

EMPLOYER-ASSISTED HOUSING – FREQUENTLY ASKED QUESTIONSⁱ

1. 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.

2. What are the benefits of EAH?

Employer-Assisted Housing has several benefits for the employer, worker family and community. These include:

- **Stable Workforce** – Employers reduce turnover costs because people live in decent, affordable housing close to their work rather than commute long distances or live in substandard housing.
- **Business Expansion** – Employee recruitment and retention is made easier due to an adequate supply of housing for employees as well as the employer’s understanding of housing options for the community.
- **Strong and Stable Community** – Employers who help to meet the housing needs of the community are encouraging long-term residence and a healthy local economy.
- **Productivity Increase** – Employees who have decent affordable housing close to where they work have less stress and can devote more time to their work, families and communities.
- **New Resources** – Employer participation can generate other additional resources to affordable housing projects from state and local entities.

3. 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 and Closing Cost Assistance**

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.

Payroll Saving Matches – Employers can help employees save for homeownership by establishing a payroll savings plan. 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.

➤ **Secondary Gap Financing**

While downpayment and closing cost assistance can help many people purchase homes, some employees may need additional assistance to make homeownership affordable. To help cover this gap, the employer 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.

➤ **Cash Contributions**

Cash contributions to an affordable housing project or to a non-profit organization committed to affordable housing in the community.

➤ **Low Interest and/or Deferred Loans**

Low-or no-interest loans or deferred loans to a new housing development that provides capital to a project. By loaning funds at a low rate, the employer is allowing the development team to lower the operating costs of the projects by lowering the annual debt payment.

4. 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 review market studies or needs assessments. Responding to the real needs of employees and to the community as a whole will ensure a successful housing initiative.

5. How does the EAH work?

Recognizing that many employers are not equipped to take on new responsibilities related to housing and real estate, assistance for establishing an EAH program could come from non-profit housing organizations. These housing groups work with employers to design, implement and administer an employer's EAH initiative.

6. Which employers are most likely to participate?

Experience has shown that 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 employee-assisted housing initiatives.

7. Are employers doing this?

YES! There are many employers throughout the country who have created exciting housing projects in their communities. Participating employers range from small businesses with a few employees to internationally known companies with many thousands of employees.

8. What are the tax consequences of EAH?

It depends on the type of participation and how the employer contribution is structured. For example, downpayment assistance such as 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 considerable income. Employers who invest in housing as a business expense (i.e. housing for their employees) are allowed business deductions. Employers should check with their tax attorney or accountant about tax consequences of any housing initiatives they undertake.

9. 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, 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.

10. 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% each year for 5 years as long as the employee remains employed at the company, the employee has a great incentive to remain with the company.

11. 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 shall be repaid if either party terminates employment, meaning the employer is under no obligation to keep the employee for the term of the loan.

12. What income level does the EAH program serve?

The services are provided for employees in various companies based on criteria established in the company's EAH program. Qualifications exist around the number of years of employment an employee must have previously worked in order to receive this assistance.

13. What role can the government play?

Local, regional and state governments can play important roles by offering EAH to their own workforces and promoting programs to local businesses. By offering EAH to its own employees, government positions itself as a model for local businesses.

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

Forming strong partnerships and attracting resources from a wide variety of sources for strong project concepts are the best ways to maximize leverage and community benefits associated with affordable housing projects. There are compelling reasons for employers, public agencies, and housing groups to consider promoting comprehensive, policy-oriented EAH collaborations.

ⁱ Frequently Asked Questions about Employer-Assisted Housing are drawn from Employer-Assisted Housing Resource Guide, Greater Minnesota Housing Fund, 2014, and Affordable Housing Toolkit for Communities in the Chicago Region, produced by Business and Professional People for the Public Interest (BPI).