

EXHIBIT NO. 1

25
6-26-01

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 16, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *ps*

SUBJECT: CONSIDERATION OF EMPLOYER-ASSISTED HOUSING EFFORTS

ISSUE: Consideration of efforts designed to promote employer-assisted housing in Alexandria.

RECOMMENDATION: That City Council authorize staff to work with the Alexandria Chamber of Commerce, the Alexandria Economic Development Partnership, and the Fannie Mae Northern Virginia Partnership Office to develop and implement a program of employer-assisted housing efforts as described in Attachment I, including the establishment of an Employer-Assisted Housing Loan Program. This recommendation has been endorsed by the Affordable Housing Advisory Committee.

DISCUSSION: At the City Council Retreat in October 2000, Council directed staff to work with the Affordable Housing Advisory Committee to develop recommendations on employer-assisted housing for Council consideration. "Employer-assisted housing," or EAH, refers to a variety of ways in which an employer can provide a housing benefit to its employees. Employers set their own guidelines for EAH benefits, while states and localities often have more restrictive requirements (e.g., income limits and/or geographic targeting) for the use of public monies in conjunction with EAH benefits. Among the benefits of EAH programs are making it possible for employers to live in the jurisdiction where they work, thus minimizing commuting time and reducing traffic congestion. Attachment II describes the benefits of employer-assisted housing to employers (including employee recruitment and retention), and describes a number of ways in which employers can provide housing assistance.

The Employer-Assisted Housing Partnership described in Attachment I was developed by a working group composed of staff and representatives from the Affordable Housing Advisory Committee, the Alexandria Chamber of Commerce, the Alexandria Economic Development Partnership, and Fannie Mae. As described in the attachment, the key components of the partnership are as follows:

- an awareness and education campaign;
- technical assistance, relying heavily on the resources of Fannie Mae, to help individual employers design the most appropriate EAH program to meet their needs; and
- targeted loan program assistance from the City, as described below.

If this recommendation is approved, staff will work with the Chamber and AEDP to identify a small number of businesses of varying sizes to begin the development of individually-tailored EAH programs. Depending on the progress of these efforts, staff plans to highlight these businesses at a kickoff event envisioned for the fall, for the purpose of demonstrating that there are Alexandria businesses similar to many of those expected to be in attendance that have found EAH benefits to be consistent with their business goals. Should these pilot efforts not be ready for announcement at the time of the kickoff event, a similar purpose can be served by bringing in businesses that are participating in EAH programs in other jurisdictions. Fannie Mae will identify businesses similar to Alexandria businesses based on characteristics supplied by the City, the Chamber and AEDP.

In addition to participating in promotional efforts, and working with Fannie Mae to provide technical assistance, Attachment I calls for the City to take additional steps to foster the success of this program. First, it is envisioned that eligible employees may combine EAH benefits with the City's homeownership programs. In both the Homeownership Assistance Program (HAP) and Moderate Income Homeownership Program (MIHP), the City provides only the amount necessary, within each program's maximum limit (\$25,000 and \$15,000, respectively), to close the gap between the total transaction cost (including closing costs) and the combination of the first trust loan (which must be the maximum the lender will approve) and the buyer's contribution (a minimum of \$2,000 or \$3,000, respectively). In order for the employer's contribution (if in the form of a loan) to do more than simply supplant a portion of the City's assistance, staff would allow the EAH benefit to cover up to half of the borrower's required minimum contribution.

Second, staff recommends the establishment of a new match funding Employer-assisted Homeownership Program for employees who do not meet the first time homebuyer or length of residence/employment requirements of the City's existing homeownership programs¹. Under the recommended new program, the City of Alexandria would provide, for every \$2 in financial assistance provided by Alexandria employers to eligible employees, \$1 in City monies from the Housing Trust Fund as a deferred repayable loan, up to a maximum of \$1500 in City monies per purchaser. Eligible employees must have incomes within the VHDA income limits (currently \$79,500 for a family of three or more). The homes must be located in Alexandria and have a sales price not exceeding the maximum for the City's other homeownership programs (currently \$225,000). The Affordable Housing Advisory Committee supports the use of Housing Trust Fund monies for this purpose. A budget allocation for this program will be recommended later this year after staff has had additional time to consult with various employers of the possible interest in this program and the target number of individuals to be assisted.

Third, staff recommends that the City's homeownership counseling agency be made available to employers in support of employer-sponsored homebuyer education efforts.

FISCAL IMPACT: Funding for the City's contributions to Employer-Assisted Homeownership Programs as proposed in this report would be allocated from the Housing Trust Fund. Staff will return to Council with a recommended budget allocation at a later date, following more detailed

¹The City's existing homeownership assistance programs require that an individual be a first-time homebuyer and require that the individual has been a City resident or employed in the City for a minimum of six months.

discussions with interested employers regarding the potential interest in such programs.

STAFF:

Mildrilyn Stephens Davis, Director, Office of Housing

ATTACHMENTS:

- I. Employer-Assisted Housing Partnership
- II. Fannie Mae Employer-Assisted Housing Publication

CITY OF ALEXANDRIA

EMPLOYER-ASSISTED HOUSING PARTNERSHIP

GOALS

- Create a partnership between City of Alexandria, the Alexandria Chamber of Commerce ("the Chamber"), the Alexandria Economic Development Partnership ("AEDP"), and Fannie Mae to make homeownership more affordable for the employees of Alexandria businesses.
- Encourage the use of Employer-Assisted Housing (EAH) to help Alexandria businesses achieve important business strategies such as recruitment, retention and community goals.
- Target efforts to help achieve city objectives such as promoting economic diversity, retaining Alexandria residents, reducing traffic congestion, and enhancing municipal employee recruitment and retention.
- Promote and increase utilization of existing City of Alexandria housing programs.

THE PARTNERSHIP

The City of Alexandria, the Chamber, and AEDP, with technical assistance from Fannie Mae, will enter into a partnership to facilitate the creation and utilization of EAH benefit programs among Alexandria Employers.

The key components of the Partnership are:

An Awareness and Education Campaign. This effort is designed to bring Alexandria businesses up-to-speed on EAH and to help them evaluate the right EAH to achieve their individual business needs. The kick-off event will be a City, Chamber, and AEDP co-sponsored breakfast introducing EAH to the business community. Follow-up meetings with interested employers and a possible half-day training session will be held. Fannie Mae will provide technical assistance and EAH materials for all the events.

EAH Technical Assistance. Fannie Mae and the City of Alexandria will provide technical assistance to employers to help them design the best EAH for them. This will include an evaluation of the typical EAH benefit choices -- grants, loans (deferred, repayable or forgivable), matched savings, shared appreciation, and home buyer education – and other EAH refinements, such as borrower and property eligibility criteria. Fannie Mae will provide a free Employer Manual, consisting of EAH documents and templates, and EAH posters to each employer choosing to offer an EAH benefit.

Targeted Alexandria EAH Loan Programs. To further facilitate EAH among Alexandria employers, the Office of Housing programs will:

- Allow an EAH benefit to cover up to half of the borrower down payment required for the Homeownership Assistance and Moderate Income Homeownership Programs (HAP and MIHP).
- Offer a new match funding Employer-assisted Homeownership Program for employees who do not meet the first time homebuyer or length of residence/employment requirements of the City's existing homeownership programs. Under this program, the City of Alexandria would provide, for every \$2 in financial assistance provided by Alexandria employers to eligible employees, \$1 in City monies as a deferred repayable loan, up to a maximum of \$1500 in City monies per purchaser. Eligible employees must have incomes within the VHDA income limits. The homes must be located in Alexandria and have a sales price not exceeding the maximum for the City's other homeownership programs (currently \$225,000).
- Provide options for employers to use the Alexandria Homeownership Counseling program in support of a Home Buyer Education EAH such as:
 - Home Buyer Education informational seminars at employer locations;
 - For larger employers or groups of employers in central locations, Home Buyer Education seminars at the employer's offices or at the central location;
 - Special Home Buyer Education off-site seminars for employees of employers participating in the Partnership.

EVENT AND COMMUNICATION OPPORTUNITIES

Working with the Alexandria Chamber of Commerce, the Alexandria Economic Development Partnership and the City of Alexandria, Fannie Mae would coordinate an extensive public outreach effort including a major news announcement event and press kit materials. The press conference, to be held in the fall, would create an opportunity for participation by business leaders and public officials, including congressional representatives. Fannie Mae's media relations operations would use the joint announcement as a means to pitch an "employee homeownership benefits" story to national and regional news outlets.

Employer-Assisted Housing

*Improving the Bottom
Line and Unlocking Doors
to Homeownership for
your Employees*

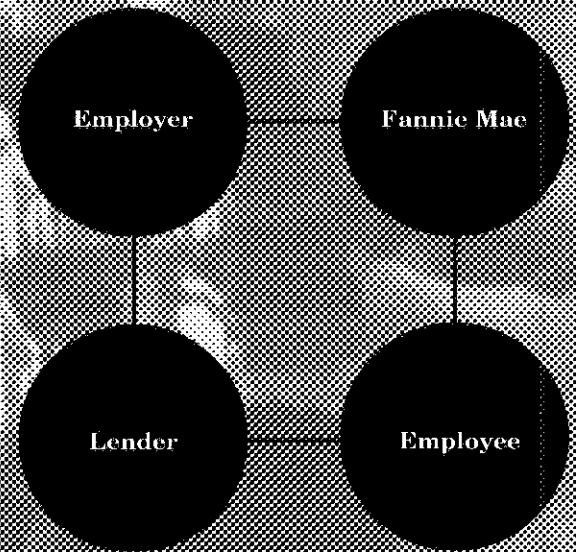


Opening doors to homeownership for your employees

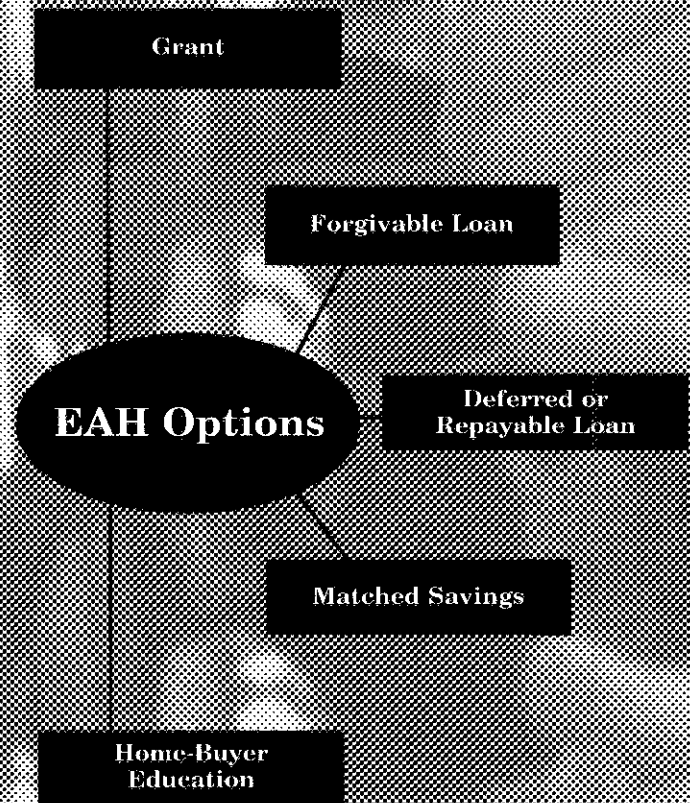
As employers search for ways to compete and succeed in today's dynamic marketplace, Employer-Assisted Housing (EAH) is a benefit many are considering. EAH plans are gaining in popularity because they make a company or employer stand out from the crowd, enhance recruitment efforts, and can have a positive impact on the bottom line. With an EAH plan, employers can realize a financial gain for their company as they help their employees achieve the dream of homeownership. EAH benefits are simple to administer, low in cost to offer, and can help you recruit and retain valuable employees, thus creating a positive impact on your company's bottom line.

At Fannie Mae the home is our business. As the nation's largest provider of home mortgage funds, we are working with companies throughout the country to create customized EAH benefit plans for employers who want to offer cutting-edge benefits that will make them stand out from the crowd.

EAH plans are a four-way partnership



Creating an EAH plan requires four key participants—your company, Fannie Mae, an employee and a mortgage lender



Employer response to EAH is very positive



**George Hofmann,
of Nevada State Bank,
congratulates employee
Rob Nadeau on his
EAH loan.**

“EAH pays for itself several times over, through savings in recruitment, retention, company recognition, and higher productivity from employees who are happier in their jobs. The response from employees has been really positive. They were extremely pleased that we would do this for them. We’re a billion dollar bank with more than 40 branches and 650 full-time employees. To succeed, it is critical that we have a trained and stable work force that feels very much a part of the Nevada State Bank family. EAH is helping us accomplish that.”

*George Hofmann
President & CEO
Nevada State Bank*

Why EAH?

- Recruitment—sets your company apart
- Retention—motivates employees to stay
- Recognition—enhances company’s reputation
- Revitalization—can encourage homeownership near company
- Return—can strengthen your financial statement

How Does EAH Work?

Each EAH plan involves a four-way partnership among an employer, Fannie Mae, an employee, and a lender.

The employer offers the housing benefit, often in the form of a forgivable, deferred, or repayable second loan, a grant, a matched savings plan, or home-buyer education that helps the employee achieve homeownership. The employee, who is the potential home buyer, participates by applying for the benefit, meeting the criteria set by the employer to receive the benefit, and fulfilling the necessary qualifications to become a home buyer. The lender provides the first mortgage underwriting and origination, and manages the relationship with the employee. Fannie Mae works with the employer, helping them create an EAH plan and identify lenders and other partners.

How Do The EAH Options Work?

Employees who receive an EAH benefit will generally get help with at least one of the three primary obstacles to homeownership:

- down payment
- closing costs
- information about completing the home-buying process

Fannie Mae started its own EAH in 1991, offering a forgivable loan to eligible employees. Since then, more than 1,300 employees have participated in the program. Fannie Mae’s EAH requires employees to work 91 days to become eligible and to remain with the company for an additional five years to receive the full forgiveness of their EAH loan. Fannie Mae also helps businesses across the country develop their own customized EAH plans.

What are some of the EAH options?

There are several standard EAH options. Employers generally provide funds to the employee, which are often used for a portion of the down payment, closing costs, or a permanent interest buydown on the employee's first mortgage. Some standard options include:

Grant

This is a one-time engagement for the employer. The employer may require the grant to be repaid if the employee leaves the company before a specified period of employment.

Forgivable Loan

The employer makes a second loan to the employee at the same time as the first mortgage loan is originated. The lender on the first mortgage loan can facilitate the making of the employer loan. Some or all of the principal is forgiven at a specified rate over a specified period of employment.

Deferred or repayable loan

A deferred or repayable loan functions the same as a forgivable loan, except that there is a repayment feature, either immediately or at a specified time in the future.

Matched Savings

The employer is matching on an incremental basis, savings by an employee. There are several ways an employer can choose to do this, including:

- accrual on the company's books of the obligation to provide a grant at closing;
- cash deposits (dedicated for home purchase) into an employee's account.

Home-Buyer Education

The employer provides material or works with a counseling agency or lender to provide information to employees about buying a home. The employer can provide on-site facilities, or allow paid leave time. Counseling precedes loan closing. Home-buyer education is a benefit that can help an employer learn how to improve his or her credit and help them better understand the home-buying process.

Here's what people say are the major obstacles to homeownership.

Money for a down payment and closing costs

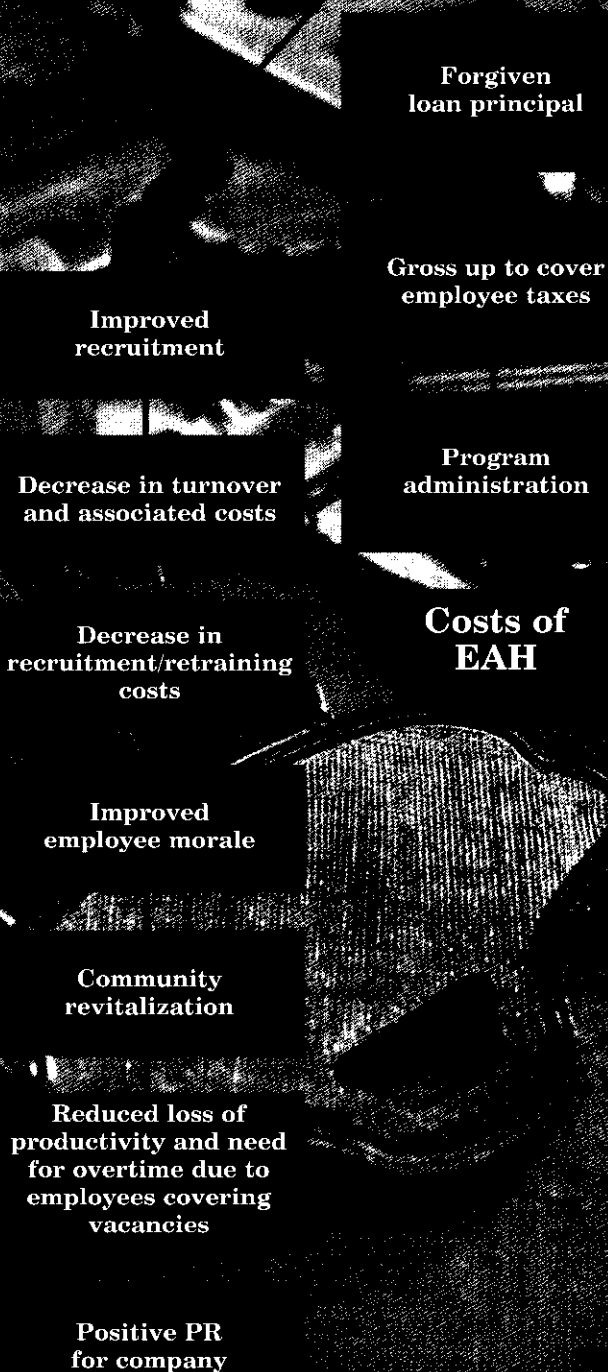
Finding a home that is affordable, likable

Having a good enough credit rating to get a mortgage

Confusion about the home buying process and how to get started

Source: 1998 Fannie Mae National Housing Survey

EAH benefits outweigh costs



How do EAH plans address business needs?

An EAH plan can reduce recruitment, turnover, and training costs for employers. It can help improve employee morale and create a positive work atmosphere that leads to greater worker productivity. Employers who have employees "on call" have found that because EAH allows employees to live closer to work, response times are shortened. Over time, the EAH plan will more than pay for itself, from the savings realized from improved employee retention.

Exactly how do EAH plans pay for themselves?

The costs of providing and administering EAH plans, from the least to the most expensive version, are minimized or offset by the savings accrued from reductions in turnover, recruitment/relocation and training budgets, and from higher productivity and morale. For example, a reduction in the turnover rate by even one percentage point for a typical company with 5,000 employees can save the cost of hiring and training 50 new employees.

Fannie Mae has developed a software program to help you calculate the potential savings your company could realize from instituting an EAH program. A representative from your regional or partnership office (listed at the end of this brochure) can assist you in determining how much your company can benefit.

How much does it actually cost to offer and administer an EAH plan once it is established?

Administration costs of EAH plans differ according to the specifics of the plan. For an average company of 4,000 employees, plan administration for a forgivable loan requires one-half of one employee's time. The actual cost to the company to offer the plan will depend upon the option chosen.

What are the benefits of EAH?

EAH creates a win/win/win situation among employees, employers and the community. EAH plans allow employers to achieve their business objectives and create bottom-line savings, while promoting goodwill among employees and in surrounding communities.

For Employers:

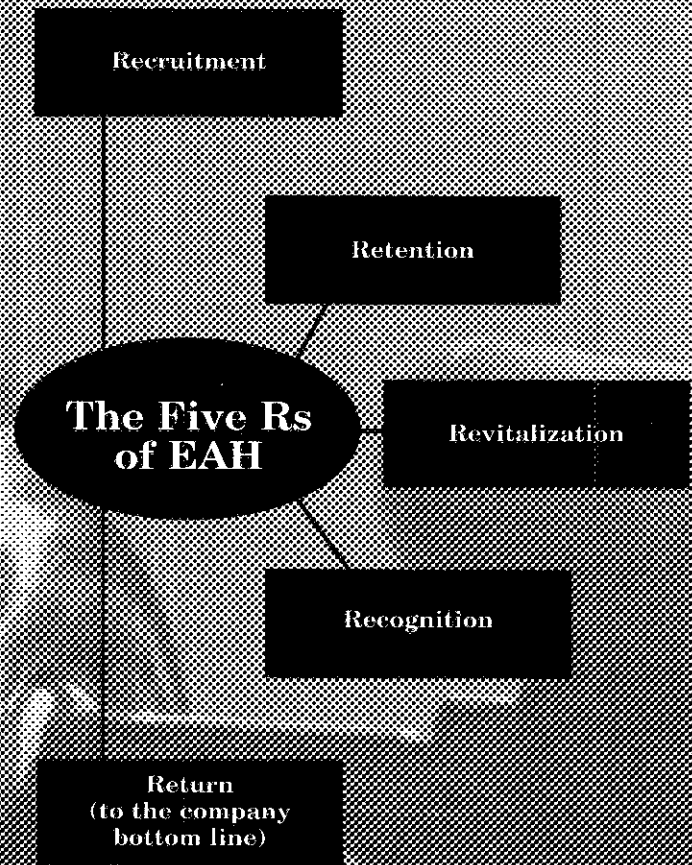
- Highly effective recruitment tool
- Reduction of training and hiring costs
- Greater employee retention and loyalty
- Highly cost-effective employee benefit
- Enhanced reputation as “family-friendly” employer
- Improved employee morale
- Creation of employer goodwill in the community
- Community revitalization

For Employees:

- Realization of dream of homeownership
- Enhanced life style associated with homeownership, such as greater community and school involvement and quality of life
- Increased job satisfaction and loyalty to employer
- Possibility of reducing commuting time

For Communities:

- Increase in tax base due to rise in homeownership
- Increase in business for realtors and local businesses
- Greater community involvement due to increased homeownership
- Community revitalization tool
- Increased stability in neighborhood



Investing in the American Dream



**Thomas H. Cranshaw
Senior Vice President,
Strategic Planning
Health Midwest**

“Health Midwest’s EAH plan brings our employees one step closer to the American dream of homeownership. EAH not only gives our employees more choices in the home buying process, it gives them a chance to plant a permanent stake in the community through homeownership. And it will help

us revitalize the East Meyer neighborhood, making the community a better, safer place to live.”

Do I have to work with a particular mortgage lender to offer an EAH plan to my employees?
Fannie Mae can provide you with a list of preferred lenders who are familiar with lending using the innovation of an EAH plan. Not all lenders provide this kind of lending.

The employees who work for my company are in a low income bracket. Can they still afford to own a home?

Fannie Mae offers a wide variety of mortgage products to meet the needs of many types of borrowers. For example, Fannie Mae’s Community Lending Products help low-income borrowers qualify for a mortgage because they require less income to qualify and provide flexible terms that accommodate for a borrower’s lack of traditional credit. Working with a preferred mortgage lender and Fannie Mae, an employer can create an EAH plan that takes advantage of these flexible terms and combines them with other types of homeownership assistance available from the lenders through subsidized mortgage programs or the lender’s own affordable efforts.

Is this a benefit employees want?

National surveys indicate that a majority of Americans feel that homeownership is a valuable social and financial investment and a key life objective. A recent Fannie Mae National Housing Survey found that more than two-thirds of Americans think homeownership makes a tangible difference in their lives, so much so that they are willing to make sacrifices in order to achieve their dream. EAH is a customized benefit option that addresses the key obstacles of purchasing a home: down payment and closing costs, and obtaining information about the home-buying process.

Are there ways to offer meaningful homeownership assistance without increasing the cost of employee benefit packages?

Fannie Mae can facilitate the availability of home-buyer education, which can be offered as a choice within any EAH plan. Home-buyer education can help a potential borrower navigate the complicated mortgage application process.

What about the tax issues involved in an EAH plan?

You will need to take into account several tax issues associated with housing benefit plans. Typically, housing benefits are taxable to the employee and result in a commensurate tax reduction for the employer. Specific treatment will vary with the employer's location and type of business, as well as the specifics of the EAH plan.

How can Fannie Mae help me get started?

Employees in Fannie Mae's partnership or regional offices can help build the bridge from your company's business needs to an EAH plan design. If your company and Fannie Mae create an EAH partnership, Fannie Mae can:

- provide technical assistance/customer service from regional and partnership offices;
- identify lender partners; and
- provide marketing/public relations support.

For more information

For further information on EAH, or to set up a meeting about EAH, call the Fannie Mae Regional or Partnership Office closest to you.

Phone numbers and the states that each regional office serves are listed below.

Southeastern Regional Office (404) 398-6000
950 East Paces Ferry Road
Suite 1900
Atlanta, GA 30326-1161

Serves: Alabama, District of Columbia, Florida, Georgia, Kentucky, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

Midwestern Regional Office (312) 368-6200
One South Wacker Drive
Suite 1300
Chicago, IL 60606-4667

Serves: Illinois, Indiana, Iowa, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

Southwestern Regional Office (972) 773-HOME
Two Galleria Tower
13455 Noel Road
Suite 600
Dallas, TX 75240-5003

Serves: Arizona, Arkansas, Colorado, Kansas, Louisiana, Missouri, New Mexico, Oklahoma, Texas, and Utah.

Western Regional Office (626) 396-5100
135 North Los Robles Avenue
Suite 300
Pasadena, CA 91101-1707

Serves: Alaska, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Washington, and Wyoming.

Northeastern Regional Office (215) 575-1400
1900 Market Street
Suite 800
Philadelphia, PA 19103

Serves: Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, and Virgin Islands.

Fannie Mae has Partnership offices in the following 46 locations:

Alabama Partnership Office	(205) 297-3631
Atlanta Partnership Office	(404) 525-3225
Baltimore Partnership Office	(410) 659-4940
Bay Area Partnership Office	(415) 277-3360
Border Region Partnership Office	(210) 299-1075
Chicago Partnership Office	(312) 368-8815
Colorado Partnership Office	(303) 675-0006
Central & South Ohio Partnership Office	(614) 224-5386
Connecticut Partnership Office	(860) 278-3937
Houston Partnership Office	(713) 652-0410
Indiana Partnership Office	(317) 639-7915
Iowa Partnership Office	(515) 244-9871
Kansas City Partnership Office	(816) 960-2064
Los Angeles Partnership Office	(213) 580-0160
Massachusetts Partnership Office	(617) 426-1001
Michigan Partnership Office	(313) 961-5582
Minnesota Partnership Office	(651) 298-9356
Mississippi Partnership Office	(601) 968-9950
Montana Partnership Office	(406) 449-7490
Nebraska Partnership Office	(402) 477-2300
Nevada Partnership Office	(702) 765-7600
New Jersey Partnership Office	(973) 848-2300
New Mexico Partnership Office	(505) 247-9040
New Orleans Partnership Office	(504) 525-8800
New York Partnership Office	(917) 322-8960
North Carolina Partnership Office	(704) 335-8101
North Dakota Partnership Office	(701) 530-2560
Northern New England Partnership Office	(603) 524-4317
Northern Ohio Partnership Office	(216) 687-9797
Oklahoma Partnership Office	(405) 552-8310
Oregon/Idaho Partnership Office	(503) 224-1354
Orlando Partnership Office	(407) 481-8323
Phoenix Partnership Office	(602) 744-6840
Pittsburgh Partnership Office	(412) 288-3560
Puget Sound Partnership Office	(206) 292-8333
San Antonio Partnership Office	(210) 299-1075
South Carolina Partnership Office	(803) 212-1057
South Dakota Partnership Office	(605) 782-2540
South Florida Partnership Office	(305) 577-9940
St. Louis Partnership Office	(314) 421-6444
Tennessee Partnership Office	(615) 252-4160
Utah Partnership Office	(801) 715-6860
Washington, DC Partnership Office	(202) 752-2021
Western and Central New York	(716) 858-4220
Wisconsin Partnership Office	(414) 274-3151
Wyoming Partnership Office	(307) 432-5501