

Employer-Led Approaches to Housing Challenges

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Danielle Bergner
dbergner@hallrender.com

Compliance | Strategy | Finance | Operations

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A photograph of a modern building's interior, possibly a transit station or office lobby. The space features a high ceiling with a grid of recessed lights and a polished floor. A large, semi-transparent green rectangular overlay is centered on the image, containing the text "What is 'Affordable' Housing?".

What is “Affordable” Housing?

Defining “Affordable” Housing

- **Housing is considered affordable if it costs less than 30% of a household’s income.**
- Housing is no longer a “low-income” problem.
- Federally subsidized housing programs focus on low-income households earning 30% - 60% of an area’s median income.
- **The “Missing Middle”:** In recent years, moderate income households, generally earning 80% - 120% of an area’s median income, have found it increasingly difficult to find affordable housing.
- Many “missing middle” households are essential workers – police, firefighters, teachers, healthcare workers



Bozeman Example

Each year, HUD publishes the Area Median Income for different cities and regions across the country. So, for a household of four people living in Bozeman, earning 100% of the area's median income (\$88,900), housing for that family would be considered "affordable" if it costs them less than \$2,222 per month.

2021 Area Median Income (HUD)

NUMBER OF PERSONS IN HOUSEHOLD	PERCENTAGE AREA MEDIAN INCOME		
	80%	90%	100%
1	\$49,784	\$56,007	\$62,230
2	\$56,896	\$64,008	\$71,120
3	\$64,008	\$72,009	\$80,010
4	\$71,120	\$80,010	\$88,900
5	\$76,810	\$86,411	\$96,012
6	\$82,499	\$92,812	\$103,236
7	\$88,189	\$99,212	\$110,236
8	\$93,878	\$105,613	\$117,348



Why Are Employers Innovating Around Housing? *Because It's Growing Less (Not More) Affordable*

Median Home Price and Household Income, 2000-2020

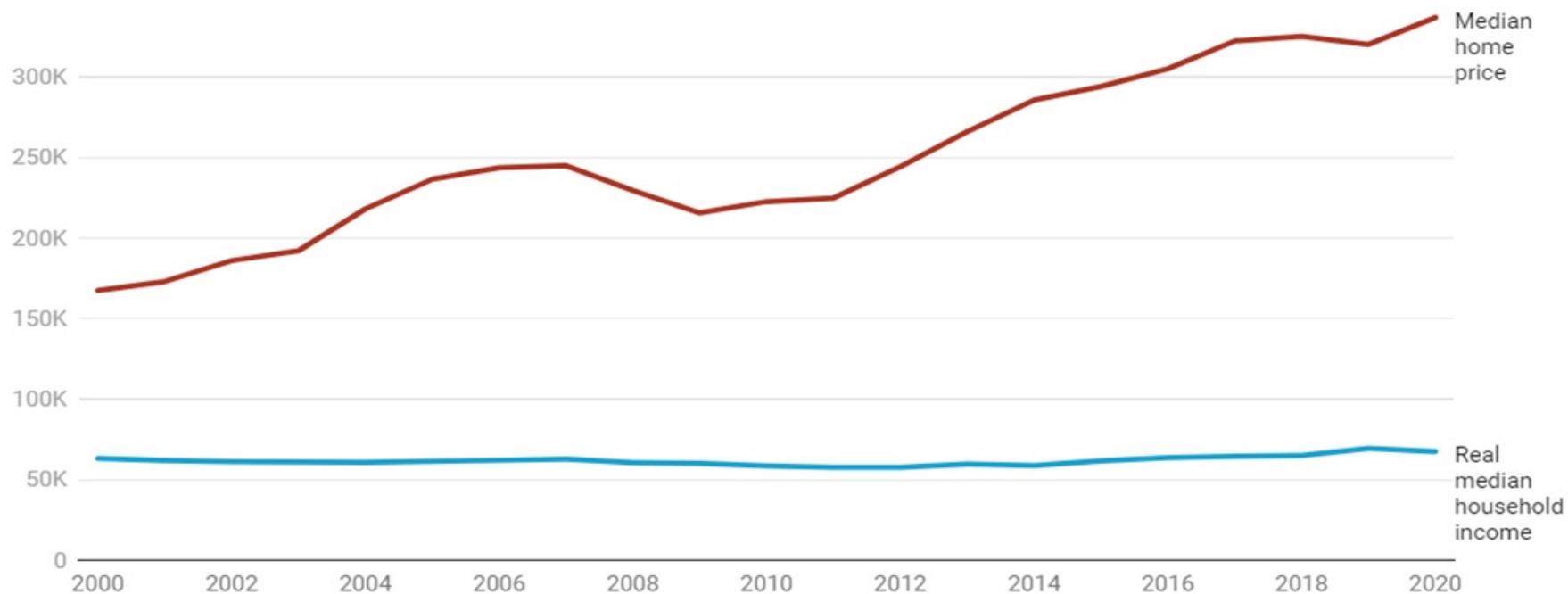


Chart: Governing • Source: [FRED](#) • Created with [Datawrapper](#)



A photograph of a modern office interior with a green semi-transparent overlay. The office features a polished floor, a glass-walled staircase, and a potted plant. The text is centered on the green overlay.

Models for Successful Employer-Led Housing Strategies

Benefit Programs

- **Housing Loans or Down Payment Assistance Programs.** Much like forgivable recruitment loans, employers could provide housing loans or other down payment assistance to employees. Such amounts would need to include interest, and employers could consider whether to require repayment or forgive them based on a work-commitment.
- **Rental Subsidies.** Some employers subsidize housing costs through housing “voucher” programs – but, beware of tax consequences of subsidy programs.
- **401(k) Participant Loans.** If not already in place, an employer could review their retirement plan design, and include a participant loan feature that allows for participants to take a participant loan for purposes of financing a home purchase.
- **Policies.** Important to develop formal policies that address eligibility, repayment and forgiveness terms, education and credit counseling.



Master Lease Model

Basic Mechanics:

- Employer partners with home and apartment owners to “master” lease units, then sublease to employees.

Benefits:

- **Fast** – takes advantage of existing housing inventory
- **Flexible** - Master leasing housing units allows employers to adjust housing availability over time, ensuring to the greatest extent possible that units are available for employees when needed.

Challenges:

- Master lease rents can be higher than what employers can recoup through subleases, requiring financial subsidy.
- Subsidized rents may trigger taxable income issues.
- Requires employer to wear the “landlord” hat.
- Successful program administration often requires contracting with a qualified residential property management firm, which increases overall program cost.



Equity Investment / Development Participation Models

Basic Mechanics:

- Employer partners with a developer to develop for-sale or rental housing. The employer's role could be (1) **equity investment**, (2) **financial project subsidy** (grant), (3) **land donation**, (4) **servicing as an anchor tenant in a mixed-use project**, or some combination.
- In some models, employer receives rental preference for employees.

Benefits:

- **Expands Inventory**
- **Expands Affordability through employer “buy down” of construction costs**
- **Creates “upside” investment potential for employers**

Challenges:

- Long lead times
- Increased Complexity



Community Land Trust Model

Basic Mechanics:

- Employer partners with a Community Land Trust to support the financing and development of affordable housing. CLTs are non-profit entities authorized by law to facilitate the long-term availability of permanent affordable housing. Often accomplished through deed restrictions or the CLT retaining ownership of the underlying land.

Benefits:

- **CLTs are great partners**
- **Long-Term Solution**
- **Low Employer Input over time**

Challenges:

- Long lead times
- Complexity
- Policy considerations



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Thank you!

