 50 “below- market” rental apartments were constructed at Hagar Court. The creation of a for-sale program (with below market units to purchase) commenced in 1986 with the inception of Cardiff Terrace, grew with the addition of Hagar Meadow in 1992, and expanded once again in 2003 and 2004 with the conversion of the Hagar Court Apartments to Condominiums, and the acquisition of the Laureate Court Apartments/Condominiums.

Although the program has been creative in finding solutions to provide below market housing (particularly in recent years), the requirement for the program to be self sustaining makes it difficult for the program to respond to the increasing needs (and expectations) of employees for housing solutions.

SECTION I. CURRENT EMPLOYEE HOUSING PROGRAM

The Faculty and Staff Housing program consists of 3 primary elements relating to housing: rentals, for-sale units, and loan programs (which are available only to employees who are members of the Academic Senate).

A. Rental Housing

1. Housing Stock

The University purchased the Laureate Court rental apartments in August, 2003, to supplant the Hagar Court Apartments function as a “Landing Pad” for new employees. All of the 51 rental units at Laureate Court are priced below market rates. An additional 13 of these units are designated for persons who meet income restrictions as set forth by the City of Santa Cruz. These 13 units are priced lower than the other rental units, as indicated in the chart below:

Unit Size	No. of Units	Sq. Footage Range	2005-2006 Rental Rates (Unfurnished)	Additional Units Designated for “Low Income” Employees	2005-2006 Rental Rates for “Low-Income” Units
1 Bedroom	10	583-678	\$1060-\$1160	5	\$922*
2 Bedroom	27	843	\$1320-\$1420	8	\$1037*
2 Bedroom (“Manager”)	1	1250	\$1675	n/a	n/a

* “Low Income” rental rates are set by the City of Santa Cruz. They include utility costs.

2. Program Elements

Rental units are rented month-to-month. The maximum term for a rental agreement is 36 months.

3. Owner Demographics

As of September 23, 2005, the existing 51 units are occupied by 21 faculty and 30 staff.

4. Access Policy

All 100% time employees, with minimum of a one-year appointment, are eligible to rent units per the 2003 UC Santa Cruz Housing Access Policy. The faculty are given priority. Persons who have been employed by university for more than 2 years are ineligible to apply for rentals.

5. Waiting Lists

The waiting list for the Rental units is maintained by the Faculty and Staff Housing Office. There are currently 25 employees on the waiting list, but at seasonal peak (Spring-Summer), the list can grow to as many as 75-100 employees. Historically, eligible Senate Faculty have always been able to obtain rental accommodations at the point in time in which they are interested. Other applicants may (or may not) obtain rental accommodations, depending on the length of the waiting list, the demand from Senate Faculty, and the vacancy rate at the given period of time.

6. Demand for units

Historically, the units have been fully occupied. The average length of stay at Laureate Court is 1.6 years.

B. For Sale Housing

1. Housing Stock

There are a total of 143 units in the existing for-sale program:

Development	Year of First Sales	Total Units	Existing For-Sale Units		
			Bedrooms		
			2	3	4
Cardiff Terrace Townhomes	1986	50	24	21	5*
Cardiff Terrace Custom Homes	1988	11			11
Hagar Meadow Townhomes	1992	19	19		
Hagar Court Condominiums	2003	50	50		
Laureate Court Condominiums	2004	13	13		
Totals		143	106	21	16

*These units were originally 2 bedroom units, but subsequently remodeled

An additional 84 units are in development at Ranch View Terrace.

Development	Projected Year of First Sales	Total Units	Planned For-Sale Units	
			Bedrooms	
			3	4
Ranch View Terrace (Phase I)	2006	45	16	29
Ranch View Terrace (Later Phase(s))	2007	39	14	25
Totals		84	30	54

2. Deed Restrictions

The land for these units is leased from the University to homeowners. Embedded in the ground lease and the CC&R's (Covenants, Conditions, and Restrictions) are deed restrictions that ensure that owners conform to the priorities of the program (e.g. units purchased must be used as a primary residence).

3. Unit Resale Value

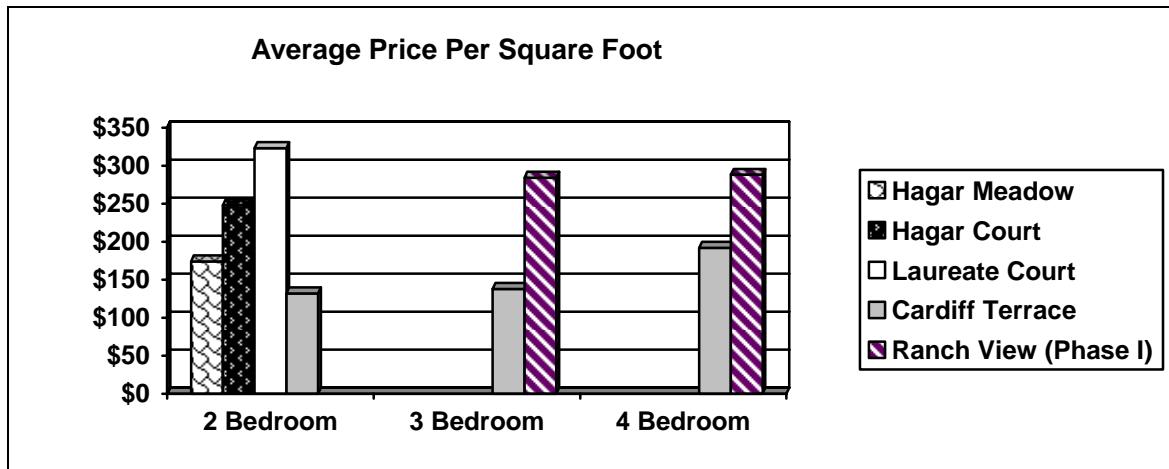
With the exception of the Cardiff Terrace Custom Homes (which are market rate units), the deed restrictions for each development limit the appreciation of for-sale units to an inflationary index (either the Consumer Price Index or the UC Faculty Salary Index, whichever is greater for the increment of time in which the unit was owned). Units are not an investment vehicle for owners, as they cannot appreciate faster than the cost of living.

4. Comparison of Resale Values Among Developments

As of September 1, 2005, pricing for the existing units in the program ranges from \$130,000-\$276,000. The Cardiff Terrace two-bedroom homes which have been expanded to four-bedrooms range in price from \$313,000 to \$455,000. Future units at Ranch View Terrace will be more expensive, but also larger than most of the existing units.



Development costs have exceeded inflation during the course of the program. Due to this fact, the base price of an identically sized unit constructed at a later year will be higher. Since the resale price of all units is linked to inflation, there will continue to be disparity among units developed at different times.



5. Owner Demographics

The existing 143 units were purchased by 112 Faculty and 31 Staff.

6. Access Policy

All 100% time employees, with minimum of a one-year appointment (with the exception of visiting employees, post-doctorals, and academic student titles), are eligible to purchase units per the 2003 UC Santa Cruz Housing Access Policy. The Faculty are given priority.

7. Waiting Lists

The waiting lists for these units are maintained by the Faculty and Staff Housing Office. There are currently 368 employees on the for-sale waiting list as of 9/15/05 (143 Senate Faculty, 196 Staff, and 29 Non-Senate Academics).

8. Demand for units

Persons on the waiting lists are required to identify at least one housing development in which they are interested in purchasing. An applicant can identify multiple housing preferences, and hence, the number of preferences exceeds the number of applicants.

Employee Category	Housing Preferences of Faculty Applicants*						
	Cardiff Terrace		Hagar Meadow	Hagar Court	Laureate Court	Ranch View Terrace	
	2 BR	3 BR	2 BR	2 BR	2 BR	3 BR	4 BR
Assistant Professors	19	35	10	9	2	38	33
Associate Professors	6	8	4	3	0	7	15
Full Professors	14	19	2	0	0	26	38
Totals	39	62	16	12	2	71	86

*As of 9/1/05

Employee Category	Housing Preferences of Other Employees*						
	Cardiff Terrace		Hagar Meadow	Hagar Court	Laureate Court	Ranch View Terrace	
	2 BR	3 BR	2 BR	2 BR	2 BR	3 BR	4 BR
Non-Senate Academics	13	13	8	3	2	13	11
Staff	97	96	80	44	17	79	48
Total Employee Preferences	110	109	88	47	19	92	59

*As of 9/1/05

C. Loan Programs

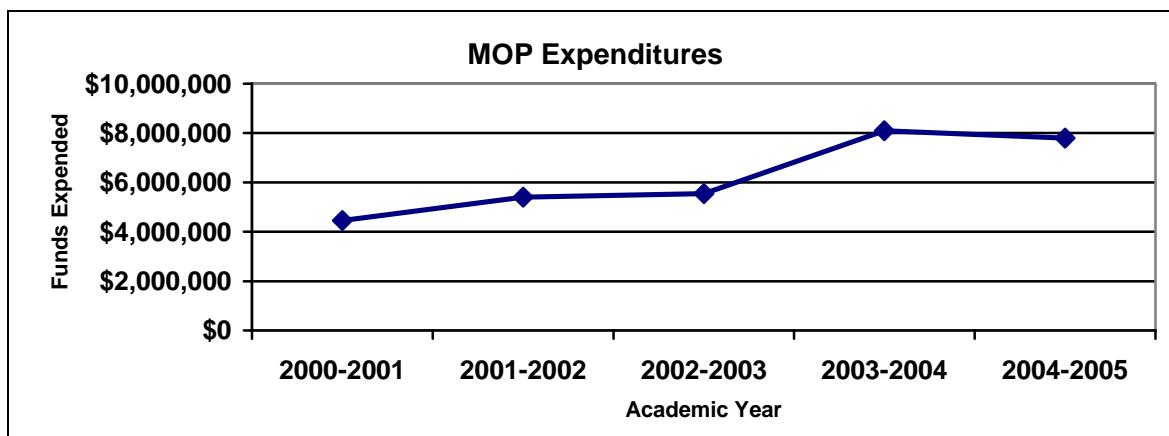
1. Mortgage Origination Program

The Mortgage Origination Program (MOP) is a UC system wide home loan program intended to help senate faculty with a first-time home purchase in the campus area. The

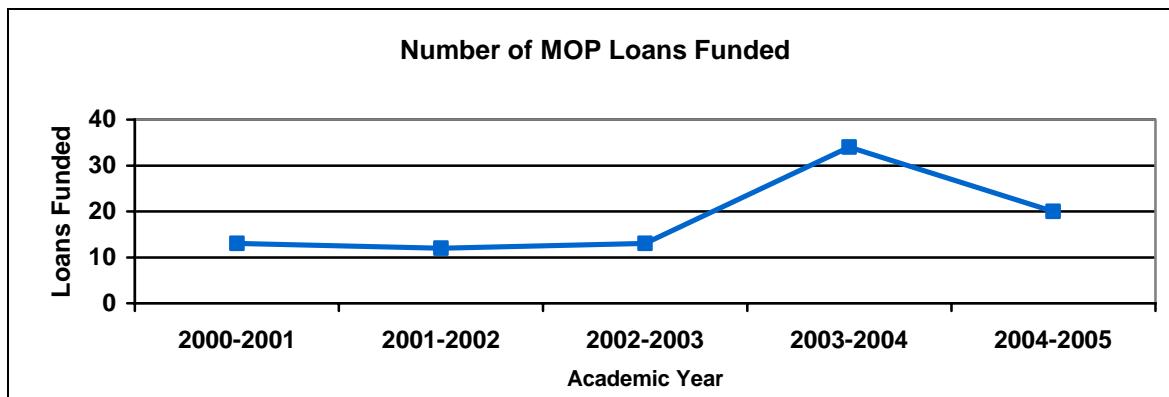
MOP loan finances up to 90% of the value of a primary residence, and has a favorable adjustable interest rate.

More than \$92.5 million dollars has been allocated to the campus by the Regents since the inception of the program. As of September 1, 2005, \$55.3 million has been expended for a total of 206 home purchases. After funding a MOP loan, the Office of the President (OP) has the option to sell it on the secondary markets. If sold, OP retains the servicing. Servicing fees from loans supports the Office of Loan Programs.

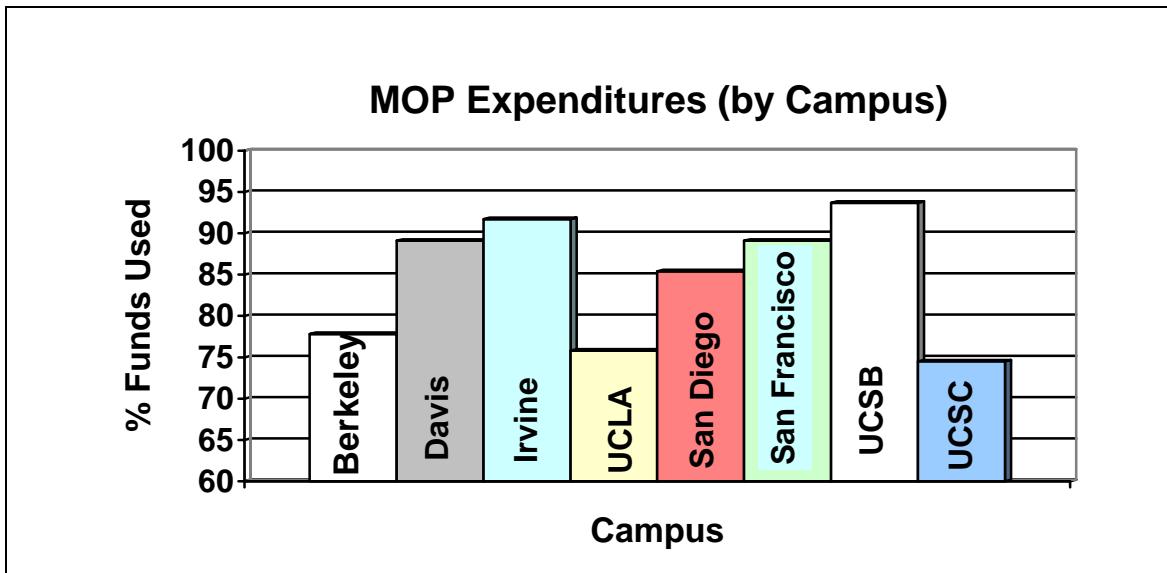
Commencing in the 2002-2003 academic year, the program incorporated an option for borrowers to amortize their loans over 40 years (as opposed to the existing 15 and 30 year options). Borrowers choosing this option can reduce their monthly principle payments, and thus, can qualify for larger amounts of financing and/or increase monthly cash flow. This alteration to the program has increased its usage, as people could stretch their incomes to qualify for market purchases (despite record highs for median home pricing in the area).



The total number of borrowers has increased, as evidenced below. A significant percentage of these users have used the financing to purchase the campus housing stock at Hagar Court and Laureate Court that had been brought online in recent years.



Despite the increase in use, Santa Cruz Campus historically uses a smaller percentage of its allocated funds than other UC campuses, as indicated on the June 30, 2005 data presented in the following table:



We recommend that the reasons for the low utilization be evaluated (see Section IV).

2. Supplemental Home Loan Program

The Supplemental Home Loan Program (SHLP) assists Senate Faculty with down payment resources for a first-time home purchase in the campus area. The SHLP, in conjunction with a primary mortgage, can finance up to 95% of the value of a primary residence. Loan terms are extremely favorable for a 2nd mortgage.

As of 9/23/05, the campus has approximately \$254,000 available for these loans. OP services the loans for a small fee (built in to the interest rate), and the campus receives the additional interest. The existing loan balance includes a \$100,000 loan to the campus from OP that is due by 2010.

Many SHLP loans are sold by the Office of the President to secondary markets, but like the MOP, OP retains servicing. Proceeds from loan sales (less an administrative fee) are returned to the campus for future loans. A total of 23 Loans have been funded to date, totaling \$408,000.

SECTION II. CURRENT CONSTRUCTION ENVIRONMENT & CONSIDERATIONS INFLUENCING COSTS.

The Ranch View Terrace Project has demonstrated the complexity of building affordable housing by a public institution in California. Some of the costs of developing housing are directly related to market conditions and the economy, while some of the impacts on affordability are dictated by the legislative process and are outside of the purview of both the Regents and the Campus. Still, others are affected by system-wide policy. The feasibility of changes in the process should be further examined to determine those that have the biggest impact on the construction of future housing.

The costs of building on the UCSC campus are higher than the cost of building on some other UC campuses for a variety of reasons, not the least of which is our beautiful and challenging topography. The costs of building on the UCSC campus are also generally higher than the costs of building in the town of Santa Cruz, for a variety of reasons which are described below:

1. Process

- There are a variety of construction delivery methods available to the campus (Design Build; Design, Bid, Build; Third Party). Ranch View Terrace is using a Third Party model. This model was selected due to its success on other UC Campuses with the hope of using a builder familiar with the system and residential home design.
- Consultation and multiple approvals and/or reviews are needed. The Senate Committee on Faculty Welfare, the Advisory Council for Facilities, the Senate Committee on Planning and Budget and the Design Advisory Board are among those on the Campus. Due to changes in staffing in these groups, multiple reviews have been made. The project has been approved by the UC Regents in multiple stages of its development. Also, The California Environmental Quality Act (CEQA) requires a full environmental review of a project of this scope and size. This process alone, with its public input, takes a minimum of one year. The State Fire Marshall has reviewed the planning for this project and will have a continued role through the construction. Because it was determined that the project was near land protected by the Endangered Species Act, the US Forest and Wildlife Service (USFWS) has required a Habitat Conservation Plan and permit prior to the start of construction.
- Funding constraints within the UC system and the campus has limited the ability to finance the construction of new housing. There are current limitations on debt capacity as well as requirements that any UC financed project must meet for sufficient debt coverage.

2. Costs

- All construction on the campus is subject to state law regarding Prevailing Wage. In the case of Ranch View Terrace, the campus asked the state for a ruling as to what wages for each particular trade would be required. The campus received confirmation that both a residential and commercial wage will be required, dependent on the trade.
- The price of materials has escalated nationally and regionally over the last 3 years. The cost estimating firm of Davis Langdon, long respected by the University, estimates the cost of residential construction will increase 10-15% over the next 2 years, due to the impact of Hurricane Katrina. Individual materials and trades will see cost increases of 10-20% in key materials such as wood, gypsum board, and concrete. It is unknown what the full impact will be on the availability of labor.
- The limitations of labor available in Santa Cruz have also affected prices. Large contractors have been most attracted to urban areas with a more robust labor source. For UC managed contracts, there are limitations on bidding, requirements on contractors to carry high insurance limits and greater bonding requirements. These requirements also affect the pool of contractors that are interested or able to perform work for the University.
- Many campus sites lack infrastructure and other utilities necessary for development. The extension of infrastructure is costly and in some cases, must be approved by the County of Santa Cruz and the Coastal Commission. There are also some technical challenges in infrastructure to serve the North Campus.
- Soil conditions on much of the campus also present challenges that must be addressed by design and frequently represent additional costs. The topography is also challenging, with many steep slopes, and poor subsoil drainage.
- There are design considerations that also affect cost. Due to the visibility of many of these sites to the public and the neighbors, extra sensitivity is given to design. In the case of Ranch View Terrace, the design needed to be consistent with the character of the adjacent state-protected Historic District.
- There have been Environmental Protections required under the 1988 Long Range Development Plan (LRDP) and additional ones that will be imposed on specific project review and a new LRDP.

3. Constraints

- The consultation process and lengthy approvals frequently result in price escalation (see Cost Section above).
- Campus and community concerns regarding campus growth add additional constraints. As an example, when Ranch View Terrace was initially proposed in the 1988 LRDP, some Westside neighbors and campus affiliates near the site opposed any construction in the area. Plans to move ahead were discussed publicly by both

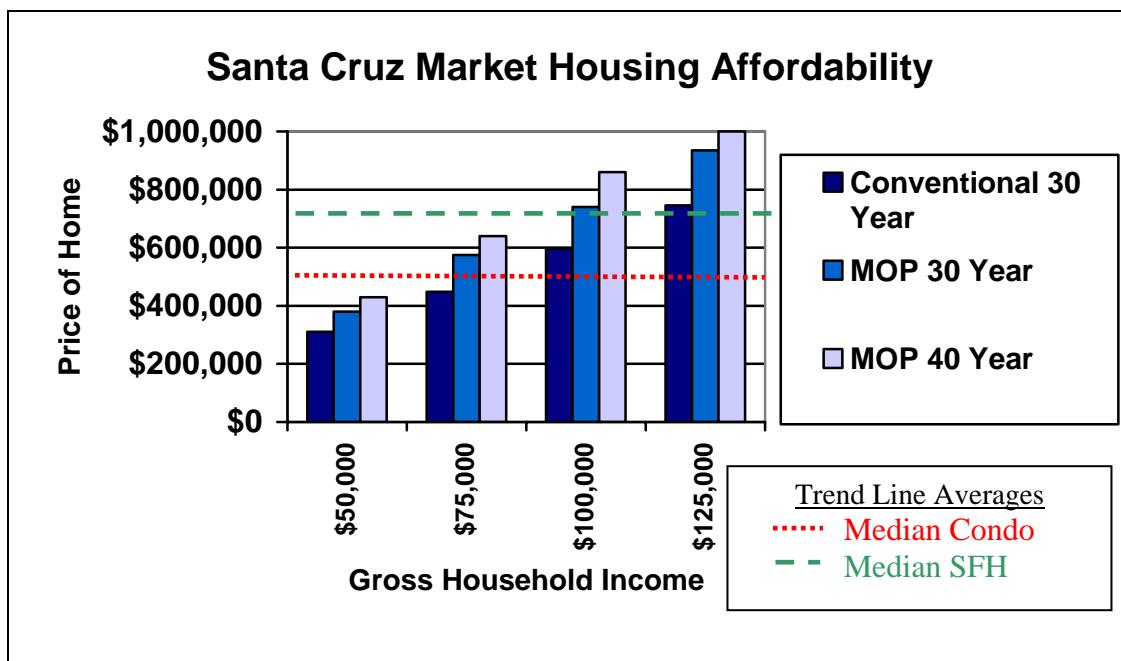
the campus and Santa Cruz community. Lengthy consultative processes affected the campus ability to proceed quickly with the project.

- There are few sites available within the city of Santa Cruz for high density residential construction. Land values within the city limits have made the development of housing impractical in terms of affordability.

SECTION III. SANTA CRUZ AFFORDABILITY

Housing is the largest monthly expense for nearly all households. As the preeminent cost, it is the focal point when evaluating budgets, etc. The housing market in Santa Cruz is one of the least affordable in the nation. Many employees face significant economic challenges to purchasing a home in this market.

The following table demonstrates the attainability for employees (at various salary levels) to qualify for financing to purchase a median priced home or condominium using 3 different financing options. As the chart indicates, the prospect of purchasing a home in the Santa Cruz housing market is largely unattainable until households earn \$75,000/year. Even at this income level, MOP financing is critical in allowing a household to enter the market.



Assumptions: 1) "Front-End" Income/Debt Ratios: Conventional 35%, MOP 40%; 2) "Back-End" Income/Debt Ratio is 50%; 3) Borrower meets 10% down payment requirements; 4) Using prevailing interest rates as of 9/2005 (MOP 3.8%, Conventional adjustable 5.125%).

The majority of junior faculty who are living in single income households lack the income necessary for financing market purchases. Without additional resources (such as gift funds or savings) market purchases are not an option.

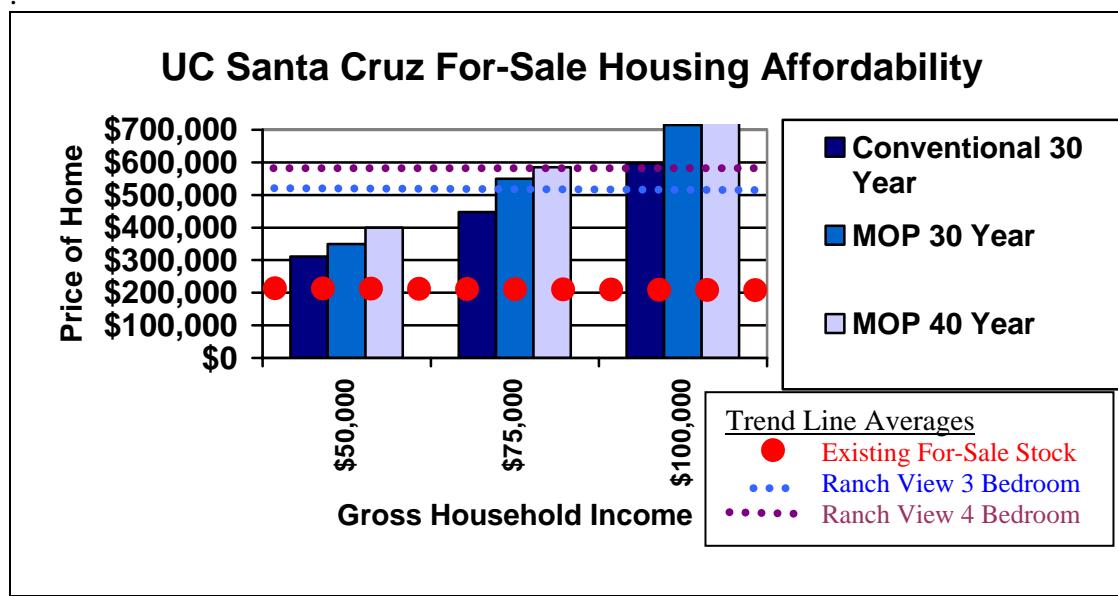
In instances when additional resources are not available, the faculty look to the University for assistance. The campus is fortunate in that it initiated on-campus housing twenty years ago. However, the housing was designed with the program goal of providing *transitional* housing until an employee could segue into the open market. Generally, units were not constructed to accommodate large families.

Given that the open market can be unattainable, some employees are looking to the campus to provide on-going housing solutions to meet their changing budgets and

family needs. Many of these persons assume that campus housing should accommodate growing families, and hence expect houses to be of bigger size than our current inventory (without reducing quality).

The units planned at Ranch View Terrace were designed to address this need, which is particularly acute among employees already living in for-sale units. The perceived “value” of the units has decreased, as the cost per square foot far exceeds that of the older developments (Cardiff Terrace and to a lesser extent at Hagar Meadow). Interest has held steady for owners of newer developments (Hagar Court and Laureate Court), who purchased their units at a comparable cost/square foot (as evidenced in the chart in Section I.B.4).

Additionally, the cost of Ranch View may prevent employees of some income levels from obtaining financing to purchase, as the table below indicates:



Assumptions: 1) “Front-End” Income/Debt Ratios: Conventional 35%, MOP 40%; 2) “Back-End” Income/Debt Ratio is 50%; 3) Borrower meets 10% down payment requirements; 4) Using prevailing interest rates as of 9/2005 (MOP 3.8%, Conventional adjustable 5.125%). 5) Homeowners Association fees approximated at \$150/month.

Those interested in purchasing at Ranch View Terrace, but unable to qualify for financing will be looking to the campus for financial help so that they can attain one of these units.

SECTION IV. SUMMARY AND RECOMMENDATIONS

Housing costs have been a concern for the UC campuses for many years, as most are situated in locations with high housing costs. Historically, campuses have addressed housing costs in two ways: a) the creation of “below market” rental and/or for-sale units and/or b) financial assistance for faculty to purchase.

The Employee Housing Program at UCSC incorporates both of these methods to address housing issues. It has a portfolio of below market rental and for-sale units. Additionally, it administers MOP and SHLP loans.

Since the campus has limited financial resources, the Graduated Payment MOP is not currently available. This program is attractive to faculty as the campus would “buy down” the existing MOP interest rate for a period of time. Other types of assistance, such as financial subsidies, occur infrequently on the Divisional level, and only help select numbers of faculty as identified by the Dean.

Given the interest and concerns regarding the imminent development of Ranch View Terrace, it would be worthwhile to evaluate whether existing program goals would be better served by redesigning its future phases

Because employee housing will continue to be a campus priority in the foreseeable future, the EVC should begin an Employee Housing Master Plan Process. Analysis and recommendations to support this process could be provided by the following committees:

- Program Committee
 - to articulate the goals of the program
- Master Plan Committee
 - To determine how to best meet these goals
 - analysis of on and off-campus opportunities
 - partnering with city/developers
- Financial Analysis Committee
 - to determine funding sources for the Master Plan

The campus is currently finalizing its 2005 Long Range Development Plan (LRDP). The above committees should ensure that any plans align with that document.

ADDENDUM #1
FREQUENTLY ASKED QUESTIONS ABOUT EMPLOYEE HOUSING

Questions Involving Ranch View Terrace

- 1 *Why did the Ranch View development take 14 years since site identification and 5 years to break ground? Where could we or others (meaning the campus, UCOP or the city) have improved the process?***

This question must be answered in the context of the Employee Housing Report. Specifically, the process identified in Section II of this report has attributed to the lengthy timeline for Ranch View Terrace (formally called Inclusion Area D).

Inclusion Area D was identified in the 1988 LRDP as one of 5 sites that could accommodate employee housing. There was insufficient campus growth in the early years of the LRDP to warrant construction of the site, and there was significant on and off campus opposition to building housing in the near term. In the meantime, infill housing was developed at Hagar in 1992, while Laureate Court was purchased in 2003.

In 2000, a Faculty Housing Program Committee recommended Inclusion Area D as the best site for new housing development. After consultation with the Senate Committee on Faculty Welfare, the Advisory Council for Facilities, the Senate Committee on Planning and Budget and the Design Advisory Board, the campus asked the Regents for approval to move ahead with the project.

Due to the sensitivity of building housing on the lower campus, a master plan was first prepared, followed by a Request for Proposals for housing to meet the master plan requirements. Early in the planning the campus was notified that there was evidence of endangered species near (but not on the site), and a Permit would need to be granted by US Fish and Wildlife. A development team was then selected to produce a site specific plan sufficient to be studied by an Environmental Impact Report. The Environmental Impact Report (EIR) lasted approximately one year.

During the time when the planning was taking place, construction prices increased dramatically in California. The developer was directed to implement cost saving measures and was required by UCOP to return to the Regents for approval of the new prices. The additional approvals added to the delays and costs of the project. The recommendations of the report include identification of improvement to the process for future projects.

- 2 *Why was there such a large jump in cost so late in the Ranch View planning stage?***

The greatest factors that led to increases in cost were unanticipated construction cost increases in both the US and California from the early cost estimates, delay in start of construction, and internal factors in the Santa Cruz labor market. The campus hired an independent cost estimator to confirm the cost increases that were made by the Developer.

3 *What was the original projection of Senate Faculty leaving existing units at Cardiff Terrace, Hagar Meadow, Hagar Court, and Laureate Court to transfer to Ranch View Terrace. What is the current projection?*

Original projections had 20-25 persons leaving Cardiff Terrace and Hagar Meadow to move to Ranch View Terrace (please note that Hagar Court and Laureate Court did not exist as purchase options during the original projections).

Currently, there are 28 Senate Faculty in for-sale units (6 at Cardiff, 9 at Hagar Meadow, 8 at Hagar Court, 3 at Laureate Court) who have indicated a preference to purchase at Ranch View Terrace. There are an additional 6 Staff in for-sale units (4 at Hagar Court and 2 at Laureate Court) who have expressed an interest in purchasing at Ranch View.

4 *Why doesn't the campus pay down the cost of the Ranch View Terrace homes from general campus funds?*

The campus would need to reduce other areas of the budget to assist in the costs at Ranch View Terrace.

5 *Why can't the campus or UCOP pay for infrastructure costs since it's their land and the employees are only leasing it?*

This might be explored by the administration as a request to the Regents. In the past however, the development all infrastructure on campus that benefited students and employees has been funded by the users.

6 *Can we attach a fee to the higher income Ranch View Terrace buyers and pay down the cost of lower income households?*

It is unlikely that this could be implemented. Instead, the campus could identify funds for buyers that do not qualify to purchase a home and provide additional assistance to those buyers. This would be similar to a program administered for low income buyers in the City of Santa Cruz.

7 *Can the campus subsidize the move of existing for-sale owners to Ranch View Terrace to open cheaper homes up for sale?*

Existing owners could be targeted for such assistance, should the campus desire to do so. A process would need to be developed in consultation with the EVC/CP and administered by the Employee Housing Program.

8 *Can we reengineer Phase II and Phase III of RV to have higher density homes?*

The campus has asked the developer to provide an early study to increase the density in later phases. This study indicates that there could be density increases of approximately 13 homes, but the design would require many more 3 story attached homes, in an area that was identified as sensitive in the Environmental Impact Report (EIR). The impacts of increased density would need to be studied by the campus, and legally amended in an EIR. It is likely

that such changes would delay the start of future phases by a minimum of one year. Construction costs would likely increase in this scenario.

9 *If we only account for retirements, what is the projected demand of housing for young faculty in the future? How many will wish to live in faculty homes?*

Assuming the campus continues to hire new faculty at the same rate it has over the past 5 years, we can expect 15-20 new faculty to append themselves to the waiting list per year. Based on historical data, 40- 50% of these faculty will purchase if given the opportunity.

10 *Why are labor costs for these homes so high compared to my building in town?*

See Section II of the Employee Housing Report.

11 *How do our site preparations costs compare to UC Irvine and why are they so expensive here?*

Construction prices at Irvine have historically been lower than Santa Cruz, but there are many differences in the two campuses. The Irvine sites are closer to infrastructure, the terrain is not as difficult, the Southern California labor market is different from Santa Cruz, and in earlier projects, the Irvine Campus Housing Authority did not require builders to pay prevailing wage. Some of this has recently changed in Irvine. For example, the most recent phase of University Hills was built by a contractor paying prevailing wage, and they have also seen an increase in cost/square foot. We do not have a current analysis of their prices compared to the Santa Cruz market, and such a study could be made to analyze any areas where costs could be further contained.

Questions Involving Existing For-Sale Homes

12 *Why can't we relax the current remodel rules of existing campus housing to generate more 3 bedroom homes?*

Several homes in the existing Faculty Housing have been remodeled to add space. Each remodel proposal is evaluated as to the impact on the neighboring homes, its compatibility with the neighborhood, and the effect that the addition will have to affordability for future buyers. Many of the restrictions imposed by the Architectural Review Board are dictated by the project legal documents and were developed to protect the rights of all owners.

13 *Why can't we increase the value of the existing for-sale units to give the residences the capital to move to Ranch View Terrace?*

This idea has been explored by UCOP and was sent for a legal opinion to a Tax Counsel firm. An increase of the value will be considered "income" by the IRS, and the taxes must be paid in the year that the change takes place, not when the home is sold. It would be considered in the same way as a change in value of other investments such as stock.

Questions Regarding Financing or Housing Assistance

14 *The current campus housing assistance is taxable, why can't we have a plan where the money is not taxable?*

Taxation has been determined by the IRS, and the Regents have worked to provide types of assistance that is not taxable, such as minimal ground rent and mortgage assistance programs. The direct payment of a Housing Allowance is taxable. The campus currently does not have the funds to support other programs such as the GP-MOP (see Section III).

15 *Can we start a shared appreciation loan program at UCSC like that at Stanford?*

The Academic Senate could explore this with the Office of Loan Programs and the Regents.

Miscellaneous Questions

16 *Can we sell UCSC land to subsidize the building of future homes?*

It is unlikely the Regents would sell land when the University of California is experiencing tremendous pressure to serve more students in the future.

17 *Can we sell Fort Ord land to subsidize the building of homes closer to campus?*

This land was provided to the UC and California State University (CSU) from the Federal Government to further their educational mission.

18 *Can we set up a non-profit specifically for housing so alumni can donate property and homes to the campus?*

This could be explored by University Advancement if directed by the Administration.

19 *Can we sell Laureate Court to provide cheaper homes?*

At present Laureate Court serves the campus in providing a “landing pad” rental option for new employees. The demand for the sale of 13 Laureate Court units in 2005 was low among faculty. A plan for future housing developed by the Master Plan Committee might consider the sale of Laureate Court and the construction of another rental project.

ADDENDUM #2
EVC/CP LETTER REGARDING RANCH VIEW TERRACE

SANTA CRUZ: OFFICE OF THE CAMPUS PROVOST AND
EXECUTIVE VICE CHANCELLOR

July 14, 2005

VICE CHANCELLOR HERNANDEZ
Student Affairs

Dear Francisco:

RE: Ranch View Terrace

I write in response to your June 1, 2005 memo regarding options that might help make the for-sale houses at Ranch View Terrace (RVT) more affordable for our faculty and staff. I agree that we should pursue a mix of strategies to achieve this goal, including an aggressive marketing plan to encourage faculty currently living at Cardiff Terrace, Hagar Court, Hagar Meadows or Laureate Court to "move up" to RVT; hopefully freeing up some lower-cost units for more junior faculty and staff. With respect to the other options you reviewed, please proceed with the following:

Expanding MOP exception loans. I understand that current policy limits the number of exceptions to no more than 15% of our MOP allocation. I understand that OP also has a reserve that could be used to fund exceptions. Please initiate correspondence with Steve Mathews, Director of Loan Programs at OP, to develop and have in place an action plan by the end of summer to meet the fall schedule of drawing up contracts. I am supportive of either strategy you mentioned – providing UCSC with a temporary increase to the MOP restriction on funding exceptions or asking OP to maintain a larger reserve. The plan must also include any necessary guidelines/caveats to limit use by faculty and/or staff who do not need an exception.

Supplemental Home Loan Program (SHLP). I agree with your analysis that the existing SHLP provides borrowers with some flexibility. We need to determine how much interest there is in this program and how much funding would be needed from the center to support the demand. Given the concerns down the road I do not think we should pursue, at this time, the deferred interest or shared appreciation strategies.

Value engineering. We should vigorously engage in value engineering at each step of the final design and building process to ensure units can be priced at the absolute best value.

Please keep me and Chancellor Denton apprised of your efforts. Thank you very much.

Sincerely,



David S. Kliger
Interim Campus Provost and
Executive Vice Chancellor

cc: Chancellor Denton
Vice Chancellor Michaels