



# White Paper: Housing Assistance Programs

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## **Introduction**

This document describes California State University's current thinking on Housing Assistance programs for faculty, staff and administrators. It provides an overview of these programs with the aim of promoting further discussion and analysis. This document is a working draft; nothing contained in it should be construed as a final position or conclusion.

## **Why Housing Assistance is Needed**

The CSU, along with many other employers, has come to recognize that escalating housing prices make recruiting and retaining top-notch employees in many regions throughout the state difficult. For example, in San Francisco, where the median price of a home is \$426,000 and climbing, a gross family income of about \$170,000 would be required to purchase a home. With a salary ranging in the mid-\$40's, an entry level Assistant Professor would certainly find the prospect of buying a San Francisco home a daunting one. Although the CSU has not yet collected data for all of its 23 campuses, there is enough anecdotal information to indicate a large-scale housing affordability problem, affecting perhaps half of the system's campuses.

## **Housing Assistance Program Purposes**

The primary purpose of housing assistance programs is to aid in recruiting and retaining key faculty, staff and administrators in order to maintain the CSU's overall academic excellence. The pressure for growth from rising enrollments as well as the accelerating rate of senior faculty and staff retirements creates a strong need to hire new employees. At the same time, increasing competition from other nationally recognized institutions of higher education for many academic and administrative positions makes hiring difficult. While the CSU competes well on many dimensions, the relatively high cost of housing in California means that a new-hire may pay much more for housing at a CSU campus than at a competing institution. Housing assistance programs are designed to address this housing affordability gap and make the CSU more competitive in a tight labor market.

A secondary purpose of housing assistance is to help create scholarly communities by locating a significant group of faculty, staff and administrators close to the campus. Because these employees will be close to the campus, they can more readily support the full range of teaching, community service and research activities that the university provides to its students and surrounding community.

Colleges and universities typically limit housing assistance programs—these programs do cost money—to targeted employees rather than making them generally available. However, limiting programs in this way is not an inherent requirement. Depending on the nature of the programs that the CSU adopts, housing assistance might be made relatively widely available.

## Exploration

Early discussions with the Board of Trustees and campus presidents will help refine the housing assistance concept and define a data collection and analysis framework that could document the need for, and scope of, potential programs. Needs data will also help connect housing affordability with employee recruitment and retention.

Housing assistance programs will touch many CSU constituencies including employees, alumni, students, state legislators and agencies, as well as local community leaders. Broad and considered discussions with these constituencies are a critical step in developing successful housing assistance programs.

Furthermore, existing housing assistance programs, such as provided by CalPERS, should be evaluated. Roles and the responsibilities of the system offices and the individual campuses must also be delineated.

## Some Options

### ***Use existing resources for affordable housing more effectively***

Many federal, state and local programs provide interest rate subsidy payments, grants, and other favorable loan terms. In fact, the number and variety of existing assistance programs is so great, and the administration of these programs so fragmented, that simply identifying existing assistance opportunities becomes a significant challenge. Housing assistance centers located on individual campuses could help employees sort through the many available programs and choose ones that best meet their needs. A local housing assistance center would provide information, identify potential locations and financing arrangements, offer discounts from housing services providers, assist with financial planning and credit counseling, and generally serve as a one-stop center.

As the largest institution of public higher education in the nation, the CSU's potential for generating large home loan volumes and creating cross product marketing opportunities has generated interest from major banks that wish to provide home loan programs tailored to CSU's needs. These new CSU-based programs would extend what is available from existing government-based housing assistance programs. Citigroup and its mortgage lender, Citimortgage, along with Fannie Mae, have been identified as the CSU's preferred home loan providers. These financial institutions are developing a CSU home loan program that would:

- Include an approximately \$2,000 contribution from Citibank (up to 1% of the mortgage loan amount) for individuals earning an amount at or below 80% of the area median income.
- Include a private mortgage insurance waiver that saves approximately 1% per year on a mortgage loan's face value.
- Provide an application fee waiver.

- Offer a 100% loan-to-value mortgage for employees who make up to 120% of an area's median income. Even employees at higher income levels would be able to make loans that only require a 3% down payment.

Beyond financial assistance, there are campuses that could use surplus land, or review their land use strategies, to make available land for developing affordable housing on or near the campus. Under this type of program, the value of the state owned land becomes a powerful tool to subsidize the cost of housing. Individuals would purchase a home and lease the underlying CSU-owned land on a long-term basis. By placing restrictions on the home's resale, the CSU could ensure that it would remain available for future university employees. These resale restrictions would reduce a home's fair market value, as would the fact that it is built on leased land. Combined, these two factors would substantially reduce the price of the home compared to others in the same market. The price benefits of building on leased land could be realized for both rental and for-sale housing.

### ***Solicit state support for housing***

Even though the CSU may be able to arrange 100% financing at below market rates, new employees often require added help during their earlier, lower earnings, years. Additional subsidies, subsidies which decline over time as salaries increase, can meet these needs. As part of the annual budget process, the CSU could request \$5 million to be used to establish a CSU Affordable Housing Revolving Fund, targeting selected faculty and staff recruits, that offers annual step-down interest subsidies for first-time homebuyers.

In addition to CSU-provided assistance, there are state programs that are available. The California Housing Finance Agency makes use of federal funds to assist low- to moderate-income families. For example, last year the federal government allocated over \$400 million to California for mortgage assistance programs. While the competition for this financing is keen, there may be opportunities for the CSU that could provide important supplements to the overall housing assistance effort.

### **Next steps**

Housing assistance programs can play an important role in an overall recruitment and retention strategy for faculty, staff and administrators. They can also meaningfully contribute to creating a sense of campus community and thus advancing the university's learning mission. There are a number of options for such programs that are under review including providing direct financial assistance, building housing on university land and creating on-campus housing assistance centers. However, before these options can be evaluated, the need for housing assistance must be assessed. Therefore, based on a preliminary decision that further investigation is warranted, a systematic, campus-by-campus, needs assessment process should be undertaken.