

---

# 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.