

# **Employer-Assisted Housing**

Erika Green, Graduate Student in Planning and  
Student Assistant, Drachman Institute  
February 2006

## ***Background***

Employer assisted housing has an extensive history. The industrial revolution, first in the 19<sup>th</sup> century in Europe and later in the United States provides many of the earliest examples of urban planning. Innovative planners and urban designers transformed worker housing from scattered, self-built homes to towns designed to accommodate an entire workforce. “Company towns”, as they were known, became common during an era of rapid population growth in industrial areas during the mid-to-late 19<sup>th</sup> and early 20<sup>th</sup> century. Consequently, companies often needed to provide housing near factories to appeal to workers.

However, industry was often located in rural regions where land was cheap; these areas offered few housing options for workers. Although some areas were characterized by scattered self-constructed housing, many of the larger employers had little choice but to provide housing for their employees. Most historical examples of employer-based housing were for rental units; homeownership was rarely offered.

Today the interest in employer-assisted housing has much of the same flavor as it did historically even as it has taken other forms; it is first seen as a way to attract and keep trained workers by providing reasonably priced housing in markets where such housing might not exist. But increasingly employer-assisted housing is viewed as one method to facilitate homeownership for employees in addition to providing non-housing benefits, such as reducing the disadvantages of long commutes, both for employees and

indirectly for society, and by reducing the pollution and congestion that accompany long commutes. Moreover, some employers are concerned that many employees cannot afford to buy a house and feel they have an obligation to address these issues.

Universities are also likely to view employer-assisted housing as part of an equitable economic development strategy for disadvantaged neighborhoods near university campuses or in their larger communities. Some universities, like California State University at Monterey and California Polytechnic State University (Cal Poly) in San Luis Obispo view the provision of employee housing as a way to simultaneously control land development near campus and providing assistance for their faculty and staff. In this way, universities are utilizing land they already own while assisting employees that are experiencing difficulties in securing affordable housing.

### ***Using Employer-Provided Housing to Recruit & Retain Employee***

Currently, employer assisted housing is viewed as a means to provide reasonably priced housing and/or facilitating homeownership among employees. David Schwartz (1990), a Political Science professor and Director of the American Affordable Housing Institute at Rutgers University, states that many businesses that have implemented housing benefit programs for many or all employees were not attempting to subjugate employees, as was the case in company towns. They supported not only corporate objectives of increasing employee recruitment and retention levels, but also the homeownership dreams of employees and were often realized (5). Furthermore, affordable housing supporters believe that employers are able to fill a gap, claiming that housing assistance is beneficial for the employer, the employee and the surrounding

community. The chief assertions are that employer assisted housing contributes to increased employee recruitment, retention and job satisfaction as well as community revitalization and reducing the expense, both in time and money, of commuting and congestion through the allocation of housing benefits that offset rising home prices (Employer Assisted Housing: Competitiveness through Partnership 2000; Sullivan 2004).

In the publication *Employer Assisted Housing: Competitiveness through Partnership*, The Joint Center for Housing Studies of Harvard University (Employer Assisted Housing: Competitiveness through Partnership 2000) maintains that these issues are interrelated. For example, reducing commuting time increases employee morale and productivity with less absenteeism, tardiness and stress. Additionally, employees spend less of their income on commuting related expenses. In turn, this positively affects employee retention. All of these factors reduce turnover, which cost businesses an average of 25% of an employee's annual salary (17).

Proponents of employer assisted housing programs assert that rising home prices have amplified the demand for higher wages and more benefits as well as made recruitment and retention more challenging and expensive. These demands and increasing turnover rates may hurt companies and restrict their growth (Schwartz et al 1989). For example, in 1989, employers spent \$20 billion in housing assistance and increased wages and relocation costs without adding to the existing supply of housing. Essentially, a higher salary to compensate for the rising cost of housing primarily invests in real estate speculators and homeowners selling their property for unearned windfall profits, not employees or the housing stock (Schwartz and Hoffman 19 1989; Schwartz et al 1989).

### *Using Employer Provided Housing as Part of Community Development Strategies*

In addition to using employer assisted housing as a retention and recruitment tool, programs can also contribute to the revitalization efforts of surrounding communities and assist in controlling nearby land development. Anchor institutions, such as universities and hospitals, cannot readily relocate to less expensive regions to escape expensive housing issues. Moreover, these anchor institutions have often acquired land outside the boundaries of their facilities, either through purchase or donation. Because this land is often unsuitable for additional facilities, many institutions have utilized it not only to aid in revitalizing surrounding neighborhoods but also to regulate nearby development (Employer Assisted Housing: Competitiveness through Partnership 2000).

Homeowners have a far greater interest in maintaining and improving their home than renters (Cortes 2004). Rental housing often increases absentee ownership. For this reason, many businesses and institutions offer housing assistance programs in areas designated as target communities. In many cases, these characteristically older urban areas have deteriorated over the years, due to either general neglect or a high percentage of renters (Employer Assisted Housing: Competitiveness through Partnership 2000). Advocates allege that by increasing the frequency of owner-occupied homes and subsequently, property values, anchor institutions assist neighborhoods in their revitalization efforts.

Communities often view businesses in a more positive light as a result of employer assisted housing programs. A 1998 survey by Fannie Mae found that 72% of human resource professionals with employer assisted housing programs felt that the image of their company had improved as a result of the program and their commitment to

the local community (Employer Assisted Housing: Competitiveness through Partnership 2000). Advocates suggest that programs improve relationships with the local community, especially when the institution has been perceived as being apathetic to community needs in the past.

Community revitalization efforts may be especially important for universities that contributed to high renter occupancy rates from an influx of student residents. Ensuring that employees purchase homes within specified neighborhoods is a strategy utilized by many institutions to assist neighborhoods that have been neglected by these transient populations and their absentee owners. Many university-sponsored employee housing programs specify that their program is designed to address community revitalization. These programs target specific neighborhoods to tackle neighborhood deterioration as well as also long commutes and the need for parking facilities. However, the Joint Center for Housing Studies of Harvard University states that targeting certain areas that are perceived as too dangerous, too unattractive or not worth the value do not have many participants. Target areas that offer a variety of housing options increases program participation (Employer Assisted Housing: Competitiveness through Partnership 2000).

### ***Early University Sponsored Employer Assisted Housing***

The University of Minnesota Twin Cities has offered affordable homeownership opportunities to its faculty and staff since the decline of the company town. In the 1920s, land was set aside in the University Grove neighborhood to attract and retain faculty and staff. The neighborhood currently has 103 single family homes constructed over a sixty year period. The neighborhood attracts residents for its low prices as well as its unique

architectural styles. Each home is designed specifically for its site; the architectural style ranges from traditional to modern. Additionally, the neighborhood is a short ten-minute walk to the University of Minnesota Twin Cities campus (University Grove 2005). In addition to homeownership opportunities at University Grove, the University of Minnesota Twin Cities also offers temporary rental housing (up to two years) at Pillsbury Court, and condominiums at 1666 Coffman Condominiums for retired faculty and staff. A relocation assistance program is also available to all employees.

In the 1960s, the University of Pennsylvania began offering an employer assisted housing program to its employees. The program provides housing benefits to employees as part of an effort to recruit and retain employees. The benefits include 100% mortgage guarantees on single family homes and the elimination of all down payment and mortgage insurance requirements (Employer Assisted Housing: Competitiveness through Partnership 2000; Schwartz and Hoffman 1989).

Since these early efforts to provide convenient and affordable housing for university faculty and staff, many more universities have followed suit. While the number of employer assisted housing programs have not been tabulated, there are an increasing number of reports produced by universities studying the feasibility of offering affordable housing to employees. This is especially true in California, where the cost of housing has skyrocketed in recent years while wages remain stagnant.

***Case Study: University of California at Irvine***

The University of California system has developed housing programs to recruit and retain highly qualified employees. Its 2003 Annual Report on University Housing

Assistance Programs details the results of their housing programs that include forgivable loans, reduced interest mortgages with partner institutions and affordable ownership housing at six of its nine campuses. The results indicate that the UC system-wide program has resulted in over 12,150 loans to employees, recruitment of 5,090 employees and retention of 1,327 employees since its inception in 1979 (University of California 2003).

One of the most outstanding examples of university employer assisted housing programs is at the University of California at Irvine (UCI). The cost of housing in Irvine has been steadily rising; in 2004 the median home price was \$655,300 (Orange County Home Prices). This compares dramatically with the homes constructed for employees by UCI; these homes range from approximately \$100,000 for townhouses to \$500,000 for custom-built homes (University of California at Irvine). Residents of the UCI community are employees of the University of California (any UC campus) and their families.

The Irvine Campus Housing Authority (ICHA), a non-profit organization, was created by the University of California Regents specifically to increase affordable housing options for UCI's faculty and staff. The result is University Hills, a community that currently has 700 for-sale homes and 140 rental units available exclusively to faculty and staff. University Hills will eventually have a total of 1,100 homes spanning over 200 acres (University of California at Irvine 2005). ICHA oversees development within University Hills and works with residents to resolve issues.

ICHA's Board of Directors is appointed by the Chancellor with the permission of the President of the University of California system. The Board appears to

overwhelmingly include employees of UCI with few to no members from outside the University community. Representation of and for residents of the University Hills community is found through the University Hills Homeowners Representative Board (HRB), a homeowner's association (HOA). Membership of HRB is strictly limited to residents of University Hills, whether or not employed by the University of California system (University of California at Irvine 2005; University Hills Homeowners Representative Board 2005).

Since these early efforts to provide convenient and affordable housing for university faculty and staff, many more universities have followed the examples set forth by the University of Minnesota, the University of Pennsylvania and the University of California at Irvine. There is an increasing number of reports conducted on the behalf of universities nationwide studying the feasibility of offering affordable homeownership to employees, including California Polytechnic University at San Luis Obispo and Pomona; and San Jose, San Diego, Channel Islands and Monterey State Universities. In addition to offering homes constructed for faculty and staff, an increasing number of universities are offering homeowner education and counseling services, employee savings match or forgivable loans or grants. An increasing number of universities are constructing housing for employees.

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