NHC Affordable Housing Policy Review

VOLUME 3 • ISSUE 2 NATIONAL HOUSING CONFERENCE JUNE 2004

Private Sector Partnerships: Investing in Housing and Neighborhood Revitalization

NATIONAL HOUSING CONFERENCE

The United Voice for Housing

NHC Affordable Housing Policy Review

NHC Affordable Housing Policy Review seeks to offer a balanced nonpartisan view of complex housing policy issues. This publication encourages discussion and commentary from all who choose to engage in a responsible dialogue on the housing needs of this nation. Published on an occasional basis, *NHC Affordable Housing Policy Review* provides insight into NHC's positions on key housing concerns and also includes other housing industry policy perspectives.

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NHC Affordable Housing Policy Review is published by the National Housing Conference (NHC), a nonprofit 501(c)(3) membership association dedicated to advancing affordable housing and community development causes. A membership drawn from every industry segment forms the foundation for NHC's broad, nonpartisan advocacy for national policies and legislation that promote suitable housing in a safe, decent environment. NHC members consist of nationally known experts in affordable housing and housing finance, including state and local officials, community development specialists, builders, bankers, investors, syndicators, insurers, owners, residents, labor leaders, lawyers, accountants, architects and planners, and religious leaders. **NHC is the United Voice for Housing.**

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Robin Snyderman has been the Housing Director at the Metropolitan Planning Council (MPC) in Chicago since 1998. Under Ms. Snyderman's leadership, the housing program at MPC has intensified its ability to increase the number of informed stakeholders committed to successful public housing reform and to a range of quality housing options near jobs and transit throughout the region. In 2002, she staffed the Transition Team Housing Committee for Illinois Governor Rod Blagojevich and is currently serving on the Executive Committee of the Governor's Housing Task Force, for which she also chairs its "Regional Solutions Committee." Prior to joining MPC, Ms. Snyderman worked for the nonprofit Mission Housing Development Corporation (MHDC) in San Francisco. In addition to her work at MPC, Ms. Snyderman is currently Chair of the City of Evanston's Housing Commission, serves on the board of directors of the Illinois Housing Council and the Interfaith Council for the Homeless, and is a recent Fellow of Leadership Greater Chicago.

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Private Sector Partnerships: Investing in Housing and Neighborhood Revitalization

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Foreword

In 2001, the National Housing Conference (NHC) began its Senior Executive Roundtable Series to explore innovative methods being used to meet affordable housing needs around the country and examine what might be done at the national level to encourage this activity. These sessions have proven an effective approach for reaching business and civic leaders around the country who are increasingly making the connection between affordable housing and their community's future economic and social well being.

Additionally, NHC has received valuable input on viable solutions to the nation's affordable housing challenges from the participants at these Roundtable discussions. One tool for addressing local and regional affordable housing needs that was raised over and over again was the important role of the private sector. We heard about employer assisted housing and employer involvement in neighborhood revitalization. During these discussions, NHC found that private sector engagement represents a promising new avenue to support neighborhood revitalization and the development of affordable housing at a time when traditional programs and resources are not keeping pace with the growing demand.

As a way of building awareness of and promoting additional private sector participation, NHC has compiled information on a variety of innovative programs that we encountered while holding these Roundtable discussions around the country. We are pleased to present this issue of *NHC Affordable Housing Policy Review*, which highlights examples of meaningful private sector action to create affordable housing opportunities. More than just a simple description of the programs, it is our hope that the articles in this publication will answer questions about motivations for private sector participation, obstacles that were overcome to achieve success, resources that were available and lessons learned.

Private Sector Partnerships: Investing in Housing and Neighborhood Revitalization

Introduction

By H. Beth Marcus

More and more, employers are realizing that it is in their business interest to become involved in housing and community development. This is good news for those of us in the housing and community development industry; the more nontraditional partners concerned about housing and community development, the greater likelihood this will be a top priority on the public policy agenda. Also very interesting is that employers are getting involved in a variety of different ways, as demonstrated by the success stories that are highlighted in this issue of *NHC Affordable Housing Policy Review*.

My employer—Fannie Mae—is among those employers who believe that helping employees with their housing needs is a good business decision. Since 1991, Fannie Mae has provided a five-year forgivable loan to over 2,500 employees below the management group level to help them with downpayment and closing costs. Fannie Mae's Employer Assisted Housing (EAH) benefit has proven to be one of the company's most popular benefits among employees. Fannie Mae also has received external recognition for our EAH program; last year, Fannie Mae received the Ron Brown Award for Corporate Leadership, the first presidential award to honor companies, for our EAH employee benefit and for the free technical assistance we provide to other employers to help them design a customized EAH program.

With over a decade of EAH experience as both an employer and advisor, Fannie Mae has learned a great deal about what motivates an employer to offer an EAH benefit and the types of EAH benefits employers tend to choose. Since the early 1990s, we have provided free technical assistance to nearly 600 employers who fall into all types of categories: private corporations; nonprofit organizations; public sector employers; the health care industry; and universities. Over 75 percent of these employers have received this assistance since 2000 as part of our American Dream Commitment. This year, Fannie Mae expanded the American Dream Commitment to bring more affordable housing to America's working families under our "Housing America's Workforce" initiative which includes, but is not limited to, EAH.

Fannie Mae defines an EAH benefit as an employee benefit that helps an employer achieve business goals while helping their employees with their housing needs. We have identified eight reasons why employers offer EAH which we call the *EAH Rs*: recruitment, retention, return, revitalization of neighborhoods, reduced commuting, relationships, right thing to do/role model, and recognition.

Often, more than one of the *EAH Rs* will apply, as is the case with Fannie Mae. For us, EAH is an excellent recruitment and retention tool (thus resulting in greater return); demonstrates our commitment to our headquarter city by providing an incentive to buy homes in the District of Columbia; is the right thing to do, applying our mission to expand the American dream of homeownership to our own employees; establishes us as a role model (virtually all employers we talk to about EAH want to know about our program); and has, as the Ron Brown award exemplifies, earned us recognition as a corporate leader. There are probably very few employee benefits that can offer an employer as much value as EAH has for us, and this is why the only significant change we have made since 1991 is to expand employee eligibility.

EAH benefits typically take the form of either financial assistance or education to help the employee become better prepared for homeownership. The financial benefits, which represent the majority of EAH benefits chosen by employers receiving Fannie Mae technical assistance, tend to be loans (forgivable, deferred or repayable) or grants (up-front or deferred matched savings); funds are typically used for downpayment and closing costs or as rental subsidies. Usually, a nonfinancial EAH benefit is homebuyer education, often combined with financial literacy education, paid for by the employer and offered by a nonprofit counseling agency.

Determining which EAH benefit is best for an employer depends upon which *EAH R* is their motivation for offering the benefit. For example, if an employer is interested in using EAH to help with retention, they may choose to offer a benefit that has value to the employee only if they stay with the company, such as a forgivable loan or matched savings grant. Determining which employees receive the benefit also depends upon needs—in this case the employer's and those of their employees. A homebuyer education EAH benefit that has very minimal cost to the employer, for example, will probably benefit most those employees who currently do not own a home. Employers also may consider other program features, such as restricting the EAH benefit to properties in a specific neighborhood in order to serve as a revitalization tool. The free technical assistance offered to employers by Fannie Mae through our 55 Partnership Offices is designed to help employers evaluate these alternatives.

EAH, of course, is just one of many ways that employers help their employees and communities with housing. The recent growth in the number of employers offering an EAH benefit has been tremendous, as demonstrated by the fact that three-quarters of the 600 Fannie Mae assisted employers began offering their EAH benefit in the last four years. This increase in EAH, the expansion of our American Dream Commitment to include other workforce housing initiatives under our "Housing America's Workforce" initiative, and the other examples in this journal demonstrate that involvement by the business community in housing and community development is just beginning.

The Commonwealth Housing Task Force: Boston, Massachusetts A Successful Collaboration of Diverse Interests

By Eleanor G. White

The Commonwealth Housing Task Force in Massachusetts represents a classic case of making lemonade out of lemons. Born out of conflict, the task force holds the promise of becoming a model of public/private collaboration to advance enlightened housing policy in a region desperate for solutions to a housing crisis. This article focuses on the process by which these disparate groups coalesced; a discussion of its policy initiatives is beyond the scope of the current report. An early disclaimer: the author has attempted to acknowledge all of those who have been most active in the task force; any omissions are unintentional and the full responsibility of the author.

Background

During the late 1990s, housing advocates in Massachusetts worked hard for passage in the state legislature of the Community Preservation Act (CPA), under which communities could, as a local option, establish a surcharge on local property taxes as a dedicated revenue stream for affordable housing, open space and/or historic preservation, to be matched by state funds. Although successful at the state level in 2000, the CPA local option was defeated in the City of Boston, partly through the efforts of business leaders who—notwithstanding their support of the goals of the CPA—fought against any increase in property taxes during a period of business slowdown. Not surprisingly, this caused a serious rift in the heretofore polite and, even at times, collaborative relationship between business organizations and housing advocates.

The conflict played out during a time of unprecedented crisis in the housing markets in the Boston area. Recent studies at the time had identified both a serious need for housing across all income levels and also had identified such serious barriers to entry for multifamily housing developers that very little new production was taking place. At the same time as some members of the business community were campaigning against CPA's property tax surcharges, most also recognized publicly that the lack of housing—especially affordable housing—was seriously compromising their ability to recruit and retain employees. A few business leaders even supported CPA on this basis. But as the vote neared, dueling and inflammatory ads in the media sharpened the conflict.

Both sides (business and advocates) realized that the growing tension was not productive for the larger community over the long term, and began exploring ways to heal wounds and come together around housing issues. Business interests explained that they were not opposed to affordable housing development, rather they objected to the method of funding housing that was embodied in the CPA. Skeptical housing advocates agreed to talk but reserved judgment about whether the business community could be trusted to be a positive partner. This was not exactly the ideal prescription for major progress.

Early Steps

Beginning even before the City of Boston defeated the CPA in late 2001, and accelerating within two weeks of the vote, a small working group began meeting to forestall another bloody ballot initiative fight. The group included the lead opponents of the City of Boston ballot initiative on the CPA, leaders of the CPA Coalition and City of Boston officials.[1]

The District Council of the Urban Land Institute (ULI) in Boston had long been a place where business, developers and housing advocates had come together to research and discuss issues of importance to the real estate community in the area. ULI also recognized the importance of healing the CPA wounds, and at about this same time ULI members[2] —led by Jerome Rappaport, Jr.,[3] President of the New Boston Fund and a national commercial developer—invited members of the larger business community and CPA advocates to meet on neutral territory to see if they could work together.

Shortly thereafter, encouraged by the positive tone of the meetings, the small working group and the ULI group decided to join forces, expand their ranks and craft an action agenda. They called themselves the Greater Boston Housing Task Force and soon convinced Paul Grogan, President and CEO of The Boston Foundation, and Professor Barry Bluestone, Director of the Northeastern University Center for Urban and Regional Policy, both of whom would soon play key roles in the task force, to join the discussions.

The business leaders were relieved that a repeat of the CPA ballot initiative seemed to be off the table, at least for the time being; and the housing advocates were starting to believe that the business community might engage actively and positively to help solve the region's housing problems. Amazingly (at least to some observers), the meetings were cordial and seemed to be moving in the right direction.

The Real Work Begins

By November 2002, the group had expanded its membership,[4] organized into subcommittees to explore specific housing topics (ranging from the way the state disposes of excess land to the potential for more state funding for affordable housing) and had

[1]Opponents of the CPA initiative were represented by David Weinstein and Michael DiBiase of Fidelity Investments, Robert Beal of the Beal Companies, Ronald Druker of the Druker Companies, Rosalind Gorin of H.N. Gorin Companies, Paul Guzzi and Jim Klocke of the Greater Boston Chamber of Commerce and Ed Shanahan and Brian Kavoogian of the Greater Boston Real Estate Board. Leaders of the pro-CPA Coalition included Aaron Gornstein of Citizens Housing and Planning Association, Tom Callahan of the Massachusetts Affordable Housing Alliance, Marc Draisen of the Massachusetts Association of CDCs (now Executive Director of the Metropolitan Area Planning Council) and Mossik Hacobian of Urban Edge CDC. Officials from the City of Boston included Mark Maloney of the Boston Redevelopment Authority and Howard Leibowitz of the Mayor's Office.

[2]ULI members at this stage, in addition to Jerome Rappaport, Jr., Robert Beal and Mossik Hacobian, included Georgia Murray, a long-time executive in multifamily housing asset management, Charles Tseckares of CBT Architects and Charles Kendrick of Clarion Ventures.

[3]Jerry Rappaport, Jr. received important assistance with both policy and coordination of the embryonic task force from Charles Euchner, Director of the Rappaport Institute for Greater Boston at the Harvard University John F. Kennedy School of Government.

[4]The group was joined by officials such as David Slatery, Senior Executive Vice President of MassDevelopment (the state's economic development bank); Lowell Richards, Chief of Real Estate Development of MassPort (the port authority); David Parish, Senior Vice President of Housing and Community Investment for the Federal Home Loan Bank of Boston; and Robin Drill, Director of the Fannie Mae Massachusetts Partnership Office.

committed to develop a policy platform for increasing the production of housing. The members individually committed to working on the task force for a minimum of five years.

By February 2003, the group had expanded dramatically and included representatives from virtually every sector concerned about the housing crisis in Massachusetts.[5] Jerry Rappaport recruited three people to serve with him as co-chairs of the effort: Thomas Hollister, Lawrence DiCara and Eleanor White.[6] The group was temporarily renamed the Massachusetts Housing Task Force to reflect the statewide focus of the effort. The Boston Foundation[7] soon offered to serve as convener of the task force, now permanently renamed the Commonwealth Housing Task Force, to eliminate confusing this private group with a state-funded agency. Significant work took place during February and early March 2003 to outline a policy platform that all of the sectors could support. The co-chairs felt that if agreement could be reached on a platform (no small accomplishment given the genesis and composition of the group), the path would be clear to explore and create innovative solutions to the state's severe housing crisis.

The draft policy platform was presented at a large meeting with close to 100 attendees in March 2003. In attendance at that meeting also were elected and appointed public officials essential to the success of any eventual legislation and program recommended by the task force.[8] Many have stated that this was the most diverse group of interests in the history of Massachusetts to ever convene around housing issues. Remarkably, the attendees agreed to endorse the policy platform as presented and move ahead. The co-chairs were authorized by the group to raise private funds and to commission work on a major policy report to (1) flesh out the policy platform to shape state action on housing production, and (2) develop recommendations for changing negative public perceptions of multifamily and affordable housing. This work was assigned to the Northeastern University Center for Urban and Regional Policy (CURP) and to Rasky/Baerlein Group, a respected public relations firm. Funding to date has been raised largely from private and foundation sources.[9] Development of a full scale policy initiative to overcome barriers to new housing by linking state incentives to local communities willing to pass special

[5] Members of the task force (far too numerous to name here) include state and local government representatives (both administrative agencies/departments and elected officials), commercial and other for profit developers, community development corporations and other nonprofit developers, lending institutions, the health care industry, universities, environmentalists, historic preservationists, organized labor, foundations, professionals (lawyers, architects, consultants, etc.), housing advocates and major employers.

[6] The co-chairs were Thomas Hollister, President of Citizens Bank of Massachusetts; Lawrence DiCara, Attorney with Nixon Peabody and former Boston City Councilor; and Eleanor White, President of Citizens Housing and Planning Association (the umbrella housing advocacy organization in Massachusetts) and long-time housing administrator and consultant in positions within both the public and private sectors.

[7] The Boston Foundation representatives were Paul Grogan, President and CEO, and MaryJo Meisner, Vice President for Communications, Community Relations and External Affairs.

[8] Attendance at the March 2003 meeting included Jane Gumble, Governor Romney's Director of the Department of Housing and Community Development (DHCD) and top officials from her office; Kevin Honan, State Representative from Boston and Co-Chair of the State Legislature's Housing and Urban Development Committee; Michael Flaherty, President of the Boston City Council; Sarah Young, Deputy Director for Policy at DHCD and representing Doug Foy, Governor Romney's Chief of Commonwealth Development; Michael Hogan, President of MassDevelopment, the state's economic development bank; Thomas Gleason, Executive Director of MassHousing, the state's housing finance agency; and many others.

[9] Contributions have come from many of the business members of the task force, as well as from The Boston Foundation and the Federal Home Loan Bank of Boston.

overlay districts in their towns was undertaken at CURP under the direction of an experienced housing developer, Ted Carman of Concord Square Development, with assistance from Barry Bluestone and Richard Maloney of CURP and Eleanor White of Housing Partners, Inc.

The task force's first report, *Building on Our Heritage: A Housing Strategy for Smart Growth and Economic Development,* dated October 30, 2003, was released in early November. The recommendations focused on approaches to provide state incentives for municipalities to encourage them to rezone land for multifamily housing and single family housing on small lots, with a goal of dramatically increasing housing production for households at all income levels. Both before and after its release, the authors vetted the recommendations with many groups (business, municipal officials, state housing and budget experts, affordable housing advocates, real estate developers—both for profit and nonprofit—and academics). The recommendations made in the report have the potential to revolutionize the process and greatly expand the rate of production of multifamily housing, single family housing on small lots and affordable housing throughout the State. The next step will be the introduction of legislation for consideration by the Massachusetts General Court (the state legislature) to implement these recommendations.

The Commonwealth Housing Task Force is clearly very much still a work in progress. However, it has already proven its value by effectively channeling the energy generated by the conflict over the CPA and bringing together an unprecedented coalition of public and private entities to seriously address the need for housing in Massachusetts. All those involved with the task force are very hopeful about the prospects for progress in the coming months and years.[10]

[10] Eleanor White, President of Housing Partners, Inc. in Watertown, Massachusetts and Co-Chair of the Commonwealth Task Force, may be reached at (617) 924-7240.

The Versatility of Employer Assisted Housing: Bottom-Line Savings and Top-Level Policies

By Robin Snyderman

It is frequently said that a good employer assisted housing (EAH) program is a win-win-win situation:

- A win for the employer, who experiences the benefits of a more stable workforce when employees live near work. Improved morale, less turnover and reduced recruitment clearly result in bottom line savings.
- A win for the employee, who ultimately enjoys extra time—formerly spent in traffic—for family or community life, after receiving financial support from the employer to buy a home closer to work.
- And a win for the community, which benefits from increased investment and reduced congestion, thanks to the new neighbors who were formerly just passing through.

The Metropolitan Planning Council (MPC) of northeastern Illinois, a regional policy and advocacy organization, identifies a fourth winner—the broader housing arena.

Since launching the Regional Employer Assisted Collaboration for Housing (REACH) with eight community-based partners,[1] there is no question that MPC's strategic achievements have been at least as encouraging as the very tangible results related to new employee homeowners and new employer investors.

Background

The Metropolitan Planning Council[2] is a nonprofit, nonpartisan group of business and civic leaders committed to serving the public interest through the promotion and implementation of sensible planning and development policies necessary for a world-class Chicago region. MPC conducts policy analysis, outreach and advocacy in partnership with public officials and community leaders to improve equity of opportunity and quality of life throughout metropolitan Chicago.

Given the array of policy issues critical to metropolitan Chicago, thoughtful observers might question the relevance of an EAH strategy. How could individual partnerships between employers and counseling agencies have an impact on housing challenges as severe as those facing the 274 municipal leaders in the six-county area?

[1]Nonprofit housing agencies that currently administer EAH programs for local employers throughout the region as part of REACH are: the Affordable Housing Corporation of Lake County, Corporation for Affordable Homes of McHenry County, DuPage Homeownership Center, Housing Opportunities Development Corporation (northshore suburbs), Joseph Corporation (Kane County), Neighborhood Housing Services (NHS) of Chicago, North West Housing Partnership, and Regional Redevelopment Corporation (south suburbs).

[2]Additional information on the Metropolitan Planning Council and the REACH program can be found at: http://www.metroplanning.org.

In a state that historically offered no housing policy to guide these mayors, it is no wonder that employees interested in living near work find that homeownership is out of reach in the region's job growth corridors. Since 1990, there has been a 49 percent increase in homeowners paying more than 30 percent of their incomes on housing. And rental housing is not the safe back up plan many would expect. In the 1990s, while population increased by 11 percent and jobs by 16 percent, the rental housing stock in the Chicago region actually shrank. Only three percent of all permits were for multifamily housing, compared to 22 percent nationwide. Researchers point out that typical economic models of supply and demand do not bear out in this regional housing market and that other non-economic variables are at play. The notoriety of the old Cabrini-Green paradigm of public housing has clearly tainted public perceptions of affordable housing, while local policymakers have lacked the guidance and tools from the state to address the very real housing needs of people who live and work in their jurisdictions.

The Metropolitan Planning Council advanced the concept of EAH precisely to alter the nature of the regional housing debate in Chicago by addressing housing as a self-interest of business leaders in the region.

The outcomes have been astonishing. Not only are 22 employers (see Table 1) now engaged in the program and experiencing bottom line savings, but new state housing policy now offers both "carrots" to local policymakers advancing the state's housing objectives and a "stick" or two for those municipalities that are overlooking the housing needs of historically underserved constituencies. Catalyzing much activity at the local level, a housing task force of the Metropolitan Mayors Caucus has assumed great leadership and influence.

Table 1: Participating Employers

Advocate Bethany Hospital
Allstate
Bank One
Chroma Corporation
Chicago Public Schools
City of Evanston
City of North Chicago
City of St. Charles
Draper and Kramer
First Midwest Bank
Illinois Institute of Technology
Medela Corporation
National Interfaith Committee for Worker Justice
Northwest Community Healthcare
Robinson Engineering
Rosenthal Brothers
Sensor System (a subsidiary of Honeywell)
Seaquist Perfect
Sinai Health Systems
St. James Hospital
University of Chicago
Village of Riverdale

However, if you are contemplating the launch of an EAH initiative, be realistic. The MPC/REACH programs advanced quite incrementally at the beginning, and only recently began moving at a more accelerated, exponential pace. Indeed, as many employers "signed on" in 2003 as did from 2000 to 2002, in total. Similarly, as many employees became homeowners due to downpayment assistance from their employers through REACH programs in 2003, as were assisted in the program's first three years. Table 2 summarizes EAH activities among employers that have operational programs. Over 400 employees have begun participating in homeownership education since the program began, and well over 100 have successfully bought homes through an EAH initiative.

Table 2: Summary of Employer Assisted Housing Programs

		2000		2001		2002		2003		2000–2003	
Employer	REACH Partner	Employees Enrolled	New Homeowners	Employees Enrolled	New Homeowners	Employees Enrolled	New Homeowners	Employees Enrolled	New Homeowners	Employees Enrolled	New Homeowners
System Sensor	Joseph	50	16	24	18	0	1	26	10	100	45
Bank One	All					14	12	8	10	22	22
Northwest Community Healthcare	NWHP					31	4	35	9	66	13
Advocate Bethany Hospital	NHS					3	0	7	3	10	3
Village of Riverdale	RRC					2	0	5	2	7	2
City of St. Charles	Joseph							3	2	3	2
University of Chicago and University of Chicago Hospitals*	NHS							131	36	131	36
Seaquist Perfect	CAHMCO							7	2	7	2
Medela Corporation	CAHMCO							7	1	7	1
National Interfaith Committee for Worker Justice	NHS							3	0	3	0
City of Evanston	HODC							9	0	9	0
First Midwest Bank	All							0	8	8	8
Allstate Corporation	AHC							22	0	22	0
City of North Chicago	AHC							5	1	5	1
Robinson Engineering	RRC							6	2	6	2
Rosenthal Brothers	AHC							2	1	2	1
Total		**50**	**16**	**24**	**18**	**50**	**17**	**276**	**87**	**408**	**138**

* University of Chicago 2003 numbers include January 2004.

Table 3 examines the characteristics of participating employees. The summaries in Table 3 are listed by employer to protect the privacy of individual homeowners. Of the 87 new homeowners in 2003[3] (based on available data), employee median salary was $37,000 and household median income was $53,500.

Table 3: Characteristics of Employee Participants

Employer	REACH Partner	Total 2003 Homebuyers	Employee Income	Total Household Income	Household Size	Household Income as % of AMI	Sale Price of Property	Employer Assistance	State Match Amount
Advocate Bethany Hospital	NHS	3	$45,876	$45,879	3	100%	$149,250	$5,000	$0
Bank One	NHS, AHC, CAHMCO	10	$36,598	$37,974	1	80%	$89,000	$2,500	$2,500
City of St. Charles	Joseph	2	N/A	$91,013	2	155%	$192,500	$5,000	$0
First Midwest Bank		8	N/A	$51,000	3	90%	N/A	$2,000	$0
Medela, Seaquist Perfect and City of North Chicago	CAHMCO, AHC	4	$36,583	$39,883	3	80%	$135,750	$3,125	$2,625
Northwest Community Hospital	NWHP	9	$40,704	$60,704	2	120%	$154,000	$5,000	$0
Robinson Engineering	RRC	2	$32,115	$32,115	1	80%	$158,500	$5,000	$3,000
System Sensor	Joseph	10	$32,000	$59,360	2	100%	$149,950	$5,000	$0
University of Chicago and University of Chicago Hospitals	NHS	36	N/A	$57,000	2	100%	$182,500	$7,500	$5,000
Village of Riverdale	RRC	2	$35,166	$48,666	3	80%	$94,950	$5,000	$3,000
Overall	**All**	**86**	**$36,732**	**$53,500**	**2**	**100%**	**$155,950**	**$5,000**	**$2,500**

Notes:
1. Table does not include one homebuyer assisted through the Rosenthal Brothers' EAH program.
2. First Midwest also assisted 68 employees with refinances statewide.

The Evolution of the REACH Strategy in Metropolitan Chicago

1998 MPC published *Housing for a Competitive Workforce: Homeownership Models that Work*, summarizing best practices on EAH from around the country.

MPC hosted a tour for local leaders from Chicago to see the achievements of the Silicon Valley Manufacturing Group (San Jose, California), an EAH model featured in the above publication.

1999 MPC tailored the REACH model, a simple homeownership strategy that was intentionally hassle-free for the employer. One of the eight community-based housing experts administered the EAH programs for employers and counseled employees, while MPC worked to leverage additional funding sources, and spearheaded evaluations and public education.

[3] University of Chicago and University of Chicago Hospitals data include homebuyers through January 30, 2004.

2000 King Harris, formerly CEO of Pittway Corporation, launched a pilot EAH program with MPC and the Joseph Corporation (the local REACH partner) at System Sensor, a manufacturing plant in St. Charles employing nearly 1,000 people. In addition to contracting with these two nonprofits, the company provided $5,000 in downpayment assistance to 16 employees to buy homes closer to work. In addition to recouping that investment, the program saved the company approximately $100,000.

2001 MPC and King Harris introduced media and policymakers to the successful System Sensor program. The Illinois Housing Development Authority (IHDA) approved a pool of matching funds for EAH to assist income-eligible homebuyers whose employers work with REACH and are based in northeastern Illinois. The matching funds provided a dollar-for-dollar match, up to $5,000, to the employer assistance provided.

REACH received a BP Leaders Award of $100,000 that was used to provide capacity building grants to the nonprofit partners involved with REACH.

Five new employers "signed on" to work with REACH partners.

2002 The Illinois Affordable Housing Tax Credit (IAHTC) program became available, enabling employers investing in EAH to receive a $0.50 credit toward their state income tax for every dollar in cash, land or property donated to EAH. Nonprofit employers could benefit from the credits by "selling" them to an individual or corporation with state tax liability.

Five additional employers "signed on" to work with REACH partners and four employers "launched" programs.

Pittway Corporation is sold to Honeywell, which temporarily suspended its participation in the EAH program.

The Metropolitan Mayors Caucus adopted a Housing Action Agenda that included EAH as a strategy to leverage private sector engagement.

Employers and mayors testified at Illinois legislative housing hearings on the need for more state leadership and support for housing issues.

2003 Eleven new employers "signed on" to work with REACH partners, bringing the total number to 22 employers. Fifteen EAH programs were up and running.

Honeywell reinstated an EAH program after analyzing bottom line savings.

Fannie Mae Corporation strengthened its local role in administering EAH.

MPC unveiled a new EAH model—that supported the Chicago Housing Authority's Plan for Transformation (including both rental and homeownership opportunities).

The state began exploring how to grow the metropolitan Chicago EAH pilot program into a statewide initiative.

Newly Emerging Models

EAH has proven effective as a tool to promote affordability as well as a strategy for promoting reinvestment. It has further proven itself among large and small employers alike, as well as both nonprofit and for profit organizations. What began as a simple homeownership model where employers helped employees afford existing housing options, is now expanding to address rental and development options as well.

For example, the Illinois Institute of Technology (IIT), located on Chicago's South Side, is partnering with MPC to launch a new EAH model. To bolster the Chicago Housing Authority's (CHA) redevelopment of neighboring Stateway Gardens, a high-rise slated for demolition and transformation into mixed-income housing, IIT will offer employees a $7,500 forgivable loan to buy homes in the new community. "This is a tremendous opportunity for our faculty and staff to invest in an exciting, new residential development right in our own backyard," said IIT President Lew Collens. Neighborhood Housing Services (NHS) of Chicago will provide homeownership education and help employees through the homebuying process. Construction is expected to begin in the second quarter of 2004.

MPC, seeing a unique opportunity to support the redevelopment of CHA properties around the city, will help replicate this model. Employers can benefit by increasing employee productivity, reducing turnover and strengthening their business through a stronger, more stable community. The CHA's mixed-income sites aim to serve former public housing residents, moderate-income households and market rate owners and renters within the same development. Employer participation can promote that integration by encouraging the investment of moderate-income and market rate households in the redeveloping communities. This will be an important step in undoing the historic isolation of low-income public housing residents.

The CHA redevelopment effort also creates further opportunities to tailor EAH programs for smaller businesses. Currently, the smallest employer involved with REACH is the National Interfaith Committee for Worker Justice (NICWJ). To provide an EAH benefit to its workforce of 13, NICWJ allows its employees the option of foregoing two years worth of salary increases, in exchange for $3,000 in downpayment assistance and the opportunity to leverage state match funds, potentially doubling the employer's investment. MPC also is gearing up to launch a consortium model for smaller employers. The consortium would allow companies to pool resources to contract with one REACH partner by agreeing on a common set of criteria related to program eligibility, downpayment assistance and other parameters.

Statewide Opportunities

Another win-win-win-win situation is the exciting possibility of expanding EAH statewide through a new state housing task force created through executive order by Governor Rod Blagojevich. The task force is charged with formalizing a state policy that prioritizes the housing needs of underserved constituencies: low- and moderate-income workers who cannot afford to live near their jobs, homeless people and those at risk of becoming homeless, among others. The initiative further requires that all the state agencies currently investing in housing (there are about 20, including the Illinois Housing Development Authority, the Department of Human Services and the Department of

Aging) to link resources for joint efforts. This proactive approach enables the state to more efficiently seek and fund proposals consistent with this housing policy. Finally, the executive order suggests the need to create incentives for municipal and business leaders to also invest in and advance Governor Blagojevich's new housing policy.

MPC is well represented on this task force, which includes King Harris (now vice chair of MPC's Board of Governors), as well as two other MPC board members and MPC's housing director. Given the state's unprecedented budget crisis, EAH is particularly compelling because, to date, every dollar of state matching funds utilized for this program has leveraged five dollars from employers, one dollar from local jurisdictions, $17,000 from private lenders and yielded five dollars in taxes.

Employers across the metropolitan Chicago region continue to discover the benefits of EAH, which repeatedly proves itself a winning strategy for employers, employees, the community and the broader housing arena.

Significant Returns on Milwaukee's Employer Assisted Homeownership Investments

By Raymond Schmidt

One visionary business leader pushed Milwaukee into uncharted waters in the early 1990s with the launch of the city's employer assisted homeownership initiative (EAH). Today, that program includes almost 1,000 new homeowners among its success stories.

On one level, in a market with tens of thousands of home purchases over the past 12 years, 976 EAH homeowners hardly seems significant. But a closer look suggests otherwise. Most EAH purchasers are first-time homebuyers with modest incomes, historically underserved by the conventional housing finance industry. EAH purchasers are usually underrepresented among the ranks of homeowners. Most have achieved homeownership through partnerships that offer services and innovative loan products to ensure long-term, successful, affordable homeownership.

In late 1990, Wisconsin Electric Power Company (WEPCO) CEO Richard Abdoo returned to Milwaukee from an economic development conference with a challenge for the new Select Milwaukee program. At that time, Select Milwaukee was operated by a parent organization whose Board of Directors was chaired by Richard Abdoo. The challenge was for Select Milwaukee to shape and implement an employer assisted homeownership program for WEPCO employees—and for good measure, try to convince other employers to follow WEPCO's lead. (WEPCO is now WE Energies.)

The Select Milwaukee program was created to encourage homeownership in Milwaukee neighborhoods by serving as a resource for prospective homebuyers through partnerships with lenders, realty professionals and community-based organizations. While EAH was not originally envisioned as an initiative of Select Milwaukee, over time, working in collaboration with the usual affordable housing stakeholders, it became a major effort. (Select Milwaukee was incorporated as a free-standing nonprofit corporation in 1995.)

WEPCO's EAH program supported homeownership in neighborhoods in Milwaukee's Community Development Block Grant target area. Employee interest was especially high among modest-income families considering homeownership for the first time. It was immediately apparent that homeownership guidance and counseling—with Select Milwaukee as the program administrator—was as important as the downpayment and closing cost assistance provided by WEPCO. Today, while Milwaukee employers collectively have provided well over one million dollars in homeownership benefits, pre-purchase EAH services remain the key to overall success. Nearly 96 percent of employees are first-time buyers and more than half have incomes below $40,000.

EAH in Milwaukee experienced slow but steady growth. EAH was a perfect fit among the emerging homeownership efforts of Select Milwaukee, which included organizing neighborhood tours, serving as an information clearinghouse for prospective buyers and urging realty professionals and lenders to expand their affordable homeownership services.

Enlisting employers in EAH was a complex and difficult activity. Employer recruitment was guided by the characteristics and circumstances of companies and based, at least in part, on a company's enlightened self-interest. However, having accomplished the daunting task of signing up the "first employer"—WEPCO, along with the enthusiastic support of its CEO—would prove invaluable.

Northwestern Mutual was renowned for excellent employee benefits. Sinai Samaritan Medical Center was a partner in a commercial and residential revitalization effort in its Near West Side neighborhood. Harley-Davidson Motor Company rejected the suburbs to remain in its city location, surrounded by mostly residential neighborhoods with dwindling owner occupancy rates. Mortgage Guaranty Insurance Corporation (MGIC) was already in the homeownership business. Aurora Metro Milwaukee Health Care faced challenges recruiting and retaining health care professionals. Others, like the Boys and Girls Clubs, clearly understood the personal and financial security offered by homeownership and the impact it has on neighborhood quality of life.

Select Milwaukee found that working strategically with partners to recruit firms was productive. Examples of this form of strategic partnership include an employer appearing before its district council member's committee to apply for zoning variances; the Milwaukee Department of City Development incorporating EAH as a component of a comprehensive revitalization strategy and an object of private investment in the plan; and a community-based housing developer building homes in neighborhoods surrounding a local employer.

Expansion of EAH programs in Milwaukee will continue if the alliances that benefit companies, employees and the community are nurtured among the private, nonprofit and public sectors. In the current economic environment where perceived EAH costs can be an impediment to establishing an EAH program, corporate leadership will be essential to building support for EAH. Corporate leaders will be depended upon to make the connection between affordable housing in Milwaukee and the community's economic health, and underscore the contribution of EAH to both. More effectively than anyone else, corporate leaders lend credibility to the effort, encouraging peer-to-peer contact and endorsing the impressive results of EAH.

Perhaps surprisingly, Milwaukee firms have not quantified the returns on their EAH investments, though all acknowledge significant value in their programs. Employers offering EAH homeownership benefits describe a values-based motivation for launching and maintaining their programs. Research sponsored by the National Housing Conference (NHC) and conducted by the University of Wisconsin-Milwaukee's Center for Urban Initiatives and Research (CUIR) for a 2002 NHC Senior Executive Roundtable discussion held in Milwaukee indicates that most EAH programs in Milwaukee were launched because management intuitively understood the value of homeownership and its impact on employees' lives, the quality of life in neighborhoods, the property tax base and employee retention and relations.

Nonetheless, results of EAH in Milwaukee can be quantified: 1,101 employee home purchases; \$96.5 million in urban residential real estate sales; \$92.5 million in private mortgage investment; and \$1.8 million in employer investment in affordable homeownership. Employer investment leveraged an additional \$917,000 from the Federal Home Loan Bank of Chicago and the Wisconsin Bureau of Housing for downpayment and closing cost assistance.

Northwestern Mutual and Aurora Metro Milwaukee Health Care: Making Homeownership a Reality

Two long-standing Select Milwaukee EAH programs have helped over 300 employees achieve homeownership. Northwestern Mutual and Aurora Metro Milwaukee Health Care are among the most successful EAH programs in Milwaukee. Part of the success is derived from the size of the companies' workforces—combined, they employ nearly 13,000 people. But both firms also have a strong commitment to their EAH programs, evidenced by strong administrative support and frequent internal publicity about the EAH program. Working with Select Milwaukee and partner lenders, the EAH programs feature periodic worksite homeownership seminars. Each company enlists a variety of approaches to communicate with employees about the programs, including employee newsletters, displays, staff meetings and, at Northwestern Mutual, the internal television network.

Northwestern Mutual's *Employee Home Purchase Plan* offers regular part- and full-time employees, with a minimum of one year of service to the company, the opportunity to receive a zero percent interest, three-year forgivable loan up to $2,500. Employees must purchase a home in the city of Milwaukee Community Development Block Grant target area to receive the financial benefit, however, Select Milwaukee homebuying services are available to employees regardless of where they purchase. In 2003, 25 Northwestern Mutual employees purchased a home through the program, the most ever in one year. Typically, 18 to 20 sales occur annually.

In 2002, Aurora Metro Milwaukee Health Care expanded its EAH program to several additional facilities, adding almost 8,000 employees to the ranks of regular part- and full-time employees eligible for the program. The expansion almost doubled the number of Milwaukee neighborhoods in which employees could purchase and receive Aurora's $3,000 zero percent interest, five-year forgivable loan. As a result, participation in the program increased dramatically—40 employees used the program to purchase a home in 2003, up from seven in 2000.

CUIR's analysis of employee participation in Milwaukee EAH programs from 2000 to 2003 revealed that EAH has helped create affordable lending opportunities for the local and national housing finance industry. Two-thirds of employees purchased homes below the Milwaukee median home price. Fifty-two percent of purchasers were African American or Latino. Fifty-four percent had household earnings below 80 percent of the Milwaukee County median income. Female-headed households represented 35 percent of all purchasers.

Working together local mortgage lenders, Select Milwaukee, mortgage-insurer MGIC, along with Fannie Mae and Freddie Mac, have produced many of the EAH purchases. In a highly competitive mortgage lending environment, that now includes online and subprime mortgage lending, local conventional lenders find the first-time, modest-income homebuyer market very desirable. Typically, these homebuyers have been employed for a minimum of one year (a requirement of most EAH programs), are backed financially by their employers and receive pre-purchase counseling and guidance from Select Milwaukee. For lenders, EAH has been an opportunity to better meet credit needs in Milwaukee and to cultivate banking relationships with mortgage customers.

Select Milwaukee's employee outreach and homeownership education efforts are supported by long-standing partnerships with local lenders. The lenders compensate Select Milwaukee for loan packaging and counseling services. A key element of the Milwaukee EAH program has been housing finance partners' special mortgage products for the EAH homebuyer and other first-time purchasers. Employer backing and Select Milwaukee guidance help mitigate certain risks that otherwise would not be acceptable to the lender. For example, EAH and other affordable housing programs permit greater flexibility on credit underwriting, borrower minimum-investment and affordability calculations. EAH customers have demonstrated over the long-term that pre-purchase guidance and modest financial backing from their employers help ensure their success as homeowners.

The future of EAH in Milwaukee and elsewhere presents challenges and opportunities. One challenge is to sustain and expand homeownership opportunities—to push the envelope—for more employees of more businesses. Meeting that challenge will require continued involvement and advocacy on the part of a broad base of leadership. Interestingly, the fact that relatively few public dollars have been invested in EAH turns out to be an opportunity—especially in light of the current public finance environment—for community leaders to point to the significant returns of modest private sector EAH investments.

The Hometown Home Loan Program: A Successful Employer Assisted Housing Strategy

By Leigh Bezezekoff

With the rising costs of homeownership, many employers now have to consider the availability of affordable housing in their area. A shortage of affordable housing for workers with low- to moderate- incomes can impose substantial costs on employers. Lack of adequate affordable housing near the workplace can lead to labor shortages, loss of key personnel (to lower housing cost areas) and diminished productivity due to commuter-related issues. While this affects employers in all regions across the United States, employers in high-cost urban areas are hit the hardest.

During the 1990s, employers began to establish housing assistance programs as a way to set themselves apart in a very tight labor environment. Employers, especially those located in high-cost areas, who could offer an employer assisted housing (EAH) program had a competitive edge over other companies when recruiting. In today's slower labor market, an EAH program can still be a valuable tool. Since the cost of providing health care is rising significantly, many employers are faced with the difficult decision to increase the employee contribution to healthcare coverage. To offset this, many employers are seeking alternative, low-cost benefit options. Adding an EAH program can be an efficient way to address the issue of affordable housing, while providing a valuable, cost-effective benefit that enhances an employer's reputation.

Homeownership produces stability both in the workforce and the surrounding community. By offering an EAH Program, employers show their commitment to promoting economic prosperity for their employees and the surrounding community, which can improve recruitment efforts. Employers can structure their program to encourage homeownership in close proximity to their location, thereby reducing commute times and improving attendance.

There are several models of EAH programs an employer can choose from including *affinity programs*, *grant/corporate giving programs* and *forgivable loan programs*. An EAH program of any model can help an employer improve recruitment and retention, employee productivity and recognition in the community. The focus of this article is on the affinity program model, which generally describes a partnership between an employer, a lender and other community partners advocating homeownership. Group discounts are offered to program participants or costs are shared with the lending partner.

Profile of an Affinity Program

In 1994, Seattle's Chief of Police became concerned about the large number of public safety personnel who were buying homes in the suburbs and outlying communities because they were unable to afford homes in Seattle. He also was concerned about the added emergency response time in the event of a civil emergency, as well as the effect of long commutes on Seattle's crowded freeways, loss of tax revenue for the city and payroll dollars being spent in competing communities. At his urging, the City of Seattle invited the private lending community to develop a homeownership program for police officers and firefighters.

As a privately-held regional bank with strong ties to the community, HomeStreet Bank saw this as an opportunity to make an important contribution to the city while increasing overall business volume. HomeStreet Bank's business philosophy has always been that if it helps build a strong community, success in business will be a natural outcome of these efforts. HomeStreet Bank's proposal for the Hometown Home Loan program was selected after a competitive bid process involving the leading lenders in the Seattle area. The City of Seattle agreed that HomeStreet Bank would be the only mortgage lender the city would endorse and added the program to the police and fire departments' benefit packages.

The success of the Hometown Home Loan program with Seattle's police and fire personnel led to its expansion to all City of Seattle employees within one year. The program's popularity with city employees soon caused Seattle's Office of Housing to begin thinking about other ways in which the program could be used as part of the City of Seattle's overall effort to increase the level of homeownership in Seattle. Nationally, Seattle lagged behind other cities of its size in its homeownership rate—largely due to the high cost of housing in the area. At the invitation of the Mayor, several large employers in Seattle were invited to join the program. The Hometown Home Loan program is now available to 11 employers and nonprofit organizations in Seattle.

One of the original employers encouraged to take part in this program is Seattle-based Fred Hutchinson Cancer Research Center. Fred Hutchinson is a publicly-funded, private cancer research organization that employs over 3000 employees which it recruits from across the country. Fred Hutchinson uses the Hometown Home Loan program as a tool to enhance its recruitment efforts. Many of its potential recruits are young post-doctoral researchers or research assistants who have concerns about moving to a high-cost urban area.

Through the Hometown Home Loan program, Fred Hutchinson employees enjoy a reduction in closing costs including a fifty percent discount in the loan origination fee, which saves a typical borrower $1,500 or more. Closing costs can add several thousands of dollars to the amount needed to close a home loan. For first-time homebuyers, this means that they can consider homeownership much sooner and use more of their saved funds for the downpayment.

Fred Hutchinson employees also have access to innovative loan programs, downpayment assistance and free homebuyer education—including information seminars conducted at the Fred Hutchinson campus. The seminars are convenient to employees interested in learning about homeownership issues and are taught by non-commissioned loan officers and other local partners involved in advocating homeownership.

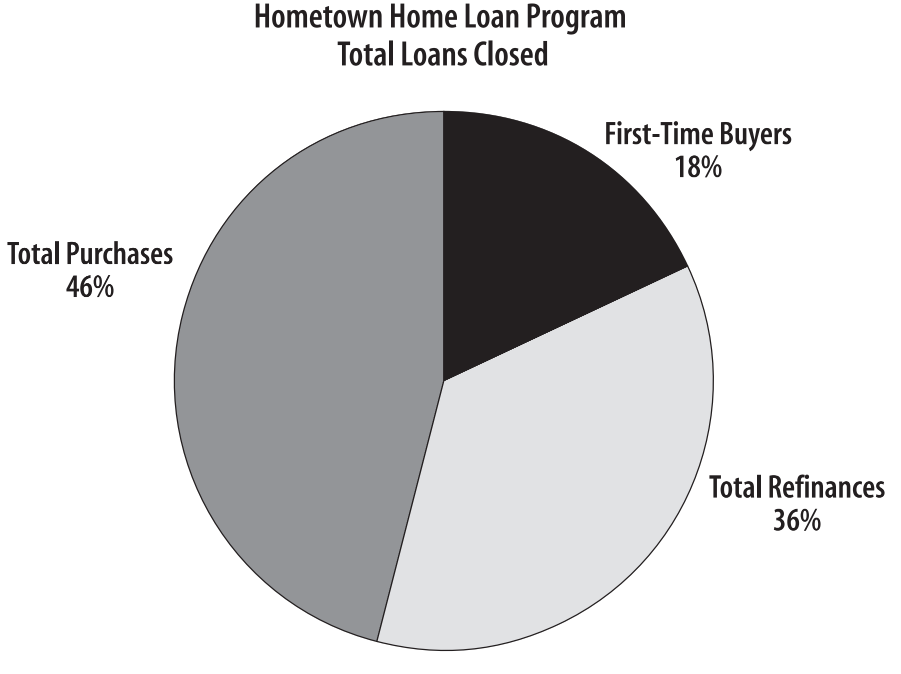
On-site, employer-sponsored education seminars encourage employees that homeownership may be within their reach and that their welfare is a priority to their employer. The seminars also allow first-time homebuyers to get answers to questions about homeownership that they may not feel comfortable asking otherwise. Employees who need more individual attention have access to one-on-one credit and budget counseling provided by the nonprofit housing partners.

The Hometown Home Loan program is administered through the Fred Hutchinson benefits office which assists the lender with scheduling on-site seminars and other outreach. The lender absorbs all costs associated with collateral and the homeownership education seminars.

Conclusion

> *"The Hometown Home Loan Program helped us buy our first home! We've been married and saving for three years hoping to someday own a home in the Seattle area. Without this program we'd be saving for years longer as prices continued to rise. I appreciate that this program was here to help me and my family."*
>
> —Hometown Home Loan program customer

Since this program began 10 years ago, it has endured many social and economic changes. This type of EAH program has been successful thanks to the commitment of the participating partners which include: HomeStreet Bank Affinity Lending, Fannie Mae's Washington State Partnership Office, the City of Seattle, HomeSight (a non-profit housing agency), the Washington State Housing Finance Commission, the Federal Home Loan Bank of Seattle, as well as the employers offering the program. Strong support from municipal organizations and nonprofit partners has helped the program to increase both the number of clients served and the benefits available to borrowers. The Hometown Home Loan program continually enhances the participating employer's reputation in the community and receives notable press coverage.



The Hometown Home Loan program is a comprehensive package of benefits involving significant cost discounts, homebuyer education, credit counseling, downpayment assistance and special loan programs; the program is offered by HomeStreet Bank's Affinity Lending Center. This type of program is most successful when an exclusive partnership is created with one lender, as the lender must be assured of adequate volume in order to make the program financially viable. A growing number of employers and membership organizations throughout Washington, Oregon and Hawaii are adding the program to its benefits packages. To date, nearly 30 organizations offer the Hometown Home Loan program to its employees or members.

Hometown Home Loan Program Participants

Seattle Area Employers

Church Council of Greater Seattle
City of Seattle
Fred Hutchinson Cancer Research Center
Fremont Public Association
Housing Development Consortium
King County Housing Authority
Lakeside School
Orca Bay Benefits
Sisters of Providence/ Seattle Service Area
Seattle Cancer Care Alliance
Seattle Community College District
Seattle Housing Authority
Seattle Public Schools
Seattle University
Shoreline Community College
Theatre Puget Sound
University of Washington
Woodland Park Zoo

Other Washington Employers

Charles Wright Academy
Executive Flight
Housing Authority of Snohomish County
Lake Stevens School District
Northshore School District
Snohomish County Employees

Oregon Employers

Columbia Vista Inc.
City of Portland
Housing Authority of Portland
Multnomah County

National Organizations

AFL-CIO affiliated Unions & Locals

The Affinity Lending Center has closed over 4,000 loans, saving program participants over five million dollars in closing costs. Helping people achieve their homeownership goals continues to be a primary goal for the Affinity Lending Center. Over 1,500 people have participated in homeownership education seminars and it has assisted over 1,000 first-time homebuyers.

HomeStreet Bank was recently honored with Fannie Mae's Community Lending Hero award in recognition of its corporate leadership, innovation, level of commitment and achievements in expanding homeownership opportunities.

Emanuel Neighborhood Home Ownership Program: A Winning Approach for the Employer, Employee and Community

By Kari Stanley

In just a few short years, the inner north and northeast neighborhoods of Portland, Oregon, which surround the Legacy Emanuel Hospital & Health Center, have undergone some dramatic changes. Businesses have flourished, storefronts have been improved and, as a result, the yearly appreciation in value of the homes located in these neighborhoods has risen to nearly seven percent—one of the highest rates in the city. Dawson Park, located just a block away from the hospital's main entrance, has benefited immensely from the revitalization of the adjacent neighborhoods. Previously the scene of a homicide and home to frequent drug activity, Dawson Park has been transformed into a vibrant community space enjoyed by nearby residents, hospital employees and neighborhood children.

Of course, achieving these amazing results required a great deal of time, energy, dollars and creativity. One of the many programs that contributed to the area's success was the Emanuel Neighborhood Home Ownership Program, also known as ENHOP.

Developed and coordinated by Legacy Health System, ENHOP began in January 1992 and was designed to revitalize the inner north and northeast neighborhoods of Portland by assisting Legacy employees with the purchase of a primary residence within the neighborhoods bordering Legacy Emanuel Hospital & Health Center. Throughout the duration of the program, which was terminated in 2003, the objectives were to:

- Stimulate economic growth and stability within the inner north and northeast Portland communities neighboring Legacy Emanuel Hospital;
- Improve the relationship between Legacy Emanuel Hospital and the surrounding community;
- Improve Legacy Emanuel Hospital's relationship with its employees, as well as improve the retention and stability of its employees; and
- Promote economic development in the form of an employee homeownership assistance program for the neighborhoods of inner north and northeast Portland.

ENHOP provided loans to Legacy Health System employees with an income-to-debt ratio below 36 percent. Loans of up to $5,000 were made on homes with a set maximum purchase price. Employees then made interest payments on the outstanding loan balance at an annual fixed rate of 8.5 percent through payroll deductions. Employees in good standing would be forgiven 20 percent of the original loan principal balance each year. After five years, the loan would be completely forgiven. Other applicant requirements

Emanuel Neighborhood Home Ownership Program (ENHOP): Laying the Foundation for a Family of Homeowners

In 1995, Lillie Jenkins, a cook at Legacy Emanuel Hospital & Health Center, was able to purchase her first home with the help of a $5,000 loan from ENHOP. "It was the greatest opportunity—a $5,000 loan," said Jenkins in a December 29, 2002, article in *The Oregonian.*

After attending a homebuying class through the Portland Housing Center, Lillie became the proud owner of a $74,500 three-bedroom home built by HOST Development (Home Ownership a Street at a Time). Jenkins said, "It was easy. Even though it was the first time I went through anything like that. If you came across some credit flaws, you could straighten them out. I worried at first, but I learned how you could ease through it and work it out."

Lillie Jenkins' experience demonstrates the positive impact that employer assisted homeownership programs, like ENHOP, can have on the lives of employees and their families. Homeownership not only provides stability for a family, but also is an opportunity to build wealth through the appreciation of a home's value. For the Jenkins family, a relatively small investment by the Legacy Hospital & Health Center has produced another generation of homeowners.

Lillie's two daughters, Felicia and Sylvia, have followed in her footsteps, also working with the Portland Housing Center to become homeowners. The Portland Housing Center supported each of the young women, reviewing their credit and helping them navigate the system to purchase their first homes. Today, thanks in part to the initial inspiration of ENHOP, the city of Portland has added three more homeowners to its ranks!

included providing two percent of the purchase price for the downpayment and attending a homebuying seminar at the Portland Housing Center.

When the program began, the maximum purchase price for a home could not exceed $60,000. By 1996, the maximum purchase price increased to $85,000. And, by January 2000, the price was increased to $130,000.

While word about ENHOP spread, the level of participation in the program decreased over time. From a high of 14 participants in 1996, the numbers had gradually fallen to only one qualified applicant by 2002. The main reasons for the lack of qualified applicants were income-to-debt ratios over 36 percent and rapidly escalating home prices in the inner north and northeast Portland neighborhoods. In fact, from 1997 to 2002, the average home price increased from $124,500 to $167,400—well above the maximum purchase price limit for participation in ENHOP. It was for these reasons and other budget issues that the program was discontinued in 2003.

However, bringing the program to an end in no way diminished its overall success. Through ENHOP, 100 Legacy Health System employees were able to purchase homes.

Employees able to take advantage of the program included cooks, secretaries, nurses, security guards and social workers. As a group, the participating employees were diverse, nearly 20 percent were minorities and they ranged in age from 26 to 62 years old. In total, Legacy Health System spent over $465,000 to help revitalize the north and northeast Portland neighborhoods via ENHOP—and it worked! Today, the neighborhoods are more family friendly and stable than ever.

Legacy Health System also achieved their goals of retaining employees. In fact, if the program is ever reinstated, it will likely be for employee recruitment and retention reasons, perhaps to address shortages in specific professions such as nursing, imaging or medical technology.

Among the lessons learned from Legacy Health System's experience with ENHOP, the staff notes the following:

- Continually review a program's parameters and criteria, as the community demographics (including housing prices) may change;
- Consider partnering with nonprofit organizations engaged in housing activities, as well as financial and escrow institutions; and
- Require applicants to attend a homebuying seminar.

ENHOP was so successful that it figuratively put itself out of business. Enabling employees to purchase homes in the neighborhoods surrounding Legacy Emanuel Hospital & Health Center helped improve the quality of the housing stock to the point where the housing prices soared beyond the program's reach.

While ENHOP no longer exists, it continues to serve as a model in the Portland metropolitan area. Legacy Health System continues to receive requests to present the program at homeownership workshops throughout the area, and ENHOP is frequently referenced by the local urban planning and development community.

Portland Place: A New Vision of Neighborhood Revitalization

By Barbara McCormick

History

The Phillips neighborhood, just south of downtown Minneapolis, has been the long-time home of the Honeywell Corporation, as well as Abbott-Northwestern Hospital and Children's Hospital. The neighborhood also was home to a badly deteriorating housing stock and one of the city's lowest income populations—a classic urban inner core, spiraling downward with poverty, crime and disinvestment.

In the spring of 1997, some of the larger local employers and major public entities (City of Minneapolis and Hennepin County) along with other neighborhood supporters and investors (notably, Fannie Mae, US Bank, Norwest Bank and the Minneapolis Foundation) banded together to address neighborhood issues and formed the Phillips Partnership. The Partnership focused on three interconnected concerns: safety, jobs and housing.

For years, Honeywell and Abbott-Northwestern Hospital had provided funding for local nonprofit housing developers to address the housing needs of the community. The goals were to improve the physical condition of the neighborhood and increase homeownership rates. Toward that end, most of the projects were scattered site, single family construction and sales. The hospital also offered a program that provided downpayment assistance grants for any employee purchasing a home within a specified radius of the hospital. But neither of these approaches was making headway into the entrenched deterioration occurring on a much larger scale in the area.

New Vision

Honeywell decided to take a focused, concentrated and more radical approach to solving the problem. The company had been making acquisitions for some time in two blocks adjacent to their headquarters, managing the properties in anticipation of an opportunity to make a larger impact improvement. Honeywell began discussions with a citizen advisory group consisting of residents from the neighborhood immediately surrounding the two block target area. Portland Place, as a concept, was born.

With the support of a local nonprofit, Project for Pride in Living (PPL), and an architectural firm (LHB), this advisory group developed a new vision for those two blocks. Nearly all existing structures were to be demolished. The idea was for the neighborhood to be restored to its original condition—single family and duplex homes with porches and small lots. This New Urbanism approach to city planning was embarked upon, though this might more properly have been described as "Old Urbanism." As a new feature, smart new townhouses were added to the mix.

The plan called for common space on the interior of each of the two blocks for a playground and green space. The group wanted this development to achieve the goal of increased homeownership rates, but they also believed that an owners' association was needed to ensure that the exterior and grounds of Portland Place were maintained at a consistent and professional standard. The advisory group also wanted the development to be available to a mix of incomes, so six of the 51 units were devoted to Habitat for Humanity participants and very low-income homebuyers.

Honeywell continued to play an instrumental role, providing more than a million dollars in grant funds, financing the tax increment proceeds of this planned unit development, and providing grants for playground equipment and the owners' association fees for the Habitat for Humanity participants for a number of years (to assure true affordability).

As developer, PPL took over the lead in coordinating public input, securing the technical approvals for the planned unit development, participating with the city in the establishment of a tax increment financing district, overseeing the relocation of the persons still in residence in the two blocks and finalizing the master plan and individual unit plans. PPL secured construction financing, below-market mortgage rates for prospective homebuyers and developed a marketing plan that included efforts by other local nonprofits.

Building

The implementation of the plan was carried out in two phases, one block at a time. Construction on the first block began in September 1998. The overall development budget for the first block was $7,009,248. The average sale price for units in the first block was $99,320. About 35 percent of the project's total costs were covered by home sales, with the balance funded through grants from Honeywell and the Minneapolis Community Development Agency.

Marketing for the units was brisk, with enthusiastic response from the community. Thirty units were built and sold before the end of 1999, to a wide variety of buyers. Sixty-five percent of the new owners had incomes at or below 80 percent of the area median. Eighty percent of Portland Place homebuyers came from Minneapolis neighborhoods, four percent from Saint Paul and 16 percent from the suburbs. One-third of all buyers were Caucasian; one-third were African American; and one-third included a diverse mix of Hispanic, Native American, Asian, East African and Near Eastern.

The units were so well received and sales were so well managed that the project was completed without drawing down the construction loan that had been arranged. The second block was begun in 2000. By this time, the brisk sales from the first block and a general resurgence of the real estate market led to an average sale price in the second block of $130,700, or 32 percent more than the average price in the first block!

Continuing Benefits

Now, four years after the first Portland Place homes were sold, the neighborhood has seen double-digit percentage increases in property values. Honeywell's leadership in neighborhood revitalization provided a model for another major employer, Abbott Northwestern Hospital, to launch a concentrated eight block improvement program a year later. This follow-up project provided home improvement grants to area residents, provided capital for the acquisition and rehabilitation of some of the most deteriorated rental housing units and consolidated ownership of those units with PPL as general partner.

Honeywell has relocated its headquarters to another state and sold its former campus to Wells Fargo Mortgage. As a corporate neighbor, Honeywell had supported the Phillips community with various initiatives for many years and left a lasting legacy at Portland Place.

The development itself continues to shine as one of the most appealing blocks in the neighborhood. Some of the homes have traded on the marketplace at steadily increasing values. Members of the owner's association participate as officers in the broader neighborhood organization. That kind of profound effect on the community took the concept of employer assisted housing to a new level in Minneapolis.

Phillips Partnership: Breathing New Life into the Phillips Neighborhood

Five years ago, the Phillips neighborhood in Minneapolis was plagued by crime and disinvestment despite years of hard work by neighborhood groups, foundations and public officials.

Today, strategic investment to coordinate these efforts has worked great change. Guided by a community-defined development agenda, the Phillips Partnership and its members have helped mobilize $1.5 billion in resources benefiting the Phillips neighborhood since 1997. The neighborhood is now a city leader in property value increases, job gains and infrastructure development.

Members of the Phillips Partnership have driven investments to neighborhood improvements as never before. But it is strategy that underwrites the Partnership's vision—new solutions, deeper thinking, intensity of focus. The Phillips Partnership strategy is:

- Building bridges to solve issues that span public agency jurisdictions, traditional appropriations categories and individual corporate interests;
- Diagnosing the underlying causes of urban decay and exploring systematic cures;
- Mustering resources that are available but have been unorganized; and
- Putting the best strategic minds to work alongside the most knowledgeable and most personally invested people living and working in Phillips.

There is no more meaningful investment in a neighborhood than making your home there. The Phillips Partnership has funded, organized or helped support $35 million in improvements to the neighborhood's housing stock and streetscapes through the following initiatives:

- **Phillips Park Initiative (1997–1998; 2003–present)**
  To date $15 million has been invested to create 29 new homeownership opportunities in townhouses, condominiums and carriage houses, and to improve adjacent properties. Twenty-four new rental units are now underway as part of Phase II, with additional new owner-occupied units planned. Led by Phillips Eye Institute and Lutheran Social Services.
- **Portland Place (1997–1999)**
  A $12 million project to build 52 new owner-occupied homes. Led by Honeywell.
- **Joseph Selvaggio Initiative (1998–2001)**
  A $6.8 million investment that stabilized a section of West Phillips through home improvement grants, multi-unit housing rehabilitations and streetscape improvements. Housing values have led the metro area three years in a row. Led by Allina Health System.
- **East Phillips Infill Campaign (1999–present)**
  More than $1 million dollars invested in 20 new single family homes built on vacant lots in East Phillips. Led by the Fannie Mae Foundation.
- **Joseph Selvaggio Initiative II (2002–present)**
  A $5 million dollar continuation of the winning precedent set by the original JSI initiative. The new effort has combined an influential anti-crime/anti-litter initiative at the Chicago-Lake intersection with a grant program for residents seeking to improve their homes in an eight block area below 28th Street. A workforce housing initiative to add 30 new units in Phillips is being planned.

For more information on the Phillips Partnership, see http://www.phillipspartnership.org.

Building a Healthy Community: The Holistic Community Driven Approach to Redevelopment

By Louis A. Galuppo, Esq.

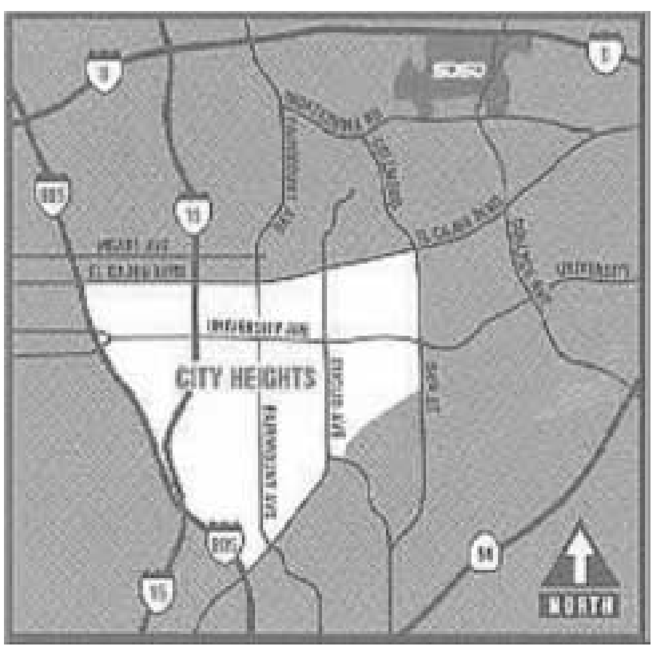
A recent local survey of San Diegans in their prime "homebuying years" suggests that the lack of affordable housing has reached epidemic proportions. According to recent reports and surveys, the public ranks the lack of affordable housing right alongside the lack of affordable health care. Unfortunately, for many, the median home price in San Diego is now over $400,000 for existing homes and $500,000 for new single family residences.

It is becoming increasingly clear that both the public and private sectors must be encouraged to create and implement solutions to the affordable housing crisis. However, those solutions must also be embraced by local communities and the surrounding region. The families and individuals who live, work and play in a city or community make up the social, economic and political fabric of the area.

In an effort to reinvigorate the quality of life in the San Diego community of City Heights, Price Charities and CityLink Investment Corporation, along with the assistance of others, engaged in an innovative redevelopment endeavor. Launched by philanthropists Sol Price and Robert Price, and former city councilman William Jones, the City Heights redevelopment project is a working laboratory for reversing inner city blight. This project is a model for uniting government, business and nonprofit agencies to fight urban decay.

Part of the solution included creating first-time homebuyer loan packages and developing affordable townhouses, which came about through contributions and collab-

City Heights Geographic Area



orations with a San Diego employer, public agencies, private enterprises and nonprofit entities. These programs are part of a larger cooperative effort, the City Heights Redevelopment Initiative ("Initiative"). The Initiative is the culmination of holistic redevelopment strategies focused on revitalizing City Heights.

City Heights is a community of over 70,000 people located on 2,062 acres in mid-city San Diego. The community is ethnically diverse with over 25 languages spoken in the neighborhood. Formally known as East San Diego, City Heights lies within the first mesa rising to the northeast above San Diego's bay front downtown. The community was laid out and developed at the turn of the 20th century.

In 1990, the San Diego City Council made a "declaration of emergency" in City Heights due to rising crime rates and decreasing neighborhood quality. In 1992, City Heights was designated as a redevelopment area by the City of San Diego. However, it had no center, no focus and little to no infrastructure. City Heights was crumbling, physically and otherwise, falling victim to crime and blight until a community-based master plan was developed for the core of the community, to be called the Urban Village. Together, Price Charities and CityLink formulated the vision for the Urban Village.

A community-focused approach contributes not only to the strength of local stakeholders but also to the strength of the entire community. This article describes a holistic approach to housing and community redevelopment using the City Heights community as a model.

Challenges: Vision, Partnering, Building and Implementing

In 1993, William Jones, Sol and Robert Price of Price Charities and others set out to create a wholesome, viable urban neighborhood. These men held discussions together to investigate the possibility of establishing a community-based, entrepreneurial redevelopment project that would marry outside capital to the energy of citizens living within the redevelopment area.

Within the community, in 1993, a gang fight left three Hoover High School students dead. At a local church, Our Lady of the Scared Heart, citizens decided they had to do something positive to stop the violence. At the same time, the City Heights Business Improvement Association decided to erect billboards that would declare "Welcome to City Heights, San Diego's Crime Capital. Won't anybody help?" Hearing of the proposed signs, city officials asked the Business Improvement Association to refrain from such activity. Due to these events, a dialogue began between community activists and city officials.

In November 1993, Vons Companies announced plans to close several stores, including one in City Heights. Once they confirmed it was going to be sold, city officials began negotiating the acquisition of the City Heights store. And so matters stood, until January 1994, when an article that appeared in the *San Diego Union-Tribune* about the closure of the store caught the attention of businessman and philanthropist Sol Price, members of his staff and former city councilman William Jones. The men wondered whether the closure of the old Vons store would be an opportunity to immediately test their concept of a community-based redevelopment effort.

Price and Jones created CityLink, an organization designed to address the range of challenges presented in the City Heights community. CityLink hired the architectural firm

Martinez, Cutri & McArdle to develop a master plan for an urban village. In mid 1994, the San Diego City Council conferred upon CityLink the right to serve as the master developer of the project.

CityLink began meeting with community members and the public. One early meeting attracted about 400 people and lasted two and a half days.

At the start of the redevelopment effort, Price promised financial support to Jones' CityLink. However, in 1995, Price and Jones dissolved their business relationship to allow Price the opportunity to direct his endeavors through Price Charities.

To build the new urban core (City Heights Urban Village), the Initiative tore down numerous houses, shabby apartment buildings and run down businesses. Some estimate that 300 units were removed to make way for new construction. Additionally, St. Mark's Episcopal Church was demolished.

In 2002, an estimated $137 million was spent building a new community infrastructure, with an additional $179 million spent on additional improvements. Approximately $50 million in funding came directly from Price-endowed entities, such as Price Charities and the Weingart-Price Fund.

The journey was fraught with numerous trials and tribulations, and was derailed on several occasions. At times, Price Charities, CityLink and others had to overcome almost insurmountable obstacles to accomplish the Initiative. William Jones of CityLink was required to continuously push the project forward so momentum was not lost.

Over time, city officials were persuaded to do business differently and to accelerate the permit process. Several public agencies were required to work together, cooperating with each other and the private sector.

Employers: Price Charities and CityLink Investment Corporation

Price Charities consists of three philanthropic entities inspired by San Diego's Price family: the Price Family Charitable Fund; the San Diego Revitalization Corporation; and the Weingart-Price Fund, an advised fund of The San Diego Foundation.

In 1976, Sol Price and his son Robert Price founded the Price Company, which introduced Price Clubs, the forerunner of the warehouse club industry. The Prices also were involved in founding three other public companies: The Price REIT, Price Enterprises and PriceSmart.

Today, the Prices spend the majority of their time on philanthropic matters, including the operation of foundation programs. Sol and Robert Price are involved in the daily programmatic decisions of the foundation and are the visionaries for the charity's unique philosophy of "proactive giving."

CityLink Investment Corporation is a San Diego-based for profit corporation that acquires, develops and manages real estate ventures in selected urban communities. William Jones is President/CEO and owner of CityLink. CityLink and its affiliates manage the City Heights Retail Village, LLC, the Morena Vista Development, LLC and the City Scene Property Management Company.

Mr. Jones serves as chairman of the Federal Reserve Bank of San Francisco-Los Angeles branch. Mr. Jones also is a member of the board of directors for Sempra Energy, the San Diego Regional Economic Development Corporation and the San Diego Padres, and is as a trustee of the University of San Diego.

Approach: Holistic Redevelopment

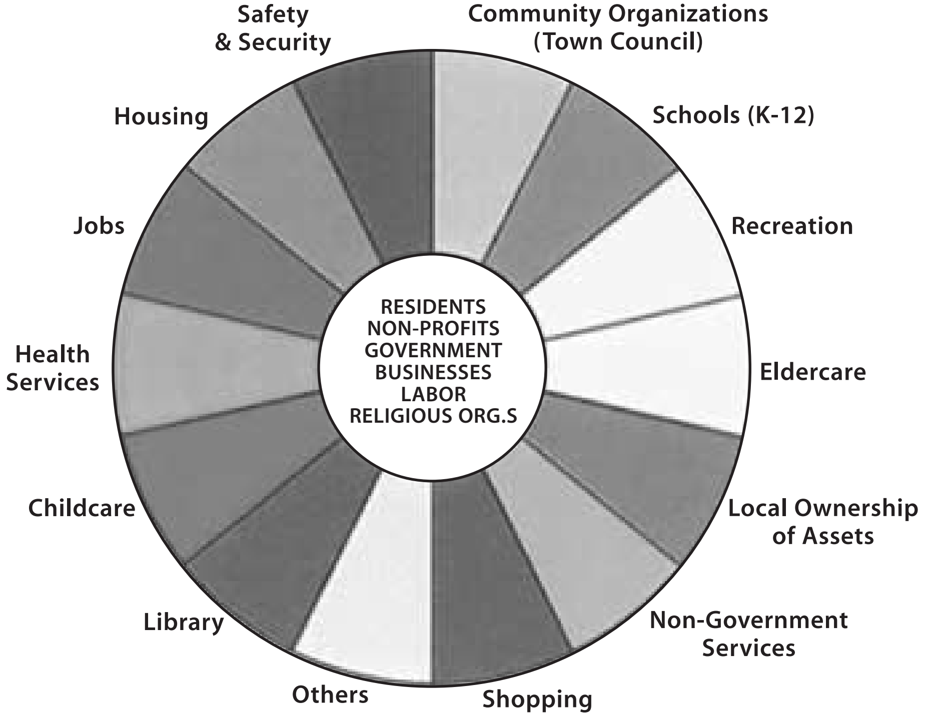
The objective of the Initiative was to revitalize the community, encouraging current residents to stay and attracting new residents. The players championing the Initiative believed the redevelopment effort had to be driven by the community. Recognizing that revitalizing a blighted area required addressing all the factors necessary for a healthy community, the Initiative employed a partnering venture among numerous public agencies, nonprofit organizations and private enterprises.

With its partners, Price Charities and CityLink developed an approach to revitalization focused on developing and/or enhancing public services, private enterprises and physical facilities. This approach came to be known as a holistic approach to redevelopment.

Three basic rules were formulated for development in the area. First, community members had to be consulted and allowed to provide input regarding any plan impacting their neighborhood. Second, a mechanism was needed to encourage residents to become involved in their community, both as volunteers and financial investors. And third, the approach was based on the recognition that social problems have multiple causes linked to other communal problems.

Below is a graphic representation of the Initiative's holistic approach to redevelopment. The segments of the wheel represent all of the elements necessary for a healthy community. The groups listed inside the circle are the important players in a locale who should work together to establish a healthy community.

City Heights Initiative's Holistic Approach to Redevelopment



Components of the Initiative included improved public facilities, community policing, educational programs, health services, child care, community service, affordable housing and local ownership of assets.

The entities involved included Price Charities, Price Entities, CityLink Investment Corporation, San Diego Revitalization, Inc., TransWest Housing, the City Manager's Office of San Diego, the San Diego Redevelopment Agency, the San Diego Police Department, the San Diego Parks and Recreation Department, the San Diego Public Library, the San Diego Development Services Department, as well as the San Diego Unified School District, the San Diego Community College District and the San Diego Metropolitan Transit District.

Project: The Development of the Urban Core

The vision for the City Heights Urban Village was to create a community focus and to build a center, turning what was a very low density, single family neighborhood, into a higher density, pedestrian friendly urban village for the 21st century.

The City Heights Urban Village was planned as a revitalization effort for the seven-block (37.6 acres), mixed-use, community core. Over $100 million, this redevelopment project was the largest in San Diego since the $140 million Horton Plaza project in the early 1980s.

The building usage for the Urban Village, in order of implementation, included a police substation and community facility, including a gymnasium; San Diego Unified School District's new Rosa Parks Elementary School; a community park; a public library; a recreation center; a swimming and tennis center, with joint-use fields associated with the elementary school; a multi-purpose theater; a four-classroom Head Start learning and day care center; a 32-classroom continuing education facility and community college; a landscaped parking promenade, providing a direct link from the park to the retail center; and three square blocks of retail, commercial and residential uses facing University Avenue.

Programs: Loan Packages and Affordable Housing

As an integrated part of the Initiative, two programs were created for first-time homebuyers and other individuals who lived or wanted to live in the community.

Loan Packages

A partnership was created between Price Charities, The San Diego Foundation, commercial banks and Community HousingWorks to provide first-time homebuyers with low-interest loan packages for financing homes within specified boundaries of City Heights.

Individuals eligible to qualify for the loan packages are either City Heights residents making below 100 percent of area median income (less than $60,100 for a family of four), or public or nonprofit employees working in City Heights. All applicants must meet minimum qualifying ratios.

The program works as follows:

- The commercial bank partner provides a low-interest first mortgage on the home; borrowers can provide either three percent down or zero percent down, but a minimum of $1,500 must be contributed to the transaction.

- Community HousingWorks finances a second mortgage on the home, valued at $25,000 (called the Participate in Transforming City Heights program—PITCH). Price Charities allows this mortgage to be forgiven in full (principal and interest) by performing qualified community service in City Heights.
- Eligible buyers also may combine this package with the San Diego Housing Commission's Shared Equity Program to receive an additional silent second loan of up to $40,000.
- Participants are eligible to purchase any home within the specified boundaries or homes owned and rehabilitated by Price Charities.

The program has the following restrictions: (1) a maximum purchase price of $250,000; (2) the home must be occupied by the owner; and (3) HUD approved homebuyer education is required.

Affordable Housing

The Initiative's housing efforts centered on the construction of 116 townhomes in the heart of City Heights, adjacent to the amenities of the Urban Village. The Village Townhomes are located at the corner of Fairmount Avenue and Wightman Street. The units feature two-, three- and four-bedroom units and were completed in September 2003.

The townhomes represent the first major housing development by Price Charities in City Heights. The larger units are designed for families, the interior courtyard features a tot-lot, and the units are located directly across from the new recreational facilities. The townhomes have underground parking, air conditioning, built-in microwaves and a fully equipped laundry room. The community is gated, and there also is a computer learning center available to the residents seven days a week. An on-site manager oversees the complex and is responsible for tenant relations.

Thirty-four of the units are restricted to families earning less than 50 percent of the area median income for San Diego County ($30,050 for a family of four). These families also have an opportunity to offset their housing costs by participating in the Price Charities Community Service program. For example, residents can work for local nonprofits and earn up to a $384.00 monthly rental credit, before taxes. The remaining units are being rented primarily to residents and employees of City Heights. These renters, as well, are able to work off a portion of their rent by participating in the Price Charities Community Service program.

Applications for the new townhomes, as expected, outnumbered the available units. The Initiative is therefore exploring the option of developing more housing in other areas of City Heights. In addition, the Initiative is buying and rehabilitating single family homes in City Heights that participants in the home loan program are uniquely eligible to buy. To date, ten homes have been renovated.

Contribution: Working Model for Revitalization

The City Heights Initiative's holistic approach to redevelopment represents a model for the revitalization, enhancement and safeguarding of a healthy and vibrant community. This approach allows the entire community to participate in the preservation of the health, welfare and safety of its citizens. The joint contributions made by the public agencies, nonprofit entities and private companies involved with the Initiative have yielded dividends that have greatly improved the lives of the residents of City Heights.

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