COUNCIL of ACADEMIC WORKFORCE HOUSING

CAWH 2022 UC Santa Barbara

Session #3: Show Me the Money:
How Does Faculty Housing Get Funding?

Victor Van Zandt, CEO & President ICHA
Rosemary Peterson, Executive Director UCSB CHA
Whitney McNair, Senior Associate Provost,
Faculty Staff Housing, Stanford

Irvine Campus Housing Authority

Lending mechanisms

- Construction loan
- Perm loan
- World's coolest credit card

IRVINE CAMPUS HOUSING AUTHORITY, INC.

Irvine Campus Housing Authority

Lending mechanisms — details

Construction loan:

- Tri-party Agreement
- Builder takes out financing
- ICHA equity
- Rare: mini-perm at tail of loan

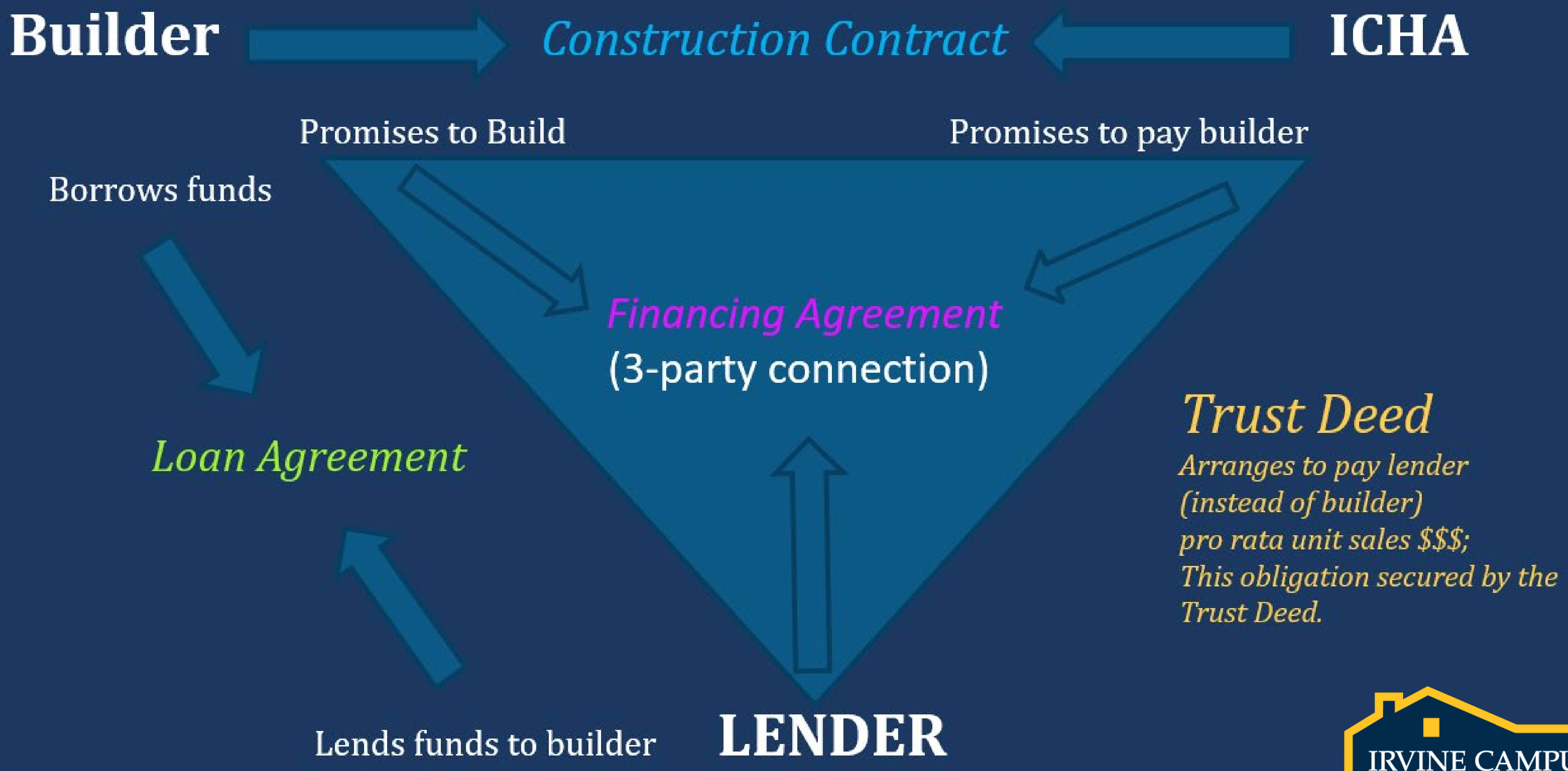
Perm loan:

- Life Companies
- Deed on Leasehold interest

Line of Credit:

- World's coolest credit card
- Prob won't happen again
- IO, non-recourse

IRVINE CAMPUS HOUSING AUTHORITY, INC.



IRVINE CAMPUS HOUSING AUTHORITY, INC.

UCSB Faculty Housing:
2 Financing Approaches for one project

- North Campus Purchase – Purchased in 1995, envisioned 236 faculty housing units. Coastal Commission approval reduced to 171 unit maximum (2007). Approved to construct 2010

- Ocean Walk at North Campus was originally executed as a P3 project: finance, design, build, market & sell to faculty members

UCSB Faculty Housing – 2 Financing Approaches

- The Olson Company, Development Partner
- UCSB role subsequent to the market crash in 2010
- Back to P3 today

Public/Private Partnerships

- Partnership structure to minimize cost and risk for the University
- Partners are identified and selected through a public RFP process
- Developer partners assume the financing burden and the carrying cost risks
- Developer partners agree to unit pricing and any potential escalation factors at the onset of the partnership
- The partnership ”deal” parameters incentivize timely completion and sales

Public/Private Partnerships - Benefits

- Campus finances are not encumbered
- Developers have expertise in for-sale and rental housing and are keenly aware of market trends
- Construction related decision-making is expedited

Stanford Housing Programs

For Sale Faculty Housing

- Single family development on & off Stanford lands
- Sales of single family on Restricted Ground Lease
- As a private university, we can act nimbly & don’t have to rely on public/private partnerships
- Team of RE professionals to develop or acquire

For Rent Affiliate Housing

- Multifamily development or acquisition of rental communities for Stanford Affiliates
- Rental programs with discounted rents

Restricted Ground Lease

~ 270 homes
Reduces Value which enables reduced sales price by 40% - 50%

- Capped appreciation on resale price
- 51-year term with no extension rights
- Required sale 10 years after retirement
- Required sale 2 years after death
- Stanford purchase right with 2 years notice
- Often develop on Stanford owned land avoiding cost outlay to acquire

For Sale Faculty Housing – University Terrace

112 Condos & 68 Single Family Homes

- We modeled 30% - 35% of a faculty salary to determine the price a faculty could pay for a home.
- This set our budget - $162M
- We used debt to fund the project. The sales proceeds covers the debt
- When proceeds don’t cover the debt, we have to use other funding sources to cover, i.e. unrestricted President’s funds, or a Housing Reserve funded by general funds.

Supply Growth Through Acquisitions

Stanford Hills

- Acquisition program to repurchase homes on Stanford lands began in 2013
- Acquisition fund to acquire and develop homes off Stanford lands established in 2015 and fully managed by Stanford
- Enables immediate pipeline to match immediate demand
- Addresses faculty who prefer to be off campus
- Programs to acquire and develop are expensive but meet demand efficiently
- Single family acquisitions funded fully with equity

Acquisition Program Summary

Advantages	Challenges
• Provides inventory very efficiently • Enables matching of supply with demand	• Limited inventory for purchase in targeted product type and locations • Escalating market prices
• Requires only ministerial approval by local jurisdiction for single lot redevelopments • Guarantees new supply of homes (multi-unit development approvals uncertain)	• Expensive to redevelop – no economies of scale • Twice as expensive to deliver supply than redeveloping on Stanford land due to land costs
• Preserves campus lands for academic research and student housing	• Community concern about Stanford purchasing homes

Rental Housing

- Stanford rental housing inventory has been added via acquisitions and development over the years
- Rents discounted approximately 20% from market rates
- Project is supported with debt based on revenue and expense proforma
- We use 30-year amortization of debt
- Funding of acquisition and developments back into a 5th year breakeven so that property cash flow supports monthly debt going forward
- Typically, some equity is also needed

Summary of Lending Mechanisms

- Bonds
  - Public & private, Construction & permanent
- Commercial loan
  - Construction & permanent; to university & to partner
- Lines of Credit
- Campus funds/equity
  - Repaid & sunk equity
  - Equity supplement for cash flow until break-even
- Affordable programs (Tax advantages, government, etc.)

Summary of Lending Mechanisms

For the audience: *What other options have we not talked about that you have used?*

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