Report to the Provost

of the

Ad Hoc Committee on the Design of the Faculty Housing Program

February 25, 2005

Committee Members:

Robert Armstrong, Lotte Bailyn, Tanya Baker, Claude Canizares (chair), Lorna Gibson, William Heitin, Jamie Lewis Keith, Philip Khoury, Doreen Morris, Gareth McKinley, Israel Ruiz, Carl Wunsch

Charge to the Committee

This committee was charged by Provost Robert A. Brown to define the detailed implementation of a new faculty housing assistance plan. The plan should incorporate the recommendations of the May 2003 report of the Ad Hoc Committee on Senior (Tenured) Faculty Housing Benefits. The charge enumerated a sample of policies that need to be put in place as part of the implementation:

1. Defining the group of faculty and the type of housing purchase for which the program is applicable. If the program is meant to assist faculty in buying primary residences and to moderate the high cost of Boston area housing, issues of when the faculty bought the house (alternatively, when the faculty member received tenure) and where the primary residence is located should be considered. Questions about the definition of the primary residence and whether the mortgage program can be used for other types of property will come up.

2. Defining the program for junior (untenured members) of our faculty and the transition between the programs for tenured and untenured faculty once tenure is granted.

3. Define the terms and conditions for closing out mortgage if the faculty member leaves MIT before the full term of the loan.
Motivation

The recent steep increase in the already high cost of housing in the greater Boston area is a major factor in the recruitment and retention of both senior and junior faculty at MIT. Furthermore, a recent faculty survey found a high level of concern about housing prices and their effect on faculty quality-of-life. Research also shows a general dissatisfaction with the existing faculty housing assistance program. Peer institutions in similar housing markets (e.g. Harvard and Stanford) have more generous housing assistance programs, putting MIT at a competitive disadvantage. There is a consensus among Department Heads, Deans and central administration that housing assistance is a high enough priority to warrant a significant investment of Institute resources.

Challenge

The challenge to this committee was to take the results of the previous Ad Hoc Committee on Senior (tenured) Faculty Housing Benefits and define detailed programs for both senior and junior faculty that are effective, attractive, competitive, fair & equitable, defensible, affordable and manageable. The Committee is well aware of the near impossibility of achieving all these objectives, some of which pull in opposite directions. Instead, it accepted the challenge of trying to find the best way to achieve balance among them.

Eligibility

The key and potentially most contentious question is the definition of who will be eligible for this benefit, and conversely, who is not eligible. The Committee spent considerable time and effort on this issue, recognizing first, that a housing benefit represents effective additional compensation, and second, that any dividing line may be perceived as arbitrary and open to challenge.

Our recommendation is to make the new housing benefit available to those faculty who entered the local housing market in or after July 2000, which is approximately the time when the ratio of median housing price to average MIT salary for Associate Professors first reached historically unprecedented high values (where they persist today; see Figure 1). The Committee recognized that there is considerable dispersion in this ratio caused by variations in housing prices, faculty housing needs or preferences, and market-driven variations in salaries within and across schools. The Committee felt that it was not appropriate to try to take those myriad factors into account, but rather chose to use the simple criterion based on the average ratio to define the population that has been uniquely disadvantaged by the rapid housing price increases. It also chose to set the eligibility criteria and the size of the benefit in a uniform manner for each rank (untenured or tenured) across the Institute. The criteria take into account both a steady-state eligibility window for newly hired or promoted faculty and a special eligibility window that opens further to capture the population of faculty who were uniquely disadvantaged.
**Elements of the Proposed Program**

Beyond the question of eligibility the committee dealt with numerous details that need to be specified for both the untenured and tenured faculty programs. We benefited greatly from the work of the prior *ad hoc* committee, the experience MIT has gained over the years with the present housing assistance program, and comparison with what is known about programs at peer institutions. The details of the proposed program are spelled out in the attached document and summarized briefly here.

**Figure 1.** Ratio of the median sales price of a home in a local community to the average salary of an Associate Professor at MIT indexed to 100 in 1990. Note that both this and the previous Ad Hoc committee reviewed data for both single-family homes and condominiums in many local communities and found very similar trends. (Note that, for some years, data for half-year intervals are plotted together.)

Data courtesy Prof. H. Pollakowski & L. Snoyer

For senior faculty, the primary instrument is a 30 year, $300,000 Contingent Interest Mortgage (CIM), which provides a tax-efficient, low interest second mortgage. Some of the interest is “contingent” on the rate of appreciation of the value of the property over the term of the loan. This CIM will significantly increase the buying power of faculty newly hired or promoted into tenured positions.

For junior faculty, we propose two instruments, a 5 year, $50,000 No-Interest Fully Amortizing Loan (NIFAL, which is forgiven incrementally over the five year period) plus a 10 year, $50,000 CIM. Together, these provide both buying power and
funds for down-payments to meet the needs of junior faculty, most of whom will be first-time home buyers.

Recommendations

Recommendation 1: The Committee recommends that MIT establish a new Faculty Housing Assistance Program (FHAP) for senior (tenured) faculty and junior ( untenured) faculty. All the details are contained in the attached document entitled A Proposed Faculty Housing Assistance Program. We recommend that the program should begin on July 1, 2005.

Recommendation 2: Once the overall fiscal feasibility of the program is established, the Committee recommends that the Provost bring this proposal to the attention of the faculty and solicit their comments and suggestions regarding its particulars. The Provost may then choose to adjust the details of the program if appropriate. The Committee is prepared to assist in explaining the program to the faculty and, if necessary, to reconvene in order to assess the comments and recommend any adjustments.

Recommendation 3: The Committee recommends that the Provost conduct a periodic assessment of the state of the housing market and the effectiveness of the FHAP in meeting the original goals of the program. If conditions change significantly, he should consider altering or terminating the program as described in the proposal. It may be appropriate to establish another Ad Hoc faculty committee for this purpose.

The Committee considered two related issues that, it concluded, lie outside its purview. These are (i) whether or not any parts of the proposed FHAP should be made available to selected senior administrative and/or research staff, and (ii) whether or not MIT should find ways to provide some affordable, rental properties near campus for new junior faculty.

Respectfully submitted on behalf of the committee,

Claude R. Canizares (Chair)