

# Investing In Workforce Housing

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*The benefits of helping faculty and staff find housing close to campus can extend beyond the walls*

College and university administrators have long focused on providing their students with sufficient on- and off-campus housing options. What is sometimes ignored, however, is the need to provide adequate housing for faculty and staff.

The last few years have witnessed the continued escalation of real estate market values across the United States. The concept of affordability has been thrust into the spotlight as median housing prices have outpaced median salaries in numerous college and university markets. As a result, institutions face greater challenges in providing affordable quality housing not only for their students, but also for their faculty and staff. Whereas some people might view "workforce" housing as a luxury that could be sacrificed in the name of fiscal restraint, others feel that workforce housing is a worthwhile investment on many fronts.

The practice of providing housing for faculty and staff is one that can affect several departments and offices at a college or university. The fact is the college experience cannot be quantified along non-intersecting lines. The many components are intertwined like never before. For example, faculty recruitment can affect a university's reputation and therefore its recruitment of students. Faculty retention can affect students' experiences in the classroom and, in addition, where faculty live can affect students' experiences outside the classroom.

One benefit of workforce housing can be found with schools' recruitment and retention efforts. Such developments are becoming increasingly popular, especially along the East and West coasts of the United States where property values have soared. Institutions report that questions regarding housing are becoming frequent discussion points during the negotiation process with prospective faculty and staff. A university-owned town home or condominium may be used as a negotiating tool to attract high caliber faculty recruits. At a minimum, faculty and staff housing can be used as transitional housing, giving new employees ample time to look for new housing after they have had time to familiarize themselves with the community.

Wake Forest University, located in Winston-Salem, North Carolina, is one campus that has firmly embraced the benefits of providing options for workforce housing. "From its inception, Wake Forest has provided faculty and staff housing," says Connie Carson, assistant vice president for campus services and planning. Faculty housing has been a part of the campus plan from the time when Wake Forest moved to its current location in 1956 and remains an important investment today. "It's about being able to attract the best and the brightest," Carson says.

But offering workforce housing is not always just part of a game of one-upmanship. The recent escalation of United States real estate market values has thrust the issue of affordability into the spotlight. If housing prices outpace median salaries in a university's market, this may result in employees who cannot afford attractive housing close to campus. As employees are compelled to live farther and farther away from campus, some deans report that their faculty and staff are less likely to stay at work for university or departmental events, resulting in fewer social interactions between co-workers and students.

Donald "Ross" Fraser, executive director of institutional real estate at New York City's Columbia University, says, "In order to attract faculty to come to New York, given the cost of housing in New York, the university made the decision to invest in faculty housing." He explains that the decision was about maintaining Columbia's reputation for academic strength, despite housing prices that might drive attractive employees to less pricey environments. Selling the concept is easier when housing staff can share positive reviews of Columbia's system. "People enjoy living here because of the flavor of the neighborhood. You have the benefits of a small college town and the advantages of the city. Plus, a four- to five-minute walk to the office is definitely a benefit."

There are some concerns to be considered when implementing such an initiative. An institution should be careful that the project is not considered an amenity for a privileged few, such as new or tenured faculty. If that is the case, those left on the outside

looking in would be more in favor of using those resources to construct new academic buildings or set up a mortgage assistance program. Preston Allen is the associate vice president of student affairs and executive director of housing and residence life at California Polytechnic Institute. He explains that a number of faculty and staff choose to live in his university's workforce housing, located very close to the campus, often when they first move to the area for a new position. For him, the most difficult part of the housing planning process was deciding how to manage the properties, what sort of amenities and real estate to offer, and to whom to offer it.

To avoid these issues, it is recommended that an institution be willing to communicate the project's goals and objectives throughout the planning process to the entire campus population. Inevitably, the university will need to create a priority list and a policy document that outlines who is eligible to apply for a unit, the rental versus for-sale mix, the project's equity-building methodology (most likely capped appreciation), transaction and resale procedures, and events that trigger the transfer of a unit. Each of these policy decisions will be specific to each institution as they affect turnover, revenue generation, and lender requirements.

At Wake Forest, Carson explains that, for workforce housing, the university "built apartments and bought property, and people bought that land and built houses." These homes are privately owned, but when the owner wants to sell, the university and its faculty and staff have the right of first refusal. If someone from these groups offers to pay the house's market value, the house must be sold to them. Thus the neighborhood has retained its character and vitality, while attracting a mix of residents, both Wake Forest employees and others. The end result is not unlike the company towns of old, such as Hershey, Pennsylvania, where corporations provided their employees a place to live and created an infrastructure to support them.

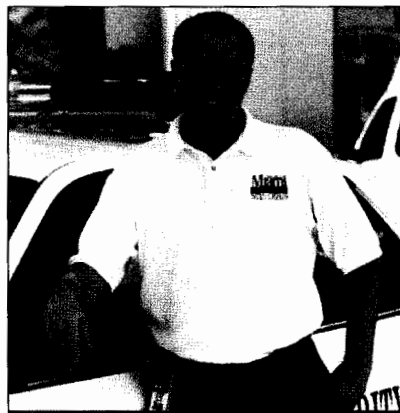
If the university has available land or owns residential property that can be

converted to market-rate housing units, then a workforce housing development becomes financially attractive for the university, the developer, and the university employee. A developer may be willing to build a workforce housing community and sell the units. Since the buyer will not "own" the land, the units are typically significantly below market rate comps. Through the ground lease, the university generates revenue that could, in turn, be used to lower the purchase price of the units even more,

build academic buildings, or initiate other improvements to the campus.

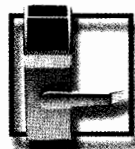
In addition, one must examine the nature of workforce housing communities themselves. As universities continue to push outward toward the campus edge, they will be closely monitored by neighborhood associations and other community agencies. The faculty and staff community may become an ideal buffer between the university

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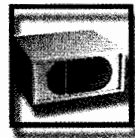


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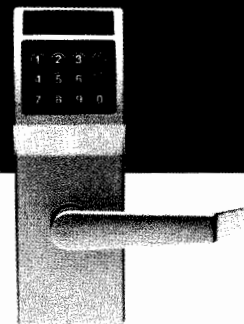
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and its neighbors, regardless of whether it's in an urban, suburban, or somewhat rural setting. While a student typically lives in a neighborhood for no more than four years – and frequently only one or two years – before moving into a new housing unit, faculty and staff are more likely to settle into their environs for a longer period of time. As such, employees become more invested in the welfare of their community and thereby have a more positive impact on neighborhood creation and property values.

That has been the case at Wake Forest where, Carson says, housing often helps improve town-gown relationships and can provide a buffer between a student-occupied area and a more sedate neighborhood. Meanwhile, Allen stresses how one of the groups most interested in faculty and staff housing on his campus is employees with families. "One of the new faculty members, who was a parent, told me, 'The first thing you do is make your family stable,'" remembers Allen.

Throughout it all, Allen said, communication is key. "We meet on a regular basis with our administration, our mayor, and city staff to make sure we're not tripping over them."

And so, many of today's colleges and universities recognize that workforce housing may be a viable strategy for improving their competitive position. They recognize how such housing can benefit recruitment and retention efforts, improve quality of life, foster more attractive financial realities, and promote the blending of disparate communities. Like many investments, the gains inspired by workforce housing will not be realized overnight but are likely to be realized eventually. **ts**

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