

GREATER MINNESOTA
HOUSING FUND

GMHF

Employer Assisted Housing RESOURCE GUIDE



Providing affordable housing resources
to employers and communities
across Greater Minnesota



GREATER MINNESOTA HOUSING FUND

supports the creation of affordable housing for working families in areas of economic vitality throughout Greater Minnesota.

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Introduction

Throughout Minnesota, businesses are growing and looking for people to fill jobs. If your business is one of them, you may have already experienced an all-too-familiar problem: it's hard to find or keep workers when they cannot find nearby places to live.

Without more affordable housing, many businesses in Greater Minnesota cannot easily recruit or retain employees. Plus, many communities seeking economic development opportunities cannot recruit or retain businesses.

If you are an employer or a community leader interested in employer assisted housing (EAH), this guide is meant for you. It introduces EAH program options, gives suggestions on how to use local resources and expertise, and describes some of the successful EAH programs in Minnesota.

If after reviewing the guide you have further questions, the Greater Minnesota Housing Fund (GMHF) is ready to offer you technical advice and assistance.

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What is Employer Assisted Housing?

Employer Assisted Housing FORMULA

Community Resources

+ Employer Support

= Housing Solutions for a Strong Local Economy

Employer assisted housing is any housing program — rental or homeownership — that an employer finances or assists in some way.

Today, communities across Greater Minnesota face increasing pressure to provide more affordable workforce housing. Employers working in partnership with their communities can help to address the affordable housing shortage, resulting in a stable workforce and a healthy local economy.

Why Employers Participate in Affordable Housing

1. Allows an employer to expand operations and recruit new employees.
2. Increases stability in the workforce as turnover decreases.
3. Reduces absenteeism, tardiness and stress as commuting times decrease. Raises morale and increases productivity.
4. Improves community relations as employers contribute to affordable housing.
5. Helps stabilize deteriorating neighborhoods. Improving or replacing dilapidated housing in a company's immediate neighborhood can have positive effects on a firm's property values and address safety issues for employees.
6. Offers opportunities for a return on an employer's investment when structured appropriately through partnerships with developers.
7. Leverages matching funds from GMHF and other public and private funders that support employer assisted housing.

Determining the Role of the Employer

The roles played by employers in affordable housing efforts vary widely based on community need and employer resources and capacity. To get started, employers and their community partners should assess what is needed, identify resources already available to meet that need, and consider options for employer participation. After reviewing options, employers should determine the most effective strategy for involvement.

1 Evaluate Housing Needs of Employees & Community

- Assess local market conditions, including availability of units, housing costs and planned housing construction.
- Identify employees' key housing needs through surveys and focus groups.

2 Assess Local Housing Capacity and Resources

- Analyze housing development capacity of local for-profit, nonprofit and public housing developers.
- Identify programs and resources available through private and public agencies.
- Consider partnership opportunities with community organizations, local governments and other employers.

3 Examine Employer Participation Options

- Identify potential options for employer contributions, such as downpayment assistance, development loans and land donation.
- Determine the level of financial contribution available from the employer.

4 Determine the Best Strategy for Involvement

- Balance alternatives and choose option(s).
- Set timetable and implement employer assisted housing program or project.

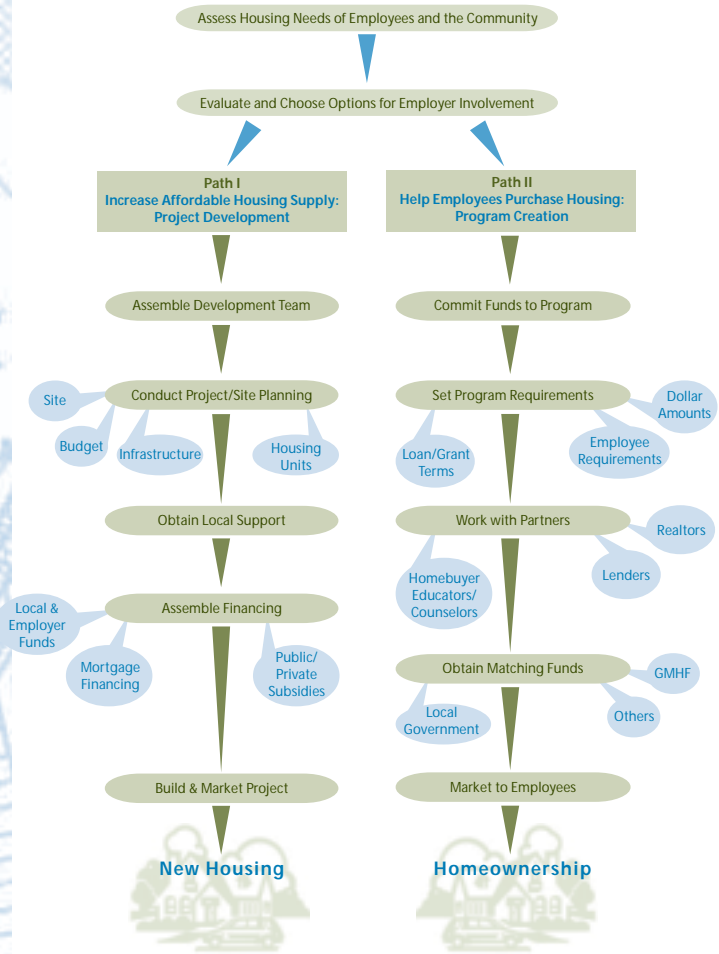
Bedroom

Bath

D
W

Kitch

Paths to Employer Involvement in Affordable Housing



Employer Assisted Housing Options

There are several options employers can use to make housing more affordable in their communities. Employers can help their employees obtain existing housing or help increase the supply of affordable housing in the community. Employer assistance can be designed to benefit both renters and homeowners.

Each of the employer assisted housing options listed below is described in detail on the following pages. Several of these options are illustrated with case study examples later in the resource guide.

Increasing the Community's Supply of Affordable Housing

- Cash Contributions to Housing Initiatives
- Donation of Land
- Housing Developed and Owned by the Employer
- Construction Financing
- Low Income Housing Tax Credit Investment

Helping Employees Obtain Affordable Housing

- Downpayment and Closing Cost Assistance
- Secondary (Gap) Financing
- Rent Subsidies
- Homebuyer Education and Counseling Funding



Rochester Area First Homes Program | Southeastern Minnesota

Wazuweeta Woods is a new housing development in Pine Island, Minn., consisting of affordable single-family homes and multifamily rental housing.

READ MORE... see page 10

Employer Assisted Housing OPTIONS

Increasing the Community's Supply of Affordable Housing

Cash Contributions

Charitable or Corporate Contribution

Contributions to affordable housing can be part of a company's charitable giving program. In this case, the employer is fulfilling a philanthropic commitment to the community and may be able to take a charitable deduction if the funds are given to a nonprofit housing organization¹. In the case of a charitable contribution, Internal Revenue Service regulations prohibit the housing from being restricted to occupancy by only the company's employees.

If the contribution is made as a business or corporate expense rather than a charitable contribution, the employer can negotiate specific concessions for their employees who seek to live in the employer assisted housing. Possible concessions include rent reductions for employees, first rental options for employees or marketing strategies that target the employees of the company. Federal fair housing laws, however, may limit some of these options.



Low Interest and/or Deferred Loans

Low- or zero-interest loans or deferred loans are another way an employer can provide funding for housing development. By loaning funds at a low interest rate, the employer enables the development team to lower the operating costs of the project by lowering the annual debt payment. While deferred loans do not bring an annual payment to employers, they give them the security of knowing that they will get their investment back in the future or if the project is sold. The loan documents can also create ongoing obligations guaranteeing that the project remains affordable.

Equity Contribution

Employers can invest equity in a project through a limited partnership with the developer. A limited partnership minimizes the liability and management responsibility of the employer while creating a tax benefit for the company. Equity contributions can result in a sound financial investment that provides essential funds to an affordable housing project. The employer may be able to gain some concessions for its employees as part of the partnership agreement.

Donation of Land

Some companies may have an inventory of excess land that can be provided to an affordable housing project. They may donate the land to housing developers or to employees who are building homes. In exchange for the land, employers can require that their employees have

¹ Greater Minnesota Housing Fund is a 501(c)(3) organization that accepts corporate contributions for affordable housing and then re-grants funds to designated projects.

first priority for occupancy or receive lower pricing. The employer can also ensure that the property remains available to employees over the long term by retaining a right-of-first-refusal to buy the property in the event that the property is for sale.

Housing Developed and Owned by the Employer

Employers with land and a large amount of capital have the option of building housing for their employees. As owner and developer of a project, the employer can facilitate the construction of single-family or multifamily housing. Once built, the housing can then be sold or rented to employees. Employers wishing to develop the housing themselves will want to hire an experienced developer and contractor to help them through the process.

Construction Financing

Low- or Zero-Interest Construction Loan

Compared to permanent financing, lenders generally charge higher interest rates to cover the risks associated with construction lending. Employers with capital or access to lower interest rates can reduce the cost of construction financing by providing low-interest construction loans to developers. The company's loan is repaid within a short period when permanent mortgages provide the capital to repay the construction loan.

Loan Guarantee

An alternative to making a construction loan is to guarantee the construction financing. Developers of affordable housing may have difficulty securing construction financing. The employer can guarantee all or a portion of the construction loan, increasing the stability of the project and decreasing the interest rate on the construction loan. The guarantee is a temporary liability for the company, and there is no loss unless default occurs. Employers should carefully evaluate the capacity and financial condition of the developer before providing a loan guarantee.

Low Income Housing Tax Credit Investment

Employers can become involved in affordable housing through the purchase of Low Income Housing Tax Credits. Investors receive credit against federal tax liability in return for providing an equity investment to specific affordable rental housing projects. New rental housing projects are awarded tax credits by the Minnesota Housing Finance Agency under a highly competitive process. The amount of credits awarded is based on the project's eligible construction costs. Developers "sell" the credits to investors to raise equity for the construction. Investors can receive a \$1.00 credit on their annual federal tax liability by investing approximately \$.65 to \$.75 per credit up front². All parties benefit because the developer receives cash to build the project, the investors receive a credit on their tax liability for the next 10 years, and low-income households obtain needed affordable housing. By paying a higher price for the credits, the employer can increase the amount of equity available to the project and still obtain a good return on investment.

² Prices paid for housing tax credits are accurate in 2002, but change over time.

Employer Assisted Housing OPTIONS**Helping Employees Obtain Affordable Housing****Downpayment and Closing Cost Assistance**

Saving enough money for a downpayment and closing costs can be a significant barrier to homeownership for many low- and moderate-income families. Individuals employed in low-wage jobs often cannot afford to save the upfront investment that is required to purchase a home, despite the fact that they may be able to afford the monthly mortgage payment. Employers can help to minimize this problem by offering the following assistance to employees.

Grants and Loans

Employers can provide grants, forgivable loans or deferred loans to employees that can be used for a downpayment and closing costs. If the funds are provided as a loan, the interest rate should be low and repayment should be deferred until the employee sells the home or repays the first mortgage. Assistance by the employer directly to the employee is considered income and is subject to taxation for both the employee and the employer. Employers can also contribute funds to a downpayment assistance pool that is available to their employees and others in the community. In those cases, funds may be treated as a charitable contribution rather than as income to the employee. Check with your tax attorney or accountant for more information.

Payroll Savings Matches

Payroll savings matches are another way to help employees obtain downpayment and closing cost funds. Many lower-wage workers spend their paychecks on immediate necessities rather than saving for large purchases that may seem far away or less urgent. Employers can help employees save for homeownership by establishing a payroll savings plan. A portion of the employee's paycheck is deducted and put into a special account, allowing for funds to be saved before the employee receives them.

As an incentive to get employees to sign up for the savings program, an employer can promise to match the employee's savings for home purchase. The employer can set a goal amount and match the employee's savings once that amount is in the account and the employee has found a home to purchase. In some communities, individual development account programs are available that encourage saving by providing matching funds from public and private sources.

**Secondary (Gap) Financing Assistance**

While downpayment and closing cost assistance can help many people purchase homes, some employees may need additional assistance to make homeownership affordable. Rising home



Grand Portage | Northeastern Minnesota

Dana and John Logan (pictured at left) rent one of the six, new duplexes built as part of Picnic Bay Estates, a new multifamily rental housing development in Grand Portage, Minn.

READ MORE... see page 12

prices mean that many lower-income households cannot qualify for a mortgage that is large enough to buy home.

To help cover this gap, employers can develop a secondary financing program or contribute to a loan pool that provides financing to local employees. Secondary financing assistance is typically structured as a zero- or low-interest loan with repayment deferred until the buyer sells the home. The amount of assistance may range from a few thousand dollars to \$20,000 or more. If the employer provides assistance directly to the employee, it is considered income and is subject to taxation for both the employee and the employer. If the funds are contributed to a pool and not reserved for specific employees, the funds may be considered a charitable contribution.

Rent Subsidies

In some communities, there may be adequate rental housing available, but the market rent is higher than the employee can afford. An employer can make the housing more affordable by providing a rent subsidy directly to the employee. As an alternative, the employer can provide operating funds directly to the owner of the property, thereby reducing the rent charged to the employees. Employers wishing to recruit new employees to the area can agree to pay the security deposit and/or guarantee the employee's rent, making the landlord more willing to rent to a family with no local rental history.

Homebuyer Education and Counseling Funding

A relatively low-cost form of homeownership assistance is providing homebuyer education for employees. First-time homebuyers typically do not know about the complexities of purchasing or owning a home. Credit counseling and budgeting advice can help a prospective buyer be a successful homeowner. Employers can provide assistance through financial support of local agencies and nonprofits that provide education and counseling services. By working with these organizations, employers can often arrange for classes at the workplace and can combine other forms of housing assistance with these services to ensure success and stability for the employee.

Minnesota Examples of Employer Assisted Housing



Rochester Area First Homes Program - Rochester, Minn.
Single-Family Homeownership and Multifamily Rental Housing
EMPLOYER ROLE: Cash Contribution to Rental Housing and
 Secondary Financing Pool For Homeownership

The Rochester Area First Homes Program is the state's largest employer assisted housing effort. With extremely low vacancy rates and rapidly rising home prices, the Rochester area housing market had become unaffordable to many local workers. First Homes, developed jointly by Greater Minnesota Housing Fund and Rochester Area Foundation, seeks to build at least 500 single-family homes and 375 affordable rental units in Rochester and surrounding communities by 2004.

To meet this ambitious goal, the Rochester Area Foundation is raising almost \$13 million from local employers to support the project. The Mayo Clinic, which employs more than 26,000 people in the area, has contributed \$4 million and pledged an additional \$3 million in matching funds. With more than 100 local businesses contributing, the project is well on its way to meeting the fundraising goal.

Employer funds, combined with state, local and GMHF resources, are used to provide secondary financing for affordable rental projects. Funds are also available to assist homebuyers, who can receive \$30,000 of assistance from the First Homes Community Land Trust or up to \$15,000 of secondary financing from First Homes.

GMHF has provided significant technical assistance and financial resources to the initiative, with construction and permanent financing totaling more than \$4.8 million by July 2002.

Duluth Local Initiatives Support Corporation - Duluth, Minn.
Single-family Downpayment Assistance
EMPLOYER ROLE: Employer Pool of Downpayment Assistance
 Funds



The Duluth Local Initiatives Support Corporation (Duluth LISC) coordinates an employer assisted housing effort in several neighborhoods of Duluth. The Hillside Homeownership Incentive Program is a partnership between Duluth LISC, local nonprofits, GMHF, lenders and Duluth employers that is designed to make the

Central Hillside, East Hillside and Lincoln Park neighborhoods safe and affordable places to live and work. The goals of the program are to promote homeownership opportunities for low- and moderate-income employees close to where they work and to help revitalize the areas by upgrading dilapidated housing and promoting more stable, secure neighborhoods.

Duluth LISC has secured commitments of more than \$220,000 from local employers willing to participate in the program. Local employers and LISC provide forgivable downpayment loans to employees of neighborhood businesses. The employer dollars that benefit low-income employees are matched with GMHF grants of up to \$2,000 per family, up to a maximum of \$150,000 for the program. As a result of this partnership, qualified employees have up to \$4,000 available to them for the downpayment on a home in the neighborhood. Nonprofit organizations administering the program connect homebuyers with available rehabilitation funds through existing programs.

Riverplace Townhomes - Aitkin, Minn.

Multifamily Rental Housing

EMPLOYER ROLE: Land and Cash Contribution;
Owner and Developer of Housing for Employees

Kenneth Kellar is a local business owner employing over 70 people in a community experiencing growth and facing a shortage of affordable housing. Through his foundation, Kellar contributed land and over \$180,000 to build new affordable rental housing for the community and partnered with the Central Minnesota Housing Partnership, an experienced nonprofit housing developer, to coordinate the development of the project. In 1999, the Kellar Foundation completed an 18-unit townhome development in the City of Aitkin. The city provided the infrastructure and GMHF provided a \$270,000, 0-percent interest deferred loan to the development.





Grand Portage Rental Housing Project - Grand Portage, Minn.
Multifamily Rental Housing

EMPLOYER ROLE: Cash Contribution and Infrastructure; Owner and Developer of Housing for Employees

The Grand Portage Tribal Council, owner of the Grand Portage Casino and Lodge, employs over 280 people on the reservation. Many employees are either living off the reservation in dilapidated trailers or in the casino lodge because they are unable to find decent and affordable permanent housing. In response to the housing shortage, the Tribal Council built six duplexes and an eight-unit apartment building to house its employees. The Council also provided a cash contribution of over \$419,000 to the project, provided the infrastructure to the site, and owns and operates the units. GMHF provided a \$195,000 deferred loan to the project.



Pelican Rapids Townhomes - Pelican Rapids, Minn.

Multifamily Rental Housing

EMPLOYER ROLE: Purchase of Low-Income Housing Tax Credits

Employers in Pelican Rapids and surrounding communities have found it difficult to hire and keep workers largely because employees lack decent, affordable housing opportunities near their jobs. In response, a local employer took an interest in making a new 40-unit townhome development in Pelican Rapids possible. The employer purchased the development's allocation of Federal Low Income Housing Tax Credits for \$.79 each, generating over \$1.5 million in equity for the project. Developed at a time when the market price of tax credits was \$.62, the premium price paid by the employer raised an additional \$400,000 for the project. GMHF filled the remaining gap with a \$270,000, 1-percent interest deferred loan.



Murphy's Creek Townhomes - Austin, Minn.

Multifamily Rental Housing

EMPLOYER ROLE: Cash Contribution

The Murphy's Creek Development is a mixed-income project consisting of rental housing units and single-family homes. Hormel, the area's largest employer, contributed \$2.2 million through the Hormel Foundation toward the development of affordable rental housing in the community. The city is also providing significant financial support to the project, which will include 88 new rental

townhomes, with 50 units reserved for low- and moderate-income households. GMHF awarded a \$1 million, 1-percent interest deferred loan to the project.

Weerts Company Housing - Winnebago, Minn.

Multifamily Rental Housing

EMPLOYER ROLE: Owner and Developer of Housing for Employees

Winnebago, a town of 1,600 in Faribault County, is experiencing household and job growth and lacks an adequate supply of affordable housing. One local employer, Weerts Company, decided to develop new affordable rental housing in the community. A construction and landscaping company, Weerts invested \$174,900 to produce eight two- and three-bedroom rental units for its employees and will own and operate the project. The city contributed by waiving hook-up and permit fees for the units. The local utilities granted \$8,500 toward the overall development cost. GMHF participated with a \$120,000, 0-percent interest deferred loan to the project.



Marshall Parkway Addition - Marshall, Minn.

Single-Family Housing, Multifamily Rental Housing

EMPLOYER ROLE: Zero-Interest Construction Loan, Cash Contribution, Downpayment Assistance

As a regional center in southwest Minnesota, Marshall has experienced the benefits of economic growth and the challenges of an affordable housing shortage. The Parkway Addition project in Marshall is a mixed-income neighborhood intended to help address those needs. To create affordable housing opportunities in the development, Schwan's Inc. provided a 0-percent interest revolving construction loan to build single-family houses, matching funds for homebuyer downpayment assistance, and a grant to the Parkway Townhomes rental housing. The city also provided significant financial support to the development. GMHF participated with technical assistance for the single-family development, downpayment funds, and a \$288,000, 0-percent interest deferred loan to Parkway Townhomes.





Hoffman Center Apartments - Hoffman, Minn.
Multifamily Rental Housing

EMPLOYER ROLE: Grant Funds from Employer Pool

In Hoffman, a town of about 700 people in Grant County, the Economic Development Authority (EDA) and several local employers converted the city's old school building into affordable housing in 1999. The EDA launched a campaign that recruited over 11 local businesses to contribute a total of \$32,000 in grant funds for the eight-unit rental housing development. GMHF matched the employer commitment with a \$30,000, 0-percent interest deferred loan. Under the leadership of the local EDA, these employers took a proactive approach to providing affordable housing for Hoffman.



Tofte Homestead Development - Tofte, Minn.

Multifamily Rental Housing

EMPLOYER ROLE: Cash Contribution; Owner and Developer of Housing for Employees

The Temperance Company, an experienced resort housing developer and owner of the Bluefin Bay Resort in Tofte, is developing 17 units of rental housing in the rapidly growing North Shore region of Lake Superior.

While booming tourism has created economic prosperity in the area, it has become difficult for service industry workers to find affordable housing. In the project's first phase, the company contributed \$178,000 toward the development of seven units. GMHF provided a \$75,000, 0-percent interest deferred loan.



SAMPLE

Employer Downpayment Assistance Program

Goal

To assist employees with the purchase of a home by providing downpayment assistance.

Company Contribution

- \$2,500 per employee; maximum of 20 loans per fiscal year.

Terms of Employer Contribution

- Zero-percent interest deferred loan, forgiven 20 percent (\$500) each year for five years.
- Employee must remain employed with the company for the full five years.
- Employee must reside in the home for the entire five-year period.

Required Savings by Employee

- \$2,500 toward downpayment and closing costs.

Eligibility Requirements

- All full-time employees employed with the company at least six months are eligible for assistance.
- Employee must complete an approved homebuyer training course.
- Home must be purchased within a 20-mile radius of the place of employment.
- Employees with family income of less than 80 percent of the statewide median income are eligible for an additional \$2,500 grant from GMHF.

Tax Liability

The portion of the loan that is forgiven each year is treated as income and is subject to taxation by both the employee and the employer. The company's tax advisor can clarify any questions.

Administration

Program is being administered through the local housing nonprofit, who will arrange for homebuyer training, verify income for GMHF funding and process the employer loan.



Bedroom

Bath

Kitchen

Building on Success | Lessons Learned

Employer assisted housing was a new concept in Minnesota only a few years ago. Since that time, employers have contributed to a range of housing initiatives across the state, resulting in hundreds of new affordable housing units and a few lessons learned.

Keep it simple, but smart.

Everyone — buyers, lenders, realtors and other partners — wants a program that is easy to explain and understand. The desire for simplicity is one reason why downpayment assistance grant programs are popular. However, it gets more complicated if larger amounts of funding — for instance, \$10,000 or more — are available to borrowers.

Should everyone receive the same amount of assistance, regardless of need, just to keep it simple? Is increased complexity acceptable if the program makes better use of limited resources? Smart choices in program design should not be sacrificed for simplicity, but a program that no one understands is useless. Keep focused on your goals, design a good program and always keep looking for ways to simplify.

Know your goals.

Before investing in a housing program, employers should carefully consider their goals. For some employers, there may be several motives, including creating housing for workers and strengthening the community.

Some questions to consider might include:

- Should funds be provided as a grant or will repayment be required?
- Will the program be used as an incentive to retain employees?
- Can funds be available to non-employees?
- Are there other important business-related goals, such as Community Reinvestment Act credit for bank investors?

Setting clear priorities and goals at the start will help to create a program that meets everyone's needs.

Understand the housing market.

It is easy for a well-intentioned employer to offer help without fully understanding the problem. Before starting any program, employers and their partners need to understand the local housing market.

Questions to ask should include:

- If a downpayment assistance program is created, are there enough moderately-priced houses for employees to purchase in the community?
- If rental housing is identified as a need, how much are people willing to pay for rent?
- Are there new units in the pipeline or programs in development that might affect the market?

Good research and a thorough understanding of market issues will prevent many headaches later in the project.



Seek help from good partners.

If someone is offering help, take it. While this is good advice in almost any circumstance, it's particularly important for employers that are considering investing in a housing program.

Fortunately, there are local Housing and Redevelopment Authorities, Economic Development Authorities and nonprofit housing organizations available to help in designing an initiative, applying for funding, and administering a program. If no one has offered help yet, keep looking.

Contact GMHF or the Minnesota Housing Finance Agency for names of organizations active in your area. Attend a training session on applying for funds. If the idea is good, somebody else has probably already tried it and learned from it. Most people in the housing business are willing to help others avoid the mistakes they have already made.

Pool funds and leverage resources to increase impact.

Starting a program can seem overwhelming or futile if an employer wants to help, but can only make a small financial contribution. To address this challenge, local businesses can leverage their individual contributions by combining resources with other employers. Pooled funds can then be used to start a downpayment assistance fund or can be granted to affordable housing developments in the community.

In addition, several agencies and organizations have programs that assist affordable housing efforts across the state. For example, communities and lenders can partner to apply for first-mortgage funds through the Minnesota Housing Financing Agency's Community Activity Set Aside program. Buyers who access this program receive a below-market interest rate mortgage and can qualify for additional secondary financing.

Refer to the **Minnesota Housing Resource Guide**, page 25, for more information on statewide resources and programs.

Focus on marketing.

Every business owner knows that advertising is critical to generating new customers. The same rules apply for an employer assisted housing program. Without a good marketing program, an initiative is unlikely to succeed. A common mistake is to assume that since housing is needed in the community, there will be more applicants than money available. Ironically, many

people who might be qualified may assume that the program will not work for them. Even though the need may be significant, the program will still require effective, targeted marketing to be successful.

Allocate funds for program administration.

An idea is developed, funds are raised and an employer assisted housing program is created. Now, who will operate it? Funds for program administration are essential to the ongoing success of an initiative. While most employers want to provide funds that will go directly to homebuyers, it is critical to find resources to administer the program. Without funds for administration, programs operate on a shoestring budget and potential buyers often do not receive all of the assistance they need.

Provide access to homebuyer education and affordable mortgage products.

Since owning a home is often described as the “American Dream,” it is not surprising that many employers want to support affordable homeownership programs. In addition to employer financial assistance, however, other important resources are needed to create successful homebuyers. Quality homebuyer education is a critical component of a successful homeownership program, especially if the potential buyers have modest incomes or are first-generation homebuyers. Homebuyer education classes and individual counseling teach people about monthly budgeting, credit and loan options, and help them to determine if they are ready to own a home. For many people, existing credit problems need to be resolved over a one- to two-year period with the help of a homebuyer counselor before they are ready to purchase a home.

For employees who are ready to buy, affordable first-mortgage products are critical in making homeownership possible. The first mortgage loan has the largest impact on a buyer’s monthly payment, so finding loan products with features like below-market interest rates, downpayment assistance and flexible underwriting will make the difference for many buyers.

Take credit and give credit.

Employers should not hesitate to take credit for their participation in housing efforts. The recognition is deserved and it may encourage other employers to participate. Remember to give credit to the other partners who have helped to make the program a success. The partnerships created by this initiative can be invaluable in developing future projects.



Frequently Asked Questions about Employer Assisted Housing

What is Employer Assisted Housing?

Employer Assisted Housing (EAH) is any housing program – rental or homeownership – that an employer finances or assists in some way. Examples of EAH include an employee downpayment assistance program, new rental housing assisted by a grant from a local employer, housing built by the employer and sold or rented to employees, or an employer pool of funds used for local affordable housing initiatives.

What are the most common forms of employer assistance?

Employer assistance in affordable housing projects and programs can be anything from providing some project planning assistance to building and operating affordable housing.

Common types of employer assistance include:

- Downpayment assistance in the form of a grant or forgivable loan that will help employees buy homes in the community. To promote affordability, loans that are not forgiven typically have 0-percent interest and repayment is deferred until the owner sells the home.
- Donation of land to new single-family or rental project.
- Cash contribution to an affordable housing project directly or to a nonprofit organization committed to creating affordable housing in the community.
- Deferred loan to a new housing development that provides capital to a project resulting in lower loan payment and reduced rents.

How do I determine my community's housing needs?

Employers should evaluate the needs of their own employees, as well as the needs of the community, before committing to a housing strategy. Local businesses can survey their employees on their housing needs, talk to local officials about housing supply and housing needs, and read any recent market studies or needs assessments. Responding to the real needs of your employees and to the community as a whole will ensure a successful housing initiative.

What resources are available to help fund a housing initiative?

Qualified employer assisted housing projects in greater Minnesota are eligible for funds from GMHF. Funding may also be available from federal, state and local government agencies. Securing the appropriate mix of project financing typically involves a lot of time and research. An employer may be best served by finding an experienced housing developer or nonprofit to assist in putting a project together.

Which employers are most likely to participate?

Locally-owned employers are more likely to participate financially in local affordable housing initiatives. Local owners are generally more accessible, have decision-making authority, and are more vested in the long-term vitality of the community. However, some companies with non-local ownership, particularly banks, have taken leadership roles in employer assisted housing initiatives. In those cases, a strong local manager has usually taken the lead and advocated for the program with non-local ownership.

Are other employers doing this?

YES! There are many employers in Minnesota and throughout the country who have created exciting housing projects in their communities. Some of the Greater Minnesota businesses that have participated in employer assisted housing initiatives are listed in this guide (see page 10). Participating employers range from small businesses with a few employees to internationally-known companies with many thousands of employees.

What are the tax consequences of EAH?

The answer depends on the type of participation and how the employer contribution is structured. Employers should check with their tax attorney or accountant about tax consequences of any housing initiative they undertake.

For downpayment assistance, grant funds to employees are generally considered as income and therefore taxable to both employer and employee. If downpayment assistance is in the form of a forgivable loan, only the portion that is forgiven each year is considered taxable income.

Employers that make charitable contributions to 501(c)(3) nonprofits for housing projects or programs can take a charitable deduction if their contribution does not directly benefit their company more than other businesses in the community. In other words, the housing is available for the general community rather than specifically for their employees.

Employers who invest in housing as a business expense, such as housing for their employees, are allowed business deductions.

How long does it take to put a new housing project together?

The affordable housing development process involves many steps, any one of which can be delayed for various reasons. If an experienced development team is assembled, a rental housing project can be planned and built in 12-18 months. Downpayment assistance programs are much easier to establish and can be implemented within a couple of months, allowing employees to acquire existing or new housing very quickly. However, when housing stock is in short supply, it may be best to try to create new housing units.

Where can I find people who know about housing to help me with my idea?

Developers are working on new affordable housing projects throughout the state and can assist employers in putting projects together, including identifying and securing additional project financing. Lenders and nonprofits are often great resources for developing downpayment assistance programs. GMHF can work with employers to identify local resources to assist in putting a project plan together.

What if the community needs rental housing, but I don't want to develop or own it?

Developers can be attracted to develop rental property in almost any community if there is a documented need for housing and enough local and state support for the project. As the employer, you can donate land to a project, provide grant or loan funds to a project, or provide operating support for a new development as an incentive to bring a developer into your community. You can also use your contacts and influence to encourage the city and other local employers to participate in housing efforts that will benefit the entire community.

Who should get involved in the project and how do I find project partners?

Several different individuals and agencies can be involved in any affordable housing project. Typically, new construction projects have a development team (developer, builder, architect, engineer), as well as funding partners (bank, employers, city, state, GMHF, investors). GMHF can work with employers to identify state and local resources to assist in putting a project plan together.

How do I know the housing will benefit my employees?

Downpayment assistance programs and company-owned housing are the most direct ways of ensuring that the housing will benefit your employees. However, if new housing projects are initiated in your community, you can structure your assistance in ways that will also benefit your employees. By making a contribution to a new development, you can negotiate with the developer to have the units marketed to your employees, or provide a rental voucher or credit to reduce the rents for your employees. All negotiated agreements should be made in consultation with an attorney for compliance with fair housing laws.

Can I structure assistance to keep my employees at my company?

The best type of assistance to encourage employee retention is a loan that is forgiven over time. If an employer's loan is forgiven 20 percent each year for five years as long as the employee remains with the company, the employee has a great incentive to stay at the company.



If I structure downpayment assistance as a forgivable loan, am I obligated to keep the employee for the term of the loan?

No. The loan documentation can be structured so that the loan must be repaid if either party terminates employment, meaning that the employer is under no obligation to keep the employee for the term of the loan.

How can I maximize the leverage on my contribution or investment?

Developing a strong project concept, forming partnerships and attracting resources from a wide variety of sources will maximize leverage and community benefits associated with affordable housing projects.





Greater Minnesota Housing Fund Employer Assisted Housing Program

GMHF provides significant resources to support its Employer Assisted Housing program. Funds are used to encourage and complement employer participation in affordable housing in areas of economic vitality in Greater Minnesota.

GMHF is involved in employer assisted housing in three program areas:

▶ **New-Construction Rental Housing**

GMHF matches an employer's contribution to an affordable rental housing development in its community.

▶ **Single-Family Housing**

GMHF provides gap financing, downpayment assistance, and interim financing to employer-assisted homeownership initiatives.

▶ **Program Development**

GMHF advises employers interested in affordable housing on the strategies available and connects them to resources.

New-Construction Rental Housing

Resources for constructing affordable rental units to meet a community's housing need are limited. Although employers are directly affected by the affordable housing shortage, they may be unaware of ways to become involved in affordable housing development.

GMHF encourages employer involvement in the construction of affordable rental housing by providing additional resources to match an employer's deferred loan or cash contribution to an affordable housing development. GMHF will provide up to \$15,000 of gap financing and match up to another \$5,000 of employer assistance on a 1:1 basis, resulting in total GMHF financing up to \$20,000 per unit. Projects with larger employer contributions will receive more favorable funding consideration.

GMHF assistance is in the form of a 0-percent interest deferred loan with a typical term of 30 years. There are no regular payments on the loan. A deferred loan reduces the amount of amortizing first-mortgage debt a project must obtain, which reduces expenses and the amount of rent that must be charged to the tenants.

Projects must meet GMHF underwriting criteria. Applications for multifamily financing are accepted twice per year through the Super Request for Proposals (RFP) coordinated by the Minnesota Housing Finance Agency (see page 25 for contact information).

Single-Family Housing

The most difficult part of owning a home for many low- and moderate-income families is coming up with the downpayment and closing costs. GMHF encourages employers to assist their employees by providing low-interest deferred or forgivable loans. GMHF will then match the employer's contribution with a grant of up to \$2,500. Only employees earning less than 80 percent of the statewide median income are eligible for a GMHF grant. Participating employers must identify affordable first-mortgage products that are readily accessible to their employees. Homeownership education must accompany all assistance. Downpayment assistance applications from employers are accepted throughout the year by GMHF.

Additional gap financing may be available for new construction projects. GMHF provides up to \$15,000 per unit as a 0-percent interest deferred loan to the homebuyer. There are no regular payments and the loan does not have to be repaid until the owner sells the home. For employer-assisted projects, gap financing may be combined with downpayment assistance, resulting in maximum total GMHF funding of \$17,500 per family. Interim financing for infrastructure and home construction is also available on a limited basis.

Applications for single-family financing are accepted twice per year through the Super RFP coordinated by the Minnesota Housing Finance Agency.

Program Development

Many employers lack information on how to establish a housing assistance program for their employees or assist with housing development in their communities. Community leaders may need help on strategies that will encourage employers to become involved in local affordable housing efforts. GMHF assists employers and communities by supplying them with information and strategies for employer involvement and linking them to available resources.

Contact Us

Greater Minnesota Housing Fund
332 Minnesota Street - Suite 1310-East
Saint Paul, MN 55101

800-277-2258 toll-free
651-221-1997 main
651-221-1904 fax

gmhf@gmhf.com
www.gmhf.com

GMHF program guidelines are updated regularly to address the changing needs of Greater Minnesota communities.

Visit GMHF's Web site at www.gmhf.com for more information.

Minnesota Affordable Housing Resource Guide

The following organizations have resources and programs that support affordable housing in Greater Minnesota. Funds are not necessarily available for employers, but the programs are available to your community to help address affordable housing issues. The list is not comprehensive and the information is subject to change at the discretion of each agency.

Minnesota Housing Finance Agency

The Minnesota Housing Finance Agency (MHFA) supports the creation of decent, safe, and affordable housing for low- and moderate-income Minnesotans. MHFA programs are delivered throughout the state by banks and other lenders, community organizations, local housing or economic development authorities, cities, counties, and for-profit and nonprofit developers.

Multifamily Programs

Programs offered include deferred loans, first-mortgage financing, low-income housing tax credits and project-based rental assistance. Most funding is obtained through the Multifamily Request for Proposals (RFP), which provides a means of “one-stop shopping” by consolidating and coordinating deferred loan sources, first-mortgage sources and rental assistance sources into one application. MHFA, GMHF and other funders work together in pooling their various program resources to fund selected developments. The Multifamily RFP is offered twice a year.

Single-Family Programs

MHFA promotes affordable homeownership through low-interest home mortgages, home improvement and property rehabilitation loans, downpayment assistance, homeowner training, and support for community development and revitalization efforts. Some resources are available throughout the year, while others are obtained through the Single-Family RFP twice a year.

For more information:

[Minnesota Housing Finance Agency](#)

400 Sibley Street - Suite 300

Saint Paul, MN 55101

651-296-7608 main

800-657-3769 toll-free

651-297-2361 TTY

www.mhfa.state.mn.us



Minnesota Department of Trade and Economic Development

The Minnesota Department of Trade and Economic Development provides federal grants from the U.S. Department of Housing and Urban Development to local units of government on a competitive basis through its Small Cities Development Program. Eligible applicants are cities and townships with populations under 50,000 and counties with populations under 200,000.

Proposed projects must meet one of three national objectives:

Benefit to low- and moderate-income persons; elimination of slum and blight conditions; or elimination of an urgent threat to public health or safety.

State program rules subdivide grant funds into three general categories:

Housing grants; public facility grants; and comprehensive grants.

For more information:

[Minnesota Department of Trade and Economic Development](#)

500 Metro Square Building

121 Seventh Place East

Saint Paul, MN 55101

651-297-1291 main

800-657-3858 toll-free

800-366-2906 or 651-282-6142 TTY

dted@state.mn.us

www.dted.state.mn.us

USDA Rural Development

The mission of Rural Development, a subsidiary of the United States Department of Agriculture (USDA), is to enhance the ability of rural communities to develop, grow and improve their quality-of-life by targeting financial and technical resources in areas of greatest need through activities of greatest potential. The organization's Rural Housing Service has a wide range of housing programs available for multifamily, single-family and farm-labor housing.

For more information:

[USDA Rural Development State Office](#)

410 Farm Credit Service Building

375 Jackson Street

Saint Paul, MN 55101

651-602-7800 main

www.rurdev.usda.gov

Department of Housing and Urban Development

The Department of Housing and Urban Development (HUD) is a federal government agency with a mission of providing a decent, safe and sanitary home and suitable living environment for every American. HUD funding supports affordable housing initiatives and HUD/FHA insurance makes first-mortgage loans available to many homebuyers.

For more information:

Minnesota State HUD Office
920 Second Avenue South
Minneapolis, MN 55402

612-370-3000 main

www.hud.gov/local/min/index.html

Fannie Mae

Fannie Mae is a private, shareholder-owned company that works to ensure that mortgage money is available for people in communities all across America. Fannie Mae offers a wide variety of affordable mortgage products to lenders throughout Minnesota, including programs designed specifically for employer assisted housing initiatives. Employers can work with their local lenders and Fannie Mae to make affordable mortgage products available to their employees.

For more information:

Fannie Mae Minnesota Partnership Office
386 North Wabasha - Suite 1026
Saint Paul, MN 55102

651-298-9356 main

www.fanniemae.com/partnershipoffices/minnesota/contacts.html



Freddie Mac

Freddie Mac is a shareholder-owned corporation that creates a continuous flow of funds to mortgage lenders in support of homeownership and rental housing. The corporation purchases mortgages from lenders and packages them into securities that are sold to investors. Freddie Mac offers a range of affordable mortgage products to lenders throughout Minnesota, including products specifically designed for community-based initiatives. Employers can work with their local lenders and Freddie Mac to ensure that affordable mortgage products are available to their employees.

For more information:

[Freddie Mac Community Development Lending](#)

[North Central Region](#)

333 West Wacker Drive - Suite 2500

Chicago, IL 60606

312-407-7400 main

800-424-5401 toll-free

www.freddiemac.com

Minnesota Housing Partnership

The mission of the Minnesota Housing Partnership (MHP) is to support the creation and preservation of housing that is affordable to low- and moderate-income people so that every Minnesotan can have a safe, decent home. MHP supports its mission through an integrated approach of development support, advocacy and collaboration. MHP offers financial and technical assistance to nonprofit developers of affordable housing, works for legislation that guarantees safe and affordable housing, and coordinates planning and resources through a network of local, regional and statewide partnerships.

For more information:

[Minnesota Housing Partnership](#)

1821 University Avenue West - Suite 137

Saint Paul, MN 55404

651-649-1710 main

800-728-8916 toll-free

www.mhponline.org

Home Ownership Center

The Home Ownership Center (HOC) is a nonprofit, statewide organization that promotes sustainable home ownership for low- and moderate-income Minnesotans through the development and delivery of quality, standardized education, counseling and related support services. HOC works with local homebuyer education organizations across the state to ensure that needed services are available to potential buyers.

For more information:

Home Ownership Center
1885 University Avenue West - Suite 350
Saint Paul, MN 55104

651-659-9336 main
866-642-6466 toll-free

hocenter@qwest.net
www.hocmn.org



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GMHF is a special project of
The McKnight Foundation
and Blandin Foundation.

2002