

Philadelphia Home•Buy•Now: A New Model for Employer Assisted Housing

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P H I L A D E L P H I A
H o m e • B u y • N o w

Employer-assisted Housing Benefit Program



Executive Summary

Philadelphia Home•Buy•Now:

A New Model for Employer Assisted Housing

For over a century, employer-assisted housing (EAH) programs have been offered by employers to help their employees acquire homes. In Philadelphia, there is a new type of EAH, called Philadelphia Home•Buy•Now (PHBN), spearheaded by the Urban Affairs Coalition (UAC) and the City of Philadelphia's Commerce Department.

Started 10 years ago, PHBN is unique in that through a partnership, the City of Philadelphia and UAC offers a **matching grant program** as a service for employers interested in creating an EAH program, in addition to providing administration, access to other housing related services and structure for these programs. Employees participate in the program by applying for grants or forgivable loans from the employer and matching grants from the City of Philadelphia.

Other unique features of PHBN include:

- **Flexibility:** There is no limit on the funds given by participating employers as of yet, so any participating employer can expand their offerings or perhaps renegotiate their housing benefits to offer more grants to more employees. In addition, each company determines their own employee eligibility, geographical boundaries and limits.
- **Education:** PHBN provides customized ways to educate employees on their new home purchasing through housing counseling agencies and free onsite home buying workshops provided by PHBN.

As of September 2014, PHBN has provided 384 matching grants to employees at 44 participating companies. The total amount given by the PHBN program is \$1.2 million. The participating employers provided \$1.9 million in grants and forgivable loans. The combined \$3.1 in combined funds leveraged \$77 million in home sales.

To date, the industries that have been most active in this program are Educational Services and Healthcare/Social Services, which account for 47% and 35% of the employer grants, respectively. Three major employers – the University of Pennsylvania and Health Systems, Drexel University, and Temple University - made 176 matching grants to their employees.

After analyzing grant recipients and household income, we found that **30% of grant recipients would not have been homeowners without the grants from PHBN**. In addition, employees saved on average

of \$2400 annually due to a shorter commute to and from work. The City of Philadelphia has received an estimated \$1.8 million in property tax revenue from PHBN granted homes.

PBHN is serving younger employees, non-white households and heads of households:

- Age: 58% are under the age of 35 and 21% are aged 35-44.
- Race: 35% are African Americans, 11% are Asians and 5% are Hispanics.
- Household Structure: 82% are the heads of their households.

PHBN impacts the surrounding communities, economies, and governments in addition to the employees and employers. The average property tax revenue and average transfer tax generated from houses participating in allowed for the city to instantaneously regain the initial investment on nearly 80% of the PHBN homes.

Recommendations

- PHBN has provided the most aid to minorities, young employees, and middle-income households (\$25,000-\$50,000). Future EAH programs in Philadelphia should also target these segments in order to make the most impact as these segments have the lowest homeownership rates and therefore benefit the most from assistance.
- The City of Philadelphia should continue to maintain up-to-date information on tax values and to continue to participate in the program with UAC. Ensuring that the tax data is accurate allows for more precise measurement of the benefits to the city. Most city investments are repaid almost immediately and revenues from home sales are ensured.
- The added partnership between the City of Philadelphia and UAC allows for a more impactful and more customizable EAH program for many types of organizations.
- In the future, cost/benefit metrics should be developed for participating employers.

Philadelphia Home Buy Now Accomplishments

Since 2004, the Philadelphia Home Buy Now has partnered with participating employers to assist employees to purchase homes throughout the City of Philadelphia here are the results.

PHBN grant recipients save on average

 **\$2,400**
A YEAR IN COMMUTER COSTS.



The projected property tax collected by the City of Philadelphia on PHBN grant purchased houses will be

\$892,032 PER YEAR (and counting).

According to the model provided by the National Association of Realtors,

30% OF THE PHBN RECIPIENTS WOULD HAVE NOT BEEN ABLE TO PURCHASE A HOME WITHOUT THE PHBN PROGRAM



50% of the PHBN grants recipients are **PEOPLE OF COLOR,**

those hardest hit by the 2008 collapse of the economy and housing market.



=  **\$77 MILLION** IN HOME SALES!

PHBN QUICKLY PAYS FOR ITSELF.

For a \$3,765 investment the City receives an average of

\$6,044 in revenue

from realty transfer taxes collected.



PHBN allows smaller employers to participate,

thereby reaching many more Philadelphians

91 PERCENT OF THE PHBN HOUSES ARE STILL OWNED
by the PHBN grant recipients

Introduction

Employer-assisted housing programs (EAH) have existed for over a century. In the early 20th century, they were largely efforts by large manufacturing companies that needed a large number of employees nearby to handle extensive production efforts. For quite a long time, EAH proliferated as a result of self-interested companies and large public organizations; by offering EAH benefits such as housing counseling and down-payment assistance, they were able to increase recruitment and retention of employees. EAH programs spread to universities, and soon, many companies needed to offer EAH in order to simply compete for talent with competitors (Hoereth, 2007). Through much research on the effects of EAH, it became quite clear that EAH provides many benefits that go beyond employers and their employees, including benefits for the local economy and communities.

On a broad level, standard housing metrics reveal that on average, every two home sales contributes the value equivalent to about one job to the national Gross Domestic Product ("Jobs Impact of an Existing Home Purchase"). On the community level, job creation also occurs because of agglomeration effects. Because of the EAH program, institutions/employers are able to become better at what they do by either providing better municipal services or improving their operations. In turn, this makes the target city more attractive to live and work in, thereby encouraging the economic flow of investments and valuable workforce into the city, ultimately creating more jobs. A prime example of a city that has benefitted greatly from the agglomeration effects due to subsidized employee housing is Silicon Valley (Silicon Valley Leadership Group, 2013).

Additionally, housing assistance lowers crime rates and induces civic engagement. Several studies have shown that crime rates are lower due to increased homeownership because these owners have more incentive to invest in crime prevention if their property and house value are directly affected by crime. Also, a study of homeowners' civic participation found that 77% of homeowners voted in local elections, compared to 52% of renters (DiPasquale and Glaeser, 1998). Civic engagement through volunteerism also proved to be higher with homeowners than with renters, due to the financial and social stake these families have in their neighborhoods (Cox, 1982). The social benefits of EAH programs multiply its economic agglomeration effects.

While many programs have been studied previously, this report examines a new type of EAH - the Philadelphia Home•Buy•Now Program (PHBN) - which is spearheaded by the Urban Affairs Coalition (UAC) and the City of Philadelphia's Commerce Department in Philadelphia, PA. Started 10

years ago, PHBN is unique in that it facilitates the creation of many EAH programs at individual companies by offering resources to employees from both the employers and the City of Philadelphia. With the support of the City of Philadelphia and UAC, smaller companies that would not have been able to offer a housing benefit to their employees otherwise can now do so, which in turn allows for the benefits mentioned above. The goal of this white paper is to describe the unique structure of PHBN, explain its impact in Philadelphia, and provide recommendations for its development in other cities interested in emulating this model.

Structure of the Philadelphia Home Buy Now Program

The Model

Through a partnership, the City of Philadelphia's Commerce Department and UAC offers a financial matching program as a service for employers interested in creating an EAH program, in addition to providing administration and structure for these programs. Typically, employers will reach out to UAC for help to create a unique EAH program that can be offered to their employees. Any financial assistance an employer provides to an employee will be partially matched by the City of Philadelphia. In order to establish EAH program, several things must be defined by the employer including matching protocol, employee qualifications and funding types (forgivable loans and/or grants). Once the housing benefit is accepted by UAC, employers can begin offering the matching benefits to their employees.

Employees participate in the program by applying for grants or forgivable loans from the employer and a matching grant from the City of Philadelphia. Both parties will provide some sort of housing assistance based on the matching plan set up initially by PHBN. For example, if a company offers an employee a grant of \$6,000 for the purchase of a new home, the PHBN program will use its funds from the City of Philadelphia and will provide up to an additional \$4,000 to the employee; the total amount housing benefit would be \$10,000.

As of September 2014, PHBN has provided 384 matching grants to employees at 44 participating companies. The total amount given by the PHBN program is \$1.2 million. The participating employers provided \$1.9 million in grants and forgivable loans. The combined \$3.1 in combined funds leveraged \$77 million in home sales.

The two most industries engaged in this program are Educational Services and Healthcare/Social Services, which account for 47% and 35% of the employer grants, respectively. This industry-wide analysis suggests that EAH is used best by large universities and major social service organizations.

Three participating employers serve as Anchor Institutions: the University of Pennsylvania and Health Systems, Drexel University, and Temple University. Anchor Institutions are defined by having a geographic footprint as well as a long term community and economic development plan for a focus area. For PHBN, these institutions provide the majority of employees who purchase homes with PHBN grants, making the relationships with these employers crucial. Below are some quantitative characteristics of the different programs:

	Average Amount given by Employers	Average Amount given by PHBN	Geographic limitations (sq. miles surrounding institution)	Employees in program
Penn	\$7,287	\$3,885	1.3 sq. miles	103
Drexel	\$14,700	\$3,816	1.2 sq. miles	29
Temple	\$4,746	\$3,479	2.0 sq. miles	44

Advantages of the Program Structure

UAC facilitates a unique approach to the development of EAH programs at companies and institutions. Traditionally, housing assistance programs are either created by a company and operate independently without assistance from other organizations, or they are controlled by an outside administration. UAC’s PHBN program is an example of the latter, but it is distinctive in several ways:

1. Most EAH administrative programs do not offer matching grants that provide additional assistance to employees at companies. The UAC matching program is unique in that it is a partnership among employers, UAC and the City of Philadelphia. To this date, about 65 employers have been able to offer housing programs to their employees over the course of 10 years. This is beneficial for all parties: the employee receives more money to help with buying their house, and the company has happier employees and a more positive as well as

tangible relationship with the City government. In the absence of the PHBN program established by UAC and the City of Philadelphia, many of these institutions would otherwise not be able provide the service to their employees (point retrieved from interview with Nicole Hudson-Andrews, Penn Home Ownership Services).

2. The flexibility of PHBN allows for many different types of organizations to create unique EAH programs in terms of amount matched and grants given. The EAH program established by PHBN allows for any volume of grants to be given by employers to their employees. There is no limit on the funds given by participating employers as of yet, so any participating employer can expand their offerings or perhaps renegotiate their matching grant amount to offer more grants to more employees. In addition, each company determines their own geographical boundaries and limits. In this way, the PHBN program is completely customizable and flexible, and it allows for increased accessibility for companies looking to start and maintain an EAH program.
3. Finally, PHBN provides customized ways to educate participating employers' workers on their new home purchasing through housing counseling agencies and free onsite home buying workshops provided by PHBN. These prove to be useful for employers and employees alike, as they are focused events for interested parties hoping to learn about mortgages, property taxes, and other considerations when buying a home. Also, research has shown that home buyers that receive home buying education are more likely to have better financial stability and fewer foreclosures.

Together, these three components form the basis for establishing a successful and centralized EAH administering organization like UAC.

Impact of the Philadelphia Home Buy Now Program

PHBN impacts the surrounding communities, economies, and governments in addition to the employees and employers. Many benefits of PHBN on the community and economy may be difficult to quantify. Our research focused on the PHBN's impact on the government of the City of Philadelphia and the participating employers' employees involved in the program.

Data used for analysis was provided by the Urban Affairs Coalition and the employers that participated in PHBN between 2008 and 2014. Relevant data provided includes participants’ age, race, gender, income, household structure, the sales prices of the houses that were purchased through PHBN, and the aid provided in grants by both the employers and the PHBN program. In addition, the City of Philadelphia provided data on the taxable values of the purchased home, local real estate tax rates, and the tax rate at time of sale.

Impact on Government

Tax revenues and a breakeven analysis were used to judge the impact of the PHBN program on the government of the City of Philadelphia. Examining the tax revenues both at the time of sale and annually are important for seeing the financial gain that the city receives from participating in PHBN. ***In addition, a breakeven analysis shows how quickly the Philadelphia government recovers its investment and begins to turn a profit.***

Annual tax revenues received from houses participating in PHBN between 2008 and 2014 averaged \$555.34 per house. However, because of the periodic revaluation of property value in the City of Philadelphia that occurred in the beginning of 2014, the average between 2013 and 2014 increased eight fold. Specifically, the average tax revenue in 2014 was \$2,323 (Figure 1). The projected property tax revenue on the homes purchased with PHBN grants is \$892,032 per year.

This, in conjunction with the average transfer tax revenue received per house at time of sale through the PHBN program of \$6044.08, allowed for the city to instantaneously regain the amount of aid it provided for nearly 80% of the PHBN homes. This means that the transfer tax revenue it received either covered or exceeded the amount of aid provided.

The table below provides a general summary of the values generated from the model to determine the impact of the PHBN program on the city.

Summary	
Total Property Tax Revenue Generated since 2004	\$1,824,616
Transfer Tax Generated	\$2,320,926
Average Years of Break Even with Property Tax Revenue	1.10 years

Impact on Employees

PHBN has assisted over 350 employees since it began in 2004, 162 in the past three years, with 91% of them staying in their house past the forgivable loan period. One way to assess the employee impact is looking at the financial support PHBN provides. The average grant-to-sales-price ratio is 5.83%, and includes the aid given by both the employer and the city. Down-payment ratios as high as 14.9, depict the grants' significance in aiding home purchases. Considering that the typical mortgage down payment is 10% to 25%, these grants make a huge difference in providing assistance to potential homeowners (Postins, 2014). Beyond the direct benefit from the grant assistance, employees save on average \$2400 annually due to a shorter commute to and from work. It is also important to consider the demographics of employees participating in the PHBN program. From an analysis of the data provided from UAC, three main aspects are notable: age, race, and household structure.

- Age: According to a US Census Survey in 2011, only 38% of individuals under the age of 35 were homeowners (Figure 2). This shows that a younger demographic would benefit from grants, because their homeownership rate is so low. Under PHBN, 58% of the employee participants are under the age of 35, and 21% are aged 35-44. This shows that UAC has been giving grants to the younger employees who need the most assistance in buying homes and are least likely to own homes.
- Race: Of the PHBN grantees, 35% African Americans, 11% Asians, and 5% Hispanics. According to the US Census in 2014, these minorities' homeownership rates are significantly lower (Figure 3) than those of Caucasians', which implies that PHBN is also helping the ethnic groups who need the most assistance with buying homes.
- Household Structure: 70% of all employees that have received the PHBN grant funds program are part of a one or two member household. Also, the majority of applicants in the program are the heads of their households (Figure 4), which suggests that total household income is largely dependent on these employees' jobs and incomes.

It is also important to identify how the program benefits these employees, and to what extent. Using the data that was provided from a study by the National Association of Realtors, a model was generated to estimate the increase in homeownership as a weighted average of grant recipients based on their household income bracket. ***The model suggests that approximately 30% of***

grant recipients would not have been homeowners without the grants from EAH. Home ownership leads to massive benefits, both economic and social.

On an economic level, there are three primary benefits of homeownership for an individual employee: wealth accumulation, subsidized user costs, and tax benefits. A study by the U.S. Department of Housing and Urban Development Office of Policy Development and Research has shown that even though homeownership does not guarantee successful wealth accumulation, household wealth appears to be positively impacted by ownership (Boehm and Schlottmann, 2008). This is primarily because housing wealth constitutes a big portion of the total wealth of households. Over time, homeowners benefit from the price appreciation of their property, which in turn helps to build home equity. Secondly, homeownership essentially subsidizes the user costs of the services such as shelter, location, access to school districts, and municipal services. Since renting costs are based on these user costs plus an additional premium, owning a home allows individuals to benefit from the free flow of services and no premium. Though mortgage payments can be argued to be a form of user cost payment, this does not take into account the benefits of equity appreciation and the perpetuity gained once the mortgage is paid off since houses are usually long-lived assets. Lastly, homeowners gain huge tax savings from owning a house. Simply put, because mortgage payments are tax-deductible, they act as a tax-shield for homeowners. The value of the mortgage tax shield is substantial considering the length and amount mortgages usually are.

Key social benefits for homeowners include higher educational achievement and improved health. A study measuring the benefits of homeownership effects on children concluded that children of home-owning parents achieve higher educational performance than children of renter households (Green and White, 1997). This study explains that young adults are more likely to stay in school if their parents are homeowners, as there is greater responsibility associated to home maintenance and the financial skills required to handle mortgages. As for individual health, homeowners benefit from higher self-esteem and happiness, as well as improved physical and psychological health. Researchers found that homeowners report higher self-ratings on these aspects of their health than renters - even after controlling for age and socioeconomic factors (Rossi and Weber, 1996).

Recommendations and Conclusions

For governments and agencies interested in creating Employer-Assisted Housing programs of their own, the UAC Philadelphia Home Buy Now Program is a strong model that provides many benefits for all parties involved. In order to produce the most impact, we recommend the following:

Employee Recommendations:

After analyzing the employee participant data of PHBN and homeownership rates in the US, we conclude that the demographics which would benefit the most from EAH are minorities, employees under the age of 35, and households in the middle-income bracket (\$25,000-\$50,000). In terms of age and race, these segments have the lowest homeownership rates and therefore as a segment of the population that benefits the greatest with housing assistance. As for middle-income families, these households will be influenced the most from small grants, as opposed to lower or higher income households. Lower income households would not be able to buy a house even with a small grant, and higher income households would not need as much assistance as middle income families who are often on the verge of being able to buy a house. PHBN has provided the most aid to minorities, young employees, and middle-income households, and its successful implementation suggests that future EAH programs should also target these segments in order to make the most impact.

Government Recommendations:

After analyzing the financial gains that the government receives from participating in PHBN, we have determined that it is essential to continue to maintain up-to-date information on tax values and that local government would benefit greatly from continuing to participate in the program with UAC. Ensuring that the tax data is accurate allows for more precise measurement of the impact on the government. For example, the tax reassessment in 2013 caused a significant difference in annual tax rate, and could impact other analyses such as the break even analysis. The government should continue, or perhaps increase, its involvement with programs such as PHBN. Most expenditures are repaid almost immediately and revenues from home sales are ensured and there is no negative impact to the government itself.

Conclusion:

While it is clear that the UAC and City of Philadelphia's PHBN program has deep social impact effects in Philadelphia, there is still more to be measured. This paper, due to lack of available data, did not discuss the effects of the program on employers, which is not insignificant. While on one hand, many large companies and organizations create EAH programs on their own, the added partnership between the City of Philadelphia and UAC allows for a more impactful and more customizable EAH program for many types of organizations. In the future, it would be helpful in the program's continued success to create benefit metrics for participating employers. However, for now, the Philadelphia Home Buy Now program has proved to be a sustainable and beneficial model, which should be continued in Philadelphia and emulated in cities across America.

Appendix

Figure 1: Average Tax Revenue Per PHBN Home

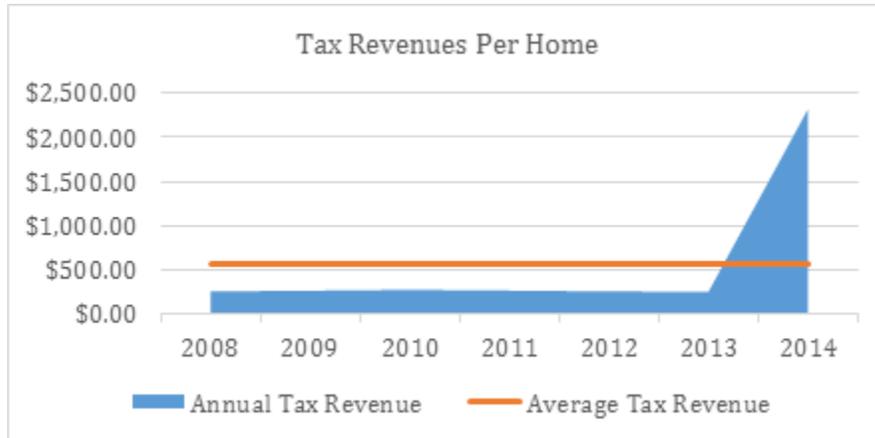
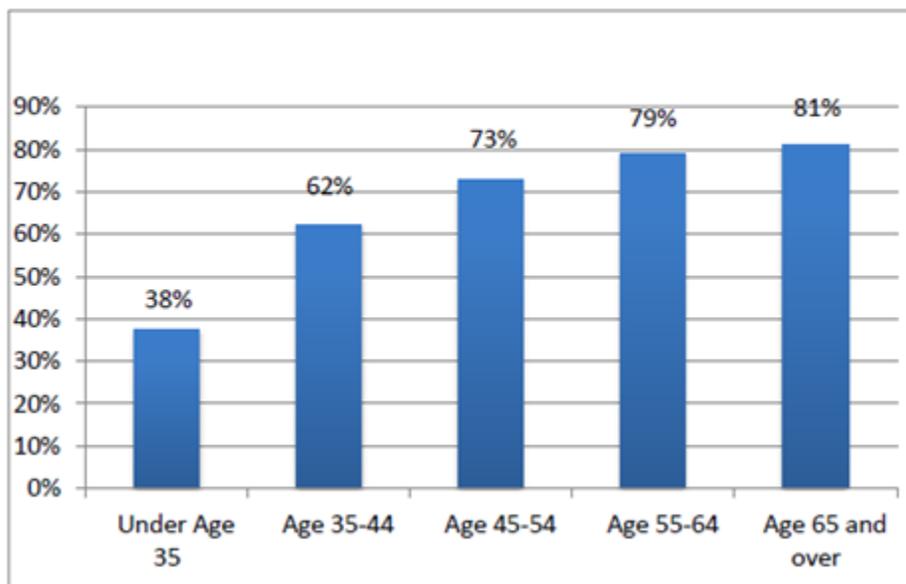


Figure 2: U.S. Home Ownership By Age

Exhibit 4

Homeownership Rate by Age



Source: U.S. Census, Housing Vacancy Survey, 2011]

Figure 3: U.S. Homeownership Rates by Race and Ethnicity

Table 7. Homeownership Rates by Race and Ethnicity of Householder: 2009 to 2013 (in percent)

Year/Quarter	Homeownership Rates ^a				
	United States	Non-Hispanic White alone	Black Alone ^b	All Other Races ^c	Hispanic (of any race)
2013					
Fourth Quarter.....	65.2	73.4	43.2	56.0	45.5
Third Quarter.....	65.3	73.3	43.1	55.2	47.6
Second Quarter...	65.0	73.3	42.9	54.5	45.9
First Quarter.....	65.0	73.4	43.1	54.6	45.3
2012					
Fourth Quarter.....	65.4	73.6	44.5	55.2	45.0
Third Quarter.....	65.5	73.6	44.1	54.6	46.7
Second Quarter...	65.5	73.5	43.8	55.0	46.5
First Quarter.....	65.4	73.5	43.1	55.1	46.3
2011					
Fourth Quarter.....	66.0	73.7	45.1	56.5	46.6
Third Quarter.....	66.3	73.8	45.6	56.4	47.6
Second Quarter...	65.9	73.7	44.2	56.0	46.6
First Quarter.....	66.4	74.1	44.8	56.7	46.8
2010					
Fourth Quarter.....	66.5	74.2	44.8	57.7	46.8
Third Quarter.....	66.9	74.7	45.0	57.3	47.0
Second Quarter...	66.9	74.4	46.2	55.7	47.8
First Quarter.....	67.1	74.5	45.6	57.2	48.5
2009					
Fourth Quarter.....	67.2	74.5	46.0	58.4	48.4
Third Quarter.....	67.6	75.0	46.4	57.8	48.7
Second Quarter....	67.4	74.9	46.5	57.6	48.1
First Quarter.....	67.3	74.7	46.1	57.4	48.6

Figure 4: Gender and Head of House of PHBN Applicants

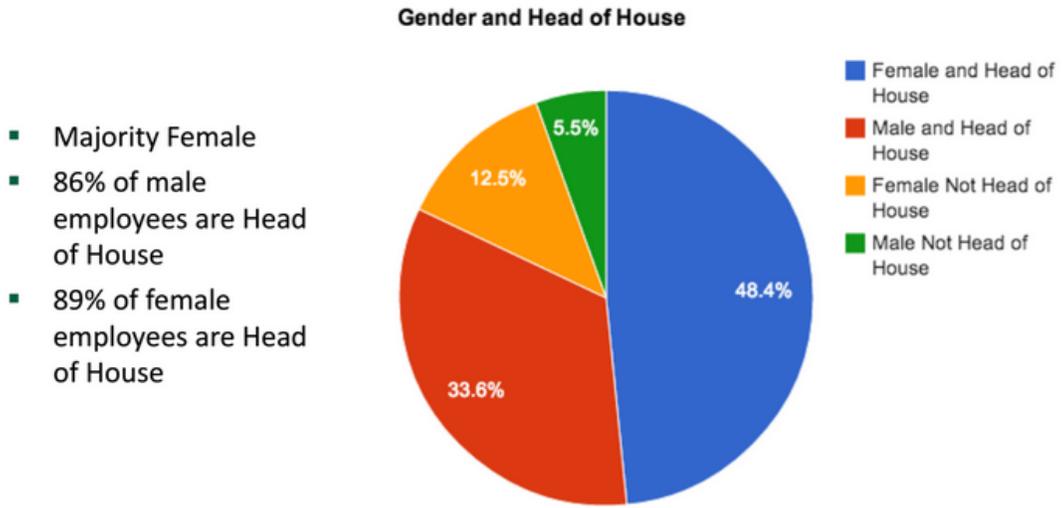
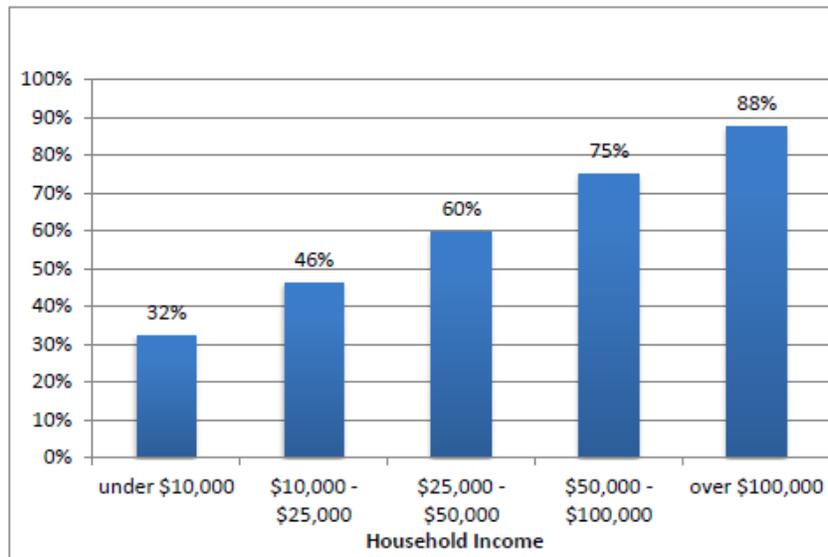


Figure 5: U.S. Homeownership Rate by Income Level



Source: 2010 American Community Survey

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