

Attachment #4

Proposed Employer-Assisted Housing Program

A NEW IDEA

EMPLOYER ASSISTED WORKFORC HOUSING IN PARTNERSHIP WITH FANNIE MAE

February 2, 2004
Strategic Planning Division

A NEW IDEA

EMPLOYER ASSISTED WORKFORCE HOUSING PROGRAM IN PARTNERSHIP WITH FANNIE MAE

The Planning Board, County Council, and County Executive are all diligently working to expand the supply, variety, and affordability of our housing stock to enhance the County's well being. We believe this is an opportune time to invite employers to participate with the county to help address workforce housing issues through employer assisted workforce housing programs. It makes good bottom line sense to the business community in terms of employee attraction, retention, and morale.

WHAT IS AN EMPLOYER ASSISTED HOUSING PROGRAM?

The objective of an Employer Assisted Housing Program (EAH) is to help public and private sector employees become homeowners by increasing home ownership opportunities.

EAH programs are frequently developed in jurisdictions where housing costs are rising significantly faster than wages making it difficult for employers to attract and retain a high-caliber workforce, and making it difficult for employees to find housing in the jurisdiction where they work.

An EAH program involves a public-private partnership among government, employers, and business organizations such as chambers of commerce, non-profit housing providers, organized labor, lenders, and often, Fannie Mae.

Successful programs, nationwide, which have increased the availability of housing and homeownership opportunities for workers include: discounted or forgivable loans; down payment assistance for purchasing or rehabilitating homes; employer built, owned, or leased housing; reduced costs for applications and closings; discounts for appliances; and financial literacy education of workers.

In addition, EAH programs often are used to encourage community development and revitalization in targeted neighborhoods.

Attachment #5 summarizes a nationwide survey of successful EAH programs.

WHY IS HOME OWNERSHIP IMPORTANT?

Increases in home ownership rates equate, generally, to more stable neighborhoods, since homeowners have more commitment to community. When more families own their own homes, our neighborhoods are stronger, our schools improve, commuting time is reduced, and the entire community reaps the benefit.

In addition, home ownership increases jobs, home sales, retail sales, and the tax base creating a positive economic climate.

WHAT ARE THE BOTTOM LINE BENEFITS OF EAH PROGRAMS FOR MONTGOMERY COUNTY AND ITS EMPLOYERS?

It is to Montgomery County's advantage to have more of those who work here live in the county and own their own homes, and thus have an investment in the community. Greater community involvement leads to a healthier community as employees spend more time in the community and participate in more segments of community life. They will also be more likely to shop in Montgomery County, supporting our local retail establishments.

In Montgomery County, workers who live outside the county hold 36% of the jobs. In fact, Montgomery County Public Schools (MCPS) report that 30% of all classroom teachers do not live in Montgomery County and the average age of those living outside the county is younger than those who live in the county. (For example, the average age of a kindergarten teacher who lives in Montgomery County is 40 years old, while it is 34 for one who lives outside the county). Last year, the IAFF Local 1664 which represents Montgomery County Career Firefighters, reported that 31.3% of its members lived in Montgomery County and 68.7 % lived in other jurisdictions. Almost as many lived in Frederick County as lived in Montgomery County.

Employees will be able to spend less time commuting and more time with their families and in community activities. It is not easy to find solutions to the worsening traffic congestion in the county, however, if more workers are able to live closer to their jobs, there will be less impact on the roads and some workers may even be able to use public transportation.

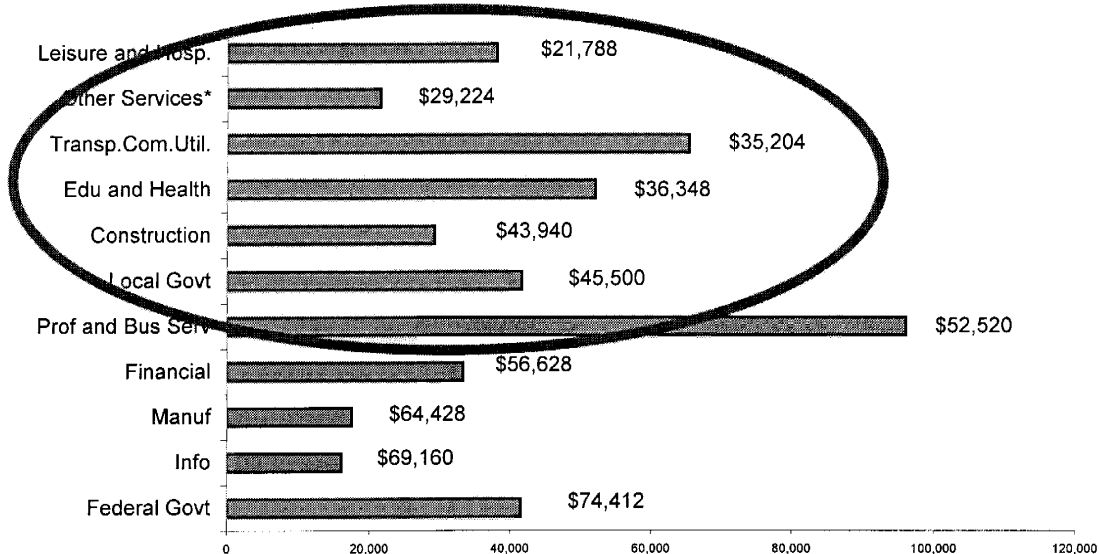
Employer Assisted Housing (EAH) programs create a range of benefits for employers and participating employees. They can be of great value to both public and private employers. EAH programs are a cutting-edge benefit that sets an employer apart from the competition. They are easy to administer and pay for themselves through increased productivity, decreased recruitment costs, improved retention and increased morale. They are especially effective for critical public and private sector workers challenged by skyrocketing housing costs, particularly teachers, police, firefighters, and health care personnel. "On call"

employees have shorter response times. EAH programs can create employer goodwill in the community and enhance an employer's reputation as a "family-friendly" employer.

IS THERE A NEED FOR EMPLOYER ASSISTED HOUSING PROGRAMS IN MONTGOMERY COUNTY?

We think so. Housing costs are rising faster than wages. The rapidly escalating real estate market places housing out of the reach of many valuable employees, from mid-level professionals to lower paid service employees.

MOST MONTGOMERY COUNTY WAGE EARNERS MAKE LESS THAN \$50,000



Source: State of MD, DLLR, 2002, 3rd Quarter

Most of the workers in the county make less than \$50,000 a year and the distribution of wages and corollary job sectors is not expected to change in the foreseeable future. The average wage paid in Montgomery County, in 2002, was \$46,000. Entry-level wages in Montgomery County for teachers and police are about \$38,000 and Fire and Rescue personnel start at \$33,000.

Since 1996, the average weekly wage earned in Montgomery County has increased by 32% but new townhouse prices have increased by 64% and new single-family detached units have increased by 54%. Housing is just too expensive for many people who work here and it expected that the county will continue to have most of its workers making less than required to buy the average house.

Even with two incomes in a household each making the average wage, that household could not buy the average new house that sold last year. It would take a household income of at least \$138,000 and a substantial down payment to buy the average new house which sold for a median price of \$481,300 in 2002.

What Does it Take to Buy a House?

	Median Sales Price 2002	Approx. Income Required ¹
New Single Family	\$481,300	\$138,000 to \$161,000
Resale Single Family	\$340,000	\$97,000 to \$113,000
New Townhouse	\$278,000	\$80,000 to \$93,000
Resale Townhouse	\$185,000	\$53,000 to \$62,000

Source: MNCPPC, Research and Technology Center

Renters are also challenged with affordability. Currently, 23% of our households are renters. A recent Departmental survey found that 49 % of the renters in the county pay more than one-fourth of their monthly income for housing, an increase from 40% in 1997.² According to the Maryland Department of Housing and Community Development, the income needed to rent a one-bedroom apartment in the county is \$41,560.³

HOW DO EMPLOYER ASSISTED HOUSING PROGRAMS WORK?

The *employer* offers the housing benefit--often in the form of a forgivable, deferred, or repayable loan; a grant; a matched savings plan; or homebuyer education program--that helps the employee achieve home ownership.

The *employee*, who is the potential homebuyer, participates by applying for the benefit, meeting the criteria set by the employer to receive the benefit, and fulfilling the necessary qualifications to become a homebuyer.

The *lender* provides the first mortgage underwriting and manages the relationship with the employee. An EAH plan identifies lenders and other financial partners or funding opportunities.

¹ Currently purchasing power is approximately 3 to 3.5 times income and varies with down payment, mortgage rates and credit history.

² 2003 Census Update Survey, Montgomery County Planning Dept., Research and Technology Center, November 2003

³ Maryland Rental Housing Affordability Index, October 2003, Maryland Department of Housing and Community Development

The *government* develops the policy and program, identifies need, and assists the employer(s) in establishing the program. When government employees are targeted, the government frequently offers the housing benefit.

WHO WILL EAH PROGRAMS TARGET?

*The focus of the proposed EAH program is for **moderate-income workers** whose salaries are between \$30,000 and \$62,000. While acknowledging the need for housing for the lowest paid workers, there are other county, state and federal programs addressing their needs⁴.*

- *High Income Workforce* -- workers who earn more than \$86,000, including many professionals and higher-level government employees.
- *Middle Income Workforce* -- workers who earn between \$62,000 and \$86,000, including professional services, technical workers and experienced government workers.
- *Moderate Income Workforce* -- workers who earn from \$30,000 to \$62,000, including most local government employees such as beginning teachers, public safety personnel, as well as nurses and other health care professionals, and many of our technical workers.
- *Low and Very Low Income Workforce* -- workers including minimum wage employees and those earning up to \$30,000 a year (many of these workers are in service, hospitality and retail industries).

The county is working diligently to increase the supply, mix, and affordability of housing through a broad range of planning, regulatory, and programmatic initiatives. Active EAH programs will complement the county's commitment to increase ... supply. EAH programs could be useful tools for expanding homeownership for our workers in Montgomery County. The County has a limited supply of housing affordable to our workforce because we have seen rising prices for all housing; declining production from government programs; community concerns about density, compatibility and over concentration; and competing public policies sometimes reduce housing units in new development. Many of the government programs are for the low and very low-income workforce. The Moderately Priced Dwelling Unit Program, a nationally recognized

⁴ Most households have more than one person and many have more than one worker. "Workforce housing" is defined as housing for households with incomes between 60 and 120% of the county's median household income. In Montgomery County the Median Household Income is \$79,115; that translates into a workforce housing need for households with incomes between \$47,500 and \$94,900.

inclusionary zoning program, has resulted in very few units in recent years and does not generate the number of units needed to meet the demands.

HOW COULD AN EMPLOYER ASSISTED HOUSING PROGRAM BE DEVELOPED HERE IN MONTGOMERY COUNTY?

A broad partnership is proposed with Fannie Mae, employers, business organizations such as the Chamber of Commerce, non-profit housing providers, organized labor, lenders, and local government for the purpose of developing a multi-faceted countywide strategy to deliver customized employer assisted housing programs throughout the public and private sectors.

Fannie Mae has successfully developed a broad range of EAH programs for jurisdictions and employers nationwide. Fannie Mae can provide detailed technical assistance to establish the program, engage the full spectrum of key players, identify traditional and non-traditional lending partners and opportunities, and help orchestrate community outreach and marketing efforts.

In 2000, Fannie Mae launched the \$2 trillion dollar American Dream commitment to narrow home ownership gaps, increase affordable rental housing, and strengthen communities by pledging, in part, to work with jurisdictions and employers to develop EAH programs throughout the United States.

During the past four years, Fannie Mae has successfully worked with more than 500 public and private employers and jurisdictions to create customized EAH programs and committed \$1.3 trillion in home financing.

Joining with their national mortgage lender partners, Fannie Mae can actively work with local employers, government, Chambers of Commerce, non-profit housing providers, lending institutions, and organized labor to create customized EAH benefit plans for jurisdictions and employers.

Locally, Fannie Mae has worked with Alexandria, Baltimore City, and the District of Columbia as well as many private and public employers such as George Washington and Howard universities, a consortium of the major hospitals in Washington DC, banking institutions, and METRO to develop EAH programs.

PROPOSED APPROACH

Develop and **implement** a prototype Employer Assisted Housing Program within 6 to 12 months.

Identify, as first round candidates, selected sectors within the Moderate Income Workforce--those workers with incomes between \$30,000 and \$62,000. This

income group represents the preponderance of those challenged by housing costs; the program might first target teachers, public safety, and public health workers.

Schedule a briefing with the Planning Board and, subsequently, with the County Council to more fully develop this proposal. **Invite** Fannie Mae to participate during the briefings.

Appoint an EAH Steering Committee to help develop and guide program formulation, development, and implementation. The County Council and Executive should participate in the appointment process.

The purpose of this Steering Committee is two fold – a) to implement a working relationship with Fannie Mae and b) to build long-term government, business and community support for the EAH program.

The committee might be comprised of representatives from: Fannie Mae, Park and Planning; County Council staff; Executive staff; Montgomery County Public Schools; Chamber of Commerce, Police; Fire and Rescue; Health Care institutions, private not for profit housing providers, organized labor, lending institutions, and the business community.

Develop a countywide EAH program and customized programs for each targeted employment sector.⁵ **Designate** Fannie Mae to assume a leadership role to design the program.

Initiate data collection effort including: documentation of the current housing market and housing stock by planning area, or school cluster, or other appropriate geographic area; identification of naturally occurring affordable housing stock; development of salary profiles for the first round candidate employment sectors.

Complete and produce Community Information Packets.

Develop three-tier public information and marketing strategy for the general community, employers, lending institutions, organized labor, and the employee groups selected.

⁵ Examples of Fannie Mae's role would be determining program practices, establishing eligibility criteria, determining assistance funding, determining approval process, establishing timeline, and providing any related documentation.