AMHERST COLLEGE
Department of Classics

May 19, 2023

Prof. Catherine Epstein
Provost and Dean of the Faculty
Amherst College

Dear Catherine,

Please accept this letter as the 2022-2023 annual report of the College Housing Committee (CHC) to the Faculty. We thank you and colleagues in your office for distributing it with the materials posted for the last Faculty meeting of the year.

Building on the work of last year's CHC, in December 2022 the CHC submitted recommendations for improvements to the *Rental Subsidy Program* and the *House Purchase Subsidy Program*. Both proposals were discussed by the Faculty Executive Committee and subsequently approved by the Board of Trustees. In short, the monthly rental subsidy has been increased from $375 to $500 (effective July 1). The subsidy for the purchase of a house has been increased to $50,000 over 9 years (effective as of trustee vote this past winter for future participants, with equivalent adjustments to the alternative forms of this program). Further details of the committee's deliberations and of program adjustments can be found in the initial proposals, which are appended.

The committee was glad to see our work come to fruition, especially given recent economic challenges for home buyers and renters, and in light of the fact that these changes could potentially affect all members of the faculty and staff who are or will be eligible for these programs. The changes, along with the significant revisions to the *Home Purchase Program* that were introduced in 2021, should materially increase the assistance to faculty and staff in this challenging housing and rental market.

The committee also recommended that the level of the subsidies in these two programs be reviewed and revised every two years (in the fall semester of even years, e.g. of 2024, 2026, etc.) to adjust for inflation and market conditions, and that the new levels be implemented as soon as feasible after review (typically beginning right after trustee approval for the Purchase Subsidy, and beginning July 1 of odd years, e.g. of 2025, 2027, etc. for the Rental Subsidy). The CHC plans to forward recommendations for what data or data aggregators to consider in calculating revisions, and to allow for a member of the administrative staff to initiate this procedure on the schedule outlined above.

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Last year's CHC had also noted, in discussion with the Committee of Six, that "Questions of affordability for faculty and staff, environmental sustainability, and the need to rethink traditional approaches to residences are all important issues that impact our community."

In light of this, the committee also recommended that the College consider the possibility of a "communal" faculty housing unit at 147 Woodside. This would potentially involve the option of several shared residential spaces (with private rooms), which might appeal to some of the several faculty members who commute to campus during the week or who would otherwise be interested in such a possibility. This option could, on a tentative basis, provide or free up spaces for those who cannot be accommodated by the current rental pool and who, as a consequence, take the rental subsidy instead. The result would be a net cost savings for an otherwise un(der)utilized building. The solution would be cheaper (and faster) than converting a large house to separate rental units, without committing to a permanent change in the existing structure and its potential functions. The possibility was initially reviewed by the College's legal department. At this point there are still several logistical and facilities-related issues that need to be addressed, and the committee will revisit the matter next year.

The CHC also considered some requests from faculty. An inquiry was made about the possibility of subsidies for exorbitant heating costs (some faculty reported as much as $1000 per month in heating costs). The committee was not able to make a recommendation in light of general increase in utilities in the area, but remains sympathetic to the problem, in particular in units that are poorly insulated.
We also considered a request about the eligibility of more than one employee to participate in the *House Purchase Subsidy Program* for the purchase of a single house. It was determined that such benefits are available once for the purchase of a given house, even if more than one employee might be eligible for the subsidy (a comparable situation would be the Grant-In-Aid Program, in which two parents are not eligible to take the benefit twice for one child enrolled in college).
One faculty member inquired into the possibility of compost collection for rental units. It was noted that USA Waste and Recycling has recently begun to offer compost and organic material collection (for an additional fee), although not all renters may have access to this service. The committee will return to this matter.

Several informal inquiries were made about recent changes to federal law (The Inflation Reduction Act of 2022) and possible programs for sustainability improvements. The committee will return to this matter next year, while noting here that updates to Amherst College rental units, including Mass Save inspections and updates, are managed by Rental Housing and not by tenants. Rental Housing is currently working as quickly as feasible to have Mass Save inspections and recommended updates completed.

We look forward to the Faculty's ongoing questions and input as we turn to these issues next year.

One further note: the committee needed past committee reports (going back about one decade) to understand better the historical rental and house purchase subsidy levels. Associate Provost Janet Tobin helpfully tracked them down, and they are appended to this document for future reference.

Respectfully Submitted,

Chris van den Berg, Chair

Chris van den Berg, Classics, Chair
Sally Kim, Biology
Elizabeth Kneeland, Psychology
Dan Barbezat, Economics
David Breen, Interim Chief of Campus Operations, ex officio
Chris Casey, Senior Director of Human Resources Strategy and Operations, ex officio
John Cheney, Associate Provost and Associate Dean of the Faculty, Geology, ex officio
Jeff Davis, Director of Financial Planning, ex officio
Kim Eggleston, Director of Rental Housing, ex officio

Amherst College
Department of Classics

December 19, 2022

Prof. Catherine Epstein
Provost and Dean of the Faculty
Amherst College

Dear Catherine,

This is the second of two recommendations from the College Housing Committee (CHC) as part of its work during the fall semester 2022. We are recommending here changes to the Rental Subsidy Program.

Proposal for Revisions to the Faculty Housing Program --Rental Subsidy Program

Background: The College has several rental properties that are available to eligible employees below market rates. Rental rates are reviewed for adjustment regularly and the rental program seeks to keep these rental rates at 25% below market price. Eligible employees who seek housing through the rental program, but cannot be accommodated by the College, are eligible for the rental subsidy, which is intended to be comparable to that received by those residing in College housing. The subsidy is currently $375 per month and was last adjusted in 2015.

Suggested Revisions to the Rental Subsidy Program

Market data suggest that rental prices in Amherst have nearly doubled since 2015. Due to this increase, **we suggest increasing the rental subsidy to $500 per month** from the current $375 per month. While this doesn't double the benefit from 2015, the $500 does loosely equate to 25% of the average Amherst rental prices for a 1BR/2BR rental.

We **recommend that this increase be effective with the next rental housing contract period (beginning July 1, 2023) and apply to all those who receive the subsidy** (not just new applicants). Currently, 15 employees take advantage of the subsidy. We therefore anticipate that this increase will amount to roughly $22,500 annually (15 employees x $125 increase x 12 months). Since this option would have a budgetary impact for staff benefits, we conferred with the Senior Director of Human Resources Strategy and Operations, Chris Casey, to consider whether the existing budget could cover additional costs related to the higher monthly benefit. The rental subsidy is currently over budget, and the best suggestion to cover any additional budget shortfall is to utilize a year-over-year increase of approximately $25,000 for the $125 monthly increase. Any further increase or decrease in cost would be proportional to the number of employees who receive the benefit.

Further Notes:
The committee has also recommended that future iterations of the committee should review the non-College rental subsidy every two years to better track changes in market conditions and ensure equity for those the College cannot accommodate in College housing.

Thank you for your consideration of the CHC's recommendation.

Chris van den Berg, Classics, Chair
Sally Kim, Biology
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AMHERST COLLEGE
Department of Classics

December 19, 2022

Prof. Catherine Epstein
Provost and Dean of the Faculty
Amherst College

Dear Catherine,

This is the first of two recommendations from the College Housing Committee (CHC) as part of its work during the fall semester 2022. We are recommending here changes to the House Purchase Subsidy Program.

Proposal for Revisions to the Faculty Housing Program --House Purchase Subsidy Program

For further details of the benefit, please see:
https://www.amherst.edu/academiclife/provost_dean_faculty/fph/fachandbook/salaries/ftfringebenefits/housing

Background: The Mortgage Subsidy Program began in 2014 and has three options described below. The $30,000 loan was intended to be roughly 10% of an average 3-bedroom home in Amherst. Between 2014 and 2022 housing costs have increased dramatically, which has effectively shrunk the original benefit. The College Housing Committee agrees that these benefits should be increased to better reflect the current housing market conditions. These recommendations would apply to future applicants rather than retroactively for existing loans or subsidies.

We anticipate that the new amounts if approved would go into effect no later than July 1, 2023. However, in light of the minimal anticipated cost to the College, current housing pressures, as well as the traditional 'spring season' for house purchases in and around Amherst, **we recommend implementing the changes as early as possible in 2023** (March 1st or thereabouts is often cited as the traditional start date of the housing season in Amherst, for example).

Existing Program

Option 1

Seven-year loan, interest free, up to $30,000. This is an unsecured loan and is intended to be down payment assistance.

Option 2
Fifteen-year loan, below market interest, up to $30,000. The interest rate on the loan will be set at 1.5 percent below the federal rate for long-term loans at the date of the loan.

Option 3
Monthly mortgage subsidy in the amount of $75.00 per month for seven years. Payment of the subsidy will be paid via stipend and added to monthly wages.

Suggested Revisions to the House Purchase Subsidy Program

Option 1
According to the Multiple Listing Service (MLS) the median home sale price in Amherst increased to $510,000 in 2022 from $347,500 in 2014. Therefore, the $30,000 down payment assistance decreased to 5.9% of a home's sale price in 2022 from 8.6% in 2014. We propose **increasing the interest free loan amount to $50,000**, which would increase the down payment to 9.8% of the median sale price for 2022. Since these loans are not an expense to the College, the real "cost" to the College is the foregone interest income from the loans outstanding. As of 6/30/22, there was roughly $736,000 of loans outstanding. If we assume an average interest rate of 2.5% for our working capital accounts, this would amount to annual foregone interest of around $18,000 for the existing loan portfolio, which decreases as loans are repaid. It is difficult to accurately predict how the foregone interest will increase in the future since it is dependent on the number of new faculty that take advantage of this benefit, but it is expected to have a minimal increase.

As part of the suggestion to increase the loan amount, we also suggest **increasing the loan period to nine years from the current seven years.** If the current seven-year term were kept while increasing the loan amount to $50,000, the monthly payment would be $595, which might prove onerous for some employees. To keep the monthly payment closer to the equivalent payment from 2014, the loan term should be increased to nine years which would bring the monthly payment to $463. This would be a 3.3% annual increase which is closer to wage growth during that period. Regarding the extension of the loan period to 9 years, it is worth noting that imputed income for this loan is based on the mid-term AFR (Applicable Federal Rates) and that the longest period for such loans is 9 years (mid-term AFR cover periods of 3-9 years). We have consulted with Justin Smith, Deputy General Counsel, who finds nothing objectionable in the proposal, since the proposal merely adjusts the amounts and already treats this benefit as imputed income.

Option 2
We also suggest that Option 2 be increased to $50,000 from $30,000 to better reflect current market conditions. Since the interest rate is set 1.5% below the federal long-term loans at the date of the loan, no additional changes to the loan rate or term are needed. As with Option 1, the 'cost' to the College is foregone interest over the life of the loan.

Option 3
We suggest increasing the monthly subsidy to $110 from $75. This would be the same percentage increase as the median home price increase from 2014 to 2022. Since this option would have a monthly budgetary impact for staff benefits, we conferred with the Senior Director of Human Resources Strategy and Operations, Chris Casey, to assure the existing budget could cover any additional costs related to potential higher monthly cost. Currently only seven employees use this benefit, therefore, we do not anticipate a significant increase in benefit expenses. This change would increase a future benefit by $420 ($35 x 12 months) per year per person. Over seven years this would amount to an increase of $2,940 per person. Again, we recommend introducing this change for those who will begin to receive the benefit after the new rate goes into effect in order to keep availability of this option in line with the other options. The change would not be applied retroactively to those already receiving the benefit.

Further Notes:
The committee has also recommended that future iterations of the committee should review the House Purchase Subsidy Program every two years to better track changes in market conditions.

Thank you for your consideration of the CHC's recommendation.

Chris van den Berg, Classics, Chair
Sally Kim, Biology
Elizabeth Kneeland, Psychology
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<u>Housing Committee 2013/2014</u>

The Housing Committee was charged with following through on K. Backus & Associates' (KBA) consulting report.

Over the past year and a half, we identified four areas and focused on them:

1) Streamlining and shortening the period of rental allocations
2) Providing a subsidy for those eligible and unable to achieve rental housing
3) Providing down-payment/ mortgage assistance
4) Addressing the sale of the larger homes within Amherst's portfolio.

We are pleased that the first three items have been addressed.

This year, with great work from Patrick Chehade and the Rental Housing Department, the allocation of rental units is around a month ahead of where the process has been for the past few years. This greater efficiency comes despite an increase in housing applications. In addition, the Housing office has created web sites providing the status of the wait list and of available units as well as floorplans and some photographs. The improved efficiency and online information is especially important for new faculty, for whom the rental housing process is the first real contact with the College post-hire. Of course, it also affects all junior faculty.

The pool of potential renters is greater than the supply of housing and so in order to provide equal benefits for this group, we recommended continuing the subsidy for non-College housing. We further recommended that the rental subsidy be implemented as a policy rather than renewed annually on an ad hoc basis. In this way, faculty could plan on it being there.

In their analysis of the local housing market, the consultants projected that faculty and eligible administrators could likely afford median-priced homes; however, the down payment might be a barrier to purchase. We recommended the new down payment option subsidies, which include a short-term no-interest loan, a medium-term low-interest loan, and a cash/mortgage-assistance option. (Individuals would be eligible for one, not all, of these options.) Providing these options allows individuals to choose the benefit that works best for their financial situation even though each of the benefits costs the College approximately the same amount to provide. It was our hope that these benefits would be available to anyone who had not yet taken advantage of this or any similar program (such as prior "second mortgage" programs), but the adopted policy retains the restriction to "first-time purchasers of a house".

As for the fourth category, the sale of homes in the College's real estate portfolio, we believe that we should address several issues, asking KBA consultants to produce a cost/feasibility study on them.

The issues that need to be addressed are: 1) these homes tend to be large and expensive, 2) the houses often have quite a bit of work (including both deferred maintenance and updating) that has to be done on them, 3) the current policy requires that faculty owners must vacate their houses and sell them back to the College within two years of retirement.

One way to make the homes more affordable would be to establish different valuation classes and allow purchases (and subsequent repurchases) at less than 80% for some of these classes. One possibility would be to use the median home price in the area as a benchmark, and then allow the percentage at which the purchase price to a faculty buyer would fall at various multiples of that amount to make the house more affordable. For example, for houses whose market values are assessed at 1.5X the median price, perhaps the sale/repurchase amounts could be 70 percent of the total. If this were done, we would have to ensure incentives to maintain/improve homes, perhaps by adjusting the Matching Grant Plan that provides at one-third subsidy for all approved current capital improvements done to Amherst-owned homes. These adjustments would not only make the houses' initial prices more affordable, they would also make certain types of upgrades and maintenance more affordable.
Finally, we suggest exploring the idea of a "phased retirement" repurchase program. For example, sales within the first two years of retirement might be at a five percent premium (so that an owner that bought at 80% of the house's value would receive 85%), and then that premium could decrease to zero over some (relatively short-term) period of time. In this way, retired home owners would be incentivized to sell their homes but not forced to do so.

Report of the College Housing Committee 2015-2016
prepared by Amy Demorest, chair

This year the College Housing Committee addressed two major issues: the timing of rental assignments and the equity of rental subsidies.

With regard to the timing of rental assignments, for many years the last assignments to new faculty and administrators came in the summer, often after the July 1st start date of employment. In recent years the following steps were taken to move up this process: rents are determined two months earlier; an online system has been established with detailed and real-time information on units; and current tenants have been limited to three days to consider whether to move to a different unit. These changes have allowed the college to complete the process one month earlier than in the past, by about July 1. However, the committee agreed that this is still not an adequate completion date, especially since there are not enough units for all hires so some people will have to use the public housing market. A number of limits to moving this process earlier were reviewed, some of which we cannot control (e.g., late notice of vacancies by tenants). However, the major delay in the process is the amount of time devoted to existing tenants considering whether to move to a new unit. Furthermore, the evidence is that this time is not well spent: for example, last year 13 tenants took time to look but only 1 moved. We considered two primary solutions to this delay in the assignment process. First, Smith and Mount Holyoke do not allow moves within the rental system except for a change in one's family situation or physical condition. We were concerned that this policy would be too restrictive and chose not to adopt it at this time. We decided instead to reduce the time for current tenants to look at new units from three days to one, given that detailed information is available online and current tenants are local. The committee will evaluate the impact of this change on this year's completion date.

With regard to rental subsidies, the rental housing department conducted a systematic review of the current rental rates of all housing stock as compared with market rates, considering such factors as square footage, location, condition, utilities, etc. This type of review has not been done in the past twenty years, and it revealed major inequities in the amount of subsidy per unit (i.e., discrepancies between rental and market rate), from a low of 11% to a high of 56%. We agreed that this inequity should be corrected as soon as possible and as painlessly as possible, but have yet to determine the specifics of how to do so. This is on the agenda for our next meeting.

Other issues that were considered by the committee this year include the method of imputing income for multi-unit tenants, whether more rental units should be created given the insufficient stock for current and projected demand, the rental subsidy program for those who are not offered college housing, and the sales in the housing purchase program.

Report of the College Housing Committee 2016-2017

prepared by Amy Demorest, Chair

This year the College Housing Committee spent the bulk of its time on the finances of the rental housing program. Comprehensive analyses by the rental property department the previous year had revealed two problems: 1) The average rental rates of College units are widely discrepant, providing discounts from market ranging from 10% to 57%; and 2) The current deferred maintenance of the rental housing stock is $685,650. We examined a great deal of information and evaluated a wide range of scenarios for creating a more equitable and sustainable budget for the College's rental housing program. We plan to hold open meetings with faculty in the fall of 2017 to review this information, with the goal of applying final proposed changes in the spring of 2018 to the following academic year's rental rates.

The committee's work this year also included review of the timing of rental assignments, a new method for imputing income calculations for multi-family units, revisions to the Lincoln House guest policy, sales in the home purchase program, and strategies for selling non-strategic properties.

COLLEGE HOUSING COMMITTEE

Annual Report AY 2017-2018

The central business of the CHC in 2017-2018 was to complete the review and reform of the College's market subsidy for renters, a project begun in the previous year with Amy Demorest as chair. Having formulated a proposal the CHC consulted with the CPR on December 5, 2017. The detailed minutes of that conversation are available at

https://www.amherst.edu/system/files/media/CPR%2520Meeting%2520Minutes%2520Dec%25205%25202017.pdf

The CHC then held a series of five meetings with renters and the chairs of departments and programs. In light of those conversations, the CHC finalized the proposal and reported to the Committee of Six on April 2, 2018. The minutes of that meeting summarize the committee's work effectively, and we are happy to let them stand as our annual report:

https://www.amherst.edu/system/files/media/Minutes%2520Co6%2520April%25202%252C%25202018_0.pdf

> At 3:30 P.M., Rick Griffiths, chair of the College Housing Committee; Jim Brassord, chief of campus operations; and Liz Gallinaro, director of rental housing management, joined the meeting to discuss the housing committee's proposal to equalize the market-discount rate for those who rent housing from the college. On behalf of the committee, Dean Epstein welcomed these colleagues and noted that she understands that there is widespread support for the proposal. It is hoped that the requested changes can be implemented for the coming academic year. See the letter from Professor Griffiths's to the Committee of Six.
>
> As background for the discussion that ensued, Professor Griffiths noted that the rental housing system had been revamped in 1998 in order create a compelling and sustainable benefit for untenured faculty at Amherst. Over the years since, he explained, the housing committee has periodically undertaken comprehensive reviews to determine if the college is meeting this goal. He commented that a 2012 review had resulted in the current market subsidy program for untenured faculty who cannot be accommodated in the rental units. The committee's latest review, from 2015 to 2017, revealed disparities in the discount rates and an unsustainable gap in maintenance funding (that gap currently amounts to $800,000 in deferred maintenance). In response, last year's housing committee undertook an analysis of the problem and did a great deal of work to consider a solution, Professor Griffiths noted.
>
> Continuing his remarks, Professor Griffiths stressed that the current system is not equitable (with discounts ranging from 11 percent to 46 percent), which, in addition to being unfair, prevents the college from being able to quantify the benefit during the recruitment process. Under the housing committee's proposal, the rate would be set at 25 percent, and

current renters (untenured faculty and visitors) who currently receive less than a 25 percent discount would receive a rent reduction to reflect that level (Professor Griffiths indicated that there are eight current renters who will have their rent reduced). For units with a discount currently greater than 25 percent, the reset to the 25 percent level will occur only at the time that that unit "turns over" to a new tenant. Having a uniform discount has the virtues of equity and transparency, Professor Griffiths explained. He commented that the proposed 25 percent discount benchmarks favorably with Swarthmore's subsidy, because it is the highest that the committee had found among peer institutions. Most comparable housing systems are expected to pay for themselves and charge market rents, Professor Griffiths explained. Continuing his remarks, Professor Griffiths commented that, in developing the proposal, the committee had built on the work done by the housing committee last year. This year's committee consulted broadly, conducting some six presentations to renters, chairs, and the Committee on Priorities and Resources (CPR). According to Professor Griffiths, these sessions revealed that there is enthusiasm for implementing the proposal. Professor Griffiths said that he had also spoken with interested colleagues who could not attend the presentations. He noted that, during the meetings, related topics, including eligibility, the affordability of the largest units, and the unpredictability of utility costs, had been discussed. It has been agreed that the rental housing office will strive for greater specificity, in writing, about the range of costs to be expected with various units. Ms. Gallinaro indicated that the average costs for each unit will be indicated on her office's website. The dean noted that information about faculty housing, including related links, is available on the dean's website.

Professor Engelhardt asked if implementing the proposal would have any tax implications. Mr. Brassord responded that there would not be, as there would be no change to the way in which imputed income is calculated. Amherst provides this benefit, and those who receive it must treat it as income if their rent is less than 5 percent of the appraised value of the property, according to IRS regulations. It was noted that, when a suitable unit is not available for those who are eligible to participate in the housing program, the college provides a non-college housing subsidy of $375.00 a month to defray some of the cost of rent on the open market for the equivalent of a two-bedroom Amherst unit. The housing committee will continue to evaluate whether this subsidy represents a contribution that represents a 25 percent discount. This subsidy is only available to those who cannot be accommodated via the college's rental program. A "suitable unit" is described as housing that meets the needs of a potential college renter. Professor Moss asked if a unit would "meet the needs" of a renter, in the college's view, if the renter has children and all available units have lead paint. Mr. Brassord responded that, under these circumstances, the college would offer the individual the subsidy. He noted that, once individuals receive the subsidy, they do not have to apply to be in college housing to continue to receive the funds. If they would like to rent college housing, they can, if they wish, reapply. Mr. Brassord noted that the college's costs for subsidizing the housing program amounts to $400,000 a year, including the cost of taxes on the properties and maintenance. This deficit is intentional and is a result of keeping the rent under market value, he noted. Professor Moss asked if utilities are part of the rent. Mr. Brassord responded that, under the proposals, the 25 percent discount would be "normalized" for utilities and services.

Continuing the conversation, Professor Jaswal asked how many individuals typically cannot be accommodated through the college's rental housing system. Ms. Gallinaro responded that, in the past, there has not been sufficient college rental housing available to accommodate visitors with appointments for one or two years. Because of the higher number of tenure-track faculty being hired now, it is likely that there may not be enough college rental housing to accommodate all of these colleagues. She noted that approximately fifteen units "turn over" each year, but that there is some variation annually. The rental subsidy is largely offered to visitors, Ms. Gallinaro commented. Continuing, she noted that her office begins working with new faculty as early as possible to assess their needs. The dean noted that many faculty members have told her that the office has been very helpful to them. The conversation concluded with the Committee expressing unanimous support for the housing committee's proposal. The committee thanked Professor Griffiths, Mr. Brassord, and Ms. Gallinaro, who left the meeting at 3:52 P.M.

The revised policy has now been implemented by the Housing Office

Respectfully submitted,

Rick Griffiths

Rick Griffiths
Chair

The College Housing Committee

Adi Gordon, History
Rick Griffiths, Classics, *chair*
Mary Hicks, Black Studies and History
Klara Moricz, Music
Jim Brassord, Chief of Campus Operations, *ex officio*
Chris Casey, Director of Benefits, Human Resources, *ex officio*
Jack Cheney, Geology, Associate Dean of the Faculty, *of counsel*
Thomas Dwyer, Director of Budget and Analysis, *ex officio*
Liz Gallinaro, Director of Rental Housing Management, *ex officio*
Walt Schaeffler, Associate Chief Financial Officer and Treasurer, *ex officio*

College Housing Committee

Annual Report AY 2018-2019

May 3, 2019

In 2016-2017 and 2017-2018, the CHC reviewed the rental program for untenured faculty and revised policy to correct the inequalities in market subsidy that had developed over the program's lifetime. This year we turned to the house purchase plan in what will also be at least a two-year cycle, given the different and far more complex set of challenges and possible solutions.

The current state of the house purchase plan is believed not to be serving faculty ideally due to profound changes in the real estate market since the plan's inception twenty years ago, and due as well to the size, age, condition, and cost of the College's housing portfolio. Further complicating the picture are increased local taxes, heating costs, shifts in town neighborhoods, consumer tastes (e.g., kitchen fever), and the generational demographics of the faculty. College houses standing empty are only the most visible sign of what needs to be addressed if the program is to be sustained as an attractive benefit for faculty members and a way to maintain vibrant neighborhoods near the campus.

Central to the CHC's assessment process since September has been to decide how much can be addressed by modifying policy and, beyond that limit, where the problems of particular structures are not reachable by policy. "One size fits all" has clear limits in relationship to real estate. Some appealing solutions, such as conversion of large houses to multiple rental units, entail large capital outlays that can never be recouped, given de-leading and other code issues. Deaccessioning of some outlying units may be a solution, but needs to have clear standards and rationales.

On the issue of policy, we discussed ways to incentivize purchase, such as modifying the ownership period in relationship to retirement and/or adjusting the investment needed for purchase. The one systemic change we found to be most advantageous for both owner and for the College in the long run is to improve the matching grant program that incentivizes owners to make capital home improvements that will upgrade or maintain the structure and/or systems of the property. Currently, up to 10 percent of the purchase price is made available, with the matching grant fund paying up to one-third of the cost of the approved project. Given the College's interest in having properties well maintained during long-term occupancy, a larger matching grant contribution from the College may well serve both owners and the College well. Proposed enhancements in the terms of the grant are currently moving through the administration to consideration by the Board of Trustees.

Respectfully submitted,

Rick Griffiths
Chair

The College Housing Committee

Prof. Adi Gordon, History
Prof. Rick Griffiths, Classics
Prof. Klara Moritz, Music
Prof. Kate Sims, Economics and Environmental Studies
Jim Brassord, Chief of Campus Operations, *ex officio*
Chris Casey, Director of Benefits, Human Resources, *ex officio*
Prof. Jack Cheney, Geology, Associate Dean of the Faculty, *ex officio*
Tom Dwyer, Director of Financial Planning, *ex officio*
Kim Eggleston, Director of Rental Housing Management, *ex officio*

COLLEGE HOUSING COMMITTEE
Annual Report AY 2019-2020

This academic year the CHC finalized a proposed revision of *Matching Grant Plan.* The purpose of the revision is to incentivize owners of houses purchased from the College to maintain property, so that houses will return to the College in better conditions. The proposed change allows

1) that after the 10 percent of the purchase price allocated for capital home improvement is exhausted, a new appraisal can be conducted and the fund will be increased to match 10 percent of the current appraised value (such reappraisals can be done in every 5 years by the College)

2) that structural and systems projects that upgrade or maintain the structure and/or systems of the house or property will qualify for up to 50 percent match

3) that renovation projects that modernize the house or property will qualify for up to one-third match

The CHC's proposal is waiting for approval by the Trustees.

After finalizing the language of this proposal, we turned out attention to possible policy changes regarding the College's house purchase program. We see the problems the College faces with the Housing Program at present as following:

- since faculty members have to move out of the houses at retirement, there is little incentive for maintaining the properties or investing in them. Consequently, houses that are returned to the College are in bad condition and require large sums of money for renovation
- we believe that the most important selling point of houses in the next decade will be energy efficiency and the condition of the houses. In the present system, house owners have no incentive to invest into making their houses more energy efficient. The installment of solar panels, for instance, is costly and is worth the expense only if people can stay in the house for a significant amount of time
- many of the houses the College owns are too large, have high taxes, and produce high heating bills. Consequently, nobody wants to buy these houses. Standing empty, these houses deteriorate rapidly. The maintenance of empty houses requires large sums of money

It is not only financial problems and waste we would like to solve by changing policy regarding the purchase of college housing.

We consider it important:

- that the College maintains control of its perimeters. Such control is crucial for possible future expansion of the College, and also because changing zoning laws might change the College's surrounding, which might affect the College and its work negatively in the future
- that the College cultivates its community and encourages faculty to live close to the College and be actively engaged with the social and intellectual life of the institution. Faculty commuting long or even short distance cannot be asked to participate in community building events, support students by inviting them to their house, attending

performances and academic talks, in other words be a member of the community in and around the institution. As more and more faculty choose to move further away from the College, the nature of what it means to be a residential College and what it means to be part of the college community changes. With a student body facing increasingly more mental challenges, we find it important to strengthen the sense of community

- that the College uses its Housing Program (both Rental Housing Program and the Home Purchase Program) for recruiting and retaining faculty. At a time when housing prices are high, the College's Housing Program can be an affective recruiting tool
- that the College maintains its Housing Program so that faculty can avoid long commute and respect environmental concerns. Living walking distance from the College would cut down significantly on the use of cars in our community

We drafted a proposal for policy changes and started initial consultations with the College's administration. Unfortunately, because of the COVID19 crisis the CHC was not able to finalize the proposal. For next year the CHC will need to work out some details in the proposal and finalize the language.

Adi Gordon, European Studies, History
Jeeyon Jeong, Biology, Biochemistry-Biophysics
Klara Moricz, Music, *chair*
Caroline Theoharides, Economics
Jim Brassord, Chief of Campus Operations, *ex officio*
Chris Casey, Director of Benefits, Human Resources, *ex officio*
John Cheney, Associate Provost and Associate Dean of the Faculty
Jeff Davis, Director of Financial Planning, *ex officio*
Kim Eggleston, Director of Rental Housing, *ex officio*

AMHERST COLLEGE

Department of Mathematics and Statistics

May 28, 2021

Prof. Catherine Epstein
Provost and Dean of the Faculty
Amherst College

Dear Catherine,

Please find enclosed the College Housing Committee's Proposal for Revisions to the Home Purchase Program. We ask that you share it with the President and the Senior Staff, and with the Committee of Six. We ask also that you consider this letter and the attached proposal as the CHC's annual report to the Faculty and distribute them with the materials posted for the last Faculty meeting of the year. Thank you.

The College Housing Committee met regularly this spring to review, refine and finalize the recommendations we inherited from last year's College Housing Committee, chaired by Prof. Klara Moricz. The CHC's excellent work last year focused our discussions and provided a road map for revitalizing the Home Purchase program. The committee has developed proposals which we believe will not only enhance the Home Purchase program for current homeowners and potential future purchasers, but also enable the College to better maintain the value of the housing stock it owns surrounding our campus. We would be glad to discuss these proposals with you and members of the Senior Staff, and with the Committee of Six and the Faculty, at times you would find most helpful.

In addition to preparing the enclosed proposal, the CHC discussed a request by a current faculty homeowner who recently retired to extend the two-year time frame for reselling their home to the College in view of the additional challenges created by the pandemic for those attempting to move. The CHC recommended, and the administration subsequently adopted, a one-year extension of the two-year buyback clock for the two current homeowners who have recently retired. The CHC based its recommendation in this instance on the special circumstances of the last year and a half, but going forward one of the CHC's proposals is that current and future owners be allowed to remain in their home past retirement. In the interest of preserving your time and that of our colleagues who may read this letter, I will leave the discussion of our rationale for this and the CHC's other recommendations to the attached proposal.

In closing I would like to offer particular thanks to our ex officio committee members, Kim Eggleston, Jim Brassord, Chris Casey, Jack Cheney and Jeff Davis, for their expertise and organizational support that greatly enhanced the productivity of our conversations. I would also like to acknowledge the contributions of our returning CHC faculty members, Caroline Theoharides and Adi Gordon. The knowledge and momentum that they and our ex officio members brought from last year's CHC discussions enabled us to finalize these recommendations this spring. We are excited

AMHERST COLLEGE

Department of Mathematics and Statistics

by the potential of these proposals to truly revitalize the College's Home Purchase Program and eager to discuss them with our colleagues.

Sincerely,

Greg

Greg Call, Mathematics and Statistics, Chair
on behalf of
Adi Gordon, European Studies, History
Trent Maxey, Asian Languages and Civilizations, History
Caroline Theoharides, Economics
Jim Brassord, Chief of Campus Operations, ex officio
Chris Casey, Director of Benefits, Human Resources, ex officio
John Cheney, Associate Provost and Associate Dean of the Faculty, Geology
Jeff Davis, Director of Financial Planning, ex officio
Kim Eggleston, Director of Rental Housing, ex officio

Proposal for Revisions to the Home Purchase Program

Housing Committee: Gregory Call (chair), Caroline Theoharides, Trent Maxey, Adi Gordon
Ex officio: Kim Eggleston, Jim Brassord, Jeff Davis, Chris Casey, Jack Cheney

27th May 2021

OVERVIEW:

Amherst College has approximately 30 properties as part of the Home Purchase Program. This is an important program for the college in terms of creating an active community close to the college, providing lower cost housing near campus for the faculty, and ensuring the college's perimeter is protected against undesirable development. After a successful start to the program in 1998, in recent years many of these properties have been returned to the college in need of substantial maintenance. These homes have proven to be difficult to sell to current tenured faculty due to their deferred maintenance, lack of affordability, and the structure of the repurchase agreement. To maintain the viability of the program, we propose four key changes to the Home Purchase Program in an effort to both meet the goals of the program and to encourage the sale and maintenance of these homes. We outline these proposed changes below.

GOALS OF THE PROGRAM:

1. Ensure a vibrant faculty living and learning residential community close to campus that actively engages in the life of the institution;
2. Preserve the perimeters of the College for potential future campus expansion and to control the surrounding environs;
3. Contribute to the recruitment and retention of faculty by providing lower cost housing.

SUMMARY OF PROPOSED CHANGES:

1. Expand eligibility for house purchases beyond tenured faculty, lecturers and coaches to include untenured faculty.
2. Adjust and re-design the equity split to incentivize purchase and make the houses more affordable.
3. Allow current and future owners to remain in the home past retirement through end of life.
4. Enhance the Matching Grant Program to promote better stewardship of the homes in the program.

Proposed Change #1: Expand the eligibility for home purchase

At present, the home purchase program is available only to tenured faculty, senior lecturers, senior coaches and eligible senior administrative staff. This is a small “market” and often there is limited interest in purchasing the homes under the current terms and pricing in the house purchase plan. Consequently, many of the houses remain indefinitely vacant after they are repurchased by the college due to lack of interest. These wasting assets represent a significant financial liability to the college and contribute to a downtrodden feel to the surrounding neighborhood

A critical factor in ensuring these houses don't sit vacant is to expand the market of eligible buyers.

In order to reduce the number of vacant houses, we propose to offer the home purchase program to all tenured faculty, and subsequently to untenured faculty. If after offering houses to both categories of faculty there is still no interest in a house, we propose that they be offered for purchase to staff. We recognize that the relationship of untenured faculty and staff to the college is different than that of tenured faculty. In the event of separation from the college before retirement, homeowners would be required to sell the home back to the college within 2 years of the separation.

If after offering a house to tenured and untenured faculty and then to staff there is no interest, we propose opening the sale of houses to Five College faculty. The Five College community will contribute to the goals of the housing program of maintaining a vibrant academic community surrounding campus and also ensure that the houses are not vacant. In the event of separation from the Five Colleges, participants must sell the home back to the college within 2 years of separation.

Proposed Change #2: Adjust the equity split to be 65% of the appraised value

The current purchase program is set at 80% of the appraised value with an 80% repurchase by the College. When the program was initiated in 1998, early purchasers were able to buy at 65% and sell back to the college at 80% after 5 years. At that time, the program was very popular and the houses sold quickly because they were affordable at 65% of market appraisal.

The majority of the homes in the program are very large and the appraised market values are much higher than the average Amherst home. Because of escalating home prices in Amherst that have outpaced salaries the houses are significantly less affordable at the 80% equity split now than they were in 1998 at the 65% equity split.

Because of the high cost of the homes, taxes, utilities and maintenance costs, this program has become unaffordable for most faculty and has resulted in declining faculty interest over the last several years. In order to increase interest in the homes they need to be more affordable. One way to achieve this is to reduce the purchaser's equity contribution and allow for their ownership stake to increase over time

We propose adjusting the equity split to 65% of the appraised value at the time of purchase. After 5 years, the equity split would be adjusted to 70%, and then increased by 1% per year for ten years until the equity split reached a maximum of 80% after 15 years of ownership. If the faculty member were to sell back to the College within the initial 5 years, the repurchase price would remain at 65%. We are confident that this proposed equity arrangement would make the houses more affordable, renew interest in home purchase and turn the properties into productive assets.

While the increased equity split upon repurchase will be an increased cost to the college, there are two important offsets to these additional costs. First, the proceeds from the initial house sale is invested alongside the college's endowment in the Faculty Houses reserve. The amount invested in the Faculty Houses reserve typically appreciates faster than real estate prices, which means the initial investment should be enough to repurchase the house at the higher equity split with no additional financial cost to the college. Second, if the increased equity split does entice more faculty members to purchase houses, the college would benefit from the cost avoidance of not paying taxes, utilities and maintenance on unoccupied houses.

Proposed Change #3: Allow current and future faculty to remain in the home past retirement

The current home purchase program requires that home purchasers sell their home back to the College within 2 years of retirement. For some, the prospect of leaving the College and their home in such a short time frame is a psychological barrier and a deterrent from purchasing a home through this program. In addition, the current ownership time limit deters owners from fuller re-investment, modernization and stewardship of the asset Some faculty homeowners have even stated that for them the two-year sell-back provision is a retirement disincentive. We propose instead to allow all current and future owners to stay in their homes through the end of life. By eliminating the retirement repurchase provision for current owners we will incentivize better care for the homes, ensure that we receive the homes back in a better condition and ensure that we don't have a glut of properties coming back to the college in a short period. Future purchases will be more likely when prospective buyers aren't deterred by the time limit. Having said this, the likely outcome is that most owners will not stay in their homes until the end of life. They are more likely to still sell back to the college as they contemplate life changes at the time of retirement. But extending the change to current and future owners will incentivize a more robust and healthy market for these houses.

One concern is that extending the ability to remain in the home through the end of life will result in less availability of houses for recently tenured faculty. We propose to reevaluate this policy after 10 years in terms of the demand for housing, the supply of houses coming back to the college after retirement, and the point in the life cycle at which most faculty sell houses back to the College.

In line with the current policy, after the end of life of a faculty member, the spouse may stay in the home for an additional five years. Divorcee's in which the spouse remains in the home would be required to sell back within 2 years, as is the current policy.

Proposed Change #4: Enhance the the Matching Grant Program

The current Matching Grant Program (MGP) provides for 10 percent of the original purchase price to be made available to the purchaser to help pay for the cost of capital home improvements that will upgrade or maintain the structure and/or the systems of the house or the property. The MGP will pay for up to one-third of the cost of the approved project. Despite this generous program few owners avail themselves of these funds nor do they keep their houses modernized with remodeled kitchens and bathrooms. The poor condition of the houses makes it difficult for the college to sell the homes after a repurchase.

To incentivize the purchaser to maintain the infrastructure and modernize the home, we propose increasing the Matching Grant Program from 10% to 20% of the purchase price to be made available to the buyer for the cost of capital improvements **and** modernization projects. The MGP funds would also cover reimbursement for painting which has been a chronically underfunded improvement. We propose that all improvements, capital and modernization, will be increased to a 1/2 reimbursement of the cost of the approved project. Note that because homes appreciate over time, we also propose that the 20% MGP funds be adjusted, as necessary, based on the current appraised value of the home and thus would no longer be tied to the original purchase price.

We are confident that this proposed MGP change, together with allowing current and future owners to reside in their home past retirement, will encourage more owners to maintain the home's structure and make modernizations to the property.

CONCLUSIONS:

The home purchase plan which served all parties well following its introduction in 1998 has significant problems that need to be corrected. It no longer serves the college or the faculty who wish to live near the college and participate in the life of the college. The proposed revisions, developed by the College Housing Committee over the past two years, address a number of strategies that will make the program once again relevant to current circumstances. By expanding the market of eligible buyers, removing the barriers to purchase associated with repurchase at retirement, better incentivizing the maintenance of the homes, and making the houses more affordable we are confident that the housing program can be revitalized.

AMHERST COLLEGE

Department of Mathematics and Statistics

May 24, 2022

Prof. Catherine Epstein
Provost and Dean of the Faculty
Amherst College

Dear Catherine,

Please accept this letter as the 2021-2022 annual report of the College Housing Committee (CHC) to the Faculty. We thank you and colleagues in your office for distributing it with the materials posted for the last Faculty meeting of the year.

In May 2021 the CHC submitted its *Proposal for Revisions to the Home Purchase Program* with its annual report to the Faculty. The *Proposal* was developed after several years of discussion on the CHC and focused on how to revitalize the *Program* which, at the time, was burdened with a number of unsold homes and frequently saw significant maintenance issues revealed when homes were sold back to the College. The CHC was pleased to have the opportunity to discuss its *Proposal* with the Committee of Six in September and to learn subsequently that three of the four core elements of our proposal (expanding eligibility, adjusting the equity split to be more favorable to the purchaser, and enhancing the matching grant for maintenance and renovation) would be adopted as recommended. After our thoughtful discussion with the Committee of Six, the administration determined that our fourth recommendation, to eliminate the two-year limitation on home ownership within the program post retirement, should be modified and instead adopted a six-year limitation. Interested colleagues can review the current provisions of the *Home Purchase Program*, including the changes adopted this past year, in the *Faculty Handbook* (see **B. The House Purchase Plan** at https://www.amherst.edu/academiclife/provost_dean_faculty/fph/fachandbook/salaries/ftfringebenefits/housing).

It was very rewarding to see our work and effort come to fruition, especially on a plan that should have such a positive impact on the life of the College. We learned this past week that five of the six homes offered for sale this spring through the *Home Purchase Program* have sold, and there is strong interest in the sixth property. Undoubtedly, the very tight local real estate market is a primary driver of this positive result, but we are pleased to see that the recent modifications to the *Program* have made the College homes covered by it once again attractive options for our colleagues.

It remains to be seen over time whether the recent enhancements to the matching grant provisions and the lengthening of the post retirement repurchase requirement will be sufficient to encourage better maintenance of these homes. As we did in October, we strongly recommend that the effect of the six-year retirement repurchase, as well as the other recently adopted changes to the *Home Purchase Program* be reviewed in five to seven years and adjusted as appropriate.

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We also appreciated the broader structural issues raised by the members of the Committee of Six as they considered the *Proposal*. Questions of affordability for faculty and staff, environmental sustainability, and the need to rethink traditional approaches to residences are all important issues that impact our community. In response to these concerns, and with the understanding that the College was open to studying an expansion of the current rental pool by a few units, the CHC had a preliminary discussion about converting a few large houses that don't sell to multi-unit rentals, or in the longer term, possibly building new mixed use units for purchase by faculty and staff. We recognized that each of these ideas deserves sustained attention and research, starting with input from faculty and staff about their needs. With the success of the Home Purchase Program this spring, the immediate prospects for the conversion of larger homes are now more limited, but the idea remains on the table. It is clear that moving forward with any of these ideas would require the commitment of significant College resources. Given these facts, the retirement of Jim Brassord this spring, and the impending arrival of a new President and a new CFAO, the CHC concluded that it should place these conversations on hold and return to them next year.

This spring we received two questions from tenure-track colleagues, both raised initially in conversations with the President and the Provost. Given inflation and the very competitive current Amherst housing market, a faculty member noted that a number of pre-tenure faculty who are very interested in purchasing homes have been struggling to do so. Our colleague asked whether the two-year limitation on how long faculty can stay in rental housing might be extended. The CHC was very sympathetic to the concerns expressed in this question, and a number of committee members knew of colleagues who were currently dealing with the challenges of the Amherst housing market. Committee members also noted that the College's rental housing is now fully occupied, and thus extending the eligibility of recently tenured faculty for rental housing would almost certainly displace new faculty seeking those accommodations. Indeed over the last three years there have not been enough rental units to fully meet the demand. Kim Eggleston noted that she is more than willing to work with colleagues currently in rental housing as they approach the end of their eligibility, and she urged us to inform our colleagues of her offer. It was noted that exceptions to the two-year post-tenure limitation are necessarily rare, and can only be made with the approval of the Office of the Provost and Dean of the Faculty.

Finally, another faculty member brought up the idea of revisiting the $30,000. limit on the subsidized loans toward home purchasing the College offers to tenure line faculty and other eligible colleagues who are first-time home buyers in the Amherst area. Given inflation and the rising cost of homes, could this figure be increased? Members of the CHC noted that there are three options described in the *Faculty Handbook* under C: *The House Purchase Subsidy Program* (see https://www.amherst.edu/academiclife/provost_dean_faculty/fph/fachandbook/salaries/ftfringebenefits/housing) through which the College seeks to support first-time home buyers in the Amherst area. The first two options are an interest-free loan for seven years or a reduced interest loan for up to fifteen years, each currently limited to a $30,000 maximum. Notes in the Faculty Handbook suggest that these figures have remained the same since the program was adopted in this form in February 2014. The Committee agreed that it was time to review *The House Purchase Subsidy Program* including the $30,000. loan maximum. Our discussion led us to question whether the amount of the rental housing subsidy offered to new colleagues who are unable to be accommodated in College rental housing should also be updated. The CHC will seek additional data over the summer on home purchases and rentals in the Amherst area, and it has placed consideration of both the house purchase and the rental housing subsidies at the top of our agenda for Fall 2022.

We look forward to the Faculty's ongoing questions and input as we turn to these issues next year.

Thank you.

Greg Call, Mathematics and Statistics, Chair
Sally Kim, Biology
Elizabeth Kneeland, Psychology
Trent Maxey, Asian Languages and Civilizations, History
Jim Brassord, Chief of Campus Operations (through March 31, 2022), ex officio
David Breen, Interim Chief of Campus Operations (beginning April 1, 2022), ex officio
Chris Casey, Director of Benefits, Human Resources, ex officio
John Cheney, Associate Provost and Associate Dean of the Faculty, Geology, ex officio
Jeff Davis, Director of Financial Planning, ex officio
Kim Eggleston, Director of Rental Housing, ex officio