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EMPLOYEE HOUSING ADVISORY WORKGROUP
2018-2022 Report

To: Lori Kletzer, Campus Provost and Executive Vice Chancellor

The Employee Housing Advisory Workgroup (EHAWG) was initiated in 2018 to serve as an advisor to Sarah Latham, Vice Chancellor of Business and Administrative Services, regarding employee housing. The workgroup included representatives from the Academic Senate's Committee on Planning and Budget (CPB), Committee on Faculty Welfare (CFW) and in 2021-2022 a representative from the Committee on Affirmative Action and Diversity (CAAD). The workgroup also included a representative from the Staff Advisory Board (SAB), a representative from the Deans Advisory Council and supportive administrative staff from Colleges Housing and Education Services (CHES), Physical Planning Development and Operations (PPDO) and Real Estate and Contract Services (RECS)/Financial Affairs.

Since 2018, the work group's efforts have been to review, discuss, advise and provide feedback related to the development of additional employee housing opportunities on campus. The charge from VC Latham for EHAWG has been generally consistent since its beginning. Action items from from the 2021-2022 charge are copied below:

- Utilize the results of the Employee Housing Needs survey to inform next steps in the development of Ranch View Terrace II and the next set of priority employee housing projects and assist with the development and implementation of a stakeholder engagement process associated with this work; and
- As related to the development of additional employee housing, provide input and reviewing of the existing employee housing program and its structure, policies, and organization; and
- Provide feedback to assist with identification of issues impacting employees as related to housing and associated amenities; and
- Provide input and feedback as related to the development of a corresponding financial feasibility study associated with an accepted program that likely is based on a phased implementation approach; and
- Provide feedback as necessary to develop a program and associated principles and objectives specific to the Ranch View Terrace 2 site; and

- Provide feedback as necessary to develop any Request for Proposals or related materials as a team is identified to assist the campus in delivery of new housing. Specifics will depend on the delivery method chosen; and

- Participate in any design charrettes; and

- Participate in the evaluation of proposals by providing feedback and input to campus leadership.

(together, the “Charge.”)

Below is a summary of the EHAWG’s progress in each action item identified in the Charge.

I. Utilization of the Employee Housing Survey Results

Utilize the results of the Employee Housing Needs survey to inform next steps in the development of Ranch View Terrace II and the next set of priority employee housing projects and assist with the development and implementation of a stakeholder engagement process associated with this work.

The following is a brief summary of the employee housing survey, results and contribution to stakeholder engagement development of next steps.

A. Summary of Survey Results and Stakeholder Engagement

In 2019, the campus engaged Brailsford & Dunlavey (B&D) for professional services related to performing a campus-wide employee housing survey and market analysis.

EHAWG worked with B&D to develop a set of survey questions with the aim of capturing a wide array of employee housing data. This included questions related to the respondent’s demographics, current housing status and satisfaction level, knowledge of the campus employee housing program, description of housing challenges, description of current housing location/type/size/number housed, description of ideal housing, level of interest in future on campus employee housing, preferences on commute time, current household expenses, ranking of factors influencing future housing decisions, level of interest in identified housing scenarios and description of obstacles related to future housing plans.

The survey was released to the campus January 29 - February 19, 2020. The survey was sent to all faculty (including post doctoral scholars), approximately 1,296 people, and staff, approximately 3,810 people.

The response rate was 41%, with 473 faculty responses and 1,551 staff responses. A copy of the raw survey data can be found here and a more detailed B&D summary of the survey results can be found here.

After the survey was completed, B&D completed focus groups with employees to discuss some of the themes that came up in the survey results. The focus groups took place June 8-11, 2020 and approximately 74 faculty and staff participated.

B&D also performed an analysis of the current campus employee housing program and completed an off campus market survey. B&D additionally performed an employee demographic analysis.

An initial draft of the report did not include alternative housing options in the market analysis. This was updated in the final draft. Specifically, B&D included data on single bedroom rentals, ADUs and other non-traditional housing.

A link to the final B&D report is here and the results identified in B&D's final report are summarized below:

- There is a significant need for campus housing assistance for employees, specifically staff. In order to continue to attract top quality employees and to support the needs of a diverse employee community, the campus needs to support a comprehensive review of a housing assistance structure and develop a vision for next steps.

- Key themes of the focus group were that faculty and staff are drawn to the University's mission, cultural and benefits offerings, and the surrounding environment. However, many employees discussed facing major challenges in the off-campus rental market. These challenges were primarily related to affordability and lack of housing availability. While most employees desired owning a home, most no longer viewed it as a realistic goal. Employees who lived in campus employee housing had a satisfactory experience. There was a theme of urgency from the focus groups for subsidized campus operated employee housing due to the extreme challenges they are facing trying to find viable off-campus housing. The focus groups also provided positive feedback to the idea of non-physical housing assistance.

- The survey results showed that 80% of faculty and staff respondents said owning their own home is a critical part of their future housing plans, with single family home typology being the most preferred. Survey results showed new employees face the most significant housing challenges with housing challenges decreasing the longer the employee's campus career is. The rate of reported off-campus rent paid by employees increased by 40% and mortgages 24% since the last B&D employee housing survey in 2014. Also, approximately 30% of off campus respondents said they do not have a stable lease, primarily due to lack of affordable options.

- The survey results showed housing costs play an important role in a new employee's decision to start working for campus and plays a significant role in retention.

- Survey results indicated employees want to live in on-campus housing and view it as a favorable option, however, respondents felt it was not an available option due to lack of inventory.

- Respondents identified cost as the primary factor for future housing decisions, with type of housing, proximity to campus as also very important. A strong desire to live in the City of Santa Cruz was found in the survey results.

B. <u>Survey Contribution in Development of Next Steps</u>

The survey results showed a wide range of feedback and priorities. In order to narrow the results into concrete objectives, as a next step, a series of goal sessions were conducted by VC BAS. These sessions took place with the Academic Senate, Staff Advisory Board and Cabinet.

Three primary questions were asked at the sessions:

- *How can the employee housing program best advance the campus mission and goals?*

- *What should the primary goal of the employee housing program be?*

- *How should the campus deal with prioritization of various employee cohorts and their differing needs?*

The result was a focus on retention, diversity, affordability and increased inventory. There was division in feedback on how to prioritize cohorts in the employee housing program.

A link to a summary of the results of the goals sessions is found here.

There was an acknowledgement of a wide diversity of priorities expressed and the challenges associated with trying to meet all of them at the same time. In order to pair down requirements and facilitate next steps, the EHAWG, with support from Jones Lang LaSalle (JLL), developed a matrix, link here, (the "Matrix"). The Matrix itemized the primary goals and analyzed how they impacted various housing typology scenarios on parcels identified in the new Long Range Development Plan for potential employee housing.

While none of the Matrix scenarios evaluated were able to meet all of the identified priorities, the scenario with mixed typologies and moderately high density met the majority (Matrix Scenario Mix D). As a result, a project similar to this option was the focus in the EHAWG's next steps.

II. Review of the Existing Employee Housing Program

As related to the development of additional employee housing, provide input and review of the existing employee housing program and its structure, policies, and organization.

The following is a brief summary review of the existing employee housing employee housing program, applicable policies and a description of the issues impacting employees.

A. Current Structure

Currently, the employee housing program consists of a total 239 townhome and apartment units that are both owned and rented. There are also 45 single family homes. Approximately 80% of the housing portfolio consists of for-sale units and the remaining 20% for rent. All of the units have had around a 98% occupancy rate for the last five years.

Of the rental units, 13 are income restricted units. When originally built in 1992, Laureate Court had a deed restriction filed to ensure that 13 units would be rented out at “affordable” rates in perpetuity. Household income levels for eligible renters of this Measure O program must be certified by the City and County of Santa Cruz prior to occupancy. As of March 31, 2022, the demographic breakdown in the 51 rental units are 28 Senate Faculty, 21 Staff and 2 Non-Senate academics.

There are distinct land areas which are leased to Homeowners Associations: (A) Cardiff Terrace/Hagar Meadow, Laureate Court, Hagar Court, and Ranchview Terrace (Phase 1). All of the for sale units have an associated ground lease and a requirement that owners are a member of the section’s homeowners association.

Below is a summary overview of the structure of each section.

Cardiff Terrace

Cardiff Terrace consists of 50 price-restricted townhomes constructed in 1986. The units are a mix of 24 two-bedroom units (1127-1400 square feet), 21 three-bedroom units (1600-1770 square feet) and 5 four-bedrooms (2000 square feet) that are available for purchase only. There are also 11 Cardiff Terrace Custom Homes (2000+ square feet) that are market rate. The Custom Homeowners pre-paid their 60-year lot lease prior to occupancy. The revenue was used to offset some of the costs needed to construct the infrastructure at Cardiff Terrace.

Laureate Court

Laureate Court was originally constructed in 1992. It consists of 13 for sale condominium units and 51 rental units. The for sale units are all two-bedrooms. The rental portion consists of 15 one-bedroom and 36 two-bedroom units. Two-bedroom units are generally 843 square feet. One-bedroom units range between 543-678 square feet.

Hagar Court

Hagar Court was originally built in 1981 as an apartment complex and was converted to a for-sale condominium complex by 2004. It consists of 50 two-bedroom condominiums. These are all exclusively for sale units, which are a mix of one and two floors. Unit sizes range between 874 and 961 square feet.

Hagar Meadow
Hagar Meadow consists of 19 two-bedroom townhouse units. This section was constructed in 1992 and is exclusive for sale units. Unit sizes range between 1250 and 1350 square feet.

Ranchview Terrace (Phase 1)
Ranchview Terrace Phase 1 consists of 45 single family homes that are all exclusively for sale. There are 16 three-bedroom units (1700-1950 square feet) and 29 four-bedroom units (1900 to 2200 square feet)

B. Applicable Policies and Organization

Applicable to employees interested in campus housing, the applicable housing access policy, and associated background, is found here ("Housing Access Policy"). Since its creation in 2003, some sections of the policy have been updated by amendment. The most recent amendment was in 2011 by then CP-EVC Galloway. The Housing Access Policy sets guidelines for both for sale and rental housing programs around eligibility, the application process, the fixed allocation process (percentage of available employee housing to each employee category) and prioritization.

Governing Documents apply to land areas which are leased with for-sale housing or for-rent housing. The documents ensure that programmatic goals are followed over time.The current governing documents for all employee housing properties are found here.

C. Issues Impacting Employees

Below is a summary of issues impacting employees in association with the current employee housing program.

Retirees
The Employee Housing program at UCSC does not preclude retirees from living in for-sale units, provided they purchased those units as an eligible, full-time employee. Employees who are not in the program have advocated for restrictions that would preclude a retiree from owning a unit in the program.

Unapproved Uses
Some owners have tried to capitalize by renting out rooms or entire units in order to secure more income. This is a violation of existing policy but has been very difficult to challenge.

Waitlist
UCSC's current employee housing prioritizes senate faculty members for nearly all of the units. Rental and for-sale units are only available to full-time employees who have at least one year of experience working with UCSC (100% time).

The current fixed allocation, as required by the Housing Access Policy, for the housing waitlist is divided into three categories: 80% Academic Senate, 5% Non-Senate and 15% Staff. These fixed allocations are implemented like quotas. This means that as new inventory becomes available to the campus to reallocate, it is automatically allocated to a category until the quota is met. Currently, the quota for Non-Senate and Staff has been met, however, the quota for faculty is not met. In support of meeting the faculty quota, the next 84 units that come up for sale would need to be limited to purchase by faculty alone.

As of March 31, 2022, waitlist data is as follows: (a) For-Sale (375 total applicants: 138 faculty, 237 staff); (b) rental (59 total applicants, 8 faculty, 51 staff)

<u>Timing</u>
Some employee applicants advised that they do not have enough time to make decisions when opportunities arise to purchase for-sale housing. The affordable pricing model does not allow for units to sit vacant for multiple months. Employee owners of for-sale units have opposing goals–they want applicant purchasers to enter into contract as quickly as possible so that they can move as soon as possible.

<u>Quality</u>
Employees tend to want finishes associated with higher price points of market-rate units. They do not tend to value structural integrities of campus construction.

<u>Diversity</u>
Some employees would like the Employee Housing Program to function as a vehicle to advance campus diversity goals. In other words, they would like to give priority to persons of underrepresented groups.

<u>Affordability</u>
Currently, program pricing for both rental and for-sale units is below 60% of market. Single income households (particularly households with lower incomes) may struggle to obtain financing or down payment resources in order to purchase a for-sale unit. The biggest hurdle for assistant professors is having a sufficient down payment for a purchase. In response to that hurdle, the Regents recently approved a "Zero-Interest Program (ZIP Loan). The ZIP loan is a forgivable Supplemental Loan that can help eligible Senate Faculty yield more down payment funds vs. a comparably sized Recruitment Allowance. The ZIP program concept was approved at the January 2022 Regents meeting. As of March 31, 2022, the program has not yet been rolled out by the University of California Loan Programs.

Other barriers to financing are inadequate household income or excessive household debt.

<u>Take Rate</u>
Between 2006-07 and 2018-19, 37.5% of newly hired senate faculty applied to the rental program (102 applicants of 272 senate faculty hires). 93% of these applicants (95 of the 102) were accommodated at Laureate Court. Once housed at Laureate Court, the average rental

duration was 1.58 years during this time period. Rental durations have tended to exceed 2 years in more recent years.

Transition Challenge

Employee Housing price-restricted units do not allow appreciation of owner equity (beyond any loan balance which has been paid during ownership). While the lower costs of debt payments are attractive to incoming purchasers, additional reserves must be saved if a household wants to transition to the local market. In the past, many households are not able to save enough money to successfully make this transition. Fortunately, the campus has partnered with Landed, which is an equity sharing program that can help employees satisfy down payment needs in order to purchase in the open market.

Lack of Inventory

The current housing program can house only around 5% of the employee population. While there is strong interest in increasing inventory, there is no defined goal or metric.

Term Limits and Access for Rentals

Stakeholders provided negative feedback as it related to term limit requirements for employees renting units. The policy limits the maximum duration to three years with no extension options. The original intention of the limitation was to serve as a transitional program that assisted new employees when they first arrived. The expectation was that they would be able to secure a viable lease in the community prior to the end of the term limit. There was feedback that this limit has led to a retention issue for faculty who opt to enter the job market when they near the end of their term due to fears about identifying a new location. Regarding staff, there were concerns voiced regarding lack of access and prioritization for staff.

III. Housing and Associated Amenities

Provide feedback to assist with identification of issues impacting employees as related to housing and associated amenities.

Below is a summary of issues impacting employees as related to housing and associated amenities.

Childcare - Employee housing communities generally want access to proximate childcare offered at below-market rates.

Meeting Space/Recreation Space - Employees want their housing community to include recreation space like community rooms or spaces for speaker events. Also, outdoor recreation space.

Community Living - Employees tend to appreciate the Employee Housing communities; members generally have shared values about the importance of education, etc.

Diversity - Employees want a housing community that supports and fosters employee diversity.

Quality - Employees want shared walls to have sufficient noise barrier protection and high quality finishings.

Transportation/Parking - While many employees can use alternate means of transportation to/from work, other household members rely on personal transportation to get to work/school, etc. Employee Housing communities are typically equipped with 1-2 spaces per unit.

Retirees - Most retirees have continued engagement with the academic community on campus, and therefore prefer to continue to reside in their units even after they are no longer working at UCSC 100% of the time.

Proximity to Campus Entrance-Employee households enjoy the proximity to the main entrance to campus, as it is most proximate to off-campus workspaces, schools, shopping, and other social activities.

Local public schools-Proximity to local schools, particularly Westlake Elementary School has been a desirable element for the for-sale program.

Outdoor Space-Employees enjoy open spaces within the campus. Ideally, there would be large open spaces within the community. Alternatively, open spaces adjacent to the communities can be enjoyed.

IV. Financial Feasibility Study

Provide input and feedback as related to the development of a corresponding financial feasibility study associated with an accepted program that likely is based on a phased implementation approach.

A. Initial Program Development

The Director of Physical and Environmental Planning presented the new 2021 LRDP and, in coordination with the EHAWG, selected the sites that would present the least challenges with immediate employee housing development. A link to those selected sites is found here.

On those sites, Jones, Lange, LaSalle (JLL) projected a mix of the selected typologies, using the number of units on the site projected in the LRDP. A link to that initial analysis is found here.

The next step was to bring in an architectural resource to do site analysis and test fits to evaluate financial feasibility. The 2021 LRDP says employee housing will be expanded to accommodate as much as 25 percent of new employees.

B. Program Pre Design Work - Phase 1

On June 1, 2021, the campus released a Request for Qualifications (RFQ) soliciting qualification statements (SOQ) for a master architect and their consultant firms to develop a mix of potential housing project programs on sites identified in the 2021 Long Range Development Plan (LRDP). The campus received six SOQ, from Mithun, Pyatok, Solomon Cordwell Buenz, Steinberg Hart, Studio Ma and TEF Design. After review of the materials, the selection committee identified three of the respondents, Mithun, Pyatok and TEF Design, for an interview. The finalists presented their approach to programming and pre-design, site design, the UCSC environment, sustainability, strategies for developing criteria for P3 delivery, experience with employee housing, master planning and projects with the University of California, process managing project budgets, timelines and ensuring quality control. TEF Design (TEF) was the selected design professional.

As a first step, TEF performed an overview of the 2021 LRDP sites identified for employee housing development and performed an analysis of the opportunities and challenges with development on each of the sites, link to summary presentation here. They additionally developed a sample program that would be used for conceptual test fits on each of the sites. Initially, the sample program consisted of 550 new units per the 2021 LRDP, which when combined with the existing housing on campus would have a result of 789 total units. The sample program was based on the B&D market analysis and included 10% studio housing (55), 50% one bedroom housing (275) and 40% two bedroom housing (220). A detailed description of the initial sample program is found here.

The focus of TEF's work was limited to pre-design only and the purpose was to define a scope, schedule and budget in preparation for moving the project forward to design. TEF was tasked with providing the three most feasible options, three different scenarios on all but one of the 2021 LRDP identified parcels. Their work consisted of site design studies, unit mix studies and rough order of magnitude costs. A quantity surveyor, Directional Logic, was engaged to support rough order of magnitude (ROM) estimates on the project. Using these sample programs and estimates, JLL would provide detailed P3 feasibility estimates on financial feasibility for the scenarios. The scenario that presented as most financially feasible would then be developed for a request for proposal to developers for a P3 project.

As part of the program development process, TEF performed an analysis of the ratio of parking and type of parking was evaluated (surface, tuck-under) to identify options and impacts. Regarding unit sizes, TEF used the B&D market analysis as a basis for what would be an ideal starting point, matching sizes available in the community. Regarding the WRP site (2300 Delaware), TEF performed a review of local zoning and permitting requirements to inform any restrictions. A review of typologies was performed and the final determination was to focus on three typologies, townhouses, maisonettes and apartments, as best suited for the sites and programmatic needs.

An analysis of the potential CEQA considerations, link here, and physical planning considerations, link here, was performed by PPDO's Physical and Environmental Planning department, for each of the sites being analyzed. The analysis helped inform development of the test fit scenarios.

The first review of the program included three scenarios with different focuses. The program scenarios are summarized below and are described in more detail in the final presentation here.

The first scenario focused on a baseline approach across all five selected sites (locations A-D) with moderate density. It retained the originally planned single family housing development for RVT2, while providing medium density mixed housing on the remainder of the locations. This scenario resulted in a projected 582 additional units.

The second scenario focused on maximizing the number of units the program could be built out, maximizing space usage. Focusing on locations A and B only, and increased density, this scenario resulted in 745 additional units. The units, however, were less diverse, both in size and typology.

The third scenario focused on maximizing cost effective development. It focused on sites C and E only and was the highest density scenario, using the most cost effective sites and typologies. The result was a projected 515 units.

A financial analysis was performed by JLL on all of the three scenarios, evaluating financial feasibility in both a for sale or for rent model. In the for rent model, using 2020 community rental rates as a benchmark for projected revenue, JLL evaluated each scenario's development yield, evaluating the program's potential net operating income against the total project costs over time. The result was that scenario 1 had a 1.89%, scenario 2 had a 2.00% and scenario 3 had a 2.02%, far below the ideal percentages. Based on this analysis, there would be an average loss of approximately 60% per unit in development of any of the scenarios under a for rent model.

For the for sale model, JLL performed a similar analysis, again using community sale data as a benchmark for projected revenue. The result was a projected $373,960,000 loss for Scenario 1, a $400,630,000 loss for Scenario 2 and a $277,920,000 loss for Scenario 3. The projected average loss across all units was 50%.

Also, a sensitivity analysis was performed by JLL in both the for rent and for sale scenarios, adjusting development costs and revenue to evaluate where the project might pencil. In the for sale category, adjusting revenue up to 175% and reducing development costs down to 50%, the project starts to pencil. In the for rent category, adjusting the revenue up to 150% and reducing development costs down to 50%, the project starts to pencil.

A full copy of the financial analysis can be found here.

Overall, the financial analysis revealed an extremely large gap and the result was the project was not feasible.

Recommendations

Strategies recommended to bridge the financial gap were focused on reducing costs or adding revenue.

Reducing Costs

- Reduce site costs, this could be done by the campus taking on incremental site infrastructure costs in advance or separate from the project to offset costs.
- Consider additional density options.
- Reduce or eliminate amenity spaces and warm shell spaces.
- Reduce construction cost through evaluating the use of modular construction or changing to a more efficient building type.
- Explore other typologies, like co-housing.
- Decrease all unit sizes or add smaller units.

Adding Revenue

- Replace amenity space with housing
- Exercise first refusal rights on sale of existing housing and resell at higher base
- Increase existing rents
- Identify alternative revenue sources
- Incorporate more leased space (retail)
- Offer market rate housing prices
- Develop a hybrid typology, having the housing used for student housing for a period of time

Financing

Another recommendation was that the campus explore alternative financing (atypical bond financing or private financing) or explore financial subsidies. The question as to why deliver the project as a P3 was raised by leadership as well, and a capital project delivery was accounted for in phase 2 below.

C. <u>Program Pre Design Work - Phase 2</u>

After initial review of the program, a request for revaluation with changes to the scenarios were made by campus leadership.The purpose of the revaluation was to push the boundaries of the program to better understand potential financial feasibility. Accordingly, a revised phase 2 was developed, summarized below,

The requested changes include focusing on three parcels alone, A, C and D only. Also, a request to maximize potential density on all of these sites, reduce the number of three bedroom units and eliminate all four bedroom units. The unit sizes were scaled down across the board, decreasing the cost per unit. Also, the projected revenues were pushed higher to market comps on new construction. There were also more aggressive financial assumptions made on soft costs and financial contingencies. This phase also included a reduction in amenity/community spaces and more aggressive assumptions on soft costs.

Analysis on this phase focused on a primarily rental model. The proposed potential rent revenue was pushed up 20% from the previous analysis. For Site A, there was a maisonette apartment typology presented, with a total of 153 smaller units. There were 44 1 bed/1 bath units (680 SF), projected rental rate of $2,500, and 109 2 bed/1.5 bath units (990 SF), projected rental rate $2,950.

For Sites C and D, there was a multi-family typology presented with a total of 355 units. There were 51 studio units (400 SF) with rent at $1,900; 177 1 bed/1 bath (550 SF) with rent at $2,350; 119 2 bed/1 bath (800 SF) with rent at $2,800; 8 3 bed/1.5 bath (1,100 SF) with rent at $3,150.

The result of focusing on a more dense rental only scenario was a moderately improved financial outcome, but still not close to the target outcome. Additional work to explore further cost reduction around design of the structures, site location and procurement methodology could result in additional progress toward a feasible project.

A link to the presentation in more detail found here.

D. <u>Impacts to Financial Feasibility</u>

Current construction market conditions are extremely challenging, pricing is high and rapidly changing.

To calculate the rough order of magnitude cost of the project, TEF again used Directional Logic, a professional construction cost planning firm. The financial model for the project used building costs based on comparable projects underway in Santa Cruz, taking into account the local market.

The costs also assumed prevailing wage, as required by UC policy. Also, other UC policy requirements around sustainability (LEED, carbon-neutrality - all-electric, recycled water), stormwater, environmental impacts, etc. which add approximately 10% over a typical development project.

The sitework cost projects were also based on similar Santa Cruz projects, recent and ongoing, including the UCSC Kresge College project.

For additional background on cost projections, a copy of the Directional Logic Order of Magnitude Cost Plan can be found here. For clarity, the cost projections are for the first phase of work completed by TEF, not the more dense phase 2 work.

JLL advised that cost of construction is predicted to remain at all time highs for the near future.

E. Delivery Methodology

As part of the evaluation of financial feasibility, an additional step of evaluating different delivery methods (capital project vs. a P3) was undertaken.

A link to the financial ROM for a capital project is found here for Site A and here for Site C. Additional comparison information from JLL is found here.

This analysis is helpful in that it shows what the campus budget would be for a campus led project. However, the analysis revealed that a significant campus subsidy would still be required, making it currently financially infeasible.

V. Program Principle and Objectives for RVT 2 Site

Provide feedback as necessary to develop a program and associated principles and objectives specific to the Ranch View Terrace 2 site.

As background, the original Ranch View Terrace housing project (RVT1) involved the construction of 45 single-family homes (3- and 4-bedrooms). These homes were originally intended to be a programmatic “move-up” option for existing campus homeowners who had growing families. Sixteen of the original units were sold to persons who had owned two bedroom units elsewhere in the Employee Housing Program. The smaller units were sold to more recently hired employees. The RVT2 project was for 39 homes, with floor plans identical to those in Phase I.

One of the primary EHAWG questions related to the 2020 employee housing survey was whether the originally proposed Ranch View Terrace Phase Two (RVT2) housing project made sense as a next step to address the campus’s employee housing needs. RVT2 was identified as a next step in the 2008 Employee Housing Master Plan and given the passage of time, a reevaluation was necessary.

In sum, the 2020 survey results revealed generally that RVT2 alone as a next step would not meet the current campus employee housing needs as expressed in the survey, for the reasons itemized below.

The survey revealed a significant need for increased on campus inventory due to extreme challenges faced by employees in securing stable housing in the community. Given that the RVT2 project would result in only an additional 39 housing units, it would not add significant inventory. Additionally, because the RVT2 was limited to single-family home typology, the project did not optimize land use. An option with increased densification would maximize land use and result in increased inventory.

The survey results also showed that affordability was a primary consideration for employees seeking housing. The RVT2 single-family home typology is the most expensive per unit option available for employee housing development. The survey results showed that employees with the greatest housing needs are early in their career and have entry level salaries, making single family homes generally unaffordable. An option with a variety of housing typologies and scale would result in a more varied per unit cost, ideally providing affordable options for employees at all stages in their careers. Along the lines of affordability, employees also expressed a preference for on campus housing that is significantly below community market costs. While this is a major hurdle for any employee housing development regardless of typologies, the RVT2 project alone would not be able to meet this goal. While a project that is significantly below market is likely unattainable, again, a more dense and diverse project might create more affordable under market options.

Another primary theme in the survey results was that employees wanted both purchase and rental options for on campus housing. While the majority of survey respondents expressed a desire to one day own a home, employees at the early stages in their careers focused on securing a viable lease as their immediate goal. Employees at later stages of their career focused on home ownership. RVT2 was a for sale program alone. An option with a mix of both ownership and rental options would better match these diverse needs. This mixed approach would also be in alignment with the themes of retention and recruitment, which were consistent topics in stakeholder feedback. Having rental units available for long term leases to support recruitment of new employees and retention in those initial years was a strong desire. Additionally, having a more robust for sale single family homes would support recruitment of mid-career employees or retention of mid-career employees ready to phase out of the rental market.

The RVT2 project did match up with some areas of the survey and stakeholder feedback. As stated above, the original intention with RVT2 was to increase inventory circulation on campus for existing campus homeowners who desired increased square footage. While this need did not stand out as a primary theme, it is still present on campus. Development of an employee housing program that facilitates circulation of the inventory by employees is ideal.

Additionally, while having the next phase of employee housing development be entirely made up of single family homes alone is not preferred, there was a consistent desire in stakeholder feedback to continue to incorporate a subset of larger units or single family homes if financially feasible. This supported diversity goals and the above described goals in recruitment and retention.

Another positive element of the existing RVT2 project is that there were planned infrastructure elements already in place, prepared as part of RVT1 and an approved EIR. Although some upgrades would be needed to meet new requirements. Additional changes to that infrastructure would need to take place if the vision for RVT2 is significantly different to that originally conceived.

As a result of these remaining positive elements, the EHAWG determined it was appropriate to maintain the RVT2 original design only if it was part of a multi-phased employee housing project that included phases with more density, mixed typologies and both ownership and rental options. In the event that was not financially feasible, the preference was to not proceed with RVT2 and move forward with alternative designs on the RVT2 site only.

An overview of typologies was provided by JLL, link here, after review, the EHAWG expressed an interest in exploring mixes with single family detached homes, 2.5 story row houses, garden clusters, courtyard apartments, attached duplexes and four story apartment buildings.

VI. Development of a Request for Proposal, Design Charrettes and Evaluation of Proposals

Provide feedback as necessary to develop any Request for Proposals or related materials as a team is identified to assist the campus in delivery of new housing. Specifics will depend on the delivery method chosen; and Participate in any design charrettes; and Participate in the evaluation of proposals by providing feedback and input to campus leadership.

The work performed by JLL and TEF was for pre-design only. If a financially feasible project was identified, the next phase would have been for the master architect to develop performance criteria in support of a request for proposal (RFP) for a potential P3 development or design build capital project. However, because of the determination of lack of financial feasibility at this stage, the project did not move forward to the request for proposal, design charrette and proposal evaluation stages.

VII. Recommendations

Continue to engage UCOP on supporting additional/new financing opportunities for all employees (both staff and faculty);

Establish a campus retainer with a local real estate broker(s) who can assist employees with identifying rental properties in the community;

Explore off campus development and purchasing opportunities;

Explore setting up a separate 501(c)(3) to purchase units in the community to refurbish and hold for direct lease or sale to faculty/staff;

Explore option of employee housing payment vouchers;

Promote use of Landed for both home buying and financial planning;

Evaluate calculation for resell pricing of campus owned inventory in order to generate more seed capital for future projects;

Evaluate the placement of the $10M debt from the Ranchview Terrace Phase 1 project into a new employee housing project;

Evaluate potential guidelines on the the length of stay in campus housing;

Develop a new charge that continues exploration on the latest developed program in smaller incremental phases, pushing towards a financially feasible project;

Explore state funding financing options to subsidize the project;

Initiate a review and update of the Housing Access Policy was originally implemented, that will include minimally revaluation of the waitlist priorities, retiree policy and take rate to incorporate increased access for staff employees into the existing housing stock;

Explore acquisition opportunities in the community;

Explore coop housing model;

Explore creating a semi-annual employee housing affordability statement/report that uses the current market data. This statement/report would list:

- The required household income level to afford the average home in Santa Cruz County
- The average UCSC income level
- Percentage of employees who can afford the average house in Santa Cruz County, broken out by:
    - Faculty and Staff
    - Sex/Gender
    - Race/Ethnicity
    - Years of UC service 0-5, 6-10, 11-15, 16-20, 21-25, 25+