

Employer-Assisted Housing

Strategy description

Under employer-assisted housing strategies, employers finance or otherwise assist in the provision of affordable homes for their employees in the community where their business operates. Employer assistance can include funds for a portion of the down payment, closing costs, a soft second mortgage,¹⁷³ or a permanent interest rate buy-down on the employee's first mortgage; subsidized homeownership or rental counseling; and developing and managing rental properties for employees.

States and communities have adopted a number of strategies to encourage employers to increase the affordability of their employees' housing. States may provide income tax credits for employers who invest in affordable housing; communities may work to enlist local nonprofits to manage employee benefit programs related to affordable housing.

History of the strategy

Employer-assisted housing has a long history, going at least as far back as the 1880s with Pullman-founded company towns. More recently, in the 1960s, the University of Pennsylvania began offering an EAH program for its staff. Other employers followed suit. The 1990s greatly expanded the use of EAH programs, as nonprofits became involved and as local governments began offering incentives for the programs.¹⁷⁴

Target population

This strategy is targeted at current or potential employees in need of greater access to affordable housing, either through financial assistance or through increased supply

How the strategy is administered

There are many different ways in which this strategy can be implemented, and therefore numerous ways in which it can be administered.

- States, cities, districts, or other municipalities can establish and administer housing funds and/or tax credits to employers that provide EAH. They can do this either independently or as a joint venture.
- Specific employers can develop and administer their own, independent program or they can partner with other employers to create a shared program

How the strategy is funded

Funding varies widely, depending on the specific program. Some employers fund their programs directly; states and local governments often help fund them through matching funds, tax credits, direct financing, loans, or a combination of these. Fannie Mae works with employers

interested in offering an employer-assisted housing benefit to create an EAH plan and identify lenders and other partners. Employees who receive the benefit (such as a forgivable, deferred, or repayable second loan, a grant, or homebuyer education) and are approved for a mortgage by the lender obtain a mortgage with terms specified by Fannie Mae's Employer Assisted Housing mortgage product.

Extent of use of the strategy

Moderate use.

Examples of locations where the strategy is being used

- The State of Florida recently appropriated \$50 million to encourage innovative workforce housing development. Grants will be awarded to teams that include a developer, an elected official creating regulatory or financial relief, and an employer providing support for the development.¹⁷⁵
- In Connecticut, the Employer Assisted Housing Revolving Loan Fund, created in 1994, provides for business tax credits in exchange for employer contributions to revolving loan funds for employer- assisted housing.¹⁷⁶
- The City of Santa Barbara, CA collaborated with a local financial institution to provide special mortgage financing for employees of participating companies. The Housing Trust Fund of Santa Barbara County is also working to provide tools for employers to offer employer-assisted housing as a benefit to their workers (see case study).
- In Minnesota, the Greater Minnesota Housing Fund has developed an EAH program that matches employer contributions for the development of affordable housing in their communities.
- Illinois provides employers a state tax credit equal to 50 percent of the employer's qualified investments into affordable homes.
- New Jersey's Casino Reinvestment Development Authority established a program in 1994, Home Ownership for Performing Employees (HOPE), designed to help employees of Caesars Entertainment and Resorts Atlantic City Casino Hotel obtain low-interest mortgages to purchase homes in Atlantic City. The program offers 100 percent financing with no mortgage insurance.¹⁷⁷
- The Regional Employer-Assisted Collaboration for Housing (REACH) is a partnership consisting of Community Development Corporations (CDCs) and other organizations that provide home-ownership counseling and oversee program administration for companies offering Employer-Assisted Housing. REACH recruits and serves multiple employers in the six-county Chicago metropolitan region.
- The City of Alexandria, VA operates a homeownership program for its own employees. The program provides zero-percent deferred payment loans of up to \$5,000 to employees who buy homes in the city.¹⁷⁸

Strategy results

Employers in Rochester, MN, including the Mayo Clinic, with 26,000 employees in the city, contributed a total of \$10 million for a regional affordable housing strategy. Combined with \$1 million from local foundations, \$3 million from the Minnesota Housing Finance Agency and \$5.5 million in financing from the Greater Minnesota Housing Fund, the project raised \$19.5 million. By the end of 2006, the effort produced 486 affordable single-family homes and 313 affordable multifamily homes.¹⁷⁹

Pros and cons to using the strategy and/or types of markets where the strategy is more or less effective

Pros:

- May directly contribute to the number of affordable housing units in an area.
- Improves recruitment and retention of employees.
- Reduces employees' commuting/transportation burden, as programs often encourage employees to live closer to work, and encourages employers to invest in affordable housing close to their place of business.
- Can increase a community's tax base through an increase in the amount of housing.
- May be a community revitalization tool, increasing stability in a neighborhood.
- The costs of providing and administering EAH plans are minimized or offset by the savings to the employer from reductions in turnover, recruitment/relocation, and training.¹⁸⁰

Cons:

- Employers tend not to be interested in providing affordable housing for workers unless they view high housing costs as a barrier to recruitment and retention of workers.
- Small employers may not find it cost-effective to manage an EAH program.

Sources of information about the strategy

- Lubell, Jeffrey, "Increasing the Availability of Affordable Homes: A Handbook of High-Impact State and Local Solutions," prepared by the Center for Housing Policy, 2006. Available at: http://www.nhc.org/pdf/pub_hwf_solutions_01_07.pdf
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- "Employer Assisted Housing: Competitiveness Through Partnership." Joint Center for Housing Studies at Harvard University and Neighborhood Reinvestment Corporation. September 2000. Available at: <http://www.nw.org/network/pubs/studies/documents/EAHCompPartner.doc>

- “Toolkit for Affordable Housing Development,” developed by the Washington Area Housing Partnership, 2005. Available at:
<http://www.mwcog.org/uploads/pub-documents/9VpbXg20060217144716.pdf>
- Florida Housing Data Clearinghouse website (provides a list of links to reports in workforce housing and employer-assisted housing):
<http://flhousingdata.shimberg.ufl.edu/apps/library.pl?topic=8&subtopic=3>
- Larson, Jennifer, “Employer Assisted Housing Resource Guide,” Greater Minnesota Housing Fund, 2002. Available at: http://www.gmhf.com/Publications/eah_guide.pdf

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