



Housing Assistance for Municipal Employees

A Municipal Action Guide

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THE CHALLENGE

Municipalities compete in the labor market for employees, especially police officers, firefighters, and teachers, at a time when housing costs are escalating and the availability of affordable housing is shrinking. Many cities have turned to creating employer-assisted housing plans as a fringe benefit to attract and retain these employees. Unfortunately, competing funding priorities often present challenges to these efforts. There are, however, immediate and simple measures that

cities may adopt to create more opportunities in the short run for employees to obtain affordable housing. Municipalities will be most successful in addressing the real issues of housing affordability, and developing long term solutions to the creation and preservation of workforce housing, with a multi-dimensional approach that includes planning at the city level as well as reaching out to build partnerships in the community.

STRATEGIES

Local governments should consider a multi-dimensional approach to developing employer-assisted housing programs. City officials and their staff must manage the overall process of developing and implementing a comprehensive housing strategy. Solutions can be crafted in stages and over time.

The important steps are to get started by establishing some priorities and adopting some measures to begin to develop a program that addresses the unique set of requirements for housing in individual communities. Assistance for municipal employees can be a part of the city's broader housing strategy.

Strategies for developing rental properties and home ownership options for employees should encompass planning at the community level, pulling together partners in the

community and ways to develop and capitalize on revenue streams from various sources. Planning for housing affordability solutions requires that local governments conduct a comprehensive needs assessment of housing stock, populations, and income levels. Solutions to address housing affordability are most often sustained through collaborations with many partners in the community. Local governments can develop partnerships with non-profits, businesses, and large employers such as universities and hospitals, financial institutions, along with state and federal housing agencies, in crafting housing options for employees along a scale of needs based on income and family size. The first and most obvious sources of revenue are state and federal government assistance programs, and cities should explore the potential of these options.

ACTION STEPS

Here are some suggested action steps for developing employer assisted housing programs.

Planning

Determine the needs/availability for housing of employees. Typically, the biggest obstacles are affordability, cash for down payments and closing costs, understanding the home-buying process and financial literacy.

Consider setting up an informal task force to identify needs and explore program options. The human resources department is a key agency to assist in feasibility studies. Often, a task force can be helpful in determining these needs. Participants might also include employee representatives as well housing department experts.

Seek the best partners to help make programs effective. Engaging such partners in the planning process may help

ensure their effective participation in implementation. (See below for more on partners.)

Explore low cost programs as a benefit.

- Offer home-buyer education classes
- Offer time off to attend classes
- Provide paid leave for moving day
- Develop a local housing resource guide for employees
- Sponsor a housing fair for employees

Consider offering more than one kind of direct financial incentive. These can be tied to longevity or targeted to groups with high turnover. The most popular options are:

- One time grants
- Forgivable loans
- Matched savings specifically earmarked for down payment and /or closing costs
- Bonuses tied to first home purchase or rentals within the city limits

Consider utilizing municipal property assets to provide housing. For example, local governments can make available city owned rentals, land, or other properties (such as foreclosures) at below market rates to municipal employees.

Explain what is being done and why to the public. Communication through the media and at public meetings early in the process will surface obstacles and provide opportunity to persuade people to support the programs.

Follow-up, monitor, evaluate, and establish mileposts when decisions can be made about appropriate revisions.

Integrate the planning for housing benefits for municipal employees with the comprehensive housing plan for the community. Regulations, revenue streams, population changes, land use and infrastructure issues should be reviewed to determine the extent to which more housing can be made available.

Partnering

Meeting the housing challenges for municipalities large and small will most likely succeed when there is involvement of other entities that bring needed resources and expertise to the effort.

Talking Points About Benefits of Employee Housing Assistance

- Plays a role in community revitalization
- Adds to tax base
- Provides direct economic benefits to the local community
- Reduces air pollution by reducing commuting
- Maintains economic health by holding down labor costs, reducing congestion
- Builds healthier, safer, and more attractive communities
- Offers attractive benefits package
- Reduces employee turnover
- More “bang-for-the-buck” – only involves cost if employees use the benefit, unlike health insurance
- Improves employee morale and performance
- Provides stabilizing force in distressed neighborhoods

Cities can form partnerships to:

- Provide tax breaks and other incentives to non-profits to assist in the leveraging of financing from private corporations, state and federal government, and other lending institutions.
- Donate, lease, or sell land and buildings to support the building of homes for homeownership and rentals, if the partnering organizations are developers.
- Offer courses in homeownership counseling and credit repair, and conduct needs assessments to identify neighborhood problems and provide outreach to residents.
- Ensure that the local mortgage lending process is fair and free of discriminatory practices.
- Create a steady supply of capital to fuel homeownership growth.

Potential partners include all levels of government, businesses, employers, financial institutions and non-profit housing and service providers.

Housing Assistance for Municipal Employees

Resources

State Government. In many states, local governments are usually eligible to receive grants, loans, and some technical assistance to support their housing development for employees. The programs can be used in conjunction with the local programs. Each state has its own process for determining the eligibility for participation in these programs. Examples include: demolition of dilapidated structures, clean up of vacant properties, preservation of historic properties, adaptive re-use programs, and brownfield redevelopment.

Federal Government. Federal programs are often the largest contributors to housing development in cities. These housing funding sources usually have eligibility criteria which include formula allocations based on population, regulatory requirements, citizen endorsement and an approval process from local governments.

The US Department of Housing and Urban Development (HUD) has special programs designed to assist municipal employees. Go to the website for information about eligibility for the programs below:

<http://www.hud.gov/offices/hsg/sfh/reo/goodn/main.cfm>

- The Firefighter Next Door (FND) program helps make this goal a reality by encouraging these valuable professional public servants to become homeowners in revitalized areas.

- The Teacher Next Door (TND) program was established to offer single-family houses, townhouses and condominiums for sale to teachers at a 50 percent discount. The goal of this program is to encourage teachers to buy homes in low and moderate-income neighborhoods.
- The Officer Next Door (OND) Initiative offers HUD-acquired, single family homes to public police officers with the following significant benefits: 50 percent discount off appraised value, and only \$100 down payment required.

In addition to these specific programs for municipal employees, HUD offers programs that can be used to fund other housing developments. They include:

- Community Development Block Grants (CDBG) which provide direct funds to entitlement cities to meet locally identified community and economic development needs, including the construction of affordable for sale housing.
- HOME Investment Partnerships program. This direct formula program to cities helps expand and improve homeownership by rehabilitating owner-occupied buildings and by providing assistance to new homebuyers. HOME funds can be used to expand access to homeownership by subsidizing down payment and closing costs, as well as the costs of acquisition, rehabilitation and new construction.

EXAMPLES OF PROGRAMS

Albuquerque, New Mexico (pop. 448,000) The Workforce Home Benefit Initiative is an employer-assisted home ownership program that will give city employees access to flexible mortgage products, down payment assistance, homebuyer education and credit counseling. Groups included in the initiative are Freddie Mac, Charter Bank, Consumer Credit Counseling Services, the Enterprise Foundation, the Project Change Fair Lending Center, and United South Broadway Corporation.

Columbia, South Carolina (pop. 116,000) The City of Columbia's Community Development Department provides housing assistance for the purchase, rehabilitation, or construction of housing through different programs.

Under the Employee Home Loan Program, qualified city employees may purchase a home with \$1,000 down payment and receive below market rate financing. Under the Police Homeowner Loan Program, low interest loans are available to eligible City of Columbia police officers to rehabilitate residences within city limits.

Charlottesville, Virginia (pop. 45,000) In 2004, the Charlottesville Area Association of Realtors established a special trust fund to aid key members of its work force (teachers, police, nurses, and firefighters) to live in the communities in which they work. The CAAR Workforce Housing Plan is set up with the Piedmont Housing Alliance (PHA). Funds provided will be in the form of a

loan. PHA will essentially use the CAAR fund to provide candidates with no interest second mortgages that can be used to bring the purchase price down to a level that is affordable. The loan will be paid back into the fund upon the sale of the home. Foundations, corporations, and members of CAAR are investing in this project.

Irving, Texas (pop. 191,000) adopted a Homebuyer Assistance Program for city employees to provide deferred forgivable loans of up to \$30,000 for the purchase of a newly constructed home or up to \$15,000 for the purchase of an existing home. Assistance can be used for down payment, closing costs, mortgage buy down, interest buy down and minor repairs. Homebuyer education and free credit counseling classes are also offered.

Lexington-Fayette Urban County Government (LFUCG) Kentucky (pop. 260,000) LFUCG and the University of Kentucky (with more than 10,000 employees) developed a strong ensemble of community partners to develop the Live Where You Work Program, an employer assisted housing program, in 2003. Both UK and LFUCG budget funds to enable their employees to achieve home ownership with down payments being provided to qualifying employees in the form of forgivable loans. The loan amounts are determined by certain income criteria. The loan is forgiven after the homeowner resides in the home for five years. Fannie Mae, National City Bank, and Fifth Third Bank are participating lenders.

Manteo, North Carolina (pop. 1,052) has an ordinance to encourage developers to build affordable housing for the working class. Responding to the lack of affordable housing for school teachers, police officers, EMS personnel, and business employees, the town formed a new ordinance to address this problem. The ordinance allows guest houses and mother-in-law suites up to 600 square feet to be built as long as the owner lives on the property. There is an inclusionary zoning ordinance that allows lower-cost housing units to be scattered throughout a community instead of being clustered. In return for these new provisions, developers receive incentives such as deferred fees, density bonuses, bond financing, or land purchasing assistance.

Multnomah County, Oregon (pop. 529,000). More than 4,000 employees of Multnomah County are eligible to

apply for an affordable home mortgage program sponsored in part by the AFL-CIO. The Homeownership Opportunity Initiative will provide \$10 million in low down payment mortgages with reduced mortgage payments for the first five years, savings on mortgage insurance and easier qualifying ratios to AFL-CIO union members and county employees. Further enhancements offered by Home Street Bank, including over \$1,000 in closing cost reductions on a typical loan; translate into significant savings for buyers. The Portland Housing Center and the Vancouver Housing Resource Center provide counseling services to potential homebuyers. Some financial resources are available to buyers who meet certain income criteria.

The program is a national partnership between the AFL-CIO Housing Investment Trust, a national union pension real estate investment program, and Fannie Mae. The Trust invests union pension funds to purchase mortgage-backed securities, which allow the Trust to buy the loans originated from the Homeownership Opportunity Initiative.

New Orleans, Louisiana (pop. 484,000) launched a new rental assistance program to help lure quality teachers back to New Orleans class rooms. Under the programs 250 modular housing units will be installed on sites owned by the Recovery School District and the Orleans Parish School Board. The homes will be furnished and offered rent-fee to public school teachers who are residents of a parish damaged by hurricanes Katrina and Rita and who have a Federal Emergency Management Agency registration number. FEMA is footing the bill for the program.

Southfield, Michigan (pop. 79,000) The Employment Incentive Home Loan Program is designed to provide interest-free loans to City of Southfield employees for the housing programs within the city limits, to include purchasing a home, paying closing costs and/or down payments, and paying for home improvements in a newly purchased home.

For more information on programs for housing assistance for municipal employees, contact Bonnie Mann, in the Research and Municipal Programs Department at (202) 626-3125 or at mann@nlc.org.

