

# New England Community Developments

Emerging Issues in Community Development and Consumer Affairs

## New Arguments for Employer-Assisted Housing

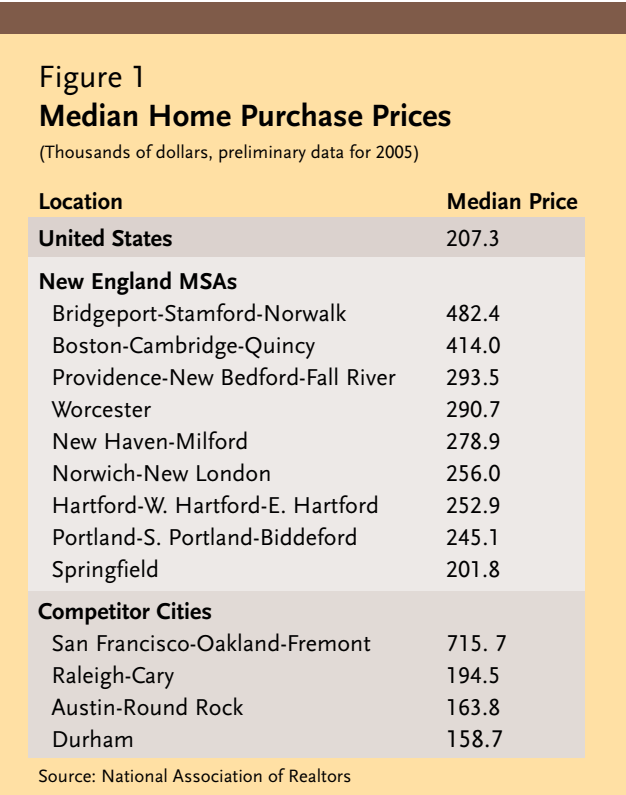
by Anna Afsbar

New England recruiters know that the area's high cost of housing is a key challenge to attracting and retaining workers. Median home-purchase prices for the region's major cities are higher than those for many competitor cities (see Figure 1). The story is similar for rental housing prices. The high cost of housing also affects the quality of life for existing employees as many contend with burdensome housing payments and/or long commutes to work.

In the 1980s, some U.S. companies began to offer grants and loans that could be

**Proponents of EAH have long touted its benefits, including a more stable workforce resulting in bottom line savings for employers.**

applied toward the purchase of a home as a means of attracting and retaining top-level management in high-cost cities. Today, for-profit, nonprofit, and government organizations across the country have come to see the value of extending these types of programs, referred to as employer-assisted housing (EAH), to low- and moderate-income employees as well. Proponents of EAH have long touted its benefits, including a more stable workforce resulting in bottom line savings for employers. Despite these endorsements, there has been only a



modest implementation of EAH in New England. Few of the region's employers offer formal programs and local and state governments have introduced only a handful of policy initiatives to promote workforce housing.

In some other parts of the country, innovation and experimentation have helped EAH gain momentum. Most of the progress centers on new models for partnerships between employers, governments, and nonprofit housing organizations. These models offer the potential for more efficient and expanded delivery of affordable hous-

### Inside

New England Updates pg.7

New Community  
Development and Consumer  
Affairs Resources pg.14

New Housing Policy  
Resources pg.15

ing. Some of these partnerships have also helped build new constituencies for affordable housing, specifically within the business community, and have become catalysts for policy change. In certain cases, these achievements have helped bolster the role of the community-based housing partners in the region's economic development program.

The purpose of this article is to identify lessons from other parts of the country that offer New Englanders additional rationale for implementing EAH programs, partnerships, and policies. First we describe the potential benefits of EAH programs and how they work. Then we look at how these programs are being used in other parts of the country and in our region. We conclude with recommendations about how regional employers, state and local governments, and housing nonprofits can make better use of EAH as part of their strategies to increase competitiveness and promote affordable housing.

## Nuts, Bolts, and Benefits of EAH Today

Affordable housing advocates maintain that a greater understanding on the part of employers of the link between housing and competitiveness will lead to a wider implementation of EAH programs. Advocates explain that these programs can be structured to cut recruiting costs and reduce employee turnover as well as improve employee morale and productivity. According to Fannie Mae, the combination of these benefits can save employers money.

**Affordable housing advocates maintain that a greater understanding on the part of employers of the link between housing and competitiveness will lead to a wider implementation of EAH programs.**

EAH programs can also benefit other stakeholders. Employees can receive financial assistance to buy a home, often closer to work. In certain cases, employers support the development of new housing, which can contribute to increased property-tax revenue and neighborhood improvement. Robin Snyderman, the director of the Metropolitan Planning Council (MPC), a nonprofit that promotes development strategies to foster economic competitiveness in Chicago, points to another beneficiary, the broader housing arena. She argues that the more community-based housing partners are contracted by

employers to implement EAH, the more they are recognized as essential to the economic development of the region.

Today there are many different ways that employers can promote workforce housing (see Figure 2). These options fall under two broad categories: helping employees purchase homes (demand programs) or furnishing developers with incentives to build or rehabilitate affordable housing (supply programs). The wide variety of options for employers allows them to choose a program or combination of programs that meet their needs, are cost-effective and risk-minimizing and offer numerous opportunities for partnerships.

For example, through closing cost assistance and forgivable loan programs an employer pays part or all of the closing costs of an employee's home purchase. These programs can be cost-effective for the employer if the organization caps the assistance at an amount equal to, or less than, recruitment and retention costs. A land-rich employer can provide a housing-site subsidy to a developer. By donating land, or selling or leasing it at a discount, an employer increases housing affordability or availability. The employer thus provides a housing benefit without having to incur a new expense.

There are also a myriad of ways that the private, nonprofit, and public sectors can partner to develop, promote, and deliver EAH programs. In New Jersey, the state housing finance agency structured an employer guaranteed loan program that has attracted the participation of the business community. A nonprofit community organization in Chicago operates a revolving loan fund for employee down payments capitalized by local employers. Fannie Mae actively promotes EAH and acts as an information clearinghouse for these programs. Coastal Enterprises, Inc., in Maine is partnering with the Local Initiatives Support Corporation and Fannie Mae to develop EAH for health-care workers. These are just a few examples. Below we examine in detail how two innovative partnerships, one in California and the other in Chicago, are helping develop workforce housing. First we take a closer look at EAH in our region.

**Figure 2**  
**Types of Employer-Assisted Housing Programs**

Type of Benefit	Description	Additional Comments
Homebuyer education	Employer partners with an organization to provide education to employees	Cost of the program is covered by the employer
Group mortgage origination	Employer obtains volume discounts on mortgages	A mortgage lender provides reduced costs in return for a bulk mortgage lending commitment
Closing cost assistance	Employer pays part or all of closing costs	Can save an employee \$1,000 or more
Mortgage guarantee	Employer guarantees part or all of a mortgage	Lowers the lending risk. In return a lender can offer reduced costs or more flexible underwriting criteria
Group mortgage insurance	Employer transfers the mortgage liability to an insurer in return for a premium	Offers the same benefit to the employee as a mortgage guarantee program
Down payment loans –		
Forgivable loan	Employer provides a forgivable loan which helps the employee cover down payment costs	Can be cost effective if the rate of forgiveness is equal to, or less than, recruitment or retention costs
Reduced interest rates	Employer provides a soft second loan arranged at below market rates	Lender provides the discount in exchange for employer-administered roll deduction and linked deposit arrangements
Mortgage buy-down	Employer pays multiple points at the time of closing, essentially driving down the interest rates	Employers in banking and insurance firms can hold below market rate loans in the lender's own portfolio
Purchase of securities	Employer can request that local or state agencies or private real estate lenders issue taxable bonds paying below market rates, which the employer would purchase	Proceeds from the bonds are used to fund mortgages or a second mortgage down payment loan, and repayment of the mortgage would repay the bond. Thus an employer can make a modest profit on this benefit
Housing-site subsidy	Employer sells or leases land at discount or donates it to a developer	Attractive to land-rich employers
Construction financing or guarantee	Major corporations can borrow at prime or near prime interest rates	Enables developers to save on construction finance interest charges
Housing trust fund	Employer makes contribution to a fund to be used for various housing benefits	Particularly useful funding mechanism for unionized employees
Purchase guarantee	Employer eliminates risk for developers by agreeing to purchase housing units. In return the builder agrees to market the units at a discount	If the specified number of units are sold to employees, the employer is relieved of any responsibility and the benefit is, in effect, costless

Sources: Schwartz 2000, Hoffman 2000.

## EAH in New England

New England has a few noteworthy EAH initiatives. On the policy front, Connecticut is one of only two states (the other is Illinois) to offer a tax credit for employers that provide housing assistance. The program matches dollar-for-dollar, up to \$100,000 per employer, firms' contributions to a revolving loan fund from which employees can borrow to meet their housing needs. The program had some success after its implementation in 1993. However, program participation has declined in

recent years after stricter eligibility requirements went into effect and the phasing out of business taxes for certain types of corporations has reduced the number of firms that are eligible for the tax credits. As a result, not all of the state's annual allocation of \$1 million has been used.

Massachusetts and Vermont currently have proposals on the table that would promote workforce housing programs. Massachusetts State Senator Jarrett Barrios has reintroduced legislation to have the Commonwealth contribute \$1 for every \$2 an

employer spends toward EAH. The state would match employer grants or loans to low- and moderate-income employees up to \$100,000 per employer and up to \$5 million for the program as a whole. The legislation has support from business and housing groups, but the senator could have difficulty convincing legislators to accept any new program costing money in the current fiscal environment. In Vermont, Governor Jim Douglas has proposed a program that would treat employer contributions to EAH programs as an expense, up to \$1,000 per employee. This proposed housing policy is currently undergoing revision.

A small number of the region's for-profit and nonprofit organizations offer EAH programs.<sup>1</sup> Citizens Bank of Rhode Island is one of the largest employers offering EAH. The company's initiative, launched in 2002, provides a forgivable loan of \$5,000 (\$8,000 if the home is purchased in an "emerging community"), as well as homebuyer education. The program is currently open to 13,415 employees nationwide and has been used by approximately 2,268 to date. York Hospital in Maine has

**In Boston, the Neighborhood Assistance Corporation of America, a community advocacy and housing services organization, worked with HERE Local 26, Boston's hotel and restaurant employees union, to amend the Taft-Hartley Act to allow housing benefits to be included in union contract negotiations.**

established a similar program for the purposes of helping retain nursing staff. The hospital offers a \$10,000 forgivable loan that an employee can use towards the purchase of their first home in the local area. Hospital employees can also apply for financial assistance from the Town of Portsmouth through its first-time homebuyers program.

There has been relatively little experimentation with developing partnerships between organizations to promote EAH, with a couple of notable exceptions. In Boston, the Neighborhood Assistance Corporation of America, a community advocacy and housing services organization, worked with HERE Local 26, Boston's hotel and restaurant employees union, to amend the Taft-Hartley Act to allow housing benefits to be included in union contract negoti-

ations. This change was necessitated by the partnerships' successful negotiation in 1989 to establish the nation's first union housing trust fund.

A new partnership leverages \$1 million from private, state, and local resources. In August 2005, UMass Memorial Medical Center, the City of Worcester, the state Department of Housing and Community Development, and the Massachusetts Housing Partnership announced the establishment of the UMass Memorial Bell Hill/ East Side Homeownership Initiative. Each partner is contributing \$250,000 toward a variety of homeownership services, including affordable home mortgages, down payment and rehabilitation assistance, and homebuyer counseling. The state is directing \$250,000 from its SoftSecond mortgage loan program to Bell Hill and its surrounding neighborhoods. The announcement of the initiative follows a decision by Worcester to designate the Bell Hill area as a Neighborhood Revitalization Strategy Area under the federal Community Development Block Grant Program. The Homeownership Initiative is expected to help up to 35 low- and moderate-income employees of UMass Memorial and local residents.

The UMass Memorial Bell Hill-East Side Homeownership Initiative is the most complex coordination of partners and programs focused on EAH that the region has seen to date. And yet it involves only one employer and does not address policy issues around workforce housing. Next we examine two partnerships outside our region that are attracting employer participation as well as helping to catalyze policy change on a regional scale.

## Partnerships with Impact

One of the first major collaborations for workforce housing was initiated by the Silicon Valley Leadership Group (SVLG). The group, representing more than 190 companies employing over 250,000 workers regionally, has been in existence for more than 20 years. A few years ago SVLG began drawing attention to the threat that high home prices posed to business competitiveness in the Silicon Valley. The group's analysis revealed that their workforce places a high priority on affordable housing and that local NIMBY prejudice against affordable housing was helping to drive the area's high housing costs. Since then, SVLG has spearheaded the establishment of a \$25 million housing trust fund to help more than 1,250 first-time buyers

purchase homes. It also has funded homeless shelters that have assisted 1,900 people and has provided partial funding to build 1,184 below-market rental units. The scale of SVLG's programs is a testament to the value of having the local business community work together to promote workforce housing.

SVLG is also a good example of how the support of the business sector for EAH can help catalyze a broader constituency for affordable housing policies. In addition to the help that SVLG has provided directly to employees, SVLG has partnered with local governments, community leaders, and labor representatives to advocate for policy change. In particular, SVLG has worked with these groups to produce research that documents the shortage of land zoned for residential development and to draft recommendations for local land-use policies to increase the supply of affordable housing.

The Chicago-area Regional Employer Assisted Collaboration for Housing (REACH) is, by far, the partnership that has gained the most momentum. REACH was launched by the Metropolitan Planning Council with eight community-based housing partners in 1999. According to Robin Snyderman, MPC's success in promoting local and state policy change through REACH is as impressive as its success in recruiting employers to implement EAH programs.

REACH's business model is meant to be hassle-free for employers concerned about not having the expertise to implement these programs. The REACH partner, along with MPC, tailors a program for the employer and provides all the necessary documentation. Ultimately, it is the REACH partner that administers the program for the employer. MPC's main function is to find appropriate partners and leverage state and county funding sources, as well as lead evaluations and public education.

REACH currently partners with about 40 businesses. More than 700 employees have begun participating in the homeownership-education component since REACH began in 2000, and close to 300 people have successfully bought homes through an EAH initiative. The business partners might be large corporate employers who leverage public funds to provide loans and grants or institutions such as universities that can sell their tax credits to developers. REACH is also working with Chicago's Local Employment and Economic Development Council on a new small business consortium. The consortium is expected to be a model of how businesses

with fewer than five employees can easily implement an EAH program.

As REACH has formed partnerships with employers, the various partnerships have been leveraged to inform and engage policymakers, with significant impact. The advocacy work of MPC and REACH has helped garner the support of Illinois Governor Rod Blagojevich and Chicago Mayor Richard M. Daley for EAH programs. Lawmakers have become convinced of the merits of these programs and have created financial incentives to promote EAH, including state tax credits and state and local matching grants. Overall, every dollar

**REACH currently partners with about 40 businesses. More than 700 employees have begun participating in the homeownership-education component since REACH began in 2000, and close to 300 people have successfully bought homes through an EAH initiative.**

of state matching funds used for the EAH program has leveraged more than five from employers. Finally, REACH efforts and the support of businesses have also helped catalyze Illinois' first-ever state housing policy.

Snyderman offers some observations gleaned from the REACH program. First, these collaborations develop incrementally; in part, because corporations go through several levels of buy-in. Word of mouth and the media help spread the concept. Second, these partnerships reveal the value of community-based housing experts to employers and municipalities. Third, employers can be influential in getting suburban and state policymakers to pay attention to housing policy.

## Conclusion

There are compelling reasons for employers, public agencies, and housing groups in New England to consider promoting comprehensive, policy-oriented EAH collaborations. These collaborations can help build constituencies for affordable housing, effect policy change, raise the profile of community-based housing organizations, increase employees' access to affordable housing, and improve organizations' ability to attract and retain workers.

Talking about the benefits of these programs has

not been enough; stakeholders will have to step forward to advance EAH. Businesses can partner with housing organizations to implement programs and business councils can advocate for policies that support workforce and affordable housing. Government agencies can create lending programs and incentives that leverage employer funds. Nonprofits can bring partners together and leverage business support to promote policy change. All of these groups can refer to similar organizations that are already involved in promoting EAH. Some resource information is provided below (see Figure 3).

Recent initiatives at the federal level may sweeten the deal for employers. In June 2005, Freddie Mac began allowing employer-provided funds to be

## There is plenty of opportunity for New England to make better use of EAH as a means of improving the region's supply of affordable housing and its overall competitiveness.

applied toward all of its mortgage products.<sup>2</sup> Around the same time, Senator Hillary Rodham Clinton (D) and Representative Nydia Velazquez (R), both of New York, introduced Housing America's Workforce Act, which proposes a federal tax credit for employers. Organizations would receive a \$0.50 federal tax credit for every dollar that they provide, up to \$10,000 per employee or 6 percent of the purchase price of a home, whichever is less. It is unclear whether these initiatives will provide a needed boost to EAH in our region. What is clear is that there

is plenty of opportunity for New England to make better use of EAH as a means of improving the region's supply of affordable housing and its overall competitiveness.

### Sources

DeKoven, Samantha. "2005 Mid-Year REACH Report." Metropolitan Planning Council, November 30, 2005: <http://www.metroplanning.org/articleDetail.asp?objectID=3028>

*Employer-Assisted Housing: Improving the Bottom Line and Unlocking Doors to Homeownership for Your Employees.* Washington, D.C.: Fannie Mae, 2003.

Hoffman, Daniel. "A Blueprint for Employer-Assisted Housing," Daniel Hoffman Housing, 2000: <http://www.eahousing.com/Blueprintarticle.html>

Hoffman, Daniel. "Another Look at Employer-Assisted Housing," Daniel Hoffman Housing, 1999: <http://www.eahousing.com/Anotherlookarticle.html>

Jennings, Stephanie A. "Reinventing the Company Town: Employer-Assisted Housing in the 21st Century." *Housing Facts and Findings*, Volume 2, Issue 2 (Summer 2000): [http://www.fanniemae.foundation.org/programs/hff/v2i2-company\\_town.shtml](http://www.fanniemae.foundation.org/programs/hff/v2i2-company_town.shtml)

Kanders, Kristin. "Is Housing Next in Company Benefits?" *Communities and Banking*. Boston: Federal Reserve Bank of Boston, Winter 2003.

Pill, Madeleine. *Employer-Assisted Housing: Competitiveness through Partnership.* Washington, D.C.: Neighborhood Reinvestment Corporation and the Joint Center for Housing Studies of Harvard University, 2000.

Schwartz, David C. "New Motivations, New Methods, and New Partnerships," Daniel Hoffman Housing, 2000: <http://www.eahousing.com/NewMotivationarticle.html>

<sup>1</sup>Other New England organizations sponsoring EAH programs include Mass Envelope, Eastern Bank Corporation, D's Electric, Boston Private Bank and Trust Company, and Bentley College.

<sup>2</sup>Fannie Mae already allows employers to link financial assistance to any of the mortgage lender's financial products.

### Figure 3 EAH Resources

- Fannie Mae: <http://www.fanniemae.com>
- Freddie Mac: <http://www.freddiemac.com>
- Metropolitan Planning Council: <http://www.metroplanning.org>
- Silicon Valley Leadership Group: <http://www.svmg.org>
- Connecticut Housing Finance Authority (administers Connecticut's EAH tax credits): <http://www.chfa.org>
- Illinois Housing Development Authority (administers Illinois' EAH tax credits): <http://www.ihda.org>