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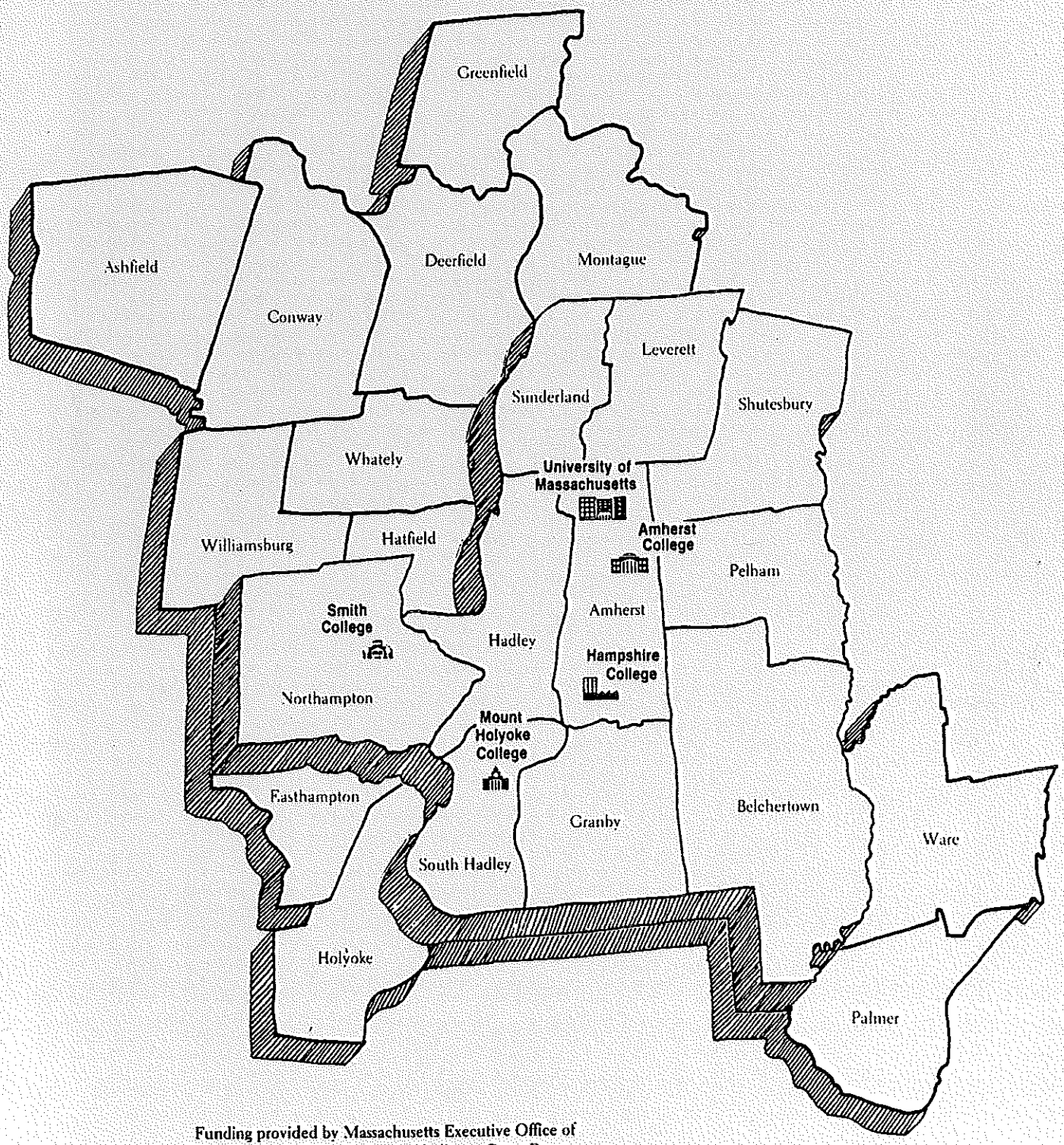
Town Hall
4 Boltwood Ave.
Amherst, MA. 01002

Report of the

Regional Commission on Affordable Housing Needs of Academic Communities

January 1990



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Regional Commission on Affordable Housing Needs of Academic Communities

Joe Agundez
G. DeVon Bascomb
Marcia Berkley
Lorraine Cox
Barry DelCastilho
Nancy Eddy
Chris Gaffney
Jerald H. Gates
Jon Hite
Al Humphrey
Owen P. Jacobsen
Paul Korpita
Connie Kruger
Bernard R. Kubiak
Ipek Kursat
Joanne Lewenson
George May
James Mazik
Richard Minear
Robert Mitchell
Philip Mokrzecki
Rebecca Morrison
Madeline Nash
Ronald Nayler
Jane Nevin
Senator John Olver
Janet Parsons
M.J. Peterson
Lawrence E. Remillard
Rep. Stan Rosenberg
William Stapleton
Allen Torrey
Jonathan Tuttle
Barbara Wise
Joseph Zannini

Report of the

Regional Commission on Affordable Housing

Needs of Academic Communities

Funded by the Executive Office of Communities and Development

Project Consultants: OKM Associates, Inc. and Rolf Geotze

TABLE OF CONTENTS | PAGE

EXECUTIVE SUMMARY i - vii

CHAPTER I: ANALYSIS OF CONDITIONS AFFECTING THE AVAILABILITY OF AFFORDABLE HOUSING IN AMHERST AND THE SURROUNDING REGION 1

SECTION I: OVERVIEW 1

A. The Academic Institutions 1

B. Population and Jobs in the Impact Area 2

C. Responses to Growth Pressures 3

D. Estimates of Affordable Housing Needs 4

E. National and Regional Trends Affecting Housing 6

SECTION II: THE IMPACT AREA & ACADEMIC INSTITUTIONS 7

A. Defining the Impact Area 7

B. Impacts of the Academic Institutions 11

1. Academic Institutions as Economic Generators 11

2. The Academic Institutions in the Impact Area 13

3. Academic Institutions and Affordable Housing 14

SECTION III: ANALYSIS OF IMPACT AREA CHANGES: 1980-1988 15

A. Population and Academic Affiliated Households 15

B. Households and Jobs 21

C. Changes in Housing Stock 25

D. Price Trends in the Impact Area 28

E. Zoning and Growth Controls 32

SECTION IV: AFFORDABLE HOUSING NEEDS 33

A. What is Meant by Affordable Housing? 33

TABLE OF CONTENTS

B. Estimates of Households in Need of Affordable Housing 34

1. Methodology 34

2. Estimates of Need 36

3. Current Supply of Assisted Housing 37

C. The Affordable Housing Needs of the UMass Population 38

CHAPTER 2: COMPARATIVE ANALYSIS OF HOUSING STRATEGIES OF ACADEMIC INSTITUTIONS

SECTION I: INTRODUCTION 40

A. Overview 40

B. Why Academic Institutions Should Respond to Housing Problems 41

C. Institutional Resources 42

SECTION II. COMPENDIUM OF ACADEMIC HOUSING STRATEGIES 44

A. Direct Production of Housing 45

B. Indirect Housing Production 50

C. Support of Local Affordable Housing Production 56

D. Mortgage Assistance Program 60

E. Housing Market Flow of Funds 68

F. Community/Institution Cooperation 71

SECTION III. CRITERIA FOR EVALUATION OF OPTIONS 75

SECTION IV. UNIVERSITY/COLLEGE HOUSING POLICIES 77

A. The Four Colleges 77

1. Amherst College 77

2. Hampshire College 78

3. Smith College 79

4. Mt. Holyoke 79

TABLE OF CONTENTS

B. University of Massachusetts 80

1. UMass Students and Jobs in the Impact Area 80

2. UMass Housing Policy and Expenses 81

3. Current Campus Housing Stock 82

4. Capital Improvements 84

5. University-Owned Land 85

SECTION V. STATE ASSISTANCE TO ACADEMIC HOUSING 88

A. Overview 88

B. The Building Authority 88

C. EOCD/MHFA 90

D. Other State Authorities 91

1. Mass. Industrial Finance Agency (MIFA) 91

2. Health and Educational Facilites Authority (HEFA) 92

3. Massachusetts Government Land Bank 92

SECTION VI. CONCLUSIONS AND RECOMMENDATIONS 93

CHAPTER 3: RECOMMENDED STRATEGIES 95

A. Estimates of Lower-Priced Housing Units Needed in the Region 95

B. The Goals of a Regional Housing Initiative 98

C. Strategies 99

1. Create a Regional Organization for Implementing the Recommended Strategies 99

2. Educate the General Public and Community Officials 101

3. Housing Production and Assistance Goals for Ring Communities 102

4. Academic Housing Plan and Housing Goals 106

5. Create a Regional Housing Land Trust 108

APPENDICES 110

EXECUTIVE SUMMARY

I. COMMISSION BACKGROUND

In the summer of 1988 concerns over the availability of affordable housing the in the Amherst area led to the formation of the **Regional Commission on Affordable Housing Needs of Academic Communities**. The initial participants, led by Rep. Stanley Rosenberg, included Jack Littlefield and Joseph Zannini from the University of Massachusetts, George May of Amherst College, Connie Kruger and Bob Mitchell from the Town of Amherst, and Allen Torrey of Hampshire College. The goal of the group was to conduct a comprehensive study of the housing market that would analyze the problems and suggest strategies for solutions.

As the Commissions's name suggests, the study was to focus on understanding the effect of the academic institutions upon housing. A Challenge Grant from the Executive Office of Communities and Development (EOCD) awarded $40,000 to the Town of Amherst to support the Commission's work. During the Fall of 1988, commission membership was expanded to create more regional representation through the appointment of the balance of the 35 member commission. The membership elected William Stapleton, Vice President of Heritage Bank for Savings, as chairperson and conducted monthly meetings. In January 1989 a request for proposal was published and in March O.K.M. Associates, Boston, MA, and Rolf Geotze were contracted for $30,000 to produce research on the housing problem. The balance of the grant funds were expended for clerical support, materials, mailing, and printing. The consultants provided research to the committee in three parts between June 1, 1989 and October 27, 1989. The final document was edited by Commission Member Connie Kruger with assistance from William Stapleton and Jeffrey McQueen. It is available from the Challenge Grant Program, EOCD, 100 Cambridge Street., Boston, MA 02202, or by calling the Amherst Planning Department for ordering information at 413-256-4040.

II. THE PROBLEM

The Amherst area has a housing problem. The symptoms are well known: apartment rents and home prices that are so high that many people spend 40% to 50% of their income for housing costs or simply are unable to rent or buy in the area market. The causes of the housing problem are less well understood than the symptoms and receive the most attention in the Commission Report.

Affordable housing problems can't be reduced to a single cause. A combination of national, regional, and local factors has produced an imbalance between the supply and demand of housing. That imbalance is influenced by national factors: the decline in rental housing development, increase in two-income households, relocation of empty-nester households, the strength of the regional economy, and in-migration of younger working households of the Baby Boom age. When a region is an attractive place to live, as is the Pioneer Valley, such national trends, combined with local conditions, drive prices up and limit the supply of housing.

The predominant local condition is the presence of the University of Massachusetts, whose population results in 11,000 students and 3,700 staff seeking off-campus housing in Amherst and outlying communities. In addition, 20% of UMass graduates and 10% of the graduates from the four private colleges in the area remain in the local housing market immediately after graduation. The impact of this increased demand is higher prices.

The Commission identified a 10-town area that comprises the main housing market (the Impact Area) which supports the housing needs of the academic community. These impact area towns include:

Amherst	Northampton
Belchertown	Pelham
Granby	Shutesbury
Hadley	South Hadley
Leverett	Sunderland

These ten impact area communities house 88% of UMass faculty, 82% of UMass students, and 59% of the staff. Of the estimated 108,600 persons within the impact area, 24,995 persons (23%) are affiliated with UMass. Within Amherst, 20,460 persons (58% of the population) are UMass affiliated. The Town houses 70% of UMass students, 63% of UMass faculty, and 25% of UMass staff. The other 9 communities in the impact-area house 10% of UMass students, 25% of UMass faculty and 33% of the UMass staff. Even the most general statistics make obvious the major impact which the University has in the 10 impact-area communities.

The four colleges, Amherst, Hampshire, Smith, and Mt. Holyoke, are relatively small in their impact upon housing. They are largely self contained and house nearly all of their students and some of their faculty and staff. However, approximately 10% of their students remain in the impact area after graduation.

The scarcity of affordable housing in Amherst is not a recent problem. It can be traced back to the late 1960's and early 1970's when UMass doubled in size during a 10-year period. It has been suggested that the housing market has been slowly responding to the resulting supply/demand imbalance ever since. Most of the rental inventory in large developments was built during this time but was absorbed by such strong demand that by 1970 the vacancy rate was only 1%.

In 1971 Amherst enacted zoning changes that limited the possible sites for large developments. This slowed rental production, which came to a halt for the rest of the decade after the state imposed a sewer moratorium on Amherst 1974 - 1979. The growth of UMass slowed at the end of the 1970's, but graduate programs continued to expand. And undergraduate juniors were no longer required to live on campus, which further increased demand on the local rental market.

In recent years, additional variables have reduced housing production further while demand continues to keep the vacancy rate in the region very low:

- The dwindling inventory of buildable land and strict environmental controls have dramatically increased land costs.

- An Amherst building moratorium from 1986-1988 limited the number of building permits available.

- The 1986 Tax Reform Act made the development of rental units a less profitable investment by removing many tax advantages.

- The federal government has been reducing the subsidy programs that could make rental projects feasible.

These conditions and others previously discussed have produced a large number of resident households which lack stable permanent housing and because of their vulnerability to rent increases could be considered likely to experience affordability problems.

The impact area has 10,000 unassisted-renter households. Of these, 7,500 earn less than 80% of median income (median is approximately $36,600 for a family of four). In Amherst there are 3,700 unassisted-renter households, all of which may be vulnerable to affordability problems.

The following chart shows the inventory of housing units and the needed units in the impact area:

Assisted Housing Needs and Annual Development Targets,
(number of households)

	Need	Existing	Deficit	Annual Target
Amherst	2,320	950	1,370	140
Northampton	2,520	1,198	1,322	130
Ring Communities	2,720	827	1,893	190
IMPACT AREA	7,560	2,975	4,585	460

To understand the diversity of the need represented by these numbers, the Commission further analyzed Amherst's estimated 1988 demographics and concluded that the 2,320 renter households in need can be divided roughly as follows:

The approximately 2,000 non-elderly households needing assistance are comprised of:

- 300 non-elderly family households without children;
- 500 two-parent families with children;
- 800 single parent families; and
- 400 disadvantaged, non-elderly singles and others.

The 330 elderly-headed households needing assistance are estimated to include 140 robust independent elderly and 190 frail.

Because half of the UMass students live off-campus, their market presence influences the needs within Amherst and the impact area communities. Some student families are even in assisted housing and are on the waiting lists of local housing authorities.

Based on information provided by Local Housing Authorities, an estimated one-third of the households-in-need in Amherst are UMass-affiliated, another one-fifth in Northampton are assumed to be UMass-affiliated, as is one-tenth of the population in need in the impact-area communities . In total, 1,150 households in need in the Impact Area are estimated to be UMass-affiliated.

Any housing UMass can produce will reduce the competition for the limited available private rental stock in the region but not necessarily in Amherst, because it is the "town of preference" for many people living in the Pioneer Valley. High demand for housing in Amherst will continue irrespective of the new housing production levels. More people would move into Amherst from surrounding towns if more units became available. Consequently, production in Amherst may raise the vacancy rates in surrounding towns rather than in Amherst.

III. OPPORTUNITIES FOR ACADEMIC INSTITUTIONS TO RESPOND TO HOUSING PROGRAMS

Housing has traditionally been provided by private investors as a result of local market forces with assistance by governments and nonprofits. Historically, academic institutions, like other employers, have not become involved in providing affordable housing beyond the construction of student dormitories. However, over the last decade, employers in areas with high housing costs (especially on the East and West coasts) have found it necessary to become involved in housing activities in order to attract and retain employees.

Tight housing markets tend to hamper efforts to expand and recruit faculty. A person being recruited to an Amherst institution of higher education for example, may be, living and teaching in the lower-cost Midwest. An employment offer may include a higher salary, but not high enough to enable the person to buy the same amount and quality of housing in Amherst as the person is enjoying in the Midwest.

These market conditions not only create higher direct costs for the total compensation package for new faculty, but also increase administrative costs related to lengthier recruitment efforts. Providing all the needed compensation through salary skews salaries and benefits in relation to other faculty previously hired.

Retention of faculty by academic institutions may also be a problem. Some recently recruited junior faculty are living in older or poor quality rental housing or housing distant from campus. Junior faculty in these circumstances are likely to consider offers from quality academic institutions in lower-cost communities. While housing costs are not the primary reason for faculty to consider other job offers, job satisfaction and growth potential are more significant factors, housing costs may play a role in tipping a decision to relocate.

The costs of the lack of affordable housing are more than economic. When faculty find they must live an hour or more away to find suitable affordable housing (some reported to be as far away as Brattleboro, Vermont), faculty are likely to interact less with their students and fellow faculty members.

Because many students have access to parental support and tend to be more amenable to crowded housing solutions which bring down the per-person cost of housing, they often appear to be more flexible in a tight housing market. However, the crowding that has resulted from the tight market negatively impacts both the students and their neighbors, and the communities have indicated that such density is undesirable. While demographics point toward declining school enrollments in the coming decade, UMass is well positioned as a quality educational alternative available at a cost substantially lower than private institutions. Given the overall cost savings, the high costs of living in the Amherst region are unlikely to be a significant deterrent to students.

The constituency for affordable housing is expanding to include many segments of our society. It is no longer an issue just for low-income people and their advocates. This broader community constituency presents new opportunities for academic institutions to join with the community around housing issues and ensure that the academic community's interests are reflected in the community's efforts. Traditional town/gown differences, left unresolved, will limit expansion and exacerbate cost problems for the school.

Finally, aside from all economic and political arguments, academic institutions have a social responsibility to participate and demonstrate leadership in addressing the housing problem. UMass is a public institution which has contributed to a significant public problem. The University should be a central participant in responding to this problem.

While there are compelling financial, political, and moral reasons to justify participation by academic institutions in addressing the problems of affordable housing, this does not obligate the institutions to absorb unreasonable financial burdens. Like local communities, state institutions can draw on some limited resources from within but will depend largely upon the state and federal government for most of the resources. These limitations notwithstanding, academic institutions have some key resources which they can utilize to help address the problem.

(1) Underutilized land and buildings: Many academic institutions hold land for future expansion; some portion of this might be considered surplus, or suitable for housing for affiliated households. Since land can be 10-30 percent of total development costs, cost can be reduced substantially.

(2) Pension funds: Private or public pension funds can be prevailed upon to invest in community housing that will serve its participants.

(3) Access to credit: Academic institutions, because of large deposits at local banks, may be able to leverage compensating balances or linked deposits to obtain lines of credit, favorable credit terms, or co-insurance.

(4) Research, economic analysis, and design skills: Institutions have highly skilled faculty and staff who can conduct technical studies of the local housing problem and design appropriate solutions.

(5) Communications resources: Institutions have the ability to disseminate information to a wide variety of forums--through newsletters to staff, student newspapers, publications, press releases radio and TV stations (in some cases), and alumni publications. Through these vehicles, it can help to educate people about local housing needs and how they can be helped.

(6) Political standing with state: State institutions have access to state officials through normal bureaucratic channels as well as alumni in the State House.

(7) Other financial resources: Some academic institutions have endowments or capital fundraising programs, part of which might be available to invest in academic housing expansion. All nonprofit academic institutions have access to tax-exempt bond issuance through various state authorities. Student Trust Funds offer another possible source of funds.

IV. RECOMMENDATIONS

The Commission's analysis has resulted in three general findings:

1. The shortage of affordable housing units is a regional problem that exists without a corresponding regional institution to address it.

2. Long-term strategies to improve the affordability of housing should include UMass as a central participant and should include coordination with other communities in the impact area.

3. Amherst and Northampton have taken a disproportionate share of responsibility for providing affordable housing opportunities. While these two communities should continue to respond to local affordable housing needs, the other communities in the region need to be encouraged to open their doors to affordable housing.

Based upon these findings the following major recommendations were made:

1. A Regional Housing Partnership should be formed. It should be formally recognized by the communities and academic institutions and include high level representation from UMass as well as participation by area communities.

2. UMass should develop a long term housing plan and do so with coordination with area communities.

   a. The University should plan for the development of Fraternity/Sorority Park and other undeveloped parcels in the UMass portfolio.

b. The University should take action to house more students on campus and take measures to avoid the loss of dormitory rooms during any period of "downsizing".

c. As production goals UMass should develop 500 new rental units on University land to house students with families and construct 300 units of housing, possibly limited equity housing cooperatives for faculty and staff.

3. The Regional Partnership should develop a model package of zoning, site design, and building plans. This package would be made available to area communities who would be encouraged to promote projects of appropriate design and scale.

The Regional Commission is grateful to all of those who have made this document possible: the financial support from the Executive Office of Communities and Development, the leadership of Representative Stanley Rosenberg, and the research of O.K.M. Associates and Rolf Geotze.

The work of the Commission has created a comprehensive understanding of how academic institutions impact upon housing markets. The Commission report has provided an important research basis for policy decisions among local communities and academic institutions. It is the hope of this Commission that this report stimulate action among those who impact housing policy and lead to an on-going regional mechanism to address the affordable housing crisis.

Chapter I

Analysis of Conditions Affecting the Availability of Affordable Housing in Amherst and the Surrounding Region

SECTION I. OVERVIEW

Affordable housing problems can't be simplified or reduced to a single cause. Rather, some combination of national, regional, and local factors have produced an imbalance between the supply and demand of housing. That imbalance is influenced by national factors -- the decline in average household size, reductions in new rental housing development, increases in two-income households, relocation of empty nester households, strength of the regional economy, and in-migration of younger working households of the Baby Boom age.

When a region is attractive as a place to live -- as is the Pioneer Valley -- such demographic trends are focused and, combined with local conditions, boost housing prices. When a region imposes growth limitations in response to growth pressures in order to protect its attractive qualities, still greater price impacts result.

The focus of this study is on the affordable housing needs of the academic communities. The analysis, however, is not restricted to the needs of people directly affiliated with the academic community (students, faculty, and staff), but more broadly encompasses housing needs generated by the institutions and their impacts on the local housing markets.

A. The Academic Institutions

The Pioneer Valley has a disproportionately large number of quality institutions of higher learning. Indeed, their presence, and the cultural amenities they generate, are primary reasons the region is so attractive. The institutions have provided employment to replace many of the jobs lost by the decline of agriculture and mills in the Valley, but the growth of these institutions have also had substantial impact on local communities.

In analyzing the impact of these academic institutions on the region, the institutions can be viewed as job generators; however, the institutions vary from other economic entities in several key respects. The academic industry creates need for housing, not only for its staff, but also for its students, increasing its impact on the housing market beyond its employment base. Furthermore, not all students leave the town and region upon graduation, meaning that the regional demand for housing will continue to expand through retention of graduates even when the institutional enrollments are not growing.

Quality academic institutions also are unique because faculty members are recruited nationwide. The institutions must remain competitive with schools in other regions of the country, not just within this region.

The four colleges in the area -- Smith, Mt. Holyoke, Hampshire, and Amherst Colleges -- have approximately 7,400 students, nearly 750 faculty, and over 2,900 staff. Since most of these students are housed on campus, and the colleges have programs to house or assist their faculty, these institutions have only a minor impact on local housing markets.

The University of Massachusetts has approximately 26,500 students, of whom 22,150 live within the 22 community region. Only about half of the students actually live on campus. Nearly 10,000 students live within the Impact Area in private and publicly assisted housing, along with over 3,700 faculty and staff. The UMass impact on local housing markets is significant. Students who live off campus have taken over many of the existing rentals in the Impact Area, boosting rents and displacing many of the non-academic households from this rental stock.

Major state universities around the country tend to rely on the private sector to house many students off-campus. Relative to other major state universities, UMass houses a high portion of its students. Amherst and its surrounding towns, however, have sought to preserve the region's rural character and have limited most private multi-family housing development.

B. Population and Jobs in the Impact Area

OKM/Goetze, the consultants for the Regional Commission, examined recent changes in population, jobs, housing, and employment within a region of 22 communities. This region has an estimated 1988 population of 228,000; the five academic institutions have more than 43,000 affiliated persons, with an estimated 35,000 living within the region -- nearly one-sixth of the region's population.

As part of this analysis, the impacts of the five institutions on the region were also examined. Amherst sits at the center of the primary Impact Area, based on the presence of significant academic populations and dependence upon the institutions for jobs. A ring of secondary impact is formed among the towns abutting Amherst. Northampton is included in the Impact Area due to the number of employees and students residing in the City, the Route 9 access across the Connecticut River, the presence of Smith College, and that City's large rental and assisted housing stock that serves academic households. In the report, Amherst and the 9 Ring communities (including Northampton) are collectively referred to as the Impact Area. The remaining 12 communities of the 22 community region are referred to as the Outer Twelve.

The total number of housing units in the 10-community Impact Area in 1988 was estimated at 36,525 units, up 11 percent since 1980. There was a burst of new development in 1986 and 1987, largely induced by the sharp price rises during the decade. Most of the recent development is single family units; rental stock gains were negligible.

The 10-community Impact Area houses 80 percent of the UMass students, nearly 90 percent of its faculty, and almost 60 percent of its staff. Of an estimated 108,600 persons within the Impact Area, 24,995 persons (23 percent) were affiliated with UMass.

Within the Town of Amherst, 20,460 persons (58 percent) of its residents were UMass affiliated. The Town houses 70 percent of the students, 63 percent of the UMass faculty, and over 25 percent of the staff. By adding Hampshire and Amherst Colleges, academically affiliated persons account for two out of three residents. Students alone comprised over 60 percent of Amherst's 1988 population.

In the Impact Area (excluding Amherst), the UMass presence is less, but still significant. The Ring communities house one-tenth of all UMass students, over one-quarter of the faculty, and more than one-third of the staff. UMass affiliated persons comprise nearly one-third of Sunderland's population. In Leverett, Hadley, Pelham and Shutesbury, roughly one in eight are affiliated with UMass.

For the Outer Twelve communities, UMass is only a secondary issue, with UMass-affiliated persons comprising only 1.5 percent of the population. Including the other colleges, about 3 percent of the Outer Twelve population are students.

During the eighties, the number of households in the Impact Area increased by 1,400, but jobs increased by 7,900 -- 6,500 more new jobs than new households. These jobs were absorbed by second wage earners, job changes or second jobs for primary wage earners, and increases in commuters from outside the Impact Area.

The University accounts for about one-tenth of the jobs in the region. The 5,584 UMass jobs are half of the total jobs provided in Amherst in 1988, yet only 35 percent of the UMass employees live in Amherst. UMass jobs are quite important to the residents in several adjoining communities. The UMass jobs to households ratio in 1988 was 29 percent in Pelham, 22 percent in Leverett and Shutesbury, 20 percent in Hadley and over 16 percent in Sunderland. On the other hand, UMass jobs were relatively unimportant in South Hadley and Granby.

It has been estimated that for every three jobs in the educational sector, two additional jobs are generated in other sectors. By applying this multiplier to the five college employment base of 8,500, the presence of the institutions probably supports another 5,500 non-academic jobs in the regional economy. UMass alone supports 3,700 of those jobs.

Twenty percent of UMass graduates remain in the Pioneer Valley after graduation, which adds approximately 800 persons to the region each year even as University enrollment remains level. Ten percent of the graduates of the four colleges also remain, adding another 200 students who remain after graduation. Post-graduate retention adds growth pressure to the region even when total enrollments are not increasing.

C. Responses to Growth Pressures

In trying to protect the attractive qualities of the region, towns have sought to impose a variety of growth controls, including: permit quotas/moratoria, large lot zoning, and open space/farmland preservation. These have restricted growth, but have also contributed to rises in prices and rents.

Amherst's affordable rental housing shortage dates back to the sixties. The town experienced a large growth in new rental apartments in the late sixties as UMass doubled its size within a ten year period, but housing production lagged UMass growth. By 1970, the Town had vacancy rate of only one percent -- a tight market condition which has persisted to today. Apartment rezoning and the sewer connection ban in the seventies have prevented construction of more private rental units. UMass-affiliated households spilled into surrounding communities.

Even though University growth slowed precipitously in the latter half of the seventies, UMass pressures on the local market persisted because graduate programs continued to expand, and the University changed its mandatory dormitory residency policy to exempt juniors.

Growth control efforts continued in the eighties, and, as one observer noted, "What constituted an emergency situation in the seventies is now a way of life in the eighties." While the Town of Amherst has implemented many innovative affordable housing projects, the level of production does not offset the additional demand for affordable housing created by these forces.

All towns in the Impact Region have experienced significant price rises during the eighties, but Amherst prices have nearly tripled during the decade. In 1980, Amherst home price levels were comparable to surrounding towns in the Impact Area, but by 1988 its average prices were propelled above the region to a level matching Boston's prices. Rents in Amherst have risen steadily since 1970, with average rent increases following inflation rates closely.

D. Estimates of Affordable Housing Need

Because of their lack of permanent housing and vulnerability to rent increases, virtually all of the 10,000 unassisted renter households living within the Impact Area can be considered likely to experience affordability problems. Owners, on the other hand, have secure permanent housing: while they may experience housing cost burdens, they are not as vulnerable as renters to price rises and displacement. Accordingly, OKM/Goetze estimates of need focus on renters whose incomes are too low to afford current rents. Based upon households earning less than 80 percent of median income, OKM/Goetze estimated the total need in assisted dwelling units in the Impact Area as follows:

Estimated Impact Area Households in Need of Assisted Housing

	Households in Need	Existing Assisted Units	Deficit
Amherst	2,320	950	1,370
Northampton	2,520	1,198	1,322
Ring Communities	2,720	827	1,893
IMPACT AREA	7,560	2,975	4,585

To understand the diversity of the need represented by these numbers, OKM/Goetze estimates that the 7,560 renter households in need can be divided roughly as follows:

- Approximately 5,750 non-elderly households needing assistance, including:
  - 850 non-elderly family households without children;
  - 1,450 two-parent families with children;
  - 2,300 single parent families; and
  - 1,150 disadvantaged, non-elderly singles and others.
- 1,800 elderly-headed households needing assistance, including:
  - 950 robust independent elderly; and
  - 850 frail elderly.

Each of these households in need has specific needs which are most appropriately addressed through different housing options. The specific strategies which are suitable for each of these groups in need will be explored in the final Chapter of this study.

Based on information provided by local housing authorities, an estimated one-third of the households in need in Amherst are UMass-affiliated, another one-fifth in Northampton are assumed to be UMass-affiliated, as is one-tenth of the Ring communities population in need. In total, 1,150 households in need in the Impact Area, or about 20 percent, are estimated to be UMass-affiliated households.

To provide the needed affordable units over the next decade will require some 460 additional units annually. The geographic distribution of these units among the communities should not be determined solely by where the households in need live currently, because affordable housing opportunities in some of the communities are quite limited or even non-existent. Sunderland, Leverett, Shutesbury, and Pelham have no subsidized units, while Amherst and Northampton currently house a disproportionate share of households in need because these communities contain most of the affordable rental stock in the Area.

Any housing UMass can produce will reduce the competition for the limited available private rental stock in the region, but not necessarily in Amherst, because it is the "town of preference" for many people living in the Pioneer Valley. High demand for housing in Amherst will continue irrespective of the new housing production levels. More people would move into Amherst from surrounding towns if more units became available. Consequently, production in Amherst may raise the vacancy rates in surrounding towns rather than in Amherst.

The targets above are intended to furnish the basis for policy discussions, engaging the towns as well as the academic institutions in deliberations to determine how a housing deficit that has been allowed to grow for over a decade can be "built down."

E. National and Regional Trends Affecting Housing

Affordable housing problems can't be simplified or reduced to a single cause. Rather, it is some combination of national, regional, and local factors that produce an imbalance of demand with the supply of housing. Before examining the local conditions that contribute to the problems in Amherst and surrounding towns, it is incumbent upon us to examine some national and regional trends that have produced changes in the housing market in New England and nationwide. In addition, throughout this analysis, there will be references or comparisons of conditions in Amherst with those in other towns to identify trends that may be explained by non-local factors.

During the eighties, some very important national and regional trends have had dramatic impact on housing in the Pioneer Valley, New England, and the nation. Among the most significant trends are:

(1) Rental Housing - the general decline in new rental housing development largely as a result of federal tax code changes which culminated in the 1986 Tax Act as well as conversion of significant portions of existing rental housing to condominiums in strong markets;

(2) Two Income Households - an increase in two-income households, either through two wage earners or second jobs, which increased the income available per household for housing and inadvertently bid up the cost of housing where it was in short supply;

(3) Empty Nesters - the purchasing power and decisions of empty nester households, who now choose to locate in desirable, often less urban, locations which offer many amenities; and;

(4) Regional Home Prices - the generally dramatic rise in home prices throughout much of New England relating to the recent strength of the regional economy and in-migration of younger working households of the Baby Boom age.

These factors are, of course, well beyond local control, but they have impacted Amherst and the Pioneer Valley. When the region is attractive as a place to live, as is the Valley, these forces are focused and have a concentrated effect on prices. When a region imposes growth limitations to protect its attractive qualities in the face of such pressures, still greater price impacts result.

Because this analysis of housing changes reaches back into the seventies, several other major national trends should be acknowledged for their influence on housing markets:

(1) The Energy Crisis - In 1973 - 74, the nation witnessed the first of several waves of price increases in energy costs, which influenced decisions regarding where to live and had a direct impact on utilities and thus operating costs of housing. It not only increased rents, but forced many landlords to shift to tenant-paid utilities.

(2) Inflation - The seventies and early eighties can be characterized by an upward trend in prices, including rents and mortgage interest.

(3) Credit Crunch - The mid seventies also recorded a major shortage in the availability of credit for housing development, especially rental housing, precipitated in part by the UDC bond defaults in New York and the failure of a number of large Real Estate Investment Trusts (REITs).

(4) Housing Subsidy Program Changes - The major assisted housing production program of the seventies, Section 8 New Construction, was phased out during that decade, and the Reagan Administration began its rollback of funding for all housing programs during the early eighties.

(5) State Funding - In Massachusetts, the impacts of HUD cutbacks were not felt as soon as in other states because the strong economy and growth in state revenues enabled Massachusetts to increase its commitments to state public housing, assisted rental housing, and (with the introduction of HOP in 1986) affordable home ownership.

Collectively, these factors have transformed the housing situation throughout Massachusetts over the past ten years, culminating in major shortages -- particularly of the private rental housing which previously provided the core of the affordable housing stock.

SECTION II. THE IMPACT AREA & ACADEMIC INSTITUTIONS

A. Defining the Impact Area

One of the tasks assigned by the Commission to OKM/Goetze was to help define the geographic region for this study. The Commission, which began with a core group of members from Amherst, was expanded to include representatives from surrounding towns because the Commission members believed that other communities should be involved in developing solutions.

OKM/Goetze polled the individual Commission members regarding the communities for inclusion in the study. In all, 26 communities were nominated, but there was consensus only on the following communities (in rank order of votes): Amherst, Hadley, Sunderland, Belchertown, Leverett, Pelham, Northampton, Shutesbury, and South Hadley.

To identify the boundaries of the region, recent changes in population, jobs, housing, and employment were examined within an area of 22 communities with Amherst at the center. This region has an estimated 1988 population of at least 228,000 and five academic institutions with more than 35,000 affiliated persons living within the region.[1]

[1]The 1985 State census population counts are not easily reconciled with the 1980 U.S. Census because of different ways of enumerating students and non-residents. OKM/Goetze used comparative statistics developed by Abt Associates under contract to EOCD for 1986, recognizing that these counts (based on MISER tabulations) are consistent but low.

Four of the five educational institutions are colleges: Smith College, with 1,580 students; Mt. Holyoke College in South Hadley, 1,955 students; Hampshire College in Amherst, 1,184 students; and Amherst College, 1,580 students[2]. Most of the students at these four colleges are housed on campus, and three of the colleges have programs to house or assist some of their nearly 700 faculty members. It was concluded that these institutions have only a minor impact on the local housing markets in terms of number of students and faculty in the housing market.[3]

The fifth institution, the University of Massachusetts at Amherst, has approximately 26,500 total students in 1988, of whom 22,150 live within the 22 community region. Only about half of the students actually live on campus. Nearly 10,000 live within the Impact Area in private and publicly assisted housing, along with over 3,700 faculty and staff.[4] By any measure chosen, UMass has a major impact on housing markets within this area.

Because of concentration of academic institutions and affiliated households in Amherst, our study is centered on that town. Because the off-campus impact of UMass is by far the largest and extends to surrounding towns, this study seeks to put its impact into a regional perspective. The data were reviewed to determine for each town:

(1) the impact of, or dependence upon, Amherst and the University of Massachusetts for employment; and,

(2) the impact (in terms of numbers) of students residing in the towns.

The jobs analysis focused upon UMass employment because UMass provides over 10 percent of region's jobs, and because information on the residency of employees was readily provided by UMass staff. It was not possible to identify the number of households with UMass employment, that is, to identify households with more than one UMass employee, but we were able to construct for each town a measure of the ratio of residents with UMass jobs to the number of town households. That analysis identified the following towns to have a large economic dependence on UMass for jobs (in descending order): Pelham, Amherst, Leverett, Shutesbury, Hadley, and Sunderland.[5]

The total number of people who can be categorized as UMass affiliated were examined, including both students and employees, as a percentage of total households. Again, the data were not sufficient to enable us to eliminate double-counting of employees who were also students. The towns with the highest affiliation ratios are (in descending order): Amherst, Sunderland, Leverett, Pelham, Hadley, and Shutesbury (see Map 2).[6]

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[2]Source: OKM telephone survey of institutions, 5/19/89.

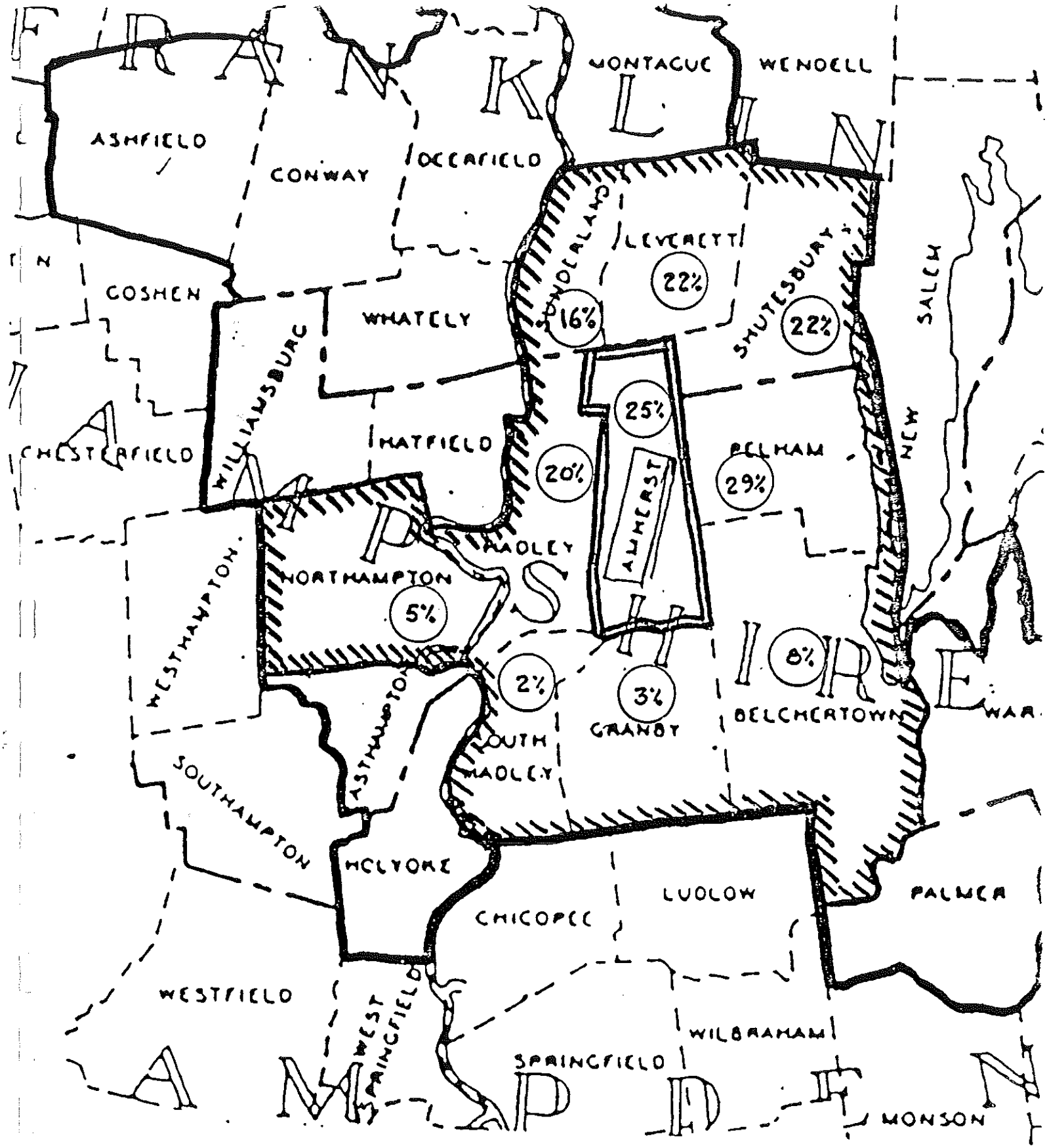
[3]A similar conclusion was reached by the Rent Control Study Commission in its 1985 Report.

[4]Impact Area is defined as Amherst, the eight towns contiguous to Amherst, and Northampton.

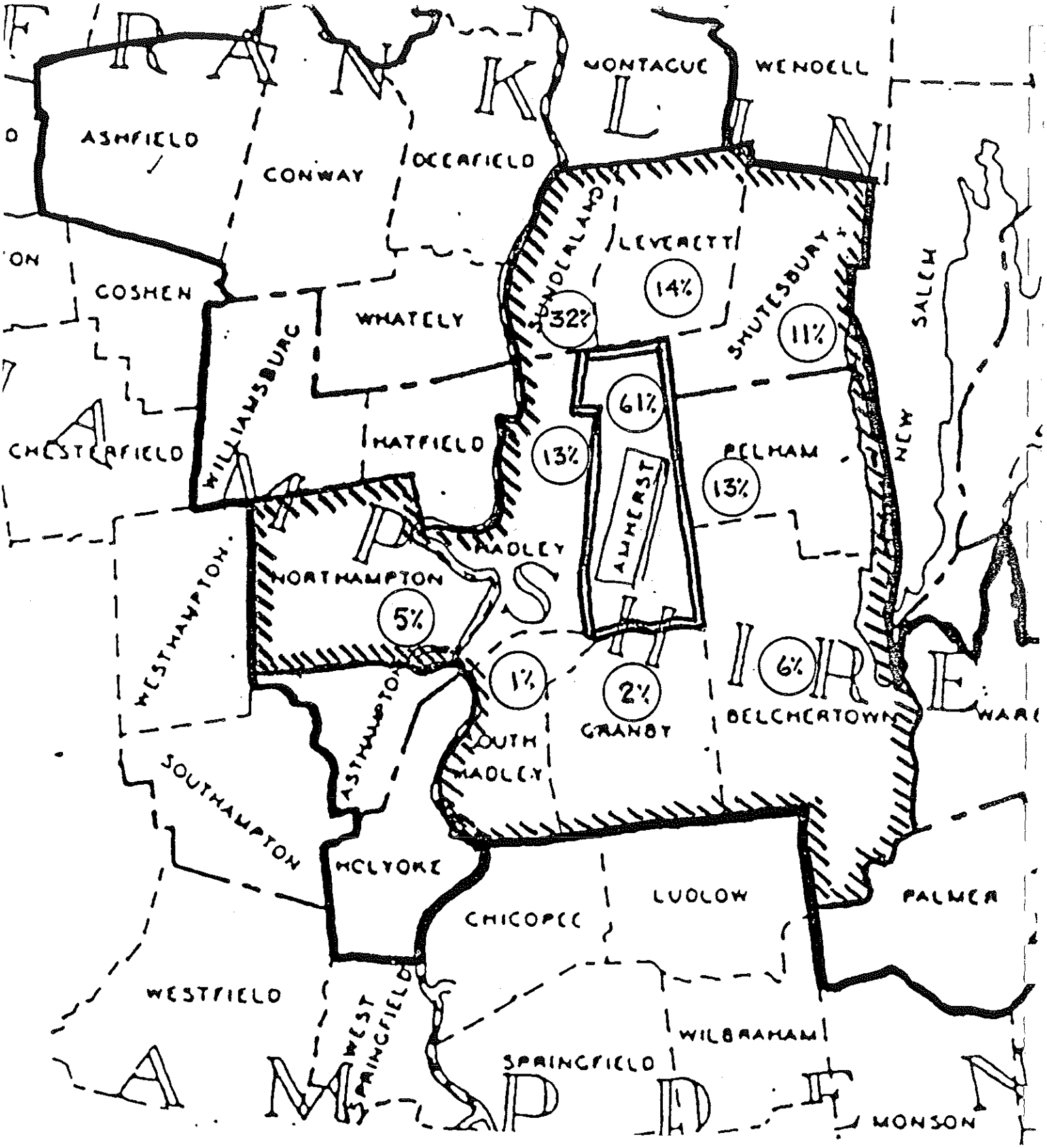
[5]The supporting data are in Table C.

[6]The supporting data are in Table B.

Map. 1


FRANKLIN
MONTAGUE
WENDELL
ASHFIELD
CONWAY
DEERFIELD
SUNDERLAND
LEVERETT
22%
SHUTESBURY
22%
SALEM
GOSHEN
WHATELY
16%
WILLIAMSBURG
25%
HATFIELD
CHESTERFIELD
20%
AMHERST
PELHAM
29%
NEW
HADLEY
NORTHAMPTON
5%
WESTHAMPTON
2%
3%
8%
BELCHERTOWN
GRANBY
SOUTH HADLEY
ASTHAMPTON
SOUTHAMPTON
HOLYOKE
CHICOPEE
LUDLOW
PALMER
WESTFIELD
WEST SPRINGFIELD
WILBRAHAM
SPRINGFIELD
MONSON

Map. 2


FRANKLIN
MONTAGUE
WENDELL
ASHFIELD
CONWAY
DEERFIELD
COSHEN
WHATELY
LEVERETT
14%
32%
SHUTESBURY
11%
SALEM
WILLIAMSBURG
61%
CHESTERFIELD
HATFIELD
13%
PELHAM
13%
AMHERST
HADLEY
NORTHAMPTON
5%
WESTHAMPTON
1%
2%
6%
GRANBY
BELCHERTOWN
SOUTH HADLEY
SOUTHAMPTON
HOLYOKE
LUDLOW
PALMER
CHICOPEE
WESTFIELD
WEST SPRINGFIELD
WILBRAHAM
SPRINGFIELD
MONSON
HAMPDEN

Amherst is the center of the primary Impact Area by either measure. By adding Belchertown, Granby, and South Hadley to the other communities of primary impact, the ring is completed among the towns abutting Amherst. While Belchertown, Granby, and South Hadley did not show the relative impacts of the other towns, they all have significant academic populations.

Northampton should be included based upon: the number of employees and students residing in the City, the close link to Amherst by Route 9 and the bridge, the presence of Smith College, and that City's large rental and assisted housing stock that serves both UMass affiliated households and families from Ring communities that do not have subsidized family housing.

While the percentages of impact for Northampton are not as significant as for towns east of the River due to the large population of the City, the number of UMass affiliates residing in Northampton exceeds 1,500, second only to Amherst in actual numbers. In particular, Northampton appears to be an alternative residential choice for junior faculty who cannot afford housing in Amherst.

The towns beyond this Ring all show much lower overall impact of the academic institutions both in terms of jobs and students. Accordingly, these outlying towns are included in regional data, but are not subject to closer analysis.

Hereafter, the 22 communities will be collectively referred to as "the Region". Amherst and the 9 Ring communities (including Northampton) will be referred to as the "Impact Area". The remaining 12 communities of the 22 community region will be referred to as the "Outer Twelve".

B. Impacts of the Academic Institutions

The focus of this study is on the affordable housing needs of the academic communities. This does not restrict the analysis just to the needs of people directly affiliated with the academic community, such as students, faculty, and staff. More broadly, it requires an analysis of the housing needs generated by the academic institutions, how much of that housing need is met by the institutions, and how the local housing markets are impacted by the additional demand. This requires an understanding of the local markets and their interaction with the institutions in meeting housing needs.

The Pioneer Valley has a disproportionately large number of quality institutions of higher learning. Indeed, their presence, and the cultural amenities they generate, are primary reasons the region is so attractive. The institutions provided replacement employment for many of the jobs lost by the decline of agriculture and mills within the region. However, the growth of these institutions and their ancillary industries can have substantial impact on the local communities.

1. Academic Institutions as Economic Generators

In conducting an analysis of the impact of these academic institutions on the region, the institutions must be viewed as economic generators.

In many regions, traditional occupations such as farming have declined or no longer serve the growing needs of the population for employment. In order to create new jobs, communities usually seek to attract new businesses that they consider appropriate. These can range widely from paper or textile mills and factories to computer software and hardware developers.

The new job generators bring with them a host of local benefits and costs, impacting the region and its population, and often altering the surrounding environment. They buy land from some, and provide good employment for others -- but not everyone benefits equally. As they grow, they produce "goods" to be exported outside the region. Such is the basis of regional growth.

At the same time, these major job generators often also create less desirable by-products -- deforestation, smoke, congestion, infrastructure demands, pollution, and other effluents. They may have business cycles of hirings and lay-offs which produce local booms and busts. Being large, they tend to foster major dependencies on their well-being; they also may foster love/hate relationships that can often polarize communities.

In many ways, a large college is an economic entity whose product is students who are turned into finished graduates and exported. It employs much of its labor force (particularly the lower paying jobs) from the surrounding communities, but it can have negative impacts on the community as well. In short, any educational institution must be viewed as a complex set of impacts benefiting some and harming others -- but on balance benefits substantially exceed costs.

Academic institutions vary from other economic entities in a couple of key respects:

(1) Students - The academic industry creates need for housing, not only for its staff, but also for its students, when not housed on campus, they have major impacts on the local housing market.

(2) Post-graduate retention - While students are the "export products", not all students leave the town and the region upon graduation. Some choose to remain and seek permanent jobs and housing locally. This means that even though an academic institution may not be growing in number of students, the region and the demand for housing will continue to grow through retention of graduates.

(3) Faculty recruitment - Faculty members are recruited nationwide, and academic institutions must make the total package they offer, including housing costs, competitive with those offered in other regions of the country, not just within this region.

(4) Tax-exempt status - Educational use land is presumably exempt from local real estate taxes (although some institutional holdings that are not used directly for education are taxable). Payments in lieu of taxes may not adequately compensate the towns for lost revenue and the high level of service demanded.

Academic institutions also may have secondary impacts on the housing markets because of the following:

(1) Ancillary/Spinoff Employment - school-sponsored research, especially scientific research, can generate many small and not-so-small spinoff businesses that create employment; and

(2) Employment Multiplier - the presence of the student body and staff create a demand for services, supplies, food, and entertainment businesses.

Academic institutions tend to have smaller economic multipliers than other industries (because graduate student and other employees have generally low or moderate incomes), but it has been estimated that for every three jobs in the educational sector, two additional jobs are generated in other employment sectors.[7]

2. The Academic Institutions in the Impact Area

The Impact Area, as defined above, includes ten cities and towns. Within the region are five major academic institutions: Smith College in Northampton; Mt. Holyoke College in South Hadley; and Hampshire College, Amherst College, and the University of Massachusetts in Amherst. Collectively, these institutions have nearly 34,000 students, of whom 28,800 live in the region (along with over 6,600 of the over 8,500 employees (see 4-1 in the Appendix).

The four colleges are quite small relative to UMass. Most students are housed on campus. Faculties are small, and the colleges may have programs to assist their faculty. Only about 10 percent of their graduates remain and live in the Pioneer Valley after graduation.[8] The Amherst Rent Control Study Commission in 1985 made the finding that "Amherst and Hampshire College have caused relatively minor pressure on the Town's rental housing market, compared to the major impact caused by the University's rapid growth beginning in the early 1960's."

Alternatively, UMass has over 26,000 students, more than 21,000 of which live within the 22 community Region. It has been estimated that 20 percent of the graduates of UMass remain in the Pioneer Valley after graduation, which means that over 800 persons are added to the population each year even if University enrollment remains level.[9] Some of these graduates who remain in the Valley may have lived in the Valley prior to enrolling UMass, and so do not technically add population, but they are likely to form new households upon leaving school and increase the demand for housing units.

The University has over 5,000 employees, accounting for about one-tenth of the jobs in the region. By applying the economic multiplier to the UMass employment base of 5,500, the UMass presence probably supports another 3,700 non-academic jobs in the regional economy.

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[7] The Economic Impact of Independent Colleges and Universities in Massachusetts, Association of Independent Colleges and Universities in Massachusetts (AICUM), April, 1988.

[8] AICUM.

[9] AICUM.

Therefore, it must be recognized as a strong economic force in the region. Moreover, because half of the UMass students in the region live in private and publicly assisted housing off campus, UMass has a direct impact of several thousand households acting in the local housing markets.

Table A summarizes the place of residence of all UMass affiliated persons. Note that only 43 percent (11,400) of the students live on campus in Amherst:

Table A

Place of Residence of All UMass Affiliated Persons

	Employees		Faculty		Staff		Students		Grand Total	
All Persons	5,584	100.0	1,396	100.0	4,188	100.0	26,504	100.0	32,088	100.0
AMHERST	1,942	34.8	879	63.0	1,063	25.4	18,518	69.9	20,460	63.8
INNER RING	1,766	31.6	363	26.0	1,403	33.5	2,769	10.4	4,535	14.1
TOTAL AREA	3,708	66.4	1,242	89.0	2,466	58.9	21,287	80.3	24,995	77.9
Outer Twelve	936	16.8	80	5.7	856	20.4	858	3.2	1,794	5.6
Outside Region	940	16.8	74	5.3	866	20.7	4,359	16.4	5,299	16.5

While local UMass spinoff industries have been limited in the past, the University's pursuit of academic excellence in five key academic areas is expected to generate some spinoff industries in the future.

3. Academic Institutions and Affordable Housing

The responsibility of the academic institutions in taking an active role in affordable housing was recognized over two decades ago in a League of Women Voters report:

> It is felt that both the town and University have a responsibility in this area....The University is in a difficult position at present to take any dramatic action, but...a good solution is unlikely without the cooperation of the University. In addition, it is in the University's own best interest to have an adequate supply of low-income housing both for non-professional staff and married students.[10]

[10] LowIncome Housing in Amherst 1965 - 66, League of Women Voters of Amherst.

Colleges and Universities should take an active role in their local community in addressing affordable housing for the following reasons:

(1) Tight housing markets tend to hamper expansion and recruitment efforts. Institutions in tight markets face rising personnel costs, including: higher salaries and premiums; recruitment and relocation packages; administrative costs of lengthier recruitment efforts to attract employees; and training costs for new staff.

(2) Housing problems may induce towns to try to restrict growth and impose regulatory measures which may negatively impact the institution and its ability to grow and respond to changing market conditions.

(3) The institution has a social responsibility to participate in addressing the problems of its community.

The constituency for affordable housing is growing to include many segments of our society; it is no longer an issue just for low income eople and their advocates. This broader community constituency presents new opportunities for academic institutions to form relationships with the community around housing issues, and ensure that the academic community's interests are reflected in the community's efforts.

SECTION III. ANALYSIS OF IMPACT AREA CHANGES: 1980 - 1988

In this Section, the key economic, demographic, and housing changes in the 10-community Impact Area during the eighties are analyzed for their impacts on affordable housing. Data were gathered from a wide variety of sources and integrated within a spreadsheet for the 10 communities within the Impact Area. Then, for each community, a basic data template was developed to reveal key town housing and population characteristics at a glance.[11]

A. Population and Academic Affiliated Households

The 1988 estimated population of the Impact Area was at least 108,600, an increase of 4,800 persons (4.6 percent) over 1980, as shown in Table B below.

This estimate was derived from the 1986 EOCD/Abt population estimates for the 10 Impact Area communities and projected to 1988 based upon the net additional housing units created during 1986 and 1987 occupied at the same number of persons per household as in 1986.

[11]Thesetemplates are presented in Exhibits 3-1 through 3-10 in the Appendix. The charts in this chapter are based on the data in the appendices. Exhibit 3-1 shows the town of Amherst, revealing housing stock and household changes on the left, and population, student, UMass affiliation and employment changes on the right. Percentage composition is shown to enable comparisons within the community over time as well as among the Impact Area communities. Exhibit 2-1 shows the summary for the Inner Ring communities, revealing their "average" composition, and Exhibits 3-2 through 3-10 are the corresponding templates for the nine Ring communities.

TABLE B.

Population and Students

	1988 pop. est.			Total UMass		UMass/Amherst			Total	% of '88
	#	'88-'80	% incr	affiliated		faculty	staff	students	Students	pop.
AMHERST	33,681	370	1.1%	20,460	60.7%	879	1,063	18,518	21,282	63.2%
INNER RING	74,893	4,436	6.3	4,542	6.1	364	1,409	2,769	8,422	11.2
Belchertown	10,736	2,329	27.7	586	5.5	42	220	324	522	4.9
Granby	5,796	381	7.0	97	1.7	6	48	43	297	5.1
Hadley	4,305	154	3.7	559	13.0	47	273	239	347	8.1
Leverett	1,714	232	15.6	235	13.7	56	70	109	193	11.3
Northampton	29,569	164	0.6	1,511	5.1	92	389	1,030	3,714	12.6
Pelham	1,470	348	31.0	188	12.8	53	70	65	151	10.3
Shutesbury	1,340	283	26.8	151	11.3	14	80	57	102	7.6
South Hadley	16,872	403	2.4	226	1.3	15	75	136	2,082	12.3
Sunderland	3,090	141	4.8	989	32.0	39	184	766	1,014	32.8
TOTAL AREA	108,574	4,806	4.6	25,002	23.0	1,243	2,472	21,287	29,704	27.4
Outer Twelve	120,000			1,787	1.5	79	850	858		
Outside Region				5,299		74	866	4,359		
UMass/Amherst total				32,088		1,396	4,188	26,504		

The Impact Area houses 80 percent of the UMass students, nearly 90 percent of its faculty and almost 60 percent of its staff (see Table B). Of its 108,600 population, about 25,000 persons (23 percent) were affiliated with UMass, including 21,300 students, 1,200 faculty and 2,500 staff. With 7,394 students attending the other four colleges within the Impact Area (mostly living on campus), plus an estimated 1,000 students enrolled in schools other than the five, an estimated total of 29,700 persons or 27 percent were students in the Impact Area.[12]

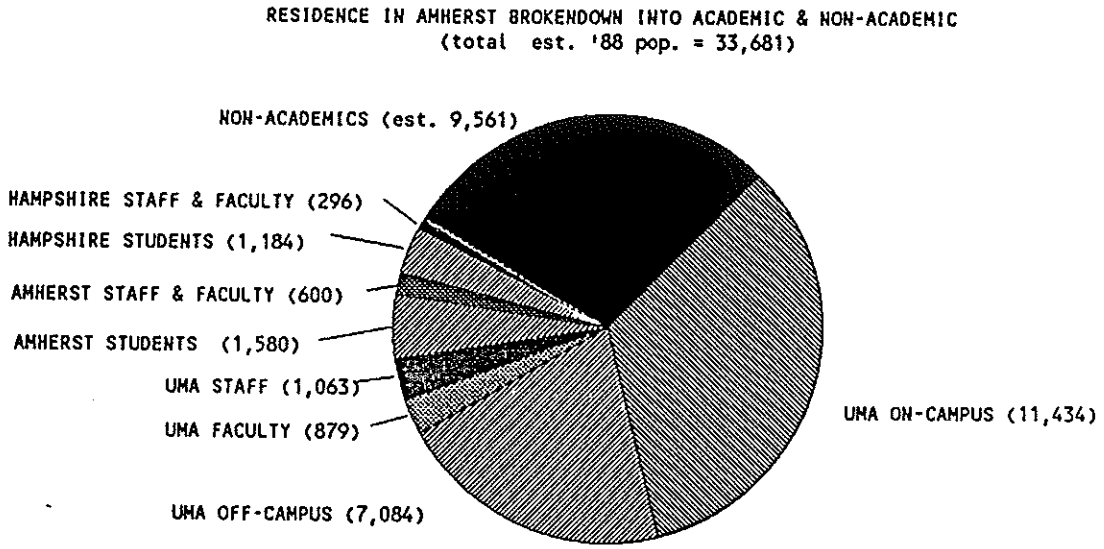
The Town of Amherst alone houses 70 percent of the entire UMass student population, with 43 percent of UMass students living on campus, plus another 27 percent of the student body living off-campus within the town. Within the Town of Amherst, 20,460 persons (58 percent) of its residents were UMass affiliated. In addition, 63 percent of the UMass faculty and over 25 percent of the staff also live in Amherst. Of the 32,088 persons affiliated with UMass, 20,460 (64 percent) live in Amherst, and 18,518 (90 percent) of these are students.

Including Hampshire and Amherst Colleges, academically affiliated persons account for two out of three residents. Students alone comprised 21,282 persons, over 60 percent of Amherst's 1988 population.[13]

[12]Based on a telephone survey of Amherst, Mt. Holyoke, Smith, and Hampshire Colleges during May, 1989. See Exhibit 4-1 in the Appendix for counts of students and staff.

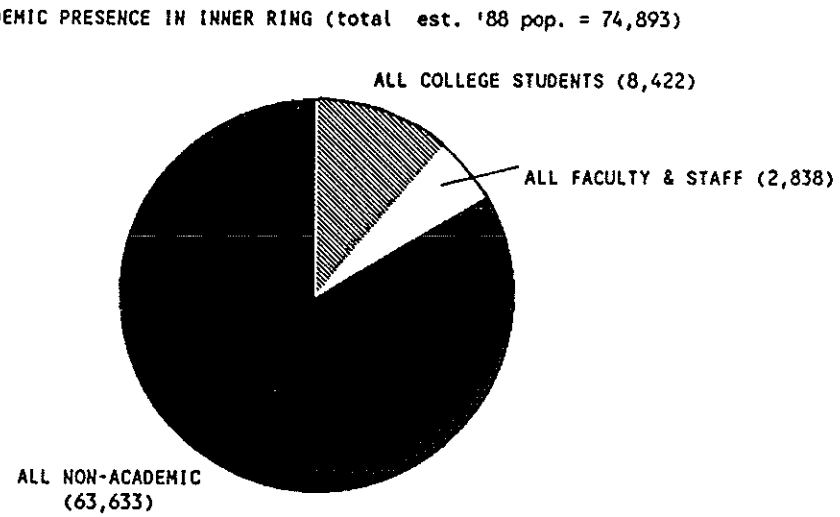
[13]Some sources believe the Amherst 1988 population may be as high as 37,300, based on increases from the 1985 state census of 35,827. In that case, the segment of non-academic persons expands by some 3,600, reducing the percentage of academic-affiliated persons from 72 percent to 65 percent. Debating these different population estimates will not significantly alter the housing challenges facing Amherst.

Chart 1.



Within the Impact Area (excluding Amherst), the UMass presence is less but still significant. The Ring communities house 4,542 UMass affiliated persons, including one-tenth of all UMass students, over one-quarter of the faculty, and more than one-third of the staff. In some communities, the UMass presence is greater. UMass affiliates are 32 percent of Sunderland's population. In Leverett, Hadley, Pelham and Shutesbury, it is roughly one in eight.

Chart 2.



Charts 1 and 2 compare the total academic presence in Amherst with that in the Impact Ring. (The pattern of academic presence in the Outer Twelve communities is too small to be depicted in similar fashion.)

For the Outer Twelve communities of the Region that fall outside the Impact Area, UMass and its affiliated households tend to be a secondary issue. The estimated 1988 population living in the Outer Twelve communities was 120,000, and here the UMass affiliated persons are only 1,787, or 1.5 percent of the population, split fairly evenly between students and staff. Including all students from the other colleges, the student population was 3,725 persons, about 3.1 percent of the total Outer Twelve population.

It is significant to note that 5,299 persons, one-sixth of those affiliated with UMass, are dispersed beyond the 22 community region. Over 82 percent (4,359) are students. More than 20 percent of the staff and 5 percent of the faculty also commute into Amherst from outside.

Chart 3 and 4 show the geographic distribution of the residences of UMass-affiliated persons -- in actual numbers above and percentages below. Whereas the majority of faculty tend to reside in Amherst, the staff are more dispersed, with one-fifth of the staff living outside the 22 community region.

Chart 3.

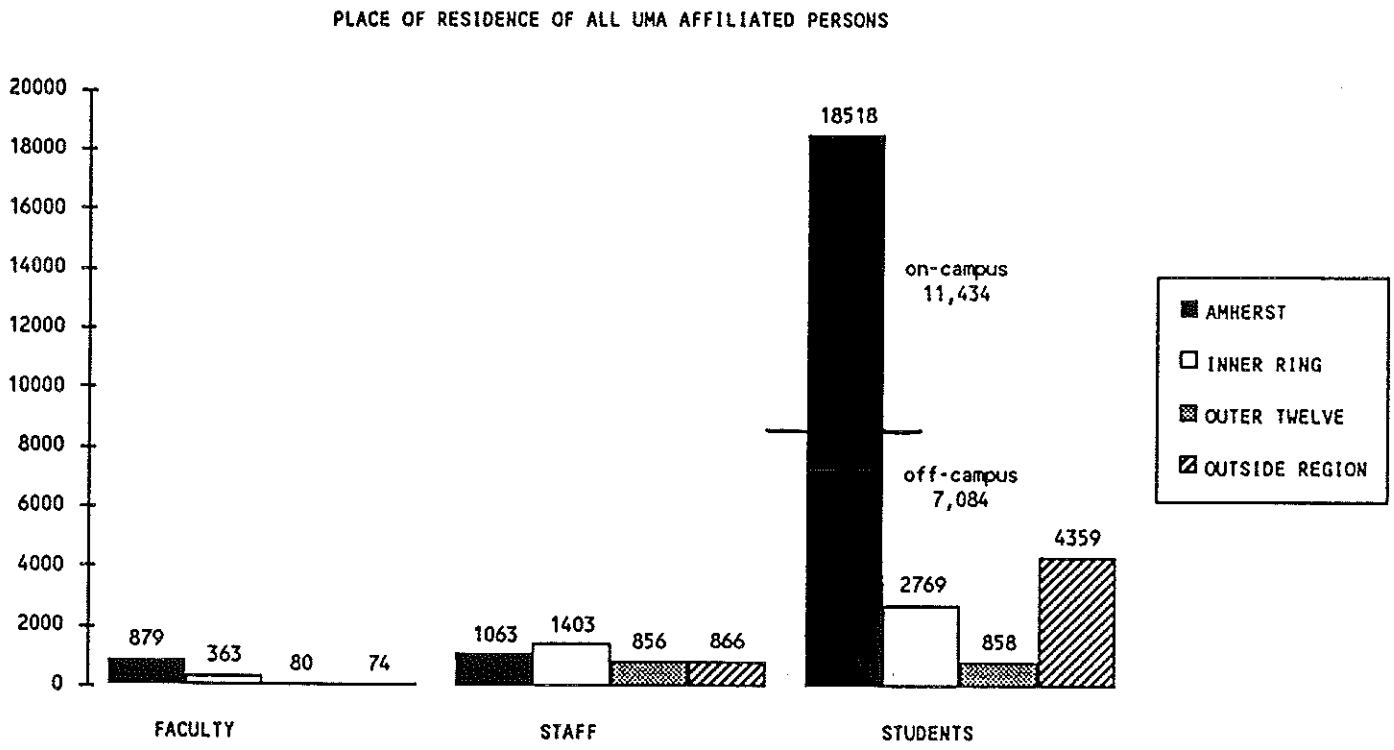
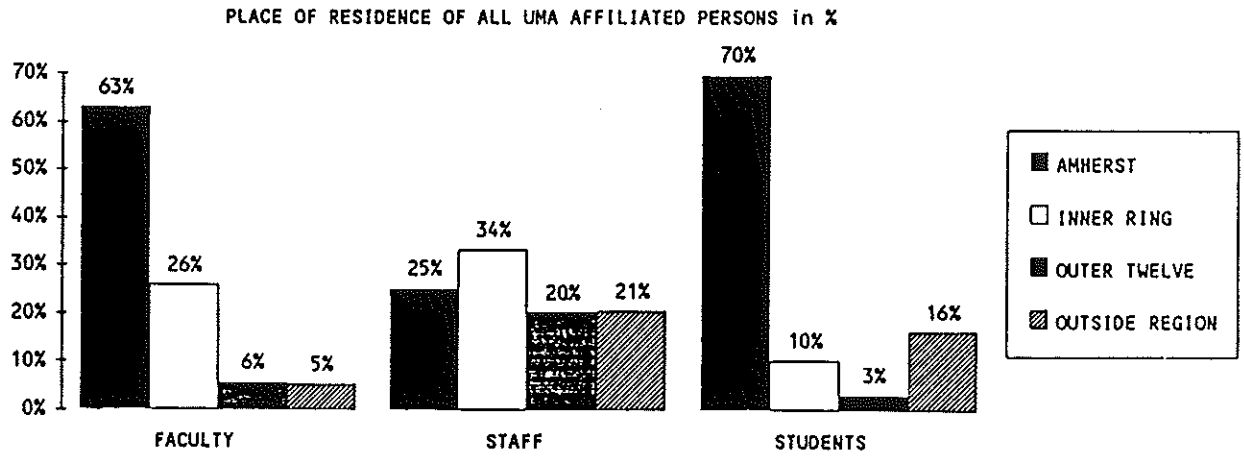


Chart 4.



Exhibits 4-2 through 4-7 in the Appendix show how the UMass personnel are distributed within the Region, based on their mailing address.[14] Essentially, just over one-third of UMass personnel live within the town of Amherst, nearly one-third live in the Ring communities, one-sixth live in the Outer Twelve, and the remaining one-sixth live outside the 22 community region.

Some general trends can be noted:

(1) Senior professors are more likely to live in Amherst.

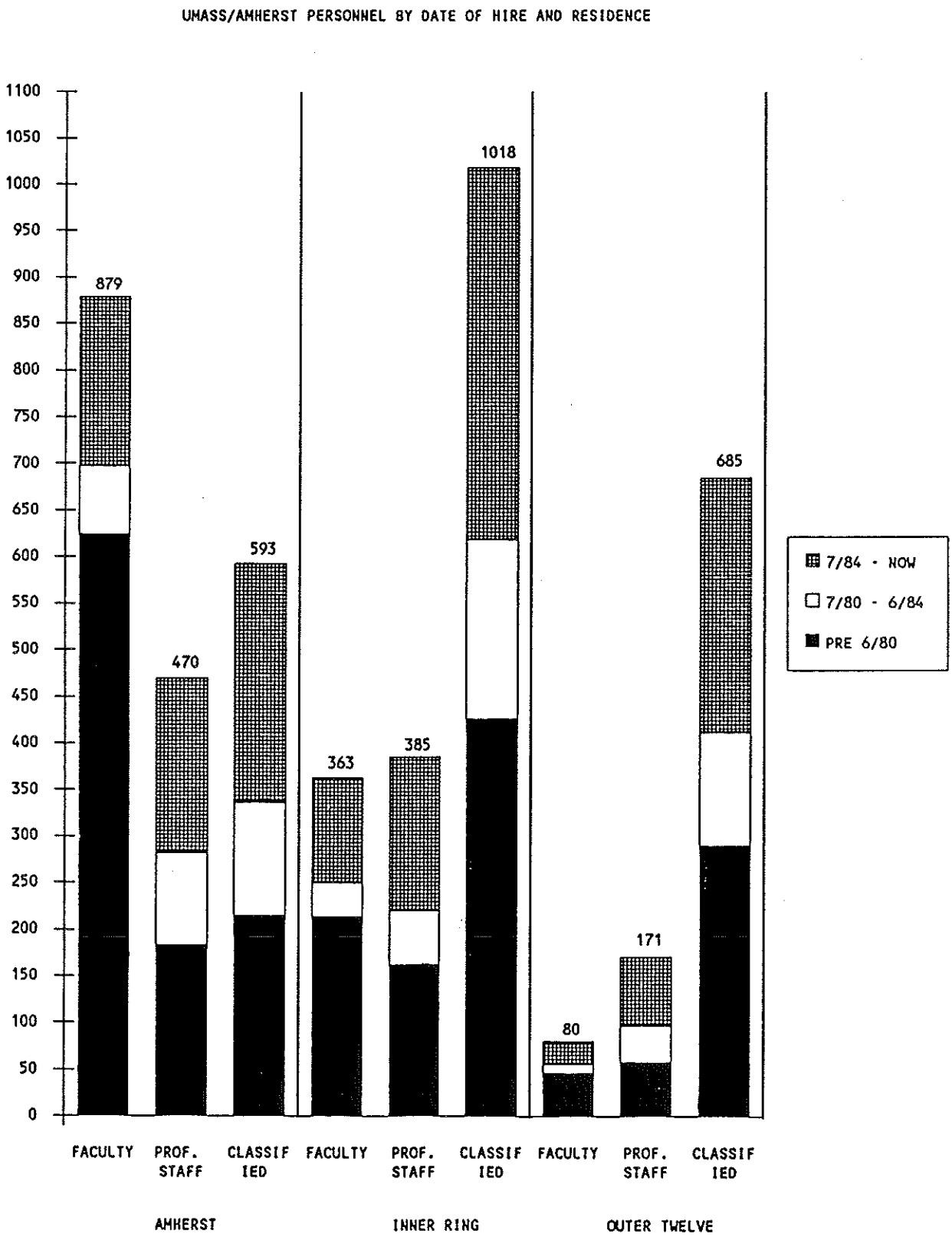
(2) Classified staff were less likely to live in Amherst than in the Outer Twelve or even outside the Region.

(3) Northampton housed an unexpectedly large number of Assistant Professors and staff.

Since it was presumed that recent hires (i.e., those occurring within the last five years when housing prices took their tremendous jump) would have experienced considerably greater difficulty in meeting housing expenses, the geographic distribution of employees was analyzed by date of hire. Surprisingly, the geographic distribution of faculty and staff hired before 1980, between 1980 and 1984, and after 1984 remains fairly constant: the mix of those living in Amherst, the Inner Ring, and the Outer Twelve is about the same. See Chart 5.

[14]This information was provided in a special tabulation by Marilyn Blaustein of the UMass/Amherst Office of Institutional Research and Planning.

Chart 5.


UMASS/AMHERST PERSONNEL BY DATE OF HIRE AND RESIDENCE
1100
1050
1000
950
900
850
800
750
700
650
600
550
500
450
400
350
300
250
200
150
100
50
0
879
470
593
363
385
1018
80
171
685
7/84 - NOW
7/80 - 6/84
PRE 6/80
FACULTY
PROF. STAFF
CLASSIF IED
FACULTY
PROF. STAFF
CLASSIF IED
FACULTY
PROF. STAFF
CLASSIF IED
AMHERST
INNER RING
OUTER TWELVE

Among all UMass employees, 40 percent were hired prior to 1980 and 40 percent since 1984. Remarkably, these same percentages hold for each of the subsets of employees living in Amherst, in the Inner Ring, and the Outer Twelve. In other words, recent hires do not appear to be forced into living further from the UMass campus than their predecessors. There are no "growth rings" evident, which might be explained by several factors:

(1) Some of the jobs may be taken by new households in the area with two jobs (e.g., a new faculty member plus a spouse who also takes a job with the University), providing the household with a total income package that enables it to compete for the high-cost housing.

(2) Some of the new jobs may also have been absorbed by second wage earners or changes in jobs by the primary wage earners in households already living within Amherst or the surrounding towns.

(3) UMass wages have increased sufficiently to allow UMass employees to bid successfully for housing against other households.

(4) Many new UMass personnel still choose to live in Amherst and the towns within the Impact Area, even though they may have to absorb a much higher housing cost burden than their predecessors.

B. Households and Jobs

The Impact Area contained about as many households as jobs in 1980: 31,825 households and 33,231 jobs.[15] UMass provided over 10 percent of jobs held in the Impact Area.[16] By 1988, the estimated number of households had grown by 4.4 percent to 33,240, while the total number of jobs had increased by nearly 24 percent to 41,127. In other words, Impact Area households increased by 1,400, but jobs increased by 7,900, or 6,500 more than households. See Table C.

[15] The 1988 household count, as noted previously, is an OKM/Goetze estimate update based upon the 1986 EOCD/Abt estimate and net additional housing units. The job count is from the Massachusetts Division of Employment Security (DES), maintained annually for all establishments covered by unemployment compensation. See Table C.

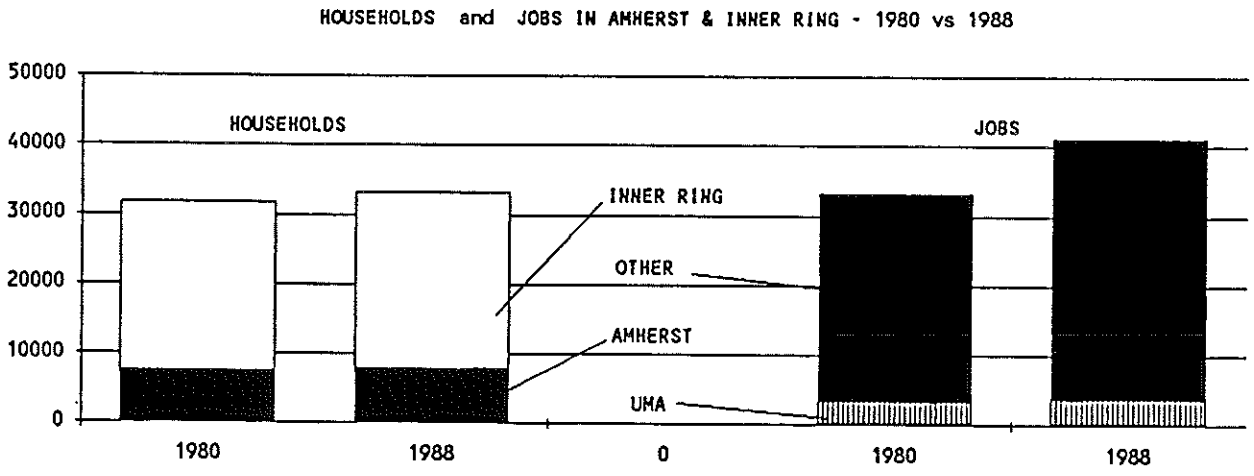
[16] Another 1,859 of the total 5,584 UMass jobs are held by persons living outside the Impact Area. If these are included, then UMass provided more than one of every six jobs in the Impact Area.

TABLE C.

Households and Jobs

	1980		1980 with UMass		1986	1988	1988 with UMass	
	H'holds	Jobs	#	%	H'holds	Jobs	#	%
AMHERST	7,443	8,000	1,845	24.8%	7,841	10,700	1,942	24.8%
INNER RING	24,382	25,231	1,544	6.3	25,399	30,427	1,773	7.0
Belchertown	2,869	2,139	227	7.9	3,338	2,627	262	7.8
Granby	1,715	549	47	2.7	1,808	607	54	3.0
Hadley	1,493	2,629	277	18.6	1,607	3,015	320	19.9
Leverett	503	81	112	22.3	564	172	126	22.3
Northampton	10,509	14,526	418	4.0	10,462	18,156	481	4.6
Pelham	383	85	109	28.6	426	99	123	28.9
Shutesbury	376	83	81	21.7	434	125	94	21.7
South Hadley	5,284	4,570	78	1.5	5,381	4,980	90	1.7
Sunderland	1,250	569	194	15.5	1,379	646	223	16.2
TOTAL AREA	31,825	33,231	3,389	10.6	33,240	41,127	3,715	11.2

Chart 6.



Absorption of the newly created jobs could have been explained by several factors:

(1) Conversion of one-wage to two-wage households;

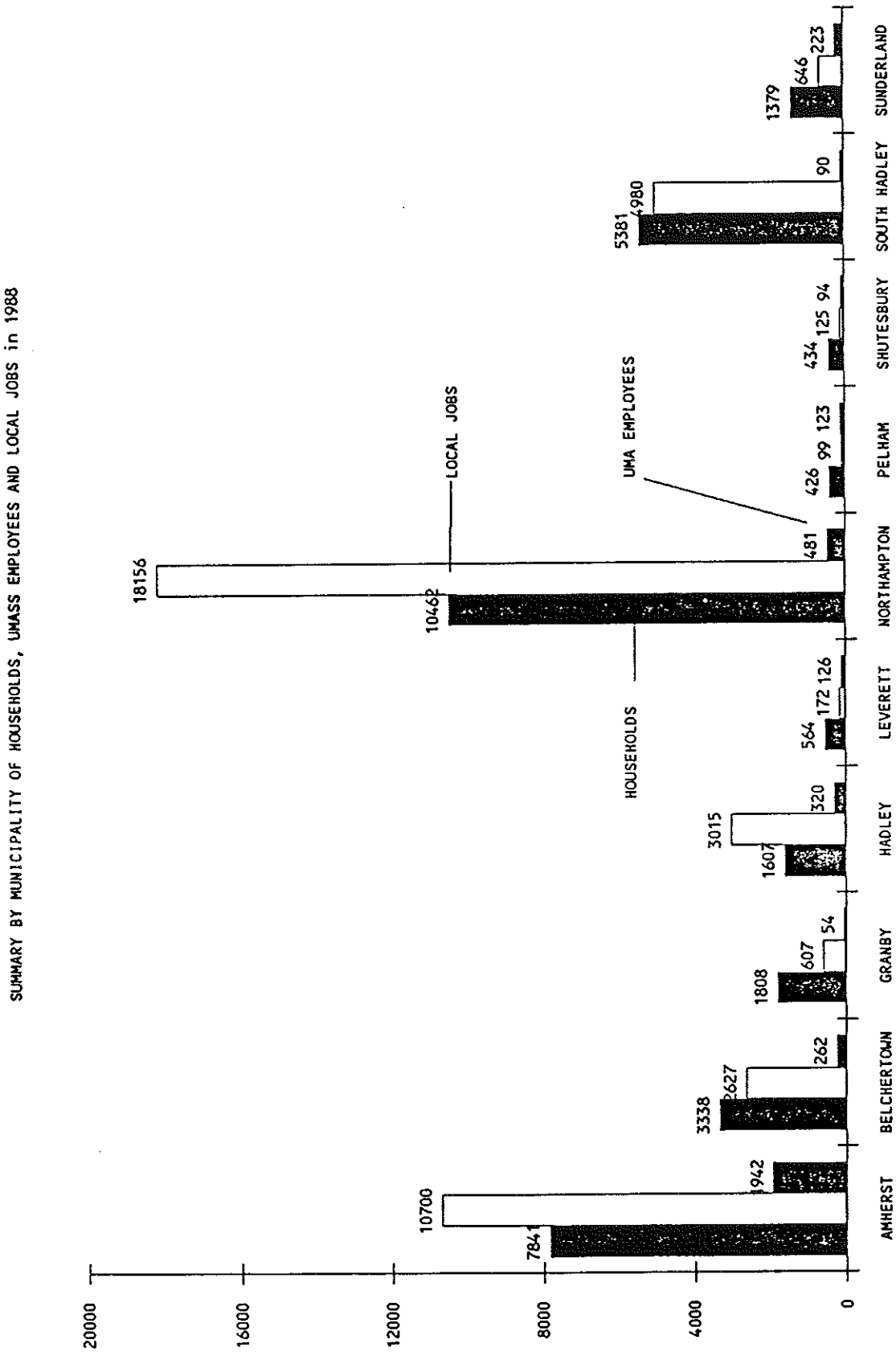
(2) Second jobs for wage earners trying to make ends meet; and/or

(3) Increase in the number of commuters from outside the Impact Area.

By 1988, the number of jobs had increased to 1.24 jobs per household, enough to allow one household in five to become a two-wage household. As noted previously, this is consistent with national and regional trends.

Obviously, the jobs are not evenly distributed among the towns within the Area along with the population. People travel to get to work. Thus Northampton, Amherst and Hadley have more jobs than persons. In fact, 39,478 or 96 percent of the jobs in the 22 community region are in just five of the communities: Northampton, Amherst, South Hadley, Hadley and Belchertown. For many of the other towns in the Impact Area like Pelham, Leverett, and Shutesbury, UMass is an important employer. See Chart 7 on the following page.

Chart 7.


SUMMARY BY MUNICIPALITY OF HOUSEHOLDS, UMASS EMPLOYEES AND LOCAL JOBS in 1988
LOCAL JOBS
UMA EMPLOYEES
HOUSEHOLDS
20000
16000
12000
8000
4000
0
AMHERST
BELCHERTOWN
GRANBY
HADLEY
LEVERETT
NORTHAMPTON
PELHAM
SHUTESBURY
SOUTH HADLEY
SUNDERLAND
10700
7841
1942
3338
2627
262
1808
607
54
1607
3015
320
564
172
126
10462
18156
481
426
99
123
434
125
94
5381
4980
90
1379
646
223

The 5,584 persons employed by UMass hold about half of the total jobs provided in Amherst in 1988. However, only 1,942 or 35 percent of these UMass employees lived in Amherst. The ratio of UMass jobs held by Amherst residents to total households in town in 1988 was 24.8 percent.

The UMass jobs are also quite important to the residents in many of the adjoining communities. The UMass job to household ratio in 1988 was 29 percent in Pelham, 22 percent in Leverett and Shutesbury, 20 percent in Hadley and over 16 percent in Sunderland. On the other hand, UMass jobs were relatively unimportant in South Hadley and Granby, lowering the average ratio to 7 percent for the Ring communities.

C. Changes in Housing Stock

The total number of housing units in the Impact Area in 1988 was estimated at 36,525 dwelling units, up 11 percent over the count in the 1980 Census, as shown in Table D. Based on building permit records, there was generally a burst of new development in 1986 and 1987 -- mainly in single family homes -- probably induced by the sharp price rises a few years earlier. In fact, the housing unit gains in these two years often matched those of the six years between 1980 and 1986.

TABLE D.

Total Housing Stock

	1980		1986	1988	Gain	
	#	%	#	#	'88-'80	
AMHERST	7,699	23.4%	8,105	8,462	763	9.9%
INNER RING	25,181	76.6	26,609	28,063	2,882	11.4
Belchertown	3,004	9.1	3,500	3,886	882	29.4
Granby	1,751	5.3	1,847	1,929	178	10.2
Hadley	1,549	4.7	1,667	1,742	193	12.5
Leverett	564	1.7	630	692	128	22.7
Northampton	10,660	32.4	10,954	11,421	761	7.1
Pelham	401	1.2	446	482	81	20.2
Shutesbury	536	1.6	619	669	133	24.8
South Hadley	5,443	16.6	5,540	5,759	316	5.8
Sunderland	1,273	3.9	1,406	1,483	210	16.5
TOTAL AREA	32,880	100.0	34,714	36,525	3,645	11.1

Some towns grew considerably more than the average: Belchertown (882 new units) grew by over 29 percent; Shutesbury (133 units) by nearly 25 percent; and Pelham (81 units) by over 20 percent. See Chart 8 on the following page.

Chart 8.

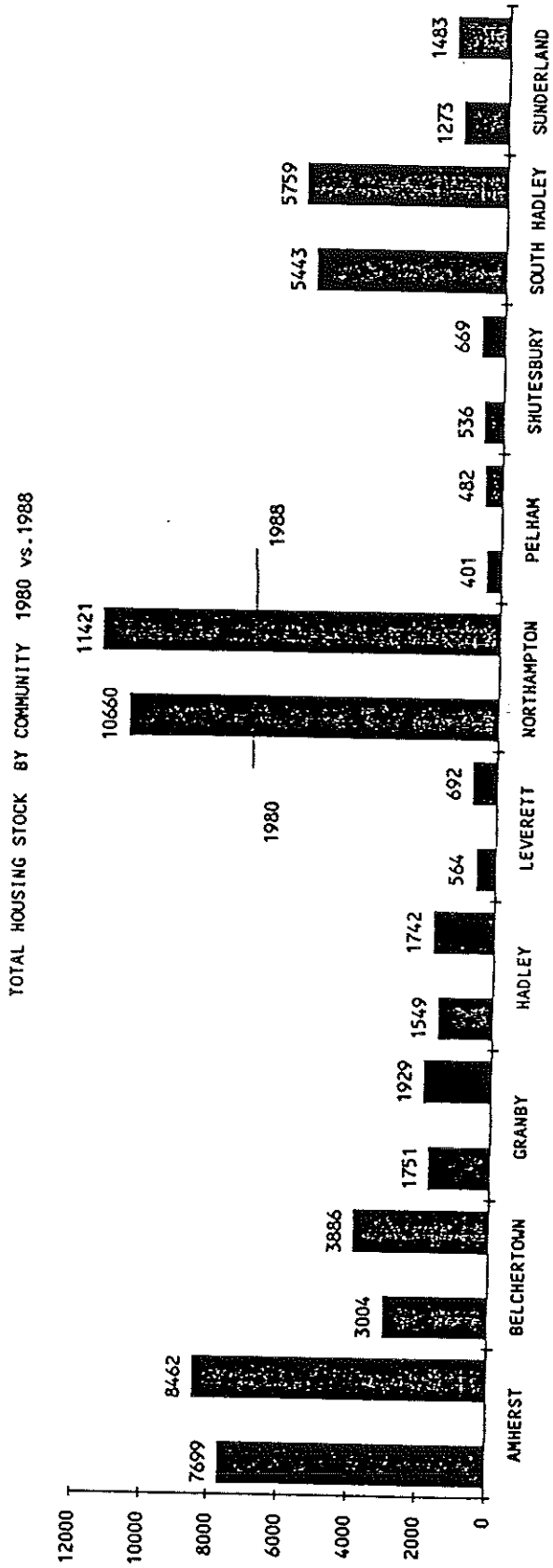

TOTAL HOUSING STOCK BY COMMUNITY 1980 vs.1988
12000
10000
8000
6000
4000
2000
0
7699
8462
3004
3886
1751
1929
1549
1742
564
692
10660
11421
401
482
536
669
5443
5759
1273
1483
1980
1988
AMHERST
BELCHERTOWN
GRANBY
HADLEY
LEVERETT
NORTHAMPTON
PELHAM
SHUTESBURY
SOUTH HADLEY
SUNDERLAND

Table E shows the changes in rental housing stock through 1986, the last year comparable data was available for all towns. In general, the more recent development was largely single family units, accounting for most of the perception of so much dispersed growth in the past few years.

TABLE E.

Rental Housing Stock

	1980		percent of		1986	Gain	Subs'd DUs	
	#	%	town	region	#	'86-'80	#	% rentals
AMHERST	4,422	33.1%	57.4%	13.4%	4,572	150	909	19.9%
INNER RING	8,955	66.9	35.6	27.2	8,802	(153)	1,663	18.9
Belchertown	799	6.0	26.6	2.4	836	37	82	9.8
Granby	304	2.3	17.4	0.9	300	(4)	57	19.0
Hadley	368	2.8	23.8	1.1	383	15	42	11.0
Leverett	107	0.8	19.0	0.3	120	13	0	0.0
Northampton	4,840	36.2	45.4	14.7	4,706	(134)	1,298	27.6
Pelham	61	0.5	15.2	0.2	67	6	0	0.0
Shutesbury	67	0.5	12.5	0.2	80	13	0	0.0
South Hadley	1,563	11.7	28.7	4.8	1,429	(134)	182	12.7
Sunderland	846	6.3	66.5	2.6	881	35	2	0.2
TOTAL AREA	13,377	100.0	40.7	40.7	13,374	(3)	2,572	19.2

In 1980, 41 percent (13,377 units) of the Impact Area stock were rentals, over 36 percent of which were in Northampton, 33 percent in Amherst, and 12 percent in South Hadley. Small towns such as Shutesbury, Pelham, and Leverett had few rental units. The percentage of local stock in rental tenure plays a major role in housing perceptions, ranging from highs of 67 percent in Sunderland, 57 percent in Amherst, and 45 percent in Northampton, to 15 percent in Pelham and under 13 percent in Shutesbury.

Due to local market conditions, rental stock gains between 1980 and 1986 were negligible. Some communities like South Hadley and Northampton even lost net rental stock through significant conversions into condominiums. Conversions were recorded for 605 units in Northampton, 211 units in South Hadley, and 142 units in Amherst. Amherst, however, had a net gain of 150 rental units (3 percent of its rental stock) due primarily to a limited amount of new, primarily subsidized, rental development.

The 1986 changes in the Federal Tax Code (which provides for taxation of capital gains at a higher rate and removes other incentives to produce rental housing) tend to discourage investor ownership and make additional rental development less likely after 1986.[17]

[17] Recent local building permit records only indicate single or multifamily structure type, and multifamily development has recently tended to be for condominium tenure. In the Amherst regional market, where rental demand remains intense, it is likely that as federal tax benefits have diminished, investor owners of existing properties have sought to gain more through rents where they can.

The portion of the local rental units that are subsidized are also shown in Table E and Chart 9. In most of the communities where there is significant rental stock, between 10 and 28 percent of the rental stock is under subsidy, ranging from 1,298 units in Northampton and 909 units in Amherst. In Sunderland however, only 2 of its 881 units were under subsidy in 1986, and there were none in Leverett, Pelham, and Shutesbury.

D. Price Trends in the Impact Area

All towns in the Impact Region experienced significant price rises during the eighties. The rise in Amherst prices was even more dramatic. An analysis of average single family housing prices during the eighties indicates that prices within Amherst have nearly tripled during the decade. In 1980, the current dollar price levels were comparable to surrounding towns in the Impact Area, but by 1987-88 Amherst prices were propelled above the region to a level matching Boston's prices. See Chart 10.

Rents in and around Amherst have experienced a steady rise since 1970. Average rent increases during the last two decades have appeared to track with inflation. In fact, there appears to be a very high correlation between median rents in Amherst and the Consumer Price Index for Urban Areas. See Chart 11.[18]

[18] It is quite common for rents to move at the rate of inflation in tight housing markets. Certain portions of the operating budgets for rental properties move with inflation, such as utilities, staff, taxes, and insurance. However, when financing is fixed rate (as it probably was for many of these properties constructed in the seventies), the variable costs of an operating budget probably are only about 40 percent of all costs. In such cases, from a cost standpoint, rents should not track with the full inflation rate. Instead, the inflation rate is used as a convenient measure for landlords who wish to increase profitability and the values of their properties at a rate commensurate with inflation.

Chart 9.

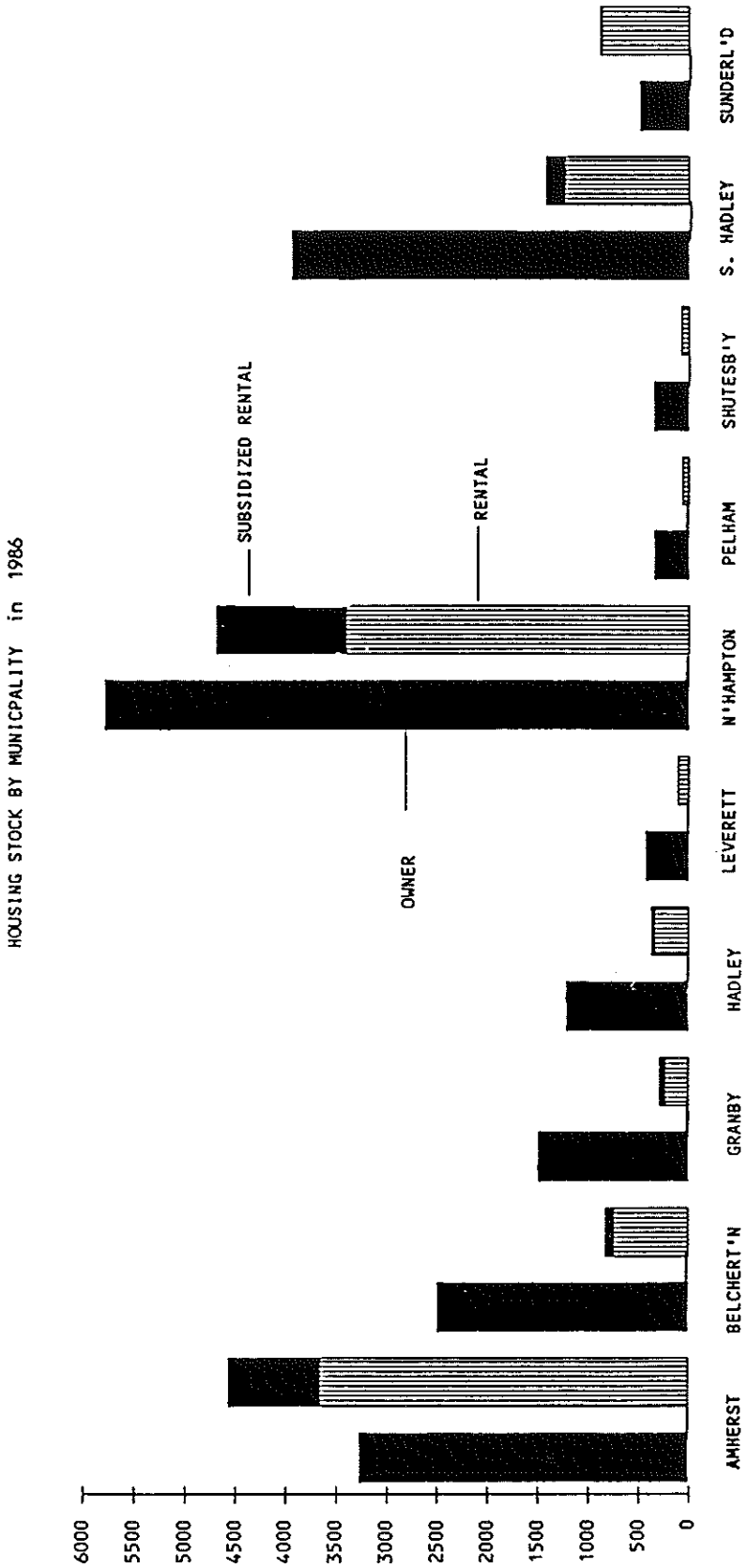

HOUSING STOCK BY MUNICPALITY in 1986
SUBSIDIZED RENTAL
RENTAL
OWNER
6000
5500
5000
4500
4000
3500
3000
2500
2000
1500
1000
500
0
AMHERST
BELCHERT'N
GRANBY
HADLEY
LEVERETT
N'HAMPTON
PELHAM
SHUTESB'Y
S. HADLEY
SUNDERL'D

Chart 10.

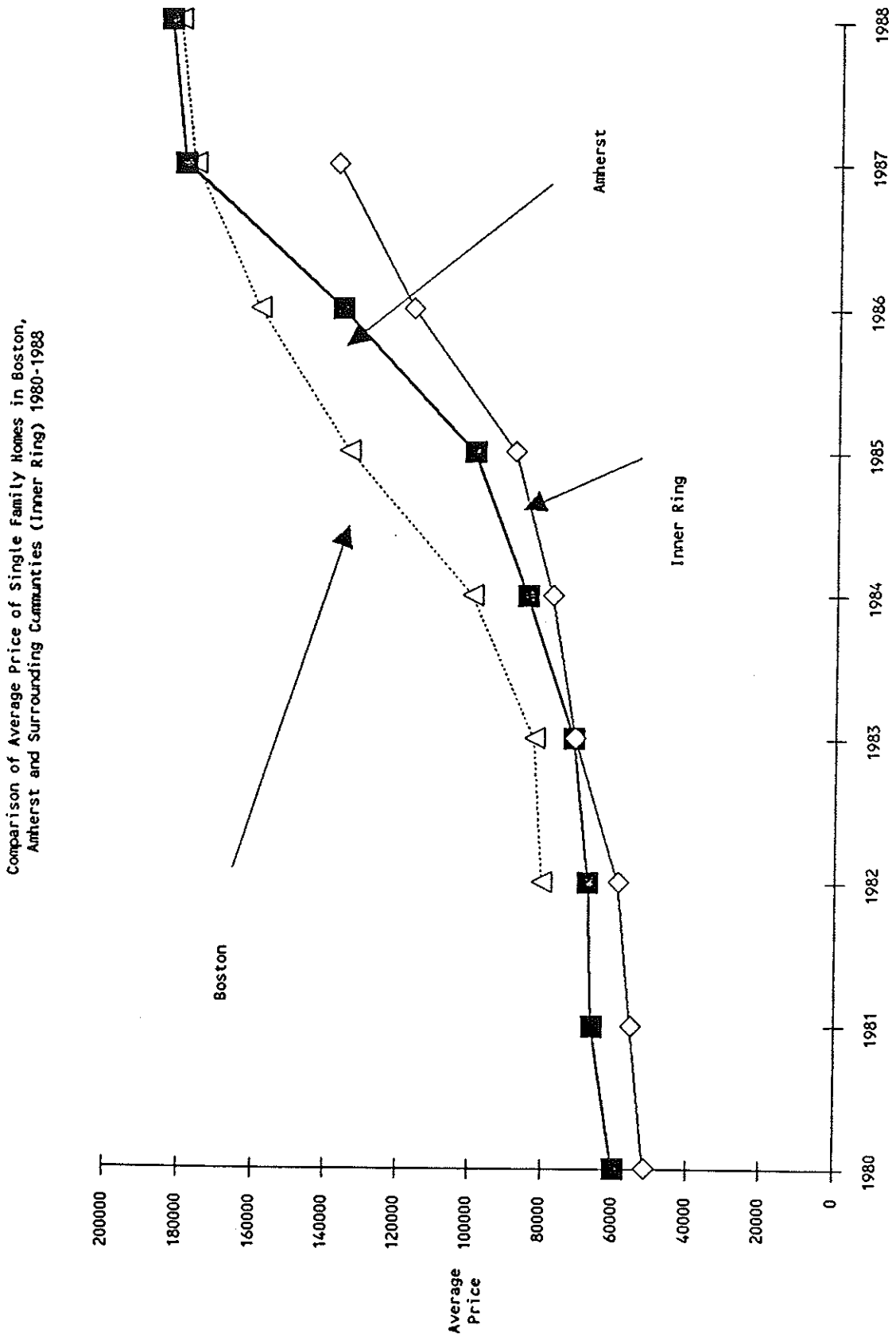
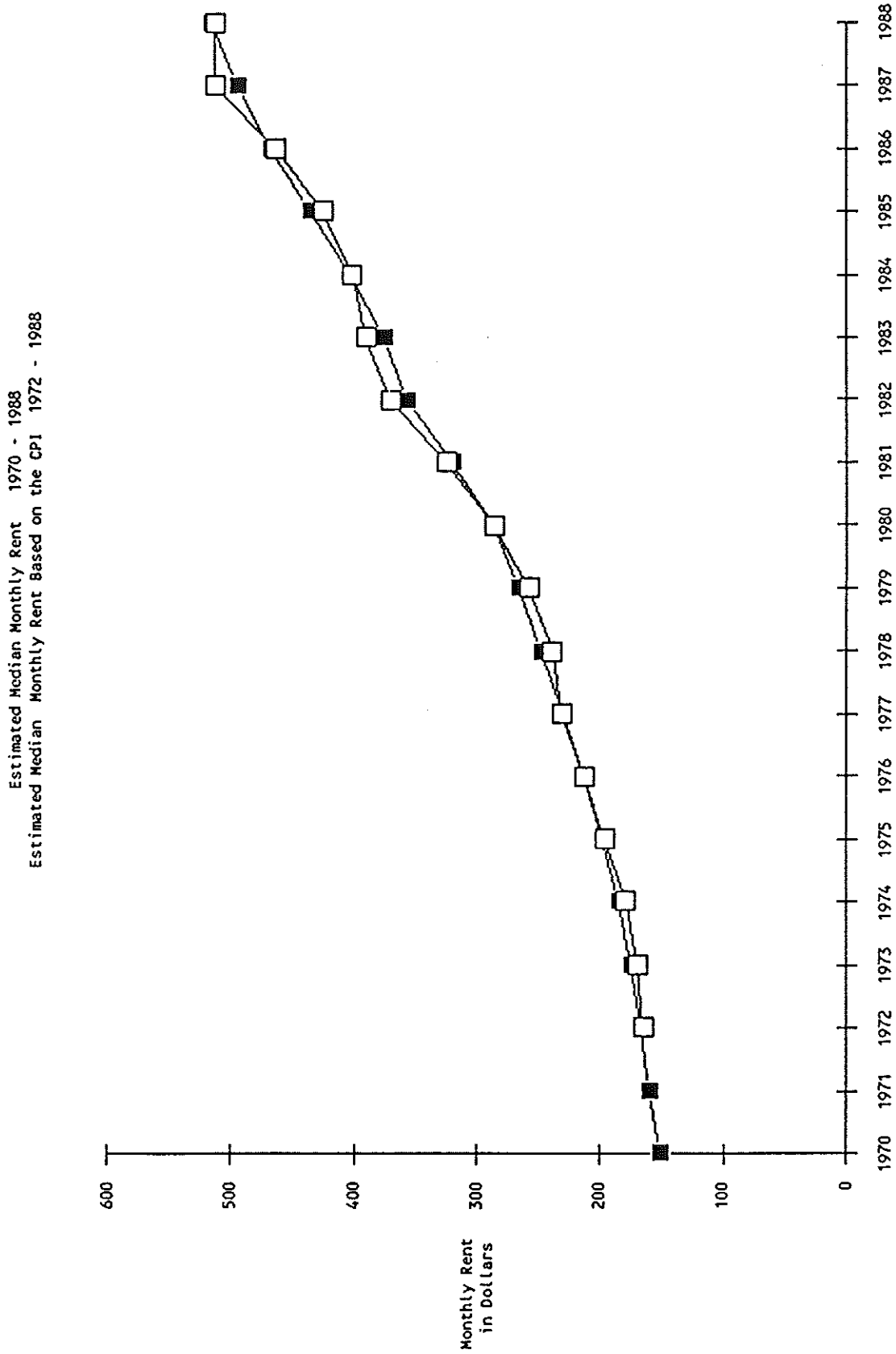

Comparison of Average Price of Single Family Homes in Boston,
Amherst and Surrounding Communities (Inner Ring) 1980-1988
Boston
Amherst
Inner Ring
Average Price
200000
180000
160000
140000
120000
100000
80000
60000
40000
20000
0
1980
1981
1982
1983
1984
1985
1986
1987
1988

Chart 11.


Estimated Median Monthly Rent 1970 - 1988
Estimated Median Monthly Rent Based on the CPI 1972 - 1988
Monthly Rent in Dollars
600
500
400
300
200
100
0
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988

Wherever the rental market is strong and characterized by large, absentee-owned developments, OKM/Goetze have observed this correlation between rents and inflation over the last couple of decades in many Massachusetts markets -- irrespective of whether or not rent control exists. Owners look to inflation rates for justification of increases.[19]

Several parties interviewed during this study suggested that the Town of Amherst is the "town of preference" for many people living in the Pioneer Valley, whether or not they are affiliated with one of the academic institutions. They suggest that high demand for housing in Amherst would continue regardless of the level of production. More people would move into Amherst from surrounding towns if more units became available. Consequently, production in Amherst would only raise the vacancy rates in surrounding towns rather than in Amherst.

E. Zoning and Growth Controls

To protect the attractive qualities of the area, first Amherst and then its surrounding towns have sought to impose a variety of growth control mechanisms, including: permit quotas and moratoria, large lot zoning and downzoning, and open space/farmland preservation. These have restricted growth, but have also contributed to rises in prices and rents.

A summary of the zoning elements in the various towns in the Impact Area is included in Appendix Exhibit 2-4. This information was collected from the Hampshire County Planning Department Land Use Control Inventory. The growth restrictions imposed by Amherst are discussed in detail in Appendix 5.

Many of the towns surrounding Amherst seem to be moving toward more restrictive zoning. Pelham, Granby, Belchertown, and Hadley have all recently developed growth management plans emphasizing larger lot zoning (in excess of one acre minimum lot size). The Lower Pioneer Valley Regional Planning Commission indicates there is a clear trend among the towns to upzone and impose other growth restrictions in order to protect the current rural character.

If the housing supply is not permitted to grow to meet rising demand, home prices and rents will continue to escalate, conferring windfall gains to home owners and landlords, and increasing hardships of renters and newcomers to the area.

[19] The rent:inflation correlation, however, does not appear to be as high in rental markets dominated by smaller multiplex buildings that are largely owner-occupied with long-term stability of ownership.

SECTION IV. AFFORDABLE HOUSING NEEDS

A. What is Meant by Affordable Housing?

While most everyone can probably agree that there is a need to preserve and produce more affordable housing within the Impact Area, there may not be a clear consensus on what is meant by "affordable" housing and who should be helped. Before affordable housing policies or programs can be decided, there must be agreement on what is affordable and what types of households are most in need of assistance. From a public policy perspective, the first principle of affordable housing is need -- families with limited incomes cannot afford to purchase or rent adequate housing at the current prices. The second principle is that the private housing market cannot or will not provide housing that is affordable, so public intervention is required.

Implicit in this discussion are generally accepted standards for what portion of income a family should reasonably be expected to pay for housing. If they pay more than the agreed-upon percentage of their income, then they are in need of more affordable housing. The most common "housing cost burden" standards of the federal subsidy and loan programs use either the maximum percentage of household income that should be spent on housing or relate the household's income to the median in the area as follows:

	Monthly Cost Burden (% of income)	Maximum Income (% of median)
Rental	30 %	
Very Low Income		50 %
Low Income		80 %
Homeownership	28 %	
Low Income		80 %
Moderate Income		120 %

It is important to acknowledge that these are standards that have long been used by various public programs, and are not necessarily consistent with what people are currently paying in the private market. Based on a variety of sources in Boston, Amherst, and other parts of Massachusetts, it may not be uncommon for renters to be paying 35, 40, and even 50 percent of their income for rent and utilities. Lenders admit that the FNMA standard of 28 percent of income for principle, interest, taxes and insurance is not always applied, and some families are carrying housing costs that exceed 35 percent of income. Add in utilities and repair costs, and some homeowners are paying 40 to 50 percent of their income for housing costs. Notwithstanding these current market realities that have resulted from the tremendous rise in rents and prices, public programs still adhere to the standards cited above.

Federal program guidelines using area median income as yardsticks generally create three maximum income levels -- for Very Low (50 percent of Area Median Income), Low (80 percent), and Moderate Income (120 percent). HUD establishes maximum income guidelines adjusted for families of varying sizes. For example, based on the current area median income of $36,800 for a family of four, the income guidelines are as follows:

Category	Percent of Median Income	Max Income	Max Rent
Very Low	50 %	$18,400	$460
Low	80	29,440	736
Moderate	120	44,160	1,104

To be eligible for most federal rental assistance, a household must make less than the Low Income limit ($29,440 in the above example of a family of four); however, current targeting requirements devote most new federal rent assistance to families who qualify as Very Low Income ($18,400 for a family of four). The state Chapter 707 rental assistance program has an income eligibility limit that is typically about 58 - 60 percent of median income. For the family of four in Amherst, the current 707 eligibility income limit is $21,440.

Home ownership programs attempt to target Low Income households, but usually establish Moderate Income limits (depending on the program) at 95, 100, or 120 percent of area median income, which in the above example of a family of four means limits of between $34,960 and $44,160. Assuming 10 percent down and a conventional 30 year fixed rate mortgage at 11 percent interest, this means a family with income of $44,160 can afford a home up to $100,000, just slightly more than half the median price in Amherst.

B. Estimates of Households in Need of Affordable Housing

Virtually all unassisted renter households in Amherst (approximately 3,700, many of which are UMass-affiliated) can be considered vulnerable to affordability problems. However, what follows is a more detailed estimate of needs within the impact area.

1. Methodology

Direct data on current household income will not be available before the early 1990's, and 1980 Census data are obsolete. Therefore, OKM/Goetze reviewed local rent and other housing market information throughout the region to estimate the number of Very Low and Low Income households most likely to experience affordability problems.[20] To accomplish this, the following methodology was used:

[20] OKM/Goetze used households rather than population for this analysis because the household is the unit by which people purchase housing. Also, the household count is less subject to dispute than the population count for Amherst.

(1) 1980 Census data was used to estimate:

- o the number (and percentage) of households below 50 percent and 80 percent of median income;
- o the percentage of households that can be categorized as families, elderly, and others; and
- o the homeownership rates of families and elderly.

(2) The numbers of Very Low and Low Income households was updated to current (1988) household estimates.

(3) These Very Low and Low Income need estimates were then adjusted downward for:

- o homeownership rates
- o estimates of privately owned, unsubsidized affordable rental units (e.g., relatives or long-term renters in an owner-occupied two family house).

(4) The net number of Very Low and Low Income households needing affordable housing was compared to the number of publicly available subsidized units to determine the net shortfall of affordable housing units.

These estimates were then compared to the 1985 EOCD Estimate of Need as well as housing authority waiting list information.

It should be noted that these estimates of need for additional affordable housing units are likely to <u>understate</u> the total housing need for several reasons:

(1) Many tenant households over the Low Income limits may also be experiencing excessive rent burdens.

(2) Home owners are excluded from these estimates, because they are presumed to have tenure and security. Nevertheless, home owners may also have successive housing cost burdens.

(3) These estimates do not include renter households who would like to buy, but cannot afford entry level prices.

(4) The estimates also do not include estimates of households living in substandard or overcrowded housing, two other important measures of housing need.

(5) The estimates do not account for possible losses of affordable units due to expiring use restrictions.

These factors notwithstanding, the estimates point to substantial unmet needs, and will demand all the resources the region can muster. UMass-affiliated households comprise a significant portion of these needs which are assessed below in Part C.

2. Estimates of Need

Table F below provides a summary of the OKM/Goetze estimates of total need in assisted dwelling units in Amherst, Northampton, and the total Impact Area. Calculated using the methodology outlined above, the estimates are then used to suggest annual targets that would be needed to produce the needed number of housing units over a ten year period.

Table F.

Estimated Impact Area Households in Need of Assisted Housing

	Households in Need	Existing Assisted Units	Deficit
Amherst	2,320	950	1,370
Northampton	2,520	1,198	1,322
Ring Communities	2,720	827	1,893
IMPACT AREA	7,560	2,975	4,585

To understand the diversity of the need represented by these numbers, OKM/Goetze estimates that the 7,560 renter households in need can be divided roughly as follows:

- Approximately 5,750 non-elderly households needing assistance, including:
  - 850 non-elderly family households without children;
  - 1,450 two-parent families with children;
  - 2,300 single parent families; and
  - 1,150 disadvantaged, non-elderly singles and others.
- 1,800 elderly-headed households needing assistance, including:
  - 950 robust independent elderly; and
  - 850 frail elderly.

Each of these household types has specific needs that are most appropriately addressed with different forms of housing, although it is premature at this stage of the study to define the appropriate mix of housing to meet these needs.

3. Current Supply of Assisted Housing

The deficit is the current need remaining to be addressed after subtracting the existing assisted inventory. This assumes, that all of the subsidized units are serving the households in need -- but this is probably not the case, and the deficit is likely to be larger than this arithmetic suggests.[21]

Amherst has 950 units of subsidized housing according to the EOCD housing inventory, meeting as much as 40 percent of the needs estimated by OKM/Goetze.[22] Despite this high level of performance, OKM/Goetze estimate that at least an additional 1,375 households, nearly one in every five households in Amherst still needs, and is qualified for, housing assistance. Households on the Amherst Housing Authority's waiting list are likely to wait from 1 to 3 years for either an available family unit or an elderly unit.

The City of Northampton, with over 1,300 units of assisted housing over half of the City's Low Income population, is the Area's major provider of assisted housing. Almost 90 percent of the households on its current waiting list for Northampton Housing Authority assistance are not currently residing in Northampton.[23]

Included in the assisted housing counts for Amherst and Northampton are subsidized developments which are privately owned and restricted to low income housing only for a fixed period of time. Some of these developments may be removed from the affordable housing inventory during the nineties, reducing the counts in both cities by several hundred units.[24]

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[21]Appendix2-9 has the assisted unit tallies for each project by community in Hampshire County. Some of the housing units, while qualifying under the state's guidelines, are market rate units. This is true of HUD and MHFA mixed-income assisted developments which are privately owned. Also, as noted previously, housing authority waiting lists are open to non-residents, so some units may have been taken by non-resident households who are not included in the estimates of resident households in need.

[22]As noted previously, not all of the 950 units are presumed to be occupied by Low Income households.

[23]Because public housing waiting lists are open to all eligible applicants, regardless of residency, Northampton has many applicants from towns and cities outside of the Impact Area, such as Holyoke.

[24]There are three Amherst developments whose restrictions will expire during the next twenty years:

Development Name	Total Units	Subsidized Units	Exp Use Date
Puffton Village IV	64	236	1993
Rolling Green	204	51	2007
Village Park	200	40	1993
	468	100	

Source: Community Economic Development Assistance Corp

In addition, Northampton has two projects -- 459 total units and 232 units with rent subsidy commitments -- scheduled to reach their mortgage prepayment date during the nineties.

The Ring Communities include towns as diverse as Pelham, Sunderland, and Belchertown. Because 74 percent of the households in the Ring communities are owners, the share of those in need is assumed to be not as great as within the town of Amherst (with only 40 percent owner occupancy) and Northampton (58 percent owner occupancy). Nevertheless, some 2,700 households, roughly one in five of the Ring's households, are in need of assistance.

Scattered site subsidized housing developments in South Hadley, Belchertown, Granby, and Hadley supply the only available subsidized units in the Ring Communities, and these are largely elderly units. Leverett, Pelham, Shutesbury and Sunderland have virtually no assisted housing, forcing residents to get by without assistance or to try to get on the waiting list for assisted housing in one of the adjoining communities (notably Northampton, South Hadley, and Amherst).

C. The Affordable Housing Need of the UMass Population

A portion of the households in need are students and other households affiliated with UMass. Almost 7,900 students live off-campus within Amherst, comprising an estimated 3,000 households, and another 5,800 students live within the impact ring in an estimated 2,000 households. Between a third and a half of these are graduate students -- some also working for UMass, some married, and some with children. Most rent their units, and some are qualified for housing assistance based on income and included in Table F.

According to the Amherst Housing Authority, some of the 950 existing assisted housing units in Amherst are occupied by UMass-affiliated households who qualify for publicly assisted housing.[25]

Based on information provided by local housing authorities in the Area, an estimated one-third of the households on the Amherst Housing Authority waiting list are UMass-affiliated, and about one-fifth of the households on the Northampton Housing Authority waiting list are estimated to be UMass-affiliated.

By applying these waiting list factors to the OKM/Goetze estimate of all households in need (and by assuming that about 10 percent of households on waiting list in the Ring communities are UMass affiliated), OKM/Goetze have estimated that 1,150 (or 15 percent) of the 7,560 households in need in the Impact Area are UMass-affiliated.[26]

[25] In testimony before the Special Commission on Higher Education Housing Needs, the Director of the Amherst Housing Authority testified that 122 of the 370 families (33 percent) residing in public housing were UMass affiliated households. In further testimony, the Director estimated that, based on an average monthly assistance of $325 per family, the Authority provides over $475,000 in assistance annually to UMass-affilliated households.

[26] Most housing authority units in the Ring communities are elderly; consequently, family waiting lists are not maintained by the authorities. For these calculations, it is estimated that 10 percent of the family households in need in the Ring communities are UMass affiliated. For Amherst and Northampton, the appropriate percentages were applied to the non-elderly households in need. See Exhibit 2-11.

Any portion of these students and affiliated households that UMass can accommodate will reduce the competition for the limited available rental stock in the region, both private and assisted. It would also reduce assisted housing targets set for the towns in the Impact Area, but it would be difficult to determine how such reductions could be allocated among towns. If UMass provided additional housing suitable for 500 student family households, for example, this would ease pressure primarily on the private market in communities outside Amherst; that is, units vacated by students moving onto campus are likely to be filled by other students or staff moving closer to campus.

Despite discussion at public hearings of incoming junior professors "being forced to live like graduate students", this analysis suggests that the junior faculty generally are above the household income levels qualifying them for rental assistance. Within Amherst, there is an estimated total of 1,500 UMass faculty and staff households, with perhaps 500 competing for rental units; living in the Ring Communities of the Impact Area are perhaps another 1,000 faculty and staff households, several hundred of which are competing for rental stock within the surrounding towns.

To ease faculty and staff pressure on the private rental housing market within Amherst would require UMass to provide some 1,000 additional rental units, or 100 units per year over ten years; to keep an estimated total of 1,500 UMass homeowners from bidding up prices for homes coming on the market would require yet another 1,500 units suitable for ownership, or 150 units annually.

While it may be implausible to achieve production volumes of these magnitudes to eliminate pressures by UMass-affiliated households on the regional housing market, it is useful to focus on the UMass-affiliated households which are included in the OKM/Goetze estimates of housing need above, and to develop strategies in Chapters 2 and 3 that emphasize cooperative efforts of the University and the towns.

Chapter 2

Comparative Analysis of Housing Strategies of Academic Institutions

SECTION I. INTRODUCTION

A. Overview

Chapter 2 consists of a comparative analysis of the strategies employed by other academic communities and institutions. Since no two local housing markets are exactly alike, strategies useful to Amherst and the Impact Region may be different than those which have been used successfully in other communities. Our research assembled the major potential housing strategies that involve (or could involve) academic institutions, including some strategies which to the best of our knowledge have not yet been implemented by other academic institutions, but are worthy of consideration.

Chapter 1 Report examined housing and demographic conditions which have given rise to affordability problems in Amherst and the surrounding communities. The impacts of five academic institutions -- Smith College in Northampton; Mt. Holyoke College in South Hadley; and Hampshire College, Amherst College, and the University of Massachusetts in Amherst -- were analyzed to define the primary Impact Area. Amherst and the 9 Ring communities (including Northampton) are collectively referred to as the Impact Area. The remaining 12 communities of the 22 community region are referred to as the Outer Twelve.

One of the growth industries is education. UMass grew substantially during the late sixties and early seventies, attracting thousands of students and faculty to the region. The University's expansion outpaced its production of housing. With students increasingly choosing to live off-campus and the University's complicated development process, students moved in large numbers into the private real estate market, which did not have enough multi-family units to absorb all the demand. Nothing prevented small groups of students from joining together to rent single family homes. The traditional group of renters in Amherst were either crowded out or forced to pay more for housing in this housing market game of "musical chairs". This conferred windfall profits to owners of rental properties and the builders and owners of single family homes, and has disadvantaged non-academic renter households and newcomers most severely.

Since few other markets in this country have experienced the tight housing supply conditions and entrenched growth controls which have existed in this region over the last two decades, the initiatives or solutions found in other communities are not that relevant. Other academic communities have implemented a variety of strategies to address their problems, but they do not tell us how to get out of the political impasse which exists in this Region, and which confronts the Regional Commission. It will require cooperation between the academic institutions and the communities. This report examines what academic institutions can do.

B. Why Academic Institutions Should Respond to Housing Problems

Housing has traditionally been provided by local market forces guided and assisted by local governments, nonprofits, and foundations. Academic institutions, like other employers, historically have not become involved in providing affordable housing beyond dormitories. However, over the last decade, employers in rising cost areas (especially on the East and West coasts) have found it necessary to become more directly involved in a broader array of housing actions in order to attract and hold employees.

Tight housing markets tend to hamper efforts to expand and recruit faculty. A person being recruited to an Amherst school may be, for example, living and teaching in the low-cost Midwest. The offer may include a higher salary, but not high enough to enable that person to buy the same amount and quality of housing in Amherst as the person is enjoying in their Midwest location.

These market conditions not only create higher direct costs for the total compensation package for new faculty, but also increase administrative costs related to lengthier recruitment efforts. Also, there is a danger in providing all the compensation through salary, because this creates tension with other faculty who are established in Amherst.

Retaining faculty can also be a problem. Some recently recruited junior faculty are living in what is characterized as student rental housing or far off campus. Junior faculty in these circumstances are not as likely to put down their roots in the community, and are more likely to consider offers from quality academic institutions in lower cost communities. While housing costs are not the primary reason for faculty to consider other job offers -- job satisfaction and growth potential are more significant factors -- housing costs may play a role in tipping a decision to relocate.

The costs of the lack of affordable housing are more than economic. When faculty find they must live an hour or more away to find suitable affordable housing (some reported to be as far away as Brattleboro, Vermont), there is a potential loss of collegiality of living in academic community. The distant faculty are likely interact less with their fellow faculty members and with their students.

High housing costs are not as important to students, because students tend to have access to parental assistance and tend to be more amenable to crowded housing solutions which bring the per-person cost of housing down into an affordable range. As long as UMass provides a quality educational alternative at a tuition cost substantially lower than private institutions, the high costs of living are unlikely to be a significant deterrent to enrolling students, particularly those from high cost communities in Massachusetts and New England.

There also are political ramifications to problems of affordable housing. Housing problems may induce local officials to enact more restrictive growth measures and regulatory actions, some of which may affect the institution and its future plans for expansion. For example, restrictive growth measures tend to further increase housing values, creating a larger housing cost problem for the institution and its recruitment efforts.

The constituency for affordable housing is expanding to include many segments of our society; it is no longer an issue just for low income people and their advocates. This broader community constituency presents new opportunities for academic institutions to join with the community around housing issues, and ensure that the academic community's interests are reflected in the community's efforts. Traditional town/gown differences, left unresolved, will limit expansion and exacerbate cost problems for the schools.

Finally, aside from all economic and political arguments, academic institutions have a social responsibility to participate and even demonstrate leadership in confronting the community problems to which they contribute. Teaching social responsibility is a central part of their mission to educate. Here, the institutions can teach by example.

C. Institutional Resources

While there are compelling financial, political, and moral reasons to justify participation by academic institutions in addressing the problems of affordable housing, this does not obligate the institutions to absorb unreasonable financial burdens. Like local communities, state institutions can draw on some limited resources from within, but will depend largely upon the state and federal government for most of the resources.

These limitations notwithstanding, academic institutions have some key resources which they can utilize to help address the problem:

(1) Underutilized land and buildings - Many academic institutions hold land for future expansion; some portion of this might be considered surplus, or suitable for housing for affiliated households. Since land can be 10 - 30 percent of Total Development Costs, costs can be reduced substantially.

(2) Pension funds - Private or public pension funds can be prevailed upon to invest in community housing that will serve its participants.

(3) Access to credit - Academic institutions, because of large deposits at local banks, may be able to leverage compensating balances or linked deposits to obtain lines of credit, favorable credit terms, or co-insurance.

(4) Research, economic analysis, and design skills - institutions have highly skilled faculty and staff who can conduct technical studies of the local housing problem and design appropriate solutions.

(5) Communications resources - Institutions have the ability to disseminate information to a wide variety of forums -- through newsletters to staff, student newspapers, publications, press releases, radio and TV stations (in some cases), and alumni publications. Through these vehicles, it can help to educate people about local housing needs and how they can be helped.

(6) Political standing with State - State institutions have access to state officials, through normal bureaucratic channels as well as alumni in the State House.

(7) Other financial resources - Some academic institutions have endowments or capital fundraising programs, part of which might be available to invest in academic housing expansion. All nonprofit academic institutions have access to tax-exempt bond issuance through various state authorities.

SECTION II. COMPENDIUM OF ACADEMIC HOUSING STRATEGIES

This Section presents a compendium of strategies which can be used by academic institutions to provide academic housing directly or assist the local community in providing affordable housing. OKM/Goetze conducted a survey of academic housing strategies around the country. This research was supplemented by three major national surveys of academic housing strategies and the relationships between academic institutions and their communities:

(1) A survey of 82 academic communities by the National League of Cities on a variety of issues relating to service demands and other impacts of the institutions on their communities.[1]

(2) A 1986 survey of 24 colleges and universities throughout the country by Cambridge Associates of Boston.

(3) A 1988 survey of faculty housing programs at 10 universities conducted by the University of Toronto.

In addition to review of these surveys, OKM/Goetze contacted universities and municipal planning departments in several academic communities to follow up on strategies and their impacts. OKM/Goetze went beyond academic housing strategies to examine employer housing strategies which have been used in high cost communities. A primary source of employer program information was a report of employer housing strategies in the San Francisco Bay Area.[2]

The results indicate that most academic institutions have concentrated their efforts in the two traditional housing activities -- (1) direct production of dormitories for students, and (2) direct loan programs for faculty. Only a few academic institutions have implemented innovative strategies for housing students, faculty, and higher-level administrative staff, and even fewer have attempted housing strategies which assist lower-level employees and non-affiliated community residents. OKM/Goetze found a much broader range of innovative housing assistance strategies among non-academic employers.

The purpose of the compendium is to broaden the conventional thinking about academic housing strategies. Accordingly, this compendium combines strategies currently in use by academic institutions around the country with some new housing strategies which have not yet been tried in an academic setting. The strategies are arranged into an order which flows generally from the most intensive housing production activities (i.e., direct construction) through alternatives of less direct involvement in production of housing.

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[1]National League of Cities, Issues and Opportunities for University Communities: A Survey of Cities, March 1989.

[2]Bay Area Council, Corporate Housing Action Guide, January, 1983.

A. Direct Production of Housing

Strategies:

A-1. Construction of Dormitories
A-2. Construction of Alternative Dormitories
A-3. Construction of Apartments
A-4. Construction of Limited Equity Housing

General Discussion

This category incorporates direct construction of academic housing by the institutions. A variety of housing forms are discussed.

Direct production of housing by the institutions tends to be preferred by most non-academic members of the community because it removes students or staff from competing in the local housing market against non-academic residents. However, direct production presents certain risks to the institution. First and foremost is the risk of being able to fully occupy the property, since upper class students, graduate students, faculty, and staff are not compelled to reside in campus housing. Second, the University assumes the risks of construction cost overruns. Third, the University ties up some of its borrowing or bonding capacity. Fourth, there are risks associated with an employer becoming a landlord to an employee. The problems between landlord and tenant can affect employer-employee relationships, and vice versa.

Longer term issues also exist: the maintenance of the on-campus housing; selection of new occupants; and controls on resale (in cases of equity housing).

A-1. Construction of Dormitories

Description

Universities and colleges affect local housing markets most directly by drawing students into the area's housing. Therefore, it can have the most direct impact by construction of dormitories to house most of its students. Dormitories generally involve shared sleeping quarters, plus centralized facilities for eating and social activities. Sometimes, academic programs are also located in dormitory facilities.

Advantages

Construction of dormitories removes students from competing with local residents for private rental housing. By providing on-campus living, activities, and services, students receive greater support and supervision, and avoids the conflicts that sometimes arise from the incompatible lifestyles of students and working families.

Disadvantages

The institution assumes all the potential risks of a developer/owner -- cost overruns, occupancy problems, management.

Operation of dormitories is quite costly, possibly diverting some funds from academic uses. If excess capacity is constructed and students choose not to live in the units, the institution can incur substantial losses.

Examples

Conventional dormitories are owned and operated by most colleges and universities in this country.

Implementation Issues

For state institutions, the design, approval, and construction process can be three years or more, and the costs can be higher than private construction.

A-2. Construction of Alternative Dormitories

Description

Alternative style dormitories include variations of typical physical layouts that include clustered rooms or suites and shared spaces; it also includes special focus residential halls, such as honors or theme dormitories. The purpose is to provide residential alternatives that might attract students to enter and remain in dormitories when otherwise they might choose to live off campus.

Fraternities and sororities might also be considered alternative dormitories.

Advantages

Alternative dorms may be more attractive, enticing students to remain on campus who might otherwise move off campus to escape the larger dorms; especially effective if targeted toward upper classes and graduate students.

Ability to provide special educational programs.

Disadvantages

Potential higher per bed costs of construction from shared space arrangements and lower density.

Example(s)

The Sylvan Area dorms at UMass are suite or cluster style dormitories; Southwest has special academic programs. Most universities have honors dorms and special educational programs in the dormitories.

Implementation Issues

Construction issues are the same as in A-1. It would be advisable for the school to conduct a survey of students to determine what kinds of features would attract them.

A-3. Construction of Rental Apartments

Description

Apartments are provided usually for a combination of graduate students, students with families, and junior faculty. Their operation is more similar to private rental housing than dormitories in that no meals, house cleaning services, or resident supervision are provided.

Advantages

Students with families are likely to have less than full incomes. If campus housing is available, fewer are likely to apply for local public housing assistance through the authority, competing with other low income families for limited publicly assisted housing.

Schools that wish to emphasize the growth of their graduate programs are likely to improve recruitment with an adequate supply of affordable housing.

Disadvantages

The square footage per unit is higher than in a dormitory, usually signifying higher operating costs than dormitories.

Example(s)

Faculty - UCal Group A and Group B Faculty Rental Housing (411 units at 6 campuses). Group B - 100 percent financing of new units by using existing buildings as partial collateral.

Mixed - Columbia University owns 6,800 units of housing, which are occupied by Graduate Students, Faculty, and even non-affiliated households under an agreement with New York City.

Implementation Issues

Same as other forms of direct construction by academic institutions.

A-4. Construction of Limited Equity Housing

Description

Limited equity housing refers to an assortment of shared ownership forms, including cooperatives, condominiums, mutual housing, and even single family. The key characteristics are that the ownership is shared, that initial investment is lower than if one were buying by oneself, and that presumably there is some lower return on the sale of the unit. Typically, such housing has a nonprofit sponsor whose primary goal is make the housing affordable to low and moderate income families who otherwise could not buy housing, and whose long-term objective is to keep the housing affordable in the future for other buyers of moderate means.

In an academic setting, the primary target of limited equity housing is junior faculty, who may not yet have the income to purchase a single family home. Secondary targets might be mid-level staff and graduate students.

It should also be noted that student cooperatives have been successful on a number of campuses. These facilities tend to operate more as mutual housing than as cooperatives, in that shared management is emphasized and the ownership aspects are nominal.

Advantages

By assisting the junior faculty member to purchase a home rather than rent, the institution increases the likelihood that the person will put down roots in the community, build equity, and (as he/she reaches tenure) will then use the built-up equity to buy a home in the community.

In a limited equity setting where prices are controlled by formula, as one person sells, another new faculty or staff member with limited income will be able to purchase and move into the unit.

There are several financial benefits to the institutions. Downpayments help to reduce the amount of capital that is borrowed, and the borrowings tend to be in the name of the cooperative or other entity set up to own the housing, not in the name of the institution. And, under most of these forms of shared ownership, a member's built-up equity can be used to offset defaults and nonpayment. The institution can provide housing, but need not play the role of landlord or property manager, which can strain relations with employees.

Disadvantages

There must be rules for determining who gets priority and under what conditions the member/owners are expected to sell the units and move on. Also, there must be a fair formula for determining reasonable sales price in the future.

There is some added difficulty to removing members from these forms of housing as compared to rental housing.

Example(s)

University For-Sale Housing - UCal (Irvine, LA, Santa Barbara,and Santa Cruz) leases land at low cost to a campus housing authority; townhouses and houses built for sale to faculty; resale restrictions apply.

Princeton has sold 130 homes on university land to faculty at a 15 percent discount from the market value; it retains a right to repurchase the unit at a 15 percent discount from the market value at time of repurchase.

Limited Equity Cooperatives - there are over 100 limited equity cooperatives in Massachusetts (contact the Cooperative Housing Task Force).

Limited Equity Condominiums - OKM developed the Lincoln House Condominium in Cambridge to include limited equity provisions through a repurchase agreement, in partnership with the City and a nonprofit.

Mutual Housing - The Neighborhood Reinvestment Corporation (NRC) in Washington, DC is sponsoring a number of noteworthy examples, particularly in Connecticut and Baltimore. Mutual housing is a term used by the NRC to describe limited equity cooperatives in order to differentiate them from HUD-sponsored cooperatives that were neither very popular nor real cooperatives in the European or Rochdale sense.

Land Trust - many nationwide; contact ICE in Greenfield.

Implementation Issues

Legal structuring and financing for these different forms of shared ownership is more complex than rental housing, and requires planning and legal assistance.

Units should be designed in consultation with junior faculty or other eligible staff, because in order for them to be willing to invest in the housing it must meet their needs.

B. Indirect Housing Production

Strategies:

B-1. Land Leases to Developers & Home Buyers
B-2. Master Leased Housing
B-3. Guaranteed Home Purchase
B-4. Turnkey

General Discussion

Indirect production refers to various ways that the academic institution can cause others to produce housing without the institution directly constructing the housing. The appeal of this form of production is that the institution does not assume the direct burden of design, financing, and construction management. Further, private developers may be able to construct the housing more quickly and at a lower cost than institutions, particularly public institutions.

Lower construction costs can be achieved if the institution can provide land to a third party developer on which the housing is to be constructed. In high cost areas such as Boston and Amherst, land can be 20 - 30 percent of the Total Development Cost of housing. Land leases are usually used to turn the land over to another developer. Of course, savings depend on the density allowed by zoning. As higher density is allowed, land costs are allocated across more units, thereby reducing the per unit cost of the land.

A major issue with leasing is long-term control. Who ends up with the property? Can it be structured for a buyout later on? Much effort is needed to structure one of these projects; it would not be acceptable for it to become unaffordable in 15 years, like many of the expiring use properties.

The state (through the Division of Capital Planning and Operations) currently restricts leasing of state-owned land to five year intervals, too short for a third-party developer to obtain financing for development. There are indications that state land could be leased for longer than 5 years without a surplus land declaration if the land is to be used for purposes related to the institution. That is, if UMass land were to be leased for academic housing, then presumably DCPO could approve a longer-term lease without going through surplus declaration. This needs to be explored for indirect production to produce truly affordable housing.

B-1. Land Leases to Developers & Home Buyers

Description

Academic institutions own large amounts of undeveloped land for future development needs, and often it is exempt from some of the red tape confronting most development today. It is their greatest asset in meeting the affordable housing challenge. Housing is among the institution's needs, and the available land may be suitable for housing. However, for reasons relating to cost, capital availability, staff capacity, bureaucracy, and lack of capacity to operate and manage, the institution may choose to have a developer -- for profit or nonprofit -- to provide affordable academic housing, or lease individual lots to faculty.

This can be done with a land lease, which allows for private development on institution land, while the institution retains some long-term control -- of design, use, and future disposition of the building(s). A typical lease runs 40 years or more, but can be as short as 15 years with a buyout clause. Lease term is determined by the requirements of the financing and the desire of the university to ultimately own and operate the facility.

Advantages

For public institutions, this may avoid some of the costs and time delays of public construction.

Typically, the developer or home buyer is responsible for operating the property, relieving the institution of management and cost burdens.

Shopping center commonly are developed on long-term ground leases, as are many other commercial ventures, so financial institutions are familiar with the financing implications.

Disadvantages

While institutions retain some control through the lease, it is less than full control, and the remedies are usually obtained only through litigation to terminate the lease.

Example(s)

Stanford has done ground leasing to faculty for almost a century. It has 830 faculty homes on 51-year ground leases, including 220 condominiums. The University has a right of first refusal to purchase the home when it is sold.
Swarthmore has 16 properties under ground lease.

Implementation Issues

The ground lease is the critical document, and must be carefully developed with legal assistance.

B-2. Master Leased Housing

Description

One alternative to direct construction by the institutions is for the institution to lease some of its land to a developer (private or nonprofit), and then lease the building back from the developer after construction under a master lease. The master lease then enables the institution to re-lease individual units to the target academic population -- students, graduate students, faculty, and/or staff.

If the land is leased from the institution to the developer, the developer has less long term control of the property. It is likely that the arrangement can include provisions for purchase of the building from the developer at the end of the master lease term.

The institution may also arrange a master lease for housing built on private land owned by the developer, but the cost of the housing would be substantially higher. It may not be more affordable that institution-built housing because the developer may build it for a lower cost, but then has to factor in his/her profit. It also does not provide for ultimate ownership by the institution the way a land lease does.

The developer collects annual rent that is sufficient to cover mortgages, taxes, insurance, deferred development fees (if any), and profit. For tax purposes, Depreciation will probably offset the profit.

Advantages

This arrangement is appealing to the developer because he/she does not have to manage the property, and it reduces his risk of rent-up. Of course, it is less appealing to the developer than an outright sale of the building to the university.

The developer may be able to borrow at a good rate if he has a master lease in hand from the institution, since the lender is likely to favor a loan on a project that has a guaranteed tenant.

This procedure may avoid some state regulations and time delays.

The land lease can include rights of repurchase or first refusal by the institution at the end of the lease term.

Disadvantages

The building is likely to be subject to property taxes as a privately owned building, but this is subject to negotiation with the community relative to the project's provision of affordable housing.

The project is less likely to be financed with tax-exempt bonds, but this may be offset by favorable financing to the developer.

Under a master lease, the institution assumes the risk of maintenance costs and vacancy losses.

Example(s)

Keen Development is currently constructing housing in Cambridge on institutional land under leases with MIT and Harvard.

Implementation Issues

The lease must clearly specify the terms under which the institution does not accept the property (e.g., faulty construction) and under what circumstances the developer/owner is liable for repairs.

B-3. Guaranteed Home Purchase

Description

The academic institution enters into an agreement with a private developer to construct housing, usually single family or condominium, providing a guarantee to the developer that the homes will be purchased upon completion by institution-affiliated households. With such a guarantee, the per unit price might be substantially lower -- in the range of 10 to 20 percent below regular market cost -- because the developer can get more favorable financing terms, does not incur marketing costs, has a shorter time period for construction interest, and is willing to take less profit in return for less risk.

While the units are under construction, the institution advertises the units to its staff to identify buyers. The institution may tie second mortgage financing to make the package even more attractive. The price discount might be converted into a second mortgage or other form of agreement that gives the employer right of first refusal, a purchase option, and/or resale price limitations.

Advantages

This form of agreement is especially useful in tight financing markets, where the developer might otherwise be unable to obtain financing.

Disadvantages

The institution assumes some level of risk if it fails to produce buyers, and may be required to purchase the home (and rent it until a buyer is found).

The guarantee may be unnecessary in a solid market where financing is available, or may not result in adequate reduction in prices to assume the risk of the guarantee.

Example(s)

The Sunnyvale (California) Employers' Housing Group, a consortium of employers, created a guaranteed purchase program in the early eighties.

Implementation Issues

The details of the guarantee will have to be developed in negotiation with developers and lenders.

B-4. Turnkey Housing Production

Description

Under a turnkey construction program, a private developer assumes full responsibility for planning and constructing a project, with the institution committing to accept ownership of the property upon its completion. Turnkey processes are common in federal public housing programs, and can be structured to provide adequate oversight by the public agency or institution while the private developer assumes the risks of development, including the construction loans.

In addition to the basic turnkey model where the private developer builds and then turns it over to the institution, there are also variations on the model, such as the master lease format discussed above, and projects in which the developer builds and operates the facility under contract to the institution, possibly on institutionally owned land.

Advantages

The institution does not assume any of the construction risks (e.g., overruns, etc) or the responsibility for construction management. (However, construction inspections are recommended to ensure compliance with approved specifications.

Disadvantages

Turnkey currently is not permitted for state institutions. It was prohibited by the Legislature in response to the Ward Commission report, which suspected corruption in turnkey-type projects.

Examples

HUD has widely permitted turnkey construction of family public housing.

Implementation Issues

As noted above, State regulations currently do not permit turnkey construction. It will require changes by the Legislature to permit the University to directly contract for turnkey projects, or construction through a nonprofit affiliate.

C. Support of Local Affordable Housing Production

Strategies:

C-1. Support Assistance to HDCs/CDCs
C-2. Joint Ventures with HDCs/CDCs
C-3. Secondary Purchase of HDC/CDC loans

General Discussion

Academic institutions can help expand the affordable housing supply through means other than direct or indirect production of housing for institution-affiliated households only. The institutions also can become involved in local community efforts to produce housing, notably through community-based nonprofit housing development corporations (HDCs) and community development corporations (CDCs). Institutions can provide financial and technical support to such groups and participate in the financing of new developments.

C-1. Support Assistance to HDCs/CDCs

Description

Local nonprofit development corporations usually have broad-based community support and a solid understanding of the needs, but may lack adequate financial resources or clout to build a large enough volume of housing to have an impact. They may also be lacking some of the technical resources (such as architectural skills) that otherwise have to be purchased. Institutions can provide support through policies that encourage staff to become involved in the local organizations, formal agreements to provide certain technical services (planning, architectural/engineering, landscaping, legal, accounting), and annual financial commitments. Institutional support is particularly important for pre-development costs prior to project financing, when state and federal resources are less available.

Advantages

Promotes goodwill in the community, and addresses the needs of the whole community.

Avoids the potential problems with mixed relationships when an employer becomes landlord to employees.

Nonprofits are more capable of addressing long-term affordability concerns.

Disadvantages

The units developed by nonprofits are not targeted exclusively to academic households.

The nonprofit may not produce the kinds of housing most needed by academic households.

Example(s)

Yale University is making a $1 Million loan investment in Housing Operations Management Enterprises, Inc., a nonprofit in New Haven that provides low income housing and services.

Northeastern University has agreed to make annual support payments to the Fenway Community Health Center and other neighborhood development projects. Other Boston-based universities are similarly making commitments to CDCs as part of their linkage commitments for expansion proposals.

Implementation Issues

Existing and experienced nonprofits are essential to this strategy, which is likely to result in the quickest production of additional housing.

C-2. Joint Ventures with HDCs/CDCs

Description

Increasingly, nonprofits are entering into joint ventures with for-profit developers and institutions in order to expand their ability to undertake development projects. Nonprofits have the ability to build community support and have access to foundation and public funds. Private entities and institutions usually are much more creditworthy; they are more able to arrange financing with lenders, and may have design and construction management staff available so that these services are not purchased from third parties.

Such a partnership is usually governed by a joint venture agreement between the parties, which spells out the equity interests, the basis for advancing capital to the project, the division of responsibilities for project financing and management, the basis for dividing any fees or profits, and the process for making decisions and mediating disputes.

Advantages

The nonprofit can undertake larger projects than it could acting alone; the institution can rely upon the nonprofit to build community support and raise foundation/public funds to bring down the costs of the project.

Disadvantages

The institution does not have ultimate control of the project, and it is unlikely to be able to reserve all units for academic households.

Disputes and project difficulties can cause hard feelings between the parties, and damage other community relations.

Example(s)

MASCO, the nonprofit which services the Harvard Medical School and affiliated teaching hospitals, has entered into a joint venture with the nonprofit Fenway CDC to produce affordable housing in Boston's Fenway neighborhood.

Implementation Issues

The equity interests and the decision-making process must be very clearly defined.

C-3. Secondary Purchase of HDC/CDC Loans

Description

Some nonprofit projects are unable to obtain conventional bank financing because the project is unusual and the bank has no prospects for selling the loan on conventional secondary markets. In such cases, a commitment by a local institution to utilize part of its endowment or investment portfolio investing in such local projects helps to support local projects while still providing the institution with a market rate return on its investments. (As will be noted below, pension funds are a possible source of the investment funds even when the institution lacks an endowment).

These types of investments also can be done by purchasing bonds provided by one of the state bonding authorities discussed in Chapter IV. The bonds may have some credit enhancements attached to secure the investment.

Advantages

The institution makes an investment which helps the community, but pays a normal return.

Disadvantages

Institutions without endowments or long-term portfolio investments cannot do this.

Example(s)

Yale University has committed to investing $50 Million of its $2 Billion endowment in community projects in New Haven.

Implementation Issues

The institution will need to develop an investment policy pertaining to community projects.

D. Mortgage Assistance Programs

Strategies:

D-1. Direct Mortgages
D-2. Mortgage Buydowns
D-3. Mortgage Revenue Bonds
D-4. Lender Agreements
D-5. Downpayment Assistance
D-6. Mortgage Guarantees
D-7. Co-investment Loans

General Discussion

The purpose of creative loan programs is to help the employee purchase his primary residence. Accordingly, all forms of loans usually become due on sale, on termination of employment, or when the employee ceases to use the home as his/her primary residence. Loans may also be limited to new employees, or have priority systems for existing employees. It may be restricted to first-time buyers, and might preclude refinancing.

Some institutions, where permitted by state law, secure repayment through payroll deductions.

These loan vehicles help an institutional employee to purchase a home, making an unaffordable home affordable or placing a larger house within the employee's reach. These programs generally do not produce more housing. In a tight housing market, these programs help employees to be more competitive for housing, enabling them to bid more for housing than other community residents who do not have the benefit of the programs. Therefore, these programs tend to help drive up prices in housing markets that are not expanding and put unassisted households at a greater disadvantage.

The loan history of these programs is remarkably strong. Very few defaults have been reported by the major institutions. Accordingly, the risks to institutions are quite small.

D-1. Direct Mortgages

Description

An academic institution offers direct mortgages to faculty and certain staff. Usually, the mortgage assistance is in the form of a second mortgage which is intended to reduce the size of the required downpayment and/or offers a slightly lower rate of interest than that offered by local banks. Sometimes, the loan is a first mortgage covering most or all of the financing. It is most common for these to be offered first to newly recruited faculty as part of a recruitment packages. Refinancings for existing faculty are less common. High level administrative staff also may be allowed to borrow. Mortgage assistance might also be used to retain key faculty who are recruited elsewhere.

The loans may be shared appreciation mortgages, which allow the institution to share in some of the growth in the value of the house, or incorporate a right of first refusal which enables the institution to recycle the home for future recruits.

Advantages

The program can enhance recruitment; it might also be used for retention of key faculty who might otherwise require salaries that disrupt salary scales.

Disadvantages

The lending program usually requires an endowment or other long-term investment fund, which is usually insufficient at most state institutions.

Mortgage assistance programs help academic households to outbid local residents for housing; in tight markets, the net effect is higher prices.

Example(s)

In a recent survey of 24 institutions (mostly private or large public schools), 83 percent have mortgage assistance programs: 42 percent have first mortgage programs, and 50 percent offer second mortgage programs. All programs are open to senior faculty, and 80 percent of the programs are open to junior faculty. 65 percent of the institutions were making loans out of their endowments, the remainder out of current funds.

The UCal Mortgage Origination Program provides one-year variable rate mortgages to faculty, with the rate equal to the yield on the UCal Short-Term Investment Pool (the fund from which the MOP dollars were obtained). About $40 Million was lent from 1984-87, about 5 percent of the average daily balance in the Investment Pool.

Implementation Issues

Eligibility standards, priority categories, loan limits, underwriting standards, and loan management procedures must be developed (if the school is planning to manage the loan portfolio).

D-2. Mortgage Buydowns

Description

A common practice among developers in slow or over-built markets, mortgage buydowns reduce the effective interest rate on mortgage loans for the first several years, enabling the buyer to afford a home that otherwise might be unaffordable. The developer (or, in this case, the institution) makes an upfront payment to the lender that is used to reduce the payments required of the buyer for several years.

Advantages

The institution only makes an interest subsidy payment, rather than making a direct loan for the full mortgage amount. This is a potentially a more cost-effective strategy for institutions which lack the endowment necessary for direct loans.

Through this program, the institution employee may be able to purchase a better house than otherwise possible, increasing employee satisfaction.

Disadvantages

The interest subsidy payment generally is nonrecoverable to the institution.

The employee will have to qualify for a conventional loan.

Example(s)

Dartmouth offers an interest subsidy program, which is phased out over a 7 year period. New York University offers a 5 year interest subsidy (plus reimbursement of mortgage origination fees).

The Mass. Homeownershp Opportunity Program has a 10 year buydown during which a 3 point (a point equals 1 percent of the interest rate) subsidy is phased out. Private developer buydown programs tend to be for 1 to 3 years.

Implementation Issues

The institution will have to devise a source of funds for the subsidies and make arrangements for the program with one or more local banks.

D-3. Mortgage Revenue Bonds

Description

Mortgage revenue bonds are sold to private investors by some form of intermediary, usually a semi-public authority, pledging to make mortgage loans and to pay off the bonds with mortgage loan payments. In turn, the intermediary takes the bond proceeds and lends the money to individual borrowers.

Each state is authorized to issue a certain amount of bonds for which the interest is exempt from federal taxes, which can lower the effective interest rate by more than one point. Also, states can issue tax-exempt bonds for certain nonprofit projects without limitation. The most common issuers of tax-exempt bonds for affordable housing are included in Chapter IV. Taxable bonds can be issued without limitation by the IRS, but individual states control the issuances in order to protect the credit of the state (to the extent that these quasi-public agency issuances might obligate directly or indirectly the state to pay off the bonds in the event of default).

Advantages

Tax-exempt bonds provide a source of funds several points below conventional mortgage rates.

Disadvantages

The fixed costs of bond issuance discourage issues of less than $1 Million.

Federal law may limit program to first-time buyers, and may limit the price of eligible houses.

Example(s)

The California Legislature and the UCal system created the Mortgage Revenue Bond Faculty Loan Program in 1985, providing $40 Million in mortgages (30 years, 9.5 percent rate, no points, mortgage insurance, maximum 95 percent loan to value, maximum 33 percent of income), 71 percent of which was loaned to Assistant Professors.

Implementation Issues

Discussions with state bonding agencies and bond counsel should precede any effort to design and implement.

D-4. Linked Deposit Agreements

Description

Institutions tend to be large depositors at certain local banks, maintaining operating accounts, escrow accounts, and other deposits amounting to millions of dollars. The institution may be able to use this leverage to secure commitments by the lenders to make loans available to their employees. When agreements are formal, the various accounts are referred to as "linked deposits" or "compensating balances". The institution agrees to keep certain accounts with the bank in return for extra banking services or loan commitments. Depending upon the size of the deposit base, mortgage loan commitments might be obtained at interest rates that are below the market level.

Advantages

This does not require any additional commitment or expenditure of funds, but utilizes the leverage of where current funds are deposited.

Disadvantages

The institution may already have leveraged other banking services (e.g., no fees on checks, lock box services, etc.) in return for the deposits.

Example(s)

The Boston City Council is considering legislation that links City deposits to housing investments. Similar legislation has been enacted by many cities nationwide. The Commonwealth has had a linked deposit program since 1977.

Implementation Issues

The school should review its depository policies and agreements to assess the kinds of services it needs, including employee loan needs in this review.

D-5. Downpayment Assistance

Description

Downpayment requirements are one of the major obstacles for first-time home buyers in high-priced markets, or new employees relocating from low-cost to high-cost markets. With median prices approaching $200,000 in Amherst, an average home buyer might have to put up $20,000 or more as a downpayment.

Some institutions assist the home buyer with a downpayment loan. The loan may be structured as forgivable after the employee completes a certain number of years with the institution. Others might be structured to be due on termination of employment or on resale.

The secondary market agencies (FNMA/FHLMC) have restrictions on the source and conditions of downpayment loans.

Advantages

The downpayment assistance amount usually requires a much smaller amount of funds than a mortgage program.

Downpayment loans can be structured for shorter terms than mortgages.

Helping an employee to purchase a home increases employee loyalty and stability, decreasing chances of turnover.

Disadvantages

Downpayment loan terms are restricted by FNMA/FHLMC.

Example(s)

Stanford provides downpayment assistance of up to 50 percent of the downpayment amount. The 10 year loan is unsecured.

Implementation Issues

The downpayment loans must be structured in consultation with local lenders so that the terms do not violate FNMA/FHLMC restrictions on downpayment assistance, which prohibit secured loans.

D-6. Mortgage Guarantees

Description

Under an insurance program, the institution guarantees part or all of a loan made by a lender to an employee. By providing insurance, the lender has less risk, will consider employees who might not otherwise qualify for loans, and might provide better loan terms.

The institution incurs no loss unless one of the employees defaults of payment of the mortgage. The lender forecloses, and the institution is called upon to make good the guarantee. If the home can be sold for more than the outstanding mortgage amount and foreclosure costs, the institution will incur no losses.

Loan guarantees are cancelable, and the loans usually become due, on termination of employment or sale, and if the home ceases to be the employee's primary residence.

Advantages

There are no upfront or direct cash outlays in this program. The mortgage money is provided entirely by third party lenders, and the guarantee results in more favorable loan terms (lower interest rate, fewer points, and less strict qualification standards) for the borrower.

Disadvantages

There is exposure if several loan defaults occur in a soft market, where homes may not be marketable for more than the mortgage amount. The institution may end up paying off loans and owning real estate.

State institutions may be required by law to provide escrows of reserves to fund large portions of the guarantees, tying up funds that could be put to other uses.

Example(s)

Yale has arranged mortgage guarantees with local banks that lowers the loan interest rate 1/2 percent below market rate, reduces conventional points by 1/2 percent, and eliminates the application fee and legal costs.

The University of Pennsylvania, Brown, and Harvard have first mortgage guarantee programs, while Northwestern will guarantee second mortgages only. All have some restrictions on maximum loan amounts and location. The popular UPenn program is restricted to homes purchased within a delineated area close to campus.

Implementation Issues

The escrow requirements of state agencies providing guarantees should be explored first. Any institution -- public or private -- should identify a reserve, source of funds, or appropriate strategy to deal with foreclosures and insurance claims.

Cooperating lenders must be involved in the design of the program, and several lenders should be consulted to locate the best loan terms and to ensure ready available of loans at all times.

D-7. Co-investment Loans

Description

Co-investment loans are commonly called equity-sharing or shared appreciation loans. It involves a loan where the rate of return depends upon the appreciation of the home. The interest rate is reduced, and that rate is supplemented by an agreement that the lender receives a portion of the appreciation at time of resale or loan repayment. The reduced interest rate enables a moderate income buyer to purchase a home (or a larger home) in rapidly appreciating markets with already high prices.

Lenders have the potential for a higher than market rate of return, but also a lower rate of return if the market does not appreciate. The employer may act as guarantor of lender's share of the appreciation at some minimum level.

When this program is made available to employees, there must be an understanding that the benefit continues with employment. When employment is terminated, the loan must include provisions that either call the loan or moves the loan to market interest rates and removes the institution's guarantee (this latter approach being the preferred method).

Advantages

The shared appreciation approaches are quite successful when there is appreciation in sales prices.

Institutional commitments are limited to guarantees.

Disadvantages

Rate of return hinges upon continued appreciation; guarantees may be required if sold to a third party.

Example(s)

MIT has a second mortgage program that has provisions for interest deferral, contingent interest, and shared appreciation options. The University of Southern California offers second mortgages of up to $50,000 with a contingent interest or shared appreciation feature. Stanford University also offers a shared appreciation loan program to faculty.

Shelter Corporation of San Francisco and First Nationwide Savings put together a shared appreciation loan program for corporate employers in the early eighties. Loans are made at 2/3 of the prevailing interest rate with 1/3 of appreciation at resale; pension fund buys loan with corporate guarantee of minimum return. The loan interest rate adjust to market rate when employee leaves company.

Urban Housing in San Francisco operates an equity sharing program called Equity-Aide for Bay Area employers.

Implementation Issues

The institution must find a bank to originate and a secondary market in which to sell the loans (e.g., pension fund). Guarantee of minimum rate of return by employer may be necessary.

Loan provisions are needed for termination of employment.

E. Housing Market Flow of Funds

Strategies:

E-1. Pension Fund Investments
E-2. Secondary Purchase of Loans

General Discussion

A variety of investors get involved in housing lending. If the academic institution can encourage a new investor to make loans or help an existing lender to increase its lending, it will increase the overall pool of funds available to housing.

E-1. Pension Fund Investments

Description

The trend in employer/union housing programs is to invest some pension funds in one's own community to benefit the employees.

UMass employees are covered by the state pension system, and their pension dollars are invested by the State PRIM Board. Pension funds gain no benefit from tax-exempt bonds, so MHFA has not pursued the PRIM Board as an investor. To date, the PRIM Board has only purchased bonds to support a couple of in-state housing projects, although it is looking to do more. With its $2 Billion investment portfolio, its impact could be significant.

Advantages

This approach utilizes money which is available for long-term investments. It also uses employee dollars to assist the employees and their communities.

Disadvantages

Pension fund managers have fiduciary responsibilities which require them to maximize return while seeking very secure investments. Investments may require credit enhancements, such as guarantees by the institution.

Example(s)

Local 26 in Boston (hotel workers) has arranged for member loans through a linked deposit agreement.

The Massachusetts PRIM Board has now purchased two in-state bond investment deals, and is looking at loans to in-state low income housing tax credit deals.

Implementation Issues

The Legislature should be asked to encourage the PRIM Board to invest in housing and economic ventures in this state.

E-2. Secondary Purchase of Loans

Description

The institution purchases existing loans, or agrees to purchase new loans, from a lender, who in return agrees to re-lend the money to employees of the institution. This frees up bank capital otherwise tied up in mortgages to make a new round of mortgage loans, and the bank is usually willing to provide either more mortgage money than covered by the institution's purchase, a similar amount at attractive interest rates, or with underwriting criteria better suited to the institution's employees.

Advantages

By helping a bank get older, lower yield loans out of its portfolio, the institution frees up new mortgage capital, usually leveraging more lending dollars than it can provide directly.

The institution can leverage a loan for an employee without lending directly to the employee.

Disadvantages

This program would require an institution to have funds available for longer-term investment in mortgages (i.e., an endowment).

Example(s)

The UCal system purchased a $10 Million pool of 9 percent mortgages from Bank of America, and the Bank originated over $15 Million in mortgages to UCal faculty (at 1982 market rate of 12 percent).

Implementation Issues

Institutions need to review their investment portfolios to determine what funds might be available for intermediate to long-term investments.

F. Community/Institution Cooperation

Strategies:

F-1. Master Planning
F-2. Housing Policy
F-3. Utilization of Surplus Property

General Discussion

Local communities regulate the type and volume of housing produced under a variety of regulatory mechanisms, most notably zoning. Zoning policy can be used to limit the construction of housing, which can have an impact on prices of both new and existing units. Alternatively, zoning can be used to require the inclusion of affordable housing units in all developments. Planning is the tool by which local communities examine their needs and assess the impacts of certain policies on those needs. Institutions have access to information and resources which will help the community plan for future housing needs.

In a recent survey of academic communities by the National League of Cities, 75 percent of the responding cities reported some cooperation between the community and the local institutions in matters of city planning.[3]

F-1. Master Planning

Description

Master planning is the process whereby institutions analyze their future development needs and project how they will utilize land and other resources in the future. The master planning process for state institutions yields information useful to the state (enrollment projections, capital needs budgets, etc.), as well as to help involve the community and the institution in discussions over future development, including affordable housing needs. DCPO has development plans for all the state institutions which fall under the State Building Authority, but not for UMass and the other schools with independent Building Authorities.

Master plans by institutions can also help local governments anticipate the service and infrastructure needs of the institutions, and provides the town with an opportunity to help shape that growth in a manner which has the least impact on the community.

[3] National League of Cities, Issues and Opportunities for University Communities: A Survey of Cities, March, 1989.

For academic institutions housing less than 80 percent of students on campus, an explicit housing component should be part of the master plan, indicating how the institution affects the surrounding housing markets and identifying strategies to mitigate this impact.

Advantages

Master planning helps state and local budgeting. It involves the institution and the community in discussion of long-range development, and the capital budgets and infrastructure needs that will result.

Disadvantages

Master plans require a concentrated effort by institution staff, and requires anticipation of future growth. Sometimes, communities hold institutions to their master plans even when needs change.

Example(s)

The City of Boston requires academic institutions to do master plans, and (through an informal agreement between the BRA and the Zoning Board of Appeals) may not hear zoning appeals from the institutions until they undertake such a process.

Implementation Issues

Legislation would need to be developed to require state institutions to develop master plans, incorporate affordable housing needs of the institution and the town into the plan, and provide for community input into the plan.

F-2. Housing Policy Development Support

Description

Academic institutions have planning staff, faculty, and other professionals who can help a community assess its housing needs and determine a housing policy that will meet the needs of residents. Institution staff can provide economic analysis and data, develop alternative plans, and otherwise support the planning effort with technical services. The institution can also educate its employees about affordable housing needs and opportunities so that the local political discussions will be informed.

Advantages

Contributions of in-kind services do not have a direct cost impact on the institution, but are a tremendous help to the community.

Disadvantages

Institutional staff might be placed in conflict of interest positions when the community and institution have conflicting objectives.

Example(s)

The cooperation and assistance of UMass staff in Physical Planning, Institutional Planning and Research, Off-campus Housing, and Housing Services with OKM/Goetze demonstrates the value of institutional support to planning efforts.

F-3. Utilization of Surplus Property

Description

Academic institutions, depending upon their age and resources, may own a variety of land and buildings, not all of which are in direct academic use. Some land must be held for future expansion, other property was donated on the assumption that the institution will preserve its current use. Among the inventory of parcels held by an institution, some might be developed for affordable housing even if they cannot be called surplus. Also, some existing buildings might be converted to residential use.

Institutions can develop the land directly or indirectly as noted in earlier parts of this compendium. It can also provide the land through long-term leases, installment sales, etc.

Advantages

As noted previously, land costs typically account for 10 - 30 percent of the total cost of housing, which below-market land arrangements can substantially reduce.

Disadvantages

It can be a time-consuming: see Amherst example below.

Example(s)

As noted earlier, Stanford, Princeton, Dartmouth, and Swarthmore all have programs to sell or lease land for faculty housing.

The Amherst Housing Authority approached UMass to sell it surplus land (3 acres for 10 units). After three years, the land still has not been transferred to the Authority, and some believe it will take several more years to complete.

Implementation Issues

The State's process for approving sale or transfer of state-owned land is lengthy, requiring approval of the university administration, Trustees, Regents, DCPO, Secretary of Administration and Finance, and the Legislature. The Legislature should be asked to streamline this process for affordable housing projects.

SECTION III. CRITERIA FOR EVALUATION OF OPTIONS

The preceding Chapter has presented a broad array of alternative strategies for academic institutions. Their suitability and applicability to the local market in Impact Region varies widely.

This Section outlines a set of criteria for the academic institutions to use in evaluating the alternative strategies. These criteria reflect the concerns of the institutions and the institutional impacts of the strategies. These criteria may not fully reflect the concerns of the local communities, which are to be discussed in Chapter 3.

Institutional criteria can be divided into four major categories:

(1) Employee considerations

- o the cost effectiveness of the project/program in expanding housing for employees;
- o the ability to restrict eligibility to employees and to control future occupancy (conversion risk);
- o its effect on recruitment and employee stability;
- o its suitability and equity for new and old employees;
- o the effects of the support/assistance relationship on employer/employee relations.

(2) Financial considerations

- o the strategy's financial feasibility
- o the required commitment of capital or financial exposure;
- o the risk and rate of return on the investment;
- o the opportunity cost - rate of return (ROR);
- o leverage of other funding;
- o control of future ownership/costs;

(3) Management and administrative requirements

- o the staff time and other administrative costs related to:

- planning and development,
- recipient selection, and
- management/maintenance;

o the recoverability/eviction risks related to the unit.

(4) Community and market considerations

o the availability of suitable housing in the local market;

o the effects of the program or project upon the supply and demand within the community; and

o its complementarity with community objectives & plans.

Evaluating specific strategies calls for assessing the subtle tradeoffs among these many criteria while concurrently making the overlaps and differences among institutional and community goals more explicit.

The next step is to review the current policies of the academic institutions in the region.

SECTION IV. UNIVERSITY/COLLEGE HOUSING POLICIES

In this chapter, each of the five academic institutions in the area is examined for its student population, student housing policies, and faculty housing programs. Also included are each school's unique resources (such as land) which might be used to produce housing.

A. The Four Colleges

The four colleges in the Impact Area have relatively small enrollments, collectively amounting to less than one-third of UMass. Smith College has 2,684 students, Mt. Holyoke College has 1,955 students, Hampshire College has 1,184 students, and Amherst College has 1,580 students[1]. Most of the students at these four colleges are housed on campus, and three of the colleges also have programs to house or assist some of their nearly 700 faculty members.

The faculties are small, and the colleges have programs to assist their faculty with rental, home purchase, or both. None of the schools have housing programs for staff other than faculty. Only about 10 percent of their graduates remain and live in the Pioneer Valley after graduation.[2]

The Amherst Rent Control Study Commission in 1985 made the finding that "Amherst and Hampshire College have caused relatively minor pressure on the Town's rental housing market, compared to the major impact caused by the University's rapid growth beginning in the early 1960's." While affiliated households of these schools do not directly increase demand for housing in the area, the presence of the schools contributes to the cultural amenities which make the area desirable and adds to regional growth through post-graduate retention of several hundred students entering their household-formation years.

A discussion of the dormitory residency policy and faculty housing programs of each of the four colleges in the Impact Area follows.

1. Amherst College

Most Amherst College students live on campus, but only first semester students are required to live in the dormitories. The College has very few married students -- only about 6 -- and so it provides no married student or family housing. The College reports that there are no plans currently for additional dorms.

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[1] Source: OKM telephone survey of institutions, 5/19/89.

[2] AICUM.

The College owns about 125 housing units which are rented to faculty. It has a point system for choosing faculty to live in the rental units, taking into account such things as rank, seniority, and number of dependents. However, the College generally finds that it is able to provide rental housing for all faculty who request it.

Amherst also offers a second mortgage program for full time faculty, providing loan amounts of 20 percent of purchase price up to $20,000. The loans are at 6 percent interest for up to 20 years.

While these programs have been able to meet most of the faculty housing needs and the College has not experienced housing-related recruiting problems, the administrative staff acknowledge that the second mortgage loan limit of $20,000 may be too low given the recent rise in housing prices in Amherst and surrounding communities.

Amherst College owns a substantial amount of land in the town of Amherst. Approximately 345 acres are devoted to educational uses and are tax-exempt. The College also owns another 607 acres which are not tax-exempt. These holdings exceed the amount of land owned by UMass.[3]

2. Hampshire College

Hampshire College imposes a mandatory 4-semester dormitory residency policy for all students who are under 25 or don't live with their parents within a 30 mile radius. Couples with children are not required to live on campus; couples without children (if both are students) are expected to live on campus.

While only about 10 percent of the students live off campus, there seems to be more interest in living on campus, and the College might be able to fill more dormitories if they were available.

Hampshire has only 1 guest apartment available for faculty. It also has a second mortgage program through which it will lend up to $15,000 at the prime lending rate plus 1 to 2 percent. No particular faculty recruitment problems have been experienced by the College.

However, it was noted that the College tends to attract younger faculty, and it probably would help if the College had available for its faculty some small family apartments and smaller homes. Hampshire College owns 314 acres of land in Amherst which are tax-exempt, plus an additional 43 acres which are taxable.[4]

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[3]Compiled by the Amherst Planning Department from Assessor's records, as of January 1, 1988.

[4]Compiled by the Amherst Planning Department from Assessor's records, as of January 1, 1988.

3. Smith College

Smith College requires students to live on campus their first two years. In order to live off-campus in their junior and senior years, students must enter a lottery or request permission in writing. About 95 percent of the students live on campus.

Smith has no housing for married students or students with families, except that occasionally some on-campus rental units are available.

No plans exist currently for the construction of additional academic housing units.

Smith maintains 109 apartments and 37 houses for rental to staff. Some units may be reserved by the College for new faculty, senior members of the faculty and administration, and visiting scholars. The remainder are advertised in April, with the highest priority to non-tenured junior faculty. The number of dependents is considered.

Smith also has a second mortgage program for faculty and major administrative staff who hold continuing full-time appointments. Loans of up to $30,000 are available for home purchases within a reasonable distance, generally considered to be 25 miles. They can be used for purchase and immediate improvements only, and the mortgage must be covered by insurance. The interest rate is set according to the Applicable Federal Rate.

The loan is considered a personal obligation of the borrower. No formal financial need criteria have been established, although the College is concern about the growing level of resources committed to this program. The College also has a right of first refusal on the property when sold.

4. Mt. Holyoke

Residency on campus is essentially mandatory, with only about 25 students living off campus with written permission from the College. The College does not provide housing for any married students or students with families, and it has not plans for additional dormitories.

Mt. Holyoke has slightly fewer than 100 rental units available for its faculty. The College follows an application process for the units, and would use rank if necessary to allocate the units; however, it usually has sufficient faculty rental units to meet demand.

Mortgage assistance is available to tenured faculty and administrative staff at grade 12 and above -- about 175 people are eligible. The school provides 7 percent fixed rate mortgages up to $100,000 for home purchases in South Hadley, Holyoke, and Granby. These terms may be changed this summer, including the addition of Chicopee and Ludlow as eligible locations. With these programs, Mt. Holyoke has experienced no housing-related faculty recruitment problems.

B. University of Massachusetts

1. UMass Students and Jobs in the Impact Area

The University of Massachusetts at Amherst has approximately 26,500 total students as of the Fall Semester, 1988. About half of the students live on campus. Nearly 10,000 live within the Impact Area in private and publicly assisted housing, along with over 3,700 faculty and staff.[5] Of an estimated 108,600 persons within the Impact Area, 24,995 persons (23 percent) were affiliated with UMass. Within the Town of Amherst, 20,460 persons (58 percent) of its residents were UMass-affiliated, while the Ring communities house 4,542 UMass-affiliated persons. For the Outer Twelve communities, UMass-affiliated persons number only 1,787, or about 1.5 percent of the estimated population for the Outer Twelve.

The University accounts for about one-tenth of the jobs in the region. The 5,584 UMass jobs are half of the total jobs provided in Amherst in 1988, yet only 35 percent of the UMass employees live in Amherst. It has been estimated that for every three jobs in the educational sector, two additional jobs are generated in other sectors. By applying this multiplier to the UMass employment base of 5,500, the University supports 3,700 non-academic jobs in the region.

Twenty percent of UMass graduates are estimated to remain in the Pioneer Valley after graduation, which can add approximately 800 persons to the region each year even as University enrollment remains level. This adds growth pressure to the region even when total enrollments are not increasing. (While some of these graduates are likely to be from families already living within the region, they can be expected to form new households after graduation, thus adding to the demand for housing even if they have not increased the population).

Some 7,900 students live off-campus within Amherst, comprising an estimated 3,000 households, and another 5,800 students live within the impact ring in an estimated 2,000 households. Between a third and a half of these are graduate students -- some also working for UMass, some married, and some with children. Most rent their units, and some no doubt are qualified for housing assistance.

Based on information provided by local housing authorities, an estimated one-third of the households on the authority waiting list in Amherst are UMass-affiliated, and about one-fifth of the households on the Northampton waiting list are estimated to be UMass-affiliated. By applying these waiting list characteristics to the OKM/Goetze estimate of all households in need compiled in Task 1, an estimated 1,150 of the 7,560 households in need in the Impact Area are assumed to be UMass-affiliated.[6]

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[5]Impact Area is defined as Amherst, the eight towns contiguous to Amherst, and Northampton. See the Task 1 Report.

[6]Most housing authority units in the Ring communities serve elderly; consequently, family waiting lists are not maintained by the authorities. For these calculations, it is estimated that 10 percent of the family households in need in the Ring communities are UMass affiliated. For Amherst and Northampton, the appropriate percentages were applied to the non-elderly households in need. See Task 1 Report.

2. UMass Housing Policy and Expenses

The University doubled in size from the mid-sixties to the early seventies as the Baby Boom population reached college age. Dormitory expansion did not match the growth in enrollment, and Amherst experienced production of thousands of new rental apartments. During the 1970's, two local regulatory actions (apartment rezoning and a sewer connection ban) brought to a halt the high rate of production of rental housing.

In the early seventies, the University had plans to build another dormitory complex on campus in a lower scale style, but these plans were sidelined in the mid-seventies by the state's fiscal crisis and the bond market crash. Since then, these plans have been abandoned and the site has been developed for other uses.

Even though University growth had slowed precipitously by the mid-seventies, two factors continued to add pressure on the local rental market. First, despite level enrollment overall, the University continued to expand its graduate studies areas, drawing additional graduate students to the University and the local housing market. Second, the University changed its mandatory dormitory residency policy in 1978 to exempt juniors, opening up the private rental market to several thousand students.[7]

The decision to exempt juniors from mandatory residency did not have an immediate impact on the market, because the dormitory beds have remained fairly constant in number (although over 600 beds were taken off line for renovations between 1978 and 1981) and have continued to attract enough upperclassmen to maintain full occupancy. Nevertheless, the policy change also relieved any pressure on the University to produce additional dormitory units by reducing the number of students who were guaranteed housing. Since 1981, the number of students living off campus has risen gradually as enrollments have grown.

UMass, looking to the housing records of other major state universities across the country, feels proud of housing half its students on campus at Amherst. Large state universities in general rely on private sector response to house some of its students. Among the 41 largest state universities, UMass ranks fourth in the percentage of undergraduates housed, and fifth in the total number of beds. The University's 395 family units ranks it about in the middle in comparison to other state universities.[8]

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[7]The decision to allow the upper classes to live off campus was made in part under the pressure of threatened lawsuits from students. Students at other college campuses had been successful in challenging the legality of required on-campus living, except to the extent that the school could demonstrate an academic purpose for residency. For example, the school must have programs or services which clearly relate to its educational purposes.

[8]Testimony of Dr. Joseph Zannini to the Special Legislative Commission on Higher Education Housing Needs, from statistics in the ACUHO-I International Directory (1988) and Survey of Residence Hall Occupancy (Fall 1988).

The University provides a resident assistant for every 33 students in the dormitories, second best among the major state universities in a recent survey.[9]

The University relies upon dormitory fees and rents to provide 95 percent of its dormitory operating budget, ranking it among the top universities. Its dormitory costs rank it about in the middle. It ranks among the top in the percentage of operating expenses devoted to maintenance, custodial, and residential life/education.[10]

Under the current construction policies of the state, the University has concluded that dormitory construction and operating costs are now too expensive for the dormitories to be self-supporting as required. Construction of additional dormitories is likely to require state subsidies or a lower cost method of construction than currently available.

3. Current Campus Housing Stock

a. Dormitories

With 11,392 dormitory beds, the University accommodates approximately 6,500 underclass students who are guaranteed housing, plus about 4,500 upperclass students.[11] Throughout the eighties, it has been able to maintain an average occupancy in excess of 95 percent, even taking into account the attrition of students during the year.

The University faces a unique management challenge with dormitory housing. It maintains it can fill beds only once a year -- in September. A bed that is unfilled in September is likely to remain unfilled the entire academic year.[12] To maximize the September occupancy, the University must overbook by as many as 200 students, and provide temporary beds in anticipation of no-shows and early dropouts. This is usually done by putting beds into dormitory lounges, renting rooms from local home owners, or renting motel rooms and apartments. The University also maintains a waiting list comprised primarily of students who planned to live in private housing but later decided to return to the dorms. It nimbly moves students around to house these people quickly, as many as possible within the first few weeks of the school year, for once these students on the waiting list sign a lease in a private unit, they are unlikely to be able to break their apartment lease and move into the dorms.

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[9] Zannini testimony, from ACUHO-I.

[10] Ibid.

[11] See the Task 1 Report.

[12] OKM/Goetzehave found that some colleges in other communities (such as Dartmouth) can fill empty beds at the beginning of each quarter, and do not necessarily experience the steady decline through the academic year.

As dropouts continue through the year, only a few students will be waiting to replace the dropouts because they will have other housing commitments. As a result, the second semester occupancy level is lower and creates on average about 400 vacant rooms.

b. Family Housing

UMass provides 395 units of family housing in three developments, which serves both undergraduates and graduates. The units range from studios to three bedrooms, with most of the units being one and two bedrooms.

Under the policy where an applicant could remain on the waiting list even after declining an offer of a unit, the University had a waiting list of over 700 households. Since it has adopted a policy of dropping the applicants who choose to reject an offer of a unit, the family housing waiting list has shrunk substantially.

According to UMass staff, the lack of a waiting list does not reflect a lack of demand for more family housing but rather the fact that many students have given up on University housing.

Most student families recognize that they have little chance of getting an apartment through the University. If they apply and are not selected for occupancy for the Fall semester, they instead secure a rental apartment in the area, usually signing a 12 month lease. If an opening comes after they occupy the private unit, they cannot break their lease, so they must reject the unit and be removed from the waiting list. Many students don't bother to reapply.

The rental cost of a University apartment -- including utilities -- is substantially below the market. This is because most of the family housing is older, the utility costs to the University are lower, and the University presumably tries to keep rents in these units attractive. As a result, a university apartment might be several hundred dollars less than an apartment in Amherst.

While several single undergraduates can join to rent apartments or houses in Amherst and reduce the per person cost to below dormitory rates, student families usually are not able to double up with other families. Also, student families are more likely to stay in Amherst year-round, and are less likely than single students to walk away from a lease at the end of the academic year. For these reasons, they don't have as much flexibility as single students in the local marketplace, and would benefit more from campus housing.

OKM/Goetze have concluded that the supply of family housing is inadequate, and consider the production of additional units for families and graduate households should be of the highest priority. Such housing might also include some rental apartments for junior faculty.

c. Dormitories Converted to Other Uses

As the University opened a large number of new dormitories constructed in the late sixties and early seventies, it also closed some of the older dormitories and converted them to non-residential academic uses, including faculty and administrative offices. The dormitories that were converted to other uses included:

Dormitory	Year Closed	Number of Beds
Arnold House	1967	213
Mills House	1970	152
Hills North	1973	221
Hills South	1973	221

		807

In addition, prior to that time period other older dormitories were converted to office use, including the complex of Berkshire, Hampshire, and Middlesex Halls, which formerly provided several hundred beds and now house the operations of Housing Services.

Conversion of dorm rooms to offices can be done at a low cost, making it an attractive option for producing low cost office space (which produces no direct revenue). It can be expected that, as demand for office space increases, pressures will continue to mount to convert other older dorms to non-residential uses. The original bond issues would have prevented this. However, as bonds are retired (or refunded as in 1984), the University has effectively eliminated most of these bond restrictions regarding use. The probability of conversion of additional dormitories to non-residential use should be examined, and the reconversion of the above dormitories should be reviewed as an opportunity to produce additional beds at a low cost.

4. Capital Improvements

The oldest residence halls are owned directly by the University, while the more recent dormitories were funded through the UMass Building Authority. The bonds floated originally to fund construction of these dormitories pledged dormitory revenues to pay off the bonds. Sinking funds had been created from dormitory revenue to pay off the bonds. However, the bonds had no requirements that capital replacement reserves be funded. As a result, the University lacked reserves to undertake a capital improvements program, and cannot count on the Legislature to have funds available for such improvements.

In 1984, the Building Authority undertook a program to do capital improvements to some campus facilities and dormitories. It replaced the dormitory bonds with new bonds which pledged payment through a new Universal Resource Fee charged to all students whether or not they live on campus. Through the refunding and the freeing up of the sinking funds, $58 Million was made available for capital improvements.

By spreading the cost of the bonds and capital improvements over the entire student body, the University was able to reduce the dormitory fees, and set up replacement reserves for the dormitories (currently the reserve is funded at around $4 Million) in addition to the capital improvements funding.

The University has completed improvements made possible through the 1984 bond refunding, but it continues renovations out of revenue and replacement reserves. Most renovations are done without closing dormitories. Since the University expects lower occupancy levels for the second semester, it consolidates the vacancies in the Spring to renovate some rooms in time for the next Fall Semester.

The University has less flexibility in renovating family housing due to strong demand for year-round housing. It is more likely to close a building at a time for renovations (e.g., 80 units at North Village, and 11 units at University Apartments).

While the University hopes that its replacement reserves and gradual improvements program will meet most needs, it has requested another $20 Million from the Legislature for additional improvements, and is concerned about recent efforts to require it to provide fire sprinklers in its high rise dormitories. Its reserves would be inadequate to meet such a cost, and would require additional state assistance.

5. University-Owned Land

UMass owns 853 acres of land in Amherst, all but 13 of which are tax-exempt.[13] Most of the land owned by the University is utilized for some educational purposes. Only a few parcels remain undeveloped, and the University generally has expressed reluctance to give up land that might be used for future expansion. However, several parcels appear, according to the analysis done by OKM/Geotze, to be suitable for housing uses, particularly if they were to serve the University community's housing needs.

(1) Fraternity/Sorority Park - Laid out to accommodate approximately ten fraternity and sorority houses, the property currently has only two, plus a third building that has been returned to the University. Most of the parcel is used for overflow parking.

While it is located on the periphery of campus, it is used by students to park, and they walk or take a shuttle onto campus. The location is considered less convenient to campus than the North Pleasant Street fraternity houses, for example, and would require new construction, the costs for which probably exceed the ability of most fraternities/sororities to finance without help from their national organizations. Leasing of existing housing off campus tends to be less costly -- at least in the near term. Leasing or buying off-campus probably is perceived by some fraternities as reducing the direct influence and supervision of the University.

[13]Compiled by the Amherst Planning Department from Amherst Assessor's Records, as of January 1, 1988.

The parcel seems well suited for development at a scale comparable to the existing fraternities/sororities. In addition to fraternity/sorority housing, it could offer a mixture of townhouses and apartments for graduate students, students with families, and faculty, but these uses may be incompatible with fraternities and sororities, unless a scheme is developed to separate uses with buffers within the parcel. Furthermore, this parcel is the only parcel in town that is both available and zoned for construction of new fraternities/sororities. As such, the University is unlikely to be willing to give up this resource because re-zoning of other land to accommodate more fraternities seems highly unlikely.

The greatest value of Fraternity/Sorority Park may lie in the access it provides to an adjacent parcel to the east (south of the unused energy plant). The original plan for the Park assumed that the University would purchase the additional parcel and extend the Park in a mirror-like overlay of the current Park. Accordingly, the roads and utilities were run to the boundary of the parcel and are ready for extension. The Town, however, retained ownership of the land, and kept this land from being reclassified conservation land.

This may represent a unique opportunity for the Town and University to jointly sponsor housing development.

(2) North Pleasant Street (East) - This large field north of the campus was held out of development by the University in anticipation of the proposed by-pass, and has not been reprogrammed for other use since the by-pass was defeated. It's location beyond the north boundary of the present campus makes it difficult to integrate it with campus for any academic use, unless it were to hold a separate school (e.g., a law school).

One corner of the parcel fronting on North Pleasant was provided by the University to the Massachusetts Department of Mental Housing for special needs housing. The remainder of the parcel is open field, with only a small portion of the parcel (fronting North Pleasant) possibly having wetland conditions.

(3) North Pleasant Street (West) - Across from the previous parcel and south of North Village and a private rental complex, from the perspective of compatible uses, this parcel would be suitable for more family housing units. However, the property slopes toward the river, and appears to have wetlands problems on major portions of the site that would limit development primarily to the frontage on North Pleasant.

(4) Fearing Street and University Drive- The University owns street frontage on Fearing Street, across from Southwest Village, and along University Drive. This location would appear to be suitable for housing or housing/commercial mixed use.
University Drive toward the south of this parcel has 100 foot setback requirements to allow for further road or service road development. While this does not extend to the UMass parcel, UMass staff indicated that they would like to comply with the requirement. If so, the developable portion of the parcel would be of limited depth, yet still suitable for lower rise housing.

The University has received some indications that a privately held parcel abutting the University owned land is available for sale, but the land has a severe slope and the asking price was considered to be unreasonably high. If obtained, the combined parcel would support more development.

(5) Orchard Hill area - The University owns a substantial parcel on the northeast corner of the campus called the Orchard Hill area, portions of which abut existing residential areas and may be appropriate for additional dormitory development as needed. The bulk of this large parcel, however, may have other higher and better uses for growth of the campus in the future -- a research facility was suggested -- and should be considered for housing only on an incremental basis and in the context of other future development needs.

The University owns other undeveloped land, but these were determined to be the most suitable for housing development.

SECTION V. STATE ASSISTANCE TO ACADEMIC HOUSING

A. Overview

UMass is a state institution. Under certain circumstances, the University receives direct state appropriations or the proceeds of general obligation bonds of the state, usually for construction of facilities. Academic housing generally does not receive such direct funding or subsidies. Through the Building Authorities and other state Authorities, UMass and other state institutions are able to raise bond financing for revenue generating dormitories and rental housing.

The four colleges, while not able to receive such direct assistance from the state, are tax-exempt institutions and are eligible for loans through certain state authorities.

This section provides an overview of how the state and its various agencies and programs can assist colleges in building academic housing.

B. The Building Authority

The Commonwealth has made statutory provisions for college building authorities to issue bonds and construct revenue-generating facilities, including housing, on state campuses. UMass has the oldest building authority in the state, created in 1964 to replace the UMass Building Association. Other building authorities have since been created for the University of Lowell and Southeastern Massachusetts University, and a statewide authority has been established to service all other state colleges.

As state entities, the Building Authorities are subject to the same construction requirements as direct state agencies. Construction is subject to state design review standards, filed sub-bid requirements, and state prevailing wage laws. The Division of Capital Planning and Operations (DCPO) retains oversight. As such, the time and costs of construction through the Building Authorities is roughly the same as for construction directly by the University.

The Building Authorities receive authorization for bonding from the state legislature, because their bonds create a moral obligation of the state. The college Building Authorities (and not the statewide authority) have "evergreen provisions", meaning that they can reuse their bond authorization cap as old bonds are paid off. This give the college authorities more flexibility in the future to refund the bonds for future projects, an example of which is the 1984 refunding of the UMass bonds that resulted in the Universal Resource Fee.

Dormitories now being built by the Building Authorities are costing $35,000 - 55,000 per student bed to build. Total construction costs range from $120 to $135 per square foot. These costs are estimated to be as much as 1/3 higher than normal private construction. (Many privately developed projects have a total development cost which falls into the same per-square-foot range, but these private project costs also include land acquisition, which can be as much as 20 to 30 percent of the total cost.)

The higher construction costs are explained in part by filed sub-bids, prevailing wages, contractor tendencies to bid extra margins into public jobs as compensation for paperwork and delays (often referred to as the "hassle factor" in public jobs), and (most importantly) bureaucratic approval processes that add many months to the schedule between initial planning and occupancy.

Using State College Building Authority procedures as a guideline, the construction process takes about 3 1/2 years from the time the Building Authority receives the request from the college until the building is ready for occupancy. The school's trustees, Board of Regents, the executive office of Administration and Finance, the Legislature, and the Building Authority all become involved at various stages of approval.

Project approval and bond authorization by the Legislature is required before a feasibility study can be authorized by the Building Authority. This increases the likelihood of underestimating the bond authorization required, such as when they discovered that the $105 Million cap for the last set of Statewide Building Authority projects was insufficient to fund the ultimate $150 Million cost of the projects.

The Building Authorities do not have eminent domain powers. Therefore, additional time must be added to the schedule if the college does not already own land for building.

Ultimately, the major limitation on the production of new dormitories or other campus housing through the Building Authorities is the requirement that the projects generate sufficient revenue to cover operations and debt service. UMass has utilized a universal resource fee charged to all UMass students which helps subsidize the dorms. In addition, some operating costs (such as labor and utilities) are disguised in the overall UMass budget.

Once academic housing is constructed, it typically will be operated by the University. UMass staff indicated that they have looked at the cost of operating the dorms under a private management contract. Because of work rules that apply to UMass classified employees, a private management might be more efficient, but UMass concluded that much of the cost savings is given back to the manager in the form of profit. Further, UMass concluded that it is more effective in terms of overall service and support, even though it may have less efficient work rules than the private sector for some classified staff.

To date, the Building Authorities have not constructed faculty housing, but may do so. The high costs of construction through the Building Authorities are likely to make publicly constructed faculty housing more expensive than private housing, particularly existing private housing. For example, constructing a 900 square foot two-bedroom apartment at $135 per square foot would cost about $120,000, with monthly debt cost around $1,000 plus operating costs. Compare this to a two-bedroom apartment in Amherst that might be renting for $800 to $900 per month.

The Building Authority typically will lease the land from the institution, which is part of the Legislative approval. The institution can lease from other sources (including private owners), but only for five years with a five year renewal option. Leases longer than five years are presumed to require state approval.

Leasing an institution's land to any entity requires approval of the Trustees, Regents, DCPO, Secretary of Administration and Finance, and the Legislature -- usually a several year process. This is a major obstacle to having private or nonprofit developers constructing and operating academic housing on public land. These limitation are placed by the state on any state-owned land, and are not unique to the Building Authorities.

C. EOCD/MHFA

The Executive Office of Communities and Development (EOCD) and the Massachusetts Housing Finance Agency (MHFA) are the primary state entities responsible for assisting housing. EOCD administers a variety of programs that are funded out of state appropriations, including public housing. It also supports and staffs the Massachusetts Housing Partnership Program. MHFA is an authority charged with issuing tax-exempt and taxable bonds to finance housing, managing the first-time home buyers program, plus administering other single-family and multi-family programs.

Historically, these agencies have not been involved in the production of academic housing. Nearly all funds administered by these two agencies must be made available to the general public, and cannot be limited to a special target group, such as students or faculty.

The programs do allow for some priorities, such as to town residents, once affirmative marketing goals are met. Usually, this targeting is restricted to 60% or so of the units, although Boston (with its large minority population) was able to negotiate a much higher percentage.

EOCD is also the agency charged with enforcing anti-snob zoning through Chapter 774 and Executive Order 215. These powers can be used to encourage towns to provide affordable housing, but cannot be used with institutions. **Proposed changes would allow local initiatives (presumably including academic housing) to be included in a town's count of affordable units. This change might indirectly encourage towns to work with institutions to see more affordable housing produced.**

D. Other State Authorities

The Commonwealth has several other quasi-public agencies and public authorities which can provide financing to housing projects. These agencies generally do not use direct state appropriations or bonding authority which is subject to the state's bonding cap, and therefore their financing does not involve similar restrictions against targeting to special populations, as is the case with EOCD and MHFA financing. For this reason, they are potential sources of financing for academic housing.

In addition to bond issuance and direct lending, these authorities are all capable of providing credit enhancements that can reduce borrowing costs. Credit enhancements are various forms of third-party guarantees that reduce the lender's risk in the event of default. Examples of credit enhancements are letters of credit, co-insurance, loan guarantees, and other commitments by a third party to come in and provide funds in the event of a default.

1. Massachusetts Industrial Finance Agency (MIFA)

MIFA was created in 1978 to promote development and expansion of Massachusetts industries and institutions through issuing bonds, making direct loans, and insuring loans. Since then, it has funded over 2200 projects with over $4.6 Billion in tax-exempt and taxable bonds.

Though MIFA was created primarily to encourage industrial development, MIFA enabling legislation was amended in 1988 to allow it to lend to educational/cultural institutions. MIFA cannot lend to public bodies (e.g., cities and towns), but usually can through authorities or nonprofit entities set up by a public body. For example, while MIFA cannot lend directly to UMass as a state entity, it can and is providing financing to the nonprofit UMass Foundation for construction of the campus Admissions Center.

MIFA is eager to provide financing for nonprofits of institutions. Bonds issued for nonprofit entities are tax-exempt and not subject to the state cap, so these can be issued without competing with other projects and authorities for bond allocations within the cap.

As with all bond issuers, MIFA's costs of issuance are capped at two percent of the bond issue amount. Legal costs are usually $20,000 to $60,000, and do not increase or decrease proportionate to the size of the bond. Because of these high fixed costs per issue, MIFA requires a $250,000 minimum issue, and recommends issues of $700,000 or more through combination of projects.

MIFA has established relationships with several European banks to provide letters of credit to enhance the credit rating of bond issues. Large lines of credit can be divided among several bond issues or projects, reducing the per-issue cost of the credit enhancement.MIFA prides itself in its innovation. It is willing to explore zero coupon bonds and other techniques.

Recently, Fidelity Tax-Exempt fund has become a buyer of MIFA bonds, often without credit enhancements in order to get the highest yields. Sallie Mae is purchasing $25 Million in MIFA bonds, and they are willing to buy ungraded paper.

MIFA is able to buy land, develop it, and lease it back to an institution, which may be a way to reduce some of the time and costs of public construction. This might be explored as an option to development through university-affiliated nonprofits.

Sometimes interest costs can be reduced or additional funds raised within existing bond caps by refunding the bonds -- the equivalent of refinancing to a home owner. MIFA is willing to explore the refunding of the bonds of the four state building authorities. By combining the issues, adding some enhancements, and playing with bond terms (number of years, fixed v. variable -- usually a two point swing -- but variable rates may not be advisable for dormitories). The savings would have to at least offset the cost of refunding.

2. Health and Educational Facilities Authority (HEFA)

HEFA was created primarily to provide financing for private nonprofit health care and educational institutions, but not public institutions and government. To provide financing to UMass or an affiliate, the HEFA enabling legislation would have to be changed authorizing it to lend to state colleges, nonprofit affiliates of state colleges, or any 501(c)(3). Previously, the HEFA legislation was changed to allow it to lend to nonprofit affiliates of health institutions, but that change did not extend to educational institutions.

HEFA presumably can lend now (under their current legislation) to Five College Inc and other consortiums that are private and grant degrees, even if a state institution is a participant in the consortium.

Like MIFA, HEFA can acquire land and leaseback, but has not yet done so.

3. Massachusetts Government Land Bank

The Land Bank was created to provide a vehicle to the state to redevelop state owned land and blighted areas. The Land Bank is similar to the other state bonding authorities in the issuance of bonds, except that it can issue general obligation bonds. As a result, there is a stricter test of the public purpose of the redevelopment project.

Limited equity coops have become one major housing priority of the Land Bank that differentiates it from other state bonding authorities. The Land Bank also has the ability to do loan guarantees and other credit enhancement measures.

SECTION VI. CONCLUSIONS AND RECOMMENDATIONS

Academic institutions are unique among employers in the demands they place upon the local housing market. Not only do they attract employees -- both faculty and staff -- to the region's housing market, but they also attract students and student families, and retirees and empty nesters as well.

The four colleges -- Amherst, Hampshire, Smith, and Mt. Holyoke -- are relatively small in their impact on the region and are pretty much self contained. They house nearly all of their students and some of their faculty and staff.

The University of Massachusetts, on the other hand, is a major employer within the region, and it generates substantial secondary employment impacts in the market through demands of affiliated households for non-educational services and the retention of students after graduation. Most importantly, the majority of UMass students live off campus within the region's housing market.

UMass-affiliated households -- particularly these students living off-campus -- boost housing prices, and the resulting market conditions adversely impact the University's ability to recruit faculty and students. While the University has not profited directly from this predicament, many local landlords, developers, and home owners have. Residents who are not affiliated with the University and do not have University salaries to help them compete with groups of students and University employees for housing are becoming disadvantaged. In this "musical chairs" situation with too many households competing for too few housing units, it is the residents who are not affiliated with the colleges who are squeezed out.

For its own self-interest as well as the community's, UMass can and should provide leadership in addressing the regional housing shortage which it helped to foster. Because of the diversity of households in need, a combination of strategies, rather than just one, is advisable. This report suggests a broad set of ideas and strategies for the University to pursue. Selection of the appropriate set of strategies depends upon a number of things, not the least of which are the resources of the University and the Commonwealth of Massachusetts can garner to produce additional affordable housing. In any case, the University possesses tremendous land resources which could be put into housing use without diminishing its future growth and development potential.

OKM/Goetze suggested to the regional Commission that UMass strategies should be selected to achieve the following:

(1) Maintain and expand the dormitory system to encourage more students remain on campus.

(2) Construct new dormitory facilities utilizing manufactured housing components -- particularly in alternative styles -- that increase the number of students who choose to live on campus and accommodate growth.

(3) Provide more rental and home ownership assistance to faculty -- both for recruitment and retention.

(4) Support community efforts to provide affordable housing serving lower wage employees.

UMass is a dominant regional actor and should act in concert with Amherst and the surrounding towns rather than unilaterally. As yet, we have discovered no effective models for promoting more concerted regional action to overcome the parochialism of New England town meetings in surrounding towns that are determined to curtail growth. However, the adverse impacts upon tenants and newcomers will continue to exacerbate until the regional housing stock is permitted to expand. Once the challenge is clearly defined, the talent and skills within the region are ample to devise new ways to produce the needed housing.

Academic housing strategies cannot be selected in a vacuum. They must be coordinated with community housing strategies to have the greatest beneficial impact on the community. It is recommended that the academic strategies be reviewed and selected as part of Task 3 along with community and regional housing strategies. Then, the institutions and the communities can work together to address the housing crisis that affects them all.

Chapter 3

Recommended Strategies

SECTION I. RECOMMEDED STRATEGIES

A. Estimates of Lower-Priced Housing Units Needed in the Region

In order to determine the type and level of response needed to the problem of housing costs in the Impact Area, there must be an estimate of the number and characteristics of households in need. Renter households are most prone to affordability problems because they do not control their housing costs. Owners, on the other hand, may experience high housing cost burdens, but they are less vulnerable than renters to price rises and displacement. Accordingly, the estimates of need focus on renters whose incomes are too low to afford current rents.

An estimated 10,000 unassisted renter households live in the 10 communities comprising the Impact Area.[1] Using the conventional Federal definition is that a lower income household is a household earning less than 80 percent of median income for households of similar size [2], it was determined that approximately 7,500 of the 10,000 renter households in the Impact Area have incomes that qualify them as low income. *These 7,500 low income renter households comprise about 20 percent of all households in the Impact Area.* The 7,500 households in need of assisted dwelling units currently are distributed within the Impact Area communities as follows:[3]

Fig. 1: Estimated Total Impact Area Households in Need of Assisted Housing

		Total Households in Need	Existing Assisted Units	Deficit
Amherst	2,320	950	1,370	
Northampton	2,520	1,198	1,322	
Ring Communities[4]	2,720	827	1,893	
IMPACT AREA	7,500	2,980	4,520	

[1] See the Task 1 Report, pages 33 - 40, for data sources and methodology used to construct this estimate.

[2] In Amherst, a family of four is considered to be "lower income" (defined as less than 80 percent of the area median income) if its annual income is less than roughly $30,000. See Task 1 Report, pp. 33 - 34.

[3] The purpose of these estimates is to provide a sense of "the order of magnitude." Given the time elapsed since the 1980 US Census, Figure 1 and 2 estimates have a +/- 10 percent uncertainty, and have been rounded to the nearest 50. Figure 3 estimates are rounded to the nearest 10.

[4] The term "Ring Communities" is used to describe the eight communities in the Impact Area that surround Amherst (not including Northampton): Hadely, Sunderland, Leverett, Shutesbury, Pelham, Belchertown, Granby, and South Hadley.

These estimates of housing needs and deficits are distributed among Amherst, Northampton, and the Ring Communities based upon *where the households currently reside, not necessarily where they may choose to live.* Amherst and Northampton provide considerably more private rental and assisted housing units than do the surrounding communities.[5] Since these two communities currently house a disproportionate share of the region's rental households, they therefore also contain a larger number of households in need. Given the close proximity of the Impact Area communities and the lack of rental housing opportunities in some of the Ring communities, one should not assume that the affordable housing deficit should be addressed in strict proportion to where the households in need currently reside. However, for purposes of this analysis, households in need are reported based upon where they currently live.

Many student households also qualify for housing assistance, and some are living in existing assisted units. Based on information provided by local housing authorities, it is estimated that approximately 1,150 households, 15 percent of the total in need, are UMass-affiliated households, distributed roughly 660 in Amherst, 300 in Northampton and 190 in the Ring communities.[6] Over one-quarter of the households needing assistance in Amherst are UMass-affiliated, whereas only 7 percent of those living in the Ring Communities are.

Removing UMass-affiliated households from these estimates reveals that one-half the remaining deficit lies in the Ring communities that currently have little rental or assisted housing. *If these communities had allowed more private rental housing to be built within their borders, then the concentration of needs in Amherst and Northampton today would be less.*

It is also useful to consider the various different types represented by the 7,500 total households (including those affiliated with UMass) estimated be in housing need throughout the impact region. Nearly a decade after the 1980 census, disaggregated data become less and less reliable. Nevertheless, the 7,500 can be divided into six different types -- four non-elderly and two elderly -- in order to consider appropriate strategies. This variety of types is best viewed in graphic form on the following page.

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5 Amherst and Northampton account for nearly 70 percent of the rental housing stock in the Impact Area and a significant portion of the units assisted. See Chapter 1, Table E.

6 The precise number is hard to determine. These estimates are provided by the housing authorities in the Impact Area from authority waiting lists. See the Task 1 Report, pages 39 - 40 and Exhibit 2-11.

Fig. 2: Distribution of Total Regional Housing Needs by Household Type

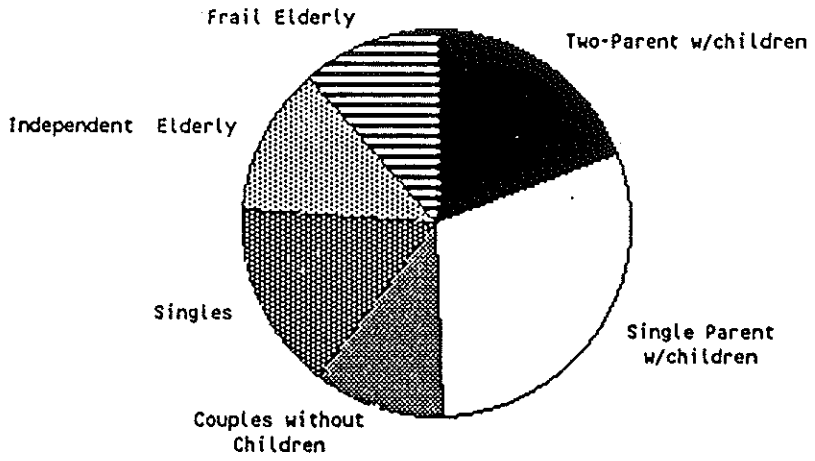

Figure 2 includes households affiliated with UMass. Roughly three-fourths of all these needy households are non-elderly, including 19 percent which are two-parent households with children, 31 percent single parent families, 11 percent two-parent families without children, and 15 percent disadvantaged, non-elderly singles and others. Single parent households are the largest type, comprising some 2,300 households with particularly acute needs today. Assisting these alone would require over three-quarters of the Impact Area's existing assisted units which are currently serving other households in need.

The remaining quarter of households in need are elderly, consisting of independent elderly and the frail elderly in need of some supportive services. Each category of elderly comprises some 900 households, many of which contain but a single individual.

While it is not possible to ascertain the current number of very poor and near poor, the 7,500 households comprise a continuum ranging from those who need major subsidies to those who could afford market rate rentals if the regional supply of apartments were allowed to expand.

This distribution of need indicates that it is important for the region to offer a greater variety of housing opportunities for families and elderly. As strategies are designed to respond to regional housing needs, those strategies should promote a range of housing opportunities to meet these diverse needs. Furthermore, some of the households may face a number of sociological and economic problems, only one of which is housing. I n order to respond fully to the needs of these households, the communities should incorporate other supportive services and assistance.

B. The Goals of a Regional Housing Initiative

The 7,500 renter households in need of housing represent about 20 percent of all households in the Impact Area. This need is substantial, and cannot be fully met without Federal and State support. Of that 7,500 households, an estimated 4,500 are very low income, homeless, and other special needs households. To assist these households requires substantial capital and/or operating subsidies which have traditionally been provided by the State and Federal governments, and which are beyond the resources of the local communities to assist. The Commission recognizes the need to encourage the State and Federal Governments to maintain and increase their commitments.

However, the Commission believes that the communities in the region can address a significant portion of the need with local resources. The remaining 3,000 households have slightly higher incomes, and their housing cost burden can be made more tolerable through local resources and efforts. Housing for such families can be achieved with zoning changes, innovative construction and siting techniques, low interest loans, and contributions of land. The Commission believes that this housing can be produced through cooperation and sharing of burdens among the communities and institutions in the region.

The Commission is concerned that not all communities have made comparable efforts to expand and diversify the housing supply, and that affordable housing initiatives are resisted in some communities because of a lack of understanding of who is in need and how a community can respond. The overall lack of reasonably-priced private rental housing harms the regional economy, and thereby the residents of every community in the region. Education throughout the region is a critical component of any initiative to improve the overall housing situation.

The Commission believes that persistent supply shortages -- especially of private rental housing -- are a critical cause of regional housing cost inflation. Making existing housing more affordable to particular segments of the population, such as junior faculty, alone is insufficient because its primary impact is higher bidding for scarce housing units. Accordingly, the basic goals are:

1) to organize regionally to execute the ongoing planning, education, and program development efforts which are recommended in this report;

2) to educate the general public and local officials about affordable housing;

3) to promote more effective regional planning for housing needs, and to encourage innovative zoning and site planning that will accommodate affordable housing without diminishing the region's semi-rural character;

4) to cooperate with UMass and other academic institutions in determining housing needs and planning for production of more on-campus housing given the limits of existing resources and expected future enrollment trends; and

5) to create additional new housing alternatives through land trusts and cooperatives that provide for permanently affordable housing.

Following are a series of five strategies, each of which corresponds to the goals enumerated. Together, they will bring about a coordinated regional and institutional approach to housing problems.

C. Strategies

1. Create a Regional Organization for Implementing the Recommended Strategies

The role and mission of the Regional Commission on the Affordable Housing Needs of Academic Communities is to oversee this study and draw attention to the housing problem in the region. While the Commission has completed its primary mission, it also is prescribing a series of actions which must be implemented in the coming year to address the unmet housing needs in the region. Some organization must assume responsibility for implementing these activities.

A regional housing organization seems appropriate given the scope of the problem. Such an organization should be empowered with more authority than simple moral justification, and should be formally recognized by the communities and the academic institutions in the region. This **Regional Housing Partnership Organization**, as it will be referred to in the remainder of this Report, can be a new organization or an existing one, provided that it fully represents all communities and the academic and non-academic interests of the region. The goals of this Regional Housing Partnership Organization should be:

1) to educate the general public about the housing problems of the region and how these problems can and must be addressed collaboratively;

2) to gain the cooperation of the communities and the institutions in the area in addressing the housing problems; and

3) to implement strategies and promote regional organizations (e.g., land trusts, cooperatives, and innovative zoning concepts) which will produce more lower-priced housing.

To achieve these goals, the Regional Housing Partnership Organization should undertake the following activities:

1) Review and discuss the recommendations contained in this report, expand upon the options which are accepted by the membership, and adopt a clear and concise housing policy statement and strategic plan that reflects the involvement of the academic institutions and surrounding communities;

2) Review the report and recommendations of the Special House Committee on Higher Education Housing Needs, and endorse those recommendations which promote community and university cooperation in addressing housing needs;

3) Meet with officials in each of the communities in the Impact Area, present its housing policy statement and strategic action plan, request endorsement of the plan from the town selectmen, and request their active participation in future activities; and

4) Meet with officials of the academic institutions to deliver the Commission's housing policy statement and strategic plan, and to enlist their cooperation.

Successful implementation of the recommended strategies hinges on the full participation of two groups: the academic institutions and the surrounding communities. It is imperative that the Commission have more extensive and formal participation by the communities and institutions. The core working group of the Regional Commission to date overwhelmingly represents housing interests in Amherst and Northampton.

It is also apparent that a Regional Housing Partnership Organization similarly constituted as the Regional Commission may be too large a body to take on specific duties in strategic planning and implementation. The details of implementing the recommendations should be developed through an organizational structure which includes the following committees:

1) Regional Housing Goals Committee - to review local zoning codes for all the surrounding communities, and enlist the assistance of the Center for Rural Massachusetts in examining alternative zoning and design principles to recommend the communities.

2) Academic Housing Committee - to include community officials, representatives of the institutions, and some members of the Commission in a review of master plans, housing needs, and institutional contributions of land for housing within the community.

3) Regional Land Trust Committee - to begin planning the details of a regional land trust, and develop the legal documents of organization, a membership plan which ensures regional representation, strategies for raising funds, and priorities for acquiring and developing land or existing properties in a manner that makes them permanently affordable, as "Forever Housing."

2. Educate the General Public and Community Officials

An important mission of the Regional Housing Partnership Organization is increasing public awareness regarding the ways that restricting housing diversity harms the regional economy. Communities tend to resist affordable housing initiatives for a variety of reasons. They resist housing projects which are built subject to standards dictated by the State or Federal governments in part because the communities may not retain full control of occupancy, since the State and Federal programs sometimes give preference to nonresidents and special needs households over local residents. The term affordable housing conjures up notions of large, densely populated urban developments that are inappropriate for the semi-rural settings.

Such misconceptions must be corrected through public education before meaningful progress can be made. The Regional Commission proposes that a public education effort begin with community briefings about the findings of the Commission. Scheduled sessions with county and community officials and the general public should help to communicate the important findings of this Commission regarding the level of need and the actions needed to make housing affordable.

Thereafter, a broader education campaign should be developed which consists of community outreach to adult groups (churches, civic groups, social organizations, etc.) as well as to children (through schools). Outreach to employers is also critical, since these are increasingly confronted by labor challenges resulting from excessively high housing costs. Such a public education campaign will require carefully developed materials for distribution to the various groups.

This public education effort will require substantial effort and commitment of time, and is likely to exceed the capacity and availability of volunteer members. To fund the development of the education program, the Regional Commission recommends that EOCD be requested to provide a grant for a public education series on affordable housing on the grounds that these materials will be usable in communities throughout the State.

3. Housing Production and Assistance Goals for Ring Communities

The Regional Commission concluded from its analysis in Task 1 that, despite a significant volume of newly constructed housing, there was still an overall shortage of housing and a lack of diversity in the region, particularly in the Ring Communities. To ease the overall pressures on housing prices and rents, continued production of housing units at the same pace of recent years will be necessary.

While some affordable housing can be accomplished through acquisition and adaptation of existing housing stock, such as the purchase of rental housing for sale and the creation of accessory apartments within existing single family homes, the Ring Communities must be willing to permit more diversity. The communities need to encourage a new mix of housing types that adheres to the principles of innovative site planning.[7] While population increases throughout the region may be unavoidable, greater consideration of such alternative land use patterns will result in relatively less traffic and visual impact than current large lot uses generate.

Given the current fiscal situation at the State and Federal levels, the key to easing housing costs in the region will rest more upon reducing restrictive zoning than upon securing additional state subsidies. To this end, the Regional Commission proposes that the Regional Housing Partnership Organization undertake the following activities:

1) develop model planning by-laws and zoning standards which provide for locally responsive housing development, and

2) prepare prototypical schematics and designs structures and clusters which allow for adequate density to achieve affordability while preserving the rural character of the region.[8]

With these models and prototypes in hand, the Regional Housing Partnership Organization should enter into discussions with surrounding communities to develop strategies that will produce more reasonably-priced housing without undermining the efforts by the communities to preserve their character.

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[7] The Center for Rural Massachusetts has assembled illustrations of new housing approaches that respect the existing village center and farming character of the Pioneer Valley, integrating cluster housing, accessory apartments, duplexes, triplexes, and quadplexes unobtrusively within structures resembling traditional farmsteads. See Design with Change in the Connecticut River Valley: A Design Manual for Conservation and Development, Volume Two, Massachusetts Department of Environmental Management and the Center for Rural Massachusetts, January, 1988.

[8] The Farm Village concept proposed by architect William Rawn, developing a mix of structures that each contain up to four units, further illustrates the approach. See Boston Globe, "Lincoln Won the Fight Before it Began", January 3, 1989.

Realistic and achievable targets for appropriate additional family and combined family/elderly housing units should be developed in collaboration with each community. Based upon the findings and analysis in Chapter 1, a *target of 1.5 percent annual growth in diverse types of housing units will maintain the recent volume of housing production.* All but two of the communities have experienced housing stock growth at a rate of at least 1 percent per year or higher during the eighties, the highest was 3.7 percent, and the average was 1.4 percent. The 1.5 percent annual growth targets are reflected in Figure 3 below under Total Growth, with the 20% Needed representing the number of affordable units to satisfy the area need for affordable housing, and 10% Needed showing the number of additional affordable units needed to meet the State requirements under Chap. 774:[9]

Fig. 3: Ten Year Housing Stock Growth Targets within Impact Region with 20% and 10% Additional Needed Assisted Units (in dwelling units)

		Additional Assisted Units	
	Total Growth	20% Needed	10% Needed
Total Region	5,470	5,410	1,210
Amherst	1,270	990	20
Northampton	1,710	1,430	110
Inner Ring	2,490	2,990	1,080
Belchertown	580	560	120
Granby	290	370	150
Hadley	260	350	150
Leverett	110	160	80
Pelham	70	110	50
Shutesbury	100	160	80
South Hadley	860	940	280
Sunderland	220	340	170

Figure 3 also relates the 10 year growth targets to two possible goals for assisted housing. Currently, only some 7 percent of the Impact Area's housing stock is assisted, ranging from over 10 percent in Northampton and Amherst to virtually none in some Ring Communities. In any case, there is a substantial deficit and more units are needed. Households in need comprise about 20 percent of all households in the region, so approximately 20 percent of the housing units in the region should be assisted to meet all needs. However, this level of assistance may not be achievable given the current limitation on Federal and State resources.

[9] The computations in Figure 3, based on the Task 1 Report, Tables 3-1 through 3-10 and EOCD/Mass. Housing Partnership Data, are drawn from a more complete set in Appendix A.

Under Chapter 774, so-called Anti-Snob Zoning, the State has set a goal of 10 percent assisted housing for every community. Figure 3 shows how much of the additional growth targeted for each community would need to be assisted to achieve the 20 percent and the 10 percent goals in each community by the end of the decade.

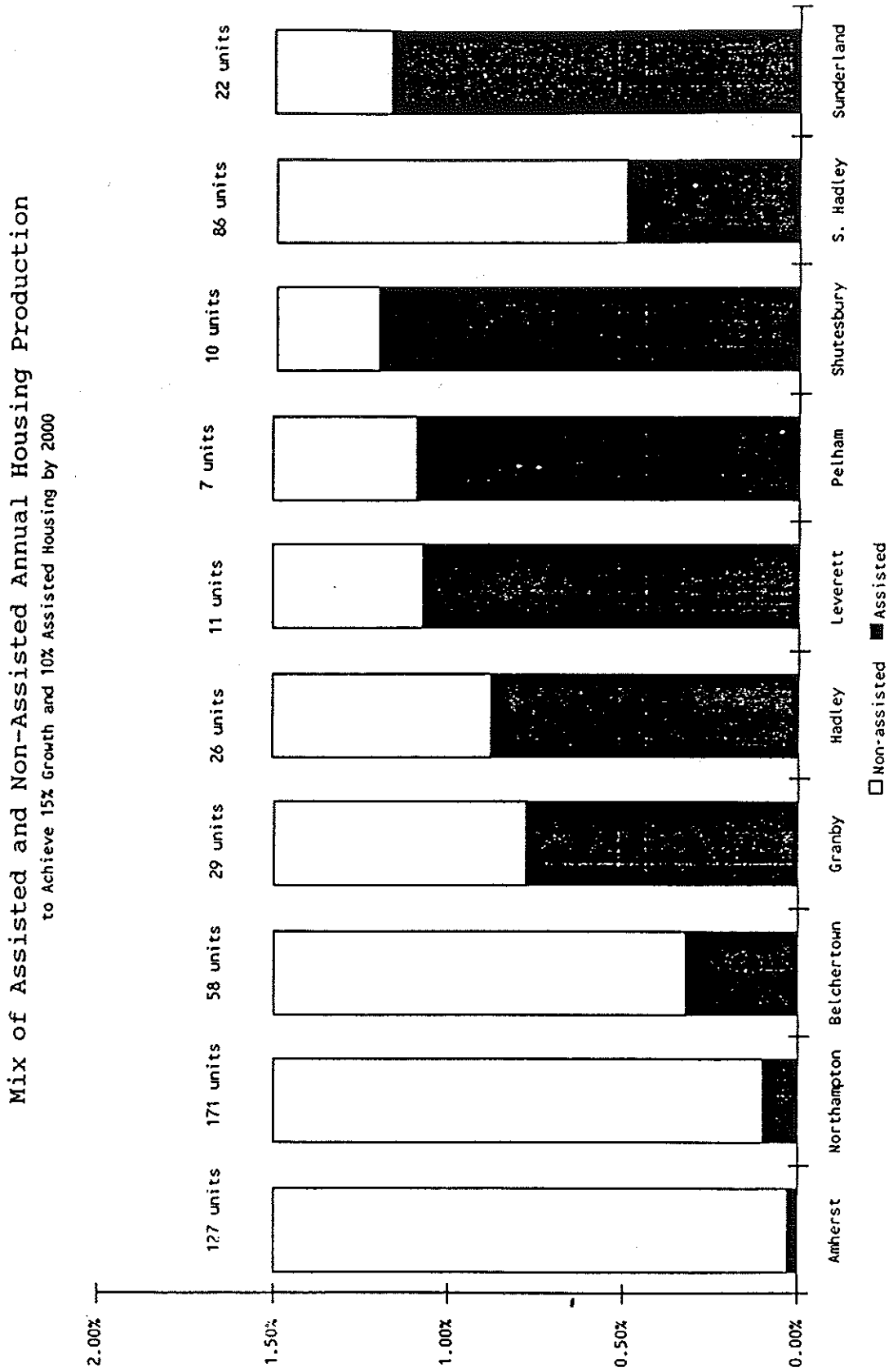
Amherst and Northampton have already achieved the State's goal of assisting 10 percent of its housing. However, these communities still should strive to achieve the 20 percent goal, and must also focus on preserving the extremely valuable stock of assisted housing already built.

Within the Ring Communities, emphasis will have to shift to production of more assisted housing. The deficit in assisted units is so great that the number of assisted units needed in some communities exceeds the entire ten year development target.[10] A community like Pelham, which currently has no assisted housing, would add 70 units during the decade under its growth target, but it has a need for 110 assisted units. To accomplish the 20 percent goal would require assistance within the existing stock in addition to new construction. The situation in Leverett, Shutesbury and Sunderland is very similar.

Figure 4 depicts the mix of assisted and non-assisted annual housing production required each year to achieve both the ten year targets for housing and assisted housing production. Note that the majority of production would have to be assisted in Shutesbury, Sunderland, Pelham, Leverett, Hadley, and Granby, even with only the 10 percent assisted housing goal.

[10] Note that the table in Fig. 3 calculates growth rates based upon the current level of development within each community. It does not represent shifts in development towards communities with disproportionate amounts of forest and underutilized land, nor does it redistribute needs among the communities. However, if the means could be devised, encouraging relatively more housing within the less developed communities would make sense.

Figure 4.


Mix of Assisted and Non-Assisted Annual Housing Production
to Achieve 15% Growth and 10% Assisted Housing by 2000
127 units
171 units
58 units
29 units
26 units
11 units
7 units
10 units
86 units
22 units
Amherst
Northampton
Belchertown
Granby
Hadley
Leverett
Pelham
Shutesbury
S. Hadley
Sunderland
2.00%
1.50%
1.00%
0.50%
0.00%
Non-assisted
Assisted

Should any community decide not to cooperate with the regional effort or to actively produce affordable housing on its own, the Regional Commission believes that the Executive Office of Communities and Development (EOCD) should be encouraged to join in negotiations with the community, and demonstrate its commitment to enforce the provisions of Executive Order 215 by denying State funds to any community in the region which will not produce affordable housing.

Unlike some states, the Massachusetts Constitution does not contain language which requires communities to provide affordable housing. The State has relied upon the use of positive incentives (funding for housing and other infrastructure) to encourage communities to produce affordable housing. It has not, however, incorporated affordable housing performance into the local aid formula, and should be encouraged to do so. Perhaps because the housing affordability gap has continued to widen, an increasing number of housing observers are coming to believe that bridging this gap in Massachusetts will require new approaches from the state Legislature such as amending the State Constitution to make affordable housing a right.[11]

However, the Regional Commission believes that the most immediate and productive strategy is a cooperative effort of all the communities in the region to jointly produce additional housing.

4. Academic Housing Plan and Housing Goals

The Regional Commission believes that mutual interests and benefits can induce the community and the academic institutions to collaborate in providing leadership in identifying and addressing the regional housing shortage. As a dominant regional actor, UMass should act in concert with Amherst and the surrounding communities rather than unilaterally. Academic housing strategies cannot be selected in a vacuum; they must be coordinated with community housing strategies.

In order to address the identified academic housing needs and implement strategies that are compatible with community strategies, the Commission recommends that the Regional Housing Partnership Organization and the University work closely together to undertake the following activities:

[11] See Appendix B.

1) develop a Housing Plan pursuant to proposed regulatory changes to Chapter 774;[12]

2) support the development of a University housing master plan component consistent with the recommendations of the Special House Committee on Higher Education Housing Needs;[13]

3) negotiate a plan for joint development of Fraternity/Sorority Park and the adjacent town-owned parcel; and

4) develop a capability to continue monitoring of trends in student enrollment, dormitory occupancy, and the off-campus residential impacts of academic-affiliated households.

In addition to the proposed joint planning efforts, the Commission believes that UMass should immediately initiate visible and effective efforts to house more of its own students on campus. Specifically, the Commission recommends the University undertake the following:

1) Examine the potential for developing Fraternity/Sorority Park to serve a mix of needs using alternative dormitory styles and manufactured housing construction techniques (as noted above, in cooperation with the Town);

2) Construct up to 500 new apartments on University land to serve students with families and graduate students.

3) Construct up to 300 units of limited equity cooperatives/condominiums for sale to faculty and staff, with attached tax-exempt financing for the buyers and resale limitations.

These activities would serve members of the academic institution, and they would also relieve some of the pressures on the local housing markets.

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[12]A Legislative Commission to review the State's Anti-Snob Zoning Legislation (commonly known as Chapter 774) recommended that EOCD revise its regulations to allow communities greater flexibility. One of the recommendations is to allow a community to develop a Local Housing Plan which identifies the specific needs of the community and the specific strategies it intends to undertake to meet those needs. EOCD is developing regulations which will encourage such local plans.

[13]The Special House Committee (see note above) is considering a recommendation that State institutions be required to develop a housing component of their master plan, and to provide for community review and input. The Regional Commission endorses this recommendation.

5. Create a Regional Housing Land Trust

While the Regional Housing Partnership Organization will be occupied largely with public education and cooperative planning efforts, there must also be immediate attention to acquisition of parcels and production of affordable housing. Ownership mechanisms must be established -- or existing mechanisms more fully utilized -- so that private rental housing can be converted to forms of social or non-speculative ownership, such as non-equity or limited-equity coops, mutual housing associations (i.e., no possibility of speculative resale but assured life tenure), ownership by community trusts, or public ownership. To manage these efforts, a regional housing land trust is desirable. The Regional Housing Partnership Organization should examine the capacity of the Northampton Area Land Trust to serve as a regional land trust for the entire Impact Area, or create a regional nonprofit land trust empowered to acquire land and develop housing.[14]

Funding for the land trust is likely to depend largely on local sources. Taxing local real estate transactions has been proposed as a way of funding local land banks. However, given the current political and fiscal climate in the state, passage of the land bank law is considered unlikely in the near future. Instead, the Trust will have to draw upon local resources, including:

1) Initial administrative and capital funding from the communities and/or EOCD;[15]

2) Contributions of developable land from each of the academic institutions, the communities, the State, and key regional employers, coupled with community zoning changes or variances to permit innovative development of these parcels;

3) Creation of a Community Loan Fund through which socially-aware individuals, organizations, employers, and institutions can invest in affordable housing.[16]

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[14]The Institute for Community Economics (ICE) in Greenfield is a valuable local resource on land trusts. It can provide sample documents and provide advice on organization and funding.

[15]The Burlington (Vermont) Community Land Trust was capitalized by the City and designated recipient of all developer linkage contributions. The Trust has acquired a portfolio approaching 100 units and is working toward self-sufficiency. Administrative funding may be available through EOCD, which has funded a FY1990 Strategic Planning Grant for a regional partnership in the Merrimack Valley.

16 As an example, the Boston Community Loan Fund solicits loans from individuals and religious and other groups, which it relends for housing ventures. ICE operates or helps to create/sponsor CLFs in a number of communities, and will be a valuable resource on organization and fundraising.

As noted in Chapter 2, the academic institutions have considerable land holdings.[17] Some communities and private employers also have land resources. Since current land costs frequently amount to 25 percent of final unit costs, making a small fraction of the public and institutional acreage available for residential uses would significantly help expand the supply of more affordable housing. As an example, UMass has already donated about six acres of land for community housing purposes, including land for a State-funded mental health housing facility and land which the Amherst Housing Authority will develop.

For the parcels to be developed as affordable housing through the Land Trust, zoning variances will be essential to achieving the density necessary to make the housing affordable. The participating communities should jointly develop prototype standards for Land Trust developments that will permit the density needed while protecting environmental and esthetic concerns. The Commission believes that these projects should be able to be qualified as Local Initiatives under the proposed changes to the EOCD regulations for Chapter 774 if the community permits higher density than allowed by current zoning.

[17] Within Amherst's total area of 27.8 square miles, three academic institutions own over three square miles of land, including 662 acres, or over one square mile of land that is in taxable, nonacademic uses:

	Tax-exempt	Taxable	Total
UMass	840	13	853
Amherst College	346	606	952
Hampshire College	314	43	357
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	1,500	662	2,162

Source: Amherst Planning Office, from Assessor's Records, 1/88.

Appendices

Appendix A

Estimates of Housing Need by Community

Figure A-1 shows for each community within the Impact Region the current estimated number of assisted units, housing stock and 10 year growth targets at 1.5 percent per annum.

Figure A-2, 20 Percent Assisted Housing Targets based on Need, shows for each community within the Impact Region its respective 1990 total housing stock, the target of total units to be assisted at 20 percent of all households, and the deficit remaining after subtracting existing assisted units in the community. To the right of the bar, the annual growth in assisted units and overall growth are shown in rounded numbers.

Figure A-3 is similar in format to A-2, except it shows 10 Percent Assisted Housing Targets Based on State Mandate (Chapter 774).

Fig. A-1: Ten Year Housing Stock Growth Targets within Impact Region
(Based on 1.5 Percent Annual Growth in dwelling units through 1999)

	1988 assisted hsg units	estimated total hsg stock	1.5 pcnt annual growth	total 10 year growth
Total Region	2,980	36,500	550	5,470
Amherst	950	8,450	130	1,270
Northampton	1200	11,425	170	1,710
Inner Ring	830	16,625	250	2,490
Belchertown	330	3,875	60	580
Granby	70	1,925	30	290
Hadley	50	1,750	30	260
Leverett	0	700	10	110
Pelham	0	475	10	70
Shutesbury	0	675	10	100
South Hadley	380	5,750	90	860
Sunderland	0	1,475	20	220

Fig. A-2: Needed Goal: 20 Percent Assisted Housing Deficits and Targets within Impact Region (in dwelling units)

	1999 Target Stock (in units) w/ 20 percent assisted			Annual Growth	
	total hsg stock	target total assisted	deficit in assisted	needed assisted	total 1.5 pcnt growth
Total Region	41,980	8,390	5,410	540	550
Amherst	9,720	1,940	990	100	130
Northampton	13,140	2,630	1,430	140	170
Inner Ring	19,120	3,820	2,990	300	250
Belchertown	4,460	890	560	60	60
Granby	2,210	440	370	40	30
Hadley	2,010	400	350	40	30
Leverett	810	160	160	20	10
Pelham	550	110	110	10	10
Shutesbury	780	160	160	20	10
South Hadley	6,610	1,320	940	90	90
Sunderland	1,700	340	340	30	20

Fig. A-3: State Mandated (Chap. 774): 10% Assisted Housing Deficits and Targets within the Impact Region *(in dwelling units)*

	1999 Target Stock (in units) w/ 10 percent assisted			Annual Growth	
	total hsg stock	target total assisted	deficit in assisted	needed assisted	total 1.5 pcnt growth
Total Region	41,980	4,190	1,210	120	550
Amherst	9,720	970	20	0	130
Northampton	13,140	1,310	110	10	170
Inner Ring	19,120	1,910	1,080	110	250
Belchertown	4,460	450	120	10	60
Granby	2,210	220	150	20	30
Hadley	2,010	200	150	20	30
Leverett	810	80	80	10	10
Pelham	550	50	50	10	10
Shutesbury	780	80	80	10	10
South Hadley	6,610	660	280	30	90
Sunderland	1,700	170	170	20	20

Appendix B

Legal Issues Regarding The Right to Housing and Regional Fair Share

Affordable housing is not a right guaranteed by the constitution like the pursuit of happiness or property ownership, and therefore efforts to meet the needs of all households lack a legal mandate.[18] Two decades ago Massachusetts was viewed as an innovator by enacting the so-called Anti-Snob Zoning Law requiring municipalities to support the provision of low and moderate income housing, but this approach soon came to depend on continuing public subsidies to support the mandated 10 percent.

The New Jersey Supreme Court has recently emerged as a leader in regional fair share allocation issues pertaining to affordable housing, evidenced in part by several Court decisions:

1) Mount Laurel I (1975) - The NJ Supreme Court ruled that a municipality whose zoning ordinance excluded housing for lower income people was unconstitutional.

This decision did not adequately address the issue of allocation of housing; subsequently, little progress was made in the years following this decision.

2) Oakwood at Madison Inc. vs Township of Madison (1977) - the Court elaborated on Mount Laurel I by defining a region as an "area from which, in view of available employment and transportation, the population of the township would be drawn, absent invalidly exclusionary zoning."

The Court felt that a definition was needed because the state is not divided into official planning regions. The Court disagreed with the need for fair share on a strict numerical allocation and took the position "that fair share allocations need not be precise or based on specific formulae to win judicial approval. Instead... the court should look to the substance of a challenged zoning ordinance and the bona fide efforts of a municipality to remove exclusionary barriers in order to determine whether that municipality had met its ... obligation."

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18 [18] See Frank I. Smizick and M. Stone, "Single Parent Families and a Right to Housing", in Women as Single Parents: Confronting Institutional Barriers in the Courts, the Workplace, and Housing Market, edited by Elizabeth A. Mulroy, Auburn House, 1988. Smizick observes, " In order for housing to be a fundemental right, it should be made part of the basic rights section of a state constitution which generally contains language providing for the right of 'acquiring, possessing and protecting property.'"

The Madison decision was interpreted as granting permission for municipalities to substitute least cost housing for actual affordable housing. Least cost housing is housing that is consistent with minimal standards of health and safety built by private developers at the least cost possible without assistance from public sources.

3) Mount Laurel II - The New Jersey Supreme Court in 1983 recognized that every town in New Jersey had a constitutional duty to provide housing opportunities for low and moderate income people. The court ruled:

"Except where they represent a disproportionally large segment of the population as compared with the rest of the region, every municipality's land use regulations should provide a realistic opportunity for decent housing for at least some part of the resident poor who now occupy dilapidated housing.

"Every municipality is responsible for providing a realistic opportunity for a specific number of lower income units divided into those needed immediately as well as the number needed for a reasonable period of time in the future. Numberless resolution of the issue based upon a conclusion that the ordinance provides a realistic opportunity for some low and moderate income housing will be insufficient.

"We conclude that every (developing) municipality must, by its land use regulations, make realistically possible an appropriate variety and choice of housing.
More specifically, presumptively it cannot foreclose the opportunity of the classes of people mentioned for low and moderate income housing, and its regulations must affirmatively afford the opportunity, at least to the extent of the municipalities fair share of the present and prospective regional need therefore."

The Mount Laurel II decision prompted the New Jersey Legislature to enact a Fair Housing Law in 1985, so New Jersey is now operating under a uniform process to determine regional housing needs and community fair share, based upon the standards set by the courts.

Adjoining New York, and most other states, rely on ruling on a case by case basis, using general standards open to interpretation. In Berenson vs. Town of New Castle (1975), the decision rendered by the New York Court of Appeals placed an obligation on each community to adequately fulfill its present and future housing needs and give consideration to regional housing needs and requirements in enacting its zoning ordinance. But the Court did not address fair share, leaving open to wide interpretation of the standard "if regional needs are presently provided for in an adequate manner." Two subsequent cases have attempted to resolve some of the open ended issues discussed in Berenson.

These court cases have not been adopted in decisions by Massachusetts Courts or the General Court through legislation, due in part to slight differences in the State Constitution that cause legal scholars to suggest that a Constitutional Amendment is required such as:

All people are born free and equal and have certain natural, essential and unalienable rights; among which may be reckoned the right and enjoying and defending their lives and liberties; that of acquiring, possessing and protecting property; **that of occupying habitable and affordable non-transient housing;** in fine, that of seeking and obtaining their safety and happiness. Equality under the law shall not be denied or abridged because of sex, race, color creed or national origin. (amended language emphasized)