# The missing actor in workforce housing

For every employee seeking affordable housing, there is an employer wishing the employee finds it – and not knowing how it can be created. Yet what employers can do is enormous, if we show them how to deploy the resources they already have.

Because LIHTC's income ceiling is workforce housing's income floor, trying to fit its financial structuring and resource models into LIHTC paradigms will trap your brain; instead, build up your workforce housing business model from first principles. Who needs workforce housing? What are workforce housing's building blocks? Who has them? How can they be persuaded to invest in them? Then build the business models outward from these.

Workforce housing is atop virtually every blue-city mayor's priority list, because it's desperately needed in today's urbanizing, densifying, verticalizing American cities. Austin, Boston, Salt Lake City, Seattle and more are people magnets because they're hives of innovation that spawn the green sustainable high-added-value jobs craved by every mayor from the big four types of urban employers:

- ***Tech.*** Handheld, autonomous, web, or bio – if it's cutting-edge tech, it's a globally competitive economic engine and everybody wants it.
- ***Hospitals.*** Where the world's aging oligarchs and plutocrats bring their brains, bones and bits for the world's best care.
- ***Universities.*** Where those same people send their offspring to soak up American education.
- ***Government.*** Because complex urban environments present complex challenges of public resources.

In my work around the country, these four groups have consistently been identified as clamoring for workforce housing – and, to my surprise, most clueless about their potential role or resources. Large employers with an expanding workforce they're actively recruiting and anxiously placating have plenty of assets they seldom if ever think to deploy for workforce housing, including:

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- ***Bulk demand.*** Employers have a population of housing consumers who have effective demand (ability and willingness to pay) for ownership, rental, or a hybrid tenure – and the employers have granular knowledge of their family and earnings situation[1].
- ***Payroll deduction at source.*** Aside from administrative convenience, it can drop credit risk to zero, especially if the employer gives a rent-payment guarantee (analogous to Section 8).
- ***Land for development.*** Many of these large employers own land in inventory that is by definition close to the workplace. Not only is it available, the land needn't be bought for cash; it can be leased or bought on a deferred-payment basis.
- ***Tax-exempt status.*** Large nonprofit employers always have potential for payment-in-lieu-of-taxes (PILOT) arrangements of mutual benefit.
- ***Debt capacity.*** Large employers borrow on the corporate balance sheet at rates and terms more attractive than housing finance. And they can convert that capacity into off-balance-sheet financing via an operating or financing leases.
- ***Gap-filling capital capacity.*** For-profit employers sell stock; nonprofit employers raise grants. Both of these can be turned into project capital on a soft-debt basis.

Large employers have the capital resources that pair well with the intellectual and risk-taking resources that affordable housing developers (both for profit and nonprofit) have in spades.

If this sounds outré, consider both employer-assisted housing's history and its recent bottom-up innovation:

[1] Assume all privacy concerns are fully, ethically and reliably satisfied. In fact, they can be.

- *History.* Employer-assisted housing has a distinguished, if largely forgotten, history dating back to the Enlightenment. In Britain, Scotland's 1785 New Lanark, Cadbury's 1878 Bournville and Liverpool's 1888 Port Sunlight were matched with similar American initiatives. Lowell's women's dormitories (1830) were for mill workers; Pullman, IL (1880), Gary, IN (1906), and Oak Ridge, TN (1942) were new towns master-planned and built by large employers to house their workforce in railways, steel and atomic research, respectively.
- *Bottom-up innovation.* Outside the LIHTC echo chamber one can hear a continuing buzz of conversation and innovation on employer-assisted housing. Among the many bottom-up initiatives are programs via the HFAs of Illinois and Pennsylvania, Washington University in St. Louis and the city government of Washington, DC. While most of these are demand-side facilitation, supply-side initiatives should not be far behind.

U.S. employers are a huge under-tapped resource for affordable housing. All it takes is two changes of attitude:

- Stop seeing large employers as passive beneficiaries of your housing development; instead make them your money partner and co-developer. Present the inherent value proposition to these companies in their vocabulary and frame of reference and convert their interest into forward commitments of the resources they have and you need.
- Stop orienting to the federal circus and shift your attention to the states. In particular, envision and propose state tax credits for employers who contribute resources to employer-assisted housing. Adapt the principles of linkage, LIHTC, and New Markets at the state level. You may not initially have the governor on your side, you'll have natural allies in the mayors of the state capital and state's biggest cities. To your state tax credit add a programmatic real estate tax abatement or PILOT scheme and you'll have a proposition that doesn't depend on Uncle Trump. TCA