Module 1
Workforce Housing Overview
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Employer-Assisted Housing
Unlock a New Market

Slide 2

Learning Outcomes
At the conclusion of the class, you should be able to:
- Describe specific workforce housing issues and employer-assisted programs
- Identify and discuss the benefits of implementing an EAH program and the two types of EAH benefits employers can offer
- Conduct research to find information about your community and existing programs
- Create a case study including best practices from existing programs and workshops provided
- Identify and meet with employers to discuss the design and implementation of an EAH program, including education, counseling, and/or financial assistance

Slide 3

Class Overview
- Module 1: Workforce Housing Overview
- Module 2: EAH as a Workforce Housing Solution
- Module 3: Types of EAH Benefits & Plan Implementation
- Module 4: Action Plan

Slide 4

Module 1: Workforce Housing Overview
Module 1: Learning Outcomes

At the conclusion of this module, you should be able to:

- Define workforce housing;
- Identify workforce housing challenges, trends and barriers to homeownership;
- Identify some workforce housing solutions.

What Is Workforce Housing?

Workforce housing is housing that is affordable to workers and close to their jobs. It is homeownership, as well as rental housing, that can be reasonably afforded by a moderate to middle income, critical workforce and located in acceptable proximity to workforce centers.

The most common definition of workforce housing comes from the Urban Land Institute, which defines workforce housing as: “housing that is affordable to households earning 60 to 120 percent of the area median income.” It has also been defined as affordable if the housing costs are no more than 30-40 percent of income.

There are other variations of this definition. Some communities use 80 percent of area median income as the lower threshold, and some communities, particularly higher cost places, use a higher percentage, such as 140 percent of area median income as the upper threshold.

Workforce housing was thought of as housing for public employees – teachers, police officers, firefighters, and others who are integral to a community, yet who often cannot afford to live in the communities they serve. However, workforce housing also includes housing for young professionals, workers in the construction trades, retail salespeople, office workers and service workers.
Workforce housing can be thought of as housing that is affordable to the moderate and middle-income residents of a community.

Workforce Housing Trends

Let’s start off with a brief overview of the housing and economic trends affecting the housing market in the U.S.

Although foreclosures are not a new phenomenon, the scope and scale of foreclosure filings in 2008, 2009, and 2010 far surpass anything seen before. The REALTORS® Confidence Index reports that total distressed property sales (foreclosures plus short sales) trended upward to 37 percent of total sales in January 2011.

On top of "traditional" causes of foreclosure (job loss, medical emergencies, and other financial setbacks), several factors have converged to drive the current crisis, including falling home prices; lack of strong economic incentives to provide affordable loans; poor or fraudulent underwriting; fraud; and bad decisions by purchasers and investors. You can read more about the foreclosure crisis root causes on the Foreclosure-Response.org website at http://www.foreclosure-response.org/getting_started/why.htm l#What+are+the+root+causes+of+this+foreclosure+crisis%3F To see the latest data from NAR on foreclosures, go to Realtor.org at www.realtor. org/research.

Housing prices, which had risen rapidly prior to the recession, have fallen in many markets and are near the levels of 2002 and 2003. According to NAR research, the median home price was $168,800 at the end of 2010, down from $198,100 at the end of 2008.

Although home prices may be decreasing, other costs related to owning a home are increasing. According to the Center for Housing Policy’s “Stretched Thin” report, many costs for the typical family are rising faster than incomes. In the decade between 1996 and 2006, transportation costs increased 33.3%, the homeowner’s utility bill increased 43.3%, insurance went up 82%, and property taxes increased 65.8%, while incomes rose only 36.3%.
As transportation costs rise, it is becoming increasingly difficult to make the economic case for “driving until you qualify” because these increased costs consume much of the home price savings. While homes in urban and exurban areas may appear less expensive, rising transportation costs have added to the overall financial burden of families moving to these communities. According to NAR’s 2010 Profile of Home Buyers and Sellers, “Commuting costs and environmental efficiency have increasingly factored into home buying decisions due to higher energy costs. Commuting costs were at least ‘somewhat’ important to 76 percent of home buyers.”

Policymakers and others are also increasingly recognizing that transportation costs have a significant impact on a household’s total costs. That longer drive to reach a lower-cost home often results in a significant housing and transportation cost burden. An Urban Land Institute (ULI) report (http://commerce.uli.org/misc/BeltwayBurden.pdf) of the Washington, D.C., area found that the combined costs of housing and transportation represent almost 47 percent of the median household income in the area. Findings such as these indicate how critical it is to consider proximity to work when determining housing affordability.

ULI is an excellent resource for additional information on how the combined burden of housing and transportation costs affects homeowners. Many of the ULI reports are available online at www.uli.org/Research-AndPublications/Reports.aspx

Sprawl is another trend. It has steadily increased since the 1970s as many working families have left the urban core and traveled outward to find a neighborhood they could afford. Sprawl entails significant investment in public infrastructure and also destroys open space and agriculture lands. Communities must decide whether the infrastructure investment, increased traffic congestion, loss of open space, and air and water pollution are worth it.
For all the implications of ‘sprawl’— from job loss and economic decline, to alarming obesity, asthma rates and segregation, to the loss of habitat and global warming, to our dangerous dependence on foreign oil—all of them are driven by one fundamental problem: the mismatch between where we live and where we work.

- Shaun Donovan, Secretary, Housing and Urban Development (HUD), February 2010

Additionally, land use and regulatory barriers have restricted the development of lower-priced homes in many communities, and much of the new development is taking place in areas both suburban and exurban—newly developed areas beyond the suburbs—both of which are far from city centers and the jobs available there.

The physical layout of your community may affect the affordability of the homes in it. Zoning restrictions, for example, may have limited the construction of smaller homes or multi-family units, driving up housing prices. Large lot sizes and subdivision restrictions may thwart efforts to price homes affordably.

Another trend is that real income levels (adjusted for inflation) have not risen in the last decade and much of the job growth in many communities has been in low-wage occupations.

In addition, there have been significant job losses in many industries, especially construction, manufacturing, and wholesale trade. As reported by the Bureau of Labor Statistics, in December of 2010, the number of unemployed persons was 14.5 million, and the unemployment rate was 9.4 percent—down only slightly from the 9.9 percent rate in December 2009.

Finally, it is becoming increasingly difficult in many instances for a homebuyer to obtain a mortgage. Many lenders no longer originate sub-prime mortgages, which has made it more difficult for potential homebuyers with less-than-perfect credit to qualify for a loan. Additionally, as home prices continue to decline in many communities, lenders are requiring larger downpayments; this eliminates families who have good credit but lack the necessary savings.
While uncertainty surrounds the ultimate fate of the Federal mortgage agencies, Fannie Mae and Freddie Mac, it appears very likely that, overall, underwriting standards will become more stringent, larger downpayments will be required, and the interest rates on many loans will rise as the loan limit separating conforming loans and jumbo loans is reduced. NAR will track the status of the GSEs and keep members up to date on the fate of Fannie Mae and Freddie Mac.

All of these trends affect the ability of working families to purchase a home in the community in which they work.

Homebuyer Challenges

Many working families can still not afford to buy a home. Communities across the country have increasingly recognized the importance of affordable housing to their economic and social well being. All through the boom years of the late 1990s, the recession of the new decade, and the current economic crisis, home prices and rents have remained beyond the reach of millions of Americans, including many full-time workers. Employees cannot afford to live where they work and must commute long distances. In high-priced communities, many people who provide vital services cannot afford to live in the community where they work.

According to the Center for Housing Policy’s Paycheck to Paycheck calculations, in the third quarter of 2010, the median-priced house in the U.S. cost $180,000.

To purchase this house, a family needs an income of $56,969. Yet the median household income in the United States was only $50,221 at the end of 2009.

Many occupations offer pay that is below this. These include: elementary school teachers, police officers, nurses, and retail workers.

Additional challenges include geographic ones where some workers are not able to live where they work or are not able to afford homes in the neighborhood they desire.
In resort areas, seasonal workers and middle-low income earners feel the housing crunch, and many are forced to move further away in search of homes they can afford.

The same can be said for public service employees, such as police and emergency personnel, who are integral to the community, as well as teachers and civil servants. It is very difficult to find homes they can afford close to where they work. In addition, the health of a community suffers when public servants cannot spend their off-hours in the communities they serve.

Some neighborhoods may have ample housing but not enough incentives and amenities that encourage local workers to live there. Homebuyers may not be able to live in their neighborhood of choice, especially a neighborhood close to the workplace and other amenities.

According to the 2010 National Association of Realtors® Profile of Home Buyers and Sellers, many factors influence where a person chooses to purchase a home. These factors include convenience to work, proximity to relatives or friends, and the quality of the school system. A majority of all homebuyers (64 percent) across different locations listed quality of the neighborhood as the most important factor influencing neighborhood choice. Convenience to work was the second most important factor, with 49 percent of respondents citing its importance in choosing their neighborhood.

Finding a safe yet also affordable neighborhood may present a challenge for some homebuyers. An important component of workforce housing is that it offers a safe place for children to go to school and for families to live with a sense of comfort and community.

Yet another challenge for some homebuyers is the commute that may await them. The phrase “drive until you qualify” means that many working families need to leave the urban core and travel outward until they find a neighborhood they can afford. This means enduring longer drives and, with greater regional traffic congestion, spending more time stuck in traffic.
Barriers to Homeownership

Homeownership barriers compound the lack of workforce housing. These barriers include credit scores, mortgage qualification, lack of funds for downpayment and closing costs, lack of knowledge, lack of confidence and fear/myths.

Overcoming the barriers to homeownership can be an important component of an employer-assisted housing benefit. Oftentimes, individuals are not familiar with their credit score or the actions they can take to improve their credit score. They may not be familiar with the mortgage qualification process. They may lack funds for a downpayment or for closing costs. They may have a lack of knowledge about the homebuying process in general and may not have confidence in their ability to move through the process. Finally, they may be fearful of the homebuying process, or they may have neighbors and friends who have been foreclosed on and are fearful this could happen to them.

In addition, there are barriers in the community, such as lack of housing stock near the workplace and lack of transportation from homes to the workplace, that provide further challenges.

Workforce Housing Solutions

There are many solutions to the workforce housing shortage. These programs are mentioned here to provide you with some background in a multitude of housing programs that some communities are offering.

First, there are government financing programs such as tax credits, mortgage revenue bonds, state housing finance authority programs and local financial assistance programs, which we will discuss in Module 3.

Second, there are regulatory changes that can be implemented that are designed to increase the supply of lower-cost housing. These include such things as zoning changes, inclusionary zoning, building code changes, streamlined permitting and fee waivers.
Zoning is a device of land use regulation used by local governments to segregate the use of land in the community and prevent incompatible land use, such as industrial uses in a residential area. Oftentimes, zoning regulations, such as maximum density requirements or minimum lot sizes, reduce the affordability of homes, and zoning changes are necessary to allow the creation of more affordable homes.

Inclusionary zoning is a policy tool that ties the production of affordable homes to the production of new market-rate housing by requiring or providing incentives to encourage developers to reserve a share of units in new residential developments for low- or moderate-income households (Source: www.nhc.org/housing/IZ).

Streamlined permitting, or expedited permitting as it is also known, refers to a process whereby a community processes building permit applications, subdivision applications and land development applications faster for certain categories of use, such as for workforce and affordable housing. Streamlined permitting is designed to help reduce the cost of the housing units constructed.

New construction can be difficult in built-out city centers, but there are ways to utilize the existing space more effectively. Density bonus policies allow developers to build more units in designated areas. Granny flats (also known as accessory dwelling units or in-law apartments) allow homeowners to turn a guesthouse or the garage into a rental unit, utilizing the existing municipal services and providing a source of income to the homeowner.

Developers, planners and city officials looking at the future of new and existing American communities have begun to think about “smart growth.” Smart growth focuses on the existing assets of a community, the long-term implications of various development patterns and the fiscal impacts of these patterns in an effort to shape development maximize benefit and minimize impact.

There are also long-term affordable housing programs such as community land trusts, shared equity ownership techniques and deed-restricted housing.
A community land trust (CLT) is a private nonprofit community organization that safeguards land in order to provide affordable housing opportunities. CLTs buy and hold land permanently, preventing market factors from causing prices to rise. CLTs build and sell affordably priced homes to families with limited incomes—the CLT keeps the price of homes affordable by separating the price of the house from the cost of the land. When a family decides to sell a CLT home, the home is resold at an affordable price to another homebuyer with a limited income (Source: www.cltnetwork.org).

Shared equity represents a unique approach to affordable homeownership. Under this approach, a state or local government provides funding to help a family purchase a home. In return for this investment, the government entity shares in the benefits of any home price appreciation that may occur. The public’s share of the home’s appreciation may be used in two ways: it can either be returned to the government in the form of a cash payment that can be used to help another family, or it can stay with the home, reducing the cost of that home for the next family (Source: www.nhc.org/index/sharedequity).

Deed-restricted housing refers to instances where a legal document (the deed restriction) has been included in the land records for a property by the developer or the municipality. The deed restriction places limitations or restrictions on real estate, such as restrictions on the use of the property and, in the case of workforce and affordable housing, restrictions on income and other characteristics of individuals and families that can purchase the property.

Finally, there are acquisition and reuse programs such as brownfield redevelopment, land banking and the rehabilitation and sale of abandoned and foreclosed properties.

Brownfield redevelopment refers to the process of taking a piece of property that is contaminated with one or more hazardous substances, remediating the contamination and returning the property to productive use and future development.
Land banking for workforce housing development refers to the process of reserving or setting aside land in a growing area for the future development of workforce and affordable housing as the community develops.

Finally, there are many programs, such as the Neighborhood Stabilization Program (NSP), that have been developed as part of the federal and state government responses to the current foreclosure crisis that provide funds to government agencies and nonprofits to enable these organizations to purchase, rehabilitate, and resell abandoned and foreclosed properties. Through 2010, the federal government allocated $7 billion to states and cities for neighborhood stabilization. Further funding for the NSP programs is uncertain at this time.

This class, however, is focused on another solution: employer-assisted housing (EAH).

Workforce Housing Solutions Benefits

There are many benefits to having adequate affordable housing for working families located in a community. Workforce housing allows the critical community workers and emergency responders, such as police, fire and medical personnel, to live in the same communities in which they work. This is particularly important in communities where these workers are commuting great distances and would not be available in emergency situations.

Having teachers and municipal workers, as well as other workers, live in the community where they work helps strengthen the fabric of society. In some communities, workforce housing initiatives also help to revitalize and stabilize neighborhoods.

Workforce housing gives working families more choice as to what neighborhood they can live in. It also addresses affordability and offers homeownership opportunity for moderate- and middle-income families.

Additionally, there are advantages to having employees live in the same community in which they work. This includes decreased traffic
and sprawl and shorter commute times for the workers, leading to an improved quality of life. It also may increase the level of community involvement if workers are able to live in the same communities in which they work.

**Module 1 Summary**

Module 1 provided:

- A definition of workforce housing;
- A discussion of the workforce housing challenges; trends and barriers to homeownership;
- Different types of workforce housing solutions, of which employer-assisted housing is one.