

Provost Committee on Faculty Housing

Charge to the Provost's Committee on Faculty Housing Policy

Housing of faculty has become one of Stanford's major challenges. This committee should explore ways to improve our existing housing programs, as well as develop new approaches to achieve and maintain housing affordability for our faculty. In particular, working with the staff from the Provost's Office, the task force should focus on two issues:

1) How well do Stanford's existing housing programs serve the needs of our faculty? What improvements could be made in the existing programs?

2) As Stanford considers building additional campus housing, the question of how the university can develop housing that maintains affordability through multiple owners becomes crucial. What approaches can Stanford use to ensure that any new housing will continue to be accessible to future faculty?

Due to the critical nature of this issue, the committee should aim to report any recommendations to the Provost and President by January 2000.

Faculty Members

Franklin Orr, Chair  
Deborah Gordon  
Stephen Hinton  
Jeffrey Koseff  
Edward Lazear  
Herbert Lindenberger  
David Leith  
William Mobley  
Jeffrey Strnad  
Barry Weingast

Provost's Staff

Kathy Gillam  
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Tim Warner

## **Stanford's Tradition of Campus Housing for Faculty and Staff**

Stanford Housing Programs Support Faculty and Staff Recruiting and Retention efforts. The earliest design of the Stanford campus, prepared in the 1880's by Frederick Law Olmsted, included faculty and staff housing. While Stanford has enjoyed a long tradition as a residential university, it was not until the onset of rapid inflation in local house prices in the late 1970's, combined with double digit interest rates, that access to affordable housing became a serious matter. Over the years, the mismatch between faculty salaries and house prices has steadily increased. Stanford is interested in meeting the housing needs of faculty, senior staff, medical residents, graduate students, post-doctoral fellows, and academic visitors.

Affordable housing is essential to Stanford's ability to recruit and retain outstanding faculty. Stanford recruits about 100 faculty each year from universities throughout the United States. Our salaries are comparable, but the cost of obtaining equivalent housing can be as much as two to three times higher than in areas near other universities.

The decision to come to Stanford should be based on academic reasons -- not on housing costs. The purpose of University housing programs is to remove housing as a factor in a prospective faculty member's decision to accept an appointment at Stanford. The Provost's charge to the newly established Committee on Faculty Housing is to evaluate how well existing programs serve the needs of our faculty, and what improvement could be made. Input from the faculty is a welcome and essential part of this review.

The University has two basic tools: The first is its land endowment of about 8,000 acres. There are currently 860 homes on leased land in the residential subdivisions. Many more of our faculty and senior staff would like to live on campus.

The second tool is an array of mortgage loan programs and direct income supplement program available to all incoming faculty and certain senior staff. Typically, the programs are structured to keep the total housing expenses to household income ratio at about 30%, which is similar to the cap used by conventional lenders. In combination, these programs are designed to level the playing field: the percent of income a faculty member spends on housing in the Stanford area should be equivalent to that in the vicinity of competitive academic institutions.

## **Current Housing Programs**

There are about 2,900 individuals eligible to use one or more of Stanford's housing programs. Approximately 29% own homes on campus. Currently 650 individuals have a Stanford mortgage loan and/or receive a Housing Allowance Program supplement. A brief description of the programs follows.

### Housing Allowance Program

#### Purpose

The Housing Allowance Program ("HAP") is a taxable fringe benefit that, under specified conditions, provides additional compensation to newly-hired faculty and senior staff for a fixed period of time starting with their initial home purchase. HAP is a program that is intended to address the difference in the cost of home ownership between the Stanford area and areas in proximity to other major research Universities. The maximum term of the allowance is nine years, and the allowance declines on a linear basis by one-ninth of the first year amount each year throughout the duration of the term.

#### Terms

The first year allowance amount depends on the applicant's appointment/employment date, starting salary, and year of purchase. HAP is for a "Qualifying Residence". A Qualifying Residence is a single family home, condominium, or any other for-sale dwelling unit suitable for housing one family. HAP eligibility begins with the Advisory Board's approval of appointment or the start of employment in the HAP-eligible position, whichever is later.

#### Participation

Currently 473 faculty and senior staff receive HAP. Payments were \$4.2M in 1998/99.

### Down Payment Assistance Program

#### Purpose

The Down Payment Assistance Program ("DPAP") is a fixed rate loan to assist faculty and senior staff by providing a loan for a portion of the minimum required down payment on a home. The Program is designed to mitigate the difficulties encountered by faculty and senior staff because of the high cost of local housing. This high cost means that individuals moving into this area may not have sufficient cash assets to cover the down payment required by Stanford and conventional lenders. A DPAP Loan may be used to purchase a Qualifying Residence. The University will lend 10% of the purchase price (plus points) up to a maximum of \$150,000.

## Terms

The loan fully amortizes over a ten or fifteen year term at the option of the borrower. The DPAP Loan is due on the earliest of the following dates: (a) ten or fifteen years after the loan date, (b) when the Property is sold, (c) after the Property ceases to be the Principal Residence of the borrower, (d) after the borrower ceases to be an Eligible Person, or (e) upon the certain other circumstances described in the Promissory Note. A borrower who retires from Stanford or who is no longer actively employed as a result of long-term disability may retain his/her DPAP Loan

## Participation

Currently, there are 376 DPAP loans with a remaining balance of \$19.2 million.

## Mortgage Assistance Program ("MAP")

### Purpose

The MAP loan is a non-amortizing mortgage characterized by fixed current interest payments and a deferred interest feature based on appreciation of the property over the life of the loan. The borrower of a MAP loan is able to purchase a more costly home than if he/she used only a conventional mortgage, for two reasons: (a) the current interest payable on a MAP loan is lower than a market interest rate on a conventional mortgage and (b) no principal payments are made during the term of the loan. The University will lend a maximum of fifty percent ( 50%) of the purchase price of the Property or its fair market value, whichever is less, subject to a maximum loan amount of \$500,000. The MAP loan is a new program that will be implemented in December 1999.

Faculty, senior staff and emeriti who are buying a Qualifying Residence in the local community that will be owner-occupied are eligible to participate in the MAP loan Program.

The MAP loan is due on the earliest of the following dates: (1) when the Property is sold, (2) when the Property ceases to be the Principal Residence of the borrower, (3) when the borrower ceases to be an Eligible Person or (4) upon the occurrence of other circumstances set forth in the Promissory Note. A borrower who retires from Stanford or who departs as a result of long-term disability may retain his/her MAP loan so long as none of the other Due Date-triggering conditions occur.

## **Participation**

COIN and Lathrop loans were earlier versions of the new MAP loan. Currently, there are 374 COIN and Lathrop loans with an outstanding principal balance of \$93.0 million.

### Other Mortgage Loan Programs

In addition to MAP and DPAP loans, there are another 214 mortgage loans with a principal balance of \$23.6 million. In total, there are 964 loans with an outstanding balance of \$135.8 million. These other loans serve a variety of purposes such as limited equity mortgages, bridge financing, and remodeling and construction financing (on campus).

### Rental Housing

Rental housing is very useful for new faculty and staff and those who are not yet ready to purchase a home. There are 42 rental units on campus for eligible faculty and staff on campus. This total does not include rentals for residents, SLAC, and students.

## Background Information

<u>I. Eligible Persons</u>	<u>Total</u>	<u>% of Total</u>	<u>On Campus</u>	<u>% Of Campus Owners</u>
Assistant Professor	416	14%	58	7%
Associate Professor	322	11%	77	9%
Full Professor/Senior Fellow	925	32%	359	43%
Staff	609	21%	43	5%
Emeriti/Surviving Spouses	<u>646</u>	<u>22%</u>	<u>305</u>	<u>36%</u>
	2918	100%	842	100%

### II. Eligible Persons by School, Staff, and Emeriti

	<u>Total</u>	<u>% of Total</u>	<u>On Campus</u>	<u>% On Campus</u>
Education	46	2%	16	2%
Engineering	221	8%	67	8%
Earth Sciences	42	1%	13	2%
GSB	81	3%	28	3%
H&S	520	18%	180	21%
Hoover Institution	19	1%	9	1%
LAW	41	1%	19	2%
Medical	646	22%	152	18%
SLAC	47	2%	10	1%
Staff	609	21%	43	5%
Emeriti/Surviving Spouses	<u>646</u>	<u>22%</u>	<u>305</u>	<u>36%</u>
Total	2918	100%	842	100%

### III. On Campus Purchases Past Five Years by Title

	<u>Number</u>	<u>Percent</u>
Assistant Professor	56	27%
Associate Professor	36	18%
Full Professor/Hoover Senior Fellow	62	30%
Staff	30	15%
Emeritus or Surviving Spouse	<u>20</u>	<u>10%</u>
Total	204	100%