PolicyLink

Equitable Development Toolkit

Employer Assisted Housing

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Lifting Up What Works®

What is it?

Employer-assisted housing refers to any housing program—rental or homeownership—that is financed or in some way assisted by an employer.

EAH is a flexible tool that can be tailored to work in different community contexts and to support various equitable development goals. Most EAH programs help employees purchase homes—often near their workplace. They can also provide rental assistance or increase the amount of housing in the surrounding community that is affordable for an employer's workers.

EAH is a "double bottom line" strategy: It helps working families secure affordable housing near their workplaces—oftentimes helping them purchase their first home (a step toward building equity and financial assets)—while helping employers find and keep qualified workers, improve community relations, and revitalize neighborhoods. EAH is an especially powerful tool for employers that are struggling with recruitment and retention. At the same time, it leverages an employer benefit to generate neighborhood revitalization and help meet the housing needs of low- and moderate-income working families.

EAH programs are generally oriented toward households with incomes between 80 and 120 percent of the area median. Including options such as rental assistance, homeownership education, credit repair and counseling, and the extension of benefits to non-employee residents can strengthen the ability of an EAH program to serve lower-income residents as well.

This tool provides an overview of employer-assisted housing and describes what to consider when creating effective EAH programs and policies.

Why Use It?

Nationwide, housing costs are rising at a faster rate than incomes and squeezing the household budgets of working families. In 2006, half of renters and more than one third of mortgage holders (37 percent, up from 35 percent in 2005) are housing burdened, meaning that they spent at least 30 percent of their gross income on housing. In addition, the typical development patterns within regions have reinforced the "spatial mismatch" between jobs and workforce housing. Exclusionary zoning and land use policies often prohibit the construction of new workforce housing in communities near suburban employment centers, and the bulk of lower-cost housing tends to be located in distressed, urban neighborhoods—that lack good schools, local retail and services, and other essentials for health, productivity, and upward mobility—or at the furthest edges of metropolitan regions. These trends leave low- and moderate-income workers (teachers, firefighters, retail salespeople, healthcare workers, etc.) facing a tradeoff between paying a greater share of their income for housing or enduring long, complicated, and expensive daily commutes to distant job sites.

> EAH at the University of Pennsylvania
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> *Since 1998, Penn's EAH program—a part of its West Philadelphia Initiatives—has enabled more than 400 families to purchase homes in the neighborhood and approximately 150 families to undertake home improvements.*
> *Toyin Adegbite-Moore, University of Pennsylvania*

These housing challenges not only burden working families—they threaten the broader economic health of the region. Housing is an important component of a competitive business environment. The lack of affordable housing near the workplace can result in high employee turnover, creating major expenses for employee recruitment, retention, and training. On average, it costs a firm 25 percent of the position's annual salary plus 25 percent of the cost of benefits to replace an employee.

EAH is a flexible tool that can work in both "weak" and "hot" housing markets to help alleviate the housing challenges faced by working families and their consequences for employers, while building healthier communities and regions.

Revitalize Distressed Communities

In weak markets where housing demand is low—usually disinvested neighborhoods located in urban centers and older suburbs—EAH can be used to attract residents. This type of strategy is often undertaken by employers such as universities, medical centers, and other "anchor institutions" that are highly rooted to place and can see their self-interest in ensuring that the neighborhood in which they are located is prosperous and safe. When used in this way, EAH can be an important part of a strategy to reinvigorate neighborhoods that have experienced disinvestment, population loss, and declining housing stocks. By ensuring that housing is available or affordable for low- and moderate-income working families as neighborhoods improve, EAH can also help maintain a mix of incomes and housing prices.

Expand Affordability in Strong Neighborhoods

At the other end of the spectrum, EAH can be used to support home purchase or the development of affordable housing in communities with strong housing markets and tight labor markets—places where job opportunities are abundant for low- and moderate-income workers but there is a shortage of housing options for them. This was the situation faced by the employer who catalyzed the spread of EAH in Illinois: System Sensor, a fire-alarm systems manufacturing company that employs 900 people at its facility in St. Charles, a wealthy residential suburb in Kane County outside of Chicago. To reduce its training and recruitment costs related to high employee turnover, in 2000 the company began an EAH program that provided housing counseling and a $5,000 no-interest forgivable loan to apply toward down payment and closing costs on homes located within 15 miles of the plant. As of June 2007, the program had helped 67 employees purchase homes and resulted in savings to the company amounting to $100,000 per year.

Serving Their Neighborhoods

By providing housing assistance to public servants and other crucial service workers, cities can ensure that workers such as police, teachers, and child care workers have a connection to the communities they are serving.

Promote Balanced Regional Growth

At the regional, state, and even federal level, EAH is a key part of efforts to promote more compact, sustainable, and equitable growth patterns that provide housing options for all types of workers and foster competitive regional economies. As a part of a sensible growth strategy, EAH promotes the clustering of jobs, housing, and transportation in ways that improve the environment, build healthy and livable neighborhoods, and improve the ability of employers to compete in the global marketplace.

Generate Benefits for Multiple Constituencies

Along with the systemic benefits above, EAH also presents a number of direct benefits for employees, employers, and communities:

- **Homeownership and asset-building opportunities.** Lack of savings and inadequate wages both form barriers to homeownership for many working families. By providing homebuying education and financial assistance with the initial costs of homeownership, EAH makes homeownership more accessible for lower-income people and provides a pathway for building assets and wealth through participating in the housing market.
- **Lower housing and transportation burdens.** Housing and transportation costs combined eat up 57 percent of working families' household budgets. EAH programs that enable workers to live near the workplace can reduce both costs, freeing up income that can be saved or spent on other needs and freeing up time that would have been spent commuting.
- **Employer cost savings.** By helping employees overcome housing barriers to living near the workplace, employers can reduce employee turnover and lower costs related to recruitment and retention. The cost of the program for employers can be partially offset by savings from employee retention. Bank of America's EAH program, begun in 1999, has reduced turnover rates among participating employees by 10 percent. EAH boosts employee morale and reduces transportation time and costs for workers, resulting in less tardiness and absenteeism and higher productivity. Given current predatory lending and foreclosure trends, employers particularly stand to gain when

contracting with nonprofit counseling agencies who can help prevent the instability caused by such trends from affecting employees.

- **Improved community services.** Public servants—first responders such as police, fire, and emergency service workers as well as teachers and healthcare providers—are increasingly unable to afford homes in the communities they serve. By allowing people in these jobs to live where they work, EAH programs increase the safety, preparedness, and general quality of life of entire communities. EAH programs can also enhance local community policing strategies and other similar community initiatives, increasing public sector accountability and community oversight.
- **Improved community relations.** EAH programs have such clear benefits for employees and the community that they can foster improved employer-community relations.

Build a Business Constituency for Housing and Equitable Development

Employers are a largely untapped resource for affordable housing. EAH offers a way for employers, communities, and local government to work together to address workforce housing challenges. It provides an entrée to engaging employers in conversations about regional issues of housing, jobs, and transportation in a way that speaks to their bottom line issues of turnover reduction, employee retention, and recruitment, as well as their interest in community relations and community revitalization.

How to Use it

Types of Assistance

There are two main forms that EAH takes: (1) programs that help workers obtain affordable ownership or rental housing (demand-side programs); and (2) the creation of new affordable workforce housing (supply-side programs). Most EAH programs provide workers with housing counseling and forgivable loans—often of $5,000 or more—to help with the initial costs of home purchase. The loans are generally forgiven over a five-year period, reducing employee turnover.

Demand-Side Programs

The most common EAH benefit is **mortgage assistance**, which can be structured in a number of ways:

- *Down-payment and closing-cost assistance.* Employers offer their workers loans or grants to help them overcome a key barrier to homeownership: the initial investment required to pay a down payment and closing costs on a mortgage. Loans are often low- or zero-interest and they are usually structured to be forgivable over a period of time, often five years, encouraging the employee to remain with the employer and allowing the employer to amortize the cost of the loan. Alternatively, the loan repayment can be deferred indefinitely, either until the home is resold or until the worker leaves the company. Loan amounts vary depending on the employer, but $5,000 is a typical figure. In some cases, local and state matching funds are available to increase the total amount of assistance provided.

> ***Philadelphia Home•Buy•Now***
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> *The city of Philadelphia's EAH program matches employer contributions dollar-for-dollar up to $3,000. Some employers contribute funds to a down-payment assistance pool that is available to their employees and other community members.*
> *The Greater Philadelphia Urban Affairs Coalition*

- *Mortgage guarantee*. Employers guarantee all or a portion of an employee's mortgage against default. Such a guarantee can enable lenders to require lower down payments, use more flexible underwriting criteria, and reduce or eliminate some closing costs or premiums. Guarantees also may eliminate the need for private mortgage insurance or reduce insurance rates. The New Jersey HOPE program uses mortgage guarantees to offer reduced cost, no-down payment mortgages to private employees statewide.

Other forms of mortgage assistance include:

Soft second mortgage	Lowers required down payment amounts by providing another loan for the difference between a conventional first mortgage and home purchase price.

Mortgage insurance assistance	Employer purchases mortgage insurance for a loan. Has the same benefits as a mortgage guarantee.
Individual development accounts or similar matched savings	Employers help establish and fund down-payment savings accounts, providing matching funds for savings and/or payroll deductions.
Mortgage buy-down	Cash is paid up front to lower interest rates—either temporarily or for the life of a mortgage loan.
Group mortgage origination	Lenders offer discounts on fees, interest rates, and other mortgage costs to employers who provide a stream of applicants.

Homebuyer education and counseling is also an indispensable part of any EAH program offering homebuying assistance. Counseling guides participants through the entire borrowing and buying process, helping them understand their options, find a lender and real estate agent, negotiate the complexities of securing a loan, choose the best affordable loan product, and understand what they are able to afford. In some cases, this counseling leads to a focus on credit repair so the employee can increase future opportunities for homeownership.

Less commonly offered forms of demand-side assistance include:

Rental assistance. In areas where rental housing is available but the cost is higher than employees can afford, employers may provide rent subsidies directly to employees, provide operating funds to a rental-property owner, or pay an employee's security deposit. The Santa Barbara Coastal Housing Partnership, a consortium of 75 member businesses established to address high worker housing costs in the Santa Barbara, California, area, has partnered with a number of local landlords to offer reduced monthly rents for its members' employees. Rent reductions typically range from $50 to $100 per month. Employers may also provide rental assistance by signing a master lease for multiple units in a building to then rent to its employees.

Credit repair and counseling. In some cases, low-income workers are not immediately eligible for most or all lending products, including those specifically designed for low-income homebuyers. EAH programs can improve employee eligibility through partnerships with organizations that provide financial literacy and credit-repair services. The Local Employment and Economic Development Council, a small business consortium serving the north branch of the Chicago River in Illinois, partners with the local nonprofit Spanish Coalition for Housing (SCH). Bilingual housing counselors from SCH assist employees with credit evaluation and repair, helping them devise a plan for future homeownership.

Although rental assistance and credit repair are less frequently offered than other forms of assistance, they can be valuable tools. Community groups may want to push for the inclusion of these benefits in EAH programs, since they can help ensure that assistance is beneficial to lower-income residents. Rental assistance may be helpful in areas where for-sale housing is in short supply or prices are out of reach to lower-income workers. Credit repair may help create preconditions that allow workers to benefit from other forms of assistance.

Supply-Side Programs

While they are much less common, some employer-assisted housing programs help increase the supply of affordable housing in an area through strategies including:

- Providing **gap financing** loans to developers to cover the difference between existing financing and development costs;
- **Leveraging credit** by lending their borrowing power to developers to help them secure higher loan amounts or better interest rates;
- Making **direct cash or land contributions** to housing development projects; and
- Providing **purchase guarantees** to assist developers in obtaining financing by guaranteeing purchase of unsold units in new projects, encouraging development in areas where developers and lenders are reluctant to invest.

> **Business Advocacy**
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> *In addition to providing direct housing assistance, business can be a local advocate for affordable housing. The Silicon Valley Manufacturing Group (now called the Silicon Valley Leadership Group), a business consortium, was instrumental in advocating for the creation of the Santa Clara Housing Trust Fund. The SVLG also funds research on housing needs and affordable housing strategies and uses its leverage to push for more affordable housing.*

Employers can also participate in financing market-rate developments and use that leverage to require lower purchase prices or rents, low-income set-asides, or other equity provisions.

EAH Can and Should Be Combined with Other Tools

Because the levels of assistance offered by EAH are relatively low, such programs are limited in their ability to assist low- and very low-income workers, particularly when housing prices are high. EAH can be much more effective in serving the needs of low-wage workers when used in combination with other tools. Some EAH programs, such as Rochester First Homes in Minnesota, have financed land purchase for the establishment of community land trusts. Others have helped employees become owners of limited-equity co-op housing. Employers in Burlington, Vermont, contributed half of employees' required down payments (typically $1,000 to $2,000) to purchase units in the Flynn Avenue Co-op. Half of the 28 units were designated for those earning at or below 50 percent of the median income; 13 units for those between 50 and 80 percent; and 1 unit for a household whose income is between 80 and 100 percent of median. Flynn Avenue Co-op's success has led to the development of two other limited-equity co-ops in Burlington.

EAH can be combined with other tools that result in lower overall housing costs, as well as with tools such as living wages that raise workers' income.

Lenders may also be encouraged to make their own contributions to EAH programs to meet CRA compliance requirements.

Program Design

Initial Assessment

The first step that communities should take when contemplating EAH is to conduct a needs assessment to understand the market conditions of the community, housing challenges faced by workers, available resources, and employer interest. Some questions to ask in such an assessment include:

- What are the housing market conditions—housing costs, availability of affordable units, market activity, and planned construction? Is the community a strong or weak housing market?
- What are the housing needs of low-income residents and workers in the community? How large is the affordability gap?
- What broader equitable development goals could a local EAH program serve? Neighborhood revitalization? Jobs/housing balance? Smart growth?
- Will the level of benefit available be sufficient to alleviate housing burdens of working families, given local housing market conditions? What is the gap between likely EAH assistance and the housing costs facing workers in different income brackets?
- Is there adequate capacity for program administration, marketing, monitoring, and evaluation to ensure success?
- 7Can the assistance be made available and useful to lower-income residents? Are there opportunities to support rental assistance, credit counseling, and affordable housing construction along with homeownership?
- Are there supportive local, state, or federal policies that employers can access? If not, what is the potential for policy advocacy to create such incentives?

There are at least seven characteristics that are likely to influence individual employers' level of interest in offering EAH and what kind of EAH strategy will appeal to each:

- **1Commitment and initiative of company leaders.**
- **2Alignment of company mission with the strategy.**
- **3Industry sector.**
- **4Proportion of low-wage workers relative to the total workforce.**
- **5Company location(s) relative to housing that workers can afford and to public transportation.**
- **6Strength of employer connection to a given location and community.**
- **7Existence of a business interest in the strategy (for example, home mortgage lenders may have a particular interest in mortgage assistance).**

These employer characteristics should be assessed and taken into consideration when designing programs and promoting them to different employers.

Design Elements

The effectiveness of EAH is heavily dependent on design. Program design varies depending on the resources of the available partners, the size and demands of the program, and the type of assistance offered. The following section describes how different types of employers structure EAH programs.

Private and Nonprofit Employers

Private and nonprofit employer programs often involve three-way partnerships between an employer or a group of employers, an administrative partner, and a technical assistance provider.

- The *employer* generally provides the funds, screens employees for eligibility, refers employees to the program administrator, markets the program to employees, and, in limited cases, may administer some of the benefits.
- A *nonprofit or governmental administrative partner* oversees the bulk of the program. For a demand-side program this means distributing the benefit, providing counseling and information on realtors and lenders, and assisting with obtaining a loan or other assistance. For a supply-side program, this means administering employer contributions and distributing funding to developers. The administrative partner may be a local nonprofit housing agency, community development corporation, community-based organization, or local government housing or community development agency.

A nonprofit *technical assistance provider* often provides expertise in program design and start up, program tracking, and providing ongoing advice and assistance. They are usually only involved in demand-side programs.

Key Players

Employers. The most compelling reason for employers to participate in EAH programs is enlightened self-interest linked to their financial bottom line, although many certainly also see benefits in "doing good." The cost savings resulting from reduced turnover and lower costs of recruitment, retention, and training are key selling points, as are greater employee morale and loyalty, and improved community relations. These benefits are real for employers that have created EAH programs—as many spokespersons will attest—and should be well marketed to potential participating employers. It is also important for all partners to recognize how the business climate relates to the ability of employers to participate: While the local economy is hot, employers may be far more willing to contribute than when the market slows. The program should establish a baseline commitment for employers that allows them to remain in the program through periods of expansion and contraction. One additional selling point for employers is that, since the bulk of the program is handled by an outside agency, administrative burden for the employer is minimal.

Some employers are more suited to EAH than others. The employers with the most potential to provide a real community benefit are those that are rooted to the community in which they are located (such as anchor institutions), those that face high workforce retention and recruitment challenges due to the lack of nearby housing for workers, and those that have a demonstrated commitment to community involvement. If there are no large employers that meet these qualifications, a consortium of multiple smaller employers could make sense.

Partner Roles

EAH programs are rarely run by an employer. Having an administrative partner that raises other funds and carries out most of the work leverages the skills and talent of each organization and makes it easier for employers to participate.

Employees. Although it may seem that employees are the easiest component of the program to enlist, employees may believe they are ineligible, think that the assistance will be ineffective, or may lack information about the program. Effective marketing and outreach to employees is crucial to ensuring participation levels sufficient to ensure program impact and sustainability.

Residents. For EAH to benefit communities, existing residents must be involved. An EAH program must take the needs, desires, and capacities of residents into account. What form of assistance do residents want and need? What can they afford? Even with EAH assistance, will residents be able to afford down payments, or will rental assistance be more effective? In promoting EAH, resident interests must be central to the creation of the program.

Public agencies. Even if not directly administering the program, public agencies can help generate local support, provide data and technical assistance, help overcome development hurdles, provide connections to local businesses, and open up funding avenues that are unavailable to private organizations.

Nonprofit partners. Generally employers do not have the expertise or the resources available in-house to administer a housing benefits program. Nonprofit partner administrators can devote more time and resources to the program than an employer, have an understanding of affordable housing and community development, have expertise in various types of affordable housing subsidies, and can offer adequate financial counseling to program beneficiaries.

Technical assistance providers. While nonprofit administrators are key to the functioning of the program, even local nonprofit housing organizations often do not have experience with the unique nature of EAH programs. Technical assistance providers can provide program start-up and tracking assistance, help tailor the program to meet specific needs, and provide ongoing expertise as needed. Local and national nonprofit organizations can play this role.

Local business groups. Private employers, local chambers of commerce, and other business groups can be key partners in marketing the concept to employers, establishing programs, and advocating for supportive policies.

Lenders. Lenders are important sources of low-cost housing financing products for EAH programs and must be convinced that they can benefit from offering discounted loan products. CRA compliance can be one motivating factor for lenders; increased business volume is another. Standardized lending products can be helpful in obtaining lender participation: Both Fannie Mae and Freddie Mac have a range of very low down-payment loan products that can be used by EAH programs. These products encourage lender participation in EAH programs by minimizing lender risk with the guarantee that low-equity loans will be purchased on the secondary market.

Challenges

Achieving Real Benefit for Low-Income Working Families

Evaluations of EAH programs attest that they are much more effective at meeting the housing needs of moderate-income workers rather than low-income ones. In high-cost housing markets, the level of assistance typically offered by EAH programs cannot bridge the affordability gap faced by lower-income employees. In areas where median home prices are $200,000–$300,000, $3,000 in down-payment assistance may be a significant bonus for middle-income workers who would be able to afford housing otherwise, but will do little to help low-income workers purchase their first home. In this context, homebuyer assistance programs may be inappropriate and rental assistance might be more effective, but employers are generally more apt to help employees purchase than rent homes because homeownership is an asset-building strategy. These factors should be taken into account in deciding what components will be most effective.

Avoiding Gentrification and Displacement

By increasing ownership rates and bringing new housing investment into a neighborhood, EAH can increase gentrification pressures in a community. The designers of EAH programs need to anticipate that their strategies will be successful and build in program elements to ensure that existing residents are able to benefit as neighborhood conditions improve. Two ways to help ensure that displacement does not occur are to offer assistance to existing non-employee residents who would be threatened by displacement and to restrict employee assistance to lower-income, rather than mid- or management-level employees. EAH may be most effective in this regard when combined with local government income-targeted programs such as HOME and CDBG, ensuring that lower-income workers benefit. As noted, community oversight is also a necessary component to help ensure that EAH does not become a force of displacement.

Success Factors

Key Ingredients

Multiple/combined strategies. Program recipients may have widely disparate housing needs with respect to down-payment assistance, homeownership counseling, and credit repair. Their incomes and savings will vary, as will their ability to afford certain interest rates, down-payment amounts, or rents. Housing markets may change quickly as different price ranges and varying ratios of rental and for-sale housing come and go. To assist the widest range of possible recipients, a variety of benefit mechanisms is necessary. Using multiple strategies in combination gives the program maximum flexibility and impact. EAH is also most effective when combined with other equitable development tools.

Adequate administrative resources. The administrative partner must have a thorough knowledge of housing assistance, community development strategies, and mortgage finance, plus other skills depending on nature of assistance offered, and must have sufficient available resources to deal with the potential volume of program.

REACH Web site

Adequate financing. Although some programs can be initiated with relatively limited funding, high levels may be necessary to maintain programs and have significant impact. Few single employers have the necessary resources to maintain entire programs. Multiple employer funding, government financing sources, foundation funding, tax credits, and other funding sources in combination can give the program greater impact and sustainability. Availability of funding sources may change over time; multiple sources give the program flexibility to remain viable for the long run.

Adequate Financing

As of 2007, 1,300 employees had bought homes through EAH initiatives with MPC and REACH partners, with 413 in 2006 alone. The assistance they received from their employers ranged from $1,500 to $7,500 per household. Over 2,000 employees have benefited from REACH EAH programs in some way, including credit counseling and homeownership education.

Understanding of responsibilities. Given that EAH typically requires multiple partners, responsibilities must be clearly delineated: Employers, administrators, technical assistance providers, and other participants must each understand their roles. The REACH partnership in Illinois cites its *Memorandum of Understanding,* which clearly describes the role of each partner and is signed by the partners at program start-up, as a key to the success of the program.

Oversight. When used as a neighborhood revitalization strategy in weak market or transitioning neighborhoods, EAH has the potential to raise housing values and create gentrification pressures. Programs should be monitored to guard against negative effects on local residents. Oversight should be independent; groups involved in administration of or technical assistance for the benefit should not be involved in oversight, as there may be a conflict of interest. Local CBOs or other community groups not otherwise involved in the program could play this role.

Understanding local conditions. Employer-assisted housing requires a thorough understanding of local housing and labor markets: What type of housing is available at what price? What are workers able to afford in what areas? What types of industries are in an area, and what wages are being paid? Knowledge of these conditions is crucial to assessing the viability of a program; which employers, industries, and parts of the region should be involved; what kinds and levels of subsidy to offer; and what amounts of financing are needed.

Policy

State and Local Policy

Create EAH tax credits. A number of states, including Connecticut and Illinois, offer tax credits for EAH contributions, with similar legislation pending in other states. Although significant local EAH activity typically precedes state participation, state EAH tax credits provide incentives to encourage more employers to create EAH programs.

Provide dedicated matching funds. Municipal and state governments can dedicate funding streams to match employer contributions to EAH programs. In 2007, the Nevada legislature allocated $1 million to the Department of Business and Industry to provide grants for employers offering housing benefits. Maryland and Illinois also have matching fund programs (the Maryland program requires that employees use their own mortgage product). The cities of Baltimore and Philadelphia offer matching funds as well. Such matching funds can augment and extend EAH programs.

Earmark affordable housing trust funds. State governments can earmark some portion of affordable housing trust funds to go toward EAH programs. This strategy allows state agencies to provide matching funds, giving incentives for employer participation and leveraging significantly more resources. As with other public funding of EAH, this strategy should be evaluated in terms of the trade-offs: What else could be funded with those dollars?

Make EAH part of a comprehensive housing strategy. State and local governments can prioritize EAH as part of an overall affordable housing strategy. As part of this, they may dedicate some funding for EAH efforts from sources such as HOME, CDBG, TIF, general revenue, affordable housing bonds, and other sources.

Federal Policy

Housing America's Workforce Act. Introduced into the U.S. Senate and House of Representatives in 2005 and again in 2007 (S. 1078 and H.R. 1850), the Housing America's Workforce Act provides a 50 percent federal tax credit to employers for housing assistance targeted to low- and moderate-income employees. Rental assistance could be used toward security deposits or rental payments, while homeownership assistance could be used to subsidize down payments, closing costs, or contribute to employee homeownership savings accounts. The legislation treats housing assistance as a nontaxable benefit to ensure employees receive the full value of the housing benefit. To help employers that lack the knowledge and expertise needed to undertake an EAH initiative, the act would establish a competitive grant program so that nonprofit housing organizations can assist employers. This legislation has not yet made it out of committee.

Make housing benefits tax-exempt. Unlike other benefits, such as health insurance, housing assistance is taxable for beneficiaries. Adding EAH to the list of federal tax-exempt benefits would make the benefit more cost-effective for workers.

Case Studies

REACH (Regional Employer Assisted Collaboration for Housing) Illinois

At the start of the millennium, housing experts in Illinois received a wake-up call. Between 1990 and 2000, there had been a 49 percent increase in homeowners who paid more than 30 percent of their income on housing. In the Chicago region, population had increased by 11 percent and jobs by 16 percent, yet the stock of rental housing had not kept up. During that time, multifamily housing production grew by only 3 percent in the region, compared to 22 percent nationwide. Furthermore, the places that did provide affordable housing were on the opposite side of the region from the places with good jobs and other key amenities.

Compared to other metropolitan regions, researchers found that the Chicago area was under-producing housing. Traditional models of supply and demand were not at play. Non-economic barriers were shaping the housing marketplace. These barriers included the lack of state leadership on housing, poor public perception of affordable housing, and the number of municipalities shouldering the burden of advancing good housing policy (there are more than 270 mayors in the Chicago region alone!).

Facing rising housing costs and decreasing housing production, the state, nonprofit organizations, and employers collaborated to establish one of the most successful EAH programs in the country. REACH (Regional Employer-Assisted Collaboration for Housing) began with a pilot program, created by a suburban employer (System Sensor, a smoke detector manufacturer), a technical assistance provider (Metropolitan Planning Council), and a local nonprofit housing development corporation (Joseph Corporation). These groups worked together to provide homeownership counseling and $5,000 in down-payment assistance to allow 16 employees to buy homes within 15 miles of their work site in the program's first year. Another 60 employees enrolled in counseling. The pilot demonstrated that helping employees live near work brought major savings for employers in terms of employee turnover, recruitment, and training: The company saved approximately $100,000 the first year of the program. As of June 2007, 122 people had enrolled in the program and 67 had purchased homes.

A Pathway to Broader Housing Policy Reform

In Illinois, employer-assisted housing has catalyzed a broader dialogue about the links between housing and economic development, which has led to public policy change. The state adopted a comprehensive housing plan in 2005, and a number of innovative policies have come out of the plan, almost all with employer support.

Seeking to build upon the success of the pilot initiative, the Illinois Housing Development Authority created two financial incentives—a state tax credit for EAH and a matching funds program—to encourage employers across the state to contribute to workforce housing through EAH benefits.

The tax credit was first established in the legislature in 2002, via the new Illinois Affordable Housing Tax Credit, which authorized $13 million in affordable housing credits per year for five years. Of the yearly allocation, $2 million was set aside for employer-assisted housing and $1 million was set aside for technical assistance and general operating support, which can go toward homebuyer counseling. The benefit for an employer is equal to a $.50 state income tax credit for every $1 in cash, land, or property that a company invests in EAH programs that benefit employees who earn no more than 120 percent of area median income.

If the employer is a nonprofit, that credit is transferable. This legislation was due to sunset after five years, but was renewed in 2006 so as not to interrupt to pipeline of employers and developers planning ahead.

The state matching-funds program also supports EAH by providing a dollar-for-dollar match to employees whose companies contribute to down-payment assistance. Employees who earn less than 50 percent of the area median income may receive up to $5,000 in down-payment assistance and those making between 50 and 80 percent of AMI may receive up to $3,000. Most employers have chosen to offer the assistance as a forgivable loan to employees who commit to staying with the company for at least five years. REACH nonprofit partners provide credit counseling, homebuyer education, and assistance throughout the process.

The matching funds are specifically targeted to employers in Illinois that are partnering with MPC or Housing Action Illinois and a REACH nonprofit partner—community-based, nonprofit housing counseling agencies able to offer specialized homebuyer education as an outsourced service to employers. In addition to leveraging private-sector support for down-payment assistance and homeownership counseling, these funds help employees live closer to work, decreasing their commute times and improving their quality of life.

At first, the matching funds went to EAH programs in northeastern Illinois, where the network of nonprofits that MPC works with was located. In 2004, IHDA expanded the program to include 15 nonprofit partners outside of the Chicago area, bringing the network members to 28. Housing Action Illinois supports REACH partners outside of Metropolitan Chicago.

The REACH Illinois program has grown significantly since its inception. As of 2007, over 60 employers of all sizes and types are participating. Nearly 1,300 employees have purchased a home with their employer's assistance as a result; employer contributions have come to more than $1.7 million. While many of the programs are working to assist employees purchase in expensive, high job-growth markets, many employers are also supporting redevelopment, such as the mixed-income communities being developed through the Chicago Housing Authority's Plan for Transformation.

The program is also making efforts to reach low-income employees. What started out as simple down-payment assistance has now evolved, with some employers providing rent subsidies and Individual Development Accounts, and others investing more significantly in housing preservation and other strategies. Renters receive housing counseling from nonprofit partners, and their employers put in a monthly rental subsidy. Employees may save toward ownership, setting aside money for two years, at which time the employer provides a matching amount to be used toward a down payment.

The MPC views the REACH program as one means to a greater end: the reframing of the housing discussion as connected to broader economic development. Perhaps the most impressive outcome of the REACH Illinois model is the increased awareness that affordable housing and workforce stability are closely linked, and the resulting local and state policy change. Municipal leaders have begun forming their own housing agendas. In the suburbs, clusters of municipal leaders are even coordinating outreach to employers, creating meaningful partnerships to support local policy change and needed developments.

Since that wake-up call at the start of the new millennium, Illinois created its first ever housing policy in 2003, transformed that policy into a meaningful comprehensive housing plan in 2005, and mandated that such comprehensive housing planning continue. Numerous pieces of meaningful legislation have come out of this planning process, almost all of them with some employer support, including a state rent-subsidy program for very low-income households and, more recently, a school funding bonus in municipalities allowing affordable housing that advances the state's "live near work" and preservation goals.

In addition, the MPC and other groups drafted a federal Housing America's Workforce Act, drawing on local lessons learned from EAH. Recognizing that local and state policymakers can only achieve limited success without more federal support, MPC and others hope that this new legislation can reframe the housing discussion at the federal level akin to the way EAH has performed in Illinois, resulting in greater policy change and investment nationwide. This legislation has been introduced in the last two sessions of Congress, but has not yet made it out of committee.

Challenges and Keys to Success

Although REACH Illinois continues to enjoy increasing success, it also has constraints. Although efforts have been made to provide rental assistance, the emphasis remains on the down-payment assistance, meaning the programs on average tend to serve mostly moderate-income rather than low-income households. The median household income served in 2006 was $52,000.

One of REACH's keys to achieving its notable results is using various strategies to keep employers interested, from tax incentives to demonstrating to employers that they stand to benefit from reduced turnover and training costs. In marketing the program, advocates had to learn how to appeal to different sectors. The program also relies on the involvement of community-based nonprofits, which provide local knowledge and expertise and manage the details of credit counseling and income eligibility that employers would rather avoid.

To accommodate smaller employers not in a position to contract with a REACH partner for only one or two employees a year, Illinois also has piloted four small-business consortia to create greater efficiencies for companies with fewer personnel.

While EAH programs themselves can't solve Chicago's jobs-housing balance, Robin Snyderman of MPC says that the real take-away from the REACH experience for housing advocates might be the strategic value of introducing and leveraging employers' self-interest in the housing issue, so as to move policy change forward on a broader level.

Seattle Hometown Home Loan

Seattle experienced skyrocketing housing prices throughout the 1990s: Average home prices more than doubled from below $150,000 in 1990 to $310,000 in 2000, and area rents rose sharply as well. Homeownership rates also declined over the decade, and, as in other urban areas, were much lower in the city than in the surrounding suburbs. Lower-income residents who worked in the city were increasingly unable to live within city limits, particularly core service workers such as police officers, firefighters, and emergency services personnel.

The city was concerned about the inability of public employees to afford housing within the city because it could mean a lack of available extra emergency workers in the event of an earthquake or other major emergency. The environmental impacts of increasingly long commutes to and from surrounding residential communities was also generating concern. In 1994, the city council passed an ordinance creating the Hometown Home Loan mortgage discount program for public employees. The goal of the program was to increase public employee homeownership rates in order to enhance city community policing and neighborhood planning initiatives.

A Winning Strategy

Negotiating savings directly with a particular bank kept the costs of the program and need for subsidies low.

Deciding early on that it would seek to provide a housing benefit to employees with little cost to taxpayers and little direct city subsidy, the city entered into negotiations with HomeStreet Bank, a major lender headquartered in Seattle, to provide mortgage discounts to program participants in exchange for marketing access and expectations of increased lending. The city successfully leveraged discounts in part by convincing the bank that HomeStreet's existing mortgage holdings in the area would be augmented by increased homeownership in the city, and in part because the city already had substantial holdings with the bank, giving it additional clout.

The Hometown program offers borrowers a 50 percent reduction in loan origination fees, lower appraisal fees, free credit reports, a lower escrow fee, and, most significantly, no overage. Cost savings to borrowers depend on the purchase price of the home, but generally average between $1,700 and $2,500. Leigh Bezezekoff of HomeStreet says this savings can make a big difference for many of their first-time buyers, either those who have trouble coming up with that much money at once or those who need to move quickly to avoid being shut out by an escalating market.

The program is administered in Seattle by the city Office of Housing. City costs are limited to administration and marketing, and HomeStreet's employment of a full-time outreach coordinator keeps even those administrative costs minimal.

The Hometown program is also available to members of certain unions regardless of their employer. For a number of years, the AFL-CIO Housing Investment Trust offered AFL-CIO members an additional 1/4 percent mortgage-insurance reduction for the life of a loan and a mortgage buy-down in the form of a 1/2 percent interest-rate reduction for the first five years of the mortgage. However, the program expired once the funding commitment of $2 million was reached. Since then, HomeStreet has extended the Hometown program to members of the AFL-CIO, the Change to Win unions, and a few other unions throughout Washington, Oregon, and Hawaii (the areas where HomeStreet does business).

HomeStreet provides homebuyer education classes, lending counseling, credit counseling, and other assistance to prospective buyers and partners through their relationships with local nonprofit agencies.

Although the Hometown Home Loan Program was initially designed for city employees, high levels of interest in the program motivated the city to expand the program to include private partners. Over 40 employers in Washington, Oregon, and Hawaii have signed on to the program, including the city of Portland, Oregon. In May 2007, Portland renewed its commitment to the program, promised additional marketing efforts, reinstating on-site educational sessions, and actively encouraging private employers to get involved.

Approximately 700,000 employees and union members are eligible for the program, which has closed more than 3,800 home purchase loans and almost 2,750 refinancing loans. The University of Washington, Seattle's largest employer, has closed more than 2,200 mortgages; the City of Seattle, 622; and Multnomah County, Oregon, 307.

Challenges and Keys to Success

Understanding the lending process, achieving lender participation, and successfully marketing the program to employers and employees were some of the challenges experienced by the program. In Seattle, where the average home price as of August 2007 was $439,000, and where there are few homes available for less than $150,000, the program's ability to benefit low-income groups is questionable, particularly if housing costs continue to rise. To respond to this gap, HomeStreet, Fannie Mae, and the City of Seattle have worked to develop methods to leverage down-payment assistance and innovative loan programs to assist lower-income buyers.

The Office of Housing cites clearly defined program goals, sufficient program monitoring, and program flexibility as key to keeping the program responsive to ongoing needs. Another obvious key was successfully negotiating discounts with HomeStreet; the elimination of overage and the staffing of the Hometown program with salaried lending officers, in particular, were important to realizing savings for borrowers. The leverage of the city as a major customer with the lender was an additional asset in negotiating the discounts.

Rochester First Homes, Rochester, Minnesota

In the late 1990s, Rochester, Minnesota, was experiencing housing shortages so severe that even mid-level employees of local businesses were often unable to afford housing. Teachers, daycare providers, service employees, and other lower-income workers were even more dramatically affected. An estimated minimum of 3,000 affordable units was needed in the area to alleviate the shortage.

In 1999, the Rochester Area Foundation and the Greater Minnesota Housing Fund (a development finance agency that covers Minnesota outside of the metropolitan Twin Cities area) approached the Mayo Clinic (the area's largest employer) to discuss how the rapid growth of the clinic and other area businesses was one major cause of the crunch.

To address the crisis, the Rochester Area Foundation committed $1 million and the clinic committed $4 million. Then the clinic offered three different challenge grants of $1 million each, in a one-to-one match, to encourage other employers in the community to step forward. Approximately 100 employers responded, and with support from the Minnesota Housing Finance Agency, Rochester First Homes was created. The foundation has raised more than $14 million in pledges, which has helped leverage another $115 million.

Originally, First Homes contributed to mortgage down-payment assistance for area workers and construction financing for affordable-housing developments. Units built through the program include affordable rental townhouses and for-sale homes. Townhouse rents are below market-rate; home purchase prices vary, but are limited to about $159,000. Assistance is restricted to recipients earning less than 80 percent of statewide median income. The down-payment assistance consisted of soft second mortgage "gap" loans of up to $15,000.

Today, the crisis in housing supply in the Rochester area is not as severe, and Rochester First Homes has shifted its focus from subdivision development and down-payment assistance to community land trust work and neighborhood reinvestment and preservation. For properties developed through the community land trust model, the homes are sold, but the land is owned by the trust and deeded to the homebuyer for renewable 99-year leases. First Homes provides homebuyers under the land trust program with $40,000 to purchase the land, which it holds in trust, and $10,000 gap loans. Community Housing Partnership, a local nonprofit housing agency, provides financial counseling for homebuyers.

First Homes is relatively unusual in that assistance funded by employer contributions is not limited to employees of participating companies, and units constructed by the project are available to any area low-income buyers. This was a result, says Allen, of the Mayo Clinic recognizing that the large hotel and service industries of the area “make Mayo work.” With an economy so strongly dependent on one major employer and the businesses that feed it, Mayo saw that it was in its interest to take responsibility for not only its own employees, but the impact that it had on the area.

Since its inception, First Homes has funded the purchase of 170 homes through the community land trust and 350 homes under the down-payment assistance program. It has also subsidized the development of 376 rental units. In 2007, First Homes surpassed its goal of 500 for-sale homes and 375 rentals and is expanding its work to include other community revitalization initiatives, including neighborhood planning.

Challenges and Keys to Success

It took a couple tries to create a program that was flexible and met the community's expectations, says Allen. "When you have that much money and a clear mandate it would seem easy, but it takes a lot work," he says.

A major key to getting through that challenge was having an organization "committed to that final outcome and committed to be there until that outcome," says Allen. The Rochester Area Foundation, under whose umbrella First Homes operates, served that function. "I don't know we would have the success we've had if . . . the foundation had spun it off to an outside organization," says Allen.

Other keys to success include the combination of multiple financing sources, and keeping the program design simple so that all participants—lenders, realtors, developers, administrators, and beneficiaries—can understand it and none are unduly burdened. Strong and supportive statewide agencies were indispensable in getting the project off the ground. Allen adds that having big vision and a big plan was actually important to First Homes' success, because a big plan can attract big money and therefore have a significant effect.

Resources

Selected Programs by State

Connecticut

Urban Rehabilitation Homeownership (UR Home) Program:

Down-payment and closing-cost assistance for state and municipal employees and employees of participating private-sector partners in Bridgeport, Hartford, New Haven, New London, Waterbury, and Willimantic. Administered by the Connecticut Housing Finance Authority.

www.chfa.org/MainPages/URHomeProgram-2006.htm

District of Columbia

Howard University-LeDroit Park Neighborhood Initiative:

Howard University and local CDCs partnered with Fannie Mae as part of their University-Community Partnership Program. Offers grants for closing-cost assistance.

www.fanniemae.com

D.C. Employer Assisted Housing Program

Administered by the District of Columbia's Department of Housing and Community Development. Qualified government employees can receive interest-free and low-interest loans for the first-time purchase of a house, condominium, or cooperative apartment.

http://dhcd.dc.gov/dhcd/cwp/view,a,1243,q,615576.asp

Illinois

Regional Employer-Assisted Collaboration for Housing (REACH): www.reachillinois.org

Maryland

House Keys 4 Employees:

Administered by the Maryland Department of Housing and Community Development (DHCD), this program will match employer contributions dollar-for-dollar, up to $5,000, toward downpayment and closing costs for homebuying employees receiving a Maryland Mortgage Program loan. There is a Smart Growth enhancement to the program (Smart Keys 4 Employees) that doubles the DHCD match for borrowers that buy homes in Priority Funding Areas and within 10 miles of their place of employment or within the boundaries of the local county.

Baltimore City Live Near Your Work:

The City of Baltimore provides matching funds of up to $1000 for employer contributions to the down payment and closing costs of employees who purchase homes in targeted city neighborhoods near their worksites.

http://www.livebaltimore.com

Michigan

Michigan State Housing Development Authority Employer Assisted Housing Program:

Works with employers to create housing benefits programs and contributes a zero-interest down-payment loan of up to $5,000.

www.michigan.gov/mshda/0,1607,7-141-41342_42028-165141--,00.html

Minnesota

Greater Minnesota Housing Foundation:

www.gmhf.com/programs/eah/program_profile/EAH.htm

First Homes, Rochester:

www.firsthomes.org

Mississippi

Mississippi Housing Assistance for Teachers:

Forgivable loan of up to $6,000 toward down payment, closing costs, or PMI for teachers who agree to serve at least three years in a district with a teacher shortage.

www.mshomecorp.com/homebuyers/hat%20program.htm

New Jersey

Close to Home New Jersey:

Administered by the New Jersey Housing and Mortgage Finance Agency, along with Fannie Mae and participating employers.

www.state.nj.us/dca/hmfa/consu/buyers/close/assisted.html

Pennsylvania

Employer Assisted Housing Initiative:

Administered by the Pennsylvania Housing Finance Authority, this statewide program combines existing state closing-cost assistance and below-market interest rates with employer housing benefits. In addition, participating lender Keystone Home Loan offers a program that targets families with children or disabled individuals at or below 80 percent of their county's median income.

www.phfa.org/consumers/homebuyers/employer_assisted_housing.aspx

University of Pennsylvania West Philadelphia Initiatives:

Employees of the university can receive a five-year forgivable loan of $7,500 to purchase a house in a targeted area of West Philadelphia. The loan can be used for a down payment, closing costs, or home improvements.

www.upenn.edu/campus/westphilly/housing.html

South Dakota

South Dakota Employer Mortgage Assistance Program:

Very low-interest second mortgages contingent upon a five-year commitment to stay with the participating employer. Funded by employers and State Homeownership Bond Reserves.

www.sdhda.org

Virginia

Arlington County Workforce Housing Initiative:

Employees of participating employers have access to closing cost assistance if they use participating businesses and flexible mortgages and down-payment assistance through Freddie Mac's Workforce Home Benefit. They also get the first chance to buy certain below-market units throughout the county.

www.arlingtonva.us/Departments/CPHD/housing/initiative/ CPHDHousingHousing_InitiativeMain.aspx

Washington

Hometown Home Loan Program:

www.homestreet.com/programs/about/index.aspx

Technical Assistance Providers

1. **Freddie Mac**. Freddie Mac's Workforce Home Benefit, launched in 2004, is a package that helps employers set up an EAH program and offers special loan products and assistance to those participating. Also, since June 2005, Freddie Mac has permitted employer-assisted housing programs access to all lending products, such as the Alt97 program, HomeWorks, Affordable Gold 5, Affordable Gold 3/2, and lease-purchase programs.

www.freddiemac.com (search to find the WHB description)

2. **HUD HOME Program**. HOME technical assistance funding can be used for the development of EAH programs.

www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm

3. **Neighborhood Reinvestment Corporation's NeighborWorks® Network**. NeighborWorks® organizations (once called Neighborhood Housing Services) have administered a number of EAH programs nationwide. Local NHS groups may be able to provide technical assistance for program startup, or may be potential administrative partners.

www.nw.org

4. **Metropolitan Planning Council.** Using their experience from creating the REACH program, MPC offers employers and community organizations throughout the country technical assistance in EAH program development and implementation, strategic employer outreach, and policy reform strategies.

www.metroplanning.org/ourwork/articleDetail.asp?pageID=3&objectID=3286&categoryID=2

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