Organizing for Housing Benefits

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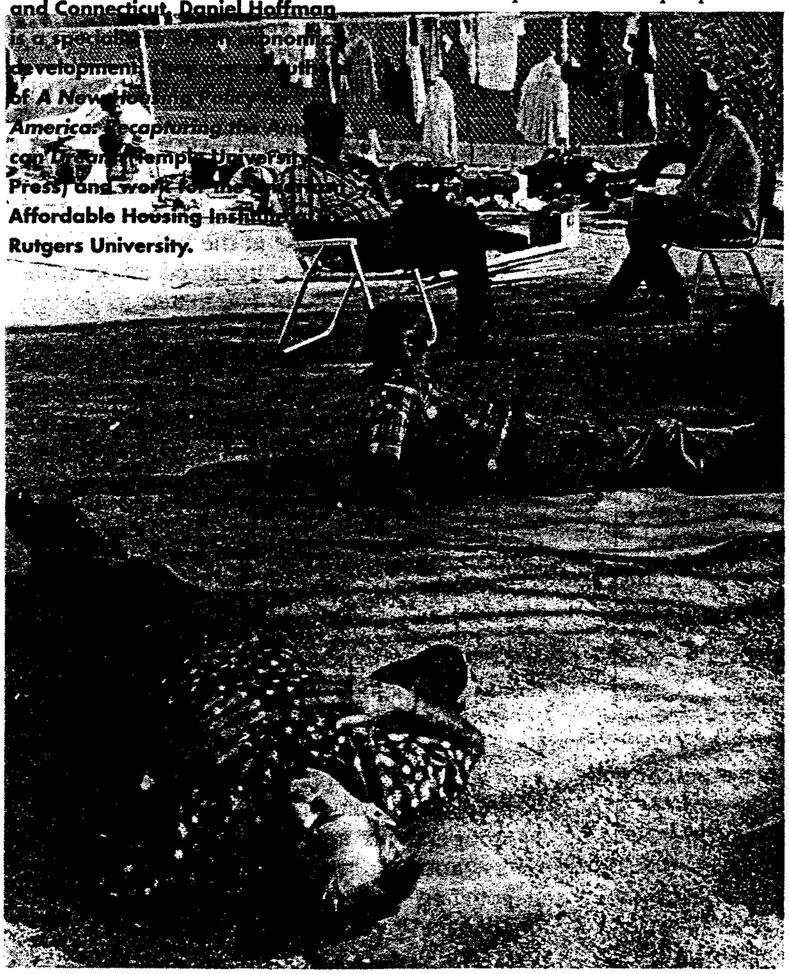
Organized labor is currently faced with a unique opportunity to renew and strengthen its appeal to the American public. America is in the midst of a housing crisis of unprecedented proportions, with a country-wide shortage of homes and apartments affordable to low- or moderate-income workers, and an estimated 350,000 to three million people homeless. Even among people with relatively high-paying jobs, higher housing costs have precipitated a significant decline in real, spendable income. Gains made at the bargaining table are lost to rent and mortgage payments. Labor is in a prime position to reach the "new-collar" working family by arranging to make housing more affordable.



Martha Tabor, Impact Visuals

Labor unions can seize the initiative on housing in four ways:

1) putting some political muscle behind a new omnibus housing bill recently introduced in the Senate by Alan Cranston and Alfonse D'Amato, and in the House by Henry Gonzalez;

2) reaching out to its membership to encourage vigorous support for a new national housing policy;

3) seeking housing assistance as a fringe benefit from employers or as a members-only benefit offered by unions;

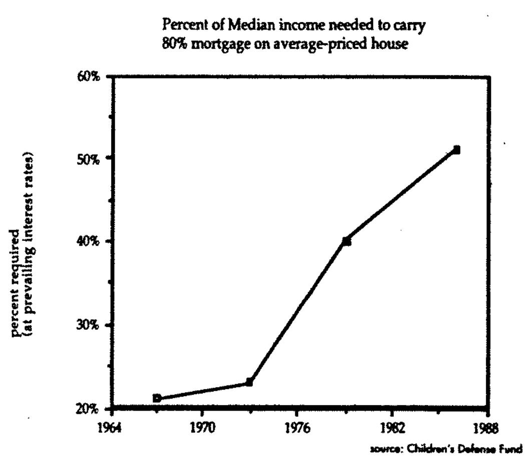
4) pursuing a loosening of restrictions on employees' access to pension funds, allowing workers to use a percentage of those funds to buy a first-time home on a tax-advantaged basis.

Beyond their immediate value to a broad population, these actions would also help renew the appeal of organized labor among many disaffected American workers.

Young Families Hit Harder

Clearly the economic status of young American workers is changing. The fastest growing sectors of our economy are providing low wage service jobs. For those workers, home ownership is nearly impossible, and rents are increasingly unaffordable.

In 1959, a median-priced house cost 16 percent of the median income for 30-year-olds. In



1973 that figure had risen to 21 percent. By 1983 it was up to 44 percent.

Today, according to figures from the National Association of Home Builders, a first-time home-buying family needs an income of \$37,000 to afford an average-priced house. Yet average family income stands at about \$31,000.

The National Governors Association has reported that, from 1976 to 1986, families with annual incomes under \$10,000 experienced a four percent decline in real income and an increase in rental costs from 48 percent of income to 58 percent. It is also increasingly common to find single working mothers living in shelters; and recent studies have shown that substantial numbers of homeless people also hold jobs—25 percent in New York City, and a similar number nationwide, according to the National Coalition for the Homeless.

Especially in regions booming with high-tech growth such as New York, New Jersey, Connecticut, Massachusetts, and much of California, the housing-cost spiral has outpaced even the nation's highest wages. In the New York metropolitan area, between 1982 and 1986 the average of all rental prices *(including* rent-stabilized apartments) increased by 128 percent, while wages rose by only 27 percent.

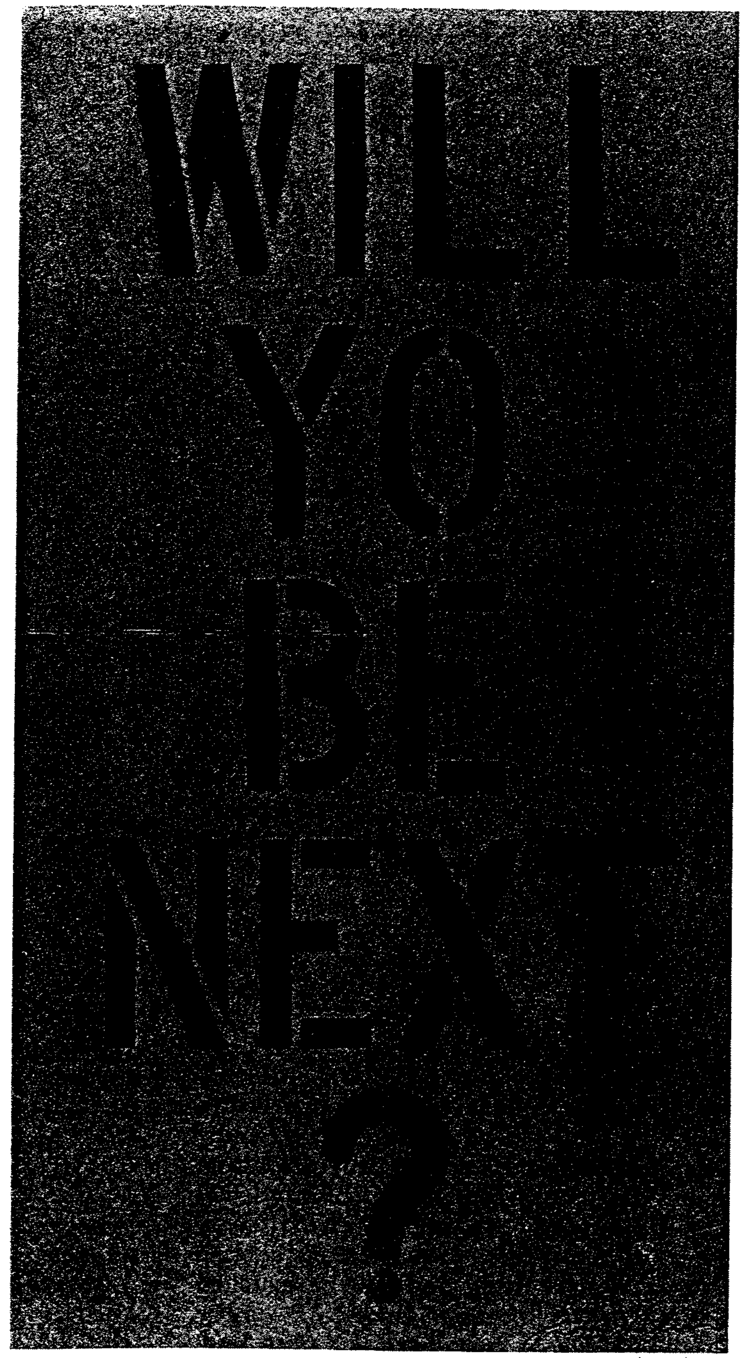
In San Francisco, the Bay Area Council—a business-oriented policy group—reports that 71 percent of the households within the city of San Francisco are unable to rent median-priced units, and 87 percent cannot afford median-priced homes. In Boston, where wages are 28 percent above the national average, the cost to purchase a median-priced home is approximately *double* that in the rest of the nation.

The Role of Labor

With these dramatic changes in working people's economic circumstances, labor should put affordable housing back at the top of its political and social agenda. Organized labor in the US historically has been committed to government policies that built housing for poor and working people. Labor has played the role of catalyst, innovator, and initiator of many of our nation's low- and moderate-income housing programs. The passage of the landmark housing bills of 1937 and 1949 would not have been possible had it not been for labor-led housing coalitions.

In more recent years, however, labor's role in housing programs has been generally limited to a small number of unions putting together financing packages and experimenting with methods for jointly creating jobs and housing.

Some unions realize that they can and must do more to build housing for their members by providing new sources of housing finance, supporting such traditional union housing concepts as cooperatives and mutual housing associations, and exploring new ideas—including negotiating with employers for housing benefits. At the grassroots level, individual unions and the AFL-CIO have developed new responses that, if expanded throughout the labor movement, could substantially improve the housing production system in this country.



Julius Valiunas

Construction and trade unions have led the way in this effort. In Boston, the Bricklayers and Laborers' Union created a demonstration project to show that labor can build housing at affordable prices while at the same time paying union wages. The Bricklayers' first project was a 17-unit townhouse development. The 1,200 foot, two-bedroom units sold for $70,000 in an area where comparable market rate apartments would sell for over $140,000. The Bricklayers have recently completed 48 units in Charlestown, where more than 1,700 families have already applied for housing in the development. In Boston's Mission Hill district, the Bricklayers have recently completed a project with 160 units subject to deed restrictions that guarantee their long-term affordability.

UNION PENSION FUNDS ARE A RICH potential source of capital for low- and moderate-income housing. In the United States, pension fund assets today exceed $1 trillion and will continue to grow rapidly over the next decade. Pension funds used to promote and leverage investment in affordable housing programs could provide retirement plans with an acceptable return and long-term stability.

Strict requirements—properly imposed to ensure high-yield returns and long-term financial stability—have made most pension funds off-limits for investment in new housing construction. But new investment strategies designed by both AFL-CIO unions and state administrators of public employee pension funds offer new opportunities to use this major source of capital for a national housing production program. The New York State AFL-CIO is currently using $20 million in public and private pension fund assets to rehabilitate 350 vacant and abandoned city-owned properties in the Crown Heights neighborhood of Brooklyn. The pension fund investment, in FDIC-insured certificates of deposit issued by local financial institutions, leveraged very favorable rates on construction and rehabilitation loans to the nonprofit church/labor partnership sponsoring the project. Similar investment strategies are now being considered by each of the nine regional AFL-CIO trade union investment foundations.

Another example of the creative use of pension funds is the Yankee MAC program administered by the State of Connecticut. Connecticut public-sector pension funds have over $475 million invested in the program, producing over 7,000 mortgages. Mortgages are targetted to pension fund participants, who also have priority for five and ten percent down payments on mortgages. The Connecticut Teachers' Union, which participates in the program, will receive over 1,000 low-interest loans for its members from a recent offering. To date, five states—Connecticut, Hawaii, North Carolina, Colorado, and Michigan—have created vehicles for the investment of public pensions in a variety of housing programs.

New Collective Bargaining Strategies

Perhaps labor's greatest impact on affordable housing can be made by seeking housing assistance as an employee fringe benefit—as with health insurance, including housing assistance demands as part of collective bargaining packages.

Contrary to popular belief, American businesses are already spending more than $18 billion annually on employer housing assistance, according to the Merrill Lynch national compensation survey. Many firms are compelled to provide this assistance by housing inflation, which has outpaced even the highest regional wage increases. Until quite recently, little housing assistance was offered to non-management employees—those who have the greatest need.

Last fall, Local 26 of Boston's Hotel and Restaurant Workers' Union set a precedent for housing benefits by successfully negotiating to establish the first union housing trust fund in the nation. The three-year contract with nine Boston-area hotels covers 3,000 Local 26 members—who have an average annual salary of about $16,000 in an area where the median-priced home sells for over $175,000. The contract calls for an employer contribution of five cents per hour per worker to a Taft/Hartley Trust Fund jointly administered by union and management representatives. The fund will accumulate nearly $1 million over the life of the contract to be used toward various housing affordability programs, and will be matched with $12 million in pension money.

An employer-supported housing trust fund, similar to the Boston Hotel Workers' recent contract, is only one of a number of housing benefits that employers could offer their employees. Other possible employee housing benefit programs include mortgage guarantee and insurance programs, group mortgage discount plans, mortgage interest rate subsidies, downpayment loans, corporate subsidies for multi-family construction, and joint ventures with community development corporations.

These and other housing assistance programs for non-management personnel already have been instituted by about 50 employers in the nation. They include Colgate Palmolive, the University of Pennsylvania, Mutual Benefit Life Insurance Company, the town of Wilton, Connecticut, and the Tufts Medical Center. Colgate Palmolive has a mortgage closing cost subsidy program offered to all its permanent employees. The program involves a mortgage lender who has agreed to forego one closing point in return for an exclusive marketing agreement. In addition to the lender's discount, Colgate contributes up to one and a half points toward closing costs. The University of Pennsylvania program is worth noting in that it is at the same time useful to low- and moderate-income workers and costless to the employer. The program offers 100 percent mortgage guarantees through a Philadelphia lender. Philadelphia banks are thus able to write participants mortgages without requiring any downpayments, since the mortgage is 100 percent guaranteed. Any permanent employee of the university is eligible for the program, which has operated for over 20 years with only two defaults.

The National Labor Relations Act is unclear about housing benefits; as a result, some corporations doubt whether they legally can offer some bargained-for housing trust funds. Further, under current law, most housing benefits are taxed (whereas, for instance, mortgage guarantees are not). To encourage the inclusion of housing assistance proposals in collective bargaining packages, the federal government should:

- *clarify the uses of a Taft-Hartley Trust Fund to explicitly include housing as a permitted trust activity;*
- *specifically define the ways in which housing programs can be included in fringe benefit plans;*
- *treat all housing benefits as non-taxable—just as health, childcare, and life insurance benefits are treated now;*
- *permit employees to make a one-time withdrawal of funds from their pension plans for the downpayment on a first and primary residence;*
- *create matching federal and state funds for community housing programs to encourage more employers to participate;*
- *clarify the law so that corporations will adopt Employee Homeownership Plans (EHOPs) through the use of Employee Stock Ownership Plans (ESOPs);*
- *encourage state housing agencies to tailor their grant and loan programs to promote*

employer-assisted housing solutions.

AS UNIONS EXPAND THEIR MESSAGE TO ATTRACT NEW members—primarily those traditionally not organized—demands for housing benefits, or the direct provision of housing financing plans by unions, could become a central part of a "union as service provider" theme.

Public employee unions may have special reasons for seeking housing benefits from their employers. Many urban governments have residency requirements for teachers, firefighters, police, and other public employees. As affordable housing becomes increasingly scarce, public employees may have no alternative but to seek innovative solutions to the housing crisis.

The transition from a traditional manufacturing base toward a service economy has had a dramatic effect on housing affordability for the average wage earner—especially in regions where the economy has expanded rapidly. In these areas, lower-paid service workers are faced with fast-paced escalation in rents and home prices. Hospitals and clerical workers, for example, often can no longer support rent or mortgage payments in many regions of the country.

If no action is taken to reverse the current trend, booming economic centers in New England, the California Bay Area, and the New York City Metro region, among others will be unable to meet their need for service-sector labor to maintain expansion.

Recent business surveys indicate that the lack of affordable housing negatively affects the business climate, and could have significant impact on business' plans for future growth. In a stunted labor market, unions as well as business will be at a disadvantage competing against areas with lower housing costs and correspondingly lower wages.

Unions can have common cause with far-sighted business leaders in advocating changes in federal laws promoting expanded housing benefit programs. Employer-assisted housing programs respond to management needs by allowing a work force to live closer to the job site—thus reducing absenteeism, boosting morale, and increasing job stability (thereby decreasing turnover). Moreover, labor can appeal to these management interests in garnering support for a wide array of employer-assisted housing initiatives, including access to pension funds, group mortgage plans, and replacement of redundant benefits with a housing benefit. These innovations can be constructed to be very valuable to an employee while at the same time costing little to management.

WITH THE PRECIPITOUS DECLINE IN HOUSING AFFORDability for low- and moderate-wage workers, combined with the federal government's continued retreat from its historic commitment to affordable housing for the nation, an activist pro-housing agenda would give new vitality and purpose to the US labor movement. In the current housing market, shelter is an immediately pressing issue for the majority of union members: younger workers find accumulating the downpayment necessary to purchase a home almost impossible in today's market; gentrification has shut many people out of the towns they grew up in; and soaring rental costs have put many low-wage workers "one paycheck away" from homelessness.

Unions can use an activist housing agenda to expand their membership among service workers and white-collar "middle-class" employees—two diverse groups traditionally not unionized who would be especially attracted to housing benefits.

Taking the lead in responding to the housing crisis, organized labor will be responding to the changing needs of its current members, identifying the single most important need of unorganized workers, and reestablishing its public role as the organized voice of working people.