NeighborWorks® PROGRAM

JCHS

Employer-Assisted Housing: Competitiveness Through Partnership

Fellowship Program for Emerging Leaders in Community and Economic Development

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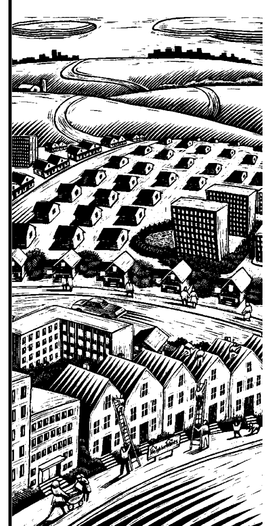

Joint Center for Housing Studies of Harvard University
Neighborhood Reinvestment Corporation

NEIGHBORHOOD REINVESTMENT CORPORATION

Neighborhood Reinvestment Corporation was established by an act of Congress in 1978 (Public Law 95-557). A primary objective of the Corporation is to increase the capacity of local community-based organizations to revitalize their communities, particularly by expanding and improving housing opportunities.

These local organizations, known as NeighborWorks® organizations, are independent, resident-led, nonprofit partnerships that include business leaders and government officials. All together they make up the NeighborWorks® network.

JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

The Joint Center for Housing Studies analyzes the ways in which housing policy and practices are shaped by economic and demographic trends and provides leaders in government, business and the nonprofit sector with knowledge and tools for formulating effective policies and strategies.

Established in 1959, the Joint Center is a collaborative unit affiliated with the Harvard Design School and the Kennedy School of Government. The Center's programs of research, education and public outreach inform debate on critical housing issues and illuminate the role of housing in shaping communities. The Policy Advisory Board, a diverse group of business leaders in the housing sector, provides support and guidance for the Center and its activities. The Joint Center also receives input from its Faculty Committee, which draws on the expertise of a university-wide group of scholars.

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EXECUTIVE SUMMARY

Housing is a crucial component of economic competitiveness. The growing spatial mismatch between where job growth is taking place and where people can afford to live creates costs for employers as the local labor pool contracts and employee turnover rises. Employers in declining areas have difficulties recruiting employees, and customers and may see a decline in their real-estate investments. Employers have a stake in extending housing affordability and creating housing opportunity while increasing the competitiveness of their businesses and the areas in which they are located. Employer-assisted housing (EAH) reflects recognition that employers cannot fully externalize the costs of their locating or operating in a tight market (perhaps a suburban location) or in a soft market (perhaps a distressed urban neighborhood) onto their employees or the public or nonprofit sectors.

EAH has a long history in the U.S. However, despite there being a variety of initiatives currently underway across the country, the provision of housing assistance remains uncommon and is an unfamiliar concept in the corporate world.

Employer motivations to undertake EAH initiatives can best be encapsulated by the “Four Rs”: employee recruitment; employee retention; neighborhood revitalization; and community relations, with reduced commuting an interwoven objective. Employers are generally incentivized to make use of EAH mechanisms in tight housing markets to recruit and retain employees, and in soft housing markets where they have substantial investments to revitalize deteriorating neighborhoods.

A matrix of EAH mechanisms according to employer objectives, illustrated with cases of existing EAH programs, reveals that multiple objectives of varying priority lie behind EAH initiatives. The most-common mechanism is provision by employers of supplemental funds (usually in the form of a

grant or forgivable loan) toward the up-front costs of purchasing a home. This mechanism's predominance not only reflects the fact that up-front costs are a major barrier to purchasing a home, but that this assistance is simple and easy for an employer to offer. There is a correlation between the degree of simplicity and risk associated with mechanisms and their prevalence. Supply-side mechanisms, which increase the housing stock, are less common than demand-side mechanisms, which make more of the existing stock affordable to employees.

Though large employers (anchor institutions such as hospitals and universities) and municipalities are prevalent in EAH provision, the cases also demonstrate the scope for consortiums of employers of varying size to implement initiatives. Partnerships between the nonprofit and public sectors also recruit multiple employers of varying size in a geographic area to deliver initiatives, with public funds being used to leverage private investment and vice versa. The increasing potential of housing trust funds in affordable housing is also evident.

Despite the variety and spread of initiatives, the provision of housing assistance by employers remains rare. The corporate sector (including the human-resources industry) is not giving consideration to the provision of housing assistance as an employee benefit. Its potential for adoption as a standard benefit is complicated as it differs in some important ways from other benefits (for example, housing needs are not uniform).

An employer's decision about whether to offer housing assistance hinges on whether a quantifiable gain will result that is in their self-interest to attain. Employers lack the information needed to make this assessment – for example, regarding employee housing needs; recruitment, training and turnover costs; and the costs of offering housing assistance. The lack of clarity regarding tax consequences is also a significant barrier to the more-widespread adoption of EAH. Some forms of assistance may reduce an employer's taxable income, but some benefits are taxable to employees. This barrier would be eased if housing assistance became a tax-free employee benefit, but this is complicated, given the fundamental differences between housing and the standard employee benefits, and would require close consideration of the added value and opportunity costs of such a change.

The notion of competitive advantage, both between companies and between regions, has the potential to be a significant driver behind the wider adoption of EAH initiatives. Employers generally do not perceive the impact of housing upon their business competitiveness. If this link were made, they would be more receptive to considering provision of housing assistance. Further empirical research is required. Leadership from a credible private-sector source is an effective way to raise corporate awareness of this link and ways to address it. There are examples of regional employer groupings advocating for affordable housing as part of regional economic competitiveness. However, these consortia are rooted in tight labor and housing markets. Such leadership is harder to engender, and will find it more difficult to gain resonance, in areas with softer markets, or in periods when the national economy is less strong.

Employers for the most part are not in the housing business, and lack the knowledge and expertise to undertake an EAH initiative. This barrier can be overcome through combining the competencies of employers, nonprofits, the public sector and lenders. Partnerships can be instigated by municipalities, states, or nonprofits as well as the private sector. Outsourcing service provision to a nonprofit aids in making programs simple and easy for employers to deliver, while nonprofits can also ensure that a program is tailored to an employer's needs and market context. Lenders also need to consider provision of a sufficient breadth of products to combine ease of delivery with scope for customization.

Six million of America's working families currently have "critical housing needs."[1] EAH is one of the principal initiatives that is likely to increase opportunities in the housing market for these working families, while benefiting the economy. EAH should be championed through leadership and partnership between the public, private and nonprofit sectors to the benefit of employers, employees, their communities and the broader economy.

[1] They spend more than half their total income on housing, and/or live in severely inadequate units (Stegman, Quercia and McCarthy, 2000).

"We have a tremendous need for staff housing to attract and retain professional and support staff."
Michael Gutnick, Chief Financial Officer, Memorial Sloan-Kettering Cancer Center, New York
The Wall Street Journal, December 15, 1999

"The Mayo Clinic will donate up to $7 million to help build 875 starter houses and rental units within a 30-mile radius around Rochester, Minn. The 'First Homes' project is intended to help alleviate a 'housing crisis in our area' in which many people 'simply can't find a place to live.'"
The Star Tribune, Minneapolis, Minnesota, November 16, 1999

"We at Pittway are looking for new incentives to keep our best employees and to attract employees who can help us grow. We find that suitable housing is one of the major unmet needs of our workforce."
King Harris, President and CEO, Pittway Corporation, Chicago
http://www.metroplanning.org

"(The Yale) homeowners program has gone a long way in making the community safer and more attractive. The person who lives in his own home, well, he's going to be concerned whether his home is painted."
Alderman Jelani Lawson, New Haven, Connecticut
The New York Times, March 12, 2000

INTRODUCTION

The Problem

There is a spatial imbalance between job growth and housing affordability:

- Suburbs in 70 out of 100 major metropolitan areas had higher job growth rates than their central cities between 1992 and 1997 (Hill and Brennan, 1999).
- Overall, between 1992 and 1997, suburbs experienced a 17.8 percent increase in the number of jobs, nearly double the 8.5 percent job growth rate for cities (The State of the Cities 2000[2]).
- Affordable rental and home-ownership units tend to be located in central cities and inner-ring suburbs. More than 60 percent of rental units costing $600 or less a month were located in central cities (American Housing Survey, 1997[3]).

This "spatial mismatch" was first described by Kain in 1965, on researching the effect of housing-market discrimination. He described the spatial mismatch between housing and jobs for minority populations. On revisiting his hypothesis in 1992, he found that the extent of spatial mismatch had "become steadily worse" as a result of the growth of metropolitan areas and the continued dispersal of jobs from central cities. Holzer (1991) agreed, describing tight labor markets in suburban areas, while central-city unemployment remained high.

This growing mismatch between where employment growth is taking place and where workers live is illustrated by Schubert's (1998) report for the Metropolitan Planning Council of Chicago. Schubert found that of the nearly 800,000 net new jobs created in the Chicago metropolitan region between 1975-95, 70 percent were created in two suburban counties. At the same time, the city, while containing 55 percent of the area's rental accommodation, experienced a net loss of jobs. Schubert

[2] http://www.huduser.org/publications/polleg/tsoc2000.html

attributes suburban companies' recruitment difficulties to this mismatch between jobs and housing in the region.

This illustrates that housing is a crucial component of area economic competitiveness. The economic health of a region is dependent on the presence of a competitive workforce, which in turn is strongly related to the availability of suitable and affordable housing. The lack of housing opportunities near jobs creates costs for employers, as the local labor pool contracts, and as turnover, training and placement costs increase. Given that the ability to attract and retain skilled labor has increasingly become a prime determinant in corporate site selection (Pappas, 1999), if insufficient housing is available, then companies may choose to locate elsewhere. Workers, in turn, face long commutes from where they can find affordable housing to where they work.

Working households are suffering from an increasing housing burden:

- Home-price increases have exceeded inflation for six years in a row, and rent increases have exceeded inflation for three years in a row (Joint Center for Housing Studies, 2000).
- Currently six million American working families have "critical housing needs." They either spend more than half their total income on housing, and/or live in severely inadequate units (Stegman, Quercia and McCarthy, 2000).
- Of these households, three million earn between the equivalent of a full-time minimum wage and 120 percent of the local median income, "placing them squarely in the ranks of the middle class" (op cit:6).
- More than one in five working households in tight markets such as San Francisco and San Jose had critical housing needs in 1998 (op cit).

[3] http://www.huduser.org/datasets/ahs/ahsdata97.html

- The gap between real wages and housing costs is growing[4] (the National Low Income Housing Coalition, 2000).

It is not only employers located in tight markets that have problems related to housing. In soft markets in areas that are in decline and beset with problems such as high crime levels, employers may also have difficulty attracting employees and customers, and may see a decline in any real estate investments they have locally, in turn hindering their ability to gain loans for business investment.

Employers: Part of the Solution

Employer-assisted housing (EAH) reflects recognition that employers cannot fully externalize the costs of their locating or operating in a tight market (perhaps a suburban location) or in a soft market (perhaps a distressed urban neighborhood) onto their employees or the public or nonprofit sectors. Employers have a stake in extending housing affordability and creating housing opportunity while furthering their businesses, and have a role to play in easing the jobs/housing mismatch and in revitalizing the areas in which they are located. EAH programs can also help regional economies by holding down labor costs, reducing congestion and maintaining area competitiveness.

EAH can be a cost-effective business strategy for employers who are having difficulty recruiting and retaining workers in locations with tight housing markets, or who are operating in distressed communities. In addition, it can be an extremely desired benefit for employees in areas with unaffordable or scarce housing. However, as the National Home Ownership Strategy (2000) states "many employers, public and private, do not recognize the benefits that can accrue from such programs or are not aware of their potential and practicality."

[4] The National Low Income Housing Coalition uses the concept of the "housing wage" - what a full-time

This Report

After presenting a brief history of EAH, this report will discuss its current position, assess employers' motivations in undertaking EAH initiatives, and present a matrix of EAH mechanisms according to employer objectives, illustrated with cases of existing EAH efforts. Barriers to the more-widespread adoption of EAH programs will then be considered, and ways of overcoming these presented, including the role of public- and nonprofit-sector partners.

worker must earn an hour to afford the Fair Market Rent, paying no more than 30 percent of their income.

THE EVOLUTION OF EMPLOYER-ASSISTED HOUSING

Pullman to the Present: A Brief History of EAH

1880s	**1920s**	**1960s**	**Until 1980s**	**1980s**	**Early 1990s**	**2000**
Company towns - Pullman founded	Modern transportation – company towns outmoded	Penn University commences EAH program for existing staff, though generally EAH remained…	Corporate relocation perk for executives	Extension by some employers of housing benefits to non-management employees	Touted as "hot new benefit" Nonprofits and CDCs started offering services to employers Union role – Taft-Hartley Act amended Fannie Mae and Freddie Mac specialized products EAH made HUD HOME program-eligible	Trajectory not sustained from early 1990s, but, again, increasing interest in EAH EAH remains uncommon, though a variety of programs operates across the country

EAH has been a feature of American life since the 19th century when New England mill owners such as Lowell provided housing for their workers; and George Pullman created his eponymous planned model industrial town. During the 20th century, employer involvement in housing metamorphosed from such paternalist mass provision, outmoded partly due to greater individual mobility, to an executive-compensation and corporate-relocation-assistance perk. In 1989 Schwartz et al stated that of the estimated $20 billion businesses spent annually on direct housing subsidies for their employees, $13.5 billion was spent on the relocation costs of management.

The late 1980s and early 1990s began to see consideration of the broader use of EAH, as realization spread of the impact of inadequate affordable housing, particularly in tight housing markets. Some employers started offering housing benefits to their non-management workers. The idea that employers could play a useful and cost-effective role in creating housing opportunity while addressing business problems gained credence in academic if not business circles. Indeed, EAH was touted as the employee "benefit of the 1990s" (Schwartz, Hoffman and Ferlauto, 1992).

Federal funding cuts also caused growing recognition of the need for the private sector to assist in meeting the housing needs of those ineligible for public assistance targeted to the lowest-income groups. Neighborhood-based nonprofits and community development corporations (CDCs) started offering housing-related services to local employers. The federal government made EAH an eligible activity within the its HOME program, introduced in 1990.[5] The secondary mortgage market also responded with the development of specialized programs and products. The first nationally available EAH loan product was Fannie Mae's Magnet, introduced in 1991, which accepted employer contributions toward down payments, closing costs and/or monthly housing payments (Cox, 1991).[6]

Unions also played a role in brokering employer housing assistance. In 1990 the Taft-Hartley Act was amended to permit inclusion of financial assistance for employee housing (via housing trust funds) into the collective bargaining process.[7] The catalyst for this was the Hotel and Restaurant Workers Union, Local 26 in Boston, which negotiated a multifamily employer contract that allocated five cents per hour per worker to a fund on which employees could draw to pay security deposits and moving expenses (Quinn, 1991).

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[5] The HOME Investment Partnerships Act, Title II of the National Affordable Housing Act of 1990. A primary purpose of the HOME program is to "expand the supply of decent and affordable housing for low- and very-low-income Americans" (HUD, 2000).

[6] Magnet was discontinued in December 1999 with the incorporation of its features into Fannie Mae's standard products.

[7] The Labor Management Relations (Taft-Hartley) Act passed in 1947 http://www4.law.cornell.edu/uscode/29/ch7.html

More recently the union focus has shifted to what could be termed "labor-assisted housing." This can range from provision of homebuyer education (as provided by Neighborhood Housing Services of New York City (a NeighborWorks® organization) at the union headquarters of Local 1199, representing hospital workers) to development of lending products. Freddie Mac offered the First-Time Homebuyer Program for Union Members, which was available to all low- and moderate-income AFL-CIO members. This reduced mortgage down payments to 5 percent, of which 2 percent could come from a variety of sources, including the borrower's employer (Quinn, 1992). Its current incarnation is the Home Ownership Opportunity Initiative,[8] developed by the AFL-CIO's Housing Investment Trust[9] with Fannie Mae using its Fannie 97 product. Here employer grants or loans are an eligible source toward the 3 percent required down payment.

What Happened?

EAH neither became the "benefit of the 1990s" nor faded into oblivion, as did the company town. A variety of initiatives are underway across the country, a selection of which are presented in Table 4 (page 30) and detailed in Appendix B. However, the provision of housing benefits to non-management workers remains very uncommon and is still an unfamiliar concept, particularly in the corporate world.

As a strategy for dealing with recruitment and retention issues, corporate interest in EAH has waxed and waned with the economic cycle (Hoffman, 1999). In boom periods, such as the late 1980s, EAH gained momentum as recruitment and retention of employees became more difficult, given the "workers' market" that arises from a thriving economy with low unemployment, which also exacerbates affordable-housing problems. The same can be said of the present. Indeed, the State of

[8] http://www.aflcio-hit.com/ip/initiative.html

[9] The HIT (which has $2.1 billion in pension fund assets) has also assisted in the building or rehabilitation of 60,000 units of housing and will be allocating $215m during the period 2000-05 to the Family Housing Initiative (affordable housing production) – presentation by Marcie Cohen, HIT Director of Development, to the National Neighborhood Coalition Forum, Washington, D.C., 7/14/00.

the Cities 2000 report states that "economic good times are paradoxically creating a housing crisis for many Americans."[10] The focus on EAH a decade ago was not sustained and developed in the interim due in part at least to the period of economic recession.

Despite the policy and product developments set out above, which can be said to have been catalyzed at least partly by a booming national economy, actual EAH initiatives have tended to stem from local corporate and community experiences (including within areas in decline) rather than as part of a larger national trend. EAH programs are still most commonly associated with municipal governments (partly as a response to the continued depopulation of cities) and anchor institutions, such as universities and hospitals, rather than with typical private-sector employers.

The fact that EAH has not achieved its potential can be related in part to the lack of understanding regarding the link between housing and business/area competitiveness. Several surveys of companies (for example, Schubert, 1998 for the Metropolitan Planning Council of Chicago, and Housing Opportunities Inc, 1997 on Monroe County for the United Way of Greater Rochester) have found that while companies recognize the problems associated with long commutes and the difficulties in recruiting entry-level workers, a connection is not made to housing issues. In turn, the findings of a 1990 survey of business executives by the American Affordable Housing Institute (AAHI) at Rutgers University (Schwartz et al, 1992),[11] and a 1998 survey of human-resource professionals conducted by the Families and Work Institute on behalf of Fannie Mae[12] (Hoffman, 1999), indicated that the vast majority did not perceive a link between recruitment and retention problems and housing problems.

[10] http://www.huduser.org/publications/pdf/socrpt.pdf - page vii.
[11] The survey interviewed 451 executives throughout America, as detailed in Schwartz et al, 1992.
[12] The survey sampled 1,057 employers with 100 or more employees, as detailed in Hoffman, 1999.

The American Housing Survey's (1997) data regarding reasons for current owner-occupiers leaving their previous residence shows the importance of employment in household housing decisions. The second and fifth most cited reasons relate to employment, as shown in Table 1:

Table 1
Main Reason for Leaving Previous Unit (total sample 5,234,000)

To establish own household	2,042,000 households	39%
New job or job transfer	2,040,000	39%
Needed larger house/apartment	1,876,000	36%
Other	1,841,000	35%
To be closer to work/school/other	1,583,000	30%

Source: American Housing Survey, 1997, Table 3.11
http://www.census.gov/prod/99pubs/h150-97.pdf

It may also be that some employers have defined their recruitment and retention difficulties as a transport problem rather than a housing problem, and have tried to overcome the spatial mismatch by attempting to ease rather than shorten commutes. This is indicated by employer initiatives such as van-pooling programs and mass-transit vouchers.[13] Federal government initiatives such as "Access to Jobs" also attempt to ease transportation between place of abode and employment.[14]

Key is the fact that corporate leadership (and the human-resources industry) are not making the link between housing and business competitiveness. As long as housing remains unfamiliar territory to the corporate sector, external stimuli such as nonprofit or lender marketing of the approach, or demands from employees, are likely to be required before employers become proactive in offering housing assistance. Such barriers to the widespread adoption of EAH and possible ways of overcoming these are addressed later in the paper.

[13] The Bureau of Labor Statistics *Employer Benefits Survey* (1996) found that 1 percent of full-time employees of small businesses (with less than 100 employees) gain employer commuting subsidies http://stats.bls.gov/ebshome.htm.
[14] The initiative "helps communities design innovative transport solutions, such as van services, to help former welfare recipients and other low-income workers get to work." HUD The State of the Cities 2000 http://www.huduser.org/publications/pdf/socrpt.pdf.

EMPLOYER MOTIVATIONS

Employers are motivated for a variety of reasons to undertake EAH programs. They include:

- employee-turnover problems leading to reduced productivity, high training costs and low employee morale;
- disinvestment and decline in urban areas where employers have substantial real-estate and capital investments (and often have strong community loyalties); and
- worker inefficiencies related to long commutes to work.

Employer motivations to undertake EAH initiatives can best be encapsulated by the "**Four Rs"**[15] (adapted from Fannie Mae[16]):

- **employee Recruitment,**
- **employee Retention,**
- **neighborhood Revitalization,**
- **community Relations.**

Not all these rationales have the same weight for every employer, depending on their objectives and market context. The rationales are also interrelated, and employers can be motivated by more than one, according to their needs and priorities.

Further details on the mechanisms mentioned below can be found in Appendix A; further information on the program examples in Appendix B.

Employee Recruitment

[15] Reducing commuting is an objective interrelated to the other four.

To improve an employer's competitive position by offering a benefit at the start of the employee's career that sets the employer apart from its competitors.

Why? Staff recruitment and turnover are costly for employers, as illustrated in Table 2.

Table 2
Costs Associated with Employee Turnover

Mean per-employee recruitment cost:	
Exempt level	$7,488
Non-exempt	$1,529
Hourly	$672
Average lag time	38 days
Average amount spent on formal training	$1,155

Source: Schubert (1999), citing a 1991 Hewitt and Associates study

Fannie Mae cites human-resource professional journals that find a vacant post results in a total of $4,500 in "inefficiency costs, without having paid anyone in that position a dime."[17] It is also estimated that each staff-turnover incident "can cost an employer between $10,000 and $20,000, which includes separation, replacement and training costs."

How? To recruit employees, it makes sense for housing-assistance benefits to be available immediately upon hire – for example, financial assistance with the up-front costs of home ownership. These benefits should set the employer apart from its peers in the eyes of potential employees, making it an "employer of choice" (an aim of Bank of America's employee home-ownership loan initiative[18]).

CASE - The Santa Fe Teacher Home Fund: Santa Fe, New Mexico

Objective: Teacher recruitment and retention to combat 20 percent annual turnover rate.

The Fund is managed by Neighborhood Housing Services of Santa Fe (part of the NeighborWorks® network). It provides down-payment and closing-cost assistance and low-interest purchase loans to assist teachers in becoming homebuyers.

[16] Fannie Mae Employer-Assisted Housing PowerPoint presentation, 2000: "Recognition" is used instead of "community relations."

[17] Fannie Mae Employer-Assisted Housing PowerPoint presentation, 2000.

Employee Retention

To improve an employer's competitive position by offering a benefit whose value to an employee increases over time, incentivizing the employee to stay.

Why? Higher employee-retention rates are especially pertinent for employers located in communities with tight labor markets, in high-skill industries, or in businesses that require substantial investments in employee training. The current economic boom has exacerbated employee turnover. Approximately 17 million U.S. workers changed jobs in 1999, up from 11 million in 1994 (Moody, 2000). The median employee tenure at an employer indicates decline, decreasing from 3.8 years in 1996 to 3.6 years in 1998.[19] A 1999 employer survey[20] (Grensing-Pophal, 2000) identified turnover and the retention of valued employees as major problems of respondent businesses. The survey found that the average staff turnover rate was 15 percent, and the costs associated were generally 25 percent of the individual's annual salary.

How? To retain employees, EAH mechanisms can be structured so that employees are incentivized to stay. Benefits can be made available immediately upon hire to meet this objective, as long as they are sustained or increase over time; or they can be offered after a certain length of tenure with the employer. For example, the University of Pennsylvania's program is open to those who have been employed for three or more years. Such mechanisms permit an employer to recover at least some of the value of the benefit if an employee leaves prior to the agreed-upon time.

Forgivable or deferred loans are particularly good options for retention. The repayment of loans can be deferred until the employee leaves the company, or be forgiven over a number of years (usually three to five) if the employee remains. Such loans can also enable lower-income employees to

[18] Telephone interview with Susan Schold, Bank of America Associate Homeownership Center, 7/11//00.
[19] Reported by the Bureau of Labor Statistics of the U.S. Department of Labor http://stats.bls.gov/news.release/tenure.nws.htm.
[20] Survey of 378 companies conducted by Manchester Partners International, Jacksonville, Florida.

purchase a home and then pay the loan back as their wages increase. Mortgage guarantees are also an effective retention mechanism because employees would need to refinance their loan if they left their employer. The retention of employees in rental housing can be encouraged via master leases. These necessitate that employees find new housing or pay market rent if they leave their employer.

CASE - Home Ownership for Performing Employees (HOPE): New Jersey

Objective: Employee recruitment and retention, given labor shortage due to lack of affordable housing in suburban locations.

The New Jersey Mortgage Finance Agency sold tax-exempt bonds to raise funds for this $23-million housing-assistance package. An employer loan guarantee is provided for 10-20 percent of the loan for up to five years. This enables employees to combine up-front costs into the mortgage loan. A below-market first mortgage with a graduated-payment feature, making the loan's early payments more affordable, is also available.

Neighborhood Revitalization

To make the area more attractive for employees and customers by limiting the program to specific neighborhoods.

Why? This place-based objective tends to be associated with anchor institutions and increasing demand within softer, typically older, urban markets. These neighborhoods can experience disinvestment, declining home-ownership rates, and accompanying forms of decline, such as residential emigration, tax-base reduction, and mounting social and crime problems. EAH programs, if targeted at such declining neighborhoods, can serve as a catalyst for their revitalization. The more-concentrated demand that results can generate property and infrastructure investment; the community becomes more stable as the home-ownership rate increases, with residents benefiting from asset building; and the tax base increases with the attraction of new residents.

Anchor-institution EAH programs enable the employer to use its workforce to stabilize the surrounding community, so it can attract staff and patients or students. Anchor institutions are also more likely to have investments in local real estate. Targeting EAH programs to surrounding neighborhoods can help maintain or enhance the value of the institution's real-estate portfolio as economic activity and investment increase, in turn providing the collateral for further investment.

How? EAH programs can induce employees of all income levels to explore housing and neighborhood choices they might not otherwise consider (Schmidt, 1998). This is illustrated by the broadening of university EAH programs' eligibility from high-level faculty and staff to all employees (enabling diversity), while restricting them geographically to targeted proximate neighborhoods (enabling revitalization).

However, targeting areas with limited housing choices, which are perceived by employees as too rundown or dangerous relative to the value of the benefit offered, may result in the program not attracting sufficient participants. The focus ideally should be on making the neighborhood a neighborhood of choice – not only enabling lower-income people to achieve home ownership but also incentivizing middle- and upper-income employees to purchase homes, thus developing a more-balanced, mixed-income community. Equity guarantees are a particularly useful mechanism to this end.[21] Rehabilitation incentives for existing as well as prospective homeowners (as offered by the Santa Fe Teacher Home Fund, for example) also assist in efforts to maintain and improve existing housing through encouraging home improvement.

Promotion of positive images of a neighborhood can also be an important element, as demonstrated by the Le Droit Park initiative's emphasis on the area's historic role within Washington, D.C., as

[21] Employers guarantee an employee's home equity, thus encouraging home purchase as employees do not have to risk of financial loss should housing values decline. If prices do not decline, or the home is not sold,

home to many distinguished African Americans, and its designation as a Historic District by the National Register for Historic Places.

Employers can be considerate of community concerns by seeking community input on program design. In Milwaukee, Wisconsin, for instance, Harley Davidson representatives met with residents and toured the neighborhoods adjacent to the company before proceeding to develop an EAH program through the Select Milwaukee initiative (Schubert, 1999).

CASE - Howard University and Fannie Mae LeDroit Park Initiative: Washington, D.C.
Objective: Neighborhood revitalization.
Howard University's EAH plan provides down-payment and closing-cost assistance to qualified university employees, police officers, fire fighters, teachers, and LeDroit Park residents. In addition to homebuyer assistance, the initiative comprises rehabilitation of old homes and new construction in the neighborhood.

Community Relations

To create positive relationships and good will with the community by targeting the EAH initiative to other community initiatives.

Why? Community relations can be a driver for corporate decision-making. Employers may respond to or even pre-empt community pressures for action. By providing benefits which are area-targeted, employers can show their commitment to the community and benefit from an enhanced image and improved community and political relations. The 1998 Fannie Mae survey found that 72 percent of human-resource professionals whose employers had an EAH program believed that the firm's image in the community had improved as a result (Hoffman, 1999).

this benefit is costless to the employer. If the employer must pay a claim, the cost is the difference between the original price and the resale price of the home.

Community relations are often an important consideration for anchor hospitals and universities, which have real-estate expansion needs that are sometimes viewed as threats by local residents. Examples include Chattanooga (Tennessee) Neighborhood Enterprise's (CNE) program with Memorial Hospital, whereby the hospital wanted to increase its "community-participation" activities; and Emanuel Hospital in Portland, Oregon, which cited the need to improve its relationship with its neighborhood after previous development was seen as being insensitive to the local community (Schubert, 1999). These examples not only stem from civic duty but also self-interest, given the need to attract employees and customers from the local area. These examples also stand out because improving community relations was stated explicitly as an objective. It seems likely that many employers will characterize an initiative that is motivated internally by the need to improve community relations as a neighborhood-revitalization initiative to their external constituencies.

How? By embracing a neighborhood-focused effort, private employers are contributing to neighborhood revitalization and thereby complementing related local government initiatives, improving the relationship between employers and government, and perhaps easing the leveraging of public assistance. Employers also need the support of local government for a variety of issues, such as city services or land-use zoning.

Local and state government, in turn, can incorporate EAH into revitalization efforts, provide CDBG, HOME program or other support for initiatives, and develop EAH programs for their own employees.[22] Indeed, an example where an (public sector) employer responded to community pressures for action is provided by the Logan Square (Chicago) Housing Program for School Personnel, which arose from a local neighborhood association advocating for a stronger connection between schools and the local community.

Community relations can also be improved by extending eligibility for an EAH initiative to the community, not just to employees of a specific company. Either targeting (for example, in the case of Baltimore and Los Angeles municipal government programs) or making programs open to core service workers, such as police officers, public school teachers and fire fighters, is particularly common. This enables such workers to live within the communities they serve. Examples encompass tight markets (such as Intel's Teacher Housing Fund in Santa Clara County, California) and soft markets (Howard University and Fannie Mae's Le Droit Park initiative in Washington, D.C., which makes housing available to core service workers). In areas in need of revitalization, this has the potential to assist in developing mixed-income communities, echoing HUD's Officer and Teacher Next Door programs.[23]

CASE - Emanuel Hospital Neighborhood Home Ownership Program: Portland, Oregon

Objectives: To improve community relations (a new hospital construction project was planned, but poor relations still remained from an insensitive hospital development project in the 1970s); to revitalize neighborhoods around the hospital; to provide benefit to its employees.

The initiative comprises a down-payment assistance program for employees within a designated target area; and providing operating grants to two local nonprofits that provide home-ownership counseling and build and renovate homes in the neighborhood.

Reducing Commuting

To reduce commuting is an oft-cited rationale for EAH programs that is also place-based and interwoven with the "Four Rs."

Why? This is seen as increasing productivity and employee morale by reducing commuting times and related tardiness, absenteeism and stress. Fannie Mae states, from experience with its own

[22] The US Department of Housing and Urban Development (HUD) has recently published a guide, *Employer-Assisted Housing and the HOME Program* (May 2000).

[23] http://www.hud.gov/tnd/tndabout.html

employees, that the lack of affordable housing close to work is a serious concern for moderate- to lower-paid employees, and contributes significantly to morale, absenteeism and turnover problems.[24] This rationale is also often framed within a regional smart-growth agenda (such as Maryland's Live-Near-Your-Work program, which is nested within the state's Smart-Growth Initiative), and demonstrates how the selection of EAH neighborhoods can support other public policy initiatives, such as reducing congestion and air pollution.[25]

The State of the Cities 2000 report (HUD, 2000) finds that Americans are driving more and spending more of their productive time in their daily commute:[26]

- daily trips per household increased 35.2 percent between 1977 and 1995;
- daily vehicle miles per household increased 38.1 percent in the same period; and
- the proportion of household expenditure on transportation has also increased in many cities – between 1988 and 1998 by 30.2 percent in Atlanta and by 27.4 percent in Houston.

How? This objective can be achieved by limiting assistance to within a specified radius of the workplace. Examples of "Walk to" or "Live Near Your" Work programs have been implemented in Maryland (seven jurisdictions, proposed by local government and approved by the state, are currently participating) and by Select Milwaukee. The "Location-Efficient Mortgage," (LEM) currently undergoing a two-year pilot sponsored by Fannie Mae in four cities, is a potential EAH mechanism that would contribute to this objective. It enables participating mortgage lenders to "stretch" their standard debt-to-income ratios by taking into consideration the transportation-related savings achieved by an urban household that uses public transportation and relies on local services.[27] The

[24] Fannie Mae Employer-Assisted Housing PowerPoint presentation, 2000.
[25] http://www.dhcd.state.md.us/smart/index/html
[26] http://www.huduser.org/publications/pdf/socrpt.pdf
[27] http://www.locationefficiency.com

LEM has a total debt-to-income ratio of 45 percent, compared to Fannie Mae's guideline of 36 percent for the mortgage industry and 38 percent ratio for its own affordable-housing products.[28]

CASE - Select Milwaukee Walk-to-Work Program: Milwaukee, Wisconsin

Objectives: Neighborhood revitalization; employee benefit; and assistance to companies in meeting Clean Air Act requirements to reduce single-occupancy vehicle travel to the workplace.

Select Milwaukee is a nonprofit which develops and administers walk-to-work programs for employers, providing information, program planning and technical assistance. Each company provides a small forgivable loan ($1,500-$3,000) to employees, which is supplemented by a grant from Select Milwaukee. Program staff provide home-ownership counseling, loan packaging and lender and neighborhood referral. Neighborhood tours are held to promote target neighborhoods to employees.

[28] http://www.fanniemae.com/news/pressreleases/9981.html

EMPLOYER OBJECTIVES AND EAH MECHANISMS

A variety of case studies of past and current initiatives was conducted from primary and secondary sources. More information and references about these is included in Appendix B. The matrix in Table 4 (page 30) sets out which mechanisms have been used with the aim of achieving each of the "Four Rs."

EAH Mechanisms

Table 3 lists the mechanisms by which employers can assist in employee-housing provision, some of which are included in the matrix. A more-detailed explanation of each mechanism, its advantages and disadvantages, and the level of risk associated for the employer, is provided in Appendix A.

Table 3
EAH Mechanisms

Demand-Side Mechanisms	**Supply-Side Mechanisms**
Marketing/outreach services	Advocacy
Education/counseling services	Cash participation
Up-Front (Down Payment, Closing Costs) Assistance:	Provision of development sites
Deferred loan	Donation of services
Repayable loan	Construction financing
Forgivable loan	Purchase guarantees
Grant	Master leases
Savings plan withdrawals/loans	
Employee savings match	
Second mortgage	
Mortgage guarantee	
Monthly (Carrying Costs) Assistance:	
Mortgage buydown	
Group mortgage origination	
Group mortgage insurance	
Securities purchase	
Equity guarantee (assurance/insurance pool)	

Existing housing-market conditions will determine what combination of supply-side and/or demand-side EAH mechanisms will be effective according to the objectives of the initiative:

- Demand-side mechanisms help make more of the existing housing stock affordable to employees. The majority of these mechanisms focus on increasing demand for home ownership, rather than rental, by lowering or restructuring the financial requirements of home purchase in terms of the up-front and monthly carrying costs.

- Supply-side mechanisms add to the ownership- or rental-housing stock by developing or rehabilitating units that are affordable to employees. Supply mechanisms can help employers increase both the affordability of housing and its availability to employees. They involve an employer providing some form of housing-development assistance in exchange for affordability concessions, or assurances that housing units will be made available to employees. Such mechanisms entail some temporal considerations of whether and how unit affordability can be retained, and whether units dedicated for employees can or should be kept as such.

Table 4: Employer Objectives and EAH Mechanisms Matrix

Mechanisms	Recruitment	Retention	Revitalization	Relations
Demand-Side				
Marketing/ Outreach	REACH, Chicago, IL	REACH, Chicago, IL	Yale University, CT - neighborhood fairs; Baltimore, MD, City Employee - trolley tours; Select Milwaukee, WI - tours, neighborhood referral	
Education/ Counseling		Memorial Hospital, TN; Santa Fe, NM, Teacher Home Fund; Select Milwaukee, WI	Emanuel Hospital, OR - grant aid to nonprofits; Baltimore, MD, City Employee Home Ownership Program; Select Milwaukee, WI	Emanuel Hospital, OR; Logan Square, Chicago, IL, Housing Program for School Personnel; Memorial Hospital, TN
Up-front costs:				
Deferred loan	Mississippi Board of Teachers	Baltimore, MD, City Employees 10-year deferred $7,500 loan; Los Angeles, CA, Public Safety Employees $10,000 loan	Baltimore, MD, City Employees; Lawrence, IL - city offered rehabilitation loans through HOME program	
Repayable loan		Memorial Hospital, TN; Santa Fe, NM, Teacher Home Fund - low-interest rehabilitation loans for existing homeowners		Logan Sq., Chicago, IL - below-market loan, application- and appraisal-fee waiver; Santa Fe, NM, Teacher Home Fund part-funded by Land Title Trust Fund
Forgivable loan		Emanuel Hospital, Portland, OR - 5-year period; Select Milwaukee, WI - employers contribute to loan fund.	Emanuel Hospital, OR; Select Milwaukee, WI - employer loans for "Targeted Investment Neighborhoods"; Downtown Phoenix, AZ, Home-Ownership Program	Emanuel Hospital, OR
Grant		Baltimore, MD, City Employees - matched up to $2,500; Select Milwaukee, WI, to augment loan; Maryland Live-Near-Your-Work - $1k each from state, local government & employer; Yale, CT - grant of $2k a year for 20 years; plus $4k closing grant	Baltimore, Select Milwaukee, Maryland and Yale, as across. Lawrence, IL - employer grants $1.5k, city plus $1k; lender waived processing fees and closing points	Emanuel Hospital, OR - grant aid to nonprofits that rehabilitate homes

Second mortgage from lender	Santa Barbara Coastal Housing Partnership, CA			
Mortgage guarantee	New Jersey HOPE - 10-20% of mortgage up to 5 years	University of Pennsylvania - full guarantee for employees of 3 years' service	University of Pennsylvania – home purchase must be within 3 blocks of campus	
Monthly Carrying Costs:				
Mortgage buydown	New Jersey HOPE - below-market first mortgage with graduated payment			
Group mortgage origination	Santa Barbara Coastal Housing Partnership, CA - first mortgage at reduced interest rate			
Securities purchase	New Jersey HOPE tax-exempt bond funded; Intel Teacher Housing Fund - Intel bought $10m 5-year bond from Santa Clara Unified School District, CA, district gains difference between bond's below-market rate and market rate of $1.25m	Los Angeles, CA, Public Safety Employees Program - access provided to below-market mortgage-revenue bond financing		Intel Teacher Housing Fund, Santa Clara, CA
Supply-Side				
Advocacy	Silicon Valley Manufacturing Group; Orange County Business Council			
Cash participation		Santa Clara, CA, and Greater Minnesota Housing Funds - gap and match funding for affordable rental developments	Emanuel Hospital, OR - grant aid to nonprofits that build homes	Santa Clara, CA, Housing Trust Fund

Matrix Findings

It can generally be said that employers are incentivized to make use of EAH mechanisms:

- in tight housing markets to recruit and retain employees; and
- to revitalize deteriorating neighborhoods with soft housing markets in which they have substantial investments.

In addition, the matrix serves to demonstrate:

Multiple objectives of varying priority often lie behind initiatives. Examples such as Select Milwaukee and Baltimore's City-Employee Home-Ownership Program demonstrate the versatility of EAH in response to these varied objectives. Select Milwaukee's primary aim is to revitalize neighborhoods, but it also aims to help retain employees and reduce commuting, thus assisting employers to meet their obligations under the Clean Air Act. The adaptability of EAH to a wide range of employer needs is evident.

Inter-relatedness of objectives can lead to overlap among the mechanisms used. For example:

- Recruitment and retention are highly interdependent. If an employee is recruited as a result of home-ownership assistance, ownership and its resultant stability make the employee's staying on the job much more likely. Mechanisms can reflect this. A forgivable loan for up-front home- purchase costs combines the immediate gratification of a recruitment benefit (if there are no employee-tenure requirements) with the slow release of a retention benefit.
- The mechanisms used for employee-recruitment and -retention strategies can also be used for neighborhood revitalization if targeted on a specific area, such as with Yale, the University of Pennsylvania and Emanuel Hospital, Portland, Oregon.

Simplicity: There is a correlation between the simplicity of mechanisms and their prevalence. EAH mechanisms range from the fairly simple and common (up-front costs assistance and home-ownership education) to the complex and rare (construction financing or cash participation).

Risk: The fact that supply-side mechanisms, such as construction financing, master leases or purchase guarantees, are more risky (as well as more complicated) for an employer to undertake than demand-side mechanisms is reflected in the lack of examples of supply-side mechanisms in use. The greater the risk, the less common the mechanism, resulting in the continued predominance of demand-side mechanisms. Housing trust funds provide a more "hands-off" way for employers to become involved in supply-side measures, as an individual employer which contributes to such a fund is one contributor among many. Housing trust funds, in turn, comprise only one element of development-project funding (for example, the Santa Clara Housing Trust Fund will provide gap financing for affordable housing development) so risk is spread and therefore reduced.

Advocacy, as demonstrated by the Silicon Valley Manufacturing Group's Housing Action Coalition, can also be a way for employers to promote increased housing opportunities for their workers without assuming risk. The coalition advocates in favor of mixed-use, close-to-transit, more-dense and affordable development proposals.

Timeframes: Mechanisms' timeframes vary, depending on their objectives.

- Mechanisms to meet recruitment objectives are short-term, focusing on up-front benefits.
- Retention benefits can range from short-, to medium-, to long-term, given their need to be sustained and perhaps increase over time.
- Mechanisms for neighborhood revitalization tend to be longer-term, given the long lead times needed for impact.
- Community-relations mechanisms can operate on a variety of timescales.

Assistance with the Up-front Costs of Home Ownership: Despite the ostensible flexibility of the multiple EAH mechanisms available, a key finding from the case studies is that at present EAH is most-commonly manifested as employer-assisted home ownership. This is generally whereby employers provide their employees with supplemental funds (usually in the form of a grant or forgivable loan) to reduce the amount of up-front cash (for a down payment and closing costs) needed for (first) home purchase. Homebuying counseling and education services usually accompany such financial assistance.

The predominance of this mechanism makes sense, given that the accumulation of funds for the entry costs of home ownership has been found to be the major barrier employees face in purchasing homes. This was demonstrated by a 1989 AAHI survey (Schwartz and Hoffman, 1990) of 1,000 non-homeowner employees. The survey found that:

- 75 percent viewed home ownership as a very important financial priority;
- 60 percent viewed down-payment requirements as their greatest barrier; and
- 44 percent did not expect to be able to save enough money for a down payment without some assistance.

However, the time since the survey has seen 3-5 percent down-payment mortgages become readily available (as opposed to the 10 or 20 percent down payment formerly common). Fannie Mae's Flexible 97 product allows first-time homebuyers with strong credit histories to tap "non-traditional" sources (including their employers) for the 3 percent down payment (Levin, 1999). The availability of such lending products reduces the amount of assistance an employer may need to provide employees to secure a mortgage. It, therefore, may increase an employer's willingness to provide assistance. That said, the greater ease in securing a loan enabled by these products may also result in employers being less able to incentivize employees (for example, to remain with the company) with offers of assistance.

The continued popularity of up-front costs assistance can be related to its obvious usefulness and clarity. It is a form of aid which is readily understood by employer and employee. The fact that it is a one-time, capped expenditure per employee is also appealing. It is simple and easy for an employer to offer.

Sectors: Employers in certain sectors do seem more interested in undertaking EAH initiatives. Anchor institutions such as universities and hospitals are predominant, unsurprising given their immobility, enormous fixed investment, and need to attract staff and customers. The cases also highlight the public-sector's role as employer, as well as partner of the private sector, in EAH delivery. EAH is used to encourage home ownership by critical service workers (teachers, police officers, firefighters) in the communities they serve. The financial-services sector is also predominant (for example, the Bank of America in the Downtown Phoenix Home Ownership Program), unsurprising given that this is their area of core competence. Many lenders offer various mortgage-financing concessions to their employees. Indeed, in some cases it has been the local lending institution that has encouraged other employers to undertake EAH programs in partnership, thus increasing their lending business but also offering concessions to employees other than their own. An example is provided by the First Essex Bank in Lawrence, Massachusetts, which encouraged local employers and the city to participate in a down-payment assistance program. However, the corporate sector, which employs the majority of the labor force, is extremely underrepresented in existing examples of EAH.

Scale: Studies have found a positive correlation between the number of employees a company has and the level of employer interest in providing housing assistance. For example, the 1998 Fannie Mae survey (detailed in Hoffman, 1999) found that 14 percent of employers with up to 5,000 employees had an interest in EAH, increasing to 23 percent of employers of more than 15,000 workers. This increased interest can be explained in part by a larger employer's ability to benefit from economies of scale. This is exemplified by the group mortgage origination EAH mechanism, whereby the combined purchasing power of employees brokers lender concessions. This positive correlation between employer size and EAH interest is supported by the matrix, given the prevalence of large employers such as anchor institutions and municipalities. However, the matrix also demonstrates the scope for:

Consortiums: EAH initiatives can be implemented by consortiums as well as by individual employers. By grouping together, employers of varying size can gain sufficient economies of scale to be able to offer housing assistance. For example, the Coastal Housing Partnership of Santa Barbara, California, comprised a sufficient volume of trade to gain favorable mortgage financing.

Consortiums can also undertake other activities in the realm of housing assistance. The Silicon Valley Manufacturing Group (SVMG), an organization of 175 companies (ranging from small Internet start-ups to large employers such as Hewlett-Packard and Intel) is a prime example. It has played a key role in developing a housing trust fund for Santa Clara County, as well as advocating for affordable-housing development. The fact that its membership comprises employers of over 250,000 people gives the SVMG significant advocacy power.

CASE - Silicon Valley Manufacturing Group: California

The SVMG views the region's lack of affordable housing as a significant barrier to continued economic competitiveness. Its Land-Use Inventory Committee promotes recommendations for local land-use policies to ease the area's housing crisis. Its Housing Action Coalition promotes affordable housing, economic development and smart-growth considerations. It advocates for development proposals which meet guidelines favoring mixed-use development, moderate increases in density, affordability, and the siting of housing close to employment centers or mass transit. The Coalition has spearheaded the establishment of the Santa Clara County Housing Trust Fund, which will make low-interest, up-front loans to first-time homebuyers, provide gap financing for affordable rental housing projects, and donate funds to assist the homeless in attaining stable housing. Smart-growth considerations are incorporated into the fund's lending and funding criteria.

Partnerships: The nonprofit and public sectors can band together to recruit multiple individual employers in a geographic area. One example is the Regional Employer-Assisted Collaboration for Housing (REACH) in the six-county Chicago metropolitan region. It is a partnership of CDCs and other organizations that provides home-ownership counseling and oversees program administration for companies offering EAH initiatives. This enables companies of all sizes to be targeted. The same is true for the Maryland Live-Near-Your-Work program, whereby employers of any size can be recruited as long as they are within the (currently seven) participating jurisdictions (which are designated by local government with state approval).

CASE Downtown Phoenix Home Ownership Program: Phoenix, Arizona

Objectives: Neighborhood revitalization; recruitment and retention; walk to work.

Four major employers have each set aside $150,000 to fund their EAH programs (generally a $5,000 forgivable loan toward the up-front costs of home purchase in Phoenix's central city). Neighborhood Housing Services of Phoenix (part of the NeighborWorks® network) has contributed $75,000 to establish a separate fund that enables small businesses under the Downtown Retail Council also to offer EAH benefits. Each employer has defined the criteria for employee eligibility, the structure of the assistance, and has targeted unique boundaries within the area. NHS of Phoenix provides compulsory home-ownership education, and can administer the loans provided by the employers.

Public funds were used for many of the initiatives, demonstrating the ability to leverage private funds with public investment (and vice versa). For example, Yale University makes use of city and state home-financing assistance programs. The Baltimore City Employees Program uses HOME and CDBG funds and UDAG repayments. Select Milwaukee makes use of Wisconsin's Housing Cost Reduction Initiative, in addition to CDBG funds, when extra assistance is required. For its Live-Near-Your-Work program, Maryland state and local governments, the employer, and the employee contribute $1,000 toward home-purchase costs.

EAH initiatives also complement public programs. The recently announced Live-Near-Your-Work initiative in the South Bronx, New York, Empowerment Zone aids businesses, which, in turn, are required to hire local residents as a condition of receiving Empowerment Zone funding.[29]

Housing trust funds: The matrix demonstrates the seemingly burgeoning importance of housing trust funds in the realm of EAH. Funds can operate using any of the mechanisms on the demand- and supply-sides of the ownership- and rental-housing markets. Examples include:

- The Housing Trust Fund of Santa Clara County in California, currently being established with the backing of the Silicon Valley Manufacturing Group, will make low-interest, up-front cost loans to first-time homebuyers, provide gap financing for affordable rental housing projects, and also donate funds to assist the homeless in attaining stable housing. The loans and gap financing from the $20 million fund will be revolving, enabling the initiatives to be self-sustaining.
- The Land Title Trust Fund in New Mexico operates through companies placing escrow funds into interest-bearing accounts, with the accrued interest being used to support community housing initiatives. It funds a Teacher Home Fund developed by NHS of Santa Fe, which provides up-front, home-ownership cost assistance and low-interest loans for home purchase and rehabilitation (NHS of Santa Fe, 2000).
- The Greater Minnesota Housing Fund[30] (established in 1996 with funding from the McKnight and Blandin Foundations) has allocated $1.6 million to date to EAH initiatives. The fund matches employer contributions toward a home-ownership payroll savings plan to enable the accrual of up-front costs (with mandatory home-ownership counseling). It also matches employer contributions to affordable rental-housing development. In addition the fund provides technical support to employers developing EAH initiatives.

[29] http://www.fanniemae.com/news/pressreleases/0816.html
[30] http://www.gmhf.com

BARRIERS TO THE WIDESPREAD ADOPTION OF EAH PROGRAMS

The examples cited in the matrix, though geographically spread, should not be interpreted as indicating that EAH initiatives are common. As stated previously, the provision of housing assistance remains rare and is still an unfamiliar concept, particularly in the corporate world. The conditions under which one or a combination of the "Four Rs" arises may alter this, as demonstrated by the correlation of increased interest in EAH with the recruitment and retention difficulties of boom economic periods. However, in general, housing assistance is "off the radar screen" for employers.

Housing Assistance as an Employee Benefit

The most significant barrier to the widespread adoption of EAH programs is that the corporate world in general, and the human-resources industry (the obvious advocate for EAH) in particular, do not consider housing assistance an employee benefit in the same way they view medical, retirement and (increasingly) educational assistance.[31] Table 5 sets out the prevalence of employee medical and retirement benefits. The data are derived from the Bureau of Labor Statistics Employee Benefits Survey, which does not contain information regarding housing benefits.

Table 5
Proportion of Full-Time Employees with Medical and Retirement Benefits

	Medical benefit plan	Retirement benefit plan
State and local governments (1994)	87%	96%
Small private companies (less than 100 employees) (1996)	64%	46%
Medium and large private companies (1997)	75%	79%

Source: Bureau of Labor Statistics Employer Benefits Surveys, 1994, 1996, 1997 http://stats.bls.gov/ebshome.htm

Employers' traditional resistance to offering new benefits, and preference, instead, for compensating employees with wages, could be weakened if it could be shown that providing EAH benefits

[31]The Bureau of Labor Statistics Employee Benefits Survey (1996, op cit) reveals that 38 percent of small-company full-time employees are covered by benefit plans providing assistance for job-related educational expenses.

provided better value for the money than increasing wages. Deyo (1991) reached the conclusion that a salary increase allows an employee to use only 28 cents in the dollar in qualifying for a mortgage, whereas housing assistance can account for 100 cents in the dollar. Flexible ("cafeteria"[32]) benefit plans, originally introduced in the early 1980s, could also assist in easing the inclusion of EAH within a reconfiguration of wage and benefit packages. Under the "credit-based approach," employees are granted a specific financial amount each year to purchase whichever benefits they need (Meyer, 2000). Such delivery also helps avoid the redundancy of benefits that can occur in dual-income households.

Survey findings indicate that employees who do not own a home would value EAH programs. Respondents to the AAHI's 1989 survey of 1,200 working households who did not own their home ranked only health care and pension plans more highly than a housing-assistance benefit, and ranked childcare lower (Schwartz and Hoffman, 1990).

However, the fact that two-thirds of American households already do own their own home demonstrates that the need for housing benefits is not uniform.[33] Though delivery of housing assistance through cafeteria plans could mitigate charges of inequity, housing assistance also differs in some other important regards from medical and retirement benefits, complicating the potential for its adoption as a standard employee benefit,[34] however the benefits plan is packaged:

- Housing costs vary greatly by locality, unlike the fairly uniform costs of health care and retirement expenses.

[32] The "full cafeteria plan" is available under Section 125 of the Internal Revenue Code. Employees receive a lump sum of money to spend on a menu of health and life insurance benefits.
http://www.paychex.com/managee/sect125/125intro.html

[33] In the first quarter of 2000, the home-ownership rate reached an all-time high of 67.1 percent (HUD, the State of the Cities 2000 report).

[34] Interview with Professor John T Dunlop, Harvard University 8/22/00.

- Housing benefits involve a capital item. If an employee leaves a company, other benefits can simply be stopped, whereas provision of a housing benefit is likely to result in the need to recoup a proportion of the benefit's value, according to the terms of the assistance.
- Housing assistance is a barrier to employee mobility in the labor market (though this may be the employer's rationale for offering the benefit).
- Tax implications (discussed later).

The remaining barriers are more surmountable, and can be grouped as either concerning a lack of information or lack of competency/expertise.

Information Barriers:

Seeing the benefit: If employers do decide to offer housing assistance, they do so because they recognize a quantifiable gain for themselves. Before undertaking an EAH initiative, employers, therefore, need to be able to evaluate whether it will address their particular objectives and employee needs, and operate within their budgetary restraints.

Competency Barriers:

Making it easy: Employers for the most part are not in the housing business, and lack the knowledge and competencies to undertake an EAH initiative. They may perceive housing as an intractable problem with which it is too overwhelming, complicated and expensive to get involved. As the preponderance of assistance with up-front costs of home ownership in the matrix illustrates, employers seek clarity, ease, flexibility and limited liability in initiatives they undertake. The generally greater risk and complication of supply-side mechanisms make it likely they will be considered only after the scope for demand-side measures has been determined unfavorable.

Lack of Information

More than two-thirds of employer respondents to the 1998 Fannie Mae survey believed there was a lack of information on housing benefit programs (Hoffman, 1999). Nonprofits and the public sector can assist in providing the information needed – for example, regarding the local housing market and other EAH initiatives – and assist in conducting employee housing surveys. The paucity of empirical studies regarding the impacts of EAH initiatives on recruitment and retention should also be addressed as a way of raising employer awareness of the value of EAH programs.

An indication of the type of information that may be required when developing an EAH initiative is provided below. Set out in the box is the information the Greater Minnesota Housing Fund requests of employers applying for matching funds for the most common form of EAH, down-payment assistance.

- Employer information: Number of employees; annual employment growth; average wage rate.
- Housing needs: Employee needs; vacancy rates; population growth; household growth; job growth; income levels; housing stock.
- Detail how the proposed program addresses the market need.
- Identify the marketing strategy that will be used to attract this market.
- Partnerships: Describe any other participants in this program, such as community-based nonprofits, local lenders.
- Type and amount of employer contribution: Cash; forgivable or deferred loan (over what term at what rate).
- Program budget: Down payment assistance from employer per family.
Down payment assistance from other sources per family
Funds required of the homebuyer.
Total number of families assisted.
Total administrative costs and source of funding.
- Program administration: Will funds be available for a specific amount of time, or on an on-going basis up to a certain dollar value?
- Employee eligibility requirements: Years of service; income restrictions; geographic targeting
- Homebuyer education and counseling services, and mortgage products that will be made available to homebuyers, by whom, at what cost and how paid for.

Source: Adapted from the Greater Minnesota Housing Fund Employer-Assisted Housing: Employer Application for Funding for Down Payment Assistance, http://www.gmhf.com

Housing needs: An EAH program must conform to the housing needs, priorities and incomes of employees. For example, a survey of employees in Monroe County, New York (Housing Opportunities Inc, 1997), found that if employers were to get involved in providing housing assistance, employees would want to retain their freedom of housing choice. Such research findings are an invaluable underpinning to EAH program design. Research aids development of an appropriate program, thereby mitigating employer risk:

- If a demand-side mechanism is being used, employers must assess whether the more-significant housing barriers for employees are associated with the up-front costs (thus the need for down-payment assistance) or the monthly carrying costs (a principal response to which would be to buy down the interest rate), and whether the planned assistance will be sufficient to increase affordability for all those targeted.

- With supply-side mechanisms, employers should consider whether the new units conform to employee desires (size, location, and amenities). If an employer is considering offering a purchase guarantee or master lease, it is exposing itself to risk. If employers are aware of their employees' housing needs, a close match can be ensured between the type and cost of the housing and the housing preferences and incomes of employees who are expected to occupy the units. A caveat is that employers should seek a "discrete and discreet" role (Hoffman, 1999), given the risk and complication of supply-side measures. For example, a portion of a development can be made available on the open market to ensure it is indeed a housing location of choice, while also providing for a diverse population rather than a "company enclave." This would help mitigate the negative connotations of 19th-century company towns from which EAH suffers.

Particularly in areas in need of revitalization, consideration should be given to EAH target areas containing a wide-enough variety of homes in terms of price, size and style in diverse neighborhoods to help ensure that an EAH program holds appeal for as diverse and large an employee population as possible (Schmidt, 1998).

Direct costs to an employer: Employers lack information on the costs of offering a housing benefit. This is complicated by the lack of standardization among potential EAH mechanisms. Some types of EAH programs can be operated at little or no cost to employers (ranging from homebuyer education and marketing to fully repayable loans), whereas some require significant up-front investment (such as housing trust funds), although these investments may be recouped. Information on employee needs will help inform cost estimates, given the variable of employee demand. Demand can be controlled to some degree by the scale of the initiative, the extent of marketing, and eligibility criteria for assistance (Schmidt, 1998).

When costing potential EAH programs, the scope for leveraging public funds, such as from the CDBG and HOME programs, given that EAH programs benefit employees and communities as well as employers, can be considered. Though these public funds carry income restrictions, they can be used to supplement assistance provided to employees at certain income levels (as is the case with the city of Baltimore’s provision of HOME funds).

Tax: The tax consequences of offering housing assistance are not clear-cut, complicating cost estimates. Some forms of assistance may reduce an employer's taxable income, but some benefits are taxable as employee income. This ambiguity constitutes a significant barrier to employers entering into EAH initiatives, and means that they need to seek tailored advice:

- In general, a direct grant or forgivable loan made by an employer to an employee is regarded as income and a taxable benefit (Schubert, 1999). Any discount on interest rates can also be taxed as imputed income.
- Taxable assistance to an employee may be offset by the tax deductibility of mortgage interest payments. For example, although an employer's paying of points to gain lower-interest mortgages is a taxable benefit, the deductibility of this interest offsets the income received.
- Employers may purchase securities, such as mortgage bonds, at below-market rates and use the proceeds from the sale of the securities to offer employees a below-market interest rate. The difference between the return earned by the employer and the market rate of the return for similar securities may be tax deductible for the employer.

Consideration could be given to removing this barrier regarding employees' taxable income by making housing assistance a tax-free employee benefit. However, this would be complicated, given the fundamental differences between housing benefits and medical and pension benefits (see earlier), which are counted as non-taxable income, and would require close consideration of the added value and opportunity costs of such a legislative change. If housing benefits were to be made tax-free, their inclusion in a "cafeteria" benefit provision (as discussed previously) could protect tax revenues by limiting the amount of tax-free benefits each employee could carry, while giving employees a more-complete choice among alternate benefits.

The state of Connecticut's Employer-Assisted Housing Tax Credit[35] demonstrates that state government can provide incentives to spark private investment in EAH. This enables credit to be applied against various state business taxes for money paid by a corporation into a revolving loan fund that provides loans for housing in the state for the corporation's low- and moderate-income employees.

Savings: Employers lack information on their own internal recruitment, training and retention costs, regarding the revenue or customers lost when a position is vacant, or on the time lost by co-workers of a new employee. This may lead employers to underestimate the savings which could result from an EAH initiative. A more-rigorous assessment of the costs of turnover by internal auditors is suggested by Moody (2000), and could be facilitated given the increasing sophistication of cost-accounting systems. This is linked to:

Monitoring: The absence of information on the effectiveness of EAH initiatives also comprises a barrier to greater adoption. There is a strong need for evaluation of existing initiatives. The findings should be broadly disseminated.

The benefits of EAH programs are difficult to monitor in the absence of baseline data on indicators of employer and employee needs. Development and implementation of a monitoring framework also has time, cost and competency implications. Nonprofits could play a role in easing this process.

Employer indicators can include the cost of employee recruitment and retention; employee productivity; wage and benefit budgets; labor relations; and employee morale and loyalty. Employee-focused indicators can include job tenure; proximity of housing to job; percent of household income

[35] http://www.drs.state.ct.us/pubs/ip952-1.html#EAH

spent on housing; rates of home ownership; tenure in housing; and school stability among workers' children.

A survey of 175 homebuyers through Maryland's Live-Near-Your-Work program revealed useful monitoring information regarding the program's impact in terms of the state's objectives to enable home ownership and reduce car journeys to work. The survey also gathered user-satisfaction data to inform whether the assistance could be delivered in a more user-friendly manner:

- 80 percent of households were first-time homebuyers;
- 39 percent would not have bought their home without the assistance;
- 40 percent of homebuyers in the program stopped driving to work;
- 95 percent found the program easy to use.

Source: Maryland Department of Housing and Community Development, 2000

OVERCOMING THE BARRIERS

Making the Link

The notion of competitive advantage, both between companies and between regions, has potential to be a significant driver behind the wider adoption of EAH initiatives.[36] Surveys cited previously (Schubert, 1998 and Housing Opportunities Inc, 1997) found that a vast majority of business executives did not perceive the impact of housing on their business competitiveness. If employers were to make this link, they would be more receptive to considering provision of housing assistance. The need for further research demonstrating the value of EAH is paramount in encouraging its wider adoption.

Leadership from a credible private-sector source, whether an individual (such as King Harris, CEO of the Pittway Corporation, Chicago), or an alliance (such as provided by existing Chambers of Commerce), is likely to be the most-effective way to raise corporate awareness of the link between housing and competitiveness and ways to address it.[37] The Silicon Valley Manufacturing Group's (SVMG) mobilization of a private-sector support constituency for affordable housing demonstrates this. However, it is unclear whether the SVMG is indicative of a private-sector trend to address housing issues as an element of regional economic competitiveness. Certainly the Orange County Business Council is attempting to emulate this model. Its Affordable Home Ownership Alliance, for example, was formed to advocate for housing development as a response to a projected shortfall in the region's housing supply, which is seen as the principal barrier to business growth. A smaller-scale example is provided by the Martha's Vineyard, Massachusetts, Chamber of Commerce, which is currently championing the construction of temporary housing for seasonal workers on the island,

[36] Interview with George Knight, Executive Director, Neighborhood Reinvestment Corporation, 6/29/00.

[37] "We feel that employers must take the lead in addressing housing needs, because without affordable housing, the long-term viability of our businesses becomes questionable," King Harris, President and CEO, Pittway Corporation, Chicago.

having conducted a summer-worker housing-needs survey of its members in 1998.[38] However, all four advocacy examples cited above are rooted in tight labor and housing markets, where the link between housing and competitiveness is most obvious. Such leadership may not arise or attain such power and resonance in areas with softer markets, or, indeed, in periods when the national economy is softer, given that interest in EAH seems to track the economic cycle.

Making this link would ease housing assistance becoming an option for corporate leadership and the human-resources industry (often the obvious internal advocates and implementers of EAH initiatives) to be aware of and consider in light of their company's market context, needs and motivations. Ideally, housing assistance could be made part of a cafeteria-style delivery of benefits. However, as discussed previously, employer provision of housing assistance seems unlikely to become a standard benefit. An exception may be within large companies that offer EAH benefits for employees in some locations but not others, and need to address this perceived inequity.[39]

Combining Competencies

Once employers have overcome the most fundamental and significant barrier to the more-widespread adoption of EAH initiatives – realizing the link between housing and competitiveness – the remaining barriers are surmountable through combining the competencies of employers, nonprofits, the public sector and lenders. Via such partnerships, the gaps in information and expertise shown above can be filled. Partnerships can be instigated by municipalities (such as Baltimore or Los Angeles), states (such as Maryland), or nonprofits (such as Select Milwaukee), as well as by the private sector. Given that successful EAH programs are typically simple and easy for an employer to offer, such partnerships can enable the process to be "plug and play" on the employer's part.

[38] Interview with Robert Engler of Stockard, Engler and Brigham, Cambridge, Massachusetts 7/18/00.

Nonprofits: Because employers typically have little or no knowledge of housing, nonprofits are well positioned to promote EAH and shepherd its development and implementation. Nonprofits are an EAH delivery resource for employers (Schubert, 1999). Nonprofits add value to initiatives. They have the expertise and experience, are tax-exempt bodies, provide for good community and political relations, and have knowledge of and the ability to tap into a variety of funding sources. EAH in turn provides nonprofits with an opportunity to broaden the impact of their housing expertise and to further their mission.

Cases in the matrix (such as Select Milwaukee and the Downtown Phoenix Home Ownership Program), demonstrate that most employers prefer an "arms-length" involvement in home-ownership programs, whereby a nonprofit can handle virtually all program administration, including marketing, education and counseling (though the employer can assist), and provide all direct employee services. For an employer to develop this capacity on its own would be cost-prohibitive; it makes good business sense to outsource service provision. Service delivery in this way to multiple employers in a single geographical area also enables EAH provision to small and medium employers, as well as large employers, through the combined economies of scale of multiple provision. An innovative model is provided by the Chicago region's REACH partnership, which targets private-sector employers and can provide full EAH service delivery. Outsourcing service delivery also mitigates employee confidentiality concerns, given such elements as scrutiny of creditworthiness.

However, the offering of assistance for home ownership still requires relatively high levels of employer involvement and customization (unlike health or pension benefits). There is potential tension between the flexibility sought and the ease of administration required to make initiatives attractive to employers. Two cases provide good examples of ways to reconcile this tension. Both the Maryland Live-Near-Your-Work program and the Downtown Phoenix Home Ownership

[39] Interview with Michael Schubert, Community Development Strategies, 6/28/00.

Program stipulate a basic set of employee-eligibility requirements, which ease the process for employers taking part. These programs also allow employers to add their own eligibility criteria and define their own geographical boundaries (as long as these are within a participating jurisdiction). This allows for some flexibility.

Under a typical arrangement, an employee interested in an EAH program applies to the employer's human-resources office, and, if eligible, is referred to the contracted organization. Initiatives could be developed so that after the employer enrolls all eligible employees, the ongoing management of the benefit is the responsibility of the provider, as is the case with health care. A nonprofit program provider could then provide the case-by-case assistance that is responsive to the different circumstances of individual households.

Lenders: Lenders need to consider their products' usefulness to employers wanting to undertake EAH within a strategic business-development perspective. EAH is regarded as an "untapped market" by Fannie Mae,[40] upon which it is now focusing. Its "EAH Options" includes all its standard mortgage loan products and services, following the incorporation of the features of its former national EAH product, Magnet (which was discontinued in 1999), into its standard products. Employer grants, loans or loan guarantees can be eligible sources of contributions toward up-front or monthly home-purchase costs.

Products that combine ease of administration and understanding with the flexibility required to avoid forcing diverse local initiatives into tightly structured national programs have been integral to the success of several EAH programs (such as those undertaken by Select Milwaukee). A broad range of products provides flexibility for customization to employers' needs and market context. Such products can be developed with partnership in mind, with employers and lenders understanding the role and value of nonprofits, particularly in mitigating the tension between the efficiencies of "off-the-shelf" products and the need for tailoring to an employer.[41]

[40] http://www.fanniemae.com/neighborh…ing/employer_assisted_housing.html
[41] Full-Cycle Lending℠ is a "system that enables lenders, government agencies and nonprofit. NeighborWorks® organizations to work together to provide home-ownership opportunities to families who might not qualify for or know about conventional mortgages." http://www.nw.org/l10.htm

CONCLUSION

Different types of employers, in diverse market contexts, and using a broad range of methods, can provide housing assistance, given the motivation of one or a combination of the “Four Rs.” EAH strategies have the potential to mutually benefit employers, employees and neighborhoods, and to ease regional spatial mismatches between jobs and housing and thus improve regional economic competitiveness.

The most significant barrier to EAH gaining momentum is that the corporate sector does not make the link between housing and competitiveness, and does not appreciate the potential for housing assistance to address competitiveness. Leadership and advocacy can assist in making this link, while there is also a clear need for further empirical research to demonstrate it. Once employers are considering the scope for housing assistance, other barriers - being able to assess the quantifiable gains, and acquiring the competencies needed for provision - can be surmounted through a partnership approach. Partners include the mainstream housing industry (including lenders), the affordable-housing industry (led by community-based nonprofit organizations and national intermediaries), and the public sector (national, state and local government). All should play a role in raising employer awareness of EAH and actively recruiting employers to participate in initiatives.

The context for EAH can be made more favorable if the partners are able to combine competencies and leverage their actions and investments to best effect. Tools such as challenge grants, incentive-funding formulas and tax benefits (National Housing Conference, 2000) would encourage employers to get involved. Employers need to be made aware of the scope to leverage the experience and funding of the public, nonprofit and lending-industry sectors in providing housing assistance.

EAH is one of the principal initiatives that is likely to increase opportunities in the housing market for working families.[42] The extent of this need has been demonstrated by the Center for Housing Policy's "Housing America's Working Families" report (Stegman et al, 2000). Given that, by definition, the six million working families identified by the report as being in critical housing need have links with employers, and include those of moderate as well as low income, then there is significant scope for EAH to assist working families while benefiting the economy.

EAH should be championed through leadership and partnership between the public, private and nonprofit sectors. Such partnership will aid businesses, regions and the economy as a whole to become more competitive.

[42] It has been identified as such by the Chicago Rehab Network and the Chicago Department of Housing http://www.metroplanning.org.

Appendix A: EAH MECHANISMS

Demand-Side Mechanisms

Demand-side mechanisms help make more of the existing housing stock affordable to employees. The majority of these mechanisms focus on increasing demand for home ownership, rather than rental, by lowering or restructuring the financial requirements of home purchase in terms of the up-front and monthly carrying costs.

As a minimum, employers could consider providing the low-/no-cost information and education options of:

Marketing and outreach services: The simplest and least-costly mechanism is for employers to inform employees about available housing options and existing initiatives.

Education and counseling services: 13 percent of respondents to the 1998 Fannie Mae Housing Survey stated that “confusion about the homebuying process and how to get started” were major obstacles to home ownership (Fannie Mae, 1998). Housing counseling can help employees make better-informed housing choices. Employer involvement can range from providing free meeting space for educational sessions to paying nonprofits to provide comprehensive counseling. For example, NHS of New York City worked with Local 1199 (representing hospital workers) to provide group homebuyer education at the union’s headquarters (Schubert, 1999). Employee participation is recommended as an eligibility requirement for other EAH benefits.

Up-Front (Down Payment and Closing Costs) Assistance

Employer up-front assistance can be offered as a deferred, repayable or forgivable loan or a grant. Assistance can also be provided by:

Savings plan withdrawals and loans: Employers can add a withdrawal provision to the company’s savings plan for a down payment (purchase of a primary residence is one of the exceptions to the Internal Revenue Service’s restrictions on withdrawals). A loan feature can also be added to the company’s savings plan, though generally only half the employee’s vested savings-plan balance may be loaned.

Match employee savings: An employer can match employee savings to help workers more-quickly accumulate sufficient funds for up-front costs.

Second mortgages can be offered by the employer to meet up-front costs, with the loan offered interest-free or at a below-market rate (earning the employer a modest return). Employers can also arrange second-mortgage loans at below-market rates with supporting lenders.

Mortgage guarantees can be offered by the employer to a lender should an employee default. The reduction in lender risk can be used to leverage down-payment reductions. Costs are only incurred if an employee defaults. The property's security value should be sufficient to cover the bulk of the default. The default rate for the gainfully employed is about one default for every 200 loans.

Monthly (Carrying Costs) Assistance

The monthly carrying costs of owning a home (mortgage payments, property taxes, and mortgage insurance) are also a significant barrier to home ownership, as employees might be unable to purchase a home without devoting an unacceptably high portion of their income to housing. Employers can assist through:

Mortgage buydowns: Paying mortgage-origination points to buy down the interest rate. Buydowns can last over the full term of the mortgage or be structured to reduce housing costs temporarily.

Group mortgage origination: Employers can use the combined purchasing power of their employees to broker lender concessions, such as lowering points and interest rates. Concessions could also include underwriting flexibilities, and reduced up-front costs. For example, the Coastal Housing Partnership of Santa Barbara, California, is a consortium of public- and private-sector employers that has gained favorable financing for their employees from a local lender. However, many such concessions are now standard products (such as 3 percent down payments) or incorporated into various portfolio or Community Reinvestment Act products (reduced closing points, waivers of fees and/or mortgage insurance, high lending ratios, etc.). Concessions, instead, now may focus on broadening a lender's CRA product to include higher-income workers or anyone purchasing a home in targeted areas.

Group mortgage insurance: Employers can provide this by funding a loan-loss reserve to cover potential mortgage defaults.

Securities purchase: Employers can purchase securities, such as mortgage bonds, at below-market rates. Proceeds from the sale of these securities can then be used to offer employees a below-market interest rate. Employers can also leverage underwriting flexibilities through purchasing securities.

One final demand-side mechanism reduces the risk rather than the costs of home ownership:

Equity guarantee: Employers can guarantee an employee's home equity, encouraging home purchase, as employees do not have to bear the risk of financial loss should housing values decline. It is typically required that the homeowner maintain the property in at least as good a condition as when the home was purchased, in order to be eligible. If prices do not decline, or if the home is not sold, this benefit is costless to the employer. If the employer must pay a claim, the cost is the difference between the original and the resale price.

Supply-Side Mechanisms

Supply-side mechanisms add to the ownership- or rental-housing stock by developing or rehabilitating units that are affordable to employees. Supply mechanisms can help employers increase both the affordability of housing and its availability to employees. They involve an employer providing some form of housing-development assistance in exchange for affordability concessions or assurances that housing units will be made available to employees. Such mechanisms entail some temporal considerations of whether and how unit affordability can be retained and whether units dedicated for employees can or should be kept as such.

A key way employers can assist in increasing the supply of housing that does not involve cash outlay is through advocacy. Employers can actively promote the development of housing opportunities for their workers by advocating for local and state housing policies and programs that encourage more public funding and land-use policies conducive to the development of rental and other affordable housing. Corporate leaders testifying on the importance of affordable housing to business at state and local budget and zoning hearings may alter the perceived lack of public support for affordable, and/or higher-density housing. Companies, as employers and taxpayers, have strong standing on development issues, and can be proactive in using their influence when housing proposals support the development guidelines they set. For example, the Silicon Valley Manufacturing Group Housing Action Coalition favors mixed-use, close-to-transit, more-dense and affordable proposals.

Ways in which employers can partner with (for-profit and nonprofit) developers include:

Cash participation: Employers can encourage the development of rental or ownership units by part-funding projects, essentially subsidizing the project to lower the ultimate cost of housing to the employee, and to ensure that a percentage of units is made available for rental or sale to employees.

Provision of development sites: Employers can donate, sell at below market, or long-term lease land or buildings to use as development sites. In return, employers can negotiate rent or sale concessions from developers, or secure commitments that a certain number of units will be made available to employees.

Donation of services: Some larger firms with in-house legal, architectural, engineering and property-management capacities could provide valuable technical assistance, particularly to nonprofits.

Construction financing can be provided by employers for new rental or ownership units. Employers, especially large corporations that can access short-term capital at low rates, can provide construction financing at low rates, or guarantee construction loans. In exchange, employers can obtain reduced rents or sale prices, or guaranteed units for employees. Another option is to trade construction financing for shares in co-operatives.

Purchase guarantees are a development incentive that come into effect once development is complete. Employers guarantee developers that they will purchase a designated number of units, if they are not sold on the market by a predetermined date. In return, the developer agrees to sell the unit at a lower price. If the units sell within the time limit, the guarantee costs the employer nothing. If the units do not sell, the employer is liable for the cost of carrying the units until they do.

Master leases: Employers can enter into master leases with property owners for new and existing rental properties. Employers then sublease these units to their employees. A master lease guarantees income for the developer and lender, easing project financing. In exchange, employers can expect to gain affordability concessions and assurances that housing units will be available to their employees. The cost of a master lease to the employer can be minimal, for there is no cost as long as the unit is actually rented by an employee or other renter.

EAH Mechanisms[43]			
Mechanism	**Employer Risk**	**Advantages**	**Disadvantages**
Demand-Side			
Marketing/ Outreach	Nil	Low cost and easy to provide; informs employees of new housing options and services	Maybe of limited value to employees facing affordability barriers
Education/ Counseling	Nil	Low cost and easy to provide; prepares employees to make wiser housing choices	As above
Up-Front (Down Payment, Closing Costs) Assistance:		Fairly easy for employer to administer; clear, direct lowering of entry costs of home ownership; readily combined with public-sector subsidies	Employers' cash outlay - may not be feasible for large numbers of employees. Administrative burden. Benefits to employees are taxable, though can be offset by tax benefits of ownership
Deferred/ repayable/ forgivable loan	Limited	Relatively low cost. Can enable home ownership earlier and pay back loan over career as wages increase	Administrative burden
Grant	Limited	Clear up-front added value to recruitment package. Good for lower-income employees	Non-recoverable expenditure
Savings plan withdrawals/ loans	Limited	No employer cash outlay	Administrative burden
Employee savings match	Limited	Clear and easy to administer	Non-recoverable expenditure
Second mortgage by employer	Limited	Can earn employer a modest return	Administrative burden
Second mortgage by lender	Nil		No incentive for employee to stay with employer.
Mortgage guarantee	Medium	Low cost. Can obtain underwriting flexibilities, lower down-payment requirements, and waiver of mortgage-insurance requirements. "Appraisal gap" between market price buyer willing to pay and property's appraised value may occur when appraisal industry slow to recognize neighborhood improvement. Guarantee could help secure financing needed in excess of the appraised value in areas targeted for revitalization.	Firms may have to carry contingent liabilities on their financial statements. Requires scrutiny of employee's financial status. The lender must be able to determine employer's capacity to make guarantee. The lender must generally be willing to portfolio loans as they cannot be easily sold on secondary market.

[43] This table draws from Schwartz et al 1992 *Employer-Assisted Housing: A Benefit for the 1990s* and HUD Office of Affordable Housing Programs 2000 *Employer-Assisted Housing and the HOME Program*

Monthly (Carrying Costs) Assistance:			
Mortgage buydown	Limited	Helps employees overcome long-term affordability barriers	Can be relatively expensive to provide; temporary buydowns may not be appropriate for non-professional employees
Group mortgage origination	Limited	Low cost	Likely need to be combined with other measures
Group mortgage insurance	Medium	Potential to save employees money at minimal cost to employer	Up-front costs higher than a mortgage guarantee
Securities purchase	High	Lower interest costs for employees and can provide underwriting flexibilities. Employers can earn a return. The difference between below-market return accepted by employer and market rate may be tax deductible for the employer.	Can be cumbersome to structure and administer
Equity Guarantee	Medium	Good for recruitment into soft markets	
Supply-Side			
Advocacy	Nil	Requires effort and organization	
Cash participation	High	Can earn a modest rate of return	Difficult to properly structure participation. Small employers may lack sufficient capital to participate
Provision of development sites	High	Can encourage revitalization through the redevelopment/ rehabilitation of eyesore properties	Few employers have excess real estate to donate
Donation of services	Limited	Good for community relations	
Construction financing	High	Cash investment can be recouped after project completion	If project not completed, little or no security value. Cost overruns and time delays strain employer's capacity to extend credit. Precautions such as structured credit draws, performance bonding and interim inspections should be instituted.
Purchase guarantees	Medium		Housing must closely match needs and incomes of employees
Master leases	Medium	Low cost relative to the value of the benefit, if properly structured. Good for lower-income employees.	May have to pay for unrented units.

Appendix B: CASE STUDIES

ANCHORS

Chattanooga Neighborhood Enterprise Partnership with Memorial Hospital
Chattanooga, Tennessee

Objectives: Provide employees with a cost-effective benefit while increasing community-participation activities.

Program: A home-ownership program for hospital employees. The hospital grants $400 to employees, and gives loans to supplement up-front costs from a second-mortgage loan fund. The hospital made a grant of $5,000 to CNE to administer the fund. CNE markets the program, provides homebuyer education, and carries out loan origination, underwriting, and servicing.

Source: Schubert, 1999

Contact: Ken Gross, Chattanooga Neighborhood Enterprise

Emanuel Hospital/Legacy Health System Neighborhood Home-Ownership Program
Portland, Oregon

Objectives: To improve community relations – the hospital was planning a new construction project, but poor relations remained following an insensitive development project in the 1970s. Also to revitalize neighborhoods around the hospital; and to provide benefit to its employees.

Program: A down-payment assistance program; and provision of operating grants to two local nonprofits that provide home-ownership counseling and build and renovate homes in the neighborhood. A forgivable five-year loan of up to $5,000 or 10 percent, whichever is less, toward the purchase price of a home within a designated target area is available to employees of at least one year's service. The loan principal is reduced by 20 percent each year, and is treated as taxable income for employees. Loan payments are made through payroll deduction. The program slowed in the late 1990s, as fewer homes within the program's $85,000 maximum purchase price were available in the neighborhood. Local property prices were increasing, likely in part because they have been shored up by the hospital's investment.

Sources: Schubert, 1999; HUD, 2000

Contact: Legacy Employment Services, 503-415-5405

Yale University Homebuyer Program

New Haven, Connecticut

Objective: Neighborhood revitalization.

Program: The university provides a grant to employees of $2,000 per year for 10 years, and a bonus grant of $4,000 for closing costs or home-rehabilitation expenses for houses in one of six designated target neighborhoods close to the university. The university works with the city of New Haven and nonprofits to conduct homebuyer education; and also conducts neighborhood housing fairs to promote the program. Employees can also use city and state home-financing assistance programs.

Source: Schubert, 1999

Contact: Jim Paley, Neighborhood Housing Services of New Haven, 203-562-0598

University of Pennsylvania Mortgage-Guarantee Program

West Philadelphia, Pennsylvania

Objectives: To benefit employees, and to maintain the residential integrity of the neighborhood surrounding the university.

Program: The university provides a full guarantee on the mortgages of its faculty and staff. Employees must have at least three years of service, and the home must be located within a 25-block radius of the campus. There are no direct costs to the employer except through default.

Source: Schubert, 1999 http://www.upenn.edu/president/westphilly/home.htm

Contact: University of Pennsylvania Office of Community Housing, 215-898-7422

Howard University and Fannie Mae LeDroit Park Initiative

Washington, D.C.

Objective: Neighborhood revitalization.

Program: Howard University EAH plan provides down-payment and closing-cost assistance to qualified university employees, police officers, fire fighters, teachers, and LeDroit Park residents. In addition to homebuyer assistance, the initiative also comprises rehabilitation of old homes and new construction in the neighborhood.

Sources: Jennings, 2000 http://www.fanniemae.com/news/pressreleases/0117.html

Fannie Mae video – Le Droit Park Initiative, December 1999

Contact: Howard University Community Association, 202-806-4771

PUBLIC EMPLOYEES
Also see the Mississippi Housing Assistance for Teachers Program, below.

Baltimore City Employee Home-Ownership Program

Baltimore, Maryland

Objectives: To increase home ownership in the city.

Program: Assistance to low- and moderate-income employees with the up-front costs of home purchase. The city matches the employee's down payment by up to $2,500, and provides an additional $7,500 as a deferred loan over a 10-year term. The city also requires and funded provision of homebuyer education. The city allocated CDBG and HOME funds, which had income-eligibility requirements, as well as UDAG repayments. This program was the model for the statewide Live-Near-Your-Work initiative.

Sources: Schubert, 1998, 1999

Contact: Tom Jaudon, Home Ownership Institute, 410-396-4660

Los Angeles Public-Safety Employee Program

Los Angeles, California

Objective: To assist in making housing in the city more affordable.

Program: $10,000 down-payment assistance loan for police officers and firefighters, and access to below-market mortgage-revenue bond financing.

Source: Schubert, 1998

Logan Square Housing Program for School Personnel

Chicago, Illinois

Objectives: Pressure from a local community organization to help public school employees buy homes in the neighborhood.

Program: Meetings with school personnel were held to ascertain the barriers they faced in the home-ownership process. The organization worked with a group of lenders to create a loan product with a below-market interest rate and waivers of application and appraisal fees for purchase of properties in a designated area. Homebuyer education and counseling were compulsory.

Source: Schubert, 1999

Intel Teacher Housing Fund

Santa Clara County, California

Objectives: Recruitment and retention of public school teachers.

Program: The Intel Corporation purchased a $10-million, five-year bond from the Santa Clara Unified School District, for which it agreed to receive a below-market interest rate. The $1.25 million difference between the below-market and market rate comprises the fund.

The school district offers teachers a five-year deferred loan whereby the district pays $500 a month toward mortgage payments for up to five years, and shares in each home's appreciation or depreciation as an equity investor (in this case making the assistance tax-free for the teacher). After five years, or when the homeowner leaves the district, the homeowner repays the district (plus or minus any appreciation or depreciation) so that the fund is revolving. The school district is also planning to build affordable rental housing for teachers, and Intel has offered technical assistance in cabling the development.

Source: http://www.intel.com/intel/community/sc/index.htm

Contact: Roger Barnes, Santa Clara Unified School District, 408-423-2085

The Santa Fe Teacher Home Fund

Santa Fe, New Mexico

Objectives: Teacher recruitment and retention to combat 20 percent annual turnover rate.

Program: The fund provides down-payment and closing-costs assistance and low-interest purchase loans for homebuyers; and low-interest rehabilitation loans for homeowners. The fund was developed and is managed by Neighborhood Housing Services of Santa Fe, which also provides homebuyer education and counseling. Capital for the fund is mainly derived from the Land Title Trust Fund, which operates through companies placing escrow funds into interest-bearing accounts, with the interest accrued being used to support community housing initiatives.

Source: Neighborhood Housing Services of Santa Fe, 2000

Contact: Michael Loftin, Neighborhood Housing Services of Santa Fe, 505-983-6214

CITY INITIATIVES

Select Milwaukee Walk-to-Work Program

Milwaukee, Wisconsin

Objectives: Neighborhood revitalization, employee benefit, and to assist companies in meeting Clean Air Act requirements to reduce single-occupancy vehicle travel to the workplace.

Program: Select Milwaukee is a nonprofit that develops and administers walk-to-work programs for employers, providing information, program planning and technical assistance. Each company provides a small forgivable loan ($1,500-$3,000) to employees, which is supplemented by a grant from Select Milwaukee. Assistance can also be supplemented through the state's Wisconsin Housing Cost Reduction Initiative (WHCRI). The city of Milwaukee provides modest CDBG support for Select Milwaukee to recruit participation from more employers in coordination with various neighborhood marketing efforts. Program staff provide home-ownership counseling, loan packaging and lender and neighborhood referral. Neighborhood tours are held to promote target neighborhoods to employees.

Sources: Schmidt, 1998; Schubert, 1998, 1999; U.S. Dept. Housing Urban Development, 2000

Contact: Ray Schmidt, Select Milwaukee, 414-562-5070

An example of a Select Milwaukee run program is the:

Harley Davidson Walk-to-Work Home-Purchase Program

Milwaukee, Wisconsin

Objectives: Employee benefit, neighborhood revitalization and to assist the company in meeting its Clean Air Act requirements to reduce single-occupancy vehicle travel to the workplace.

Program: The program provides full- and part-time employees in the Milwaukee area with three-year forgivable loans of $2,500 to help cover the down-payment and closing costs of purchasing a home within a targeted neighborhood. The target area chosen by Harley Davidson coincides with the city of Milwaukee's Targeted-Investment Neighborhood. One-third of the loan is forgiven each year as long as the employee remains with the company.

Source: HUD, 2000

Downtown Phoenix Home-Ownership Program

Phoenix, Arizona

Objectives: Neighborhood revitalization; recruitment and retention; walk to work.

Program: Four major employers have each set aside $150,000 to fund their EAH programs (generally a $5,000 forgivable loan toward the up-front costs of home purchase in Phoenix's central city). NHS of Phoenix has contributed $75,000 to establish a separate fund that enables small businesses under the Downtown Retail Council to also offer EAH benefits. Each employer has defined the criteria for employee eligibility, the structure of the assistance, and has targeted unique boundaries within the area. NHS of Phoenix provides compulsory home-ownership education, and can administer the loans provided by the employers.

Source: http://www.fanniemae.com/news/pressreleases/0738.html

Contact: Rita Carrillo, Neighborhood Housing Services of Phoenix, 602-258-1659

The City of Lawrence Employer-Assisted Home-Ownership Program

Lawrence, Massachusetts

Objective: Neighborhood revitalization.

Program: Each employer provides down-payment assistance of $1,500. Additional down-payment assistance of $1,000 is provided by the city. The lender (which instigated the initiative) waived processing fees and closing points on the first mortgage. The city offered deferred or low-interest loans through the HOME program for housing rehabilitation.

Source: Schubert, 1999

Coastal Housing Partnership of Santa Barbara

Santa Barbara, California

Objective: Recruitment and retention.

Program: A consortium of 15 public and private employers worked out an agreement with a local lender to secure favorable financing for their employees. Employees are eligible for an 80-percent loan at a favorable interest rate, and the lender makes a second mortgage. This in effect provides a 90 percent mortgage with a reduced interest rate. There are no direct costs to the employers.

Sources: Schubert, 1998, 1999

Contact: Corby Gavin Gage, Executive Director, Coastal Housing Partnership, 805-969-1025

STATE EFFORTS

Home Ownership for Performing Employees (HOPE)

New Jersey

Objectives: Recruitment and retention, given labor shortage due to lack of affordable housing in suburban locations.

Program: The New Jersey Housing and Mortgage Finance Agency sold tax-exempt bonds to raise funds for this $23 million housing-assistance package. An employer loan guarantee for 10-20 percent of the loan for up to five years enables employees to combine up-front costs into the mortgage loan. A below-market rate first mortgage with a graduated-payment feature, making the payments early in the life of the loan more affordable, is also available. There are no direct costs to the employer except through default.

Sources: Schubert, 1998, 1999

Contact: New Jersey Housing and Mortgage Financing Agency, 800-654-6873

The Mississippi Housing Assistance for Teachers Program

Statewide

Objectives: Recruitment and retention of public school teachers in areas with critical shortages.

Program: In 1998, the Mississippi state legislature passed the Mississippi Critical Teacher Shortage Act, which created the program. The Mississippi Board of Education offers a deferred loan of up to $6,000 for up-front costs to teachers who work in areas of the state with critical teacher shortages. One-third of the loan is forgiven each year the teacher works in an area with a teacher shortage.

Source: U.S. Dept. Housing Urban Development,, 2000

Live-Near-Your-Work

Maryland

Objectives: To reduce commuting, complementing the state's smart-growth strategy.

Program: Matched down-payment assistance, with employers providing a $1,000 grant to employees that is matched by $1,000 grants each from local government and the state. The employee also has to contribute at least $1,000 toward the home purchase. Seven targeted jurisdictions are eligible, which were nominated by local government with state approval. Employers within jurisdictions can apply to participate, and, once accepted, can set additional eligibility requirements and choose target-area boundaries contained within the participating jurisdictions, if required.

Sources: Schubert, 1998; Salisbury Neighborhood Housing Services, 2000; Maryland Department of Housing and Community Development, 2000a and b; Jennings, 2000

http://www.dhcd.state.md.us/revit/lnyw.htm

http://www.dhcd.state.md.us/smart/index.htm

Contact: John Papagni, Maryland Department of Housing and Community Development, 410-209-5807

COALITIONS

Silicon Valley Manufacturing Group
Santa Clara County, California

Objectives: The SVMG's 175 members, which comprise companies, local governments, community leaders, and labor representatives, with a total of more than 250,000 employees, view the region's lack of affordable housing as a significant barrier to continued economic competitiveness.

Program: The SVMG Housing Action Coalition aims to promote affordable housing, economic development and smart-growth considerations. It invites developers to present their proposals. Its guidelines for review favor mixed-use development, moderate increases in density, affordability, and the siting of housing close to employment centers or mass transit. If proposals reflect the guidelines, the coalition carries out a number of activities, ranging from letters of support to public testimony. By September 1999, the coalition had endorsed development proposals for a total of 23,500 housing units.

The SVMG's Land-Use Inventory Committee promotes the policy recommendations of a land use study conducted by the SVMG. The study documents the shortage of land zoned for residential development, identifies available parcels for such development, and presents recommendations for local land-use policies, such as infill development, to ease the area's housing crisis.

The coalition has spearheaded the establishment of the Santa Clara County Housing Trust Fund, which is still fundraising to gain its proposed $20-million total. It is planned that the housing trust fund will make low-interest, up-front loans to first-time homebuyers, provide gap financing for affordable rental-housing projects, and also donate funds to assist the homeless in attaining stable housing. The loans and gap-financing elements will be revolving. Smart-growth considerations are incorporated into the fund's lending and funding criteria. For example, a homebuyer will be eligible for greater assistance if the house is located within a half-mile of mass transit and in an area of greater-than-average development density.

The SVMG's First-Time Homebuyers-Assistance Task Force promotes Fannie Mae's Flexible 97 product to enable critical service workers (police officers, teachers and fire fighters) to buy homes in the region.

Sources: Schubert, 1998; Silicon Valley Manufacturing Group, 2000 a, b and c

http://www.svmg.org

http://www.housingtrustfund.org

Contact: Laura Stuchinsky, Silicon Valley Manufacturing Group, 408-501-7851

The Orange County Business Council

Orange County, California

Objectives: Research conducted by the council and others found that the county was about to have a severe shortfall in the housing supply for working families. The studies concluded that the cost of housing for employees is the number-one barrier to business growth.

Program: The council joined with several large businesses and nonprofits to create the Orange County Affordable Home-Ownership Alliance (OCAHOA), with the aim of increasing the availability and affordability of suitable quality housing for working families. The council sees this partnership as giving the business community a leadership role in creating a comprehensive approach to housing issues that affect business interests in the county.

Source: Jennings, 2000

http://www.ocbc.org

Contact: Julie Puentes, Orange County Business Council, 949-476-2242

Chicago Metropolitan Planning Council

Chicago, Illinois

Objectives: To retain regional economic well-being, given that the region's high housing costs have been recognized as having a direct impact on the increasing difficulty employers are having in attracting skilled workers.

Program: The Metropolitan Planning Council (MPC) has conducted research to demonstrate the jobs/housing mismatch in the six-county Chicago metropolitan region. The MPC advocates for collaboration among employers, nonprofits and local governments to address the mismatch through EAH programs. In 1997, the MPC initiated the Regional Employer-Assisted Collaboration for Housing (REACH), which is a partnership of CDCs and other organizations that provides home-ownership counseling and oversees program administration for companies offering EAH initiatives. The first partnership was between Sensor Systems and the Joseph Corporation of Aurora (a NeighborWorks® organization), and another partnership has since been formed with Northwest Community Healthcare. Both employers conducted housing-needs surveys to determine employee interest.

The MPC plans to engage area employers in housing advocacy as the second part of its EAH strategy, in an approach similar to that of the SVMG. The CEO of the Pittway Corporation (owner of Sensor Systems), King Harris, is playing an important leadership and advocacy role.

Source: Jennings, 2000

http://www.metroplanning.org

Contact: Robin Snyderman, Chicago Metropolitan Planning Council 312-922-5616

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