

THE CHALLENGE OF HOUSING AUB FACULTY:
TOWARD A COMPREHENSIVE NEIGHBORHOOD STRATEGY

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The problem

At a time when AUB faces strong competition from other institutions of higher education, both regionally and globally, for talented, dedicated faculty and excellent students, AUB's location in Ras Beirut is one of its strongest comparative advantages. For students wanting a stimulating urban and Middle Eastern experience, what AUB offers is unparalleled. Even following the difficult period of the civil war, the neighborhood retains much of its pre-war reputation as the city's most open, diverse and lively district. Ras Beirut is one of AUB's greatest assets.

And yet, AUB's location in Ras Beirut is becoming increasingly problematic. Land and residential prices have shot up, pricing most members of the AUB community out of affordable housing near the university. Soon the university may be surrounded on three sides by a sterile and lifeless wall of high rise condominiums. And the university, which has had a vital relationship to Ras Beirut for nearly 150 years, may find itself with only superficial connections to the famous district that surrounds it. The spirit of AUB may no longer be recognizable in the streets near campus.

The trends are well documented. According to a leading business journal, real estate prices in Beirut doubled or tripled in value from 2003-2009, with peak growth in Ras Beirut. A recent article in *Lebanon Opportunities* observed that with a growth of 20 per cent per year, real estate is bringing a higher return to investors than most aggressive investment funds.¹ A new report by Wakefield and Cushman predicts continuing increases, with annual rises of 10-15 per cent from now until 2013.²

Demand has come from Gulf Arabs and wealthy Lebanese expatriates who would like a pied-à- terre in Lebanon, and find few compelling investment opportunities in other sectors of the Lebanese economy. Analysts say that the demand for real estate persists even now amidst the global financial crisis, in contrast to other markets in the region such as Dubai. The simple fact is that in this era of global capital movements, international demand for real estate in Beirut outstrips supply of land and dwellings.³

The new numbers are striking.⁴ Land on the Corniche in Ain Mreisseh currently commands an average selling price of \$15,000 per m². Residential prices for the Corniche range from \$7,000-9,000 m²; Manara \$5,500 - \$7,000 per m²; Hamra \$3,000-4,000 m²; and for the less desirable inner streets of Ain Mreisseh \$2,200 - \$3,500 m². New buildings tend to have very large flats, so the combination of the high price per meter and large sizes renders much of what is being built unaffordable to almost everyone on an AUB salary. Even a small apartment (120 m²) in the viewless interiors of Ain Mreisseh now sells for nearly \$500,000. Rental prices have

¹ "Outperforming Fund Managers: Real estate has grown at 20 percent for the past six years" *Lebanon Opportunities*. February 2010 152:60-63

² Report cited by AUB Housing Department

³ *Lebanon Opportunities* February 2010 152:60-63

⁴ See also "Ain el Mreisseh: Too good to ignore." *Lebanon Opportunities*. March 2010 153:56-59.

also seen corresponding rises. The average monthly rent in the city for a decent 120 m² flat is nearly \$1,500.⁵

Ras Beirut now has some of the highest property values in the city thanks in part to the presence of the AUB – as a respected institutional anchor and the city’s most beautiful green space. Developers capitalize on unimpeded sea views over the flowering gardens of AUB (at no cost to them), making large profits from the sale of huge expensive flats to those who can afford them.

What these trends mean for AUB

For AUB, the trends are ominous. The number of AUB-associated individuals and families living in the neighborhood decreases every year. An article published in *an-Nahar* in 1972 reported that 80 per cent of all AUB employees lived in the neighborhood.⁶ In 2007, according to AUB Department of Human Resources statistics, only 21 per cent of AUB employees lived in Ras Beirut.⁷ AUB faculty salaries have not kept pace with the housing costs in Lebanon, especially in Ras Beirut.

AUB could respond in three ways. To avoid the cost of housing becoming a disincentive for current and future AUB faculty, the University may be forced to increase the rent ceiling or percentage paid in subsidies. This option will place an increasing financial burden on the university.

The second option, extending the radius for housing benefits to beyond 7km, recognizes that more and more faculty are relocating to the suburbs to find housing that they can afford. This means an increasingly long commute at each end of the day, and more complicated daily planning to accommodate other family members’ travel to school and work. These trade-offs also have costs, and they are not good for the academic community, academic productivity, or general health and well-being.

AUB’s third option, of course, would be to build new housing on campus to accommodate more than the 117 households now housed in campus apartments and villas. University leaders would have to analyze the benefits of this use of precious campus land over other, especially academic, uses.

A comprehensive win-win approach

It is possible to create a solution that is mutually beneficial – good for the university and good for the neighborhood. Such a solution would provide incentives for AUB faculty to live within walking distance of the university, and in so doing, reinforce the neighborhood’s middle class character and connections to the university.⁸

⁵ Research conducted by the AUB Housing Department.

⁶ AUB’s Influence on the economic development of Ras Beirut. Supplement to *An-Nahar* on Hamra, March 26, 1972.

⁷ Actually the municipal districts of Ras Beirut and Ain Mreisseh, from Ain el-Tineh in the West to Ain Mreisseh in the east.

⁸ In the United States, universities, other employers, and coalitions of employers have created what has come to be called Employer Assisted Housing programs. The employers’ motivation is encapsulated in the four ‘Rs’: employee recruitment; employee retention; neighborhood revitalization; and community relations. In tight housing markets, the main incentive to employers for assistance in housing is employee recruitment and retention. In soft housing markets, they use these housing benefits to encourage employees to live locally and contribute to neighborhood revitalization. Pill, Madeleine (2000) Employer-

Good for AUB: AUB has an institutional interest to encourage faculty to live near AUB. When faculty live close by, it is possible to think about AUB as a collegiate community rather than a more dispersed and anonymous commuter institution. Compact living is better for the environment; the university's carbon footprint would be smaller if more faculty and students could walk to AUB. Living near work will certainly be important to many new and continuing faculty. And more generally, AUB needs a thriving urban district around it, one that has not only affordable family housing, but the services needed for daily living, a pleasant physical environment, and a lively atmosphere conducive to the cultural and intellectual life of the university.⁹

We know that a large majority of AUB employees would like to live near the university if they could afford to. A survey of AUB employees conducted in 2008 by Köksal found that more than two thirds of respondents stated that it was 'extremely important' to live near AUB and another 19 per cent rated living near AUB as 'important.' Responses to other questions about preferred neighborhood and commuting time were consistent with the finding that many value living near AUB.¹⁰

Good for Ras Beirut: The composition and character of Ras Beirut are changing. At the outbreak of the Lebanese civil war, Ras Beirut was a "modern middle class" district. Described well by Khalaf and Kongstad,¹¹ the neighborhood had a multi-confessional character, and residents ranged from small commercial traders to professionals, employees of foreign companies, and staff and faculty of AUB. Its diversity was key to its vitality.

But neighborhood diversity is threatened. The changes are evident: tenants on old rents are being forced out; older low and medium-rise mixed-use buildings are being demolished, and luxury residential towers are being constructed with gated private gardens. The population, the architecture, and the functional uses of buildings are all becoming less diverse, and the character of the neighborhood is changing.

The term for these neighborhood changes is 'gentrification', defined here as the process by which higher income households displace lower income residents of a neighborhood, changing the essential character and flavor of that neighborhood. Gentrification has three dimensions: displacement of original lower income residents; physical upgrading; and change in neighborhood character.¹²

AUB alone or in partnership with other institutions will not be able to stop the gentrification of Ras Beirut. It can, however, through a proactive, strategic

Assisted Housing: Competitiveness through Partnership. Harvard University Joint Center for Housing Studies and the Neighborhood Reinvestment Corporation.

⁹ Jaber, Raghda (2008) Framework for Engagement with the Neighborhood. Report of a study commissioned by the Neighborhood Initiative.

¹⁰ Köksal, Mehmet Haluk (2008) Housing Conditions and Preferences: A Survey of AUB Employees. Available on the Neighborhood Initiative website, under research.

<http://www.aub.edu.lb/ni/Pages/index.aspx>

¹¹ Khalaf, Samir and Per Kongstad (1973) Hamra of Beirut: A Case of Rapid Urbanization. Leiden: EJ Brill. Pp4-5,66,69

¹² Kennedy, Maureen and Paul Leonard (2001) Dealing with Neighborhood Change: A Primer on Gentrification and Policy Choices. Washington DC: The Brookings Institution Center on Urban and Metropolitan Policy and PolicyLink. There is a large and polarized academic literature on gentrification – its causes, consequences and solutions. Recent research, such as this paper by Kennedy and Leonard, offers a nuanced analysis and emphasizes the need to focus on equitable development as neighborhoods change.

intervention supporting AUB faculty to live in Ras Beirut, slow the process and help stabilize the neighborhood. Although the process of gentrification affecting Ras Beirut is different than that experienced in many American and European cities, one generic lesson is applicable: housing is key.^{13 14} It is good for the neighborhood to have more middle income families as residents; they walk in the streets, shop in the shops, patronize local businesses, contribute to community life in ways that the new part-time luxury class residents do not. In the case of Ras Beirut, if those middle income residents are connected to AUB, all the better.

Options to consider

The problem of affordable housing has become a huge problem in many cities and neighborhoods, not just Beirut or Ras Beirut. By conventional measures, "affordable housing" claims no more than 30% of gross (pre-tax) household income. The housing costs counted typically include rent or mortgage repayment and other monthly carrying costs: utilities, insurance, and local property taxes.¹⁵ Fortunately, as AUB considers how it might intervene, there is much to learn from other institutions and locales in their efforts to protect and promote affordable housing.

Universities support housing in a number of ways. According to James Stockard¹⁶, lecturer at the Harvard Graduate School of Design and national authority on affordable housing and neighborhood revitalization, universities in the United States keep housing affordable to faculty in their neighborhoods typically by (1) reducing the cost of rents or mortgages through subsidies; (2) increasing the supply of dwellings affordable to middle-income families by contributing equity; and (3) advocating for public policies that constrain gentrification and increase the supply of affordable housing for everyone.¹⁷ This paper focuses on the first two.

Reducing the cost of rents or mortgages through subsidies: AUB is already involved in 'demand side' interventions. These are its rental subsidies for eligible faculty and administrators, and, to support home ownership, the AUB Housing Purchase Plan, which offers eligible faculty an annual \$5,000 grant for up to ten years. While restricted to a portion of 'greater Beirut', neither program is tied to Ras Beirut specifically.

If AUB were to expand subsidies within the context of a strategic plan for housing in the neighborhood, it would be worth considering other types of subsidies: a mortgage guarantee program, interest free loans, and assistance with down

¹³ Atkinson, Rowland (2004) The Evidence on the Impact of Gentrification: New Lessons for the Urban Renaissance. *European Journal of Housing Policy*. 4(1): 107-131. In the US and Europe, gentrification typically occurred when middle classes returned to impoverished and run-down inner cities. Ras Beirut presents a different case; a once middle class neighborhood is being transformed into an elite enclave.

¹⁴ Rose, Kalima (May/June 2001) Beyond Gentrification: Tools for Equitable Development. Shelterforce Online, National Housing Institute. www.nhi.org/online/issues/117/Rose.

¹⁵ Belsky, Eric, Jack Goodman, and Rachel Drew (2005) Measuring the Nation's Rental Housing Affordability Problems. Working paper of the Joint Center for Housing Studies, Harvard University.

¹⁶ Visited and interviewed in Cambridge in April 2007.

¹⁷ In the US, inclusionary zoning regulations have mandated or encouraged -- by providing incentives such as density bonuses for --the addition of affordable units in new housing developments. In Britain, Section 106 of the Planning Act requires developers to contribute to the common good -- create parks, community centers, affordable housing -- in exchange for planning permissions and as specified by local authorities. In some countries and locales, vacant or second homes are subjected to higher taxes, which in turn are used for affordable housing trusts. Here in Lebanon, the actions of an NGO in Gemmayzeh led to a change in local zoning regulations banning the consolidation of land parcels by developers, which, in effect, limited large developments in the neighborhood.

payments, among others. These mechanisms are widely used by other universities and Employer Assisted Housing programs.

Increasing the supply of dwellings affordable to middle-income families by contributing equity: There is a pressing shortage of mid-sized (100- 200m²) family apartments in Ras Beirut, and something must be done to increase the supply. Because of the high land costs, the market alone will not cater to the needs of middle-income families for mid-sized dwellings. AUB should therefore consider interventions to increase the supply of affordable rental and ownership housing in the neighborhood.

On the rental side, AUB or a non-profit housing organization created by AUB, could buy or develop buildings with rental apartments for families, co-invest in properties charging affordable rents, or acquire individual apartments in mid-rise buildings vulnerable to demolition.¹⁸

On the ownership side, AUB might also consider contributing equity to help faculty own their own home, since research suggests that the vast majority of AUB employees would prefer to own their dwelling and this issue could affect the retention of faculty in particular.¹⁹ Internationally, limited equity housing cooperatives and community land trusts have been used to create affordable homeownership options by putting legal restrictions on resale prices (thereby guaranteeing long-term housing affordability).^{20 21} A preliminary legal analysis commissioned by the AUB Neighborhood Initiative indicates that while community land trusts are not legally possible in Lebanon, a number of mechanisms are and they are worth exploring.²² If AUB wishes to create permanently affordable

¹⁸ The benefit of owning individual apartments throughout the neighborhood should not be underestimated. In this security-conscious era, it might be preferable to have faculty dispersed than concentrated in one easily identifiable location. We also know from research that faculty do not strongly favor living with their colleagues; the Köksal study found that one third of respondents prefer 50% or fewer of their neighbors to be connected to AUB, and nearly half did not care whether they had AUB neighbors. Finally, significantly, if AUB owned an apartment in a neighborhood building, it would have a seat on the building's Committee of Owners (*lajna al-malikin*) and a vote on issues of building maintenance and preservation. This strategy would help stabilize existing renters who live in low and mid-rise buildings at risk of demolition. Fears of rent increases, eviction, and building demolition are pervasive, according to interviews with AUB staff and faculty conducted by the Neighborhood Initiative during summer 2009.

¹⁹ Köksal found that 84% of AUB employees who responded to the survey prefer to live in a home they own. When asked to answer a hypothetical question about purchasing a dwelling containing long-term affordability mechanisms, almost two-thirds of respondents were interested or very interested in buying a "well-designed flat for your family in Ras Beirut at a below market price *if there were legal restrictions on it.*"

²⁰ Mintz-Roth, Jesse (2008) Long-term Affordable Housing Strategies in Hot Housing Markets. Working paper of the Joint Center of Housing Studies of Harvard University. See also: Rose, Kalima (May/June 2001) Beyond Gentrification: Tools for Equitable Development. Shelterforce Online, National Housing Institute. www.nhi.org/online/issues/117/Rose.

²¹ Asmar, Fadi (2008) The Production of Affordable Housing by Non-Profit Organizations in Beirut and its Environs. Study commissioned by the AUB Neighborhood Initiative. 'For profit' developers of affordable housing build small dwellings with modest finishings on inexpensive land. There are not many 'non-profit' developers in Lebanon. Those that do exist are connected to Christian churches offering housing to members of their congregations. With the exception of one project in Achrafiyyeh owned by the Mar Afram Syriac Catholic church, all others are ownership projects built on church-owned lands in suburban Beirut and beyond. The churches have not instituted mechanisms to control resale prices in their affordable housing projects, to their apparent regret and as stated in interviews in 2008.

²² Report prepared by attorney Abdel-Sater, Nada (2008). To be explored further: Limited liability cooperatives. Pledge of transfer at ownership. Servitudes. The Shifaa pre-exemption right.

ownership dwellings for faculty in Ras Beirut, it will venture into pioneering legal territory, but the benefits could be substantial.

As for new sources of funding for real estate acquisitions, AUB should investigate the range of conventional and innovative mechanisms.²³

- Joint venture with local banks
- Seek special funding from the Overseas Private Investment Corporation (OPIC)
- Seek donations of property from friends of AUB controlling large commercial enterprises in Ras Beirut
- Seek specific donors for the exclusive purchase of heritage buildings in the neighborhood
- Create a Vie Agère system for senior AUB alumni living in the neighborhood, where property is bequeathed to the university in exchange for an annuity and health care at AUBMC.
- Following a careful analysis of long term development needs on campus, work with the Municipality to designate AUB a 'heritage site', define excess buildable area, sell the excess development rights, and use proceeds for housing acquisitions in the neighborhood.

Possible next steps

AUB might form a 'Housing Task Force' to lead a learning process and present a report to the Board of Trustees during the academic year 2010-2011. The Task Force, empowered and selected by the AUB President, could be composed of a local trustee, key cabinet members (Provost, Facilities, Human Resources), select Deans, Director of Housing, Director of Student Housing, Leader of the Neighborhood Initiative, and faculty with expertise in housing and/or real estate.

Among its likely tasks:

1. Articulate a strategic vision for housing in Ras Beirut, recognizing its win-win potential.
2. Seek input from faculty on the housing question (and consider expanding the analysis to staff and students).
3. Gather additional data, as needed. For example, the precise demand of faculty for types and sizes of residential dwellings in Ras Beirut, and potential investment vehicles, among other topics.
4. Produce a report that sets the stage for a new approach to housing, provides evidence to support the case, and spells out possible interventions by AUB, estimating their costs and number of faculty members benefiting.²⁴

In summary, it is indeed possible to respond to the challenges of housing AUB faculty by taking a proactive and comprehensive neighborhood approach. It is hoped that this paper will serve as the basis for creating a shared vision for the way forward.

²³ Ideas suggested by consultants Omar Blaik and Raghdha Jaber, Trustee Farouk Jabre, VP for Finance Steve Kenney.

²⁴ In February 2009, in a meeting with Samer Maamari and Cynthia Myntti to discuss the housing question, Trustee Farouk Jabre suggested that because of the sensitivity of property dealings in Beirut, we might involve the BOT in two stages. The first would make the general case. Then after the green light is given, the legal, social and financial feasibility of specific projects could be examined.