



<b>SUBJECT</b>	<b>UBC VANCOUVER FACULTY HOUSING SUPPLEMENTARY REPORT: 10 YEAR IMPLEMENTATION STRATEGY UPDATE</b>
<b>MEETING DATE</b>	<b>DECEMBER 6, 2016</b>

**APPROVED FOR  
SUBMISSION**

Forwarded to the Board of Governors on the Recommendation of the President

Santa J. Ono, President and Vice-Chancellor

<b>DECISION REQUESTED</b>	<p><b>IT IS HEREBY REQUESTED</b> that, <i>consistent with the directions of the Board of Governors and Finance Committee in February 2016, the UBC Board of Governors direct the Administration to implement the proposed revisions of the 10-Year Faculty Housing Strategy update, subject to annual reporting and a review to be completed no later than the fifth anniversary following implementation of the changes outlined herein, below:</i></p> <p><b>a) Enhancing the UBC faculty rental housing program through:</b></p> <ul style="list-style-type: none"><li>- <i>significant inventory increases to the unit pool consistent with the HAP 2012 commitments (this means approximately 850 new faculty-staff rental units in next 10 years);</i></li><li>- <i>working with UBC Properties Trust to continue to develop design, format and size range options within the inventory that are responsive to faculty recruiting and retention preferences communicated through the Administration;</i></li><li>- <i>working with Village Gate Homes to review the waitlist management protocol to accommodate strategic faculty priority placement;</i></li><li>- <i>exploring a potential pilot Rent-Geared-To-Income rental program for faculty similar to that originally approved in the 2012 Housing Action Plan for lower income staff, with more details to be provided at February 2017 meeting.</i></li></ul> <p><b>b) Increase the amount available to individual faculty members in the existing Down Payment Assistance program (established in 2009) from \$45,000 to \$50,000, to mitigate inflationary pressures, for eligible faculty members recruited with a start date on or after July 1, 2017, while grand-parenting all existing eligible faculty to fully honour the program in effect at the time of their appointment.</b></p> <p><b>c) Replacing the 2<sup>nd</sup> Mortgage Loan pilot program with a Prescribed Interest Rate Loan (PIRL) program, subject to the terms and conditions outlined in this report (See PIRL description Attachment A).</b></p> <p><b>d) Establishing a Faculty Housing Assistance Financing Endowment (FHAFE), Terms of Reference to be provided to the Board of Governors for approval by Feb 2017.</b></p>
-------------------------------	---

	<p><b><i>e) Updating the merit-based protocol and allocation guidelines (approved 2014) to address access to the proposed new housing program options. The final guidelines to be provided to the Board of Governors for approval by Feb 2017.</i></b></p> <p><b><i>f) Terminating the Mortgage Interest Assistance program effective July 1, 2017.</i></b></p> <p><b><i>g) Preparing revised wording for Policy 1 of the Housing Action Plan to accommodate new proposed PIRL ownership support program. The final wording to be provided at the next Board meeting for consideration of approval.</i></b></p>
--	---

<b>Report Date</b>	November 20, 2016
--------------------	-------------------

**Presented By** Angela Redish, Provost and Vice-President Academic *pro tem*  
 Andrew Simpson, Vice-President Finance & Operations  
 Lisa Castle, Vice-President Human Resources  
 Eric Eich, Vice-Provost & Associate Vice-President Academic Affairs  
 Peter Smailes, Treasurer  
 Lisa Colby, Managing Director (Faculty Staff) Housing & Relocation Services

**EXECUTIVE SUMMARY**

The challenging real estate market in Vancouver continues to cause (and has deepened) concern regarding recruitment and retention of faculty, which in turn could affect the University’s core academic objectives. Separate from, though in context of, the Annual Housing Action Plan Progress Report being submitted to the Board of Governors in December 2016, this report proposes a 10 year implementation strategy update comprising substantive revisions to both ownership and rental housing support for faculty at the Vancouver campus. These proposals are primarily directed to the recruitment challenge, but do address retention as well:

- Enhance the UBC faculty rental options through significant increases to the faculty-staff rental inventory; working with UBC Properties to continue to develop design, format and size range options that are responsive to faculty recruiting and retention needs; accommodating strategic faculty prioritization in waitlist management; exploring a potential pilot Rent-Geared-To-Income rental program for faculty similar to that approved in 2012 for staff earning less than \$64,000 household income;
- Increase the value of the Down Payment Assistance from \$45,000 to \$50,000 and terminate the Mortgage Interest Assistance program;
- Terminate the 2<sup>nd</sup> Mortgage Loan program and replace it with a new 15-year Prescribed Interest Rate Loan (PIRL) model, applicable anywhere in Metro Vancouver. This PIRL model has been modified in response to an earlier version (July 2015) consulted upon over the last year;
- Replace the allocation and eligibility protocol guidelines with a new selection and access protocol tailored to the new program tools. The new guidelines will emphasize:
  - merit-based access to the PIRL loan programs for tenured and tenure track faculty,
  - adjustments to the Village Gate Homes faculty-staff rental waitlist and access protocols to facilitate increased reliance on the rental program for faculty;



campus, or the option of purchasing a unit in a project purpose-built on-campus for faculty by UBC Properties Trust (subject to enough presale demand) with a cap on appreciation at 33% below market and limitation of resale of those units to other faculty as a priority. Subsequently:

- the Capped Appreciation option was terminated due to changed Provincial Government regulations which rendered it unworkable in that form; and,
- The 2<sup>nd</sup> Mortgage Loan program has had very low take-up by approved faculty due to unaffordable prices of market units in Wesbrook Village, particularly in the desirable townhouse format (in which to raise a family).

A replacement program to support home ownership in another way was proposed and consulted upon in 2015. Results of this consultation were shared with the Board in February 2016, with a commitment to return in the Fall of 2016 with follow-up recommendations and revisions to the proposal. A summary of the consultation results received is included in the Consultation section of this report.

### **B. Proposed 10-year Strategy of Faculty Housing Program Revisions**

The following revisions and expansion to the 2015 proposal are now recommended to the Board of Governors. The proposal comprises the following measures to increase the effectiveness of both rental housing support and ownership, for recruitment and retention purposes of eligible faculty:

- i. Enhance the existing subsidized UBC faculty rental housing program option through: increased supply including units suitable for longer term rental; more townhomes, continued attention to unit design, format and size in recruiting context, improving faculty access; and exploring an even lower discount option – possibly a Rent-Geared-To-Income program for faculty.
- ii. Increase the value of the Down Payment Assistance from \$45,000 to \$50,000 for eligible faculty recruited with a start date on or after July 1, 2017. All existing faculty eligible for the current version of the program are grand-parented to the end of their original eligibility period; and terminate the Mortgage Interest Assistance as take-up for this program has been relatively low.
- iii. Replace the 2<sup>nd</sup> mortgage loan program with a new restricted, merit-based 15- year Prescribed Interest Rate Loan (PIRL) program, usable for principal and only residence purchase anywhere in Metro Vancouver.
- iv. Replace the allocation and eligibility protocol guidelines (approved in February 2014) with a new selection and access protocol tailored to the new program tools.
  - In the context of access to faculty home ownership support programs, the new guidelines to emphasize: adjudicated merit-based access to PIRL program for tenured faculty, and clarification of the degree to which retention and new recruits will access the program. (It is anticipated a maximum of 25% of program funds would be allocated for retention cases).
  - In the context of access to Village Gate Homes rental housing programs, the new guidelines to emphasize: adjustments to rental waitlist to facilitate

increased pre-tenure faculty reliance on the rental apartments program, and prioritized faculty access to the townhomes rental inventory.

Each of the above measures is outlined in more detail below. Financial implications, as compared to earlier proposals to the Board, are discussed in the Financial Implications section of this report, and Attachment C.

#### Strategy Elements Discussion

##### *i. Enhanced Faculty Rental Option*

To accommodate and support increasing reliance upon rental as a longer term, workable and appealing alternative to home ownership support in a faculty recruiting and retention context, particularly for tenure-track professors, continued enhancements to the existing subsidized UBC faculty rental housing program would include:

###### *Continued Inventory Expansion*

- Continue to honour HAP commitments with significant increase in the on-campus faculty-staff rental housing inventory, noting that 20 % of the planned future growth in the neighbourhoods on campus would deliver a further 850 faculty-staff rental units over the next 10 years, over and above the existing 467 units;
- Planned projects show accelerated pace of delivery over the next 10 years such that 750 of these may be supplied within 5 years, enabling quicker relief to the pent-up demand.

###### *Design/format/Size*

- Accelerate delivery of more large-size units in particular in future projects, to respond to that percentage of faculty seeking larger units;
- Include conversion through progressive turnover of 42 existing market townhouse rental units (Greenwood Commons and Granite Terrace) to faculty rental units to accelerate the delivery of more large-sized units many faculty want;
- Continued efforts to ensure building design, format and size range of townhomes and apartment units are responsive to faculty recruiting and retention needs.

###### *Enhanced Access*

- Working with Village Gate Homes to review the waitlist management protocol to accommodate strategic faculty priority placement;

Access is currently administered on a first come-first served basis through a waitlist maintained by Village Gate Homes. Demand is high and people often remain on the list for more than a year. There are approximately 160 faculty on the waitlist, interspersed with staff of the University and other employers on campus (e.g. Triumph). There is often a strategic need to find ways to accelerate faculty through the waitlist, as part of the recruitment process, recognizing that most faculty are recruited from outside Metro Vancouver (predominantly from elsewhere in Canada and the US). This can be challenging to balance with expectations and transparency to others on the waitlist.

A revised and clear protocol for access to rental units, based on strategic recruiting and retention priorities of the University, is warranted. This proposed approach is outlined in the new Eligibility and Allocation Guidelines (See Section iv. Below).

*Affordability*

- o Exploring a deeper discount faculty rental option;

Units in the Village Gate Homes faculty-staff rental program are currently offered at 75% of market rates across the portfolio (there is variability at a per unit level depending on unique features, age, and length of tenancy). It is proposed that further exploration be undertaken on whether a deeper discount option is possible or merited for faculty who find even these rates challenging. The Administration will explore the potential for a Rent-Geared-to-Income program similar to that already approved in the HAP for staff (a 100 unit pilot program for staff households earning less than \$64,000; not yet implemented). More detail on this exploration would be brought to the next Board meeting.

**ii. *Extend and Increase the \$45,000 Down Payment Assistance (DPA) Program***

It is proposed that the Down Payment Assistance (DPA) Program be continued for all new eligible recruits for 10 years from the date of their appointment and increased in value from \$45,000 to \$50,000 for eligible faculty recruited with a start date on or after July 1, 2017. This will also include the opportunity for the Provost and Vice President Academic to work with the Deans for enhanced support of strategic recruiting objectives. Existing faculty still within their 10 year eligibility period would be grand parented under the program as defined (\$45,000) at the time of their hiring. The Mortgage Interest Assistance Program, due to considerably lower participation rates than the Down Payment Assistance option, would be closed.

**iii. *Replace the 2<sup>nd</sup> Mortgage Loan option with a Proposed 15 Year Prescribed Interest Rate Loan (PIRL)***

Only 22 of the 92 faculty members approved to participate in the 2<sup>nd</sup> Mortgage Loan program over the last three years have successfully found affordable and appealing homes in the market place under the terms of that program. It is therefore proposed that the 2<sup>nd</sup> Mortgage Loan program be terminated given the limited take-up rate, and replaced with a more flexible program responsive to feedback from faculty members, Heads and Deans that allows access to the resale pool on the Vancouver campus and all units off-campus. Faculty members already approved during the pilot cycle would still be able to purchase under terms of the program until their expiry dates (some are March and some are September 2017). A proposed alternative for those who prefer to switch to the new proposed PIRL program, if it is approved, is discussed at the end of this section.

PIRL

The proposed replacement for the 2<sup>nd</sup> Mortgage Loan pilot is a Prescribed Interest Rate Loan (PIRL) that approved participant faculty members can use to help them purchase anywhere in the Metro Vancouver. The interest rate payable by the faculty member is below third party financing rates (the prescribed Canada Revenue Agency (CRA) Prescribed Interest

Rate), does not trigger a taxable benefit to the faculty member), and no principal repayment is required until the end of the term of the loan. In response to consultation on an earlier version of this loan model, the value of the loan has been increased to an average of \$250,000, and the loan payback term has been increased to 15 years from 10 years. The precise loan value for any given recipient will be determined by the allocation protocol developed by the Office of the Provost and Vice President Academic subject to:

- Loan values to be determined solely on the basis of merit and the need to attract and retain excellent tenured and tenure-track faculty;
- Total loans paid from the FHAFE described elsewhere in this report will not exceed \$10M annually more than existing Board approved loans over any five (5) year period;
- To ensure the appropriate rate of return for the endowment, the interest on loans must be paid to the FHAFE at the existing rate – that is, the difference between the endowment rate (5.75% in 2016), the prescribed interest rate to be paid by the faculty member and the balance to be paid by the Faculties and Office of the Provost and Vice President Academic; and
- Reports will be made to the Employee Relations Committee on the amount of loans and the detail of any loans over \$250,000.

Refer to Attachment A for a full description of the conditions of the revised PIRL program.

It is also proposed that those faculty members earlier approved for the 2<sup>nd</sup> mortgage loan program but who have not yet purchased a home on-campus with the program (or anywhere in Metro Vancouver without the program), may either:

- use the 2<sup>nd</sup> mortgage loan program as originally intended (\$330,000 or 33% the value of a new home in designated projects on-campus) by the expiry date specified (some are March and some are September 2017), or
- switch to use of a PIRL loan up to \$250,000 or 33% of the value of the home, whichever is less, applicable on the purchase of their only and principal residence anywhere in Metro Vancouver, to be used within 5 years.

**iv. Allocation and Eligibility Guidelines Update**

Eligibility for DPA

At present, the Administration offers all eligible faculty recruits a choice between two programs: Mortgage Interest Assistance (MIA, valued at \$50k) and Down Payment Assistance (DPA, valued at \$45k).

Going forward, the Administration proposes to continue offering DPA to all eligible faculty recruits, as it has proven helpful in the past, and it would represent the only housing support available to roughly half of the annual hiring of eligible new faculty (as will be discussed below). The DPA would be increased from \$45,000 to \$50,000 for eligible faculty recruited with a start date on or after July 1, 2017. At the same time, the Administration proposes cancellation of the MIA option, which has had very low take up relative to DPA with eligible faculty recruits. While the MIA option is more tax efficient, in the Vancouver housing market

the need is support for the down payment and resources need to be focussed on this support mechanism.

The DPA can be “stacked” (added to) with Preferred Interest Rate Loans (PIRLs).

Eligibility for PIRLs or rental townhome allocation

All requests for housing support will be forwarded to the central Provost’s Allocation Committee for adjudication and approval. This committee will, at its discretion, consider time-sensitive recruiting requests on an in-coming basis, and will forward all remaining applications that are less time-sensitive (both recruiting and retention) to a separate group, the Deans’ Allocation Committee, for review and recommendations to the Provost. Both committees will be sensitive to transparency of decision-making and rationale.

The Provost’s Allocation Committee, chaired by the Provost or designate, will include two or more senior members of the Provost Office. This committee will meet as needed on a time-responsive basis.

The Deans’ Allocation Committee, also chaired by the Provost or designate, will be composed of Associate Deans representing every Faculty. Requests receiving supermajority support, defined as two-thirds or more of the committee members, will be recommended for approval by the Provost’s Allocation committee.

Recruitment case requests will be evaluated on the basis of: the applicant’s Curriculum Vitae, Scholarship Statement (see below) Teaching Dossier (if available), reference letters from the appropriate Deans and Department Heads, and any other information the applicant considers relevant.

Retention case requests will be evaluated on basis of: the applicant's Curriculum Vitae, Scholarship Statement (described below), Reference letters from the appropriate Dean and Department Head, and any other information deemed pertinent by the applicant. Deans’ letters should also address evidence of the retention risk, and impact upon the Faculty/ Department. A maximum of 25% of loan fund on a 5 - year rolling average will be devoted to retention cases. The Provost office will develop a process to achieve this allocation target between the recruit and retention cases.

The Scholarship Statement should provide a concise (2000-word maximum) account of the applicant's research interests and/or creative activity, as appropriate to his/her discipline. Though the format and contents of the narrative are largely at the applicant's discretion, the Scholarship Statement should include both (1) a description of the applicant's three best scholarly contributions (e.g., books, journal articles, computer code, art works, musical compositions, etc.) and (2) evidence of the applicant's scholarly/research impact (e.g., H-index scores for researchers in the life, physical, or social sciences). Applicants may wish to supplement their narratives with audio recordings or visual materials, again apropos their discipline.

When seeking to make Canada Research Chair, or other special faculty appointments, Deans and Department Heads will usually receive assurance of housing support in advance of recruitment, to facilitate the success of the search process.



These merit-based eligibility and allocation guidelines will be further refined and provided to the Board for consideration of approval at the next Board meeting (February 2017). A draft outline of these guidelines is provided in Attachment B.

<p><b>BENEFITS</b> Learning, Research, Financial, Sustainability &amp; Reputational</p>	<p>Ongoing improvements to ensure effectiveness of the Housing Action Plan is critical to UBC's strategic recruiting and retention objectives.</p> <p>While the University cannot provide enough funding to solve the challenges of the high price Vancouver real estate market, the HAP (including the Faculty Home Ownership Program and rental and other strategies within it) will be helpful in building positive relationships with faculty members by demonstrating its commitment to help mitigate this challenge.</p>
---	--

<p><b>RISKS</b> Financial, Operational &amp; Reputational</p>	<p><b>Operational Risk – Bank Treatment of PIRLS</b></p> <p>The Federal Government Residential Mortgage Underwriting Practices and Procedures, state:</p>
---	---

*With respect to the borrower's down payment for both insured and uninsured mortgages, FRFIs [federally-regulated financial institutions] should make reasonable efforts to determine if it is sourced from the borrower's own resources or savings. Where part or all of the down payment is gifted to a borrower, it should be accompanied by a letter from those providing the gift confirming no recourse<sup>1</sup>.*

The PIRL's are loans to the faculty member and financial institutions are required to include the PIRL's in the loan to value calculations.

PIRLs, as borrowed funds, can be part of the down payment if the faculty members meet the lenders' qualifying criteria (which currently vary). Noting its importance to the PIRL program effectiveness, and the value of advance certainty and comfort at the recruiting stage, the Administration will pursue negotiations to try to reach a pre-approval agreement with at least one bank confirming that faculty can use the UBC PIRL as partial down payment if the faculty member meets reasonable lending terms such as salary, 10% down payment from their own resources, and a good credit history. The Administration to report back at the next Board meeting in February on this point.

The PIRL could also be used in the case of developers' deposit requirements in excess of 10% on pre-sale of new units under construction. In this case, pre-approval of a mortgage from a financial institution will be required for the remaining portion of the purchase to demonstrate the faculty members' ability to finance the transaction, if the PIRL is to be used for deposit purposes.

**Interest Rate Risk**

The CRA prescribed interest rate has been at 1% since the second quarter of 2009 (with the exception of the fourth quarter in 2013). There is high likelihood that that interest rates will increase in the coming years which will result in an increase in the CRA prescribed rate. Given the prescribed rate must be reset every 5 years there is a risk faculty members will not be

<sup>1</sup> Residential Mortgage Underwriting Practices and Procedures, Office of the Superintendent of Financial Institutions, <http://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/b20.aspx>

able to afford an increase in the prescribed rate. This risk is no different than the risk faced by most home purchasers (five-year mortgage rates tend to be the norm.). In the event the prescribed rate increases rapidly and faculty members cannot pay the increase, the University always has the option to forgo the increase in the rate which would result in a taxable benefit to the faculty member. That taxable benefit cost would be no more than 50% of the impact of paying the University the increased rate. In the extreme the University could drop its interest rate to zero (as opposed to the prescribed rate) thus providing additional relief if absolutely necessary. While this approach is not recommended it is an option available in extreme circumstances.

**Strategic Risk**

There is significant strategic risk if the University fails to recruit and retain the top talent it needs. This is one of the top risks identified on UBC’s risk register.

The Board Finance committee asked in February 2016 whether housing assistance for retention risk is necessary given what appears to be a low turnover rate (1% average). As outlined in August Board Housing workshop, and follow-up September meeting, the turnover rate in the younger cohorts that do not yet own housing in Metro Vancouver is more than double the overall faculty average turnover rate, in spite of a system that holds the promise of life-long employment security (tenure). The risk of losing these young faculty in whom the university has invested will be amplified under the new proposal where housing loans will be prioritized for senior tenured hires and younger faculty recruits will be directed toward rental solutions when they first arrive. As these young high potential hires mature in their work and become home-grown stars in their own right, they become highly ‘poachable’, very expensive to replace, and extremely important to keep. The Housing program must have a process to address this risk through accommodation of strategically important retention candidates with housing concerns.

**Reputational Risk**

There is ongoing reputational risk if the University does not implement its commitments in the HAP in a timely fashion, given the considerable degree of consultation and undertakings made during the HAP development process and at its adoption in 2012. Continued commitment to refine and improve the FHOP serves to mitigate this risk.

**COSTS**  
Capital &  
Lifecycle  
Operating

The costs to administer UBC’s *Housing Action Plan* and the component FHOP are currently supported by the annual operating budget.

**The operating impact of FHOP Revisions (Introduction of PIRLs)**

The cost of the new program fall into two categories; the cost to fund the Down Payment Assistance and the interest costs on the Faculty Housing Assistance Financing Endowment (FHAFE) as a result of issuing PIRL’s. Interest will be charged to a combination of the faculty member, and the Faculties. The faculty member will pay the CRA prescribed interest rate on all loans (currently 1%) and the Faculty will pay the difference between the FHAFE rate and the CRA prescribed interest rate (currently 4.75%)

The current proposal financial implications are as outlined in Attachment C.

**FINANCIAL**  
Funding  
Sources, Impact  
on Liquidity

Currently, funding to support the delivery and implementation of the Faculty Home Ownership Program (and Faculty-Staff Rental program) are secured from:

- Annual operating budget
- Campus Rental housing revenues
- Land lease revenues generated by UBC Properties Trust for the Restricted Faculty 2<sup>nd</sup> Mortgage Loan program

UBCPT originally managed the 2<sup>nd</sup> Mortgage Loan program and made the advances from its land lease revenues. The Board asked the University administration to explore creation of a Faculty Housing Assistance Financing Endowment (FHAFE) from which to operate all faculty loan programs in one consolidated source. This report seeks approval of the establishment of the FHAFE and delivery of a Terms of Referenceto the next board meeting.

The new FHAFE would follow the model successfully pioneered by the Student Housing Financing Endowment:

- Initial capital funding would come from endowed land development proceeds, making FHAFE another sub-fund under the Trek Endowment umbrella. Up to \$10 million of land proceeds per year to fund the endowment for the new program plus funds initially committed by prior Board approval for existing programs such as the Second Mortgage loan program. These existing loans have already been funded or have been included in future liquidity projections
- As for SHFE, FHAFE capital would be invested in mortgage loans with fixed term and fixed interest rate of 5.75%, However, unlike SHFE, only 1% of the interest rate would be borne by the faculty member (the minimum lending rate required by the Canada Revenue Agency), while 4.75% would be borne by the Faculties.
- As for SHFE, the 5.75% interest rate would fund both the required recapitalization for inflation (2.25%) and the endowment spending rate (3.50%). The annual spending allocation from FHAFE would be directed to the Trek Endowment spending account. Any repayments of principal made by the loan recipient (as part of their blended periodic loan payments) would be returned to the capital of FHAFE, to be made and available for re-lending.
- As for SHFE, if the FHAFE capital was no longer needed for this purpose in the future, the Board of Governors would have the option to transfer the capital back to the main Trek Endowment fund.

In February 2016 the Finance Committee requested more information on four points associated with future faculty housing support measures:

- The utilization of housing assistance as a recruitment incentive for outstanding faculty as opposed to an entitlement for all faculty;
- Whether housing assistance for retention risk is really necessary given what appears to be a low turnover rate (1% average);

- More clarity on the maximum use of working capital for loans, the maximum operating expenditure per annum, the maximum aggregate expenditure and defined term to the end of program for review (in the interest of good governance and budgetary management), and potential impact on the endowment if the Metro Vancouver real estate market drops in value.

The Down Payment Assistance has been increased from \$45,000 to \$50,000 to provide some redress for inflation.

A detailed financial implications analysis of the proposed measures, to address these points, including comparison to the proposal considered by the Board in February, is included in Attachment C.

Response to the question of whether housing assistance for retention risk is necessary was provided at a Board workshop in August 2016, and September 2016 Finance Committee. See also Risks section of this report for more detail.

---

**SCHEDULE**  
Implementation  
Timeline

Subject to approval of the proposed measures in principle, the Administration will next work toward implementation of these measures as soon as possible.

The FHAFE Terms of Reference will be brought to the next Board meeting in February 2017.

The Down Payment Assistance Program will increase to \$50,000 effective on July 1 for those whose start dates are on or after July 1, 2017.

Upon the Board's approval of the FHEF Terms of Reference, PIRL loans will be available for recruiting purposes as soon as legal documentation, explanatory materials, and allocation procedures can be operationalized - targeting February, 2017.

The permit process and conversion of Granite Terrace and Greenwood Commons townhomes from market rental to faculty rental will begin immediately and be completed as units turn over. Turnover rate in market rental units is currently approximately 50% per year, and the full process could take up to two years.

---

**CONSULTATION**  
Relevant Units,  
Internal &  
External  
Constituencies

There was extensive consultation with the full campus community during development of the Housing Action Plan and its component policies including the FHOP and Rental program variations, both prior to its approval in September 2012, and again prior to approval in February 2014 of the pilot Home Ownership Program.

There was further extensive consultation with faculty members, recruiters, Deans, the UBC Faculty Association, and others in relation to the 2015 PIRL proposal. That proposal and consultation results were shared with the Finance Committee and the Board of Governors in February of 2016, and are available upon request from the Board Secretary.

The current proposal responds to feedback received from faculty members and recruiters, as well as financial and legal constraints. The revised PIRL value on average would be greater for most approved participants (\$250,000 average instead of \$125,000 value), although there is considerable flexibility on the value to be determined in the negotiation process. There are no geographic limits on where it may be used within Metro Vancouver, and the loan term has

---

been extended from 10 years to 15 years. Those approved for the existing Down Payment Assistance Program (\$45,000) would be grand-parented.

In the interest of time sensitivity for bringing the new measures forward in time for the next recruiting cycle, and given this proposal has been directly shaped in response to recent consultation, additional consultation is not proposed. Careful and transparent communication of the proposed measures is recommended through broadcast email and on-line descriptions.

Attachment A: PIRL Description

Attachment B: Draft Outline of Eligibility & Allocation Procedure Guidelines for Restricted Faculty Housing Programs

Attachment C: Financial Implications

<b>UBCPT COMMENTS</b>	Date of Review: Nov 16, 2016	Signed off by: Aubrey Kelly
Complete for all reports that include a property component	UBCPT has participated in the faculty housing discussion and supports the strategy presented in this report.	

<b>Previous Report Date</b>	February 2016
<b>Decision</b>	For information and discussion: To receive the consultation results on the June 2015 proposed revisions to the Faculty Home Ownership Program for the Vancouver Campus.
<b>Action / Follow Up</b>	Information follow up to Finance committee

<b>Previous Report Date</b>	December 3, 2015
<b>Decision</b>	The 2014/15 progress update on the Housing Action Plan (HAP) was received on the consent agenda.
<b>Action / Follow Up</b>	The 2014/15 progress update was provided as information only.

<b>Previous Report Date</b>	June 9, 2015
<b>Decision</b>	Adoption of President’s Working Group recommendations to: <ol style="list-style-type: none"> <li>1. close the Restricted Capped Appreciation program option and make any consequential amendments to HAP documents;</li> <li>2. confirm continuation of 2<sup>nd</sup> Mortgage Loan option for duration of 3 year pilot,</li> <li>3. direct the Administration to develop and consult on creation of a new 10-year, tiered, merit-based Prescribed Interest Rate Loan program option (PIRL) within the FHOP funding cap and based on principles:                     <ul style="list-style-type: none"> <li>• Recruitment and retention of world class faculty</li> <li>• Incentivize faculty to live on campus</li> </ul> </li> </ol>

<p><b>Action / Follow Up</b></p>	<ul style="list-style-type: none"> <li>• tax efficiency and effective use of capital</li> <li>• improve faculty ability to choose location and type of property</li> <li>• support acquisition of home ownership without creating a long-term entitlement</li> </ul> <p>4. direct the Administration to consider and consult on phase-out and replacement of the Down Payment Assistance and Mortgage Interest Assistance loans</p> <p>direct the Administration to report back to the Board on input from the consultation from the new PIRL concept, and phase out of the DPA/MIA</p> <p>To report back on input from consultation with faculty on new PIRL program options and replacement of existing Down Payment Assistance and Mortgage Interest Assistance loan programs.</p>
----------------------------------	---

<p><b>Previous Report Date</b></p>	<p>September 30, 2014</p>
<p><b>Decision</b></p>	<p>The 2014 progress update on the Housing Action Plan (HAP) was presented. Administration was asked to report back after the second Faculty Homeownership program (FHOP) cycle had been completed</p>
<p><b>Action / Follow Up</b></p>	<p>The 2014 progress update was provided as information</p>

<p><b>Previous Report Date</b></p>	<p>September 2013</p>
<p><b>Decision</b></p>	<p>Directed Administration to explore 2nd Mortgage Loan Program as alternative faculty home ownership program model, with better taxable benefit implications to participants than Capped Appreciation model.</p> <p>Directed Administration to consult with faculty on both program types, and the draft Eligibility, Allocation, and Occupancy Policies developed by the Faculty Housing Action Plan Policy Development Committee.</p>
<p><b>Action / Follow Up</b></p>	<p>Report back to the Board on results of consultation</p>

<p><b>Previous Report Date</b></p>	<p>September 20, 2012</p>
<p><b>Decision</b></p>	<p>Adoption of the UBC Housing Action Plan (19 policies) for Vancouver campus, and its implementation steps.</p>
<p><b>Action / Follow Up</b></p>	<p>Report back to Board on Implementation progress.</p>

<b>Previous Report Date</b>	June 12, 2012
<b>Decision</b>	For information. Summary results on most recent consultation. Key policy directions provided for discussion and feedback.
<b>Action / Follow Up</b>	

<b>Previous Report Date</b>	April 2, 2012
<b>Decision</b>	For information. Interim consultation report. Summary of consultation input activities between April 2011 and January 2012 and conveyed key themes to date.
<b>Action / Follow Up</b>	

<b>Previous Report Date</b>	February 2, 2012
<b>Decision</b>	For information. Chair of Community Planning Task Group provided highlights of recent consultation input, including video clips of speakers at the January 2012 forum. The report updated Board on other technical and consultation results to date, including the short list of options under consideration and the outline of the discussion paper that will be the focus of the community consultation in late March 2012.
<b>Action / Follow Up</b>	

<b>Previous Report Date</b>	December 1, 2011
<b>Decision</b>	For information. Chair of Community Planning Task Group provided update on the process including decision to extend community engagement phase.
<b>Action / Follow Up</b>	

<b>Previous Report Date</b>	Sept 27, 2011
<b>Decision</b>	For information. Update on Process – Summary of tour of peer universities, preliminary options under consideration and updated communications and engagement plan.
<b>Action / Follow Up</b>	

<b>Previous Report Date</b>	June 8, 2011
<b>Decision</b>	Resolution: that the Board endorses as circulated, the Guiding Principles for the UBC Vancouver Housing Action Plan.
<b>Action / Follow Up</b>	

<b>Previous Report Date</b>	Sept 27, 2011
<b>Decision</b>	For information. Update on Process – Summary of tour of peer universities, preliminary options under consideration and updated communications and engagement plan.
<b>Action / Follow Up</b>	

<b>Previous Report Date</b>	June 8, 2011
<b>Decision</b>	Resolution: that the Board endorses as circulated, the Guiding Principles for the UBC Vancouver Housing Action Plan.
<b>Action / Follow Up</b>	

<b>Previous Report Date</b>	April 5, 2011
<b>Decision</b>	For information. Endorsement of work program outline and Guiding Principles.
<b>Action / Follow Up</b>	

<b>Previous Report Date</b>	Jan 13, 2011
<b>Decision</b>	<p>UBC Land Use Plan Amendments: Next steps. Resolutions (excerpts)</p> <p>3. Approved the UBC Land Use Plan Amendments and forwarded them for Ministerial adoption</p> <p>5.b) That the Board, subject to adoption of the Land Use Plan:</p> <p style="padding-left: 40px;">Amendments by the Minister of Community sport and Cultural Development, hereby directs staff to:</p> <p>Develop a Housing Action Plan to address housing choice and affordability for student, faculty and staff housing on campus, with an outline of the plan to be approved by the Board of Governors.</p>
<b>Action / Follow Up</b>	



## **Prescribed Interest Rate Loan (PIRL) Description of Key**

### **Terms**

**Updated: Nov 16, 2016**

*The Prescribed Interest Rate Loan (PIRL) is a proposed new loan option within UBC's Faculty Home Ownership Program (FHOP) that would provide tenured or tenure-track faculty that are approved for this option:*

- ❖ *A one-time loan averaging \$250,000 to a maximum of \$500,000 in rare cases at the discretion of the Provost Office, to assist with the purchase of a property, generally in a form that:*
  - *would be repayable in 15 years,*
  - *is for the purpose of supplementing the purchase of a principal residence,*
  - *applicable anywhere in Metro Vancouver*

### **Background**

In Vancouver's challenging housing market context, the umbrella FHOP supports UBC's recruitment and retention of the highest caliber of faculty for its continued research and training excellence. It also supports long term development of a thriving, diverse and sustainable academic community at UBC's Vancouver campus. More specifically it provides a suite of program options ranging from rental to homeownership financial assistance, that collectively help increase housing format and location choice and affordability for faculty working on the Vancouver campus.

Under the "Prescribed Interest Rate Loan (PIRL)" option within the FHOP, UBC would approve and advance to approved tenured and tenure-track faculty a loan generally on the range of \$50,000 to \$500,000 to help with the purchase of a property (new or resale) anywhere within Metro Vancouver. Application through the Housing & Relocation Services process and approval by the Provost's Allocation Committee is required in order to access this loan options.

The PIRL funds would be borrowed through UBC's Faculty Housing Assistance Financial Endowment (FHAFE), and the loan agreement would be directly with UBC.

The PIRL is a loan which any amount greater than \$125,000 will be secured by a second mortgage on the property. The PIRL is repayable after 15 years or earlier if there is a change to the eligibility of the faculty member that triggers early repayment. Borrowers are expected to manage their affairs in a manner that permits them to repay their loans after 15 years, typically by way or remortgaging their home

UBC will require faculty members to pay annual interest at the Canada Revenue Agency (CRA)

prescribed interest rate (November 2016: 1%) so that no taxable benefit will be received by the individual faculty member. Supplementary interest to make up the difference between the CRA rate and the Endowment interest rate would be shared between UBC's Central and the sponsoring Faculty. The loan principal would be due on the 15<sup>th</sup> anniversary of the date the funds were advanced to the faculty member.

PROPOSAL FOR DISCUSSION

# **REPORT**

## **Eligibility, Allocation & Administrative Recommendations for UBC's Restricted Faculty Housing Programs**

**DRAFT Nov 15 2016**

Prepared by:

**Provost Office**

To be considered by Board of Governors Feb, 2017

Revisions ...

## **Contents**

1. BACKGROUND	3
2. KEY IMPLEMENTATION CHALLENGES	4
2.1 Key challenges associated with managing access and determining allocation priorities:	4
2.2 Key challenges associated with managing sustainability of the Program:	5
3. RECOMMENDED ELIGIBILITY, ALLOCATION AND OCCUPANCY POLICIES FOR ALL RESTRICTED HOUSING PROGRAMS	6
3.1 Orientation Going Forward:	6
3.2 Eligibility and Allocation Priorities	7
a. Rental Townhomes	8
b. Faculty Staff Rental Apartments	8
c. Forgivable Down Payment Assistance (DPA)	9
d. Prescribed Interest Rate Loans (PIRLs)	9
e. Rent-Geared to Income Units faculty-staff rental inventory (not yet implemented)	9
f. Provost Prerogative	9
g. Application Requirement	10
h. Faculty Proposed Candidate Lists	10
i. Approvals Validity Period	10
j. Discretionary Wait-List for Faculty Townhome Rental	10
k. Re-Application Permitted	11
l. Five-Year Policy Review	11
3.3 A Centralized Faculty Housing Support Allocation Process	11
a. Faculties Refine Priorities Annually	11
b. Faculties Rank all Candidates	11
c. Internal Ranking Process in Each Faculty	11
d. Faculties Communicate Final Result to each Candidate	12
e. Adjudication/Allocation Process, Responsibility	12
h. Determination of Number of Participation Spaces Per Year	13
i. Communication of Availability to Adjudicating Committee	13
j. 'Approved Candidates' List	13
k. Reference to Restricted Housing Programs in Letters of Offer to New Recruits	13
4. ADMINISTRATIVE SUPPORT PROCEDURES RELATED TO THE IMPLEMENTATION OF THE HOUSING PROGRAM	14

Financial Implications

The financial implications of the proposed Faculty Housing Program changes will have an incremental liquidity and operating budget impact to the existing commitments of the Faculty Housing Program. The table below illustrates the projected incremental impact for the next 20 years. Based on the current Board approved program, liquidity requirement of \$44.3 million and \$4.1 million of operating budget have been planned for. An incremental \$50.8 million of liquidity and \$3.6 million of operating budget are required to support the proposed program after 10 years. In addition the proposed changes are expected to have an increase to participation rates due to current conditions of the housing market and the suitability of these proposed changes for faculty members.

**Incremental requirements above Business as Usual**

<b>Cumulative Liquidity Drawdown</b>	<b>5 years</b>	<b>10 years</b>	<b>15 years</b>	<b>20 years</b>
Newly proposed programs	62.5	95.7	132.9	150.1
Less:				
Inflation adjustment for DPA from \$45k to \$50k	0.3	0.6	0.7	0.7
Existing programs	44.4	44.3	44.3	44.3
<b>Incremental</b>	<b>17.7</b>	<b>50.8</b>	<b>87.9</b>	<b>105.2</b>

  

<b>Operating Budget (net)</b>	<b>5 years</b>	<b>10 years</b>	<b>15 years</b>	<b>20 years</b>
Newly proposed programs	6.3	8.0	9.4	10.4
Less:				
Inflation adjustment for DPA from \$45k to \$50k	0.1	0.3	0.3	0.3
Existing programs	4.2	4.1	4.1	4.1
<b>Incremental</b>	<b>2.0</b>	<b>3.6</b>	<b>5.1</b>	<b>6.0</b>

  

<b>Cumulative Faculty enrollment (# of new faculty members)</b>	<b>5 years</b>	<b>10 years</b>	<b>15 years</b>	<b>20 years</b>
Newly proposed programs	913	1,424	1,914	2,404
Existing programs	752	1,002	1,252	1,502
<b>Incremental</b>	<b>161</b>	<b>422</b>	<b>662</b>	<b>902</b>