

SANTA BARBARA COUNTY

EMPLOYER-ASSISTED HOUSING

Santa Barbara has the dubious distinction of vying with San Luis Obispo as the most expensive housing market in the country. The Housing Trust Fund of Santa Barbara County (HTF) is taking steps to get employers involved in helping to solve the problem with an employer-assisted housing strategy.

The HTF, a private-nonprofit partnership striving to improve affordable housing opportunities, spent the past year researching employer-assisted housing best practices from across the country. From that, they have developed a hybrid approach that engages employers, developers, local governments, financial institutions, and others.

- ✓ Employer-assisted housing
- ✓ Housing trust fund
- ✓ For profit-nonprofit partnership
- ✓ Creative public-private collaboration
- ✓ Advocacy efforts to reduce NIMBYism
- ✓ Impact fee waivers or reductions
- ✓ Density bonus programs
- ✓ Expedited permitting processes

Santa Barbara faces significant housing cost and production barriers

The development of this strategy comes at a crucial time for current and hopeful residents of Santa Barbara County. Throughout coastal California, and particularly in Santa Barbara County, the affordability gap between median incomes and housing prices has steadily risen since 1998. Housing production has been virtually stagnant over the last 20 years, despite an increasing population. Exacerbating the problem, a typical project in the county can take up to four to five years to be approved, driving up holding costs for developers and further adding to the price of a home.

According to HTF Coordinator Jennifer McGovern, who has spearheaded the EAH effort, the average family or employee can no longer afford to buy into the market in Santa Barbara. “If they don’t already own a home, they simply cannot afford to buy a home here anymore,” she says.

As the current resident population ages and begins to retire, Santa Barbara County will likely face a dwindling workforce; workers who replace them may be forced to commute from farther and farther away, affecting local services. Evidence of this phenomenon has already surfaced, as local sheriffs have invested significant time and money in hiring new recruits, only to have them leave after completing training because of the cost of the county's housing.

Toolkit of techniques for employers is the first major approach

The first of the hybrid of strategies in the HTF's employer-assisted housing effort targets employers. The HTF has developed a toolkit of employer-assisted housing techniques for employers to make it easy to offer employees a housing benefit.

Employers can choose to offer financial assistance options including:

- ❖ A mortgage interest rate buy-down, in which the employer provides a one-time upfront payment to lower the mortgage interest rate;
- ❖ Downpayment and secondary financing loans;
- ❖ An equity-sharing arrangement, in which the employer and employee co-invest to purchase the home; and
- ❖ Mortgage assistance payments.

The HTF will match employer benefits using a capital fund currently being developed. The fund will be supplied by local government contributions (primarily from in-lieu fees paid by developers under inclusionary zoning ordinances), private philanthropy, foundation program-related investments (PRIs), and other sources.

Income eligibility for assistance may vary depending on the type of assistance, but McGovern notes that even households with incomes of over 200 percent of the area median need assistance to purchase a home in Santa Barbara. In addition to income eligibility, assistance is also conditional on the buyer being a qualified employee of a participating company. Due to the expected high demand for employer assistance, both the employer and the HTF will give preference to those who live closest to their place of work in order to better serve people who live and work in their own community.

Second major approach engages developers and others

The second major piece of the hybrid EAH strategy engages the development community by building partnerships between builders, employers, financial institutions, and the HTF. For example, the HTF is encouraging the use of pre-sales agreements, in which employers purchase a certain number of units prior to construction of the property for employees. Developers save on marketing costs, reducing the cost of the housing, and employers save time and resources on searching for available units.

The HTF is also developing pre- and post-entitlement partnerships with developers, in which the HTF will facilitate financing for construction either before the developer has obtained permits (pre-entitlement) or after (post-entitlement). The financing will be provided primarily by a consortium of employers with matching funds from the HTF. Financing offered by the consortium would provide savings to developers from the high interest rates typically charged on pre-development loans, reducing the cost of the housing units. These savings are passed on to employees in the form of lower house prices.

McGovern said the HTF may also develop a land trust with employer involvement in acquiring and holding land. She noted that holding costs on property in Santa Barbara County can be very expensive, particularly with an approval process that can take five or six years. Savings on property holding costs would be passed on to the employees of participating employers in the form of reduced housing costs.

The HTF already has commitment from several developers to participate, and is working to connect them with local employers, including three who have already committed. McGovern expects the first project, a 275-unit townhome/condo project, to be approved by the city of Goleta shortly. Using the development agreement fee required by the city and matching contributions provided by employers, the HTF will assist the city with providing homebuyer assistance.



The employer match will enable the city to double the number of households who will receive homebuyer assistance. In addition, the HTF will help with pre-sales of units, reducing marketing costs for the developer. Employees of the contributing employers will be given a preference in qualifying for the homebuyer assistance.

Over the next several years, the HTF aims to facilitate another five to seven major projects, and in doing so, increase significantly the size and scope of its employer-assisted housing strategy.

Employers have several other options for participating in EAH

In addition to these two major efforts to encourage employer-assisted housing, the HTF is also encouraging employers to help reduce the price of housing generally by providing direct development assistance; entering joint venture and financing partnerships; making direct land contributions or investments in the HTF for workforce housing purposes; and participating in a master lease program for rental housing.

The HTF is also encouraging employers to assist employees with rental housing. The HTF plans to assist employers in identifying potential affordable rental unit options for their employees, many of which will likely be units that have been built using HTF's well-established revolving loan fund.

McGovern believes that the relationships employers will develop with the local government, the development community, and their employees through their participation are likely to create even more positive externalities beyond just their bottom line.

Among other things, the HTF hopes employers will gain an effective recruitment and retention tool, reduce their hiring and training costs, and reduce employee absences from work, all of which will contribute toward improved employee morale and productivity.

According to McGovern, the incentives overall serve a fairly simple purpose. “We want employers to understand that it is expensive to do business in this area,” she said.

A challenge the HTF faces that is crucial to the success of the program is employer participation and commitment. The HTF has made significant efforts to demonstrate to employers how participation in the program can be cost effective through the program’s strategic and incremental methods.

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-Jennifer McGovern

The HTF has taken a number of steps to address some of these challenges, including substantial public education and advocacy efforts that both promote awareness of the affordable housing issues Santa Barbara County faces, and discuss specific steps that can be taken to help solve the crisis including participation in employer-assisted housing.

EAH strategy is still in development stage

The EAH program is in year one of a three-year pilot phase, in which the HTF hopes to build the foundation of the program and establish the relationships between employers, employees, developers, and the local government that will facilitate its



long-term viability. The direct involvement of all key stakeholders is one element that makes the Santa Barbara County EAH strategy particularly unique, and that McGovern hopes will enable it to achieve much greater success.

The Goleta Valley Chamber of Commerce, for example, is currently working on changes to the general plan to improve the city’s workforce housing potential. They, and other local organizations and governments, will play a critical role in facilitating and

encouraging participation in the EAH effort by developing policies that align with EAH goals. For example, the HTF hopes that local governments will offer incentives for affordable housing to developers such as fee waivers or deferrals, density bonuses, and expedited permitting.

Lessons for other communities: solicit input, have patience!

McGovern says that obtaining as much employer input prior to the formal design and implementation of the program is crucial to its success. Many employers have common concerns and needs, including how to select which employees will qualify and how to address the lack of capital and/or approval from national headquarters in the case of nationally affiliated nonprofit organizations.

McGovern suggests using focus groups and one-on-one stakeholder interviews to help solve some of these issues, and to get a better understanding of the employers' perspective.

Patience is also an important virtue when attempting to implement an employer-assisted housing strategy. There are many players involved - each of whom has different needs and priorities - and many pieces that need to fall into place to achieve success. While the Santa Barbara HTF received very positive initial response to the strategy from many community members, the timing of the various pieces since then has not always fallen in the order the HTF hoped it would, making it difficult to maintain interest and commitment among important stakeholders.

The HTF and McGovern are nevertheless doing their best to maintain and emphasize the long term vision of this strategy, recognizing that such an effort will take several years to fully develop and achieve measurable results.

"We think our idea is sound, it's just a matter of getting all the pieces together," McGovern said. The HTF has a very long-term vision – we don't anticipate housing problems to go away, they will only get worse."

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