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Building Affordable Housing

INITIATIVES FROM INSTITUTIONS OF HIGHER EDUCATION

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NVAHA Northern Virginia Affordable Housing Alliance

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Introduction

Affordable Housing is one of the largest challenges facing the Washington Region, but it is traditionally viewed as a siloed responsibility of local municipalities and developers. That is short-sighted and perhaps outdated thinking.

Our colleges and universities, as the largest collective non-Federal employers in the region, are deeply concerned with the issue as well as for the needs of our students. The Presidents of our Consortium institutions have discussed the issue many times, and charged our Consortium with looking for innovative approaches to the issue that would allow us to serve our constituents and the larger equity goals of our community.

I am deeply grateful to Amazon for stepping in to fund that work, and for the expertise of the faculty at the George Mason University School of Business Center for Real Estate Entrepreneurship. Their executive director, Eric Maribojoc, proposed this landmark study of approaches for higher education to address affordable housing. The result of months of intensive research is a range of ways that colleges and universities can expand access through investment, use of land, and bold partnerships. The work highlights the potential of such efforts as partnerships among funding from local, regional, and national jurisdictions, financial institutions, and philanthropy.

The findings indicate that our higher education and cultural institutions may be ideal partners for helping us address the need for affordable housing. Ideally, this wonderful report is a platform to initiate conversations about new collaboration across our region.

Andrew Flagel
President and CEO
Consortium of Universities of the Washington Metropolitan Area

Building Affordable Housing:
Initiatives From Institutions of Higher Education

A white paper submitted to the
Consortium of Universities of the Washington Metropolitan Area

January 2023

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Metropolitan Washington is a desirable place to live and work. The region has a thriving economy anchored by the presence of the federal government, excellent educational systems, and a skilled workforce. The region boasts of having three airports, an improving regional transit system, and an abundance of entertainment and cultural amenities. While the presence of the federal government has long created the perception of Washington as a company town, the regional economy is diversifying, and Washington recently has been identified as the city with the third highest density of tech talent in the U.S. after San Jose and San Francisco.[1] It is anticipated that this private sector industry diversity will increase with the presence of Amazon's HQ2 in Crystal City.

Unmet Housing Needs

However, severe housing shortages that plague cities across the nation are challenging the metropolitan Washington region as well. In its June 2021 press release announcing *Housing is Critical Infrastructure: The Social and Economic Benefits of Building More Housing*, the National Association of Realtors stated that "The state of America's housing stock… is dire, with a chronic shortage of affordable and available homes [needed to support] the nation's population." The report asserts that "A severe lack of new construction and prolonged underinvestment [have led] to an acute shortage of available housing… to the detriment of the health of the public and the economy. The scale of underbuilding and the existing demand-supply gap is enormous… and will require a major national commitment to build more housing of all types."

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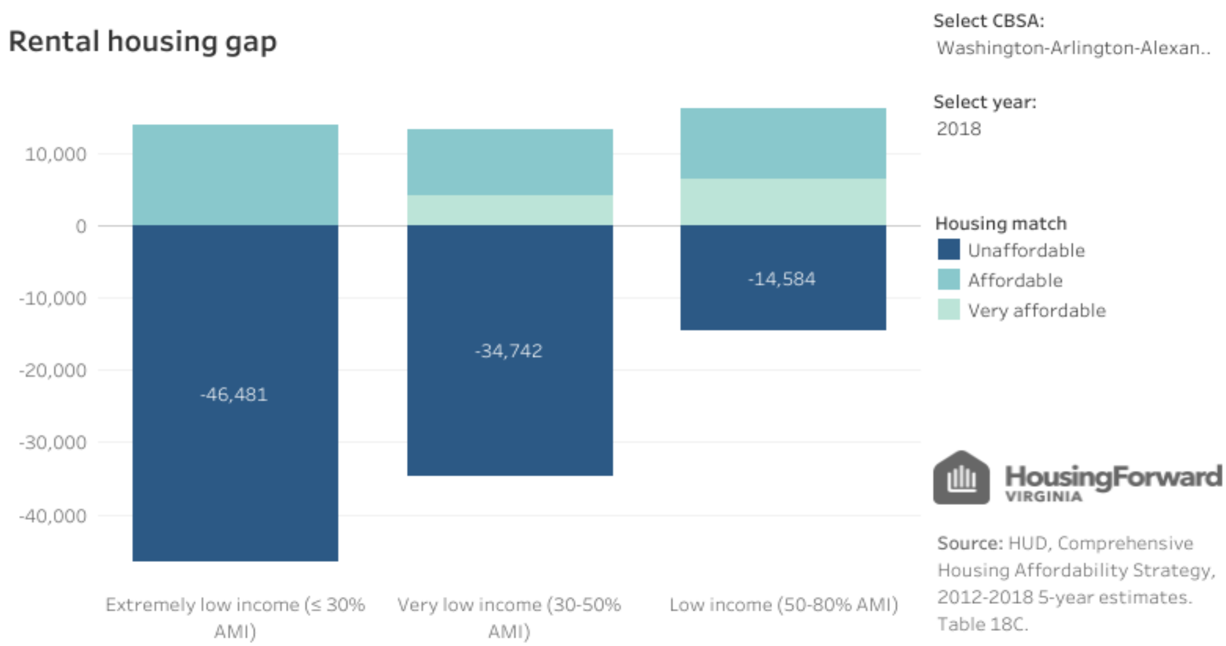
[1] https://www.cushmanwakefield.com/en/united-states/insights/us-articles/global-tech-cities-washington-dc#:~:text=The%20DC%20 Metro%20 region%20 boasts,San%20Jose%20and%20San%20Francisco.

These findings align with an earlier year-long housing analysis conducted by The Urban Institute and the Metropolitan Washington Council of Governments (COG) in 2019. Their goal was to identify what it would take to increase housing beyond the current forecast to provide for the region's growing workforce, taking into consideration the location, price, and housing type created. The region's housing shortage has resulted in unsustainable rent burdens for an increasing percentage of the population. Those who want to rent or purchase a home find few options that are affordable. Affordability is defined as an individual not having to spend more than 30% of their pre-tax income on housing, including rent and utilities.

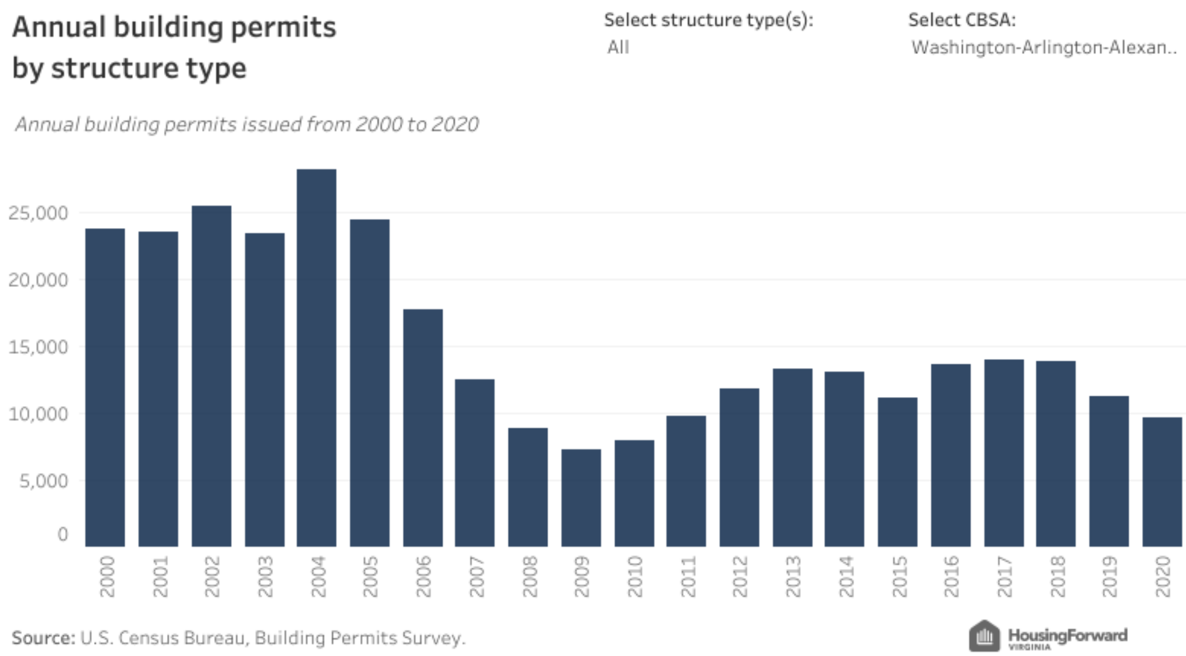
In September 2019, COG's Board of Directors unanimously adopted the goal of creating 374,000 new housing units by 2030 – 75,000 more units than had been planned, and an unprecedented show of regional support for housing. The goal included the provisions that 75% of new units be affordable to low and medium-income households, and 75% be located in the region's activity centers, defined as areas near transportation hubs, job centers, and amenities.

What is driving our housing crisis?

Simply put, wages are not keeping pace with housing costs. Census data show that from 1960-2014, inflation-adjusted rents rose nationally by 64%, but real household incomes only increased by 18%. This is especially true in the retail, hospitality, and services sectors where many low-and moderate-income households are employed.



On the supply side, housing production has lagged growth targets. The following graph indicates that production numbers are significantly less than what is needed, and this trend has continued for several years, creating a huge deficit of housing units. Several factors have contributed to this reduction, including a shortage of skilled construction labor, material shortages, sites suitable for residential development, and uncertain market conditions. Restrictive land use policies and inflexible zoning have resulted in a shortage of the type and location of housing that is needed. To meet COG's regional housing goals, approximately 30,000 building permits should be issued annually.



The constrained housing supply has put pressure on existing market affordable housing - older affordable housing with fewer amenities leased at below market rents. With no government subsidy as part of its financing, this housing stock is at risk of substantial rent increases, demolition, and redevelopment as luxury housing. Without sufficient preservation goals and increased production of affordable housing, the region is falling short of its housing needs.

Non-traditional Partners in Housing Production

Housing production has traditionally been addressed by various stakeholders in the homebuilding industry such as single-family and multifamily developers, investors, housing policy groups, and the public sector. However, as the production shortage has grown, the lack of affordable housing has become a larger problem with consequential impacts on the growth of local economies, the functioning of community institutions, and over-all societal well-being.

With housing affordability affecting a growing number of employees, customers, and community stakeholders, non-traditional partners have stepped up to contribute to the region's affordable housing production needs, often in partnership with traditional housing sector partners.

These participants are leading companies in the business community, or anchor institutions rooted in urban and suburban centers like hospitals, houses of worship, or schools of higher education. Often civic-minded or mission-oriented, these non-traditional partnerships are making transformative investments not just in affordable housing, but also in healthcare, and minority-owned businesses, to create more inclusive, prosperous neighborhoods in the communities where they are located. These are institutions with a material interest in community well-being and a willingness to develop innovative solutions to the housing challenges that threaten the economic prosperity of the region.

Here are three examples of successful committed affordable housing developments[2] created with non-traditional housing partners.

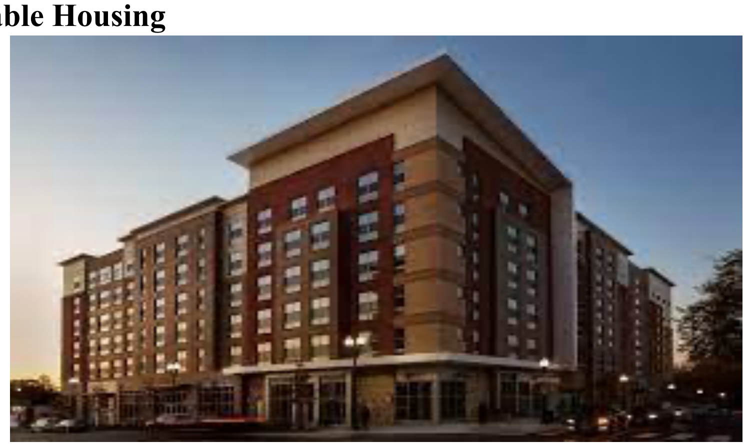
1. **Health System as Affordable Housing Developer: Bon Secours Baltimore Health System**

[2] A committed affordable housing development is defined as a housing project with a binding commitment to keep rents or sales prices affordable to households with target income levels.

Bon Secours Baltimore Health System has been building and rehabilitating affordable housing in Baltimore for thirty years. As part of their commitment to the community, Bon Secours signed a compact in 2014 as one of several anchor institutions participating in a community and economic development strategy for the City of Baltimore. In June 2016, they opened Gibbons Apartments, an 80-unit committed affordable rental development in Southwest Baltimore. According to the Baltimore City Health Department, this community scores in the bottom third of 25 measures of neighborhood conditions that shape residents' health, including the built environment, education, safety, housing, and access to nutritious food.[3] Bon Secours participates in affordable housing development because it views access to affordable housing as a primary determinant of health for the community it serves.

Bon Secours provided pre-development funding for architectural drawings and environmental assessments. Other sources of project financing included 9% low-income housing tax credits, and subsidized loans from the City of Baltimore, the Federal Home Loan Bank of Atlanta's Affordable Housing Program, and a private bank.

2. **Faith Community as Land Provider: Arlington Presbyterian Church Provides Land for Affordable Housing**



[3] https://www.huduser.gov/portal/casestudies/study-062518.html, Office of Policy Research & Development, HUD USER.

Gilliam Place is a collaboration between the Arlington Presbyterian Church and the Arlington Partnership for Affordable Housing, a Northern Virginia non-profit developer. This property, located in one of the most expensive housing markets in the metro area, included 173 committed affordable rental units and 9,000 square feet of commercial and civic space for the church's new worship space and La Cocina VA, a bilingual culinary training center and onsite café. The church gave a $2 million discount on the land acquisition, and additional funds were provided by Arlington County's Affordable Housing Investment fund, Virginia Housing (the state housing finance agency), and the Federal Home Loan Bank Affordable Housing Program.

The church went through several years of discernment to determine what to do with an aging structure that had become too large for its needs. Consultations with their community identified affordable housing as a severe need. The combination of the below-market land price and subsidized financing allowed the project to be built with committed affordable rents. Gilliam Place was named the Best Affordable Housing Development at the 2020 Virginia Governor's Housing Conference.

3. Large Technology Corporations as a Source of Subsidized Capital

Large corporations and technology companies are increasing their commitment to affordable housing in communities where a significant number of their employees live. The best example of this in the Washington metropolitan region is Amazon. In January 2021, Amazon launched their $2 billion Housing Equity Fund for their headquarters' locations of Washington D.C., Nashville, and Seattle. Through below-market rate loans and grants, Amazon partnered with public and private sector partners to preserve affordable housing and increase production, focusing on transit-oriented sites. Notable examples include a $55 million loan as part of a financing package to create 500 new affordable units in Tysons near a Metro station and a $60 million loan to preserve older affordable market-rate apartments in Arlington. In September 2022, Amazon announced that they had committed $147 million to create and preserve 1,260 affordable homes in Washington, D.C.[4] Other large technology companies are financing affordable housing in their headquarters' communities. In 2019, Facebook (now Meta) pledged $1 billion in grants, loans, and land toward easing California's severe crunch by building an estimated 20,000 housing units for middle- and lower-income households.[5] Similar to this announcement, Google pledged $1 billion in California and Microsoft pledged $500 million toward affordable housing in Seattle.[6] [7] Large technology companies have responded to the call by communities to contribute to affordable housing production because of the large number of high paying jobs that they bring which impacts the local housing market. The result is an increased demand for housing that increases land costs, home sales prices, and apartment rents - putting pressure on the surrounding communities' affordable housing stock.

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[4] Staff, Amazon. "Amazon Commits $147 Million to Create and Preserve 1,260 Affordable Homes across Washington D.C." *US About Amazon*, US About Amazon, 20 Sept. 2022, https://www.aboutamazon.com/news/community/amazon-commits-147-million-to-create-and-preserve-1-260-affordable-homes-across-washington-d-c.

[5] Dougherty, Conor. "Facebook Pledges $1 Billion to Ease Housing Crisis Inflamed by Big Tech." *The New York Times*, The New York Times, 22 Oct. 2019, https://www.nytimes.com/2019/10/22/technology/facebook-1-billion-california-housing.html

[6] Wakabayashi, Daisuke, and Conor Dougherty. "Google Pledges to Invest $1 Billion to Ease Bay Area Housing Crisis." *The New York Times*, The New York Times, 18 June 2019, https://www.nytimes.com/2019/06/18/technology/google-1-billion-housing-crisis.html.

[7] Weise, Karen. "Microsoft Pledges $500 Million for Affordable Housing in Seattle Area." *The New York Times*, The New York Times, 17 Jan. 2019, https://www.nytimes.com/2019/01/16/technology/microsoft-affordable-housing-seattle.html.

Colleges and Universities: Role in Affordable Housing Production for Communities

Colleges and universities, like hospitals, houses of worship, and large corporations, are important community anchor institutions. They are place-based organizations that serve communities over generations, drive local economies, and act as one of the largest employers in their community.[8] At least 75% of urban universities have mission statements that include a commitment to the community. Most of those universities also have "offices dedicated to community engagement."[9] But the fact remains that universities and their surrounding communities generally do not have a history of working well together.[10] Recognizing this fact, a 2019 *Chronicle of Higher Education* warned that "colleges can no longer afford to be the isolated, even … antagonistic entities they …have been." Rather, the report argues that "Town and Gown" must grow together. One important area where educational institutions can partner with community members to make an impact is in the area of affordable housing.

The impact of the lack of affordable housing on institutions of higher education is significant. Lack of affordable housing affects the ability of colleges and universities to attract students,

[8] Cantor, Nancy, et al. "Making the Work of Anchor Institutions Stick: Building Coalitions and Collective Expertise." *Journal of Higher Education Outreach & Engagement*, vol. 17, no. 3, Sept. 2013, pp. 17–46; Harris, Michael S. "The Soft Underbelly of Universities as Anchor Institutions: The Disconnect Between University and Community Research Priorities." *Higher Education Policy*, vol. 34, no. 3, Sept. 2021, pp. 603–21. *Springer Link*, https://doi.org/10.1057/s41307-019-00156-y; Stock, Alamy. "The Neighborhood University." *The Chronicle of Higher Education*, The Chronicle of Higher Education, 22 July 217AD, https://www.chronicle.com/article/the-neighborhood-university/.

[9] Carlson, Scott. "The Campus as City: Chronicle of Higher Education." Chronicle of Higher Education, 2019, p. 7-8

[10] Cantor 2013, p. 20

faculty, and staff due to the increasing cost and scarcity of housing. At the same time, institutions of higher education have large numbers of students and employees which generate a major source of housing demand for the surrounding community. This is a factor that makes housing more expensive for the community and places pressure, in particular, on affordable housing for lower-income households.

Affordable Housing Needs and Students

The lack of affordable housing affects a significant number of college students at both two and four-year institutions. According to a 2020 report by the Hope Center for College, Community, and Justice at Temple University, "nearly half, or 48 percent, of students at two-year and four-year colleges were affected by housing insecurity in 2020."[11] That is out of an estimated population of 20 million college students. Moreover about 14% of students experienced homelessness. College students may be especially vulnerable to housing insecurity for several reasons. With rising tuition, fees, and cost of living, today's students face a significantly increased cost of attendance.[12]. The cost of housing and other living expenses is often higher than the cost of tuition.[13]

College students also feel the effects of a lack of affordable housing because many live off campus. The Hope Center found that approximately 60% of students lived off campus where

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[11] Lisa O'Malley, "College Students Contend with Growing Housing Crisis, *Insight Into Diversity* 18 April, 2022

[12] O'Malley; See also Brianna Hatch, "Students are Struggling with Basic Needs So Colleges Are Tapping Benefits Navigators," *Chronicle of Higher Education*, 19 August, 2022.

[13] *HUD User PD&R Edge: An Online Magazine,* "Housing Barriers to College Success."

rising prices in the housing market have frustrated student access to affordable housing.[14] In addition, college students typically do not have a rental history, sufficient funds to place a deposit, or a loan guarantor.[15]

Moreover, not all college students experience the housing crisis in the same way. Students in a lower socio-economic status, first generation college students, and students who identify as nonwhite are especially hit hard. This is because students from minority populations frequently lack the resources that more well-to-do students have and because they are not as familiar with how to navigate the universities' support system.[16] The Hope Center #Real College 2021 Survey noted that "across two- and four-year institutions, 75% indigenous, 70% Black, and 70% American Indian or Alaska Native students experienced food insecurity, housing insecurity, and/or homelessness". This is in comparison to 54% of White students. The report notes that students who identify as LGBTQ+ also have a higher rate of food and housing insecurity at 65% .[17] Pell Grant recipients were vulnerable to housing and food insecurity at a rate of 67% compared to 50% of non-Pell Grant recipients.[18] Students who attended colleges and universities that are considered wealthier had a much lower rate of basic needs insecurity (49%) as compared

[14] See also O'Malley 2022

[15] Broton, Katharine. "Poverty in American Higher Education." *Journal of Postsecondary Student Success*, vol. 1, no. 2, 14 Dec. 2021, pp. 18–45., https://doi.org/10.33009/fsop_jpss129147.

[16] Chris Geary, "The Housing Crisis for Community College Students is Out of Control," *New America, 13* January 2022. Martinez, Suzanna M., et al. "Redefining Basic Needs for Higher Education: It's More Than Minimal Food and Housing According to California University Students." *American Journal of Health Promotion*, vol. 35, no. 6, July 2021, pp. 818–34. *EBSCOhost*, https://doi.org/10.1177/0890117121992295.

[17] The Hope Center #Real College 2021 Survey, p. 32

[18] The Hope Center #Real College 2021 Survey, p. 33

to students at universities with lower endowments (55%).[19] Even in cases where there was university support, the HOPE Center found that 52% of students did not apply for support from their college or university "because they did not know how".[20]

Studies abound about the negative effect that housing insecurities have on college students.[21] It is well documented that the lack of affordable housing results in higher dropout rates, higher degree incompletion rates, and poor attendance. Housing insecure students are 8-12% less likely to enroll in or graduate from college and are more likely to experience a lack of educational success. Moreover, 70% of housing secure students are educationally successful versus 54% who are housing insecure. Students who lack basic securities also tend to receive lower grade points averages; 55% of students who earned Ds and Fs in college were housing insecure. They are more likely to attend college part-time and they have higher rates of anxiety and depression.[22]

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[19] The Hope Center #Real College 2021 Survey, p. 37; See also Broton, 2021

[20] The Hope Center #Real College 2021 Survey p. 3

[21] Adams, Liz. "Colleges Look to Ease Housing Burdens." *Connection*, vol. 19, no. 4, 2005, pp. 17–17; Broton 2021; Broton, Katharine, and Sara Goldrick-Rab. "The Dark Side of College (Un)Affordability: Food and Housing Insecurity in Higher Education." *Change: The Magazine of Higher Learning*, vol. 48, no. 1, 2016, pp. 16–25., https://doi.org/10.1080/00091383.2016.1121081.

[22] Broton, 2021; Broton-Goldrick-Rab, 2016; Geary 2022; Hope Center Report 2021; Khosla, Nidhi, et al. "Academic Goal-Setting among College Students Experiencing Food Insecurity, Housing Instability, and Other Challenges in a Diverse Public University." *Journal of Social Distress and Homelessness*, vol. 29, no. 1, 2020, pp. 3–15., https://doi.org/10.1080/10530789.2020.1678810. Trawver, Kathi, et al. "Researching Food and Housing Insecurity among America's College Students: Lessons Learned and Future Steps." *Journal of Social Distress and Homelessness*, vol. 29, no. 1, May 2020, pp. 39–46., https://doi.org/10.1080/10530789.2020.1678809.

When students do not thrive, their long-term future is negatively impacted. Earning a college degree is correlated with earnings and achievement.[23]

Colleges and universities pay a high price when students do not persist and graduate. When attrition rates are higher, educational institutions must recruit and attempt to retain another student. According to a 2022 RNL report, in the last two years, the cost of recruiting an undergraduate student has increased 32% to $2,795 USD for private institutions and 5% to $494 USD for public institutions. Those estimates do not include financial aid, tuition discounts or federal loans.[24] Moreover, as one scholar observed "Every student equates to a lifetime value for a school that is equal to the amount of money in immediate revenue (tuition, etc., being brought in during the current semester) as well as potential future revenue in the form of future tuition fees plus potential alumni-related giving".[25] But as studies show, affordable housing is likely to improve persistence and retention, thereby mitigating current university expenditures on recruitment.[26]

Affordable Housing Needs and Faculty/Staff

The lack of affordable housing in the Washington, D.C. region has resulted in university salaries unable to keep up with local fair market rents. The following graphic illustrates ten staff

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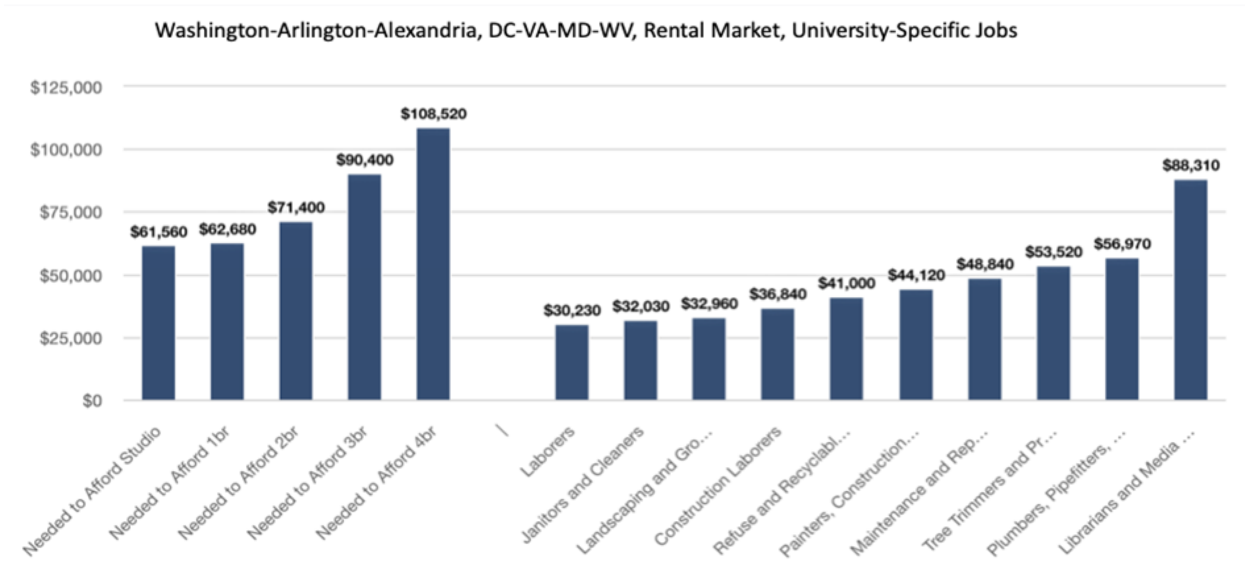
[23] Khosla et al 2020

[24] Neil Raisman, "The Cost of College Attrition at Four-Year College and Universities: An Analysis of 1669 US Institutions," The Educational Policy Institute, February 2013, p. 3

[25] Raisman, 2013

[26] Broton 2021;Goldrick-Rab, Sara, et al. "A First Look at Impacts of the College Housing Assistance Program at Tacoma Community College." *TUScholarShare*, Temple University. The Hope Center for College, Community, and Justice, 1 June 2021, https://scholarshare.temple.edu/handle/20.500.12613/6952.

occupations that are commonly found on university campuses and compares the salaries to the median income that would be required to afford five different housing types in the Washington metropolitan area: studio, one-bedroom, two-bedrooms, 3- bedrooms, and 4-bedrooms.[27]



The data show that of the ten staff occupations listed, nine cannot afford any of the market rents of five rental housing types.

Studies demonstrate the negative impact that the lack of affordable housing can have on faculty and staff. The effects of the lack of affordable housing on faculty and staff are sometimes referred to as an "invisible housing crisis."[28] In part, this crisis is because in the past few years, especially over the pandemic, faculty and staff wages have remained stable, while housing costs have risen quickly. A *Chronicle of Higher Education* article entitled "When New Professors

[27] "Paycheck to Paycheck." *National Housing Conference*, 8 Aug. 2016, https://nhc.org/paycheck-to-paycheck/metro-area/47900/occupations/47-2060,37-2011,53-7062,37-3011,25-4020,49-9070,47-2141,47-2152,53-7080,37-3013/

[28] Kim, June 13 2021

Need Housing, Colleges Are No Help," points out that programs designed to provide faculty with relocation benefits or housing assistance are rare.[29]

Adjunct and term faculty are especially hard hit. The American Federation of Teachers (AFT), a contingent faculty union, explains "part-time and contingent faculty are among the most vulnerable workers, members of a gig economy that offers little job security and none of the prestige so often associated with university professors." The AFT also observes that "most college and university instructors in the United States are contingent faculty, with nearly 75 percent of all instructors not eligible for tenure, and 47 percent holding part-time positions"[30] A 2020 AFT report noted that 25 percent of part-time college faculty and their families are enrolled in at least one government-assistance program and 40% have difficulty paying for basic household expenses.[31] AFT also observed that "one-third of respondents earn less than $25,000 annually, placing them below the federal poverty guidelines for a family of four" and "another third earns less than $50,000, which keeps them just above the poverty line but trapped in a vicious cycle of poverty."

The pandemic exacerbated the inequality between full-time and adjunct professors. During the pandemic, universities faced declining enrollments which translates into job insecurity for adjunct and term faculty. Montana State University (MSU) was one institution hit hard during the pandemic. Carolyn Chernoff in 2020 reports that "subsidized faculty housing has been

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[29] Gardner 2015

[30] See also American Association of University Professors (Data Snapshot: Contingent Faculty in US Higher Ed, October 11, 2018)

[31] See also UC Berkeley Center for Public Relations April 2015 report "The High Public Cost of Low Wages," https://laborcenter.berkeley.edu/the-high-public-cost-of-low-wages/

essential” to MSU faculty and staff. But in 2021, MSU, which was providing employee housing, had to end non-student employee contracts to make room for an influx of students.

Lack of affordable housing makes it difficult to attract and retain a talented faculty and staff workforce.[32] It also means that many, like those who prepare and serve food, the custodial staff, administrative assistants, and young professors cannot live close to where they work increasing commute times and lowering reliability of service on campus.[33]

Models of Affordable Housing Production with Institutions of Higher Learning

Institutions of higher education can consider contributions to the production of committed affordable housing units through the five primary inputs in building housing.

Land:	the site upon which new housing is to be built
Entitlement:	the regulations and legal processes that govern how many housing units can be built on the site and how these units are to be designed and built
Materials:	the cost, availability, and quality of building materials
Labor:	the cost, availability, and quality of various building trades and skilled labor
Capital:	the risk-adjusted cost and availability of capital (both debt and equity) to fund housing projects (and additionally for the for-sale market, the cost of debt for purchasers to buy their housing units)

For new market-rate housing, the rents and sales prices are determined by the costs of these five inputs. For new committed affordable rental housing, where the rent is capped to be affordable to

[32] Querolo 2022; Middlebury Press Release

[33] Burke 2020

lower income households, one or more of these inputs of housing production is subsidized below market.

It is recognized that institutions of higher education have many ways to impact housing. Through their primary mission of education, colleges and universities produce a skilled workforce for the housing industry. Through their research activities, colleges and universities help design and produce new building materials, technologies, and processes that may make housing production faster, less expensive, and more sustainable. Acting as policy researchers and advocates, colleges and universities help develop and change public regulations to increase housing production and affordability.

However, this paper will primarily focus on the direct roles institutions of higher learning can play in the production of new committed affordable rental housing, in directly providing land or capital as an input to new affordable housing projects.

Capital for Affordable Housing Projects

1. **Debt Financing for Affordable Housing Projects**

   Debt financing at below-market interest rates is provided to committed affordable housing projects. A good case study is the Harvard Local Housing Collaborative which provides early-stage debt for urban affordable housing projects in Boston and Cambridge. The $20 million program began in 2000 and provides low-interest (2% p.a.) loans to fund early-stage development activities such as land acquisition and pre-development which are often upfront costs for affordable housing developers. The funds are provided to three community development financial institutions, which originate and administer the loans.

The original $20 million has revolved more than twice over, leveraging more than $1.3 billion in more than 180 housing projects with more than 7,000 affordable units.

2. Debt Financing Through Local Institutional-Grade Intermediaries

Often, college and university foundations, as well as other sources of philanthropic funds, are restricted to investments with institutional-grade entities. Some community development financial institutions (CDFI) have recognized this and have secured institutional credit ratings to raise funds for local housing projects. A good example is in 2015, the Housing Trust Silicon Valley became the first non-profit CDFI in the United States to earn a credit rating from Standard and Poor's Rating Services with an institutional grade AA- rating. After securing the rating, two new loan pools were announced for funding. The first was a $15 million Affordable Growth Fund to finance 1,200 affordable rental units. The second was a $10 million zero interest fund to finance housing for the homeless. More recently, in 2022, a partnership was announced with Apple for a $150 million Affordable Housing Fund which offered development loans at 2% interest.

Institutions of higher education can partner with local CDFIs to secure institutional credit ratings, if required, for investments from college and university endowments to fund subsidized loans for affordable housing projects.

3. Debt Financing Though National Institutional-Grade Intermediaries

There are CDFIs that have a national focus and larger lending portfolios that have institutional-grade credit ratings and affordable housing-related investment vehicles. One limitation is that investments may not be directly attributed to local housing projects but as part of a national lending portfolio.

Two good examples are national CDFIs based in the Washington, D.C. metro area. The National Housing Trust Community Development Fund has provided more than $44 million in loans, preserving more than 13,000 affordable units, and leveraging more than $1 billion in other capital for affordable housing. The National Housing Trust has a Standard and Poor's investment grade rating of A- and offers investor notes with one- to ten-year terms at interest rates of 0.5% to 3%.

The second is Enterprise Community Partners which has funded $2.3 billion to support the development or preservation of 127,300 affordable housing units nationwide. Enterprise Community Partners carries a Standard and Poor's investment grade rating of A+. They offer investments in their Community Impact Notes with three- to 15-year terms and interest rates of up to 2.25%.

4. **Equity or Debt Financing Through Local Social Impact Funds**

Investments can be made in private social impact funds that provide equity and debt to local affordable housing projects. Some of these funds offer higher returns compared to debt funds by investing in workforce housing which allow for higher committed affordable rents, defined as for households with 70% to 100% of area median income (as opposed to affordable housing for families below 60% of area median income). One good example is the Housing Impact Pool launched in 2018 by JBG Smith, the developer of the Amazon HQ2 buildings. The fund is a $115 million investment vehicle that provides loans and equity to affordable workforce housing projects. The fund's returns are capped at a 7% internal rate of return over a 15-year term. The fund's investors are several local real estate development firms and banks.

5. **Risk and Return of Committed Affordable Housing**

Contrary to the perception that investing in affordable housing is highly risky, the committed affordable housing asset class is known for its relative stability during past economic turbulence and volatility. There is a lack of supply of housing in general, but this has been especially prevalent in the affordable housing market, where demand far exceeds supply. Affordable housing has stability in its rents, low turnover, and better occupancy rates relative to market rate housing.

More demand for affordable properties is also created during economic downturns as renters trade down for more affordability. To illustrate this, data from the Great Recession of 2008-2010 shows that occupancy in committed affordable two-bedroom units fell only 0.9% from 2008-2009 and started going up even while unemployment rose. As a result, while there are lower returns for investors as seen in the various affordable housing investment products previously discussed, there is also a low default rate for financing for affordable housing projects.

Land for Affordable Housing Projects

1. **Build More Affordable Housing on Campus Land**

In communities, particularly in land-constrained urban areas where the off-campus rents are significantly higher than rents for housing built on campus land and with capital subsidies, educational institutions can build more affordable student and faculty/staff housing on campus. As an example, 26 California public universities and community colleges will receive $1.4 billion from the state's 2022 budget to build affordable on campus student housing with 7,300 beds. Another $1.8 billion in interest-free loans is proposed for additional student and employee housing.

If public financing is scarcer or not available, another strategy is to enter into a public-private partnership (P3) with a private housing developer to finance and build affordable on-campus housing. In a P3 arrangement, the university typically provides the site, and the private partner develops the building to be leased to the university or to users directly. A good example is the University of Hawaii which, in May 2020, entered into a P3 with a private developer, Greystar Real Estate Partners. The university leased the campus land to the developer and, in addition, provided parking for the building from nearby campus parking facilities. The project will provide 388 affordable rental units, along with a childcare facility, for graduate students and faculty. The cost was $212,500 per unit, compared to an average area condominium sales price of $500,000.

2. Co-locate Affordable Housing for the Community with New Student Housing

When proposing new student housing on campus in communities where there is a large need for affordable housing, universities can co-locate affordable housing for the community as part of the entitlement proposal for the site. As an example, University of California Berkeley has proposed a 1,100-bed student housing project on land owned by the university. Adjacent to the student housing, a 125-unit supportive housing facility with on-site services to help formerly homeless persons would be developed and managed by a non-profit developer partner under a ground lease with the university.

3. Co-locate Affordable Housing with Other Campus Facilities

When building new low- or mid-rise campus facilities, universities can consider increasing density by co-locating affordable housing with the facility to optimize land use, particularly in urban locations where land is at a premium. As an example, Portland Community College (PCC) in Portland, Oregon, is redeveloping its Portland Workforce Training Center, which was a one story 30,000 sq. ft. facility on three acres. The new workforce training facility will be two stories with 50,000 sq. ft. In addition, one of the three acres of the site will be ground leased by PCC to housing developer Home Forward to build 84 affordable housing units open to households in the community earning 60% of the area median income or less.

4. **Lease Owned Land for Affordable Housing**

   Underutilized land owned by a university or university foundation can be leased with minimal payments and for long terms to an affordable housing developer to build committed affordable units for the community. A good example is the University of Virginia's commitment to contribute to the development of 1,000 to 1,500 affordable housing units in Charlottesville, Virginia over the next ten years. Two sites owned by the university foundation have been identified for the first projects, one with approximately two acres and the second with approximately twelve acres. The sites will be leased to selected affordable housing developers who will build, own, and operate the projects for the duration of the ground lease.

5. **Contribute Owned Land to a Public-Private Partnership**

   For institutions of higher education with the institutional capacity to become an active part of an affordable housing development team, underutilized land owned by a university or university foundation can be contributed to a public-private partnership to develop committed affordable rental housing for the community, sometimes with negotiated preferences for students, faculty, or staff renter applicants. The university remains a partner in the entity which develops, owns, and operates the property.

As an example, in 2021, Durham Technical Community College in Durham, North Carolina announced its Affordable Housing Initiative after a 2019 survey of its students showed more than 50% experienced some form of housing insecurity. The college is contributing a 10-acre site to a partnership with Bank of America, Mosaic Development Group, and the Partnership for Southern Equity. The college is entering into this partnership which will seek financing for a $29 million project with 124 affordable housing units. Students would have priority consideration for at least 20% of the units.

6. **Contribute Owned Land to Local Government**

   Institutions can turn over vacant or underutilized land to a party that has the capacity to select a development partner and manage an affordable housing development partnership, with negotiated preferences for student, faculty, and staff renter applicants. A good example is the donation by Wake Technical College in 2021 of 6 acres of college-owned land in Raleigh, North Carolina to Wake County. The county will manage the development of the site into 235 affordable rental units for households earning less than 80% of the area median income. Students will have priority consideration for 30% of the units.

7. **Purchasing Off-Campus Land as a Land Bank**

   Land acquisition and the cost of predevelopment activities are hurdles to affordable housing development since these costs need to be spent upfront, sometimes before the major sources in the capital stack become available to the developer. The Harvard Local Housing Collaborative, discussed earlier, helps address this by offering debt to fund these early development costs. A university can also address this by acting as a land bank for affordable housing developers. A recent example is in April 2022, when Middlebury College in Vermont acquired a 35-acre parcel outside of its campus for $1.5 million. The college entered into an agreement with a local housing developer, Summit Properties, to sell the property in increments as the company develops the property into 100 units of affordable and workforce housing with a total project cost of $40 million.

8. **Developing Off-Campus Affordable Housing for Students**

Universities with institutional capacity and available funding can directly develop off-campus committed affordable student housing. A good example is The Village, a project of seven affordable rental townhomes in Norwalk, California which was developed by Cerritos College in June 2020. The development houses 28 students. The $4 million housing project was funded from the college budget. The college does not operate the property but entered into a master lease with Jovenes, Inc., a non-profit which assists homeless and displaced young adults. Jovenes leases and operates all the townhomes for a payment of $120,000 a year to the college, which is a 3% return on the project investment.

9. **Affordable Units Required by Inclusionary Zoning**

Many institutions of higher learning own, directly or through their foundations, developable land outside of their campuses made available for commercial development by private developers through long-term ground leases or partnerships.

If a site is developed for residential use, inclusionary zoning regulations require that a portion of the units have affordable rents or sale prices. For example, in the District of Columbia, the D.C. Department of Housing and Community Development administers the District's Inclusionary Zoning (IZ) Program, which requires that 8% to 10% of the residential floor area be set-aside for affordable units in most new residential development projects of 10 or more units and rehabilitation projects that are creating 10 or more units in an existing building. The affordable rent and purchase prices are governed by the inclusionary zoning regulations. In other jurisdictions, such as Arlington, Virginia, inclusionary zoning is tied to requests for higher density and may be complied with either by unit set-asides or by cash contributions to the county affordable housing investment fund. In the negotiations of institutions of higher learning with developers for site ground leases or partnerships, affordable housing unit set-asides can be increased beyond inclusionary zoning minimums to benefit the community as well as potential renters among faculty.

10. University-Related Community Land Trusts

A community land trust (CLT) is a non-profit entity formed and funded to hold title to land to preserve the long-term availability of affordable housing and other community uses. A CLT separates the value of the land from the value of the residential buildings, making the purchase or rental of the residential buildings more affordable (and subject to a ground lease), particularly in urban communities where land values are extremely high. Educational institutions have used CLTs to offer affordable housing ownership to faculty. A prominent example is the Irvine Campus Housing Authority (ICHA), which was created by the Regents of the University of California 35 years ago to develop and maintain University Hills, a for-sale and rental employee housing community on the campus of The University of California, Irvine (UCI). University Hills has 384 apartments and 1,226 for-sale homes on over 300 acres.

The land is owned by ICHA and only employees of UCI can rent or purchase property at University Hills. Appreciation of owned properties at University Hills is capped to preserve affordability for the next employee purchaser. This has created an affordable home ownership community in the very high-cost Orange County, California area. While UCI uses University Hills for faculty recruitment and retention, the CLT model is an innovative strategy for affordable housing.

Other Strategies for Affordable Housing

1. **Leveraging Market-Rate Off-Campus Housing for Affordable Housing**

   Many institutions have private off-campus market rate student housing developments at the periphery of their campuses. The income from these private student housing projects may be used to cross-subsidize adjacent affordable housing development. A good example is One University, located on a 10.8-acre site owned by Fairfax County adjacent to George Mason University in Fairfax, Virginia. Fairfax County has entered into a public-private partnership through two long-term ground leases, one with SCG Development, which will develop, own, and operate 240 units of affordable housing in two buildings, and a second one with student housing developer RISE, which will develop, own, and operate 333 units of market rate student housing in one building. The success of the market rate student housing project is based on strong demand from students for student housing walkable to campus. The income from the market rate student housing was a critical component to the financial viability of the entire project, and contributed, along with the subsidized land cost and financing, to the feasibility of the affordable housing component.

2. **Leveraging Housing Development, Housing Assistance, and Student Success**

   Educational institutions have been successful in combining housing assistance from local housing authorities and access to new affordable housing units to help formerly housing insecure students achieve better educational outcomes.

   The College Housing Assistance Program (CHAP) is an example of a successful program in Tacoma, Washington. The Tacoma Community College (TCC) partnered with the Tacoma Housing Authority in 2014 to provide students who are homeless or near homeless with housing assistance vouchers. Then TCC partnered with developer CWD Investments, which had developed a 62-unit affordable housing project that was dedicated to both TCC students and low-income renters. A second project was later added that was walking distance to TCC. In 2016, the program was expanded with the University of Washington Tacoma (UWT) similarly partnering with the Tacoma Housing Authority and another developer with a 104-unit micro-unit apartment for homeless UWT students.

   The project has resulted in improved educational outcomes for the students. Sixty percent of CHAP students graduated or remained enrolled, compared to 14% of unassisted homeless students. CHAP students achieved a 3.05 average GPA, higher than the school-wide average.

3. **Proactive Affordable Housing Assistance for Students**

   Data has shown that housing insecure students do not perform well academically and have a higher risk of dropping out of school. Efficiently matching students to available affordable housing assistance is important. Most institutions provide information regarding affordable housing assistance. Some go further and have staff and counselors to assist students through a process similar to a caseworker system, which has been more effective. Others go further still and engage third party providers or platforms with more resources to provide updated information on available assistance and help with navigating the process.

One such example is a partnership between two universities (California State University Long Beach and State Polytechnic University Humboldt) with the Center for Equitable Higher Education (CEHE). CEHE administers a unique rehousing program, which offers students who are experiencing homelessness access to a community-based agency that can help the students find subsidized housing. The Center also connects each student to a case manager. Another example is a partnership with eighteen community colleges around the country with Single Stop, a technology platform which connects students with available assistance such as housing vouchers and counseling for housing insecure students.

4. **First-time Homebuyer Programs for Faculty and Staff**

Educational institutions have partnered with local housing agencies to provide assistance for faculty and staff who are first-time homebuyers, particularly in high housing cost areas. As an example, American University partnered with Washington D.C.'s Office of Planning in its Live Near Your Work program. The program offers grants of up to $12,000 to full-time faculty and staff members who want to buy homes in the city. Another example is a partnership between the City of College Park and the University of Maryland. A program called the College Park City-University Partnership offers a $15,000 forgivable loan to full time faculty and staff who purchase a home in College

Park. The program has closed on 78 loans with a total amount of $1.2 million, primarily funded by the Maryland Department of Housing and Community Development.

As anchor institutions, colleges and universities have a vested interest in the well-being of the communities in which they are located. Assuming a leadership role in addressing broad societal challenges like affordable housing provides an opportunity for collaboration and building community relationships. This paper has shown that the mission and goals of the educational community itself are affected by the cost of housing, impacting both student academic performance, and the ability to attract and retain quality university faculty and staff.

There are multiple ways to participate in housing, from building awareness of the issue among members of the academic community, to being advocates for inclusion and change, to direct investment in housing. This paper aims to provide ideas for discussion of affordable housing and the roles institutions of higher education have as anchor institutions in the Washington, D.C. metropolitan community.