

# Employer-Assisted Home Ownership

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## Abstract

For a variety of reasons, employers are continually developing creative and cost effective ways to invest in their workforce and in their communities. One such measure that has evolved in recent years is the expansion of programs sponsored by employers - often in partnership with lenders or local or state governments - to assist their employees in purchasing a home. This report will summarize the workforce trends and community trends that have prompted the development of employer-assisted home ownership programs and will identify the common structures and partnerships these programs already utilize. This report will also address the role of employer-assisted home ownership as it might relate to the City of St. Paul and the Phalen Corridor Initiative. Finally, Part II of this report provides a framework in which to assess the viability of developing employer-assisted home ownership programs in our community.

## **Methodology**

The methods used to prepare this report include substantial primary research. Interviews were conducted with a broad range of community stakeholders, including the Phalen Corridor Initiative staff and the PCI Housing committee, City of St. Paul Planning and Economic Development, the St. Paul Port Authority, Northside Neighborhood Housing Services, Minneapolis Children's Hospital, Minnesota Housing Finance Agency, HOMELink, Greater Minnesota Housing Fund, Neighbors Helping Neighbors of Minneapolis, Abbott Northwestern Hospital, Neighborhood Planning for Community Revitalization staff, Macalester College professors Julie Bunn and George Latimer, Minnesota Department of Economic Security, as well as ongoing consultation with Dayton's Bluff Neighborhood Housing Services staff.

Interviews were also conducted with a number of housing specialists around the country who were knowledgeable about employer-assisted home ownership programs. Organizations contacted include: City of Baltimore Department of Housing and Community Development, City of Seattle Department of Housing and Human Services, Back of the Yards NHS of Chicago, Principal Residential Mortgage Co. of Des Moines, City of Tacoma Department of Housing and Human Services, *Select* Milwaukee staff, and Neighborhood Reinvestment Corporation.

Secondary sources of research included use of University of Minnesota libraries, the James J. Hill Library, newspapers and journals, internet databases, as well as various reports relating to Dayton's Bluff, St. Paul's East Side, and the Phalen Corridor Initiative.

## **PART I - Overview**

Successfully navigating the initial entry point into home ownership is often the most difficult hurdle for first-time or low- to moderate income buyers. In a survey conducted by The American Institute of Affordable Housing of 1000 non-homeowner employees age 18 to 44, 60% reported that standard down payment requirements were their greatest barrier to home ownership, and 44% of those surveyed believe that they could not be able to save enough money for a down payment without some assistance.

Employer-assisted home ownership is an urban initiative that enlists the public and private sector to find creative solutions to attract and retain quality employees, while at the same time, promote city neighborhoods. In these initiatives, an employer provides a benefit to its employees toward purchasing a home. Typically, these programs provide qualified employees with the opportunity to obtain financial assistance, access to below market financing, or in a few cases, actual housing owned by the company.

There are a number of forces at work behind these initiatives. First, employers are recognizing that increased work loads, longer commutes, and higher housing costs can undermine worker productivity and morale, and in turn leads to lower employee retention rates and higher recruitment and training costs. By promoting home ownership among employees, a company adds stability to its own workforce. Second, home ownership also works to bring stability and resources to a community by creating stakeholders who are invested in maintaining a safe, functional home and a healthy neighborhood.

In addition to receiving a financial benefit, employees who participate in their company's employer-assisted home ownership program generally have access to a range of home buyer education and financial counseling services. Typically, these services are provided by an area non-profit housing agency that is already well-acquainted with the community and the lenders. For first-time buyers or moderate income employees, this counseling component of employer-assisted home ownership programs allows employees an opportunity to take a comprehensive look at their overall financial situation, which in turn, increases the likelihood of successful home ownership.

## **EMPLOYER-ASSISTED HOME OWNERSHIP - An Historical Perspective**

At first glance, employer-assisted housing appears to be a carryover from the "company towns" of yesteryear. Company towns as they were used in the 1800s and early 1900s by some east coast and southern industries provided a modicum of workforce stability. However, in some instances these housing arrangements were also used as an important tool for social control. Since leases stipulated immediate eviction if an employee left or was fired, the company towns effectively squelched efforts to organize workers for better conditions or wages. Present day employer-assisted home ownership programs remove the paternalistic aspects of employer-controlled housing, and instead, are built on an equal partnership between employee and employer.

In fact, a review of the literature suggests that employer assisted home ownership programs have their roots in the organized labor movement and the cooperative housing units built to address the worker housing shortages felt throughout industry in the 1920s. With the introduction of suburbanization and rising interest in single family detached homes, labor organizations also began to finance single-family homes for their members through labor banks and loan societies during this time.

The stock market crash of 1929 and subsequent depression brought building starts to a halt, however, and by 1933, 49% of the home mortgages were in default. In what was an effort to both increase affordable housing options for workers and promote employment opportunities for building trade unions, housing committees were formed at the American Federation of Labor (AFL) and at the Congress of Industrial Organizations (CIO) in 1935. In 1937 organized labor was largely responsible for the passage of the Steagall Housing Bill, which became the first national legislation to identify the need for safe, affordable housing for lower-income workers. Labor organizations continued to lobby for government involvement in affordable housing, but it was not until housing shortages for defense workers became amplified during World War II that the federal government responded by building 1.6 million units.

In the 1950s, organized labor furthered its involvement in affordable housing through the creation of the United Housing Foundation, whose mission was to promote the use of pension funds for low-interest loans and equity investment for union members. In the 1960s and 1970s, organized labor built and then managed government-financed non-profit housing programs such as Section 8 and Section 202 Housing for the Elderly and Handicapped, where the principal return was job creation in the construction and maintenance trades. As federal funding from the U.S. Department of Housing and Urban Development was reduced by 80 % in the 1980s, however, union involvement in this type of housing also dropped off.

Local 26 of Boston's Hotel and Restaurant Worker's Union is credited for setting the standard for employer-assisted home ownership as the first collectively bargained housing benefit. In 1988, Local 26 signed a contract for a joint labor/management-administered housing trust fund, based on a 5-cents per hour per worker employer contribution to a type of trust known as a Taft-Hartley fund. Since housing trust funds were not considered legal benefits under the Taft-Hartley Act, union officials also took on the task of lobbying congress to amend Taft-Hartley. In 1990, an amendment to Taft-Hartley was passed, thereby formalizing the consideration of housing benefits in the collective bargaining process.

### **CURRENT TRENDS IN THE WORKFORCE - Employer-Assisted Home Ownership as Workforce Development**

Recent trends in the economy and the workforce have contributed significantly to the development of employer-assisted home ownership programs. Population declines of the 1970s and the "greying" of the workforce have led to labor shortages in some sectors of the economy. According to a study by the Hudson Institute, a shortage of skilled labor will be one of the major challenges businesses will face by the year 2000, typically for employees who earn less than \$35,000 annually. These labor shortages are now producing greater competition among employers to recruit and *retain* qualified employees. A 1989 study by Employment Management Association, while dated, provides useful data about the average costs of recruitment to an employer:

- recruitment costs for exempt-level employee: \$7,488
- recruitment costs for non-exempt employee: \$1,529
- recruitment costs for hourly employee: \$672
- average time lag in days between when terminating employee gives notice and the new employee starts work: 38 days

In addition, employees who live closer to their work will very likely have a reduction in commuting time, less absenteeism, greater productivity, and ultimately a higher quality of life.

In an effort to address some of these issues, companies that previously provided relocation and housing costs assistance only to their executive staff are beginning to turn their attention to the needs of the non-managerial and hourly workforce. Employer-assisted home ownership can be used as an excellent cost-effective recruitment tool when included in a benefits package. Employer-assisted home ownership programs are also valued for their employee retention potential, as a program can be structured to include some time commitment from the employee.

## **CURRENT TRENDS IN THE COMMUNITY - Employer Assisted Home Ownership as Community Revitalization**

Employer-assisted home ownership programs are not only useful for addressing workforce trends, but in fact can have profound effects on a neighborhood where businesses are located, and where increased home ownership is the objective. A 1986 nationwide survey by the National Association of Realtors found that homeowners were more likely than comparable renters to attend public hearings and to vote in national elections, to volunteer time to community and religious organizations, to join community improvement groups, and to participate in voluntary organizations. Furthermore, in a small study conducted with low-income renters and first-time home buyers in Baltimore in 1994, it was found that homeowners showed significantly higher levels of life satisfaction than similarly situated renters. Their survey did not uncover measurable differences in self-esteem or perceived control. However, when asked directly, a majority of those surveyed stated that owning a home made them feel better about themselves and heightened their feeling of control in their communities and in their personal lives (Rohe and Stegman, 1994).

Home ownership also contributes to overall community revitalization through house by house enhanced home values. Research conducted by Galster (1987) confirms that – after controlling for structural, neighborhood, and household characteristics – owner occupants spent more money on maintenance, were less likely to defer repairs, and reported fewer housing problems. In this study, the contrast in maintenance efforts was especially pronounced for low-income households, and Galster suggests that increasing home ownership with this subgroup could contribute greatly to overall neighborhood revitalization efforts.

Trends in the community surrounding a business can also have a direct effect on the business itself, and in some instances, these trends are the motivating factors that brought employer-assisted home ownership programs to the forefront. Deteriorating housing stock, falling tax values, and increasingly tenuous community relations were the precursor conditions for a number of businesses that presently offer successful employer-assisted home ownership programs. Through a home ownership program, these companies were able to contribute to the revitalization of their neighborhood by increasing opportunities for home ownership in the community.

## **Structures of Employer-Assisted Home Ownership Programs**

A review of the related literature has shown that most employer-assisted home ownership programs are a partnership between an employer and neighborhood housing agency, often local lenders, as well as municipal or state government.

Programs can be structured in a variety of ways as identified on the following page, each with unique advantages and disadvantages.

The different structures of employer-assisted home ownership can meet a variety of strategic objectives. For example, if the employer is seeking to improve the neighborhood surrounding the facility, the employer could require that the home be purchased in a certain geographic area and could provide a forgivable loan wherein a portion of the loan is forgiven each year, as long as the buyer continues to live in the house. Or, if the employer wants to decrease employee turnover, the employer can offer loans that are also forgiven over time, creating an incentive for the employee to stay with the company. If the employer wants to address retention concerns by assisting low wage-earners, the employer could either provide an up-front grant to permanently reduce monthly mortgage payments.

TYPE OF HOUSING BENEFIT	REMARKS
<p><b>Direct Grant to Employee</b></p> <p>Grant given to reduce downpayment and closing costs</p>	<p>For employee, principal of mortgage is forgiven immediately, thus reducing monthly payments; Relatively high cost for employer and does not directly enhance retention</p>
<p><b>Group Mortgage Origination Program</b></p> <p>Volume discount program where lender reduces rates, points, or fees for employee, in return for a bulk mortgage lending commitment</p>	<p>cash savings on downpayment and fees for employee; easy to administer for employer; can be low cost; can be combined with other programs, such as closing cost assistance or mortgage guarantee programs</p>
<p><b>Employer-Guaranteed Mortgage</b></p> <p>Lender loan for which employer will pick up defaults and provide below-market financing</p>	<p>Low cost/low risk and requires no cash expenditure for employer; lowers or eliminates downpayment requirements for employee</p>
<p><b>Forgivable Loan to Employee</b></p> <p>below-market loan forgiven over 5-year period at 20 % per year</p>	<p>For employees, principal is forgiven immediately, downpayment and closing costs reduced; for employers, low-risk option that can support recruitment and retention efforts</p>
<p><b>Soft Second Down Payment Mortgage</b></p> <p>Employer arranges below-market rate second mortgage with supporting lenders</p>	<p>Requires no cash outlay from employer, but does not support retention efforts and without the expectation of volume, lender may be reluctant to participate</p>

*Employer-Assisted Home Ownership Programs -  
Local and National Examples*

Abbott Northwestern Hospital, Minneapolis, MN

*Employer Role: downpayment and closing costs assistance*

In 1991, Abbott Northwestern Hospital, located in the heart of the Phillips Neighborhood of south Minneapolis, found itself surrounded by an increasingly deteriorating neighborhood. Thus, in an effort to revitalize the neighborhood, improve the housing stock around the hospital, and demonstrate its commitment to the community and its employees, Abbott Northwestern began a home ownership assistance program targeted specifically at the Phillips neighborhood. Through this program, hospital employees could obtain a \$6,500 forgivable loan to be used toward downpayment and closing costs. The loan is forgiven if the employee resides in the home for seven years, thereby encouraging workplace loyalty. While funded by Abbott Northwestern Hospital, the day-to-day operations of the program are facilitated by an area non-profit agency. To date, 125 homes have been purchased through this program.

Principal Financial Group, Inc. , Des Moines, Iowa

*Employer Role: downpayment and closing costs assistance, rehab assistance, home buyer education courses*

Principal Financial Group had multi-faceted goals for their *Employee Home Advantage Program* that they began in 1996. As the largest employer in the city of Des Moines with substantial real estate holdings in its downtown, PFG, Inc. was invested in revitalizing targeted areas of their community to produce a stronger, more stable economic and residential tax base. At the same time, PFG, Inc. sought to make home ownership an attainable reality for any of their 9000 employees who might be interested. To qualify for the forgivable loan - 10% of the cost of the home or \$5,000, whichever is less - the employee must choose a house which is located in one of the city's low-income and/or minority census tracts. The loan is forgiven after the employee has worked with the company for five years.

To date, 30 employees have purchased homes in targeted areas of Des Moines, and 100 more employees are in the process of obtaining funds from the *Employee Home Advantage*. Furthermore, PFG, Inc. estimates that the \$140,000 they have provided in forgivable loans to employees has leveraged \$1.6 million of investment in the targeted neighborhoods.

*Employer role: access to flexible financing and reduced closing costs*

For the City of Seattle, what began as a pilot program of incentives for police officers to live in the city, proved so successful that it was expanded in 1994. The *Hometown Home Loan Program* is now available to all City of Seattle employees, Police, Firefighters, members of the Seattle Education Association, and employees of the Seattle Housing Development Consortium. The City of Seattle was motivated to pursue this form of employee benefit in part to increase home ownership within the city limits, as well as to increase the availability of public safety employees.

In an effort to avoid the perception of preferential treatment for City employees funded by citizens, the program does not rely on any taxpayer dollars. Instead, the program incentives take the form of reduced closing costs, more flexible loan terms, free home buyer education classes, and individual financial consultation, which are all provided through group volume discounts negotiated with Continental Savings Bank of Seattle. Continental Savings carries the bulk of the responsibility for program marketing and administration. Since the program's inception, 349 eligible employees have purchased homes using the *Hometown Home Loan Program*.

Panel Components Corp., Oskaloosa, Iowa

*Employer role: downpayment and/or closing costs assistance*

For the 85 employees of this small-town manufacturing company, housing has frequently been a issue, oftentimes affecting an employee's ability to make a long-term commitment to Panel Components. Spurred by a desire to attract and retain a stable workforce, the company decided to include an employer-assisted home ownership option in their benefits package. Through this option, the employees are eligible for a forgivable loan of either 5% of the sales price of the house or \$5,000, whichever is less. The loan is forgiven after five years of employment with the company. Panel Components has allocated \$25,000 toward the loan fund, and the money is available on a first-come first-serve basis to qualified employees.

Since the program's introduction this year, Human Resources personnel at Panel Components have already witnessed a reduction in staff turnover, in part, they believe, as a result of this addition to the benefits package. Since May of 1998, three employees have purchased homes in the Oskaloosa area.

**PART II THE ROLE OF DAYTON'S BLUFF NEIGHBORHOOD HOUSING SERVICES  
IN EMPLOYER-ASSISTED HOME OWNERSHIP**

With this overview of employer-assisted home ownership as a backdrop, it is now possible to examine opportunities for program development in this area. A review of a Neighborhood Reinvestment Corporation manuscript "Employer-Assisted Homeownership: A Practical Guide to Program Start-up" proves to be an excellent resource for exploring program development. The manual suggests four broad areas of assessment that will prove helpful in guiding this analysis:

- overall capabilities of Dayton's Bluff Neighborhood Housing Services
- housing market affordability and availability for our service area
- field of potential partners
- employer base and location

**Overall Capabilities of Dayton's Bluff Neighborhood Housing Services**

To assess the capacity of Dayton's Bluff Neighborhood Housing Services for expanding services into the area of employer-assisted home ownership, it will be necessary to examine our ability to provide the key home ownership services needed for a successful employer-assisted home ownership program partnership.

The following areas of home ownership services can be assessed with regard to our ability to provide these services **presently**, where 1 = *not prepared*, and 5 = *very prepared*.

homebuyer education	1	2	3	4	5
homebuyer counseling	1	2	3	4	5
credit establishment/repair	1	2	3	4	5
homebuyer workshops	1	2	3	4	5
information re: housing markets	1	2	3	4	5
knowledge of financing options/programs	1	2	3	4	5
client follow-up/tracking	1	2	3	4	5
rehab services	1	2	3	4	5

**Additional comments:**

The above assessment of organizational capacity is designed to allow a critique of the full range of services that would typically be needed to operate an employer-assisted home ownership program. Clearly, DBNHS is prepared to build upon its expertise and experience in the areas of knowledge of housing markets and the variety of financing options presently available. And, while DBNHS does not offer homebuyer workshops per se, the staff is adept at assisting clients in navigating the homebuyer process in 1:1 meetings, and making appropriate referrals as needed. In the future, DBNHS will likely continue to refer customers to partner organizations such as HOMELink and others that provide homebuyer education courses and credit counseling; thus, program development in these areas is not necessary at this time.

**Staff Capacity**

It is also important to rate the levels of DBNHS staff expertise in the range of areas relevant to the development and implementation of an employer-assisted home ownership program.

The Dayton's Bluff NHS staff as a whole can be assessed in the following areas, where 1 = no expertise and 5 = expert.

Entrepreneurial skills to approach employers	1	2	3	4	5
Provide services to diverse constituency	1	2	3	4	5
Offer services to diverse workplace environs	1	2	3	4	5
Written and verbal skills communications	1	2	3	4	5
Program marketing skills	1	2	3	4	5
Event planning and coordination skills	1	2	3	4	5
Relationship with community partners	1	2	3	4	5

**Additional comments:**

The present composite of the Dayton's Bluff staff stands out as one of the strongest assets when considering an expansion of services into the area of employer-assisted home ownership. Although the staff is small, they already provide a significant volume of services to a wide variety of clientele. In addition, they are well-

acquainted with the conceptual framework of employer-assisted home ownership, and would easily be able to translate their knowledge of homeownership lending, rehab, and community partnerships to such a program expansion.

Even with the competency of the present DBNHS staff, the development and implementation of an employer-assisted home ownership program would require additional job duties, especially in the recruitment phase of potential employers and then in the initiation of a specific company's program. In the exploratory recruitment phase of program development and perhaps into the first formal partnership with an employer, it is estimated that the Executive Director and the Administrative Assistant would each spend one eighth of their work time attending to employer-assisted home ownership program issues. Depending on the success of their recruitment efforts, at some point it would be necessary to hire an additional staffperson. It is expected that this additional staffperson would split his or her time between servicing existing programs, researching and approaching potential employers, and marketing programs and the East Side.

DBNHS appears to have sufficient entrepreneurial spirit to approach employers, although DBNHS has yet to formally approach an employer for such a venture. This is evidenced by present collaborations with other community organizations, administration of the EastSide CHIP program, efforts to promote housing in conjunction with the Phalen Corridor Initiative, and their use of Neighborhood Planning for Community Revitalization (NPCR) resources, to name a few. In addition, the DBNHS staff has a clear vision of the steps necessary and skills needed to develop a mutually beneficial employer-assisted home ownership program with an employer.

### **Program Funding and Budget**

A review of the related literature has shown that almost all employer-assisted home ownership programs administered by a non-profit housing agency rely on some combination of per-client fee, one-time administrative fees, foundation or municipal support, and often in-kind support from the contracted employer. Since DBNHS does not at present have a confirmed partnership with an identified employer, projected program costs are estimates.

In an effort to provide an approximation of the costs of program start up, administration, and services, three areas will be addressed:

- types of services to be provided
- projection of program demand
- costs of these services

### Types of services to be provided

One of the strongest selling points of employer-assisted home ownership programs as an employee benefit is the relative ease of administration from the perspective of the employer. Thus, one of the tasks of DBNHS is to create that "ease" for our potential employer-partners. In collaboration with the company, DBNHS will assist the employer to tailor a program that meets their unique objectives, such as employer retention or neighborhood revitalization. DBNHS will also serve as the reference point for the Human Resources department of a company by taking the lead in marketing the company's employer assistance home ownership program to employees. This may take the form of regularly scheduled "brown bag" lunches facilitated by DBNHS staff, assistance in developing the company's literature about employer-assisted home ownership, creation of flyers or brochures, and sponsoring periodic tours of the East Side for interested employees.

Presuming that an employer-assisted home ownership program becomes a reality, it is not anticipated that DBNHS will expand services into the areas of homebuyer workshops, since these services are already provided by a number of other agencies. However, DBNHS will provide general information and/or referrals about the lending process, area realtors, lenders, and other financing and rehab programs available for qualified buyers.

DBNHS will facilitate the dispersal of the employer's cash benefit to the employee and coordinate the loan mortgage process for the employee. Following is a sample outline for service provision of a forgivable loan that is forgiven after five years of continued employment.

#### Sample Program Loan Process

#### Responsible Party

- |   |                 |
|---|-----------------|
| 1. Provide information about (Company)'s employer-assisted home ownership program concerning eligibility, boundaries of home purchase, and Homebuyer Education courses offered in the community | Human Resources |
| 2. Provide (employee) with certificate of eligibility for participation in employer-assisted home ownership program, based on predetermined qualifiers  | Human Resources |
| 3. Attend an approved Homebuyer Education course and obtain written verification of attendance  | Employee        |
| 4. Contact Dayton's Bluff NHS with certificate of eligibility from (employer) <b>30 min. staff time</b>   | Employee        |
| 5. Complete financing prequalification, if applicable, and Preliminary Application with Dayton's Bluff NHS <b>2 hours staff time</b>  | DBNHS/ Employee |

6.	Provide (employee) with information on other Financing/purchase options and programs. <b>1 hour staff time</b>	DBNHS
7.	Obtain credit preapproval	Employee
8.	Find a house to purchase	Employee
9.	Inspect house (assumes no rehab) <b>2 hours staff time</b>	DBNHS
10.	Return Purchase Agreement and verification of Homebuyer Education course to DBNHS <b>30 min staff time</b>	Employee/ DBNHS
11.	Present and explain a copy of the Promissory Note to (employee) <b>1 hour staff time</b>	DBNHS
12.	Finalize arrangements for financing	Employee
13.	Confirm transaction with the lender <b>1 hour staff time</b>	DBNHS
14.	Request Loan funds from (company) <b>1 hour staff time</b>	DBNHS
15.	Forward to the Title Company: - Second Trust Deed - Notice of approval of mortgage amount & documents - Instructions for the closing <b>2 hours staff time</b>	DBNHS
16.	Complete Actual Amounts on Transaction Confirmation form and forward/fax actual amounts to DBNHS	Title Co./ Employee
17.	Issue check to the Title Company <b>1 hour staff time</b>	DBNHS
18.	After closing, forward to DBNHS: - Promissory Note - Second Trust Deed after recording - Copy of the final closing statement	Title Co.
19.	Annually, Prepare contract addendum to confirm: - (Employee) is still employed at (Company), and - Still lives at the purchased residence <b>2 hours staff time</b> (all employees per company)	DBNHS
20.	Annually, reduce principle balance by 20%, issue 1099 IRS form to (employee) <b>1 hour staff time</b>	Human Resources/ DBNHS
21.	Notify DBNHS and Human Resources if (employee) Moves or if employment is terminated for any reason	Employee

This loan process is estimated to require approximately 15 hours of DBNHS staff time for each customer.

*Projection of Service Demand*

The NRP manuscript suggests a formula for anticipating service demand based on use patterns of the *Select Milwaukee* Employer-Assisted Home Ownership Program. *Select Milwaukee* staff have found that on average, 6 – 8 % of a company's workforce will make an initial request for information about their company's employer-assisted home ownership program at the onset of this new employee benefit. In subsequent years, *Select Milwaukee* found that requests for information averaged around 3 - 5 % of the company's workforce. It is anticipated that the Human Resources of our partner company would provide the initial general information to those employees requesting it, although DNBHS should plan to provide periodic informational "brown bags" and tours to these prospective homebuyers.

Based on *Select Milwaukee*'s findings, approximately .5 – 3 % of the company's workforce will actually use the employer-assisted home ownership benefit to purchase a house in the first year of the program, with use increasing slightly in subsequent years as more employees learn of the program. Other programs around the country have noted, however, that program use tapered off significantly in instances where the benefit was structured to target only very small geographic areas and where home ownership had reached capacity within those geographic boundaries.

*Costs of These Services*

Based on *Select Milwaukee*'s data, the following **approximate** program costs can be established.

**DBNHS COSTS FOR LOAN PROCESSING –  
ESTIMATE**

**Size of company = 200 employees**

<b>% Participation</b>	<b># of Employees</b>	<b>Staff Time Per Loan in Hours</b>	<b>Total Staff Time In Hours</b>	<b>Hourly Rate - Staff + Indirect Costs</b>	<b>Costs *</b>
0.50%	1	15	15	\$30.00	\$450.00
1.00%	2	15	30	\$30.00	\$900.00
2.00%	4	15	60	\$30.00	\$1,800.00
3.00%	6	15	90	\$30.00	\$2,700.00

**Size of company = 500 employees**

<b>% Participation</b>	<b># of Employees</b>	<b>Staff Time Per Loan in Hours</b>	<b>Total Staff Time in Hours</b>	<b>Hourly Rate - Staff + Indirect Costs</b>	<b>Costs</b>
0.50%	2.5	15	37.5	\$30.00	\$1,125.00
1.00%	5	15	75	\$30.00	\$2,250.00
2.00%	10	15	150	\$30.00	\$4,500.00
3.00%	15	15	225	\$30.00	\$6,750.00

**Size of company = 800 employees**

<b>% Participation</b>	<b># of Employees</b>	<b>Staff Time Per Loan in Hours</b>	<b>Total Staff Time in Hours</b>	<b>Hourly Rate - Staff + Indirect Costs</b>	<b>Costs</b>
0.50%	4	15	60	\$30.00	\$1,800.00
1.00%	8	15	120	\$30.00	\$3,600.00
2.00%	16	15	240	\$30.00	\$7,200.00
3.00%	24	15	360	\$30.00	\$10,800.00

**ESTIMATED Costs per loan = \$450**

**EXAMPLE OF OVERALL COSTS TO EMPLOYER**

**Size of company = 200 employees**

<b>% Participation</b>	<b># of Participating Employees</b>	<b>Per Employee Fee *</b>	<b>Forgivable Loan of \$3,000</b>	<b>Total</b>
0.50%	1	\$450.00	\$3,000.00	\$3,450.00
1.00%	2	\$450.00	\$3,000.00	\$6,900.00
2.00%	4	\$450.00	\$3,000.00	\$13,800.00
3.00%	6	\$450.00	\$3,000.00	\$20,700.00

**Size of company = 500 employees**

<b>% Participation</b>	<b># of Participating Employees</b>	<b>Per Employee Fee *</b>	<b>Forgivable Loan of \$3,000</b>	<b>Total</b>
0.50%	2.5	\$450.00	\$3,000.00	\$8,625.00
1.00%	5	\$450.00	\$3,000.00	\$17,250.00
2.00%	10	\$450.00	\$3,000.00	\$34,500.00
3.00%	15	\$450.00	\$3,000.00	\$51,750.00

**Size of company = 800 employees**

<b>% Participation</b>	<b># of Participating Employees</b>	<b>Per Employee Fee *</b>	<b>Forgivable Loan of \$3,000</b>	<b>Total</b>
0.50%	4	\$450.00	\$3,000.00	\$13,800.00
1.00%	8	\$450.00	\$3,000.00	\$27,600.00
2.00%	16	\$450.00	\$3,000.00	\$55,200.00
3.00%	24	\$450.00	\$3,000.00	\$82,800.00

Example projections do not include one-time start up fee to employer to cover marketing, promotional materials, contracts, Human Resources staff training, etc.

\* This \$ amount represents a contracted fee paid by the employer and negotiated with the employer. It is an estimated amount to be used for example only.

Getting the first employer to sign on to an employer-assisted home ownership benefit for their employees will entail a good deal of time and energy on the part of DBNHS staff. Additional start-up tasks to be considered include:

- Establishing and cultivating a partnership with an employer
- Developing and implementing a marketing strategy
- Creating templates for documents to be used in the program

These additional start-up costs may be offset through several means. DBNHS may be able to obtain funds from Neighborhood Revitalization to support employer-assisted home ownership. Also, the Minnesota Housing Finance Agency does have an Employer Matching Grant Program where \$250,000 was available in the June 1998 Super RFP, and it is expected that the amount will increase to \$800,000 in the December 1998 RFP. If DBNHS had a formal partnership with an employer, DBNHS could submit an application for the next grant cycle. There may also be some

funding opportunities from the City of St. Paul. Finally, DBNHS may be able to offset start-up costs through a foundation grant, perhaps in connection with an employer-assisted home ownership program for a company with a corporate foundation.

Determining the extent of preliminary planning necessary and the amount of funding needed to successfully approach an employer has proven difficult, in part because time and money expenditures will likely differ with each employer approached. Thus, cost analysis figures for marketing, time expended building relationships with key administrators within a company, and time expended researching a company were not included in these calculations, except in the most general sense (i.e. staff + indirect costs).

### Housing Market and Affordability

The following aspects of the Dayton's Bluff housing market can be rated, where 1 = none/not at all and 5 = many/to a great extent.

Market diversity	1	2	3	4	5
Programs/services geographically targeted	1	2	3	4	5
Presence of employers	1	2	3	4	5
Housing stock choices	1	2	3	4	5
Property availability	1	2	3	4	5
Housing market data available	1	2	3	4	5
Availability of programs/services	1	2	3	4	5
Opportunities to expand service areas	1	2	3	4	5

**Additional comments:**

To maximize the opportunities for a successful employer-assisted home ownership program, it is crucial to have a broad range of housing options available, in order to attract employees of all income levels within the partner company. Clearly, the small degree of market diversity, limited range of housing stock choices, and the current competitive real estate market present challenges for development of an employer-assisted home ownership program within DBNHS' present geographic boundaries. On average, the housing stock is older (built circa 1939), the average home value is \$55,163, and nearly 50 % is rental property.

To improve the housing stock choices and appeal to the broadest income ranges within the partner company, DBNHS must be willing to expand its service boundaries. By extending geographic boundaries for employer-assisted home ownership programs into Community Council Districts One, Two, Four, and Five, DBNHS could offer a better blend of newer housing stock and medium to upper-end housing options.

Accessibility and proximity of employers to the East Side are strong assets for DBNHS, especially when considering potential partnerships with downtown and Phalen Corridor employers. Also, the competitive housing market and limited numbers of homes to buy at any given time could actually be considered a benefit to Dayton's Bluff, in that the "seller's market" may encourage buyers who have been priced out of other communities to consider purchasing on the East Side. These homebuyers may have greater interest in utilizing the DBNHS purchase/rehab products as well, providing another opportunity for DBNHS to market the purchase/rehab program.

### **Potential Program Partners**

A successful employer-assisted home ownership program will be enhanced by strong relationships with core partners who can provide home buying education, property and market information, service referrals, and loan product development. Neighborhood and business associations may also be considered as opportunities for partnership, as they have a direct interest in promoting the East Side. Fannie Mae could be a potential core partner, since they already offer loan products specifically for employer-assisted home ownership. The Phalen Corridor Initiative also holds promise for more formal collaboration, since one of their stated goals is to address housing issues in the community. The Capital City Partnership could be a potential entry point for access to downtown employers, as well as a resource for marketing St. Paul.

A modified version of the NR manual matrix is included on the following page for the purposes of further analysis.

### Potential Partners

Services/ Role	DBNHS	Other CDC's	Mortgage Lender	Realtors	Govt.	Secondary Market
Program Development						
Administrative Financial/ In-kind Support						
Program Marketing						
Ongoing Program Administration Support						
Employer Recruitment						

<b>Employee Services</b>	DBNHS	Other CDC's	Mortgage Lender	Realtors	Govt.	Secondary Market
Counseling						
Home Buying Information						
Service Referrals						
Loan Product Development						
Brown Bags/ Tours						
Loan Originations						
Property/ Market Information						

## Employer recruitment

There are several circumstances that may contribute to an employer's interest in developing an employer-assisted home ownership program. Generally, an interested employer may have any or all of the following characteristics:

- a history of involvement in community development
- known concerns about the quality of life in the neighborhood in which facility is located
- employee recruitment or retention concerns
- investment in fostering or maintaining good relations with the surrounding community or local government.

Preliminary research suggests there are a number of employers in our community who may fit these criteria, and they are listed below.

### Potential Employer Partners and Comments

Andersen Corporation	- COO Don Garofalo grew up on the East Side
Dayton's Bluff Community Care	- majority of staff are renters; retention is a concern
Ecolab	- building the Ecolab Campus
Firstar Bank	- history of community involvement
Future Williams Hill Employers	- commitment to workforce development
Gillette Children's Hospital	- extensive physical plant
Lawson Software	- relocating to downtown St. Paul
Lowry Square Redevelopment	
Metro State University	- commitment to community development
Principal Financial Group	- offers employer-assisted housing program to employees at Iowa location
Radisson Inn Town Square	
Ramsey Integrated Healthcare	- retention is a concern
Regions Hospital	- extensive physical plant; retention is a concern
RiverCentre Convention Facilities	

Science Museum	
Minnesota Mutual	<i>expecting 2000 more employees by 2010</i>
St. Paul Public Schools	<i>- teacher retention is a concern</i>
St. Paul Companies	<i>- expanding; history of community involvement</i>
State of Minnesota	<i>- extensive offices near East Side</i>

**Additional Potential Employer Partners:**

**The Next Steps**

As is illustrated by the *Select Milwaukee* experience, an employer-assisted home ownership program can be started with just one – albeit high profile – company. In fact, starting with just one company and developing a track record through that experience appears to be the most prudent course at present.

Although no formal discussions have occurred to date, The St. Paul Companies located in downtown would be an excellent candidate as a partner in an employer-assisted home ownership program. Their foundation has a long history of community involvement and the company appears to be committed to the city of St. Paul. In addition, in a proposed purchase of a building adjacent to their main offices, The St. Paul Companies found that they were facing opposition from the present (low-income) tenants of the building who would eventually be displaced. The St. Paul Companies may be interested to hear about a program (such as employer-assisted home ownership) that can demonstrate their commitment to their community, as well as provide tangible results for the issue of housing.

If it is agreed that the St. Paul Companies would be a good employer to approach, the next step would be approach the company formally to request an opportunity to meet to discuss a partnership. The NR manual stresses the importance of learning as much as possible about a company's

workforce, so that a program can be developed that would accurately reflect workforce needs. Thus far, information on a particular company's workforce has been difficult to obtain through conventional means. However, if The St. Paul Companies is receptive to a preliminary proposal and shows interest in employer-assisted home ownership, they may be more inclined to provide more detailed information about their workers. Ideally, DBNHS may consider making a request to survey the workers directly, in effort to assist The St. Paul Companies in making their decision about offering employer-assisted home ownership as a benefit.

In gathering further information about The St. Paul Companies, DBNHS should also try to learn about any partnerships this company has with local lenders, in an effort to assess the opportunities for incorporating group volume mortgage discounts into our proposal. Related to this, it would be helpful to consult with a tax law expert familiar with employee benefit plans, so that we can incorporate that information into our comprehensive program proposal. Finally, it is important to keep in mind that a program will not be successful or well-received by employees unless someone in leadership at The St. Paul Companies gives strong support to this partnership.

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**Appendix - Additional Examples of Employer-Assisted Home Ownership Programs**

<b>Organization</b>	<b>type of business</b>	<b>type of assistance</b>	<b>eligibility</b>	<b>administrator</b>	<b>defaults</b>	<b>primary goals</b>	<b># of employees served</b>
<b>Tulane, Xavier, Loyola, and Dillard Universities New Orleans, LA</b>	Education	\$1,500 down payment/ closing cost assistance loan forgivable over 5 years	Must be eligible for other employee benefits	Neighborhood non-profit agency	Zero to date	Improve blighted neighborhood and neighborhood relations	As of 1995, 58 employees of the four universities
<b>General Health System Baton Rouge, LA</b>	Health care	\$1,500 forgivable loan for targeted geographic area. Forgiven after 2 years if continued employment	Employee for three years, income under \$39,000	N/A	N/A	Revitalize the mid-city area	N/A
<b>Abbott Northwestern Hospital Minneapolis, MN</b>	Health care	\$6,500 forgivable loan for employees, \$5,000 forgivable loan for non-employees. Smaller geographic area for non-employees	Preference to first-time buyer, demonstrated commitment to area, seven year residency requirement	Neighborhood non-profit agency (Neighbors Helping Neighbors)	4%	Revitalize neighborhood and improve housing stock around hospital, community relations	As of 1990, 125 families have purchased homes
<b>Bergquist Companies, Cannon Falls &amp; Bigfork, MN</b>	Electric switches	1.) Down payment assistance to \$5,000 matched to employee's savings 2.) Gap financing of \$15,500 per new home	For employees with income less than 80% of state median income	Non-profit agency (Greater MN Housing Fund)	N/A	N/A	N/A

<b>Organization</b>	<b>type of business</b>	<b>type of assistance</b>	<b>eligibility</b>	<b>administrator</b>	<b>defaults</b>	<b>primary goals</b>	<b># of employees served</b>
<b>Fey Industries, Edgerton, MN</b>	Manufacturing	\$5,000 0% interest loan forgivable over 5 years with continued employment	For employees with income less than 80% of the state median income	Non-profit agency (Southwest MN Housing Partnership)	N/A	Attract and maintain a stable workforce	N/A
<b>Northwestern Mutual Life Insurance Co., Milwaukee, WI</b>	Insurance	\$3,000 down payment/closing cost assistance forgivable after 5 years	Must purchase home within certain geographic boundaries	Neighborhood non-profit agency (Select Milwaukee)	N/A	Employee benefit, reduce commuter time and reliance on cars, improving the city	As of 1993, 33 employees have purchased homes
<b>Cleveland Clinic, Kaiser Permanente, University Hospitals, Inner City Nursing Cleveland, OH (companies contributed \$50,000, \$25,000, \$100,000 and \$15,000 respectively to pilot programs)</b>	Health care	\$2,500 loan for down payment/closing costs forgivable after five years	Full-time, one year of employment with hospital, first time home buyer, income at/below area median income	Neighborhood non-profit agency	N/A	Retain employees and decrease turnover, build good will with city govt, federal and state tax credits for housing activity	As of 1996, 29 families have purchased homes

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<b>St. Joseph's Hospital and Covenant Health Care System, Milwaukee, WI</b>	Health care and long term care facilities	Grant of 3 % of purchase price, or loan of up to 15 % of purchase price in the form of a second work		St. Joseph's Hospital	N/A	Stabilize surrounding neighborhood, assist lower wage scale employees	From 1990 to 1996, 83 employees purchased homes
<b>City of Tacoma, WA</b>	Municipal	\$10,000 loan forgivable by completing 100 hours of community service in 10 years, or by residing in the home for 20 yrs	Must be city employee	N/A	N/A	Increasing public safety and home ownership, improving city's economic base, encouraging community service, reducing commuter time	N/A
<b>Principal Residential Mortgages, Inc. Des Moines, IA</b>  <b>(Company investment was \$140,000)</b>	Mortgage lending	\$5,000 down payment/closing cost loan forgivable over 5 years, limited rehab funds available also	Full-time employee for one year, home must be owner-occupied, completion of homeowner education seminar	PRM, Inc, and City of Des Moines, which provides free purchase inspections	zero to date	Maintain stable workforce, improving city's economic base (PRM is largest employer in the city)	To date, 30 employees have purchased homes and 100 are in the process

<p><b>City of Seattle's Hometown Home Loan Program, Seattle, WA</b></p>	<p>Municipal</p>	<p>Lower closing costs, flexible underwriting, and access to below-market interest rates, free home buyer classes</p>	<p>Must be employee of city, school district, or select area employer</p>	<p>City of Seattle and Continental Savings Bank</p>	<p>N/A</p>	<p>Encourage home ownership in the city, increases availability of public safety employees</p>	<p>To date, 349 employees have purchased homes</p>
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<b>Yale University, New Haven, Connecticut</b>	Education	\$2,000 grant/yr for 10 years, bonus grant of \$4,000 for closing/rehab costs	University employee w/in certain employment thresholds, purchase must be in targeted geographic area	Yale University and a neighborhood non-profit agency	N/A	Stimulate home purchases in the city ( over half the homes purchased in New Haven were purchased through this program)	At least 227 Yale employees have purchased homes (two thirds first time home buyers, half were female headed households)
<b>City of Baltimore, Maryland (city budgeted \$1,000,000, allocating CDBG and HOME funds, as well as UDAG repayments)</b>	Municipal	\$2,500 matching grant for down payment/closing costs. \$7,500 additional deferred loan over 10-yr term	City employee (targeted police, firefighters, and teachers)	City of Baltimore	N/A	Increase home ownership of city employees, encourage occupancy near place of work, attract buyers to selected neighborhoods	As of 4/97, 213 city employees had purchased homes
<b>Maryland Dept of Housing and Community Development - Live Near Your Work Program</b>	State govt.	Employee, employer, and participating local govts each contribute \$1,000 (\$3,000 total)	Must be state employee, individual requirements may be set by each program	Maryland DHCD	N/A	Decrease commuter times, revitalize targeted neighborhoods	N/A

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<b>Panel Components Corp., Oskaloosa, IA</b>  (company investment was \$25,000)	Manufacturing	\$5,000 down payment/closing cost loan forgivable over 5 years	Employee, must put up 3% of home's sale price	Panel Components Corp - integrated into benefits package	N/A	Attract and retain qualified employees reduce turnover, proof of commitment by the company	As of 5/98, 2 employees have purchased homes
<b>Emanuel-Good Samaritan Hospital of Legacy Health Systems, Portland, Oregon</b>  (company investment was \$100,000 for three years)	Hospital	\$5,000 loan w/interest, where principal is forgiven 20% each year	One year of employment, pre-qualified for loan, contributes 2% of downpayment, purchase must be in targeted geographic area	Human Resources Dept. with area non-profit providing required homebuyer education courses	Zero to date	Improve community relations, retain employees, revitalize neighborhood and stimulate economic growth	At least 80 out of the 5,500 eligible employees have purchased homes
<b>Logan Square Housing Program, Chicago, Illinois</b>	Neighborhood Assn working in conjunction with local school	Access to loans with interest rates one quarter percent below market, application and appraisal fees waived	Household must have one full-time school employee, targeted geographic area	Area non-profit provided required homebuyer education courses and arranged program with the lenders	N/A	Build stronger connection between school and the local community	To date, 14 local school employees have purchased homes

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<b>City of Lawrence, Massachusetts</b>	Municipal	City contributes \$1,000, employer contributes \$1,500. Area lender First Essex Bank waived processing fees and closing points on 1st mortgage	Must be an employee of the City, First Essex Bank, or two other area employers	N/A	N/A	To combat population losses and declining economic base in the city	Since 1994, at least 62 employees have purchased homes



**Appendix - Additional Examples of Employer-Assisted Home Ownership Programs**

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Ongoing Program Administration Support						
Employer Recruitment						

<b>Employee Services</b>	DBNHS	Other CDC's	Mortgage Lender	Realtors	Govt.	Secondary Market
Counseling						
Home Buying Information						
Service Referrals						
Loan Product Development						
Brown Bags/ Tours						
Loan Originations						
Property/ Market Information						