

## **2017 HOUSING TASK FORCE – FACT SHEET 4 / EMPLOYER-SPONSORED and LIMITED EQUITY HOUSING**

### **Objective**

Explore ways to encourage employer-sponsored and limited equity housing development

### **1) Employer-Sponsored Housing Development-**

An Employer-Sponsored Housing Development has residential units which are developed, owned, maintained, and initially sold or rented to employees of a local Employer or group of employers.

Employer-Sponsored Housing is typically offered by an employer to help employees acquire housing near their place of work. The employer's housing assistance could include any combination of housing development, low interest mortgage financing, rental assistance, counseling or other support.

(See Exhibit A "Employer Sponsored Housing Forum, September 12, 2012 Summary Notes.")

### **2) Limited-Equity Cooperative Housing Development-**

A limited equity cooperative restricts a unit's sale and resale price. This type of cooperative is designed to maintain long-term housing affordability.

When a person buys into any type of Cooperative Housing Development, they become a shareholder in a corporation that owns the property. As a shareholder, they are entitled to exclusive use of a housing unit in the property. To purchase shares in a co-op, each buyer takes out a "share loan" in lieu of a mortgage.

A housing cooperative is a legal corporation. Members live in the housing development and run the cooperative—from organizing social activities, to maintenance, to handling finances and landscaping. Members set the bylaws and elect, from among themselves, a board of directors.

**Employer Sponsored Housing Forum**  
**September 12, 2012**  
**Summary Notes**

**Opportunities:**

**What might persuade an employer to participate in the Employer Sponsored Housing Program?**

Economic Investment

- To attract participation the Program must be seen as an economic investment for the employer, especially smaller employers.
- The Program is an opportunity for employers to address the workforce housing issue by helping produce housing for their employees.
- The cost to train an employee is estimated at \$70K. Therefore retaining employees is a very important part of the equation. Retention was a key issue for Cottage Hospital's decision to produce workforce housing.
- By producing housing for their employees, employers can control the product, including the number of units produced, affordability terms, etc.
- Retaining employees will help keep employer in the community.

Recruitment and Retention

- Employee loyalty is created with homeownership. Homeowners tend to stay longer than renters.
- Participation in the Program will help with the recruitment and retention of qualified employees. Retention of employees is a financial cost savings in the long term.
- Providing employee housing can result in a cost benefit with respect to productivity, reduced commute times, and increased quality of life for employee and family.

Program Simplicity

- To be attractive to employers the Program should offer:

- \* Certainty of timing and effort
- \* Reduced risk of investment
- \* Simplicity (provide model to follow, including sample documents)
- \* Flexibility (ability to adapt to changing conditions)
- \* Community support
- Landowners may be motivated by certainty and funding. The Program must demonstrate to landowners that it will provide a shorter path to producing workforce units.

### **Challenges:**

**What are some obstacles of producing workforce housing and what are some ways to reduce them?**

#### Land Cost

- The cost of land is a major factor and barrier to the development of workforce housing.
  - \* Only a few employers (e.g., Cottage Hospital, Westmont, and UCSB) have been successful in producing employee housing, and all have owned the land.
  - \* Very few employers have the size or capacity to develop real estate.
  - \* Although difficult to acquire, donated land is very helpful in defraying the cost of producing employee housing.
  - \* Private land owners could donate excess land (e.g. churches). These entities are often interested in producing affordable housing, but do not have the expertise or experience.
  - \* Small private landowners could participate in the Program as a partner.
  - \* Conduct inventory of public land for possible use to develop workforce housing. Currently the status of City owned land is uncertain due to the dismantling of the Redevelopment Agency.

#### Development Costs

- Development costs also a factor and can prove daunting to employers.
  - \* The City's Average Unit-Size Density (AUD) Incentive Program would allow flexibility in development standards, such as parking, which would help reduce development costs.
  - \* Expedited reviews of employee housing projects would help to reduce development costs.

- \* Environmental Impact Report (EIR) prepared for the General Plan Update covers the employer sponsored housing program and therefore will shorten and simplify the process.

### Expertise and Experience

- Expertise in real estate development and inexperience in permit processing can discourage an employer to produce workforce housing.
  - \* Enlist large employers and/or developers (consortium approach) to serve as partners making it easier for smaller employers to participate in the Program. Partnerships are key for smaller employers.
  - \* Provide a model or clearinghouse approach to help employers navigate through the development process. This would save time and effort and reduce costs. The model could offer:
    - Sample covenants, development agreements
    - Cost/benefit analysis of recruitment and retention
    - Amount of upfront capital needed
    - Sample project prototypes, such as those developed by the Design Charrette conducted by the AIA during the General Plan Update process.
  - \* Offer expedited reviews and support for the General Plan implementation programs, such as the AUD Program that allows increased densities and helps reduce the cost per unit.

### Financing

- Capital financing is a challenge. Only a handful of local employers are large enough to finance such programs.
- Financing is critical for employees to afford a unit.
  - \* Providing second mortgages lowers the monthly payment and eliminates the need for Private Mortgage Insurance (PMI).
  - \* Offer discounts on sales price of unit.
- Even with discounted sales prices of affordable units, financial qualifications are an issue for much of the workforce.

### **Additional Issues:**

**Should there be special considerations to house our critical workforce (teachers, police officer, firefighters, etc.)?**

- This workforce sector should be of special concern, and it is important to invest in them.

- Studies show that having critical workforce personnel live in the community results in better performance.
- Many critical workforce personnel are currently on waiting lists for affordable housing units.
- Create a model that makes units affordable to these workers.
- Largest employer in the County is government and it has not been successful in producing employee housing. The Santa Barbara School District has struggled to produce workforce housing.